



BUSINESS

October 2020/Edition 1

LANDSCAPE

Summary Report

Agriculture Sector in Iraq

Article

E-commerce and E-payment in Iraq

Interview with

**Mohammed
Al-Hakim**

Careem's Iraq and Jordan
General Manager

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

Writers/Interviewers:
Safwa Salim
Shams Alattar

Proofreader:
Hanguin Ramadani

This work is a product of:

K.\PIT.

Contact us at
info@kapita.iq

30.

Christine van
den Toorn

**Preparing
Iraq's Youth
to Fuel the
Private Sector**

04.

Mujahed Waisi

**Introduction to
Business Landscape
Magazine**

47.

Report Summary

**Industrial Sector
in Iraq**

38.

Report Summary

**Agriculture Sector
in Iraq**

Interviews

55.

**Mohammed
Al-Hakim**

Careem's Iraq and Jordan
General Manager

63.

Dhuha A. Alatta

Director General of the Payments
Department in the Central Bank of
Iraq (CBI)

71.

**Mohammed
Khudairi**

Iraqi Businessman and Investor

38



47



34.

Esq. Muqdad Sami Alwan
Al Juboori

**The Legal Issues
Associated with
Investment**

22.

KAPITA/Research

**E-commerce
and E-payment
in Iraq**

06.

Ali Al-Suhail

**Overview of the
Fundraising
Landscape in Iraq**

19.

Mohammed Jamal

**Iraqi Startups'
Ecosystem:
The Shift
from Non-
Profit Mindset
to Business
Mindset**

11.

Aysegul Ozge Ozgur/RB

**The Upward
Trend in the
Iraq Stock
Exchange**



News

**KAPITA Launched the
First Iraqi Dedicated
Angel Network**

Introduction

Welcome to Business LANDSCAPE!

It is our absolute pleasure to release our first issue of Business LANDSCAPE, a quarterly published magazine that covers a wide range of topics regarding the private sector of Iraq.

In our first issue, you will read about the Fundraising landscape in Iraq, get updates on the Iraqi stock market, and discover the launch of the first Iraq dedicated Angel network. Also, you will learn more about the Iraqi startups' Ecosystem and Iraqi youth's mindset shift, gain a better understanding of the current situation of E-commerce and E-payment in Iraq, and be mindful of the need to fill youth's skill gap to participate in the private sector.

We are delighted to present interviews with key players in the Iraqi private sector to our readers. We discussed with Mohammed Al-Hakim, Careem's general manager in Iraq and Jordan, the experience of Careem in the Iraqi market, its growth and challenges, and his views on the startups' ecosystem and its future.

He also expressed that Careem strives to fulfill its social responsibility and is willing to share their experience with the Iraqi startups and help them reach beyond their potential to make a difference in the private sector in particular, the economy and the society in general.

Duha A. Alatta, the director general of the payments department in the Central Bank of Iraq, highlighted CBI's progress towards digitizing banks in Iraq and developing the E-payment methods. She is optimistic about their future projects to make a leap in the Iraqi banking sector and the readiness of the Iraqi market to adapt.



Mujahed Waisi

Founding Director, KAPITA

Our final interview was with the Iraqi Businessman and investor, Mohammed Khudairi, who lived most of his life abroad and is currently investing and working in the Iraqi market. He gave us a glimpse into his life, career, and the potential of the Iraqi market and startups.

Business LANDSCAPE covers overviews of different sectors in Iraq, this issue introduces two reports, Agriculture sector overview and Industrial sector overview. These reports present an overview of what each sector has been through in the past years, discussing the main challenges, and listing current programs or projects that contribute to the development of the sectors.

In our next issues, we will continue to cover more essential sectors, their importance and potential in shifting the Iraqi economy towards sustainability and diversification. We will also navigate our way through the Iraqi entrepreneurship scene and the investments being made to unlock the opportunities for startups. We strive to present all that is of interest to the Iraqi private sector, the challenges, the survival toolkit, the success stories, and the milestones.

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





Ali Al-Suhail

Overview of the Fundraising Landscape in Iraq

The fundraising environment is evolving and creating an exciting realm for startups in Iraq. Over the past year we have witnessed few prominent activities that have been pushing the development wheel forward in this field.

For example, Lezzoo's huge announcement of securing a seven figure investment round and acquiring Erbil Delivery; a grocery and specialty stores delivery application. Also, Iraq Tech Ventures, a venture capital, led a six-figure investment round into Alsaree3 (Food Delivery) and Zajil (On-Demand Courier And E-Logistics). Such activities have been increasingly validating the potential of the Iraqi market.

Here are some key takeaways from what we have been seeing so far:

- **Investments are geared towards B2C startup models in the e-commerce and last-mile delivery spaces.**
- **Most investors are diaspora Iraqi businessmen or foreign investors with established operations in Iraq.**
- **The targeted startups tend to be at their Series A stage, i.e. startups with a validated product/market fit, well-established tech and clear business model.**

The last point is expected as a result of the risk and volatility that is very much perceivable in the Iraqi market. Therefore, investors seek to fund businesses that are well-established with valid business models.

Additionally, we are seeing increased support for companies at the ideation and concept validation stage. IOM announced a grant program for Iraqi startups through its Enterprise Development Fund-Innovation, Orange Corners Baghdad has accepted its second cohort, and AUIS announced the Takween accelerator.

All of these programs are funded by donors and multilateral organizations. Those programs will serve as a great pipeline for innovative startups that are trying to address the many problems existing in the Iraqi market.

Furthermore, we have observed that investors' appetite for Series A startups and development organizations' support for Pre-seed startups have created a funding gap for companies at the Seed Stage.

“

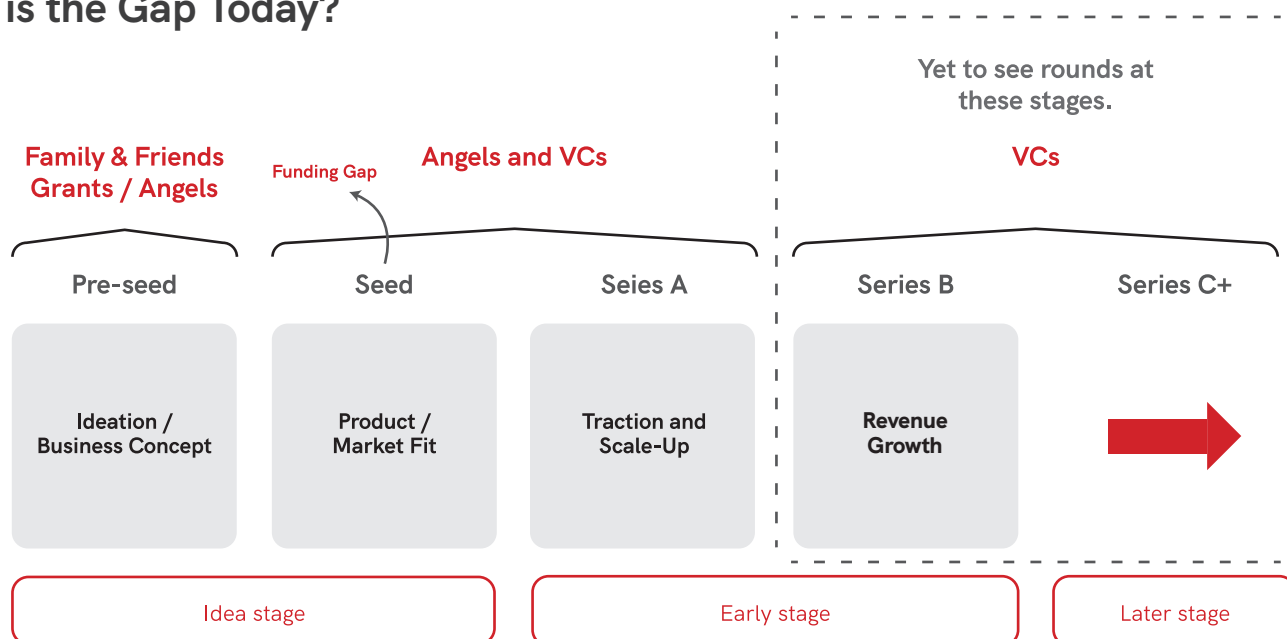
Fundraising is a difficult task in any part of the world, but it is especially daunting in Iraq given the dynamics and the volatility of the market.

”

We see many strong founders with exciting ideas fail to build a robust business base due to the ambiguity around funding. Hence founders with no clear path to funding options resort to cheap technology infrastructures and rely on freelancers within key functions of the business to operate. The end result is a shaky operating model built on a weak foundation that breaks apart as soon as it starts to scale.

To address this gap, we have recently launched the first Iraqi Angel Investors Network (IAIN) to facilitate access to finance. IAIN will help all companies and most importantly give special attention to businesses currently operating at the seed stage. We believe that the seed stage marks a favorable entry point for local and foreign investors who are looking to get an exposure to the growing startup scene in Iraq, as ticket sizes are smaller, and investors can add great value by providing expertise, knowledge, and connections to the entrepreneurs seeking funding.

Funding Rounds - Where is the Gap Today?



Additionally, to make the funding process easier, founders can pave the way for investors by preparing few things beforehand to make their businesses reliable and attractive for investment, such as:

- **Register the business:** Investors are very wary of the legal complexities of investing in a business without a legal entity. It is well understood that business registration is a lengthy and costly process in Iraq. However, founders must at least start the process before reaching out to investors for funding.
- **Build in-house tech capabilities:** When tech is a key core of the business, you need to build it in-house. You can outsource some components of your tech but ultimately you will need in-house talent to manage and maintain this front. Investors are more comfortable investing in startups that have strong in-house tech talent.
- **Leverage your equity:** The two most important factors that will determine a startup's success are the team and the market. In the initial days of the business paying a good salary is improbable, but founders can lure in strong talents with equity stakes.
- **Prepare to fundraise:** As part of your fundraising, you need to create documents to market your business. Investors will look at your pitch and business plan as a reflection of your business and ambitions. Founders need to produce high quality documents with clear articulation of their ideas, plans, and target market.

- **Understand your strengths:** In a business's early days, each member in your organization chart needs to have a key role in the business and that includes you as well. Founders cannot hide behind the CEO title and need to clearly demonstrate their added value to the overall business operations.

Fundraising is a difficult task in any part of the world, but it is especially daunting in Iraq given the dynamics and the volatility of the market. Therefore, founders need to be aware of the challenges and dynamics associated with fundraising.

We expect to see more fundraising news to come from Iraq before the end of this year as more investors enter the last mile delivery and e-commerce spaces. Also, we expect new investments to come into other areas in the market for instance we are seeing many startups trying to address challenges in the healthcare value chain in Iraq. In addition, there are two other sectors that are receiving international attention but are yet to see any real startup activity; Agritech and Fintech. Fintech is of special interest as innovation in this area will transform the cash culture in Iraq and move consumers toward online payment which will evidently have an immense impact on the ecosystem as a whole.

Things are about to get interesting!





The Upward Trend in the Iraq Stock Exchange (ISX) Started in May 2020 Despite the Ongoing Challenges

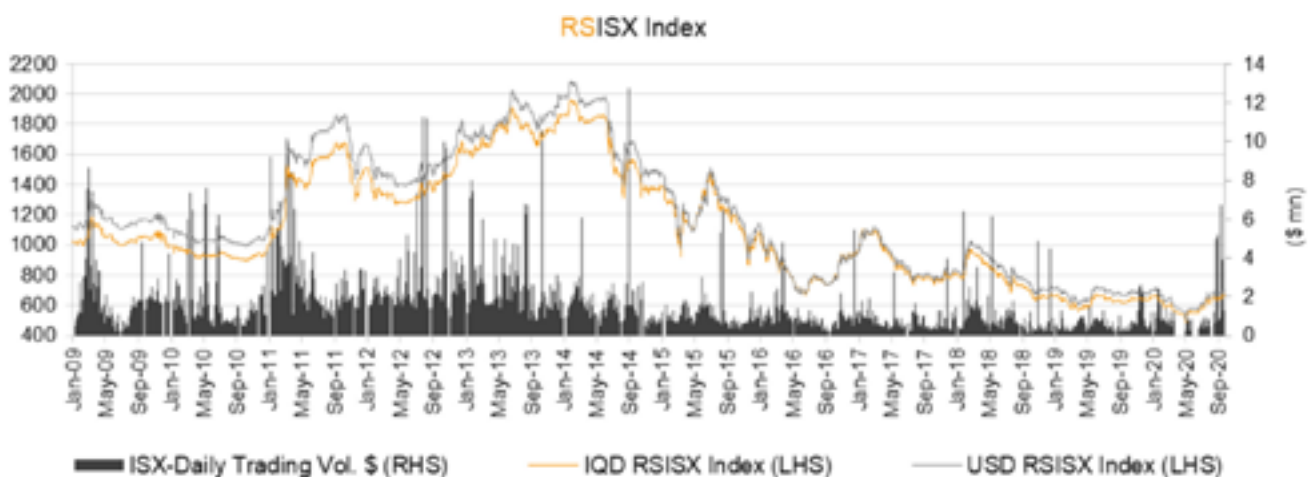
The RSISX index went up 36% from May 3, 2020 (the lowest level since the inception of the index on January 8, 2017)

Rabee Securities (RS) is a premier brokerage house in Iraq. RS played a major role as an advisor during the listings of two biggest telecom operators in Iraq; Asiacell (TASC) in 2013 and Zain Iraq (TZNI) in 2015. RS was also able to capture a lion's share of foreign investors who prefer to trade through RS because it is the only brokerage house providing research services by publishing company reports in addition to daily, weekly and monthly ISX reports that include the performance of the listed companies,

their valuation ratios (PB, PE), dividend distributions ratios and yields, and capital increase (bonus and rights issues) history for each company, their AGM dates and AGM minutes, and recent political and economic developments in the country.

The RSISX Index has been calculated by RS since the beginning of 2007. The RSISX Index is a free-float weighted index that includes 10 companies. The RSISX is rebalanced every quarter with new stock selections based on liquidity. In Iraq, there are no official numbers or announcements for the free floats of the companies trading on the ISX, so RS makes assumptions based on public and non-public information so as to determine the free floats of companies trading on the RSISX index.

The RSISX index decreased 26% as of May 3, 2020 mainly due to the negative effects of coronavirus on the economy, ongoing demonstrations that started in October 2019 against corruption, unemployment and poor public services, and finally the collapse in oil prices.



Iraq's new Prime Minister Mustafa Al-Kadhimi took office after the country's parliament approved a new government on May 6, 2020. This development increased the hope in the country for a better future.

We believe that the positive trend of the RSISX starting May is reflecting this development. Separately, the ISX took an important step on July 10, 2020 by starting to arrange Zoom meetings with listed companies which contributed to the transparency and raising interest in the market. ISX organized nine Zoom meetings until Aug 22, 2020.

These meetings were the first of their kind in Iraq, because these companies gave presentations and talked about their recent financial results and their operations and replied to the questions of the participants. (Please contact the Research Department of RS (research@rs.iq) to get its reports on these meetings and the links for the video record of the meetings provided by the ISX).

The listed banks/companies participated to the online meetings of ISX were as follows; Ashur Bank (BASH), Bank of Baghdad (BBOB), Commercial Bank of Iraq (BCOI), National Bank of Iraq (BNOI), Ishtar Hotel (HISH), Baghdad Soft Drinks (IBSD), Ready Made Clothes (IRMC), Baghdad Passengers Transport (SBPT), and Asiacell (TASC).

This year, the ISX was closed in some periods due to the full curfew imposed in the country. Iraq announced a full curfew from March 17 to April 21, 2020, and from May 22 to June 11, 2020. As a result, ISX was closed for nine weeks in the first eight months of the year. Moreover, there were only three days of trading for four weeks starting from the last week of April. Thus, the total number of sessions held in 8M20 were 103, 35% lower than the last year's 159 sessions in the same period. Despite the decline in number of sessions, total trading volume decreased by only 2% y/y to IQD204 bn (\$165 mn) in 8M20 while the average daily trading volume jumped by 52% y/y to IQD2.0 bn (\$1.6 mn).

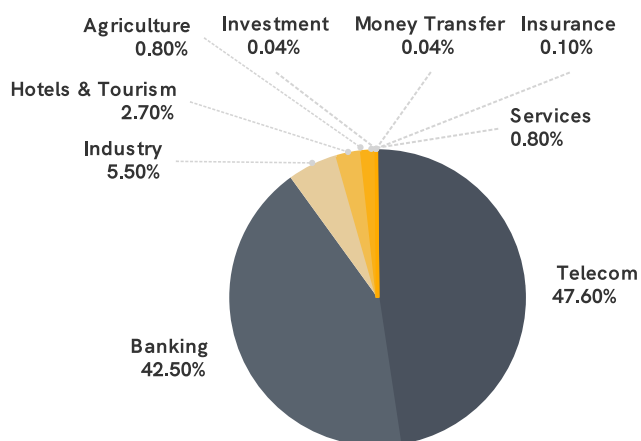
Foreigner's Buying (Selling) on the ISX in 8M20* by Sectors (IQD mn)



Foreign investors were more active and increased their purchases in 8M20, as well. Foreigners' net buying surged from IQD1.3 bn (\$1.0 mn) in 8M19 to IQD7.4 bn (\$6.0 mn) in 8M20, while their share in total trading volume went up from 4.5% to 8.6%. In 8M20, they mainly invested in banking, industry and telecom sectors, while they were in a net-selling position in agriculture, money transfer and investment sectors.

Total Mcap of ISX was IQD13.6 trln (\$11.0 bn) as of Sept. 15, 2020. Two of the listed companies are in the telecom sector constituting 48% of total ISX Mcap. Forty two of them are banks constituting 43% of total ISX Mcap. Twenty one of them are operating in the industry sector constituting 5% of total ISX Mcap, while the remaining 40 companies are operating in other six sectors as follows; hotels and tourism sector, services, agriculture, insurance, investment and money transfer sector, while constituting 4% of total ISX Mcap.

Breakdown of ISX Mcap by Sectors



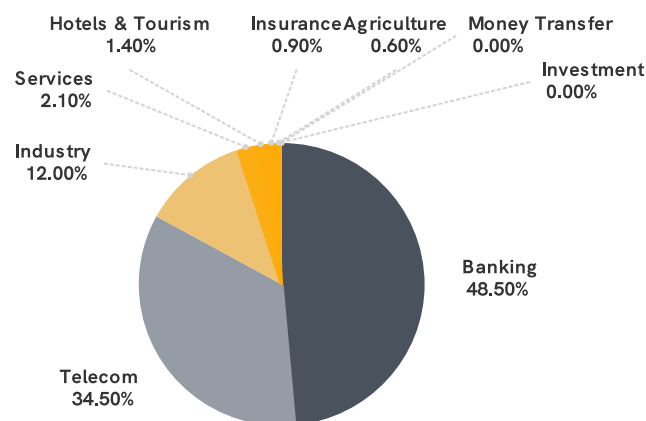
“

Average daily trading volume increased 52% y/y in the first eight months of 2020 to IQD2.0 bn (\$1.6 mn), which might grow further by considering the average daily trading volumes of over \$3.0 mn before 2014.

”

In terms of trading volume (in Iraqi Dinar), the most active sectors are the banking sector and the telecom sector. The share of ISX listed banks in trading volume realized at 49% with \$80.2 mn in 8M20, while telecom sector's trading volume occurred at \$57.0 mn with 35% share, followed by the industrial sector (\$20.0 mn), services sector (\$3.5 mn), hotels & tourism sector (\$2.4 mn), insurance (\$1.4 mn), agriculture (\$1.0 mn), money transfers (\$0.03 mn) and investment sector (\$0.01 mn).

Breakdown of Trading Vol. of the ISX by Sectors in 8M20



This year, five new companies were listed on the ISX; three of them are banks, one is from the services sector and the other is from the agriculture sector; however, none of them has been traded yet due to low transparency in the market. ISX needs more listings that will increase the interest on the ISX.

The growth in the number of listed companies on the ISX is not enough. There are still no technology companies, startups, cement and other basic material companies, large infrastructure companies, and most important of all, for a country with 90% dependent on oil revenues, there are no oil companies listed.

Most of the companies listed on the ISX were established a few decades ago, and most of them do not have investor relations department and are not willing to share information.

On the one hand, startups are mostly created by young brains who are more connected with the international markets, open for change and development.

On the other hand, Iraq has many such companies that are world class and could be easily listed if incentivized. Startups have huge potential for growth and if they also can succeed to be transparent, the listings of startups can increase the interest by investors.

We hope that the new ISX Law becomes active soon which will make listings and raising capital more applicable and attractive for companies. Increases in the number of listed companies and trading volume on the ISX will create a healthier stock market which in turn will benefit the financial markets in Iraq and the economy. With the new PM and his new economic team, Iraq does not look that far from well-developed financial markets.





By KAPITA

KAPITA Launched the First Iraqi Dedicated Angel Network

On the 31st of August 2020, KAPITA launched Iraq's first Angel Investor Network - IAIN (<https://iraqangels.net/>) to a wide regional media coverage. The network is dedicated to connecting startups with angel investors in order to develop the Iraqi entrepreneurship ecosystem. The network was sponsored by the German Government through GIZ (German Agency for International Cooperation). The virtual opening ceremony was attended by members of the IAIN along with esteemed guests including; The German Ambassador to Iraq, Dr. Ole Diehl; Hassan Haider - Venture Capitalist and Omar Sati - Managing Partner at DASH Ventures. The network presents the first attempt at an institutionalized approach to fundraising for Iraqi startups.

The network has some of the most prominent Iraqi angel investors including Shwan Taha and Mohammed Khudairi; both of whom have recently invested in the leading e-commerce platform in Iraq - Miswag. The network also includes Yazen Abu Galal, Amar Shubar and Ahmed Tabaqchali, in addition to a group of distinguished Iraqi entrepreneurs and leading businessmen.

Speakers at the launch event have emphasized the key role the network will play in supporting the private sector in Iraq. The German Ambassador to Iraq, Dr. Ole Diehl, who gave the opening speech at the launch focused on the importance of startups and youth for the overall growth of the private sector in Iraq and said, “The foundation of the IAIN network will become a cornerstone for the working entrepreneurial ecosystem in Iraq. The establishment of the network and its capacities by the implementation partner KAPITA, was supported by the German government from the very beginning and will be further expanded in the future. By joining this network, you are part of a dynamic and creative sector that is quickly growing and expanding in Iraq”.

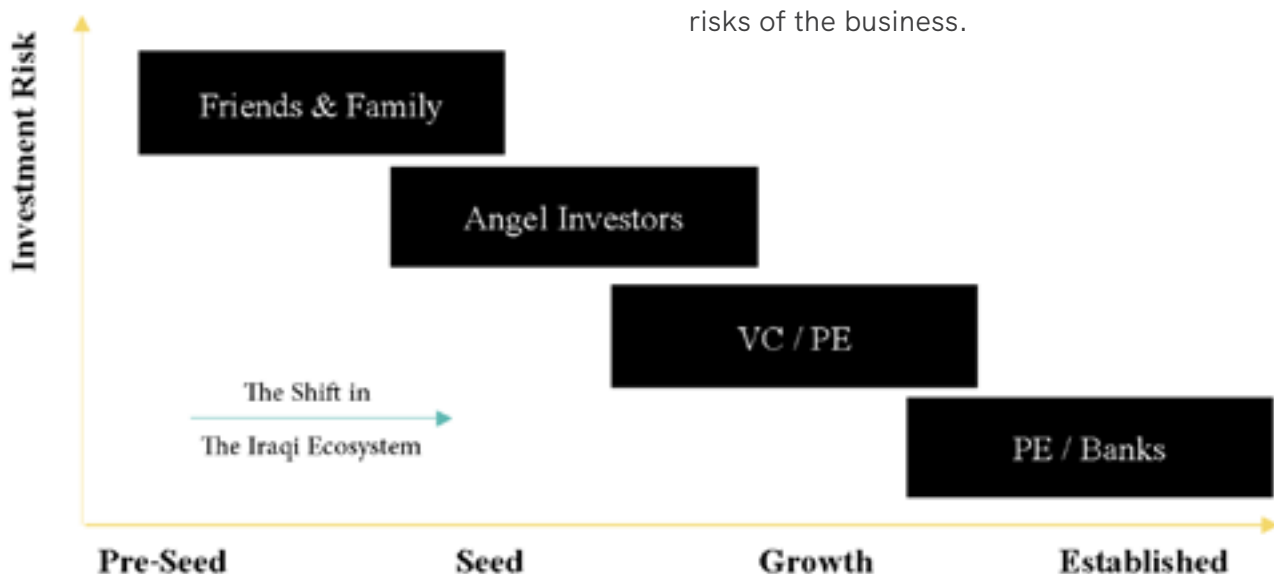
Mohammad Khudairi, Managing Partner at the Khudairi Group noted the importance of diversifying Iraq’s economy as opposed to merely relying on oil resources and flagged the value of the tech sector.

While Shwan Taha, Chairman of Rabee Securities spoke of the Iraqi Entrepreneurial spirit that has survived wars and sanctions and he added, “It is through efforts like the angel network, that we will use our collective powers to bring entrepreneurs to the front and challenge the status quo of the Iraqi economy”.

Angel Networks have played an active role in developing ecosystems regionally and globally. IAIN will act as a unified front for angel investors to help them pull their resources and share their knowledge. For the Iraqi ecosystem, this will provide benefits on the entrepreneur and investor fronts. The culture of startup investing in Iraq is nascent and there is a gap between investor’s expectations and founder’s needs. KAPITA, as the network manager, will play a key role in bridging this gap. It will help founders present their ideas in the best light possible while advising investors on how to structure their investments to protect their rights and achieve their investment targets.

Startups interested in the network can apply through IAIN’s website and go through a screening process before presenting to the angel investors. The screening process will include calls with the Network’s investment team that will help the startup prepare for the fundraising and advise them on the key risks of the business.

How the Funding in the Iraqi Ecosystem Is Shifting?



The network has already had its first pitch day on the 13th of September 2020, where four startups were presented to the network and are currently in negotiations with the investors

IAIN will be open to all sorts of startups across their lifecycle stage, whilst initial focus will be toward the Seed stage investments. With the increasing number of incubation and accelerator programs in Iraq, startups coming out of these programs are struggling to get attention from investors.

“

The Iraqi entrepreneurship ecosystem receives a major boost with the launch of the first Iraqi angel investors network.

”

IAIN will serve as the first place they can tap into to validate their investment readiness and, if so, are able to get in front of the key investors currently active in the Iraqi tech ecosystem. The network manager will help startups prepare for the pitch day by highlighting the key issues within the startup and what could be done to address them.

Another feature of the network is that it helps inexperienced investors get a front row seat on the process of startup investing and consequently build up their investing skills. This is one of the core goals of IAIN, to help develop local investors in Iraq and make them more comfortable with the risks associated with investing in startups and the tools available to mitigate such

risks. We have seen this model applied in ‘Seedr’, in Lebanon where they established a MasterClass in Business Angels (MBA) program. Investors will dedicate a USD 15k as an entry ticket that they have to deploy during their time in the program and in exchange they will get access to a series of training modules.

The reach of IAIN will extend beyond fundraising, as one of the main aims of the network is to tackle the issues of governance in Iraqi startups and SMEs. IAIN aims to embed high governance standards for the startups it invests in through establishing effective boards and setting up regular reporting requirements. Good governance helps facilitate a healthy relationship between the founder and the investors.

The founder is able to achieve his long term vision whilst protecting the rights of the investors that believed in him and funded his business.

IAIN will also provide investors a front to share their thoughts and highlight the key issues that investors and founders face. Both successful and unsuccessful investments provide good case studies that the network can draw lessons from and that the network will share amongst the IAIN members and the public. Regulations are one of the critical issues facing investments into the startups in Iraq. Having a group of distinguished businessmen at one side of the table will help highlight the pain points to policy makers and what can potentially be done to address them.

From the perspective of KAPITA, we view IAIN as the first step in providing the ecosystem the investment fronts it needs. Our activities and programs will develop with the needs of the larger landscape. We are strong believers in the potential of the Iraqi private sector and see strong potential in the future.



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

Mohammed Jamal

Iraqi Startups' Ecosystem: The Shift from Non-Profit Mindset to Business Mindset

After 2003, many youth development initiatives were organized by local and international organizations. Most of these initiatives focused on peacebuilding, self-development, and soft-skills training. These activities encouraged Iraqi youth to be part of the civil society and work on non-profit projects. Such momentum led to the organization of huge annual events like TEDx Baghdad which started in 2011 and Baghdad City of Peace Carnival which also started in 2011. These activities and events lead to the formation of a new community among Iraqi youth, a community of motivated young volunteers who are willing to dedicate their time to help those in need and organize networking and experience-sharing events. Also, these volunteers started to form organizations to work on social causes and associations like medical students' associations.

Iraqi youth started to learn about the concept of Entrepreneurship mostly after the organization of the first Startup Weekend in Baghdad in 2013. Entrepreneurship then became a hot topic that was promoted by many activities, events, and huge training initiatives like Innovation for Development by UNDP and Startup Weekend events (which were organized across many provinces of Iraq). Such initiatives trained hundreds of Iraqi youth on entrepreneurial concepts including Lean Startup and Business Model Canvas.

Participants of these activities -especially the earlier ones- were mostly the same participants who trained and were encouraged to work on non-profit projects. That had a positive influence on youth in terms of focusing on a social cause.

However, when attending any startups' pitching activity or reviewing startups' applications for training programs the "non-profit" mindset was still evident. Many of those who applied for entrepreneurial training programs are actually looking for donations or sponsorships for non-profit projects. In addition, most of the startups' pitches lack sound business models, resulting in a struggle to define revenue streams. This phenomenon can be understood as a transitional period needed to shift the "non-profit" mindset to a business mindset.

During this transitional period, almost all startups that graduated from the training programs failed to start. The commitment, responsibilities, and challenges that any entrepreneur would face were not easy to cope with especially for those approaching it in a "volunteer-mindset". Such experiences were communicated within the community and organizations working on promoting entrepreneurship, they in turn tried to respond by reaching out to new communities, organizing events that discussed lessons learned from past experiences.

The Station, a relatively recent startups' ecosystem that launched in February 2018, was the first NGO to focus only on entrepreneurship, a milestone on its accord. The station aimed to be a hub for young entrepreneurs, offering a co-working space, an open space, and a channel for organizations working to develop Iraqi youth and the Iraq private sector to reach their beneficiaries. The station provided a new starting point that led to a better representation of the entrepreneurship community.

From that point many new actors are now contributing to the ecosystem. KAPITA was one of these companies, it is currently offering incubation, pre-acceleration, research, and investment programs. The ecosystem is being established with the assistance of International organizations and local companies, especially telecommunication companies, which are supporting activities and initiatives of local NGOs and companies that contribute to the development of the startups' ecosystem.

The formation of this ecosystem is speeding up the process of shifting the mindset. Many training programs are focusing now on one or two of the startup's stages, like Intilaq for college students working on pre-ideation and ideation phase, others focusing on MVP and product-market fit stage like Orange Corners' Incubation program. These programs are showing promising results, their startups offer services needed in the market, and some have started providing them.

The increasing unemployment rate in Iraq is necessitating the development of the private sector in order to create job opportunities for the youth who constitute the highest proportion of the population. Developing the startups' ecosystem is a vital step in developing the private sector.

New startups will provide new job opportunities and induce the growth of other small- and medium-sized enterprises leading to a multiplier effect on the growth of the private sector and job creation.

“

Role-model Iraqi entrepreneurs can prove that establishing and growing a business is possible.

”

The Startups' ecosystem needs urgent development in various aspects. In a recent study conducted by KAPITA's research team, Iraqi Startups' Ecosystem Monitor, experts gave a high score when asked to evaluate entrepreneurial opportunities in the Iraqi market, however, the severe deficiency in access to finance, education, and research and development were major issues they highlighted in the report.

Most of the current startups are self-funded, loans are complicated to get, and the procedure to obtain an investment is ambiguous. Our education system is traditional and not oriented towards serving the markets' needs. Also the research capabilities lag behind international standards thus hindering the process of developing new products for the market.

Current initiatives, like KAPITA's Iraqi Angel Investors Network, are working to close these gaps in the ecosystem, however, more work on various aspects is needed.

The shift in the mindset is an on-going process, however, developing at a fair rate, the high demand for the development of the private sector makes it necessary to speed up the process by working on developing various aspects of the startups' ecosystem.



لس صغیر علیک؟

Article

E-Commerce and E-Payment in Iraq

A society eager to be connected to the rest of the world, hungry for communication witnessed a staggering increase in the number of people using the internet after 2003; according to the World Bank, less than 0.5% of the population had internet access in 2002. While by 2019, active internet users have reached over 19 million people with internet penetration of 49%. According to the Central Statistical Organization in Iraq, there are 15,297,411 internet service lines for mobile phones provided by the main telecommunication companies in Iraq (Zain, Asiacell, and Korek).

An increase in the use of social media with a user base that consists of 48% of the population has led many businesses to operate through social networks, mostly Facebook and Instagram. Where they operate a low-cost model displaying their products on their social media and consumers contact them through this channel to place an order.

Most of the E-commerce businesses started this way before converting into web pages and applications. However, the majority of businesses and stores still carry out their operation through social media with or without a brick and mortar model, like Iraqi Nerd Store which specializes in pop culture trends, Zuqaq13 which is a brand focusing on youthful trendy street outerwear with an Iraqi touch. Cosmetics stores are also having their big share as they carry out their operations on both social media and their own stores like Vanilla and Astico Store. Additionally, many handmade businesses are displaying their products on social media platforms, but they are mainly utilizing Instagram due to the platform's visual appeal.

E-commerce platforms do play a part in Iraq's economy and they are quite essential for its development. They have emerged despite the obstacles and the difficult circumstances. Iraqi developers and entrepreneurs are still committed to coming up with innovative solutions to solve the challenges they are constantly experiencing in the market. Some of the challenges are, the obsolete legislation and regulations system, weak infrastructure, the lack of e-payment options, in addition to the lack of necessary data and skills.





E-Payment in Iraq:

The Central Bank of Iraq (CBI) has made efforts after 2003 in order to keep up with the pace of the rapid changes happening in the world. They started gradually transforming the banking system in Iraq by implementing laws regarding the Cash Automated Clearing House and Real-Time Gross Settlement System in 2006 to replace manual operations and mitigate the risks.

Retail payment regulations were issued in 2014. The first transaction was made in 2016 when the CBI implemented Iraq Retail Payment System Infrastructure, which included a mobile payment system and the Iraqi National Retail switch, which allows transactions between e-payment providers and the bank through points of sales (POS) and the Automated Teller Machines (ATM).

Salary domiciliation in Iraq was legislated in late 2016 and came into order in 2017 for the public sector. It allows the salaries of employees to be distributed through private and public banks automatically. This mitigates the risk of handling large sums of cash, reduces operational costs, revitalizes the banking sector, and benefits from banking services like loans.

The CBI also works with the Central Statistical Organization to create a database of the employees and assign each a unique number connected to the National Identification Card number in collaboration with the Ministry of Interior.

Over thirty banks are taking part in this project, including the Rafidain Bank, Rashed Bank, International Development Bank (IDB), Trade Bank of Iraq (TBI), and others. This project has come a long way but it still faces challenges like the unbalance created with a high number of issued cards with the scarcity of POS, which makes citizens lean towards withdrawing their salaries and using cash transactions.

Mobile wallets such as ZainCash and AsiaHawala have been authorized by the CBI in 2015 and they were released in 2016. They provided a financial tool for people without the need to open a bank account and issue a bank card, their services have expanded to include online shopping and electronic billing. The need for these tools has been highlighted during the global pandemic of COVID-19 as many people received some grants from the government through these wallets in addition to the increased dependence on online shopping and the increased use of E-commerce platforms.

According to the CBI, the number of ATMs has risen from 650 in 2017, to 874 in 2018, 1110 in 2019. While e-wallets number increased from 225,397 in 2017 to 408,411 in 2019 and 3,515,888 in 2019 and the first and second quarters of 2020. The number of Mastercards went from 0 in 2017 to 990,208 in 2019 and Q1 and Q2 of 2020. These substantial changes could only demonstrate that the market is adapting to the changes occurring in the methods of payments despite the many existing challenges and the reluctance from several entities to this transition.



E-Payments Methods



Qi Card

It was established in 2007 as a partnership between the public sector represented by the Rafidain and the Rasheed banks, and the private sector represented by Iraqi Electronic Payment systems. The card is mostly used to distribute pensions and social security. They also issue prepaid and Mastercards. Their current user base has reached 7.4 million people.



Arab Payment Services

An Iraqi company established in 2014, they provide a range of electronic payment services released in 2018. They offer technical support for the issuance of electronic cards for the banks as they have a license from MasterCard and follow the regulations of the Central Bank of Iraq, they also provide ATMs and POS devices, and they have over 1500 POS devices in the country. They also provide E-Payment Gateway for e-commerce platforms and electronic billing services.



Switch

Financial services launched by the Iraq E-Gate Company in 2017. They offer prepaid e-commerce cards, travel cards, POS devices for merchants, and online cards that you can obtain through ZainCash.



Zain Cash

An electronic mobile wallet that was released by Iraq Wallet and Zain Iraq in 2015. The mobile wallet enables the customers to perform their transactions, receive a salary, pay bills, transfer their money, top-up prepaid phone lines, shop online, make reservations, book flights, and buy digital goods and services.



AsiaHawala

An electronic mobile wallet that was launched by AsiaHawala, which was established by the end of 2015, and owned by Asia Telecommunication Company. The wallet is used for transactions, money transfer, paying bills, salary disbursement, and e-commerce payments. The current subscribers' number has reached 260,000.



NEO

A virtual Visa card that was released through an app in 2019 by the International Network for Cards for Electronic Payment Services (INC), which was established in 2018. The user can recharge it through neo agents and use it for online shopping exclusively.

Major E-Commerce Platforms



Miswag

One of the largest retail shopping services in Iraq, the company launched its platform in 2014 to be the first online shopping platform in Iraq by Ammar Ameen to facilitate the logistics process that merchants in Iraq struggle through. Miswag is believed to have raised over \$1 million during their second round of seed funding which was completed on the 28th of September 2020, the round has been coordinated by Iraq Tech Ventures which also closed Miswag's first seed round, and led by Euphrates Fund and Shwan Ibrahim Taha.

The company provides a wide range of around 15,000 products from a variety of brands in categories like consumers' goods, electronics, health and beauty, grocery, stationery, toys, and common household appliances. Miswag has 8 different centers distributed over the major cities in Iraq to facilitate the shipping process from Baghdad to the other regions. The platform receives around 8 million visits per month, it also integrates online payment methods like Zain Cash and AsiaHawala.



Shopini

A platform for online retail shopping, it has been released in 2016 and has reached over a million downloads on the play store. They have also released Shopini Express in 2018, which operates as delivery services across the country. The most searched category on the website is electronics. A large portion of their traffic comes from social media mostly, through Facebook. The integrated online payment methods include PayPal, credit/debit cards and e-wallets, also an installments option for merchants.



Tamata

Tamata is a very recent e-commerce platform launched in April 2020. It is operating in retail in varying categories like outerwear, electronics, cosmetics, and house appliances. Currently, the only supported payment method is cash on delivery.



Orisdi

An online retail platform that launched an application and a website in 2019. They distinguish themselves by their competitive pricing point and user-friendly interface. They have a variety of products ranging from grocery, home and kitchen, appliances, furniture, beauty, and electronics. They also accept online payment methods via debit/credit cards.



Dakakenna

It is an e-commerce platform operating exclusively in Mosul in the retail sector, it was released in 2018 aiming to help the city recover and help to make people's lives simpler. The founders are committed to their mission of inclusivity and simplicity and the prosperity of their city.

Online Marketplaces



OpenSooq

One of the largest e-commerce platforms, an online marketplace established in 2008. It operates in the MENA region in 19 different countries, which includes Jordan, Saudi Arabia, United Arab Emirates, Kuwait, Iraq, Oman, Egypt, Bahrain, Syria, Lebanon, Libya, Sudan, Yemen, Qatar, Palestine, Algeria,

Morocco, Mauretania, and Tunis. The platform enables customers to sell or buy different services, items, and products like cars, tablets, electronics, books, fashion, furniture, real estate, and many others. It also provides a category for job vacancies and job seekers. The application has over 10 million downloads on Google Play Store.



Mredy.com

Mredy is one of the first online platforms in Iraq that started in 2008. An online marketplace that offers you the chance to post your advertisements with no commissions. You can sell and buy real estate, cars, household appliances, furniture, electronics, and a wide range of products and services. It also provides listings for job vacancies and services.

Other E-Commerce Platforms



Elryan

An e-commerce platform that has been operating since 2016. Electronics is their specialty but they provide other retail products in different sectors like home, beauty, toys, and grocery.



Green Apple Supermarket

A grocery and retail store that started operating in 2010. They later launched a website and an application where you can shop online and get your home needs delivered to your doorstep. They accept cash in addition to online payments through ZainCash and AsiaHawala.



BCI

BCI is a Samsung distributor, operating different stores and centers in Iraq in addition to Palestine and Jordan. Providing Samsung mobile phones, gadgets, and accessories. They also operate online through their website and accept cash on delivery and e-payment through debit/credit cards.



ALHAFIDH

Home appliances and electronics company which is a part of ALHAFIDH GROUP that has been operating since 1990. they have dedicated their research and development to create their brand by the same name that is known for premium air conditioners.

Their online market platform includes products in different electronics categories like tablets, appliances, air-conditioners, and others from their brand and other known brands like Samsung, Panasonic, and Huawei. You also have the option to pay cash on delivery or online using your credit/debit card.



ZoodMall

An online shopping application released in 2017 operating in Iraq and a few other countries like Lebanon, Afghanistan, Uzbekistan, Azerbaijan, and Kazakhstan. The platform offers a very wide range of Chinese retail products and ships to other countries. It accepts e-payment using digital wallets like ZainCash and AsiaHawala.



PurePlatform

An e-commerce platform released in 2019. It mainly solves the problem for users wishing to shop online from Amazon and other sites and stores like Walmart, Adidas, Nike, Sephora, Under Armour, and Sketchers. It provides a selection of digital goods like iTunes and PS4 cards. You can pay for your orders using credit/debit cards, ZainCash, and AsiaHawala or via their Kidus points where you can top them up from different kiosks or using your e-wallets (ZainCash/ AsiaHawala).



UrukTech

An electronics store that was established in 2016 where you can find a wide selection of tools and components for different devices and gadgets, batteries, audio tools, sensors, microchips, screens, motors, and more. The store expanded the operations through a website and an application. Recently they tapped into the online education market by offering courses in web and mobile design, database systems and SQL, basic and advanced courses on embedded systems.



Ayn Al-Fahad

A company that specializes in mobile phones technology, they started operating in Iraq by 2004 and they have chain stores carrying business in many provinces and cities of the country. They provide a range of mobile phones and their accessories in addition to the care service. They also act as distributors in Iraq for some brands like Samsung. Recently in 2020, they launched an E-store where you can order their products online.



Turquaz

A company initiated in 2015, operates in the beauty industry, offering skincare and cosmetics products. It is known for collaborating with Iraqi influencers and beauty bloggers and promoting their lines.



Halazoon

An e-commerce website specializing in the cosmetics sector with a focus on Korean beauty that has gained them popularity along with their affordable prices. Their customer base is over 70,000 and the company has been operating since 2015.



SOUGHE

Soughe

A store specializing in professional hair products; it has launched a website recently in 2020.





Christine M. van den Toorn

Preparing Iraq's Youth to Fuel the Private Sector

Introduction

Developing the private sector in Iraq is an urgent priority. The government sector is bloated, having grown 250% over the past 15 years. Financing this workforce drains the national budget and crowds out vitally needed investment spending, it also means that the government does not have the capacity on its own to address Iraq's growing jobs crisis.

Official unemployment stands at 18% according to the World Bank, although the real figure is probably twice as high. Meanwhile, Iraq has one of the youngest populations in the world, with over 60% of the population under the age of 24. If new entrants to the workforce are going to find jobs, it will increasingly have to be in the private sector, not the public one.

Iraq's youth, however, are hugely underqualified for private sector work. While the government must lay the legal and regulatory foundations for economic growth, Iraq also needs to address the obstacles of education that stand in the way of youth employment and private sector development. Unless Iraqi youth develop the basic skills needed to work and succeed in the private sector, attempts to create new jobs will be

an exercise in futility, as will be any attempt to expand the private actor without having fuel—human capital—for it.

The Skill Gap in Iraq

There is a tremendous and urgent need to equip Iraq's youth with the basic qualifications they need to work in the private sector. In the decade that I have spent helping young Iraqi graduates to find jobs, I have heard the same story over and over from international private-sector companies. All these firms had jobs that they wanted to fill with Iraqi candidates but young Iraqis lacked the basic business skills needed to be eligible. No matter the industry -- banking, accounting, finance -- they all identified the same deficit in Iraqi applicants: English Language, Professional Skills, and Business Fundamentals.

Among the three, the lack of sufficient English-language skills was cited as the biggest barrier to entry. Today in Baghdad, and all of Iraq outside the Kurdistan Region, there is not one intensive English-language training program that actually teaches English. Unfortunately, due to years of conflict, war, and sanctions, the English-language programs in public universities and schools have been decimated, leaving only a handful of professors who can speak, much less teach English proficiently.

Many young Iraqis have taught themselves English through movies, YouTube, and other online programs, but this does little to nothing for their grammar, reading, and writing skills, all of which are essential to working and succeeding at multinational companies.

Second on the list of deficits identified by private-sector companies was professional or soft skills. This is a rather broad category that includes a spectrum of abilities from the practical to the personal to the academic. Young Iraqis lacked basic professional

competencies in computer programs (Excel, Outlook, Powerpoint, Word) as well as academic skills like research, writing, and public speaking, to personal attributes like behavior and attitude.

Universities in Iraq still use memorization-based learning, and classes include little-to-no reading, writing, research, class discussions, and presentations. The absence of such preparation leaves students without the ability to think critically, to be proactive employees, and independent problem solvers. These skills were almost on par with English in terms of importance in the minds of the companies I have dealt with.

They also emphasized the importance of communication and leadership, appropriate mindset and norms. Private-sector firms require employees to be proactive, motivated, competitive, on-time, and engaged.

The third reason private-sector companies cited for not hiring young Iraqis is a lack of basic business acumen, fundamental finance, accounting, and marketing skills. An understanding of economics is also missing. Once again, these deficits reflect the state of the Iraqi education system, and how unsuited it is for creating a modern workforce.

“

there is tremendous and urgent need to equip Iraq's youth with the basic qualifications they need to work in the private sector.

”

BBS & Addressing the Gap

It is with a vision to address these gaps that we recently established the Baghdad Business School (BBS). The objective is to offer young Iraqi graduates and new-job entrants a 10-month bridging course in English, Business, and Professional Skills in order to fill the skills deficit and prepare them for private-sector employment.

The curriculum has been designed based on our research, as well as discussions with academics and private-sector leaders with decades of experience teaching and employing Iraqis. Courses include General and Business English, Introductions to Business, Finance, Marketing, Financial Accounting, and lessons and workshops teaching Professional Skills such as IT and computer programs, research, writing, presentation, communications, attitude and behavior, and workplace norms. Upon successful completion of the program, the BBS's staff and faculty will coordinate internships for graduates at local companies and firms.

The curriculum is both academic and professional, uniquely tailored to Iraq, and will focus on developing essential skills as well as critical thinking. It is an intensive program that requires self-motivated, proactive learners willing to commit full time to improve their skills and knowledge. Students are taught by a faculty that is rich in academic and private-sector experience, and uniquely equipped to teach Iraqi graduates. BBS seeks to forge a community and a team among its students and faculty through the exchange of knowledge and life skills. We insist on high levels of academic and administrative quality and integrity. Importantly, Baghdad Business School is not for profit; surplus funds are put into an endowment designed to finance the School in the long term.

The three-year plan is to have separate, a la carte English Language Professional Skills and Business, EMBA, programs, so students can take all or just one, as well as expand the subject matter to include essential and needed topics like Public Policy.

Conclusion

BBS can start scratching the surface of solving Iraq's education, employment, and private sector deficits, but it is only one program; Iraq needs dozens, that will address the skills and knowledge deficit in a variety of fields. Only through education can Iraq address its problems of youth unemployment. Solving Iraq's skills and knowledge gap demands an overhaul of the country's education and higher education system—in particular teacher training—to introduce new pedagogy and curriculum that will prepare Iraqis for their lives and to be successful members of a 21st Century workforce.

This can and should start now, but will take years, if not a decade, to implement. In the meantime, one and two-year professional and academic programs like BBS can be implemented in multiple fields to address gaps in English Language, Professional skills, Public Policy, Finance, Management, as well as Economics, IT, Political Science, Law, and Foreign Relations. Only through such educational reform and new initiatives can Iraq address its problems of youth unemployment and private sector growth, as well as overall stability, peace, development, and prosperity.

BBS's first pilot class will start at the end of October 2020. For more details on our program, or if you would like to partner with or support BBS, please go to www.iraqed.org or email us at info@iraqed.org

Facebook.com/BBSBaghdad

Instagram.com/bbsbaghdad

Twitter.com/BBS__Baghdad



Profiles of the Iraqi Legal System and Litigation Regarding Investment

In order to be able to meet all the needs and satisfaction of a foreign investor, and to ensure the investment contracts validity and implementation, the Investment contracts draftsmen must have sufficient background knowledge with all the relevant laws and the Iraqi court systems.

The Iraqi law relies on the enacted laws concepts and the existence of civil laws, it does not depend on the judicial precedents of courts that have an advisory value only. Also, the "Principle of willpower" in contractual agreements is considered non-existent when confronting the peremptory texts, unlike the interpretative one.

Furthermore, it is worth noting that the Iraqi state after 2003, in order to face the unsustainable dependence on the public sector, to have confidence in the private sector and to provide it with vital support, has exerted concerted efforts to transform the economy gradually from a state-directed economy to a free one. Article 25 of the Iraqi constitution that was issued in 2005 stipulates that (The State shall guarantee the reform of the Iraqi economy in accordance with modern economic principles to insure the full investment of its resources, diversification of its sources, and the encouragement and development of the private sector).

Therefore, when negotiating an investment contract by and between a party with an Anglo-Saxon legal background and a second party with a background in civil law, the following rules must be taken into consideration:

1. The Iraqi Civil Law No. 40 of 1951 has many peremptory and interpretative texts. The peremptory texts are those texts that are binding on individuals, and no one has the right to violate or evade them. As for the interpretative texts, they are the texts that individuals may agree to disagree with or amend them, e.g., peremptory texts in the Iraqi civil law Article 508 states that "the sale of an immovable will not be settled unless it is registered in the department having jurisdiction and has satisfied the form provided for in the law". With regards to the interpretative texts, e.g., Article 542 of the Iraqi Civil Code stipulates that "the costs of delivering the item sold such as the cost of the volume or weight shall be borne by the vendor alone save where there is an agreement or custom (usage) to providing otherwise."

2. The Iraqi Civil Law No. 40 of 1951 includes a set of rules for conflict of laws in terms of time and place, which are stated in Articles 10 to 33 of this law. An example of conflict of laws in terms of time is Article 10 in which it states "The law shall not be operative until the time it becomes effective: It shall not be applied to previous facts except if there is a provision in the new law to the contrary or where the new law relates to public order or morality". Another example of conflict of laws rules but in terms of place: Article 26 states "The form of contracts shall conform to the law of the state wherein they have been concluded"; therefore, contract draftsmen should be familiar with such rules before applying them to ensure the contract valid implementation.

3. The arbitration articles (Articles from 251 to 276) in the Iraqi Civil Procedures Law No. 83 of 1969, whereby Article 251 states “It is permissible to agree on resolving a certain dispute through arbitration. Also, it is permissible to agree on arbitration as a dispute resolution mechanism for all disputes that may arise from the implementation of a certain contract” Noting that, however, this law, from our point of view, is not suitable for the foreign investor, as it still gives the Iraqi judge full authority to intervene in the arbitration award in form and subject thereof, to the extent that even he has the authority to annul the arbitration award at his own discretion. As a result of that, we strongly recommend to include the international institutional arbitration in the country for the below matters:

In the event of a dispute that occurred related to an investment contract in Iraq, the Iraqi judge applies the Iraqi Investment Law No. 13 of 2006, as amended, with all regulations and instructions issued pursuant to it. But In the event of a legal issue that is not subject to the provisions of such law, the judge may resort to other relevant laws in order to adjudicate the case, such as Civil Law No. 40 of 1951, Trade Law No. 30 of 1984, or Companies Law No. 21 of 1997 as amended.

“

The Iraqi law relies on the enacted laws concepts and the existence of civil laws, it does not depend on the judicial precedents of courts that have an advisory value only.

”

It is also worth noting that the Iraqi Investment Law has defined the reconsideration plea submission procedures that the investor can resort to, if the license is not granted in the beginning or if it is canceled at a later time through the following phases:

A. If the application submitted to the investment commission in a concerned governorate is rejected, the investor may request the president of the relevant body to reconsider the decision.

B. If his request is rejected, he may object at the National Investment Commission.

C. In the event that the application submitted to the National Investment Commission is rejected also, he may request the Commission to reconsider it, and its decision is subject to objection or appeal to at the Council of Ministers Article (20 / Fourth / A, B, C of the Investment Law).

On the other hand, “In the case of disagreement between the decision of the National Investment Commission and the other relevant authorities in granting an investment license other than the regions’ bodies, such dispute shall be brought before the Prime Minister for settlement” (Article 20 of the Investment Law).

While if the investment license is withdrawn by the authority that granted the license, the investor has the right to appeal before the Head of the concerned Commission within (15) fifteen days from the date on which he was notified of the withdrawal decision, the Head of the Commission shall take his decision within (15) fifteen days from the date of plea registration before the concerned Commission, and failure to respond during this period is considered a refusal of the plea.

In case the investor's plea submitted to the Head of the Investment Commission that granted the license is rejected, he has the right to file a complaint or plea before the President of the National Investment Commission within 15 days from the date of his notification of the rejection decision, the Head of the National Investment Commission must decide on the plea within 15 days from the date on which the plea or the complaint is registered before him.

If the plea is rejected by the Head of the National Investment Commission, or if the 15 days period has passed without considering such plea, the investor is entitled to appeal before the competent courts (Article 20 / fourth, D, E, F of the Investment Law).

In Iraq, there are three levels of civil courts:

Courts of First Instance, Courts of Appeal, and Court of Cassation, as the plaintiff, or any of the Bar Association accredited attorneys representing him, has the right to litigate before such courts.

Iraqi laws related to investment activities

The provisions of the amended Investment Law No. 13 of 2006 are the general provisions regulating the process of investment activity in Iraq, and it cannot be relied upon only to provide a detailed and informative investment project in terms of establishment and operation thereof; rather, several laws work together harmoniously to regulate investments in Iraq.

The investment legal system consists of several laws that regulate the establishment of an investment project, each of which regulates a specific aspect, including Residence Law No. 118 of 1978, Companies Law No. 21 of 1997 as amended, Trade Law No. 30 of 1984, Banking Law No. 94 of 2004, Civil Law No. 40 of 1951, Investment Law

on Crude Oil Refinement No. 64 of 2007, Industrial Investment Law No. 20 of 1998, and the Law of the General Authority for Free Zones No. 3 of 1998, in addition to some other relevant legislation, such as Resolution No. 5 of 1989 concerning Branches and Offices of Foreign Economic Companies and Institutions.

In this case, it is worth noting two points related to such relevant laws:

First: When any article of such laws contradicts the investment law in Iraq, the application of the investment law prevails over those laws, and this is considered an implementation of the principle of "lex specialis derogat legi generali", according to one of the provisions in the Investment Law that states "No text shall be valid which contradicts the provisions of this law." (Article 34 of the Investment Law).

Second: The state's general policy tends to ensure that investments are given priority. This is an important point in implementing relevant laws, drafting contracts, and eliminating ambiguities in the enforcement of laws and procedures.

While the Investment Law defines the general rules for providing benefits and protections to investors, there are areas in which the Investment Law is silent, as the relevant laws provide more detailed procedures that the investor must adhere to.

Taking into consideration the above, we all should know that the Investment Law does not exempt from the full commitment to the requirements and mechanisms of other laws and does not substitute for adherence to the legal requirements of the whole Iraqi legal system.

For example, the Iraqi Investment Law does not exempt, in order to obtain an investment license, from the project being subject to the requirements of the Companies Law in

registering the company, from providing special requirements for obtaining a building permit from the competent municipality according to the Municipalities Law or from obtaining an import license according to the Trade Law.

Moreover, although the Investment Law exempts investors from paying income taxes for a specific number of years, it does not exempt investors from submitting the required financial statements or declarations to the Iraqi tax and regulatory authorities according to the Iraqi Income Tax Law No. 113 of 1982.

Third: worth of note and commendation is Iraq's tendency to openness towards entering into multilateral agreements or bilateral agreements regulating the affairs of investment activity to achieve additional privileges for investors, by giving precedence to internal legislative texts after they are legally approved (Article 22 of the Investment Law). Afterwards, the concerned Investment contracts draftsmen should take into account the above.

In our perspective, one of the real obstacles to the reluctance of investors is the failure of Iraq to ratify the New York Convention of 1958 concerning the Enforcement of Foreign Arbitral awards due to Iraq's precaution on the possibility of implementing foreign arbitration awards issued against Iraq before ratifying such Convention despite the submission of the draft law in the Council of Representatives since 2018.

Al Muhamoon Al Mutihadoon firm for legal consultancies, Advocacy and Accounts Management, (ltd.) is a premier firm duly incorporated in Iraq with its head office located in Baghdad (the capital of Iraq) and affiliated offices in other countries worldwide (such as Turkey, Egypt, Kuwait, UAE, Saudi Arabia, Jordan and Qatar), having more than 29 years of experience providing services to variant national and international clients and institutions Iraq wide, combining local knowledge with international perspectives. Al Muhamoon Al Mutahidoon is a full-service firm specialized in providing legal service, accounts management and auditing services, financial and economic consultancies services, arbitration, dispute resolution and ADR services in Arabic and English languages.



Agriculture plays a role in revitalizing and supporting the economy, accelerating non-oil growth, achieving social stability, fighting climate change, and providing 18% of total employment and 17.49% of women employment.

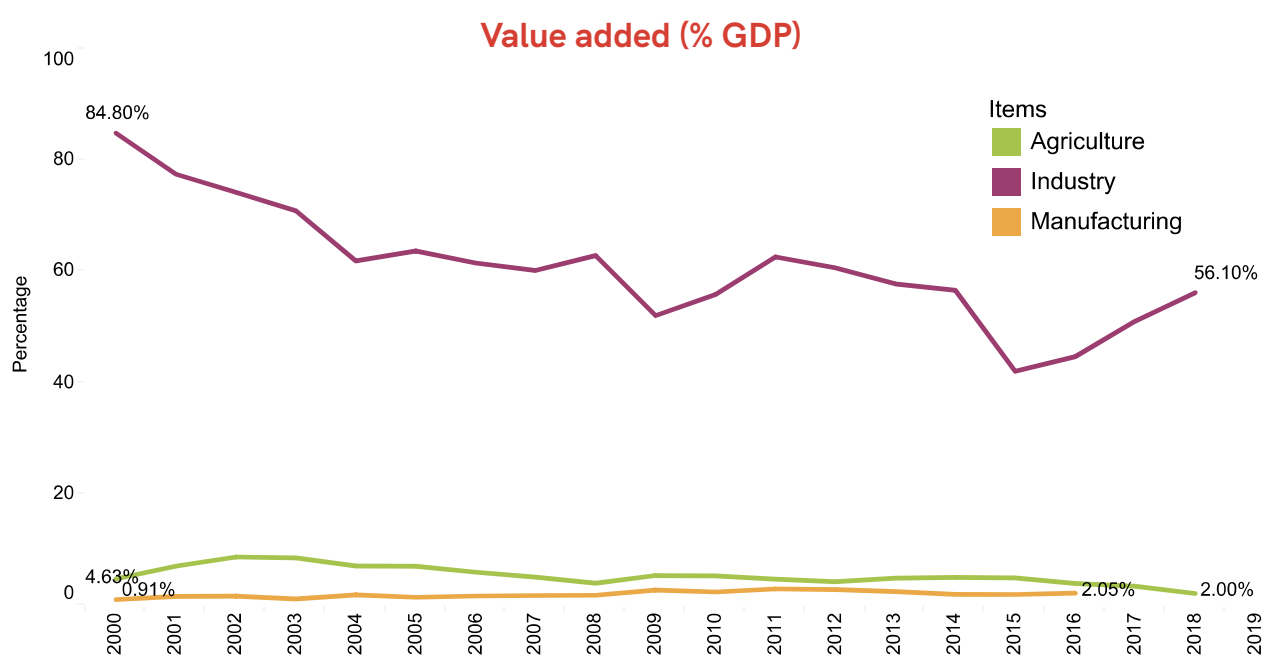
Investing in this sector and implementing policies and programs to foster its growth and development would help fight the poverty in rural areas, which is 30% twice of that in urban areas; it would also increase food security, meet domestic needs, and contribute to the exports. The agriculture percentage of contribution to the GDP has been decreasing over the past two decades, marking 9% in 2002, and 3.6% in 2009, and an all-time low of 2% in 2019. The agricultural land constitutes 21.4 % of the total surface area of Iraq, and arable land contributes to 11.5%.

The sector has been going through hindering struggles since the 1990s. It suffered due to the impact of the sanctions and the food for oil programs, the draining of the marshes in the southern areas, and the aftermath of the ISIS crisis where crops were confiscated and some lands were scorched, and people were displaced due to conflict and violence resulting in 40% losses in this sector by 2016 (FAO, 2017).

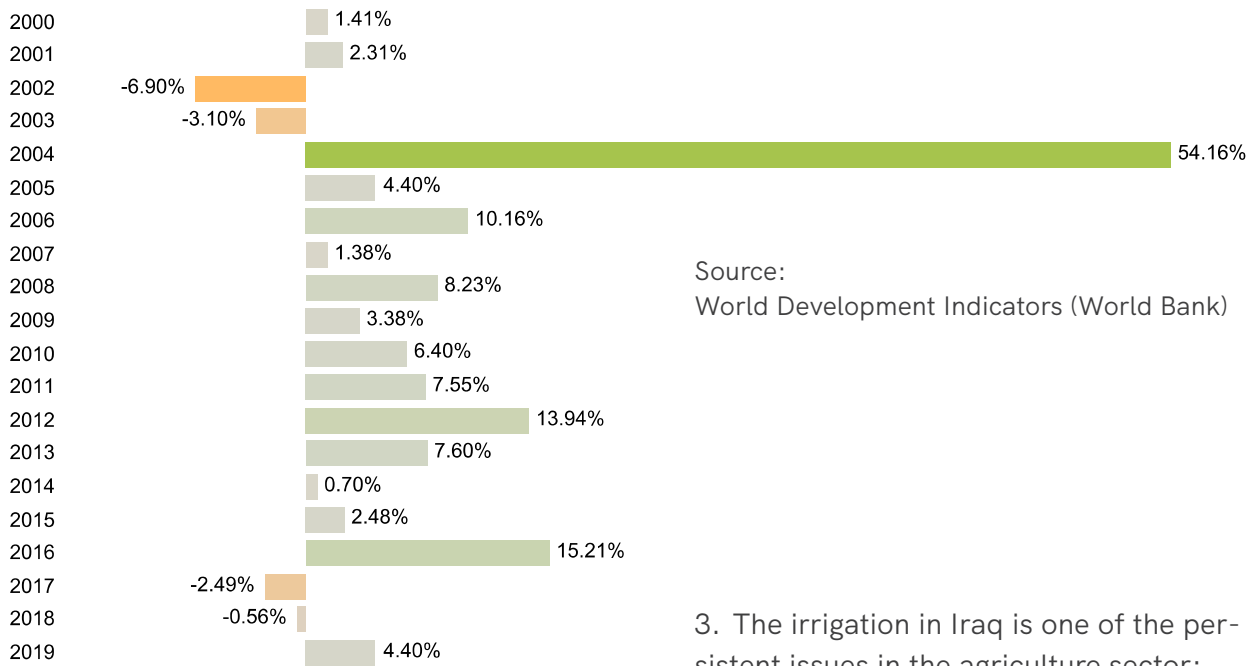
Report summary

Agriculture Sector in Iraq

The economy of Iraq is mostly oil-dependent as oil revenues contribute to over two-thirds of the GDP and nearly most of the exports and government revenues. Investment in the oil sector has reached 66% of the total expenditure investment in 2017. While the GDP of Iraq in 2019 has reached USD 234.09 billion with an annual growth of 4.401%. However, the decline in oil prices and market demand would have a substantial negative effect on the economy, which calls for an urgent need to diversify the economy and the means of income and revenues.



Annual Growth of GDP



Source:
World Development Indicators (World Bank)

Major Issues

1. The lack of investment in agriculture and unequal sectoral distribution of cash credit, the share of cash credit is largely concentrated in sectors like social services with 35.9%, followed by construction with 25.3% then the trade and hospitality industry with 15.5%. As for agriculture, it obtained only 5.1% in 2018. While it had a share of 1.6% of the total investment spending in 2018 compared to the industrial sector that obtained 80.6% (CBI, 2018). However, recently the CBI initiative of 1 trillion Iraqi dinar to stimulate the growth of the Iraqi economy and support SMEs provided the agricultural sector with IQD 623 million.

2. Moreover, to support liquidity, the agricultural bank has obtained a loan of IQD 1666 million. The agricultural sector was also provided with IQD 227.8 billion for investment in 2018 compared with IQD 40.2 billion in 2017 which is a significant growth rate of 452.9%.

3. The irrigation in Iraq is one of the persistent issues in the agriculture sector; around 20% of farmers have access to a fully functioning irrigation system, as the infrastructure for irrigation networks is in poor and inadequate shape.

4. Traditional methods such as surface irrigation are still the most common practices. Surface and flood irrigation cover 81.4% of the irrigated areas. In this case, crops consume only 40% of the water while the rest is evaporated causing waste in resources and increasing the salinity of the land. Other factors like drought, increased heat, decreased precipitation, and contamination of freshwater sources also affect the agriculture sector.

5. Lack of international treaties and legislation to regulate the water consumption of the Tigris and Euphrates between Iraq, Turkey, Iran, and Syria. Turkey has reduced the water flow of these rivers in Iraq by a staggering 80%.

6. The increased salinity level is a critical threat to the agriculture sector, a percentage as high as 70% of cultivable areas suffer from this issue leading to low productivity of the agricultural lands and an increase of sandstorms.

National Efforts towards Agricultural Development:

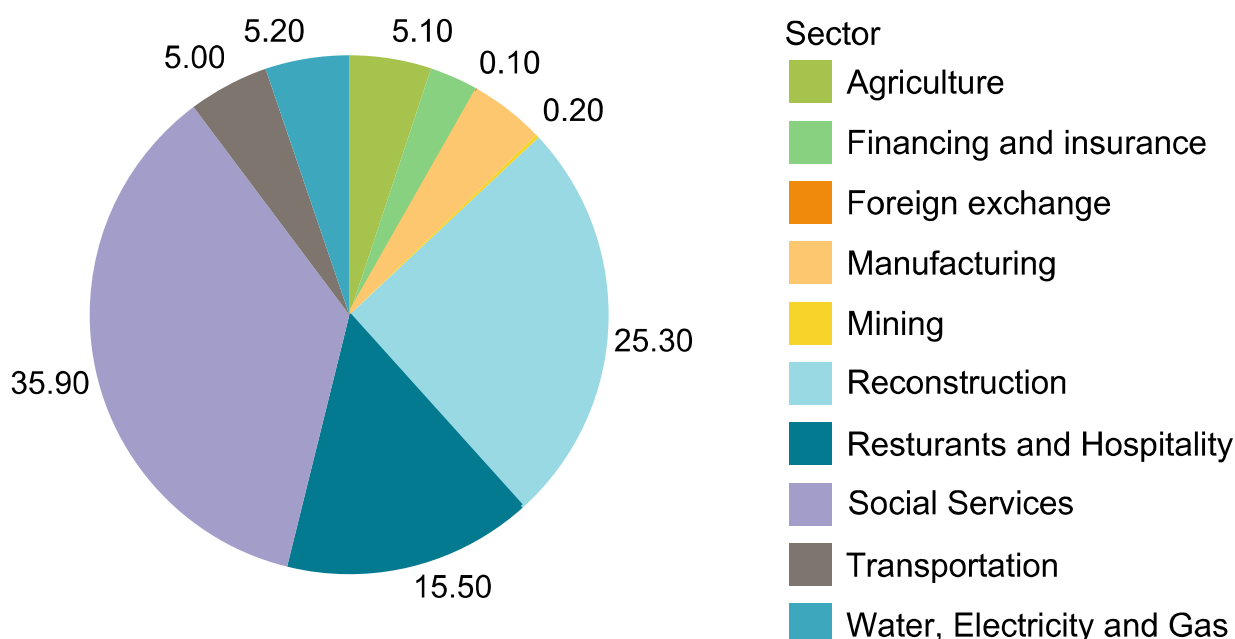
Recently the agricultural sector in Iraq has been receiving growing attention, which led to the initiation of a few projects to meet the local needs, increase food security and self-sufficiency, and increase employment of the rural population.

A. Import Ban: In 2019, the Ministry of Agriculture issued an import ban on 25 different agricultural items to promote local production, support the agricultural sector, and mainly achieve self-sufficiency in food and increase food security while decreasing the dependence on imports. The ban includes agricultural items like wheat, barley, corn, eggplant, cabbage, cauliflower, carrots, buckthorns, potatoes, lettuce, garlic, zucchini, dates, pepper, tomatoes, melon, watermelon, green beans, beets, turnip. It also includes meat products, poultry, and eggs.

B. The Ministry of Agriculture has included the water mismanagement problem on the priorities of their agricultural initiative, in 2010-2012, the ministry purchased and received 4170 fixed and center pivot sprinklers irrigation systems. While also establishing a meteorological network to provide a database and intensive study of the weather forecast and climate and its effects on agricultural production, so far until 2014, there were 46 installed stations all over the country.

C. Several agricultural cities and farms have been established in the last decade, such as Fadak farm in Karbala occupying an area of 2000 Dunam (one Dunam=2500 square meter) used for the cultivation of palm trees with 50 to 60 different types of dates. They plan to plant over 14000-16000 palm trees in order to encourage Iraq date production. The development of the agricultural sector also received attention in some governmental projects:

Sectoral distribution of Cash Credit Loans for 2018



D. The National Developmental Plan (NDP) of 2018-2022: aimed to increase the agricultural contribution to GDP from 4.5% in 2015 to 5.2% in 2022 with 8.4% growth in the sector, in addition to increasing food security and sustainable water resources while decreasing the annual demand of water by 500 million m³ per year.

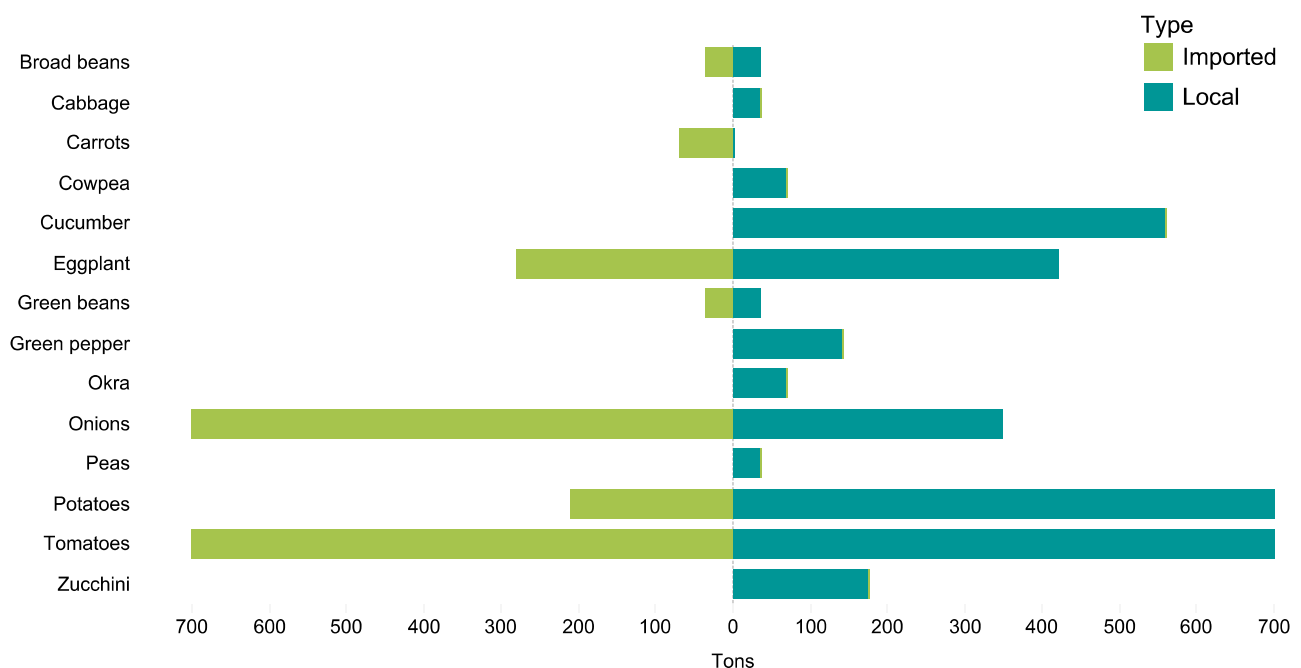
E. The National Development Plan of 2010-2014: the plan assigned USD 9.7 Billion (FAO, 2012) for the agricultural sector in order to modernize the methods used for agricultural services, create employment, enhance the quality of rural life, and encourage the private agricultural sector, investment, and competitiveness in the market. It also focused on repairing the irrigation network and tried to come up with solutions to the water resources international conflicts and internal resources management.

F. The plan of the Ministry of Agriculture (2009-2015): the plan mainly aimed to restore the agricultural land and soil, reducing the salinity, improving the irrigation networks, reducing water waste, and using resources efficiently.

The other priority would be increasing the production of main crops like wheat and dates, and the development of livestock pastures and vaccinations.

G. The Agricultural Initiative in 2007 with six funds that allowed farmers to take zero-interest loans from the agricultural bank in order to purchase agricultural supplies and initiate their projects, it also provided seeds and crops at subsidized rates and encouraged the collaboration of the private and public sector.

Amount of Local and Imported Products in Baghdad





International Efforts towards Agricultural Development

A. The FAO sub-program is contributing to the United Nation's Recovery and Resilience Program (2010-2018) particularly in the third component that serves the restoration of agriculture and irrigation water systems. The budget of the program is a total of USD 92.95 million (FAO, 2018). The main objective of the program is to create a tangible change in the lives of the rural population in areas that suffered from ISIS, create job opportunities, reduce unemployment and poverty, increase food security and sustainable smallholder agriculture, support rural women and youth, and provide training in food processing ventures.

B. Smallholder agricultural revitalization project with IFAD: it was approved in 2017 with an 8-year duration and cost of USD 31.84 million. The project expects to affect 140,000 of the rural population in four provinces, which are Missan, Thi Qar, Qadisiya, Muthanna.

Aiming to improve the lives of the rural population by diversifying their crops and sources of income, increase their productivity and activities, strengthening the community by investing in farmers' associations, supporting

the vulnerable rural youth and women, and most importantly, repair and maintain the supply of water using irrigation schemes.

C. USAID agribusiness INMA program: the program ran from 2007 until 2010 and was extended to 2012. It targeted the private agriculture sector and promoted its growth by providing training, assistance, and technologies.

In order to increase revenues and decrease production costs, create jobs, develop market chains, encourage investors and entrepreneurs in this field, develop fish farms and hatcheries, livestock cross-breeding, enable the youth, women, and people with disabilities. The program was able to make USD 142 million of revenues from agricultural products in addition to providing 14,711 people with jobs.

E. Orange Knowledge Programme (OKP): a program funded by the Netherlands Ministry of Affairs and run by Nuffic; the Dutch Organization for Internationalization in Education, operating in 55 countries for 5 years, it was launched in 2017 and expected to end by 2022 with a funding of 220 million, 2.3 million of which is allocated for the program in Iraq. The program is concerned about two main themes in Iraq, which are food and nutrition security, and water management for climate-smart agriculture.

Agriculture in the MENA REGION

Agriculture contributes to an average of 13% of the GDP in the region as a whole. However, two-thirds of the countries in the region record percentages below 13% while arable land is only 5% of the total area of the region with 40% of crops requiring irrigation due to hot and dry climate (FAO, 2018).

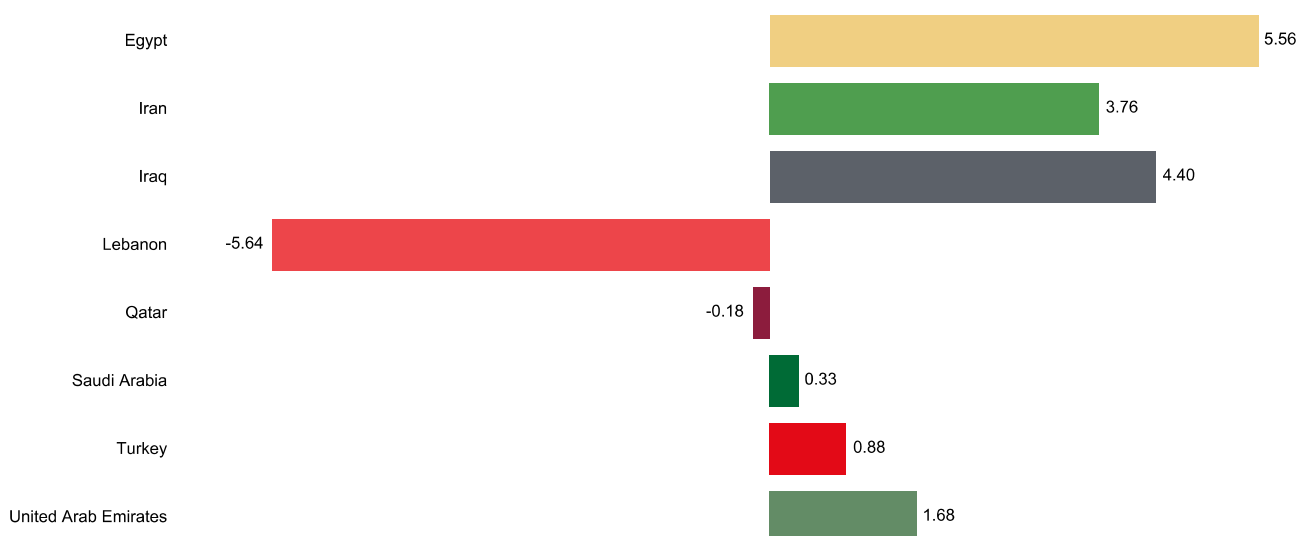


Countries in the MENA region show different patterns in agriculture according to the environment, income, growth, and development. Generally, the region is reliant on food imports and suffers water scarcity as the annual average renewable freshwater per capita is only 6% of the world average (FAO, 2016) while the agricultural sector alone consumes 85% of the water resources. The sector relies heavily on cereal crops especially in lower-income countries; they occupy 60% of harvested lands (OECD, FAO, 2018). The largest agricultural producers in the region are Egypt and Iran as they produce around 50% of total MENA agricultural production.

A shift in high-income countries such as members of the Gulf Cooperation Council (GCC) who depend mostly on the revenues from the oil sector, and food imports constitute 90% of their domestic food needs especially with the scarcity of resources and environmental conditions started employing new innovative solutions like smart farming.

Annual GDP Growths of MENA Region Countries 2019

*Iran's GDP Growth is of 2017



Some Recent Agricultural Technologies in the MENA REGION

1. Pure Harvest:

An agricultural tech startup based in UAE, that received USD 100 million for Wafra international investment company in Kuwait in order to transform the agricultural reality of the GCC countries. It has come up with semi-automated greenhouses for horticulture producing vegetables and fruits in a controlled environment for sustainable local production.

2. AeroFarms:

An indoor vertical farms company operating in the states since 2004, aiming to provide the world with plants grown safely in environmentally friendly farms with 95% less water consumption than traditional farming.

They landed an investment along with three other agritech companies of USD 100 million from Abu Dhabi Investment Office (ADIO) to start operating in Abu Dhabi. The project will expand over an area of 90,000 square feet with advanced laboratories in seed breeding, machine learning, robotics, drones, and phytochemical analysis.

3. VeggiTech:

A company providing vertical indoor farms that employ LED assistance technology and hydroponic farms to combat the challenges of the UAE environment.

Their hydroponic farms extended over 60 acres and the indoor vertical farms occupy an area of 45000 square feet. The project is continuing to transform traditional farms into smart farms that consume 5% less water.





Conclusion and Recommendations

- Irrigation is one of the most constraining issues facing the Iraqi agricultural sector and impeding its growth. Rehabilitation of the irrigation networks and introducing advanced methods would reduce water waste, and regulate its consumption. In addition to reducing the practice of surface irrigation, and preserving the renewable water resources of Tigris and Euphrates through international treaties and regulations with the neighboring countries.
- Managing the high salinity issue that threatens the fertility of the soil by adding fertilizers, using trocars, and plowing the soil systematically would lead to better quality yields and crop productivity.

- Horticulture provides higher agricultural revenue than that of water-thirsty cereals and consumes less water. To foster agricultural growth, diversifying crops is recommended. As well as improving yields quality and productivity by investing in agricultural supplies, inputs, seeds, and machinery.
 - Agricultural is also a tool to improve the industrial reality of the country, create job opportunities and employment by using agricultural production in manufactured food and commodities, while at the same time promoting local products and decreasing the dependence on imports.
 - Improving and developing the education system and the current curricula in the agricultural study fields and departments in universities and vocational schools. In addition to conducting research, studies, and data collection as they are essential for running agricultural projects and initiatives as they would assist in better planning, coordination, and execution.
 - Private sector can reduce the budget intensive burden off the public sector and provide employment opportunities; it is recommended to encourage agricultural businesses and startups by investment and incubation programs to modernize the sector.
 - Improving the quality of livelihood in the rural areas by providing access to education, healthcare, facilities, and services for the rural population. As well as supporting the rural women, protecting them, encouraging them to enroll in education, and supporting their small businesses.
- To access the full version of the report please visit **KAPITA.iq/research**



Industrial Sector in Iraq

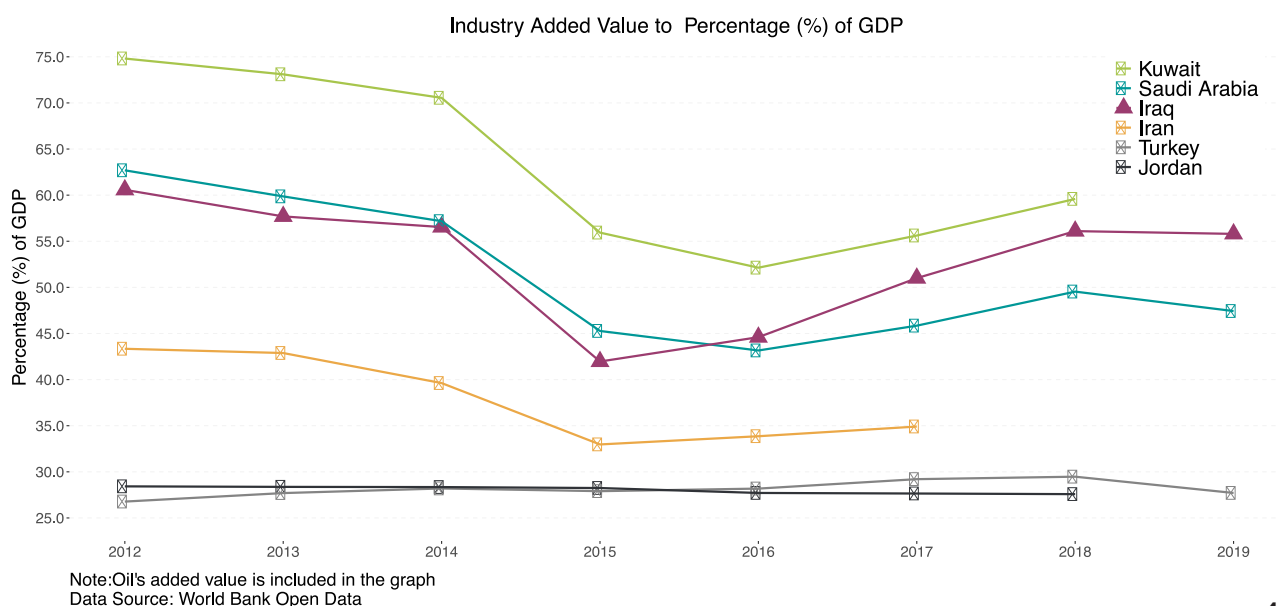
Introduction and Historical Context

The industrial sector is an indication of the economic growth of a country. An economy with an advanced industrial sector tend to enjoy greater GDP value, higher salaries, and quality products and services provided by efficient labor. For an oil-dependent country like Iraq, diversifying the economy by developing other sectors like the industrial sector is essential.

The private sector has led the industry in Iraq with 84% of the added value of the industrial sector until the Nationalization law in 1964 when it dropped to 65.4% in 1970. Manufacturing of drinks, food, cigarettes, clothes, shoes, and oil refining contributed to 58.2% of added value to the manufacturing industry.

The government used to protect local and regulate market prices. The sector suffered in the 1990s like many others until 2003 where it slowly started recovering with challenging circumstances and limitations like lagging in technological advancement, unstable conditions, poor electricity and security, heavy imports, lack of policies and regulations.

Employment in the industrial sector has a share of 22.3% of total employment rate in Iraq. With 11% of working females and 24% of total working males are working in the industrial sector in 2019 (World Bank Data).



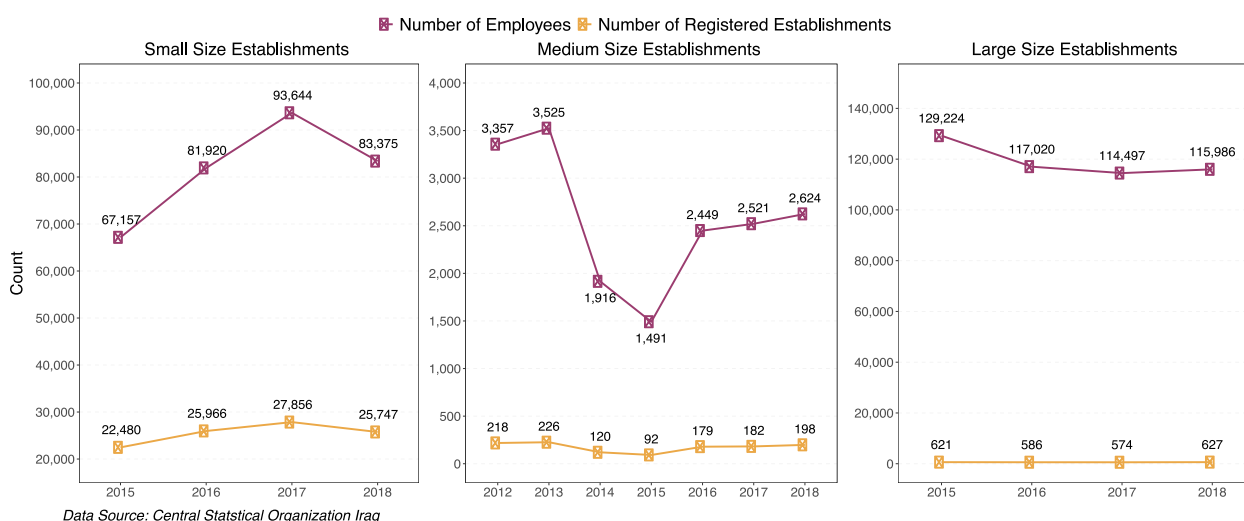
Industrial Establishments

Establishments within the industrial sector have been divided into three parts according to the data and format provided by the Central Statistical Organization to provide a better understanding of the industrial sector:

1. Small Establishment of 1-9 workers, they include 25,747 establishments, contributing to 96.2% of total establishments.

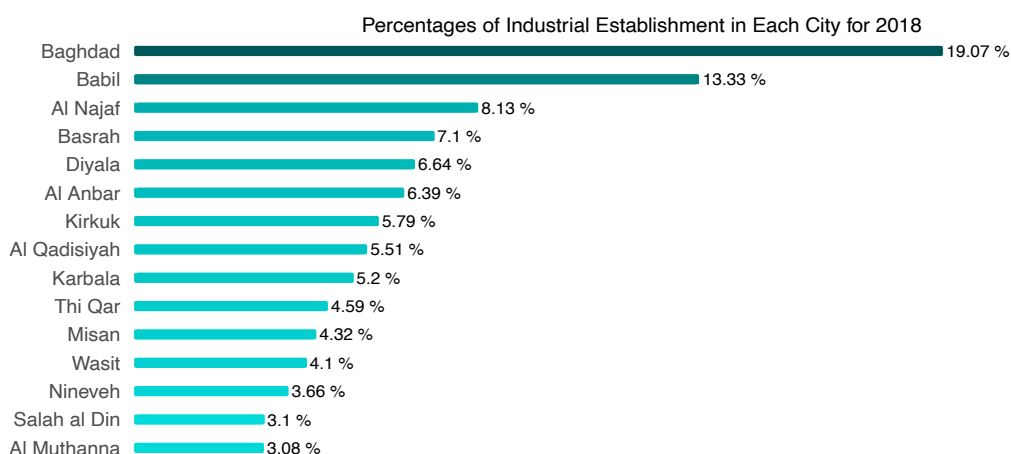
2. Medium Establishment of 10-29 workers, they include 198 establishments, contributing to 0.7% of total establishments.

3. Large Establishment of more than 30 workers, they include 627 establishments, contributing to 2.4% of total industrial establishments.



The majority are within the private sector, 81% of small establishments are bakery-products industry, construction metal materials industry, furniture industry, and clothing industry.

The total number of workers in the small establishment in 2018 was 83375 and these former mentioned four industries cover 78% of the total employees working in the industrial sector.





Government Policies

Industrial Cities Law (2018):

Working on establishing the Industrial Cities Commission in Baghdad to work on the implementation of the strategies for developing industrial cities in Iraq. It also organizes industrial activities and encourages the participation of the private sector.

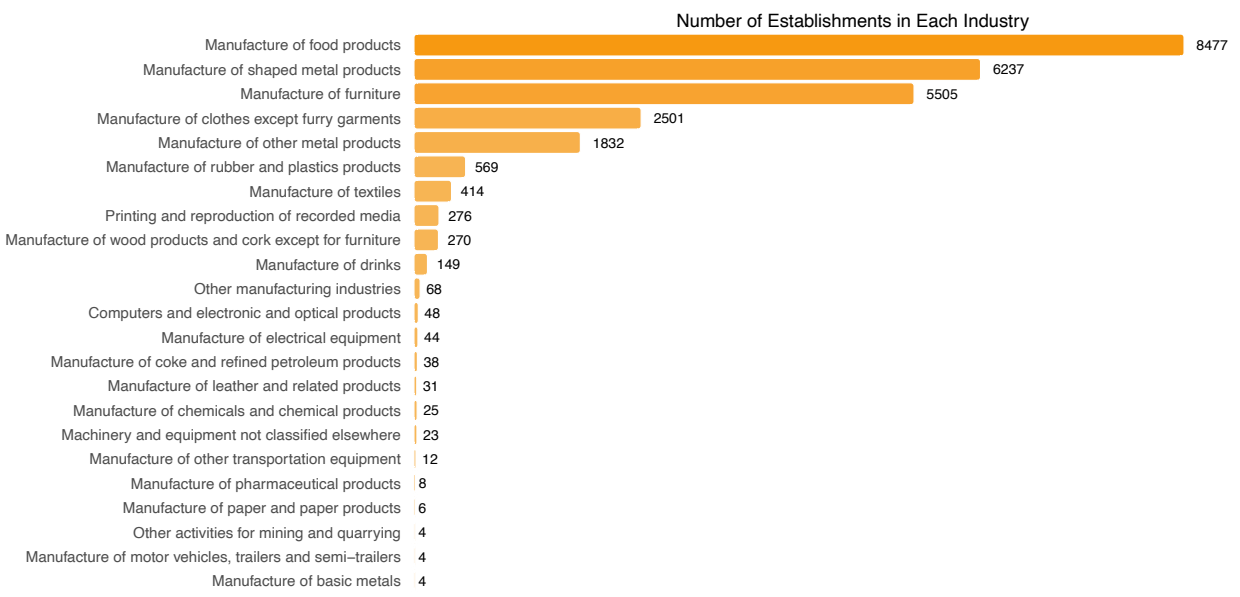
Ministry of Industry and Minerals law (2011):

Encouraging, developing and organizing the industrial sector in the field of transformative, synthetic, and mining industries. Additionally, working on establishing, implementing, and financing industrial research and development plans

in order to reduce the cost of products and services, improve their quality, adopt international standards, develop production processes, and introduce new technologies to increase competitiveness and sustainable growth.

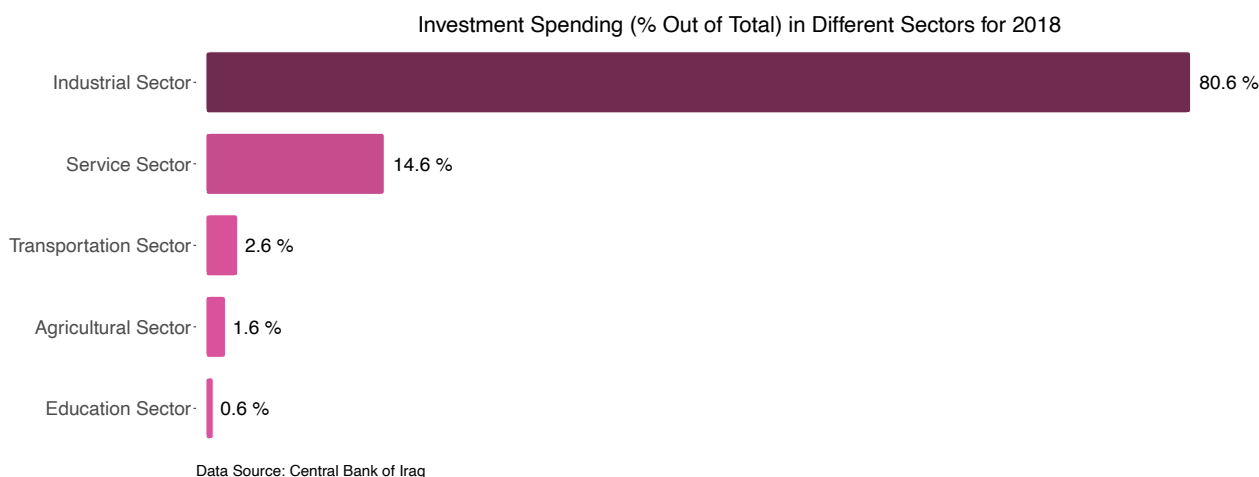
Investment Law (2006):

In accordance with this law, the National Investment Commission shall be formed, which is responsible for establishing the national investment policy and guidelines to promote investment and transfer modern technologies, expand and diversify the products and services, expand exports, and improve the balance of payments and the balance of trade of Iraq.



Data Source: Central Statistical Organization Iraq

Investment Spending



Industrial National Development Plan 2018-2022

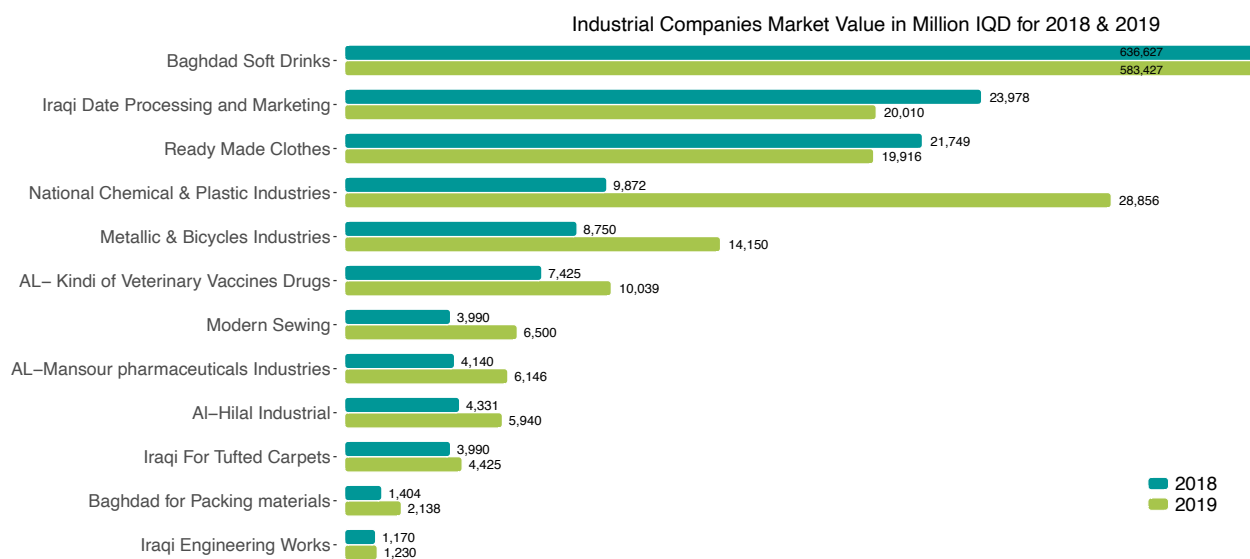
The NDP aims for the following:

- Increasing the contribution of transformational and extraction industries in the GDP by 40% from the base year.
- Achieving a sectoral overlapping between the transformational sector and other sectors and introducing the private sector within

such overlapping, without exploiting the potential available to the private sector.

- Working on finding other sources to finance public sector projects and limiting the funding of the investment budget for strategic projects only.
- Activating geological surveys to develop an integrated map of the mineral resources of the country in order to render them into investment opportunities.

Industrial Companies Market Value



Current Public Projects Available For Investment

According to the national investment commission, 192 projects that belong to the Ministry of Industry and Minerals are open to investments. They operate in different industrial fields such as construction, food manufacturing, rubber manufacturing, electrical devices, chemical process, water, metals, and clothes.

These projects belong to 28 different companies and spread across the country, mainly the following companies:

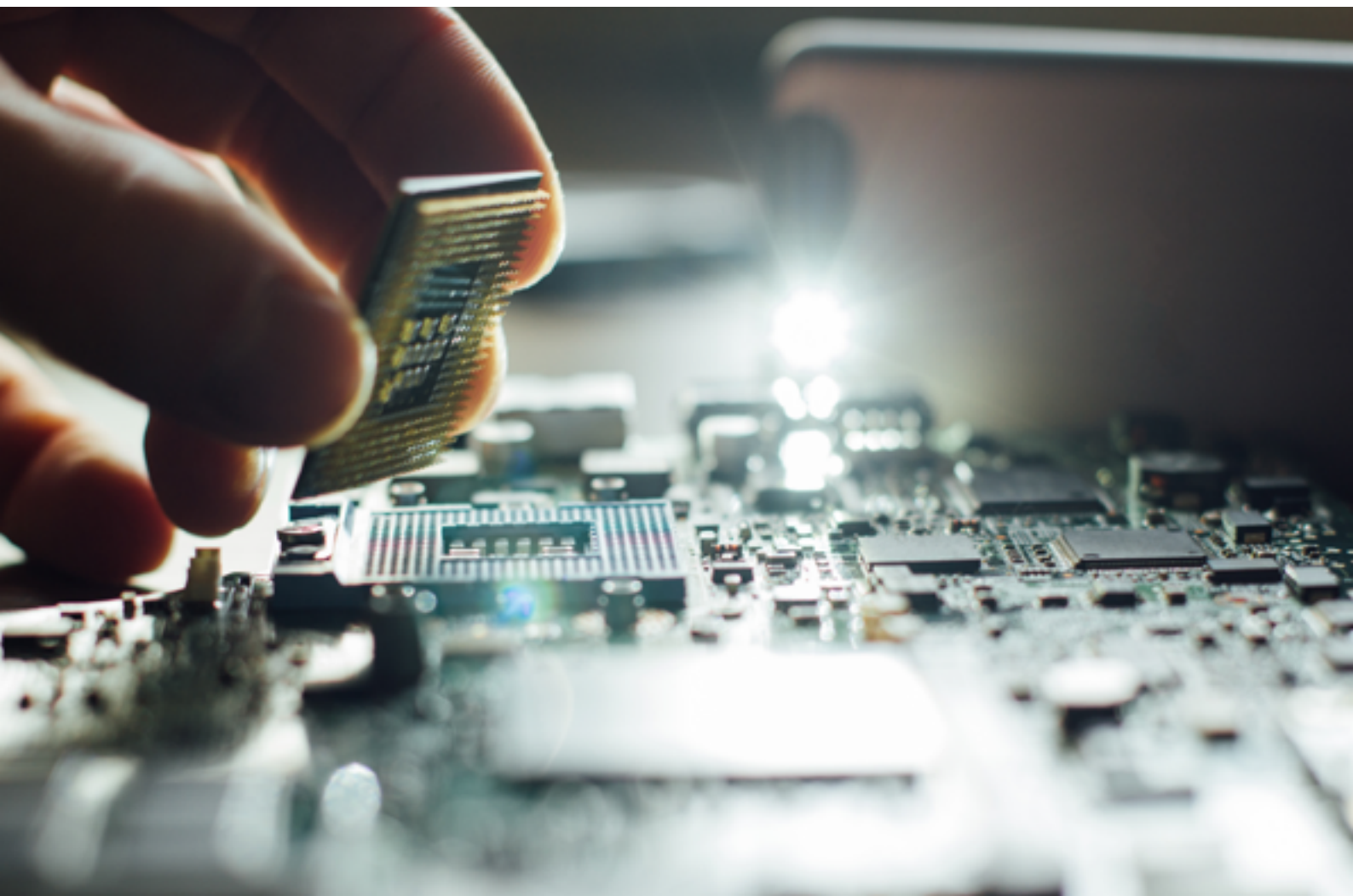
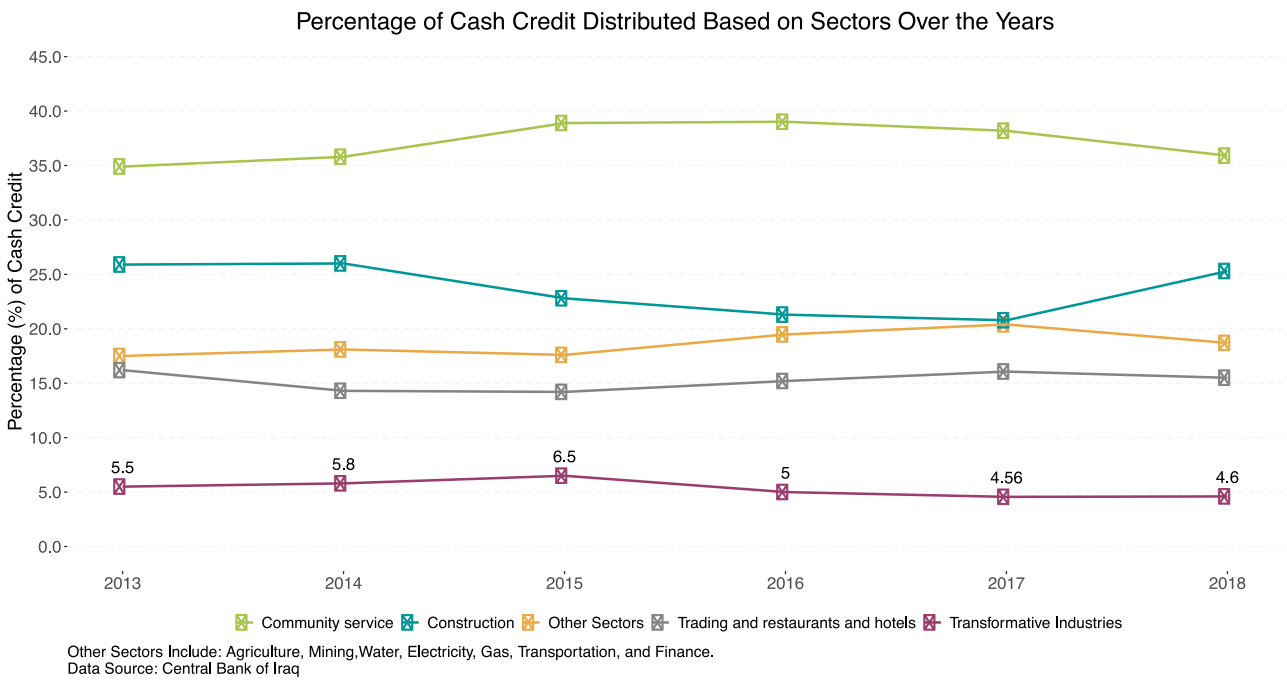
- The General Company for Electrical and Electronic Industries with 27 projects.
- The General Company Hydraulic Industries with 22 projects.
- The General Company for Textile and Leather Industries with 16 projects.

Overall, the Ministry of Industry and Minerals has more than 72 public industrial companies divided as the following; 28 companies in the engineering sector, 18 in the chemical and food sector, 6 in the construction sector, 7 in the textile sector, and 13 in other sectors.

However, most of these companies are providing limited production due to old factories, lack of technological advancements, lack of electricity provided by the government, availability of imported products (National Investment Commission). The funding of the investment budget for strategic projects only.



Cash Credit over the Years





Conclusion and Recommendation

- The industrial sector plays a key role in decreasing the unemployment rate and increasing the standard of living in Iraq.
- Laws that aim to improve the industrial sector exist in Iraq but the government should ensure their careful implementation.
- The percentage of people working in the industry should increase, as it will lead to advancement in all different sectors and not only the industrial sector.

- The government should provide a secure and healthy environment for industrial factories and investment in the industrial sector to take place.
- Industrial Establishments should be encouraged in different cities beyond the main cities that the industrial activities are concentrated in right now.
- Clear and easy to follow laws should be presented and made available to investors and the public who are interested in industrial activities.
- Strategic planning and in-depth market search should be conducted and made available to existing companies and investors
- Taking advantage of new technological machines within the industrial sector.
- Encourage new employees, students, and potential workers to be updated with the latest technologies, skills, and tools in the industrial sector
- Encourage foreign investors by providing decent services, laws, and protection.
- Encourage the Central Statistical Organization to re-define the industrial establishment sizes in their next reports. The definition could cover more factors to determine the size of the establishment rather than depending only on the number of employees' factor as of now. Examples of these factors could be total production value, and total production cost.

To access the full version of the report please visit **KAPITA.iq/research**



Interview

Mohammed Al-Hakim: **Careem's Iraq and Jordan** **General Manager**

Careem started as a ride-hailing startup in 2012, founded by Moudassir Sheikha and Magnus Olson. They started operating in Dubai, UAE. In the beginning, Careem was a website to help corporates facilitate the commute of their employees. They later released their application and made it available to everyone.

Careem is currently carrying out operations in 13 countries, Algeria, Bahrain, Egypt, Iraq, Jordan, KSA, Kuwait, Lebanon, Morocco, Pakistan, Palestine, Qatar, and UAE. With over 100 cities, 24 million customers, and 800,000 captains. Careem is transforming the transportation sector in the Middle East and diversifying its services to include items delivery, food delivery, and even Careem bike in some places.

In 2018, Careem entered Iraq and started operating in Baghdad providing pioneering technology in the transportation sector and services in Iraq. Despite all the challenges they encountered they were able to establish Careem Iraq as a company very reputable for its services and ability to come up with innovative solutions to develop the transportation sector in particular and the country in general. Careem expanded its operations to include other cities in Iraq like Najaf, Erbil, and Basra. They also launched their Super App that includes items delivery and food delivery services.

We had the chance to interview the general manager of Careem in Iraq and Jordan, Mohammed Al-Hakim. He told us the success story of Careem in Iraq, their vision, challenges, and the opportunities in the country.

In the beginning, we would like to hear about the story of Careem in Iraq.

We have studied the market in Iraq since 2016, and we conducted three market analyses. It is a big essential market similar to other countries we operate in like Egypt and Pakistan. It is a big market facing huge challenges in the infrastructure, internet connectivity, and the transportation sector; we see opportunities in those challenges. The transportation sector is the nerve of the economy; it enables the economy to prosper and flourish.

Those challenges alongside the large population provide a suitable environment in Iraq for the success of companies like Careem. We entered Iraq in January 2018 and started operating in Baghdad then we expanded to Najaf, Erbil, Basra, and Mosul.

The pandemic in the last couple of months affected the transportation sector substantially but we were able to adapt and launch other services like items delivery in all the cities and food delivery in Baghdad.

What are the different challenges Careem faced when it expanded to other cities in Iraq?

The cities are different in some aspects but they are also very similar, they differ in data, the market size, transportation fees, income, and the type of cars available, and living expenses are less than that of Baghdad. However eventually, the customer's behavior is similar when it comes to dealing with electronic services in the different regions of Iraq, which actually helped us while expanding to other cities. The process became easier since we learned a lot from our experience in Baghdad and we have already established our reputation and image.

Regions sometimes differ not only geographically but also culturally. We gained experience from operating in many different countries and cities in the Middle East, but the consumer is less or more the same when it comes to the preferences of the service.

How do you deal with the challenges that are specific to your Iraqi market?

Iraq has many challenges; the internet connectivity and the blockage of roads during certain political events or religious occasions. These two in particular have a significant impact on our operations. We learned how to adapt and mitigate these effects.

During the final exams in 2018 when the internet was cut, we started taking orders via telephone lines. However, when the roads are blocked we cannot do much but we stay in contact with our customers and captains as we consider them a part of Careem's family.

How did Careem deal with the political unrest and the global crisis due to COVID-19?

The protests and COVID-19 affected our operations, due to total curfews and the cutting of the internet. We tried to be of much support as possible during the difficult times that our country has been through. For example, during the curfews at the start of the COVID-19 pandemic, we made a suggestion to the government and the Government Emergency Cell to offer our services to doctors, health workers, and journalists free of charge.

We also offered to deliver staples and necessary items to people's houses during the curfews when it was difficult for them to obtain some necessities.

The pandemic changed the consumers' behavior, they started leaning toward electronic and delivery services.

Therefore in April, we launched items delivery in all the cities we operate in and food delivery in July in Baghdad. We created an opportunity out of this crisis to expand and strengthen our operations in different sectors.

How do you maintain the productivity of the employees in Careem and keep them motivated especially with the transition to working from home?

Our Employees are our colleagues, Careem relationship with the colleagues goes beyond work. We are proud of our company culture and values that unite us whether we are working in the office together or not. The pandemic affected our operations but not the productivity of our colleagues. We meet online every day for half an hour to keep the communication strong. While we also have an hour weekly meeting to keep everyone updated about everything going on with our operations. We conduct fun activities monthly to strengthen the bonds between the employees; we kept this tradition during these tough times even though it is now being held online.

“

The pandemic in the last couple of months affected the transportation sector substantially but we were able to adapt and launch other services like items delivery in all the cities and food delivery in Baghdad.

”

Eventually, we view ourselves as one family; distance cannot weaken this bond. Careem has a strong company spirit, culture, principles, and values. We look for those when new colleagues join our family.

How was the adaptation process of the Iraqi market?

There is a difference in the electronic culture in Iraq compared to other countries, but we conduct operations in similar developing countries. We use all the possible marketing channels whether online or face to face on the ground.

We have Careem ambassadors that represent Careem trademark; they inform people about our services, book them a ride and invite them to try it. Every country we enter we make sure we cater to the needs of that specific market, our marketing campaign is local, and we connect to our captains and customers. Careem has a friendly humble personality that allows it to bond easily with customers and create a loyal customer base.

Is there a difference in consumer behavior in Iraq and other countries?

There are some cultural differences in the countries we operate in but people still have similar preferences. Captains looking for income opportunities in a supportive environment and the customer is looking for comfort, safety, and good service. And this is what we offer, it is what drives the success of Careem in Iraq.

How do you attract and acquire Careem Captains?

We attract them online and on the ground. We sometimes stop taxi drivers and explain our services to them, we take them to our centers and ask them for their documents and check their cars.

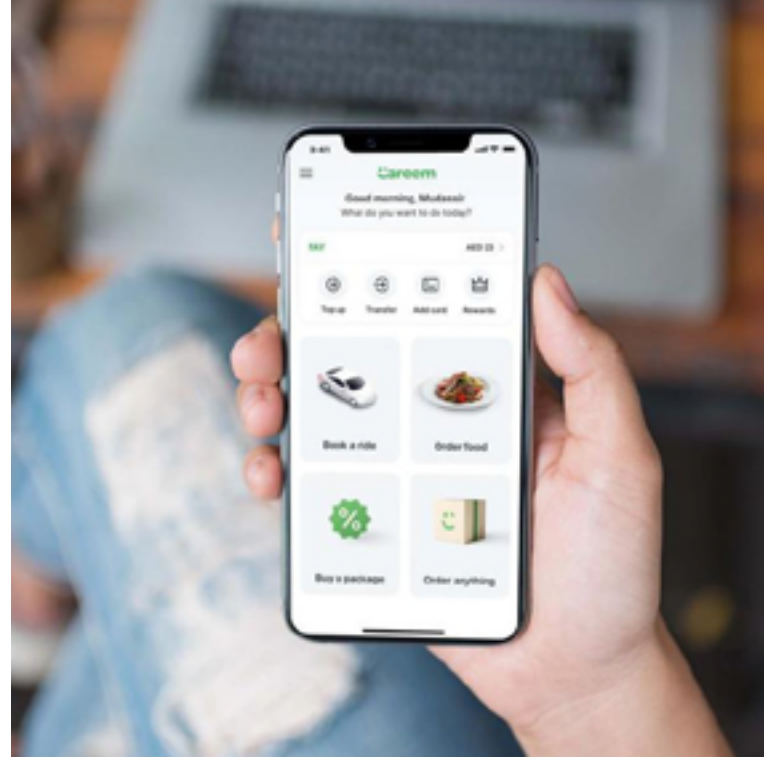
We also rely heavily on training the captains periodically. Also, we have our rating system that manages the quality of our drivers. Every captain's rating that drops below 4.6 we call them to train them again, we also train them on our safety standards.

The most important thing is we provide our captains with an opportunity to earn income. Whether they have other jobs or they have been operating previously as drivers. We depend on the rating system, training, and promising income opportunity. Anyone with a car and a smartphone has the opportunity to join our team of captains. We are glad that our captains feel proud to be a part of this team and have this supportive community. It also fights this stigma about this job, we were the first in the Middle East to use the term captains and we are glad that other companies are also following our footsteps. The captains are the core of our services; they are responsible for the life and safety of our customers.

How did you decide to diversify the services Careem provides with the launch of your Super App?

The delivery service is launched to respond to the market needs and to increase and diversify the means of income for our captains especially since that transportation sector struggled during the pandemic. Food delivery services are providing a job opportunity for another class of society. Our captains use motorbikes to guarantee the speed of the service.

Our captains adapt quickly with the technical changes and they are very well trained. Today our captains use MasterCards to deliver their fees and receive their income. They learn quickly, and they also teach us a lot about how to improve our service, we always welcome their feedback.



We currently have more than 30,000 captains in Iraq and we are always looking to grow our team.

What reasons made you decide to terminate your operations in Mosul?

Mosul is a very important part of our expansion plan in Iraq, it provides a promising market. There is a growth in internet connectivity and services, and the use of smartphones. We conducted detailed market research about the city, we launched exactly a year ago in September 2019 but it was impossible to predict the following events, a week later the political crisis and the protests took place, the blockage of internet services and roads hampered our operations. Mosul did not get the time it deserves to become acquainted with our services. We noticed growth in the Mosul market until February 2020 but the pandemic affected our operations due to the total curfews.

These interruptions hinder the growth and progress in new cities. We also faced challenges in infrastructure and internet connectivity, which affected our captains taking orders. We decided to postpone our operations in Mosul temporarily until a much more suitable timing, and we hope to come back shortly.

Are the bus service and Careem Bike on the menu for the Iraqi Market?

We are currently focusing on the services we are already providing through our super app.

We consider Iraq as a very important market and we are looking to expand our operations to more cities. Nothing Careem provides in other countries is out of the menu for Iraq.

What is Careem Pay and what is the future vision for this feature? And why do you encourage digital payment methods?

Careem Pay is a closed loop digital wallet that enabled our customers to pay for Careem services electronically. It has a real value for customers as it enables them to receive their change in the wallet if the captain does not have enough change - which is a real problem in the Iraqi transportation sector.

We encourage our customers to pay electronically through Careem pay or their Visa Cards and MasterCards in order to facilitate the transactions between our captains and customers. First for safety reasons as money is a method of transferring infections.

Second, we believe that we play a role in society, cash transactions cost the economy significantly. Promoting electronic payment culture helps to develop the society and the economy. We love to contribute to the positive change in society and create this culture. Careem Pay in other countries is used for electronic payment but in Iraq is used specifically in our services. Maybe in the future, we explore the expansion in electronic payment.

Tell us about Careem's people and the experience of Careem with social media marketing.

We collaborate with people whom we think represent our trademark, values, principles, and culture. They are a part of Careem's family; it is not only a commercial goal.

We have a fun marketing personality, so people feel like they are dealing with a person, not a company. We are bold when it comes to marketing. We challenge some ideas; innovation is a part of our identity. We challenged the transportation sector and delivery services.

What percent of women contribute to your customers? Any plans to hire female captains in Iraq?

We do not know what percentage of our user base is women; we do not collect this data. We focus on providing a safe service. Our captains and their cars are checked to ensure they follow our safety and security measures. The application provides features to ensure the safety of our customers like the car model, plate number, and the name of the captain. You can also share the ride information with other people like family and friends even if they do not use the application.

We are proud to provide a safe service and positively make an impact on society, especially for women. We make sure to enable them to feel safe and secure to carry out their errands and activities. We acquired women captains in countries like Saudi Arabia and Pakistan. However, currently there is no such plan in Iraq. We are currently focusing on our available services and improving them.

Did the acquisition of Careem by Uber affect Careem operations or image and values?

The acquisition emphasized and strengthened the role of Careem in the transportation sector. Careem still operates independently.

The acquisition did not affect our trademark, culture, values, or principles. The two companies still compete in some markets.

Does Careem think of acquiring other companies?

We are focusing on our current services; we did acquire other companies and startups in the region. We can do this in Iraq once we obtain an opportunity that is aligned with our future vision.

We would like to know more about your background, and how it contributed to your journey with Careem?

I started as a general manager of Iraq. Before Careem I worked in different sectors especially technology and finance. I opened my first startup when I was 15 then I started six other projects in Iraq and abroad. Each one of them added to my experience and knowledge about this field.

What is your view on the entrepreneurial scene in Iraq?

The ecosystem of startups in Iraq is developing and growing very quickly. The youth in Iraq is very ambitious and hard-working. They are looking to broaden their horizons and leaning towards opening their own businesses and starting their projects. We are at a turning point.

The youth needs only support. We only need a success story or two to inspire others. I am very optimistic about the new generation, their ideas, and the opportunities they will create.

“

The acquisition emphasized and strengthened the role of Careem in the transportation sector. Careem still operates independently.

”

In the end, do you have anything you would like to add?

We have two messages we want to deliver, the first we always support the youth, small and medium-sized enterprises, and innovative projects.

We welcome anyone trying to contact us and try to support them in every possible way. We believe the secret of success anywhere is sustainability; sustainability is achieved not by making profit but by providing a real benefit. We seek to provide services to benefit and help our colleagues, customers, captains, society, and the government. We have great experience in information technology that could help make a positive change in Iraq.

We welcome anyone trying to benefit from our experience and knowledge of information technology.





Interview

Dhuha Abdul Kareem Alatta: **Director General of the Payments** **Department in the Central Bank of Iraq (CBI)**

The banking sector plays a vital role in the economy; the progress of this sector makes an impact on the different aspects of life. Iraq is witnessing an improvement in the banking services, and increased use of electronic payment methods, and the boom of e-commerce.

We had the pleasure to interview the director general of the payments department in the Central Bank of Iraq (CBI), Mrs. Dhuha Abdul Kareem Alatta, who discussed with us the timeline of electronic payment in Iraq, the challenges, the measures and solutions, and the future projects.

We would love to know more about you and your background.

I graduated in 1991 from the University of Baghdad-College of Administration and Economics, I was hired two years later in the CBI. Circumstances were so different from today but I got the opportunity to work with great people who taught me a lot and left an imprint on my life. I climbed up the ladder and I am so proud that I was able to prove myself.

Currently, I occupy the position of the director general of the payments department in the CBI. This department was established in 2004 and is considered as the nucleus of the electronic payment operations in Iraq due to its primary role in developing the banking sector. It is also regarded as one of the important departments, and one of its responsibilities is to take the next step to transform the banking sector in Iraq.

Would you walk us through the timeline of electronic payment in Iraq?

After 2003, the CBI took a great interest in building an infrastructure for electronic payment. This was a huge challenge, as not only did we need to build this infrastructure for the CBI but also for all other banks in the country.

The payment department was just a small division back then and it scaled up to become an essential department.

In 2006 we launched the RTGS (Real Time Gross Settlements System), and Iraq was among the first Arab countries to implement this system. At first, only five banks used the system, so we tried hard to attract the banks to implement it and emphasize its benefits. Until it became an essential requirement for each bank operating in the country.

This was the first step towards electronic payment in Iraq. Then other systems like Automatic Clearing House (ACH) have been implemented.

The biggest challenge that was and still is, that the two biggest public banks in Iraq still have not implemented a core banking system, which would play a huge role in smoothing out the flow of operations and transactions. But we did not let this obstacle stand in our way. The electronic payment is available in every bank now.

When was the retail payment system implemented in Iraq? And what were the challenges you faced? And what is its positive impact on the economy?

Retail payment systems were initiated in 2011 when we started preparing the Request for Proposal (RFP). The infrastructure, the legal framework, and the regulations were released in 2014, and based on them we have licensed a number of e-payment companies, which opened the door for new activities in the market like issuance, mobile wallet, acceptance, processing ...etc.

The National Switch is a platform which depends on the interoperability between the participants (Banks working in Iraq and payment services providers) to settle their transactions on a daily basis at the Central Bank of Iraq so you can use your card at any ATM even if it is not your issuing bank or at any point of sale, the first transaction was realized in 2016.

The National Switch is a national network that uses national channels to carry out the transactions, we are not using MasterCard or Visa channels but we are using their standards so whenever progress is made, automatically our cards are updated accordingly, two birds one stone. Currently, they have updated their cards to be contactless, and onward we will only issue contactless cards in our banks.

There is no limit for the growth of the payment technology, and this is the challenge, whenever we issue regulations and framework then technology will still evolve, we need the flexibility to allow this growth. Standing in your our means we are going backward.

We see that the relevant international financial institutions are going towards encouraging fintech and they consider it as the essential solution for the payment industry in the coming stages, the CBI also takes it as one of its priorities to develop the market and starts studying the launching of some projects such as the sandbox and eKYC.

The CBI promotes and encourages fintech and entrepreneurship in Iraq and emphasizes their role in developing the banking sector.

The other challenge is the lack of acceptance of cards which has influenced retail payment negatively, but at the same time there are several indicators which we are working on to enhance the acceptance.

Reliance on electronic payment, especially abroad, will greatly help the process of reducing the costs for the government in using foreign currency outside Iraq.

Now people are using their cards abroad more often which is helping with this issue. We also issued travel cards with fees assigned by the CBI so citizens can use it abroad, the pandemic affected this but people are using this online now instead.

Ecommerce is growing fast in Iraq and the majority take cash on delivery but we are observing that increased use of digital wallets and debit cards.

Our goal is to increase the acceptance through payment gateway, POS, and online payment.

What challenges does the Iraqi market display and what measures are being taken to overcome them?

The Iraqi market struggles with what I call the banking illiteracy, and the dependence on cash transactions culture especially with merchants.

The first reason is to avoid tax deductions, and the second reason is the lack of trust in the private banking sector even though many of them have good services but some setbacks have prevailed over the other banks.

That is why we observe that some merchants do not rely on banks. The other issue we face is that the public banking sector has earned more trust among the Iraq population however the services are lagging behind.

We are trying to attract citizens and merchants to increase the deposits. We are also working with international entities to draw a strategy for financial inclusion, to provide citizens regardless of age and gender with financial tools to facilitate their life. This needs a lot of work and integration with many entities and institutions, public and private.

We obtained the support of the government and we are working on achieving this goal.



We would like to hear about the salary domiciliation project, what are the goals you were looking to achieve? What are the challenges you encountered? And what was the impact of this policy?

We launched the National Switch in September 2016 which paved the way to the launch of the salary domiciliation project in February 2017 when we were ready and confident that our infrastructure can handle this transition and start issuing this large sum of bank cards.

The CBI opens accounts only for the Ministry of Finance and banks and the employees of the CBI, we were the first institution to implement salary domiciliation for our employees to test it out and analyze the challenges that other institutions may face and come up with solutions. We laid out our standards, and we had a shortlist of public and private banks participating in this in addition to some branches of international banks.

The aim is to create banking accounts that are connected to other services, like debit/ credit cards and saving accounts. The employees choose the bank that suits them depending on its services. We have advised the institutions that will begin to apply this project to create a competitive environment to the banks to advertise and provide their services, especially, as we are now living in a stage of stable exchange rate, which requires banks to develop their performance and enhance their services.

As you might know, 70% of the budget is operational, the Ministry of Finance transfers salaries to the spending units through RTGS then these units transfer the salaries to employees' accounts and then withdrawn as cash completely and then goes to merchants as cash and so on.

What we want is for the cycle to be cashless to provide the banking sector with deposits and liquidity for enhancing investments. Our goal is to set pillars for the new era for the banking sector.

Cash is very costly especially in Iraq due to the lack of security. We set the cost of paying in POS is free for the citizen while the fee is low for the ATMs; we wanted to pressure the merchants and the market to reduce the cash transactions and implement banking literacy.

The other aim, which matters to the government most, is to control the number of employees in the institutions and limit fraud and double salaries. Also, create a unique employee's number.

“

What we want is for the cycle to be cashless to provide the banking sector with deposits and liquidity for enhancing investments

”

With the support of the General Secretariat of the Iraqi Council of Ministers, The Central Statistical Organization (CSO) and the Ministry of Planning are working to create a database in the CSO with a unique employee number entailing all the details about each employee. This helps to obtain data about the age, education, genders, and other information of employees in different departments and ministries. This leads to a better decision making process. The unique employee number for around two million employees has been created.

We are also working with the Ministry of Interior and studying together the process of connecting the unique number with the national ID number, the project is still in progress and until now around 17 million people of the total population are holding a national ID, which is secured with biometric prints and impossible to replicate.

The main challenge of this project was the unbalance it created; the issued cards have been increasing but to not much use, as you cannot use them in your daily life due to the lack of acceptance, so there was a pressure on withdrawing salaries as cash, which prevented the cash cycle to continue electronically. Increasing the POS is vital to help salary domiciliation achieve its goals.

We are proud of the many banks that took part in this project, especially the private banks; they showed great cooperation to facilitate this transition. I will be more reassured when the public banks launch their core banking system and improve the management of their accounts.

Any plans to include the private sector with salary domiciliation?

The private sector is vital to the economy and we should support and encourage working in the private sector as it takes the burden off the public sector, many companies already implemented this policy and now other companies are following their footsteps.

We are working towards providing the employees of the private sector with the securities the public sector have as we believe they should be equal.

Are there any projects going to be implemented following the salary domiciliation?

The digitalization of payments of education in Iraq is an important project we want to implement.

Currently, schools, institutes, universities still rely on traditional payments ways (cash, or bank checks). We are cooperating with MasterCard and Visa to provide solutions through banks and payment services providers via platforms for these institutes which included payment features that will enable the parents and students to pay for tuitions fees and installments

Banks do not provide individuals with a high amount of credits, we are trying through this project to provide the banks with access to families and parents in certain educational institutes and raise the amount of the credit they can obtain. This will also give students, who are younger than 18, access to bank cards that they can use for canteens, buying stationery, printing, and shopping electronically with a limited amount of money.

These cards will be connected to the parents' accounts so they would not rely on withdrawing all their salaries in cash every month. These cards will also work as an ID card for that certain institution.

As for university students, the cards will be issued as prepaid and it will double in function as an ID to access university facilities like labs, libraries, and parks.

We also thought of creating an application for kids to teach them saving by collecting points when they do their homework, tidy their rooms, and sleep early. By the end of the week, parents can replace these points with cash.

Around 75% of problems with cards are due to misuse of the holder, and we believe these projects will build a new cashless culture. There are so many challenges, and a huge reluctance to change but we believe we can overcome them.

The salary domiciliation opens the door for these projects. Previously banks were not able to handle this number of clients, operations, and challenges. There is pressure from different entities to keep the cash transactions but we will not give up, we are going forward, it is our responsibility to increase the economic awareness and to implement the tools and the strategies to improve the lives of the Iraqi citizens.

When was the mobile payment implemented in Iraq? How was the impact?

We licensed four payment services providers via mobile* wallets and we are proud of their products and services. A lot of people do not have bank accounts and these wallets are helping people shop and carry out their businesses through electronic wallets.

ZainCash and AsiaHawala were the first two companies which have been licensed in 2015, they were released in 2016. In the beginning, their transactions were just between wallets, now they are connected to bank accounts, debit/prepaid cards, and can be used for electronic billing.

The pandemic of COVID-19 has accelerated this transition. The government gave grants through electronic wallets to help people during this pandemic; using electronic systems helps us monitor these operations, transactions, and secure them.

How do you deal with the lack of trust the population has in the banking sector? Are any measures being taken to mitigate this?

There is a two-edge trust issue, between the banks and the citizens; we are trying to minimize that. We are monitoring the banks and the withdrawal rate, in the beginning of the salary domiciliation project, it was 95%

but they are decreasing as time goes by, as many people start to trust the banks more and deposit their money.

The Iraqi Deposit Insurance company was established in 2019 with 44 banks to guarantee the deposits of people, this project also decreased the distance between citizens and the banks. We are also working on other important projects like electronic billing where you get to use electronic tools (cards and mobile wallets) to pay bill to government.

On the other hand, the banks also have trust issues with their clients, therefore loan and credit approvals were very limited and with very restrictive requirements and guarantees. However, the salary project added a balance to the relationship and some banks started to give credits and loans depending on the salary transfer.

Do you think the Iraqi citizen is ready for this change? What measures should be taken for a smoother adaptation?

Iraqi citizens in my opinion adapt quickly to change. They are open to the world and are always looking to change for the better, and we notice this from their behavior. Therefore, the change will be faster when it comes to electronic payment since it is considered as a basic need today.

There are two things we need to work on to help the population adapt to this change. First, we need to work on strengthening the trust between the citizens and the banks. Second, we need to lower the fees for issuing cards, and banking services, the banks should not think with profit in short term and they should work to increase the number of cards and transactions to increase their profits.

Therefore, these changes will attract more customers. I believe the market is ready and the infrastructure to fuel this change is available.

Is there any plan to implement a core banking system for public banks?

Public banks are in the process of building the infrastructure for the core banking system; they are collaborating with international entities and auditing companies. This will influence the banking sector substantially when these systems are implemented. Better services will be made available in addition to better management and increased security.

“

There are many challenges encountering women in the workplace but there are also opportunities open for strong, ambitious, and hardworking women.

”

Does the CBI work with any international entities to employ the experience of other countries?

The Payments Department has the support of international entities like the World Bank, GIZ, AMF, IMF, and AFI.

We have good relations with our counterparts in Arab Central Banks, as I am a member of the Arab Payments Committee.

Arab central banks led by Arab Monetary Fund are working to launch the RTGS to establish a financial transfer system with multiple currencies to link banks and Arab Central banks. Therefore, people can carry transactions with other banks abroad. We think it will be launched soon with the participation of several Arab banks and we are proud that Iraq is one of the first countries to participate in this.



In addition, we have a memorandum of understanding with companies (Western Union and MoneyGram) to increase the number of agents and to regulate the market in order to ensure that the transfers are efficient, effective, and legitimate.

When were MasterCard and Visa made available for Iraqis?

Before 2016 only four or five banks used to issue MasterCard and Visa cards but it was a luxury with high guarantees and used only abroad. Now over 35 banks can easily issue them and they are used in daily life transactions.

What do you think of the role of women in the banking sector and the challenges they face?

I believe there is a huge support for women in our country, personally, without the support of my family and my colleagues, I would not have gotten here today. There are many challenges encountering women in the workplace but there are also opportunities open for strong, ambitious, and hardworking women who want to prove themselves and achieve their goals, there is a lot of support and respect for women in our culture.

Society is built on the cooperation of both genders working together and carrying their responsibilities. I think women excel in the banking sector and I met many great women who achieved a lot and contributed to the growth of the banks in Iraq.



Interview

Mohammed Khudairi: **Iraqi Businessman and Investor**

Business Landscape sat down with Managing Partner of the Khudairi Group, Mohammed Khudairi, to learn more about his professional background, what drew him to work in Iraq and investment in Iraqi startups.

Who is Mohammed Khudairi?
Tell us more about your journey and career.

I am a native from Baghdad, I was born there. I left Iraq very early during the Iraq-Iran war in 1983, we moved to Austria briefly, before our family finally landed in Austin, Texas in the United States. An essential reason for leaving our country was the challenging times in Iraq and my father was very focused on improving our education so that was the reason why we moved there.

Our parents really left a lot behind, it was a difficult move, similar to many Iraqis who had to leave in the 80's and onwards. I am very grateful to have had the opportunity to grow up in the US. I attended the University of Texas at Austin and I attended High School there as well.

Right out of university I started the Khudairi Group back in 2004. By then the Iraqi regime changed and my father, my brother, and I sat around a small kitchen table at our house, I was going to go into investment banking, my brother was a trader on wall street and we were not sure if it was worth doing this, it was a huge risk for our careers, my father was doing real estate at the time in the US, working on huge developmental projects.

So we said "this is a real turning point". We thought as Iraqis it was an opportunity for us to engage in the country of our birth, the country of our heritage. So we went ahead and formed the Khudairi Group in 2004 and we started off by doing general contracting work like so many others. Slowly but surely, we evolved the business into what it is today, which is six different business verticals across the US, the UAE, and Iraq. We have nearly 350 full-time employees and another 200 contracted staff.

“

One of the greatest achievements and rewarding moments in developing the Khudairi Group is witnessing the development of our teams and staff and seeing that evolution.

”

What would you say has been your greatest achievement to date?

I would say the formation, growth, and development of the Khudairi Group is something that I am very proud of. We've gone through a lot of challenges. We have seen a lot of good times and a lot of really challenging times.

One of the greatest achievements and rewarding moments in developing the Khudairi Group is witnessing the development of our teams and staff and seeing that evolution. I am from Iraq, and there are a lot of cultural differences between the US and Iraq, and I definitely lean a bit more towards western culture.

However, I was a little surprised by how similar we all are in the needs and wants for the people of Iraq, the betterment of their professional lives, a betterment for their families, security, and safety. I love seeing the caliber of our staff, their journey, and how they have grown onto bigger and better versions of themselves. It is really very rewarding for me, my father, and brother to witness that growth. We have built a really good culture and strong staff. That for us is going to change and modernize the culture of Iraq.

Of Course, we are only one company doing our part and there may be many others like us, kind of like what KAPITA is doing, creating a new culture and that is what we all need to do. Because I think the business community can help shape the culture and modernize Iraq in a lot of ways.

What has been your greatest obstacle?

There have been a lot of obstacles in my life and career. I think Iraq has been very challenging for us. The dynamics of balancing family and work has been a challenge. We are all partners and family members, which can be very tricky sometimes, it is extremely rewarding but it can also be straining since you are not only working for the company, but also for the betterment of your family.

The greatest obstacle we have faced was in 2015 when the ISIS crisis took place. We were delivering a huge project in Iraq, tens of millions of dollars of petrol stations to a site, and ISIS took over that site. We had just booked the goods on a vessel and we could not ship it.

We encountered many challenges but that was one of the most stressful times because our site had been taken over, we had no visibility, and there were millions of dollars at stake. We were able to overcome that after many stressful months and we are proud of that.

As an Iraqi expat living abroad, what has attracted you the most to become an active angel investor in Iraqi Startups?

I am a Partner in a family business in Iraq, and with the events that occurred in 2015 due to ISIS, I wanted to identify what was the future industry of Iraq, where is it going to be?

At that time, I looked around at Silicon Valley and its exponential growth. I looked at the UAE and its emerging tech scene. Technology is the name of the game, not just in the US but around the world. Meanwhile, I kept thinking to myself, why not Iraq? Why is Iraq different from the rest of the world? It has the talent, the people, the country size, and the resources.

At that same time, I did a one-week executive course at Singularity University in California and it was based on the future of technology and how businesses and industries are going to get disrupted through technology. So it got me thinking long term about our business and how we can stay ahead then I started thinking about how we can support entrepreneurs and get investment to support startups.

At that time I had only done four angel investments, two in the UAE and two in the USA, so I went and got training at UC Berkeley on a Venture Capitalist course.

I got back and I started meeting companies and we made our first investment. We created Iraq Tech Ventures, ITV, which is a US-based company looking to invest in Iraqi Startups. That was my whole journey from wanting to do something to actually doing it. Currently, we have done three investment rounds in two separate companies and we have raised nearly two million dollars of cash in the last two years.

“

I think the business community can help shape the culture and modernize Iraq in a lot of ways.

”

What sector are you looking at today in terms of investment?

We are value investors looking at companies that have potential, that are post-revenue, that own IP, and have real dynamic with strong founders who are coachable. We feel that there is a tremendous amount of sectors that we can look into, but that is not our main focus as much as the criteria which I just mentioned.

Currently, we have invested in Miswag (e-commerce) and Alsaree3 (restaurant and grocery delivery). Essential reasons for those investments were the founders who were tech-savvy, can operate in challenging environments, and have strong management skills.

What do you look for in a founder/company?

We look for strong, dynamic, and coachable founders, founders that we can work with. There has to be some chemistry between the investors and founders. It is a relationship that goes both ways, they need to make sure that the investor is a good fit and vice versa. We look for a founder that can take feedback.

Again, we look for companies that are post-revenue, have proven out their revenue model, and own their IP.

What challenges have you faced when investing in Iraqi startups?

One of the challenges is that once we get a deal structured, getting funds into the startups is very strenuous. Another challenge is the profit registrations of shares at Baghdad registrar, it is very bureaucratic and not easy at all to deal with. This is something I want to work on with the local and Federal government to facilitate and make the registration process for startups easier.

Sometimes you have 70 investors and they need to make it easier for us. Otherwise, a lot of the startups will start looking to register outside of Iraq and this will not be good for the Iraqi tech ecosystem.

In your opinion, what should be done to encourage external investors to invest in Iraq?

We need to update local legislation in terms of Investment Law to be current with the tech scene, as the current investment law is built around brick-and-mortar companies. Things such as the value of shares need to be updated. We need to allow for an easier registration process. I would love to look into setting up a free zone hub that will allow companies and outside investors to register digitally and online. There is a lot that can be done by the Ministry of Trade and the Ministry of Interior to help update these laws.

What is the one piece of advice you would give to Iraqis who want to start their own business?

The entrepreneurs in Iraq are real heroes. Iraq is a very challenging environment. Starting up a new business in the US, Europe, and the UAE is hard enough as it is. Failure rates are extremely high. So doing it in a country like Iraq is exponentially more difficult. If you are willing to put in the effort, the long hours, the hard work, then go for it. And if you fail, that is okay. Failure is a learning opportunity, it will help you in your next role or business. Do not be too hard on yourself, give it a go. If it works, it works, if it does not then you move on.

The last thing I want to say to Iraqi entrepreneurs is thank you, because you guys are the building blocks of what will be, in the long term, a diverse and thriving ecosystem based on human capital rather than a resource capital based on commodities like oil and gas. They will be the ones shifting the economy in the next decade or two.

BUSINESS LANDSCAPE

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