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OBSTACLES AND OPPORTUNITIES FOR ENTREPRENEURSHIP IN IRAQ & THE KURDISTAN REGION

By Aaron Bartnick

The Institute of Regional and International Studies (IRIS) is an independent policy research center based in the Kurdistan Region of Iraq (KRI), at the American University of Iraq, Sulaimani (AUIS). Through multidisciplinary research, strategic partnerships, a fellowship program, and open dialogue events among experts and influential public leaders, IRIS examines the most complex issues facing the KRI, Iraq and the Middle East.

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Institute of Regional and International Studies (IRIS)

The American University of Iraq, Sulaimani
Kirkuk Main Road, Raparin Sulaimani, Iraq 46001

🌐 www.auis.edu.krd/iris

✉ iris@auis.edu.krd

🐦 @IRISmideast

📘 /IRISmideast

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EXECUTIVE SUMMARY

The purpose of this report is to **identify ways to bolster entrepreneurship and private sector growth in Iraq and the Kurdistan Region.**

The Kurdistan Region of Iraq (KRI) and Iraq rely disproportionately on public sector employment, which hinders the private sector growth necessary for the KRI to emerge from the current recession.

Structural shortcomings in the startup ecosystems of the KRI and Iraq include undue burdens and lengthy processes to establish new businesses, limited access to capital through both banks and traditional investors, a near-total lack of intellectual property protection, and unclear regulations around key growth areas like e-commerce.

These structural shortcomings can be remedied by streamlining new business incorporation procedures within special economic zones, expanding access to mobile banking, passing meaningful intellectual property legislation, and establishing a clear regulatory framework for mobile- and digital-based businesses.

Most critically, however, a generation of aspiring entrepreneurs must be shown that success is possible.

To remedy this, it is recommended that AUIS establish an entrepreneurship lab to support emerging entrepreneurs in the greater Sulaimani region by providing physical infrastructure, mentorship, and access to capital.

POLICY RECOMMENDATIONS

- ⇒ Government investment programs must expand the types of companies in which they are willing to invest in order to diversify portfolios and support innovative businesses.
- ⇒ The Kurdistan Regional Government (KRG) should initiate significant intellectual property law reform in order to enhance protections for new ideas and encourage an open dialogue between entrepreneurs and potential investors.
- ⇒ The KRG and the Government of Iraq (GoI) should position themselves as the preferred funding partners for Iraqi entrepreneurs by enhancing their seed fund programs.
- ⇒ The KRG and GoI should immediately begin moving toward paying all salaries by direct deposit in order to dramatically improve bank penetration and pave the way for e-commerce growth.
- ⇒ The KRG and the GoI should streamline the business incorporation process in order to reduce costs for both entrepreneurs and government offices.
- ⇒ The KRG and the GoI should establish SME-focused Special Economic Zones in order to support entrepreneurs and experiment with reforms that can later be applied more broadly.

BACKGROUND

The economy of the KRI and of Iraq is disproportionately driven by the public sector. 40% of Iraq’s labor force is currently employed by the public sector,¹ which is noticeably higher than in more diversified economies in the region, such as Jordan (31%)², Iran (17%)³, and Turkey (12%).⁴ In the KRI, meanwhile, public sector employment accounts for 70% of the labor force.⁵

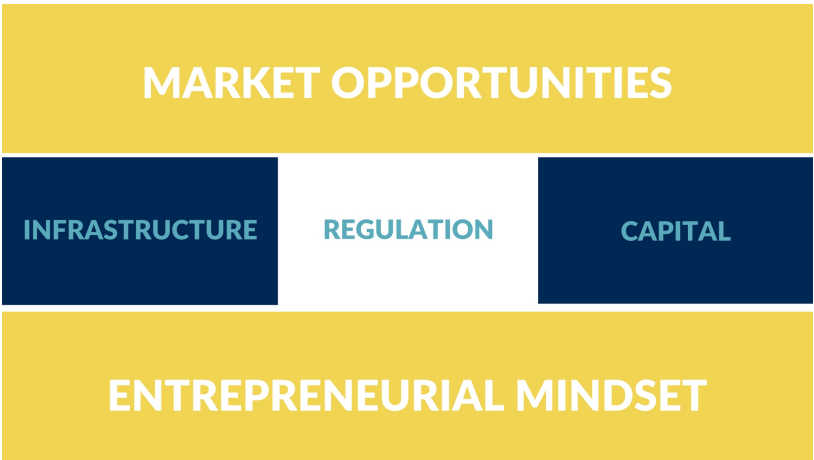
Public sector employment can serve as a bulwark against economic uncertainty and a volatile security environment, adding to its value in places like Iraq that have been plagued with protracted instability. However, problems with over-reliance on public sector employment have been exposed by the economic downturn that has gripped the region since 2014.

Furthermore, a number of elements have adversely affected economic growth, inhibiting private sector development. Those include the fall in global oil prices since 2014, ongoing budget disputes between Baghdad and Erbil,⁶ the war against DAESH, corruption, and poor governance, as well as the societal reproduction of a risk-averse mindset that encourages the pursuit of public sector employment.

With the global oil prices that sustained Iraq’s economy unlikely to return to \$100/ barrel and World Bank loans conditional on private sector development and reform, it is imperative for both the Kurdistan Regional Government (KRG) and the Government of Iraq (GoI) to initiate private sector reforms and growth. Specifically, it is time to focus on entrepreneurs.

Entrepreneurs and the businesses they create are the world’s single greatest engine of economic growth. The drivers of this growth are not the “unicorn” startups that make a big splash by raising \$1 billion in Silicon Valley or, increasingly, in places like Beijing and Bangalore. Instead, they are the entrepreneurs that start and run small and medium enterprises (SMEs). These SMEs account for over half of existing jobs worldwide,⁷ and create jobs at more than twice the rate of more established companies.⁸ They are driving innovation by generating new ideas, new products, and creating new businesses, which is why the World Bank has cited entrepreneurship as “a key driver of growth and development” and a cornerstone of the “unprecedented efforts” needed to promote private sector growth in emerging markets.⁹ Recognizing this, the GoI’s Council of Ministers named the promotion of SMEs as one of the three pillars in its Private Sector Development Strategy through 2030.¹⁰

The KRI and Iraq have an opportunity to leverage the power of entrepreneurship and foster significant economic growth. But in order to fully tap into the region’s economic potential, there are a number of challenges that must first be addressed.



The foundation of any entrepreneurial ecosystem is the mindset: do aspiring entrepreneurs have the vision, appetite for risk, and resilience to pursue their own ventures? If that mindset is present, there must next be a set of structural conditions within which entrepreneurs can operate. The state must ensure the presence of entrepreneurial infrastructure, like improved internet and banking access, and a lightweight regulatory system in which it is easy to start businesses but hard to steal ideas. They must also work with the private sector to ensure that successful entrepreneurs have access to the capital they need to scale their businesses. Only once all of these conditions are met will the economy be positioned to benefit from the valuable market opportunities that entrepreneurship can provide.

RED TAPE AND BARRIERS TO ENTRY

KEY TAKEAWAYS

- The business incorporation process is a significant barrier to entry, carrying significant upfront costs and taking many months.
- In the KRI, the process can take up to a month in the best of circumstances, and cost upwards of 3 million IQD (\$2,500).
- In Iraq, the process can be even longer and more expensive.

When Hallo Sagrma walked into the Sulaimani governor's office with a new idea to create ad space at bus stops, he was expecting to be greeted with skepticism. No one had ever offered that kind of proposal before. Instead, he was immediately offered an exclusive, 10-year contract to advertise at every bus stop in Sulaimani. All he had to do in return was maintain the bus stops and keep them clean.

With the governor's blessing, it took him nearly eight months to obtain the contract.

This is the regulatory duality that greets many aspiring entrepreneurs in the KRI: Wild West-like uncertainty in areas where government officials lack expertise, and a sclerotic bureaucracy hindering progress in the areas they understand well. It is hard to imagine many other business environments in which an inexperienced, politically unconnected entrepreneur could win an exclusive contract from the largest employer in town. Was it a reflection of a truly outstanding sales pitch? An act of extreme generosity? More likely, it was the government's willingness to grant broad concessions to anyone willing to tackle a problem it could not or would not handle on its own. And yet, in an area where the government had considerable experience – awarding and administering contracts – the process seems designed to take far longer than necessary.

In a 2015 memo, Deloitte offered step-by-step guidance on starting up a new company in the KRI.¹¹ First, one must reserve a corporate name with the local chamber of commerce. Next, an application form must be completed and articles of association must be drafted and signed. Each individual shareholder must produce local identification and designate power of attorney to a KRI lawyer. Applicants must then produce a copy of a lease agreement in the KRI, as well as proof of local residency for the proposed managing director. Finally, applicants must put down 1 million IQD (US\$860) and appoint a statutory accountant and lawyer, who must be Iraqi citizens.

Deloitte estimates this process to take 15 to 20 business days, or about a month, in theory. All considered, it is a lengthy but not insurmountable process. However, applicants find they run into considerably more complications in practice.

Sagrmma opted to secure a lawyer and accountant first, and found that the very first thing they wanted at the Sulaimani Chamber of Commerce (SCC) was the money. For him, the initial fee was indeed 1 million IQD. But other entrepreneurs have reported putting down as much as 3 million IQD (US\$2,500).

Next comes a background check from the Asayish, the KRI's intelligence service. None of the entrepreneurs interviewed for this report found the personal background check particularly burdensome. However, one interviewee reported that the Asayish also verified proposed business addresses and had been known to reject addresses in residential neighborhoods with insufficient traffic. "It makes sense to have a physical office," this entrepreneur agreed, "but there shouldn't be restrictions on where, I want to work in my garage, Steve Jobs-style!"

Upon returning to the SCC with his background check complete, Sagrmma was able to finally submit his company name. But rather than registering the name of his choosing, Sagrmma instead had to submit a list of ten proposed names, and the SCC would assign him the first one available. When Indigo Advertising, Sagrmma's preferred name, was already taken, he was instead assigned Indigo Canvas.

The process now complete, Sagrmma was free to conduct business anywhere in the KRI. All in, he estimates that the process cost him about US\$2,500 and took him about a month. "With a good lawyer," he added.

This is, however, among the best-case scenarios. In Erbil, stakeholders have reported that the incorporation process can take twice as long. In Baghdad, it can take four to six months just to navigate the paperwork. As a result, most new businesses simply skip the incorporation process, depriving themselves of future legal protections and the government of sorely needed revenues.

When asked why it took an additional seven months after incorporation to receive his contract, Sagrmma just smiled and shrugged.

INFRASTRUCTURE AND REGULATORY UNCERTAINTY

KEY TAKEAWAYS

- The government's regulatory policies are not equipped to support new business models like e-commerce.
- Both Iraq and the KRI remain critically under-banked, making online transactions extremely difficult.
- The lack of meaningful intellectual property (IP) protection discourages creativity and collaboration.

In 2013, Hevi Manmy had a vision to create an online marketplace and shipping company for retail goods – essentially, an 'Iraqi Amazon.' He had an idea and a business plan, and was ready to open up shop. But at the time, there were no laws governing e-commerce. So how was he supposed to get started?

Laws and regulations are not just red tape holding entrepreneurs back. They provide the structure for business activities, and set the parameters within which businesses and customers interact with one another. When that framework is missing entirely, it creates significant uncertainty that inhibits economic growth. One of the greatest uncertainties for Manmy and his company, Bazary, was around import regulations. It seemed like the law was just a patchwork of different rules and standards: some retail goods could be imported with ease, while others were prohibited. Cars could be imported, but they had to be driven into the country – one could not ship them in by air or boat. This patchwork approach is a nightmare for e-commerce companies like Bazary, which rely on imports as the foundation of their business.

To make matters worse, Manmy found that much of the critical infrastructure that supports e-commerce around the world was wholly missing. First and foremost among his problems was the banking system. The KRI, and Iraq as a whole, remains critically underbanked. In 2013, the nation of 31 million people was served by only around 900 branches, making it the most underbanked country in the Middle East.¹² With only about 10% of SMEs and a similar percentage of individuals estimated to be using bank accounts, e-commerce companies will have to develop creative solutions until the KRG and Gol can improve the region's banking infrastructure.¹³

Bazary overcame this obstacle by creating its own voucher system. Other e-commerce companies have insisted on 50% cash down payments on orders and 50% due upon pickup. This “cash on delivery” model has become overwhelmingly popular in the Middle East, accounting for four out of every five e-commerce transactions.¹⁴ But this system undermines the very premise of e-commerce – convenience – by requiring not one but two in-person visits.

In Iraq, the government has had some success with QiCard, a MasterCard partner that has contracted with the Gol to distribute pension payments by card. QiCard scored a big victory in 2016, when the Gol began to transition thousands of teachers to QiCard payments. Broad adoption of credit and other digital payments through companies like QiCard, though a long way off, could eventually pave the way for an e-commerce revolution in Iraq.

However creative or effective these solutions may be, they are but temporary fixes to a far deeper problem. If digital and mobile-based businesses are to have a real chance at succeeding in the KRI and Iraq, the banking infrastructure will have to be brought closer to par with that of its neighbors. Failing to build a regulatory and banking infrastructure that supports e-commerce will limit Iraq's ability to capitalize on a sector that in the Middle East posted a 30% annual growth rate from 2013-2016 – nearly twice the global e-commerce growth rate – and created thousands of jobs across the region.¹⁵

One of the other critically missing regulations is intellectual property (IP) protection. While imitation is the most sincere form of flattery, IP laws provide crucial early support for innovators by protecting their ideas from outright theft. Berzy Omer is a co-founder of ICAN, a small web design and IT networking startup based in Sulaimani. As Omer's business got off the ground, they began receiving a high volume of requests for logo designs. But thanks to scant IP protections, “people could copy our designs and we couldn't do anything about it.”

This is not just a matter of protecting a few logos. The lack of IP protection can have a chilling effect on the entire entrepreneurial ecosystem. “People are afraid to pitch ideas,” Omer explained, “because if they give away their business plan the funder can just turn them down and then [start the same business] themselves two months later.”

LACK OF CAPITAL

KEY TAKEAWAYS

- Due to the financial crisis, there is very little seed capital available to entrepreneurs.
- Furthermore, there is virtually no legal infrastructure to support serious private investment.
- The GoI has taken some steps to address this through initiatives like the establishment of a seed fund and the Tamwil loan program, but it is unclear to what extent these programs will impact either Iraq or the KRI.

In addition to large structural deficits in the KRI and Iraq's entrepreneurial ecosystem, there is also the matter of institutional capital. The economic downturn and ongoing fight against DAESH have caused a dramatic reduction in outside investment: total investments in 2015 amounted to a mere 10% what they were two years prior.¹⁶ As a whole, Iraq has seen foreign direct investment decline from US\$5.13 billion to less than US\$3.5 billion over the same period.¹⁷

Much has been made of the 2006 KRG investment law that granted competitive rights and tax incentives to foreign investors. And the law has indeed paved the way for billions of dollars in investments. However, 77% of that capital came from elsewhere in Iraq, making it all the more vulnerable to internal instability.¹⁸ And that crowds out local businesses. "Almost all the five-star hotels here are run by people from outside the [Kurdistan] region," lamented one senior government advisor from his office in Erbil. "We have huge human capital potential," he argued, "but without the opportunity to gain experience and grow, that potential will be squandered."

Local opportunities require local investment. Yet according to both government officials and investors alike, there is little to no legal infrastructure to support the kind of serious private equity investments that would normally power an entrepreneurial ecosystem. And with traditional interest-bearing loans either unavailable due to liquidity constraints or taboo under Islamic banking traditions, entrepreneurs are more likely to receive financial support in the form of informal equity investments from friends and family or a scheme of presenting banks with invoiced items that the banks can purchase and then resell to entrepreneurs at a markup.

There is some degree of protection for private investors. A notarized loan contract enables an investor to seize assets up to the value of the loan in the event that it is not repaid over the term of the loan. But if an entrepreneur does not have assets equal to or in excess of the value of the loan, there is little obvious recourse for investors to recoup their losses.

Many would-be investors simply choose to put their money elsewhere. For Marwan Ahmed, the head of Baghdad-based grocery delivery service Mishwar, the biggest challenge by far was securing seed funding. "Getting people to invest was extremely challenging," he says, "because there are no immediate returns. People would rather open a restaurant and start making money immediately." And even if investors are willing to part with their money, entrepreneurs must compete with an informal lending market that can generate returns of up to 2% per month, an exceedingly difficult rate of return for startups to match in either the short or long term.

The GoI has made some efforts to boost investment in entrepreneurship. The Council of Ministers' Private Sector Development Strategy report calls for the establishment of a 200 billion IQD (US\$170.5 million) seed capital fund,¹⁹ and the Central Bank of Iraq followed up in 2016 with a proposed 5.9 trillion IQD (US\$5 billion) initiative called *Tamwil*, with the intent of offering competitive loans (five years, maximum 4.5% interest) in the hope of creating 250,000 private sector jobs.²⁰ However, small firms will find it difficult to access funds, even through *Tamwil*, due to prohibitive loan terms that are virtually impossible for most small firms to meet. In addition to proof of incorporation and full financial statements – a reasonable requirement under most circumstances, but a considerable barrier in Iraq – applicants will be required to post significant real estate collateral and find two government employees to vouch for their application, all so that they can secure a loan on more favorable terms than the 7-20% they might be charged at a private bank. As of May 2017, *Tamwil* has distributed less than 20% of its allocated funds.

With traditional venture capital unwilling to enter Iraq for the time being, it will be incumbent on the GoI and KRG to serve as entrepreneurs' go-to source for seed funding. If the GoI and KRG are serious about expanding access to capital, they will have to be more willing to take risks, be open to new and experimental business plans, and get more money into the hands of entrepreneurs. This will be a win-win for entrepreneurs and government investors alike: by both expanding their loan pool and diversifying the companies in their portfolio, they will reduce the portfolio's overall risk, promote innovation, and put more capital to work building the country's future.

INVEST IN ENTREPRENEURIAL INFRASTRUCTURE

KEY TAKEAWAYS

- Both the GoI and KRG should take immediate actions to update IP laws and significantly improve enforcement in order to encourage more entrepreneurs to share their ideas and invest in developing them.
- The GoI and KRG should also prioritize mobile banking to improve capital flows and facilitate online transactions.
- All of these structural reforms should be done with future growth industries, like e-commerce, in mind.

The KRG can take clear, immediate action to improve the underlying infrastructure of the KRI's emerging entrepreneurial ecosystem. To start, the KRG should step up enforcement of IP laws in order to protect innovative ideas and give entrepreneurs the confidence to invest significant time and capital in their visions. Much of Iraqi IP law exists purely on paper, with little enforcement in practice. Yet even these theoretical protections are sorely outdated; the core of Iraqi IP law has seen little change since the new constitution was ratified in 2005.²¹ The KRG should assume a leadership role in driving IP reform within the KRI, which could serve as a model for broader reform throughout the country.

The KRG should also consider more active measures to broaden bank penetration. In some ways this is the most difficult issue for the KRG to address directly, since the financial crisis has caused significant liquidity constraints that the KRG has neither the legal ability nor pecuniary capacity to solve. Until this liquidity issue is addressed, banks will likely continue to require unrealistically high collaterals, which in at least some cases exceed the value of loans requested.²² To avoid this, the KRG could essentially make an end run around the banks and empower

SMEs directly by reviving programs like the lapsed 16.4 billion IQD (US\$14 million) entrepreneurship seed capital fund.

There are some encouraging developments in the field of mobile banking. Leading the way is Asia Hawala, a mobile wallet platform that supports mobile money transfers, salary disbursements, and utility payments. The wide adoption of platforms like Asia Hawala could significantly improve the flow of funds throughout the KRI, and lay the groundwork for significant e-commerce growth. By moving directly to digital and mobile banking, Iraq even has the opportunity to leapfrog the inefficient cash on delivery model and establish a competitive advantage over its more developed neighbors. Ultimately, however, even a massive overhaul of the Iraqi banking system will have to contend with a deep distrust of banks born out of decades of uncompensated asset losses.

Distrust of the banking system is fundamentally a cultural issue, which is why the most transformative action both the KRG and Gol could take to improve bank penetration would be to distribute all government salaries by direct deposit. This single policy change would effectively require 40% of all Iraqis and 70% of KRI residents to open bank accounts, and could fundamentally transform Iraq's commercial climate.

The KRG and Gol would also be wise to prioritize regulatory reform in areas that will impact the digitally-oriented businesses of tomorrow, including e-commerce. In sum, government should reorient itself as "a support platform for the free development of businesses,"²³ helping set the conditions for them to thrive on their own.

CREATE A FAST LANE FOR BUSINESS

KEY TAKEAWAYS

- A powerful step to boost new business development would be to create a special economic zone (SEZ) specifically focused on SMEs.
- SEZs focused specifically on SMEs would have significantly lower physical infrastructure requirements, reducing their costs while providing SMEs with the streamlined regulatory system they need.
- SME-focused SEZs have been demonstrably successful in both emerging and developed economies.

As the Gol and KRG work to improve the regulatory foundation of the nation's entrepreneurial ecosystem, they should also work to improve the ease doing business in both the KRI and Iraq. A top priority should be streamlining the process and reducing the cost of starting a new business in Iraq. Decreasing the volume of paperwork would have the twin benefits of reducing burdens on both aspiring entrepreneurs and the chamber of commerce officials who must process them. Streamlining this paperwork could also introduce the possibility of e-filing and reduce the need for legal representation, which would significantly lower the total cost of starting a new business. The Gol should also consider relaxing seemingly arbitrary portions of the background check process, such as mandates surrounding the physical location of offices. At the very least, the Gol should create a two-tiered system rather than treating new subsidiaries of billion-dollar international companies and brand new local startups to the same regulatory procedures. The KRG, which follows federal law in this area, should mirror these changes.

One way to quickly remove much of the red tape surrounding SMEs would be the introduction of SME-focused special economic zones (SEZs) in cities like Sulaimani and Erbil. Many SEZs in emerging markets have sputtered due to a lack of investment in accompanying physical infrastructure.²⁴ The scale of these infrastructure investments is particularly important for zones focused on shipping, like the Khor al-Zubair Free Zone in Basra. This would be less important for SME-focused SEZs, and would therefore require a far smaller financial investment in order to position it for success. It could be designed as either an addition to or a replacement for previous SEZ initiatives in the province, and could follow a similar implementation plan as the SEZ project underway in Dohuk.

If designed properly, SME-oriented SEZs could have a significant impact on the Iraqi entrepreneurial ecosystem. In order to best serve SMEs, these SEZs should offer both regulatory benefits, such as streamlined incorporation processes and rigorous IP protections, and traditional accelerator services like mentorship, affordable rent, and access to shared professional services. Similar SEZs in Birmingham, UK and Santander, Colombia have proven a boon for SMEs. In Zona Franca Santander, for example, 80% of the tenants are SMEs, who reap the benefits of everything from tax incentives to business plan advice.²⁵

While the creation of SEZs focused on entrepreneurship should not be mistaken as a substitute for broader reform, these SEZs would provide a controlled environment in which to test regulatory reforms like robust IP enforcement, with best practices being introduced into the larger KRI. In this way, SEZs could serve as a laboratory of innovation both for the KRI and Iraq as a whole.

SUPPORT ENTREPRENEURS DIRECTLY

KEY TAKEAWAYS

- All of this depends on fostering an entrepreneurial mindset in young Iraqis.
- Innovation, risk-taking, and resilience are critical components of the entrepreneurial mindset, but do not always come naturally in high-volatility environments that prioritize short-term gains over long-term planning.
- These skills must therefore be deliberately developed.

The above recommendations will help set the conditions for entrepreneurs to succeed. But none of this will matter unless entrepreneurs actually get out and start innovating.

Hemin Latif is an Assistant Professor in the Information Technology Department at the American University of Iraq, Sulaimani (AUIS). In addition to his academic work, Latif has advised numerous startups in the KRI and Baghdad. The single greatest challenge, he argues, is not regulatory reform, attracting capital, or even skill development. “Learning [the skills of entrepreneurship] is easy,” he says. “They need to learn the *mindset*.”

That mindset encompasses three primary traits that drive many successful entrepreneurs:

1. **Innovative vision:** the ability to see unmet needs and come up with new ideas to solve them.
2. **Appetite for risk:** the willingness to undertake low-probability, high-reward initiatives in pursuit of the vision.
3. **Resilience:** the commitment to difficult work over an extended time horizon in order to turn vision into reality.

These are not attitudes that always come naturally in high-volatility environments, where long-term investments are often not rewarded and appetites for professional risk-taking are low given higher than average risk levels in other areas of life. Yet virtually every single person interviewed for this report, from government officials and academics to investors and entrepreneurs, argued that it is the entrepreneurial mindset that holds the key to driving future economic growth. Indeed, promoting an entrepreneurial mindset was identified in a recent *Atlantic Council* report as “the only realistic economic strategy going forward” for not just Iraq but the entire Middle East.²⁶ Institutions like AUIS can play a role in fostering this entrepreneurial attitude, but creating a cultural shift of this magnitude will require concerted effort over the course of a generation. And it must begin at home.

There is genuine interest in entrepreneurship in Iraq and the KRI, especially amongst the younger generation preparing to enter the job market. “People want to start businesses,” says Hallo Sagrma, director of Indigo Canvas. “But they need help.” Fortunately, there are small but growing entrepreneurship communities in places like Sulaimani, Erbil, and Baghdad that are paving the way for a new generation of entrepreneurs.

And the example they set is critical for aspiring entrepreneurs, according to Bazary founder Hevi Manmy: “they need to see the possibility.”

That is why it is also necessary to support aspiring entrepreneurs directly. Accordingly, the Council of Ministers’ Private Sector Development Strategy for 2014-2030 cites the following activities as critical to driving SME and private sector growth more broadly across Iraq:

1. Providing “advisory, counseling, business planning, training and networking services to SMEs.”
2. Providing “seed capital... for the private sector to expand their businesses, to establish new enterprises, to increase competitiveness and to promote entrepreneurship and innovation.”
3. Developing “industrial zones, business incubators, business development centers and similar initiatives.”²⁷

These will all help. It is not easy to do business in Iraq, and greater government support can make a big difference. But opportunities already exist for those who are willing to seize them. And challenges like weak IP protection, for example, can be overcome by establishing a strong first-mover advantage. “We need to make sure not to overemphasize the excuses and challenges,” says Latif. “Everything that entrepreneurs need is here. But what we are missing is the entrepreneurs themselves.”

AUIS INCUBATOR AND ENTREPRENEURSHIP LAB

KEY TAKEAWAYS

- In order to support emerging entrepreneurs, AUIS is exploring the development of a university-based entrepreneurship lab.
- The lab will provide a physical space for entrepreneurs to develop their ideas, connect them with local and global mentors, and connect them with potential investors to help grow their businesses.

To that end, AUIS is exploring the development of an entrepreneurship lab to support emerging entrepreneurs in Sulaimani and beyond, in the KRI and Iraq. The lab, based at AUIS, will provide vital direct support in three areas. First, it will provide a physical space for entrepreneurs to develop their ideas. This will help reduce operating costs during the critical early stages of development, while also ensuring that aspiring entrepreneurs have access to the basic commercial tools they need to grow.

Second, the entrepreneurship lab will provide critical community support in the form of both peers and mentorship. AUIS has recruited experienced entrepreneurs from the KRI as well as entrepreneurs, subject matter experts, and business accelerator leaders from around the world to mentor Iraq and the KRI's next generation of aspiring entrepreneurs through seminars, in-person and virtual office hours, and individual support. This mentorship will be supplemented with programming to help aspiring entrepreneurs develop an entrepreneurial mindset, refine their ideas, navigate the existing legal and regulatory environment, and effectively pitch their companies.

Finally, the entrepreneurship lab will help connect the most promising entrepreneurs with experienced investors who can help them, through access to capital and continued mentorship, to grow their businesses outside of the lab and create jobs in Sulaimani and, eventually, across the KRI, Iraq, and beyond.

While we hope and believe that many universities will develop entrepreneurship labs of their own, we believe that AUIS is uniquely positioned to be an early leader in the space based on its faculty expertise, existing entrepreneurship curriculum, strong private sector reputation, and access to regional capital sources that will help promising entrepreneurs quickly scale their businesses.

An AUIS entrepreneurship lab, and similar facilities at other universities or institutions, would provide tremendous advantages and opportunities for aspiring entrepreneurs and early-stage startups. It would allow government agencies to explore possible improvements to the regulatory environment with entrepreneurs and academics. And it would give outside investors and mentors a valuable opportunity to assess and study emerging startups and trends, benefit from knowledge-sharing, and position all parties for future partnerships or investment opportunities.

CONCLUSION

OBSTACLE	OPPORTUNITY
Lengthy and costly incorporation process	Create SME-focused SEZs to streamline incorporation and startup processes
Outdated, inconsistent regulatory policies	Targeted legislative reform in future growth areas like e-commerce
Limited bank penetration	Incentivize mobile banking
Lack of IP protection	Update IP legislation and increase enforcement
Limited capital access	Establish clear legal framework for private capital investments
Lack of entrepreneurial mindset	Intensive, sustained development through training programs like startup incubators

The recent economic recession has demonstrated the need for a more robust private sector in Iraq and the KRI. Entrepreneurs and the small businesses they create are the single greatest drivers of private sector growth in emerging markets around the world.

Currently, aspiring entrepreneurs in Iraq and the KRI face numerous difficulties. They must operate in an uncertain regulatory environment that neither protects IP nor offers clear guidelines around which they can develop their business plans. Once they have developed a business plan, they must navigate a bureaucratic labyrinth in order to perform even basic tasks like incorporating their business. And even the most promising startups face significant capital uncertainties. But most of all, entrepreneurs lack a clear roadmap to success and the accompanying attitude to drive them there.

The GoI and the KRG can dramatically improve the emerging entrepreneurial ecosystem by providing additional certainty through stronger IP protections, a more consistent regulatory climate, and improving the banking system that supports basic commercial transactions. They can also lead the way in streamlining basic business interactions by reducing red tape or facilitating further development of SEZs where entrepreneurs can operate more freely.

The single most important factor in spurring entrepreneurship across the KRI and Iraq is to support aspiring entrepreneurs directly. Efforts like AUIS' proposed entrepreneurship lab could provide aspiring entrepreneurs with the critical infrastructure and mentorship necessary to grow their businesses and create jobs across the KRI and Iraq.

NOTES

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