



# THE STATE OF INVESTMENTS IN IRAQ - 2023

# Foreword

Dear readers,

Welcome to our first annual **“State of Investment in Iraq”** report! We hope the information provided herein is useful, insightful, and potentially surprising.

Since launching Five One Labs in Iraq in 2017, I have had the opportunity to witness the incredible growth and change experienced in Iraq’s entrepreneurial ecosystem over time. I’ve been impressed with the grit and resilience of the entrepreneurs launching new technologies and products to fit the needs of the country’s unique market. I’ve seen the innovation and leadership of the very first investors in the country, who have taken risks to fund startups they believe in.

For both sides of the equation, it has not been an easy ride. A challenging regulatory environment, the economic impacts of COVID, and geopolitical realities have slowed progress. However, progress is happening, investments are being made, and innovation is sparking. This report is meant to be a snapshot of the state of investment in the country in 2023. We plan to publish this report on an annual basis, to track the developments in the sector over time. We hope you’ll join us for the ride!

If you are interested in learning more about investing in Iraq, have comments or questions about our research or this report, or just want to say hello, please reach out to us! We would love to hear from you.



**Alice Bosley**  
Executive Director  
Five One Labs



# Table of Contents

## **Foreword**

Page 1

## **Executive Summary**

Page 3

## **Chapter 1: Report Background**

Page 5

## **Chapter 2: Startup Founder Survey**

Page 8

## **Chapter 3: Founder and Investor Roundtables**

Page 28

## **Chapter 4: Looking Forward: Next Steps**

Page 40

## **Appendix**

Page 46

# Executive Summary

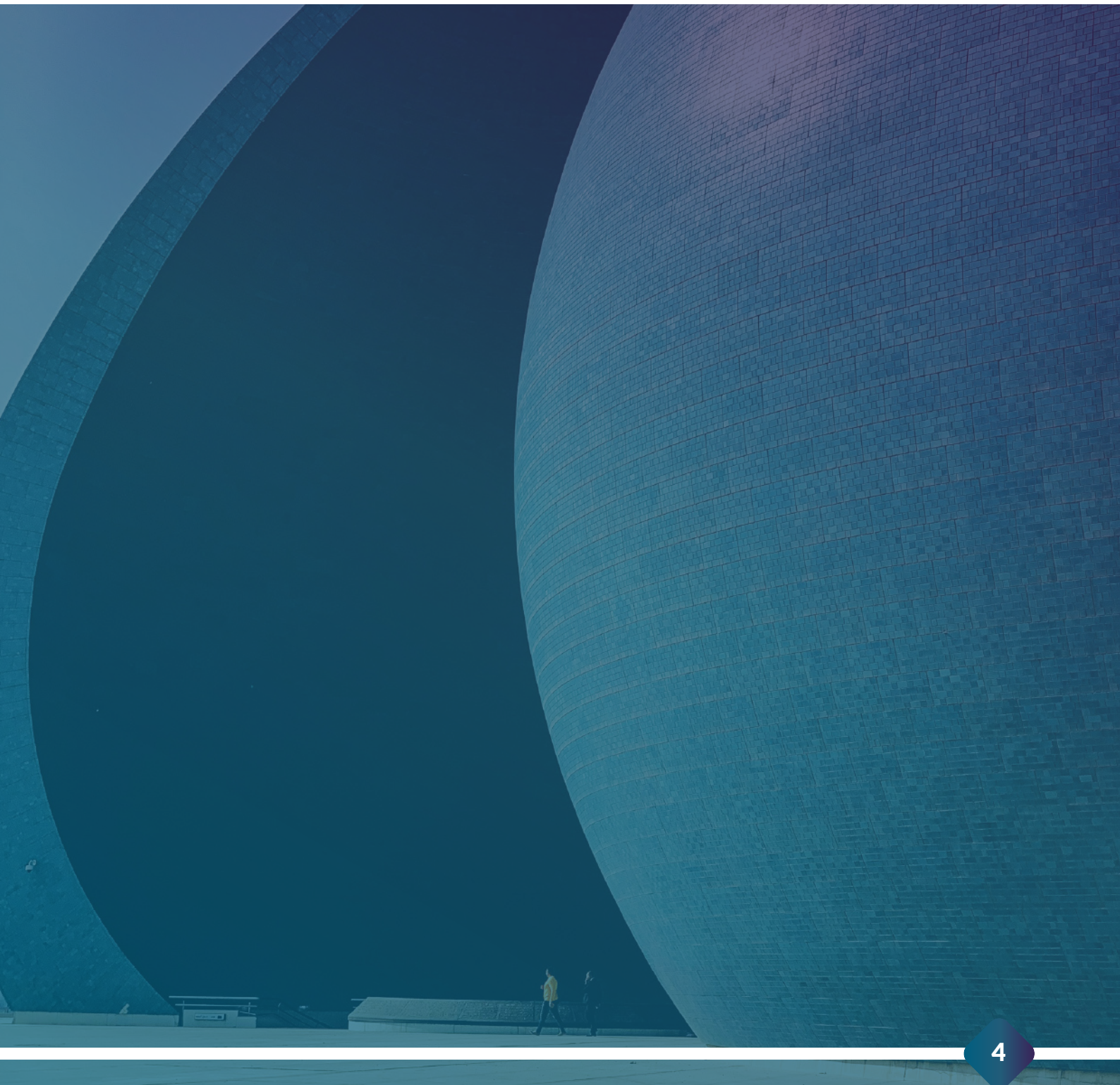
Iraqi startup founders have faced many challenges over the years, especially in securing funding for their ventures. Despite the presence of a supportive ecosystem comprising upskilling initiatives, bootcamps, incubator and accelerator programs, SME support endeavors, and a network of startup-focused co-working spaces, the journey for startups remains incomplete without adequate financial backing. While resources like small grants, typically capped at \$25,000, are available from select humanitarian or development agencies, not all startups can access these funds, and those that do often find them insufficient for sustainable growth. Moreover, navigating approval processes for bank loans or overcoming barriers to accessing equity investments poses additional hurdles.

Within this report, we will begin with an overview of our methodology, research objectives and other contextual background information in Chapter 1. Next, we will focus on the results of the startup founder survey in Chapter 2, where we will share descriptive insights into perceptions on topics such as loan rates, valuation, knowledge of investment processes and more. In Chapter 3 we will highlight key findings from both the startup founder and investor roundtables, sharing the challenges as well as solutions put forth in dynamic conversations with these groups. Lastly, we will conclude this report in Chapter 4 with a discussion of potential next steps that may be taken to advance Iraq's startup ecosystem, which include the following:

- ◆ **Sources of Funding:** Explain and identify the different funding mechanisms available to entrepreneurs based on their industry and business model.
- ◆ **Tech and Digital Upskilling:** Close the tech and digital gap through upskilling initiatives.
- ◆ **Federal Iraq Registration Process:** Promote awareness of regulatory requirements for MSME business registration in Federal Iraq.
- ◆ **Female-Focused Entrepreneurship Programs:** Level the playing field through female-focused knowledge-sharing and capacity-building programs.
- ◆ **Education:** Educating startups on the concept of venture investing and patient capital
- ◆ **Promotional Campaigns and Endorsements:** Present Iraq's startups at regional events and conferences in order to build networks, awareness and create opportunities.
- ◆ **Laws and Regulations:** Support increasing and enforcing startup and SME friendly regulations, politics and legislation.
- ◆ **Iraq Stock Exchange:** Organize a roundtable between startups and the Iraq Stock Exchange to discuss the potential for startup- and SME-friendly listing criteria.
- ◆ **Engaging HNWI and Family Offices:** Familiarizing high net worth individuals and family offices with Iraq's startups.
- ◆ **Engaging Local Startups with Regional Startups and Vice-Versa:** Exposing local Iraqi startups to regional startups, and vice-versa while assisting startups with scalability and growth.



This inaugural **State of Investments in Iraq** report aims to further deepen and expand our collective understanding of the perspectives, priorities and concerns of both startup founders and investors. Drawing on insights gathered from surveys of startup founders and various investor or founder roundtable discussions, this report endeavors not only to assess past efforts in facilitating startup growth through investment, but also to propose actionable solutions. By addressing these challenges head-on, we aspire to foster an environment where promising startups can access the necessary funding to flourish, create new jobs and contribute to Iraq's prosperity. This report will be updated annually to capture current perspectives, challenges and opportunities for catalyzing startup investment in Iraq.



# Chapter 1

## Background

Since 2017, Five One Labs has worked closely with impressive entrepreneurs throughout Iraq. We have supported founders on their startup journey in all its stages, from inception to business growth and beyond. Over this time, we have listened to the challenges and priorities entrepreneurs face as they seek to launch and build their businesses into thriving enterprises. In Iraq, the recurring theme we have found has been entrepreneurs' struggles with accessing growth capital to advance and scale their businesses.

We decided to investigate this situation and figure out what was missing. To uncover the bottlenecks and identify the opportunities, we developed and launched our '**The State of Investments in Iraq**' study. This study focused on gathering both quantitative and qualitative data through surveys and roundtables with founders and investors to uncover widely held perceptions, existing challenges and potential solutions to further strengthen Iraq's investment ecosystem. This report is intended to provide a snapshot of the current realities and potential opportunities as understood by those directly involved in supporting startups in Iraq. Moreover, we plan to publish this report annually to gauge how Iraq's investment ecosystem changes for better or worse over time.

## Report Objective

The two-pronged objective of **The State of Investment in Iraq** report is to assess:

- ◆ The current state of play of investment in Iraq, informed by perspectives from investors and startups.
- ◆ The perceived bottlenecks and opportunities for:
  - ◇ Entrepreneurs, when it comes to accessing capital,
  - ◇ Local investors, when it comes to investing in Iraqi founders, and
  - ◇ Attracting regional and international investment.

The study's key areas of inquiry include:

1. Where are the startups struggling the most when it comes to accessing capital?
2. What role can we play in helping startups unlock venture capital?
3. What is hindering local investor activity?
4. What would encourage local investors to dig deeper into their pockets and take a leap of faith?
5. What factors would encourage regional VCs to co-invest?



## Methodology

This study uses a mixed-method approach to analyze the investment and entrepreneurship ecosystem in Iraq. The findings shared in this report are drawn from data collected through desk research, a quantitative survey and roundtable discussions with investors and entrepreneurs.

### Quantitative Survey

Five One Labs launched a survey in October through November 2023 focused on collecting entrepreneurship and investment data across Federal Iraq and the Kurdistan Region of Iraq. The quantitative research methodology used a referral-sampling (network-sampling) approach through online surveying, in which 74 questionnaires were completed in English and Arabic.

The surveyed respondents were restricted to startup founders or partners aged 18 years or older with a business operating for more than one year. No other filters or quotas were applied for the remaining demographic variables, such as location, number of employees, and registration status. The survey respondents were contacted in a variety of ways: through Five One Lab's alumni database, a network of community partners, newsletter subscribers, and push marketing via social media posts. As a result of using a referral-sampling approach, respondents connected to Five One Labs' broader network are overrepresented among the sample pool. The sample size of 74 qualified respondents equals a margin of error of 11% and a confidence level of 95%.<sup>1</sup>

The survey was used to measure views on the availability of funding and the various funding options, investors' trustworthiness and appetite, variables impacting access to capital, and obstacles to business growth. The survey's objective is to quantify founder's challenges when it comes to their perceptions of and experience with accessing capital, investor appetite, and the financing vehicles available.

### Overview on the Survey and Data Analysis

In order to achieve an adequate response rate of the survey, the phrasing of questions/answers were designed to be concise; this can place constraints on elaborating and explaining specific survey questions and answers. Thus we have augmented our analysis by providing each figure with a description of the legend, with the complete phrasing of the questions, and the type of question asked in the footnotes. Additionally,

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<sup>1</sup> It is important to note that there is no census of the number of startups operating in Iraq. There are varying reasons for this, one of which is the inability to use business registry to track the number of businesses (many businesses are not registered in Iraq). The sources we looked into include previous startups and SME studies (example studies conducted by Kapita and the International Finance Corporation), the number of publicly announced startups that have received investing, and the number of our successful alumni. However, there is a big degree of variance among all these sources. The number we ended up using was based on a figure provided by the IFC in their study 'Market Bite Iraq: Economic Recovery Creates Opportunity to Invest in Small and Medium Businesses' published in November 2022. This is how the study quantified the SME Market size: "Official data from the CSO and the Kurdistan Region Statistical Office (KRSO) only includes industrial SMEs, arriving at a total count of 37,000 SMEs representing 117,000 employees in the country. This only accounts for about one percent of the total workforce of 10 million, which does not seem realistic. IFC estimates that there are about 608,500 SMEs in Iraq."

Based on that we calculated our margin of error and confidence levels. The sample size n (74) and margin of error E (11%) are given by:

$$\begin{aligned}x &= Z(c/100)2r(100-r) \\n &= N x / ((N-1)E^2 + x) \\E &= \text{Sqrt}[(N - n)x / n(N-1)]\end{aligned}$$



the appendix includes the full survey questions and the terms and definitions.

Survey data was analyzed thematically based on two main framings: 1) startup headquarters and 2) the sex of the founder. The available dataset, while providing critical insights, does not allow for statistically significant subsample analysis. However, it provides support in guiding interpretation of the dataset and contributes to our understanding through providing directional insights.

## Qualitative Discussions

The study collected qualitative data through roundtable discussions with startup founders and investors. The qualitative research methodology used purposive sampling, also known as purposeful or judgmental sampling. With purposive sampling, the researcher chooses participants who can provide rich insights about the research topic. For us, this meant locating and focusing on individuals with the knowledge, experience, and perspectives most relevant to our study's objectives.

The roundtable attendees' profiles were a mix of two types of purposive sampling: homogeneous and criterion sampling. In short, we chose participants who share certain characteristics and predefined criteria that align with the research objectives. We conducted two roundtables, one with investors and one with startups. The criteria and characteristics used to identify startup roundtable participants were 'founders with Iraq-based startups who have received venture capital funding (based on publicly announced investment deals)'. The criteria and characteristics used to identify investor roundtable participants were 'investors who invested venture capital into Iraq-based startups (based on publicly announced investment deals)'.

The topics covered during the roundtables focused on perceptions by both parties of the obstacles and opportunities of investing in Iraq.

The startup roundtable discussion guide was based on the information areas previously mentioned in the Objective section, mainly:

1. Where are the startups struggling the most when it comes to accessing capital?
2. What is hindering local investor activity?
3. What would encourage local investors to invest ?
4. What factors would encourage regional VCs to co-invest?

The investors roundtable discussion guide was based on the information areas previously mentioned in the Objective section, mainly:

1. What is hindering local investor activity?
2. What would encourage local investors to invest?
3. What factors would encourage regional VCs to co-invest?

The roundtables followed [Chatham House Rules](#), which means that this publication does not attribute any opinion to any individual or business. This design allowed our participants to speak freely and honestly when sharing their experiences and opinions<sup>2</sup>.

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<sup>2</sup> The opinions shared by roundtable participants (founders or investors) do not necessarily reflect Five One Invest's views.



# Chapter 2

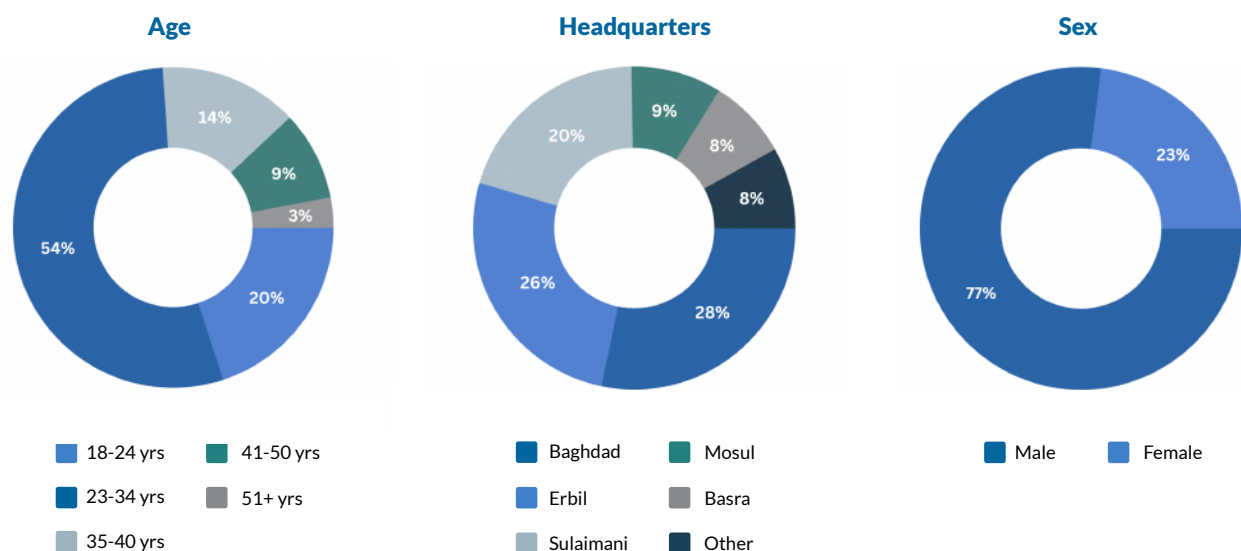
In November 2023, we surveyed founders from Iraq to understand their perceptions of obstacles and opportunities in investment in the country. The survey's respondents consisted of founders/co-founders or partners with stakes in the business who are decision-makers in the company. Based on the results of this survey, we found several obstacles that founders indicate are hampering their ability to further grow their enterprises. Ranging from a lack of knowledge of the investment process overall to gaps in accessing investor networks, this chapter will shed light on the current concerns, priorities and perspectives of startup founders in Iraq, as well as provide a snapshot of the demographic profile of founders and startups. .

## Demographics

### Figure 1. Founder Profiles<sup>3</sup>

The majority of sampled founders are male - slightly over two-thirds of respondents. Half of all the founders are young adults aged between 25 to 34 years old. Three-quarters of surveyed startups are headquartered in Baghdad (28%), Erbil (26%), and Sulaimani (20%).

These figures reveal opportunities to fill ecosystem gaps in other regions, such as Mosul and Basra, where only 17% of profiled startups are headquartered. The data also suggests that the proportion of female-led businesses to male remains underrepresented.



<sup>3</sup> Figure 1. Founder Profiles:

Please specify your age. Single answer.

Please specify your sex. Single answer.

Please specify where the main headquarters of your startup is located. Single answer.

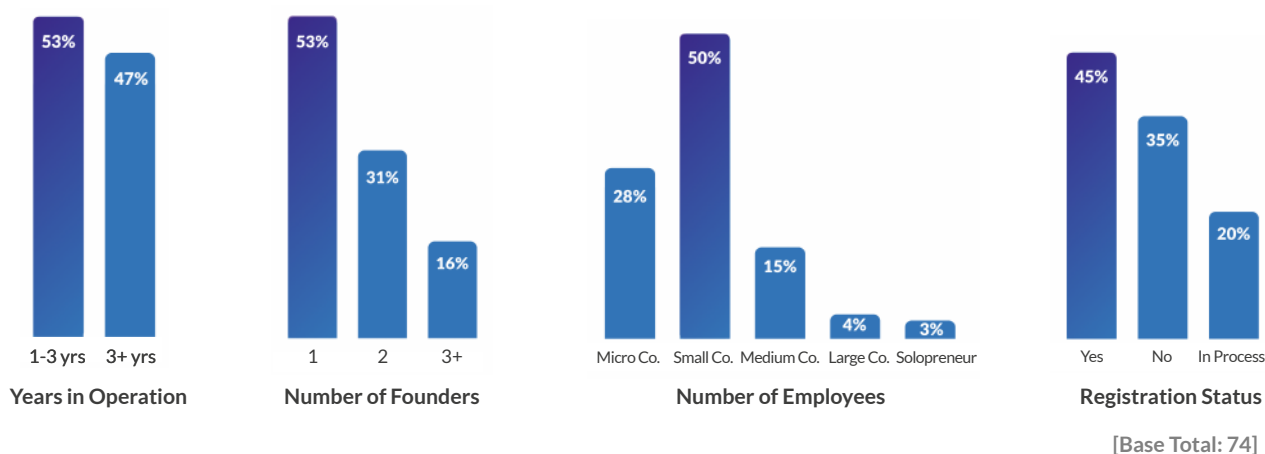
## Startup Profiles

**Figure 2. Company Profiles<sup>4</sup>**

We found that 83% of startups operational for three years or more are male-led. There may be a variety of factors leading to this result. For example, women founders in Iraq may face greater obstacles in starting, growing and sustaining their businesses, leading to lower long-term business survival. Conversely, this could be due to increasing numbers of women venturing to start their own businesses in recent years leading to an increase in 'young' women-led businesses. Regardless, this data suggests an opportunity for ecosystem enablers to further support the launch and survival of women-led businesses through targeted business programs and support services.

Beyond gender demographics, the survey also looked at business size and the composition of the businesses leadership structure. Half of all surveyed startups are considered 'small' businesses with three to nine employees, with businesses in this size category predominantly headquartered in Erbil. Half of all the respondents reported being sole founders. Male founder respondents were more likely to be solo founders (82% of solo founders respondents are male), while female entrepreneurs were more likely to be part of a two-person founding team (59% of all female respondents are part of a two-person founding team).

Next, we sought to understand the level of emphasis on formalization survey respondents have for their enterprises. We found that slightly less than half of all survey participants have their businesses registered, with startups based in Erbil are more likely to be registered, whereas startups headquartered in Baghdad were less likely to be registered. It should be noted that, among our respondent base, male founders were more likely to have their businesses registered than females. This leads us to infer that female entrepreneurs might face various obstacles, such as assistance in navigating the registration process, the costs of registration and the entailed responsibilities being too capital-intensive, or that the registration process itself might involve female-specific discriminatory barriers inhibiting formalization.



<sup>4</sup> Please specify how long you have had your business. Single answer.

Please indicate whether your company is registered at the Ministry of Trade. Single answer.

Please specify the number of founders at your startup (including yourself). Single answer.

Please indicate the number of employees in your company (excluding the founder(s)). Single answer.

### Figure 3. Business Model and Sector<sup>5</sup>

The business models of nearly half of all surveyed startups are distributed between physical stores (27%) or online marketplace businesses (such as talabat or Lezzoo) (20%). Startups with physical presence tend to be based in Erbil and Sulaimani, whereas marketplace businesses tend to be located in Baghdad<sup>6</sup>.

When examining the sectoral distribution of the surveyed population, the top three industries are handicrafts (15%), such as fashion, artisan, jewelry, soap, and candles; ICT/IT (14%), such as tech-intensive industries requiring coding and development; and education (14%). Tech businesses are more likely to be based in Baghdad, whereas handicrafts- and education-focused startups are more likely to be based in Sulaimani and Erbil, respectively. We also note that tech businesses are male-dominated, and handicrafts-focused startups are female-dominated. As we will see in this report, this has implications for women founders in accessing investment opportunities for their businesses.

Additionally, while the survey results are merely directional, the findings about sector and gender have been found in other research as well. For example, data from the Iraqi Ministry of Planning and Central Statistical Organization showed that 96 out of every 100 Iraqi females lack digital literacy skills<sup>7</sup>. Regarding coding skills, only one out of 100 Iraqi females are equipped with programming skills. Comparing this data to Iraq's neighboring countries, Emirati female coders are six of 100, Bahraini coders are 11 of 12, 100 of 100 in Saudi Arabia, and 14 of 100 in Kuwait. As a result of these gaps in digital literacy and coding skills, it appears that female entrepreneurs are at a disadvantage when establishing tech or tech-enabled businesses. This gap highlights the need for all ecosystem players, academia, entrepreneurial tech hubs and incubator and accelerator programs to advance a concerted effort in promoting female digital literacy and entrepreneurship.

Business Model		Baghdad	Erbil	Sulaymani	Other	Total
Physical Store	27%	3	7	5	5	20
Marketplace	20%	5	2	3	5	15
Social Commerce	16%	4	3	1	4	12
Tech Business	11%	3	2	1	2	8
Other	26%	6	5	5	3	19
Base		21	19	15	19	74

<sup>5</sup> Please choose one of the below to describe your business. Single answer.

Please choose one of the below as the sector of your business. Single answer.

<sup>6</sup> It should be noted that the survey used a referral-sampling (network-sampling) approach. The surveyed founders characteristics are reflective of the population of Five One Lab's alumni database, our network of community partners, newsletter subscribers, and push marketing via social media posts.

<sup>7</sup> Digital Illiteracy: Isolating Iraqi Women From The Outside World. Iraqi Innovators. November 2021.

	Business Sector	Baghdad	Erbil	Sulaymani	Other	Female	Male	Total
Handicrafts	15%	1	3	4	3	8	3	11
ICT/IT	14%	5	1	0	4	0	10	10
Education	14%	2	7	1	0	1	9	10
Agriculture - AgriFood	9%	2	0	2	3	1	6	7
Healthcare	8%	3	0	1	2	1	5	6
Media & Advertising	8%	2	2	1	1	0	6	6
F&B, Hospitality, Tourism & Events	7%	1	2	2	0	1	4	5
Manufacturing	7%	1	2	1	1	2	3	5
Other	19%	4	2	3	5	3	11	14
Base		21	19	15	19	17	57	74





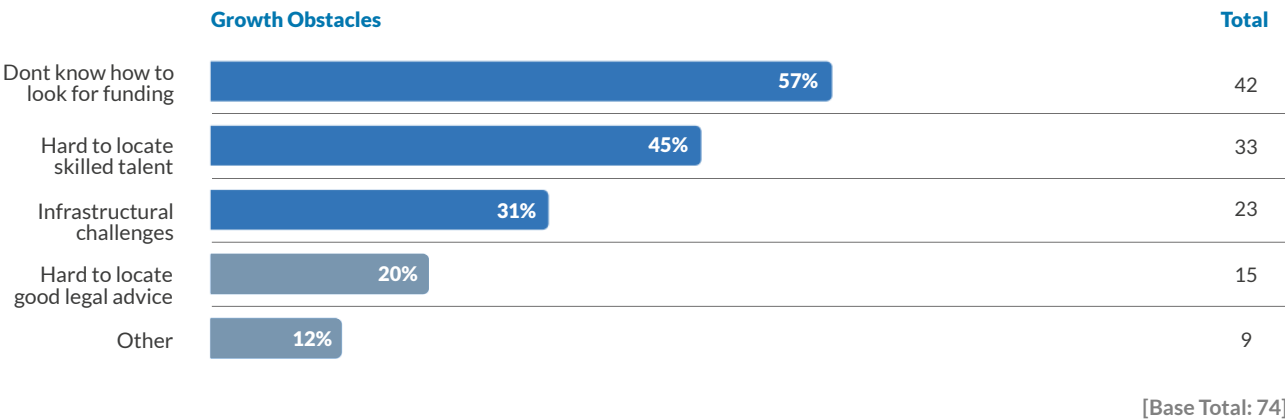
# Overview | Business Growth Obstacles

Figure 4. Growth Barriers<sup>8</sup>

One of the most significant business growth challenges the surveyed founders mention is not knowing how to find investors or funding sources. Iraq has recently witnessed some growth in the number of lending institutions (such as Grofin), institutional investors (such as Iraq Venture Partners and EQIQ), and entrepreneur-focused funding through development agencies. While this is a promising sign of the growing attention on improving access to investment, it remains to be seen if these efforts will meaningfully shift awareness of and the ability for founders to tap into investment networks.

The next significant growth challenge mentioned by the surveyed entrepreneurs is the need for employees with the right skills or experience, an observation also found by other researchers. For example, the 2023 ‘MENA Talent Map’<sup>9</sup> study by the Boston Consulting Group found that the key pillars needed to bolster Iraq's talent pool include employee digital skills and other skills necessary for the modern workforce. Over the years, various stakeholders, including private and public sectors and nonprofit organizations, have sought to remedy this gap through projects and initiatives focused on upskilling the labor force. Historically, development agencies and nonprofits have led capacity-building and upskilling programs in the country, but more recently there is an increase in private sector participation in these efforts.

The survey data notes infrastructure as the third most critical barrier to business growth, from the respondents’ perspectives, highlighting the importance of continued efforts to close the infrastructure gap in Iraq. One area where the country has experienced significant strides in improving infrastructure is in digital services, such as internet speed and related services. For example, the country has achieved the activation of the fiber optic network in Western Baghdad with speeds up to 150 megabits. The project is part of the Iraqi National Backbone Project aimed at providing all Iraqis with low-cost, high-speed internet access. This national digital platform is a private-public partnership between the Ministry of Communications, Earthlink Telecommunication, and Symphony Telecom. This partnership is only one of many such initiatives that indicate that this challenge is moving in the right direction.



<sup>8</sup> Please choose the statements that describe obstacles affecting your business growth. Multiple answers.

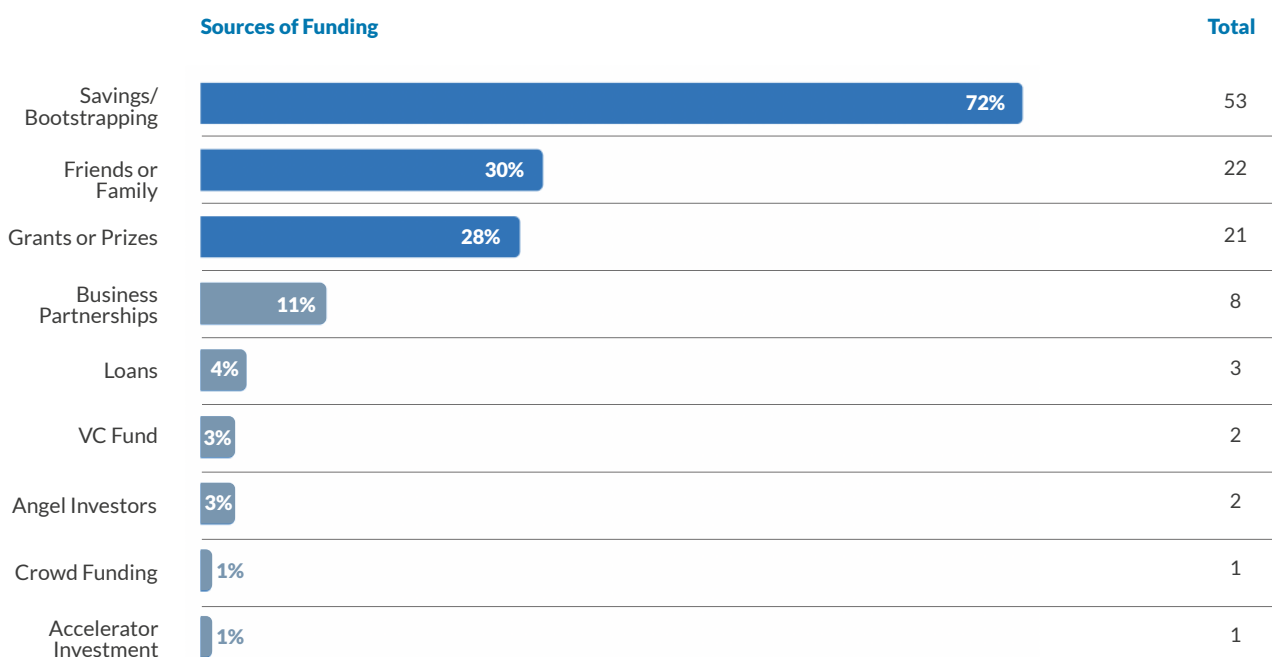
<sup>9</sup> MENA Talent Map: The Future of Outsourcing and Potential Opportunities for Emerging Countries in the MENA Region by Boston Consulting Group. February 2023.

## Overview| Sources of Funding

**Figure 5. Sources of Funding**<sup>10</sup>

When asked to indicate which types of financing they have been able to access, the majority of surveyed founders indicated they have bootstrapped their businesses (72%). Bootstrapping, which refers to financing a business through personal finances or operating revenues, does have its benefits. It allows founders to maintain control and ownership of their company, avoids business debt, and enables a startup to validate its proof of concept before approaching investors. However, bootstrapping, which is often the only choice available for startups in Iraq, also has significant downsides. In particular, it often limits access to cash flow, impacting a company's growth rate and placing the financial burden of the company on the entrepreneur.

The next most common funding sources are friends or family members (30%) and grants or prize money (28%). The data reaffirms the findings of Figure 4 while also mirroring insights from the startup roundtable discussions, where the need to depend on their own funding efforts because local investors avoid "venture investing" was noted.



[Base Total: 74]

<sup>10</sup> Please indicate all sources of financing you have used to fund your startup. Ensure to include funding sources such as family and friends, banks, etc. Multiple answers.

# Channels of Finance

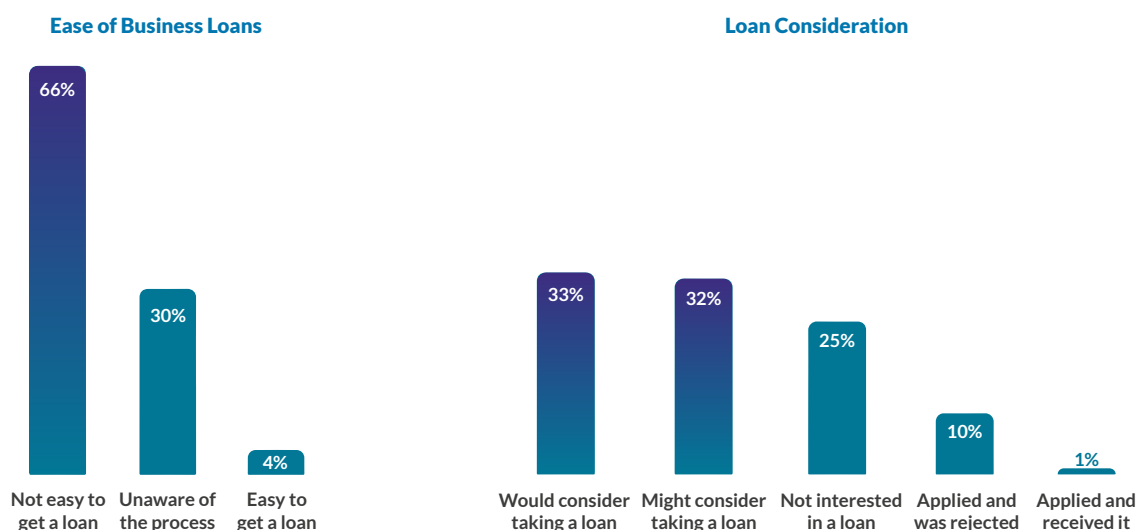
## Loans

**Figure 6. Loan Ease of Access and Interest**<sup>11</sup>

The survey also delved into whether founders were interested in, aware of, and could access loans. An overwhelming majority of survey respondents claimed that it is challenging to obtain a business loan (66%). Based on the survey data, one-third of founders would consider taking a loan (33%), another third are unsure but are open to considering it (32%), and a quarter are indifferent to financial loans (25%). Interestingly, only one respondent claimed to have applied for a loan and received it.

While demand for loans seems to be mixed, the supply has increased recently in the country. In 2015, the Central Bank of Iraq launched its One Trillion Dinar Initiative<sup>12</sup>, where loans to MSMEs were to be dispersed by approximately 40+ participating banks. The initiative aimed to increase SMEs' role and contribution to the economy, provide job opportunities, and move away from oil-dependency to bolster the Iraqi economy. The ability for MSMEs to access these loans was mixed, as banks still asked for collateral or guarantors, which small business owners often do not have access to.

In October 2021, the International Finance Corporation (IFC) provided the National Bank of Iraq (NBI) with a \$10M loan to increase loans offered to SMEs<sup>13</sup>. In April 2022, KAPITA signed an MOU with NBI to launch the Orange Corner Innovation Fund (OCIF)<sup>14</sup>. The €1M fund would provide financing and training support to businesses participating in the Orange Corners Baghdad incubation program. In August 2023, the Bloom Finance Initiative, financed by the Kurdistan Regional Government, offered SMEs loans with no collateral requirements and administrative fees of 2%<sup>15</sup>. The pilot of this initiative is still ongoing.



<sup>11</sup> Would you ever consider applying for a business loan? The loan could be from a bank, a financial institution, or a development agency. Single answer. | Do you believe that it is easy for companies in Iraq to get business loans? Single answer.

<sup>12</sup> [Market Bite Iraq: Economic Recovery Creates Opportunity to Invest in Small and Medium Businesses](#). International Finance Corporation (IFC). November 2022.

<sup>13</sup> [IFC, National Bank of Iraq Partner to Boost Access to Finance for SMEs, Create Jobs](#). International Finance Corporation (IFC). October 2021, 24.

<sup>14</sup> [Orange Corners Innovation Fund signs an MoU with the National Bank of Iraq \(NBI\) to launch the Orange Corners Innovation Fund \(OCIF\) program in Baghdad](#). KAPITA. April 2022, 27.

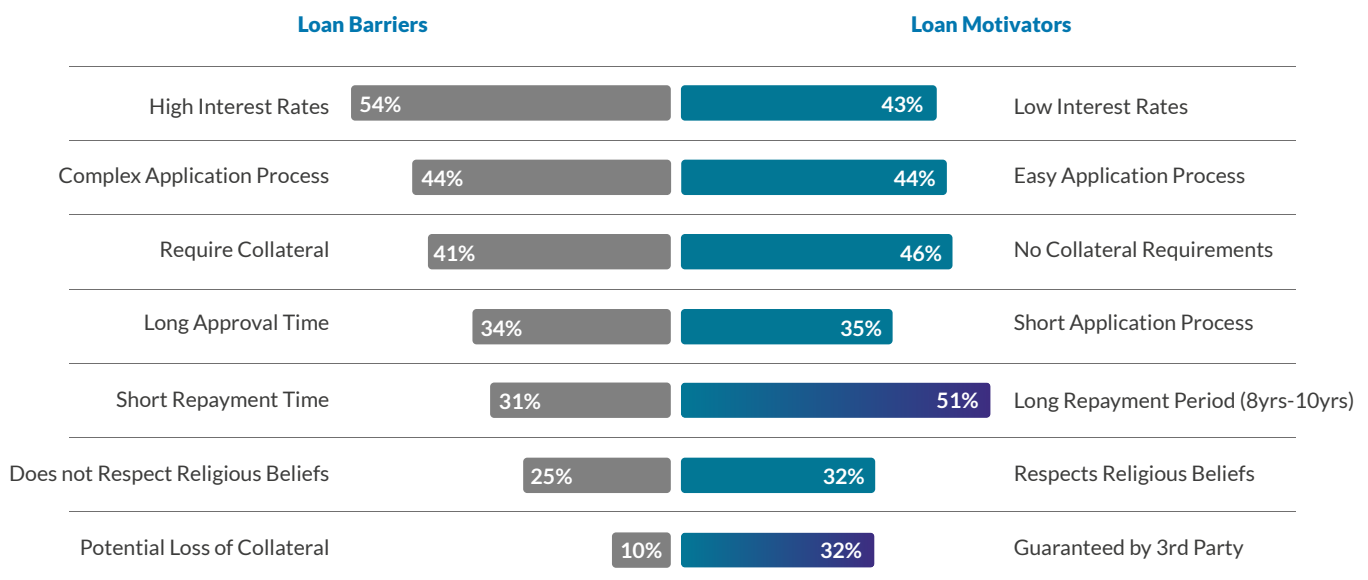
<sup>15</sup> [Bloom website](#). Top Mountain's LinkedIn [announcement](#).

## Figure 7. Loan Barriers Vs Motivators<sup>16</sup>

The survey also dug into motivations and deterrents faced by business owners in securing loans. Our data showed that the top three perceived deterrents to applying for a loan include high interest rates (54%), the complex application process (44%), and the collateral requirements (41%).

The survey also examined factors motivating founders to apply for a business loan. The data revealed that the top three motivators that would positively influence founders to apply for a loan include a longer repayment period of between eight to 10 years (51%), no collateral required for the loan (46%), and an easy loan application process (44%). Interestingly, a short repayment period (31%) was not perceived as a significant barrier to loan applications; however, an extended repayment period positively influenced loan consideration. Having a third-party guarantor (32%) also positively impacts loan decision-making.

Based on these responses, we would encourage banks and other financial institutions to try to decrease lending obstacles, especially interest rates, repayment periods, and collateral/guarantor requirements.



[Base Total: 68]

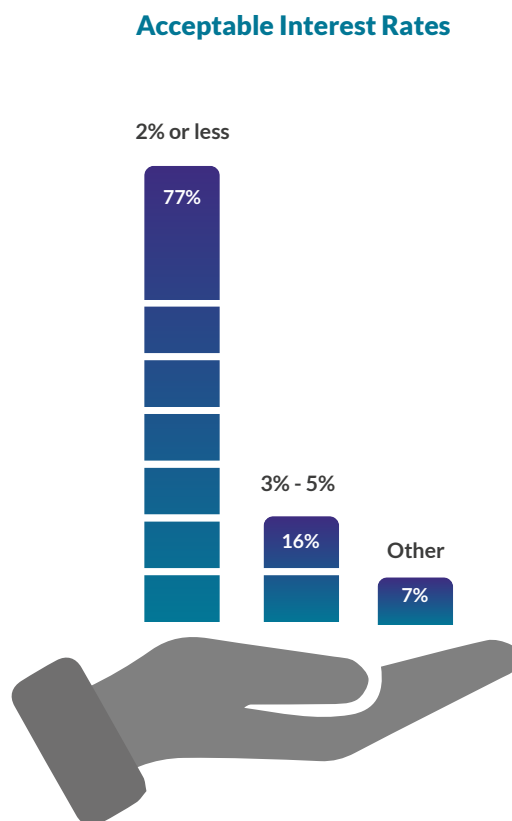
<sup>16</sup> We would like to understand your point of view regarding loans. Multiple answers.  
Would any of the below conditions positively affect your decision to take a loan? Multiple answers.



## Figure 8. Loan Rates<sup>17</sup>

Finally, the survey looked into founders' perceptions of acceptable interest rates. Three-quarters of respondents agree that an interest rate of 2% or less would be considered a low interest rate, while only 16% said that an interest rate of 5-3% would be considered low. These findings are important because one of the main drivers of pursuing debt financing is loan affordability, of which interest rates are a significant factor. Given this data, it is clear that startups are aware of and sensitive to the importance of incremental increases or decreases in available loan interest rates.

To further explore this dynamic and its impact on startup loan financing, let us examine the business loan landscape and assess whether a 2% interest rate aligns with the reality of the market. The Central Bank of Iraq's One Trillion Dinar Initiative provided small SME loans between 5M IQD and 50M IQD with an annual interest rate range of 4-2% for a loan tenor of up to five years. Tamwil, another government-backed MSME-focused loan initiative, offered up to 50M IQD, with an annual interest of 4%, one-time administrative fee of 1%, and a loan tenor of up to five years. In the summer of 2020, GroFin launched a COVID-19 SME Support Fund in Northern Iraq. The Fund offered small business loans between \$10K and \$100K, with a loan tenor of 48 - 12 months. The first 12 months were interest-free, and a 5% interest rate was applied for the remainder of the term. Finally, Project Bloom, a Kurdistan Regional Government-backed SME loan initiative, offered up to 150M IQD with low administrative fees of 2% and no collateral requirements. Therefore, based on data gathered from the various SME loan programs, a 5-2% interest rate is in line with the reality of the market, indicating a growing recognition and availability of some loan products with acceptable interest rates.

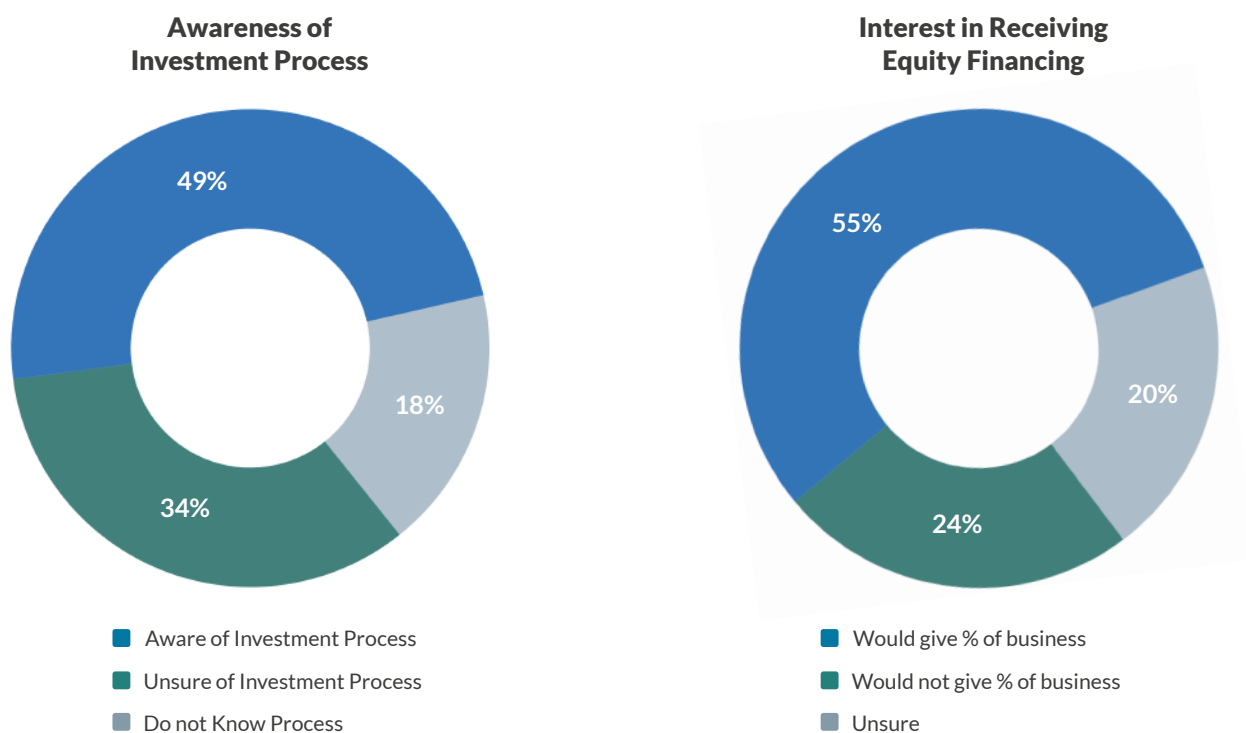


<sup>17</sup> What do you consider to be a low interest rate? Single answer.

## Equity Investments

**Figure 9. Awareness & Interest in Equity Financing<sup>18</sup>**

Unlike loans, equity investment is seen in a slightly more positive light in Iraq. Slightly over half of the survey participants are willing to receive funding in return for equity (55%), a quarter are not interested in equity funding (24%), and less than a quarter are unsure (20%). Thus, the surveyed entrepreneurs on the whole display positive sentiments regarding the investment process and concept of venture investing. Beyond these findings, the data also showed that nearly half of the surveyed founders indicated they understood the investment process for receiving funding (49%), while one-third are unsure (34%). Based on the data, more founders in Baghdad tend to say they understand the investment process than founders in other cities surveyed. Taken together, we find that there is clear interest among startup founders in considering equity investment, as well as an opportunity to further improve awareness of the investment process among startup founders to enhance their ability to pursue equity financing as an option for their businesses growth.



<sup>18</sup>Are you ok with the idea of receiving funding and giving up a % of your company? Single answer.  
Do you have any idea about the investment process for a startup to receive funding? Single answer.

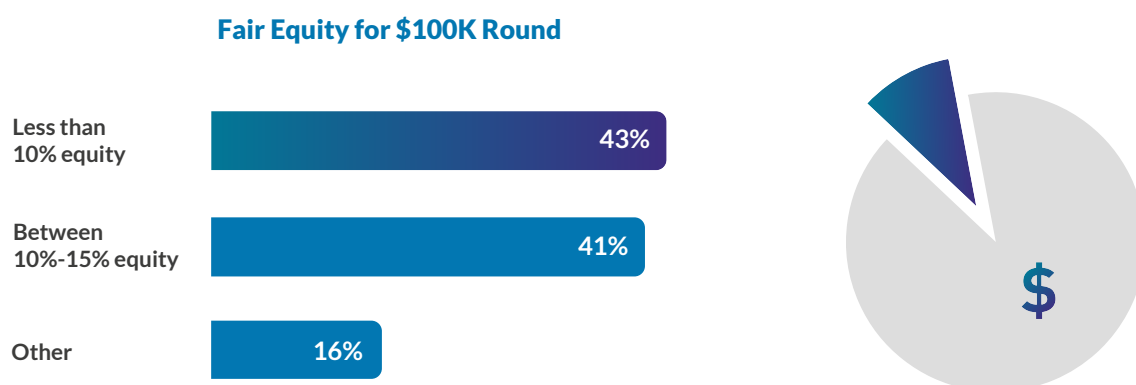
## Figure 10. Fairness in Valuation<sup>19</sup>

We explored founder conception of fair valuations, asking the founders about what they consider to be a “fair deal” for a \$100k investment. Opinions are split equally - 43% claim that less than 10% equity for \$100K in funding is a fair deal, while others claim that 10% to 15% is a fair valuation.

In order to determine if these responses reflect the reality of valuations, we will compare them against two well-known valuation approaches. First, we looked into Y Combinator’s (an American tech accelerator and venture capital firm) valuation model. Their website states that “We invest \$500K. \$125K of our investment converts into a fixed 7%, and the other \$375K is invested on an uncapped MFN safe.” Cutting through the technical jargon, Y Combinator invests \$125K for 7% of a startup’s equity.

Second, we looked into Flat6Lab’s (a MENA-focused accelerator-investor) valuation model. Their website stated, depending on location, “We invest \$120,000\$ - 65,000 in exchange for minor equity in the company; in addition, you receive various in-kind services.” On average, and varying by program and location, their model is \$100K for 10% (or less) in the first investment round. The \$100K is a mix of capital injection and in-kind services.

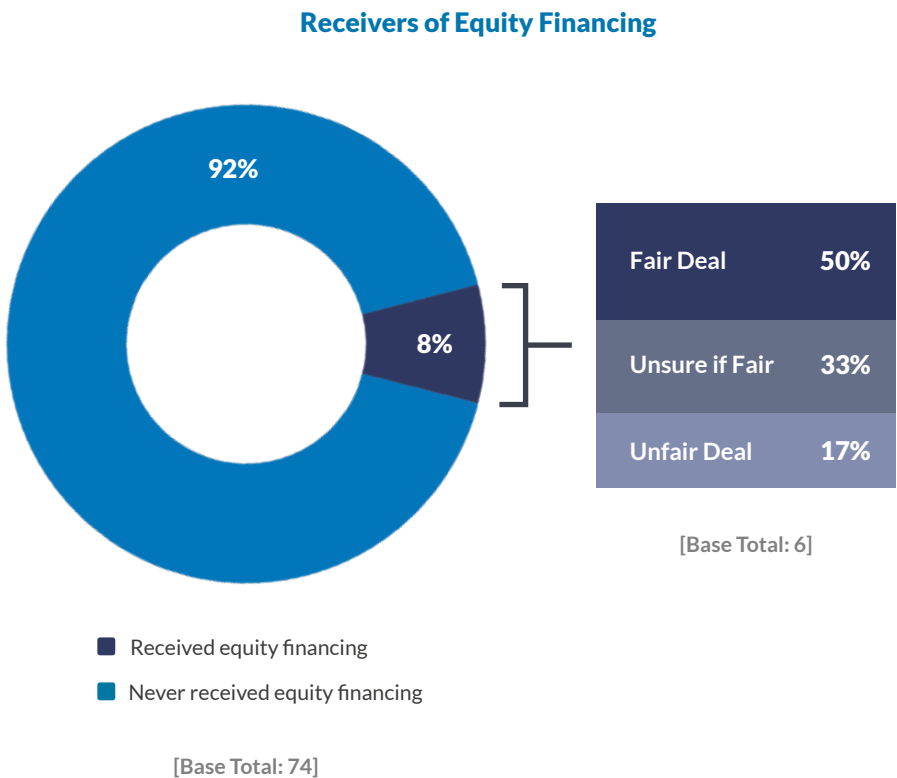
Based on these examples, we find that the survey findings, and founder perceptions on valuation, are in line with the reality of the market.



<sup>19</sup> If you receive an investment of \$100,000, what do you feel is a fair % of your company? Single answer.

**Figure 11. Receipt of Equity Financing**<sup>20</sup>

In order to assess the expectations for valuation among startup founders, we first identified the proportion of survey respondents who have received equity funding. Among our data set, most founders have never received funding in return for equity (92%), with only 8% having received equity financing. Among the 8% of respondents who have received equity financing, they indicated if the deal(s) they have received were fair, unfair or if they were uncertain if it was fair. Half of those who have received investment funding believe the deal was fair, 33% are unsure if it was fair and 17% state that it was not fair, indicating that among the pool of startup founders who have accessed equity financing there are mixed perspectives on the fairness of the deals available and agreed on.



<sup>20</sup> Have you ever received funding for a % (equity/shares) in your startup? Single answer.  
Do you feel the % of the company (based on the funding you received) was a fair deal? Single answer.



# Investment | Perceptions and Awareness

## Factors Impacting Equity Investment

**Figure 12. Factors Impacting Chances of Investment<sup>21</sup>**

This section will investigate the perceived factors affecting the chances of receiving investment funding. The first topic we delve into is the business model. Over three-quarters of respondents believe that their business model is a right fit for investment (81%). Digging deeper into the data, it is observed that the profiles of the startups that consider their models to be a right fit for investment include brick-and-mortar and social commerce businesses (businesses that sell products through Instagram or Facebook)<sup>22</sup>.

Here, we note a dissonance between what startups believe investors are looking for in a business and what investors are actually interested in. Iraq's three leading venture capitalists focus on tech (or tech-enabled), highly scalable businesses. Additionally, investors indicated that they seek startups that demonstrate a clear vision for regional expansion.

We further analyzed the subset of startups that assert having an investable business model against their stated understanding of the investment process, half of these founders indicate they either need help to understand the investment process or are unsure of it.

Based on these findings, it is clear that there is a need for greater understanding and clarity of goals and the process for venture capital and investment by startups. Startups must better understand which types of financing would be the right fit for their business model in order to have accurate expectations, seek the right profile of investor and increase the likelihood of achieving their goals.

		Physical Store	Marketplace	Social Commerce	Tech Business	Other	Aware of Investment Process	Unsure	Dont know Investment Process	Total
Business is the right fit for investment	81%	15	13	9	6	17	29	20	11	60
Unsure	16%	5	2	2	2	1	5	5	2	12
Business is not the right fit for investment	3%			1		1	2			2
Base		20	15	12	8	19	36	25	13	74

<sup>21</sup> Do you believe that your business model is right for investment? Single answer.

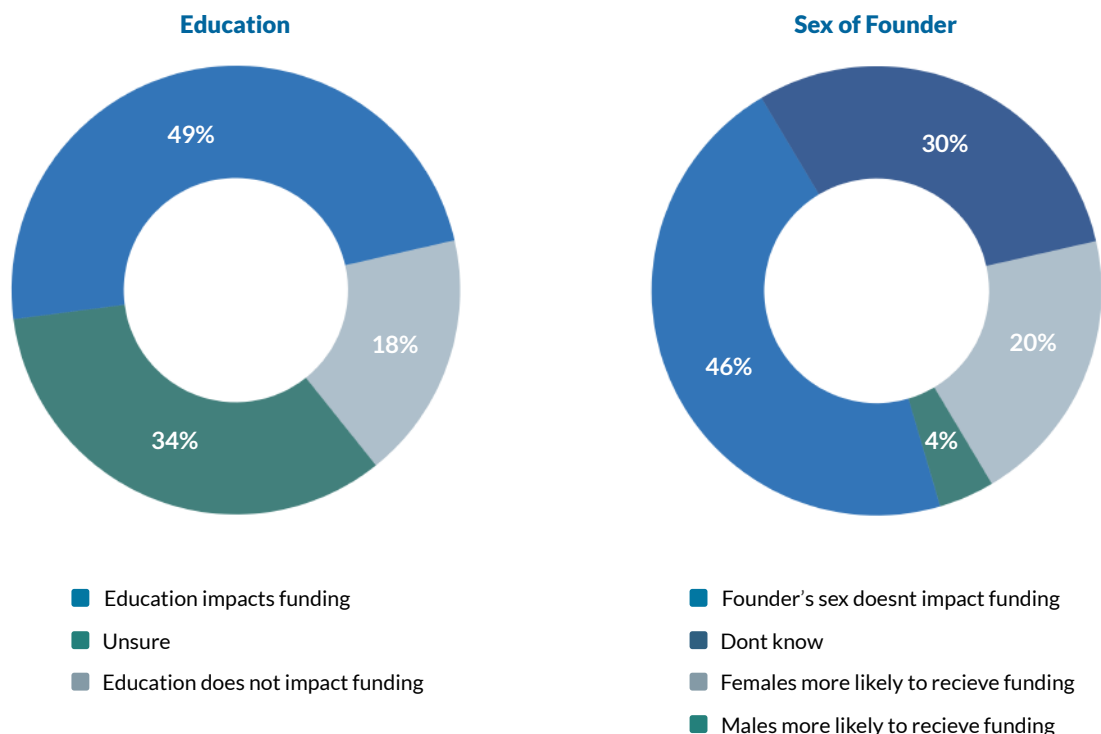
<sup>22</sup> In this context, social commerce businesses are defined as social media businesses selling products through Instagram or Facebook.

### Figure 13. Factors Impacting Chances of Investment<sup>23</sup>

Survey respondents had different views of what factors impact the chances of investment. 49% of respondents perceive that education impacts the chance of receiving funding. However, the survey data also indicates that one-third of founders (34%) are unsure about whether education impacts the chance of receiving venture funding, and slightly less than a quarter (18%) perceive that education has no impact. Whether this speaks to the relevance of formal education, vocational programs or other forms of education is an area for future inquiry.

Interestingly, 20% of survey participants believe females are more likely to receive funding than male founders. This perception is in direct contrast to our investment data, where, to date, only one female-led startup in Iraq has received publicly announced investment funding.

Regional and international studies have shown that the sex and educational background of a founder do impact fundraising. Wamda, a regional thought leader in the startup space, revealed in its latest '2023 Year in Review Investments in MENA' that investment in female-founded startups dropped by 64% compared to 2022. Of the 583 MENA-based startups that raised funding in 2023, only 52 of the businesses were female-founded. These 52 female-founded startups received only 0.47% of the total funding raised in 2023. Additionally, looking at the educational profile of MENA startup founders, Wamda's data demonstrates that only 1% of founders are non-university graduates. The remaining 99% are holders of Bachelor's or Masters' degrees.



[Base Total: 74]

<sup>23</sup> Do you feel that the sex of the founder affects their chance of receiving investment? Single answer.  
Do you feel that an entrepreneurs' education affects their chance of receiving investment? Single answer.

## Investor Awareness

**Figure 14. Awareness of Local Investors<sup>24</sup>**

Over half of the surveyed entrepreneurs are unaware of investors in Iraq (57%). The survey data highlights that entrepreneurs who know local investors are more likely to be based in Baghdad. Thus, in addition to the findings in Figure 9 (founders based in Baghdad tend to understand the investment process over others), Baghdad-based surveyed entrepreneurs seem to be more familiar with and connected to the investment ecosystem than their peers in Erbil and Slemani.

These findings on investment networks illustrate what research has found on the importance of those networks to startups seeking investment. Research has shown that “both the startup founder's personal and business networks increase the funding opportunities for startups”, and that “the number of successful investments increases as the number of fundraising opportunities from business networks increases”<sup>25</sup>. As the data shows and research indicates, regions outside Baghdad still need support building networks, connections and awareness of the investment ecosystem.

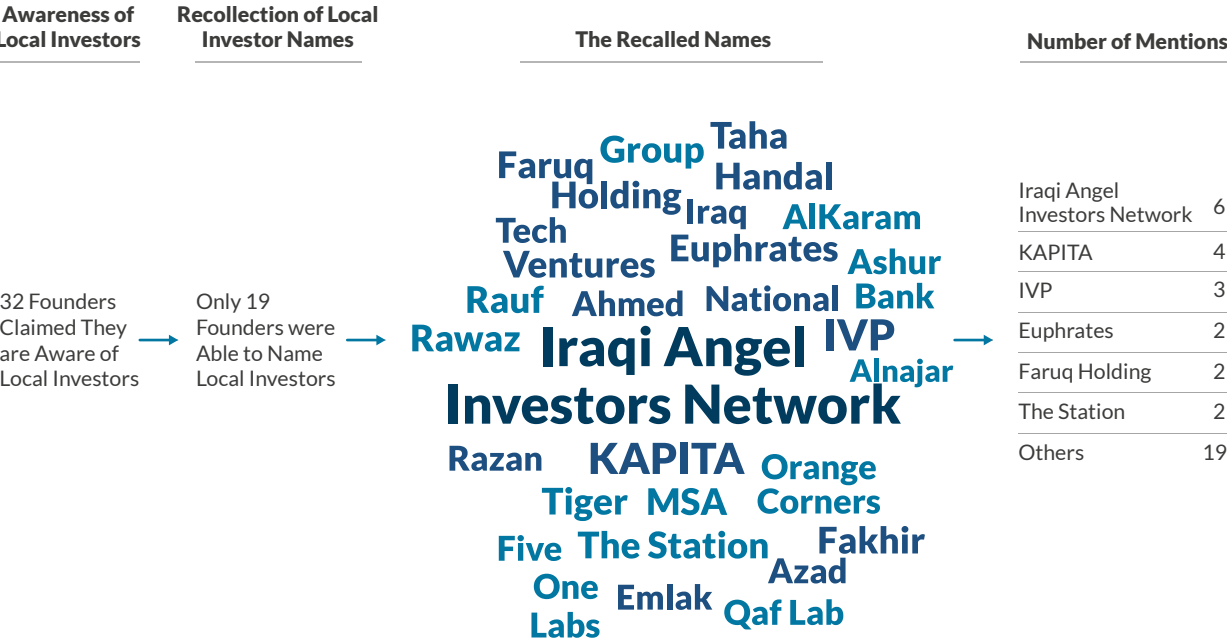
	Awareness of investors	Baghdad	Erbil	Sulaimani	Other	Aware of Investment Process	Dont know Investment Process	Unsure of Investment Process	Total
No/Unsure	57%	7	15	10	10	15	13	14	42
Yes	43%	14	4	5	9	21		11	32
Base		21	19	15	19	36	13	25	74

<sup>24</sup> Are you aware of any investors in Iraq? Single answer.

<sup>25</sup> <https://www.sciencedirect.com/science/article/pii/S2199853123001658>

Figure 15. Awareness of Local Investors | Names<sup>26</sup>

Exploring the data further, we asked the respondents who are aware of local investors (43%) to share the names of local investors. Of the 32 aware respondents, 19 listed local investors' names. The top three identified names include Iraqi Angel Investors Network, KAPITA, and Iraq Venture Partners. Of all the names mentioned, only two are institutional investors (Iraq Venture Partners and Euphrates Ventures).

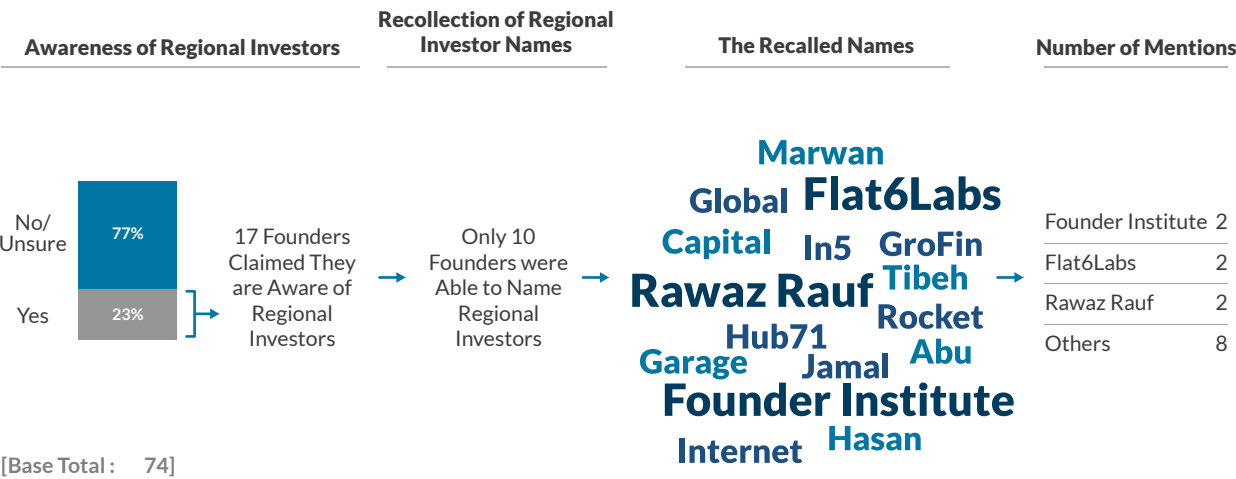


<sup>26</sup>Can you please share the names of the investors in Iraq that you have heard about? Open ended.

**Figure 16. Awareness of Regional Investors | Names<sup>27</sup>**

The survey replicated the same line of questioning for regional investors; a quarter of entrepreneurs claimed to be aware of regional investors (23%). However, only 10 of the 17 respondents could provide the names of regional investors. The top three names include Founder Institute, Flat6Labs, and Rawaz Rauf. Of these three names, only one is a regional accelerator-investor, Flat6Labs. Rawaz Rauf is a partner of a local venture fund, Euphrates Ventures. Founder Institute is a global startup enabler that does not invest directly in businesses<sup>28</sup>.

Figures 14, 15, and 16 again reaffirm the need for overall startup support to build networks, trusted relationships, investment knowledge and awareness of the local and regional investment ecosystem.



<sup>27</sup> Are you aware of any regional investors? Single answer.

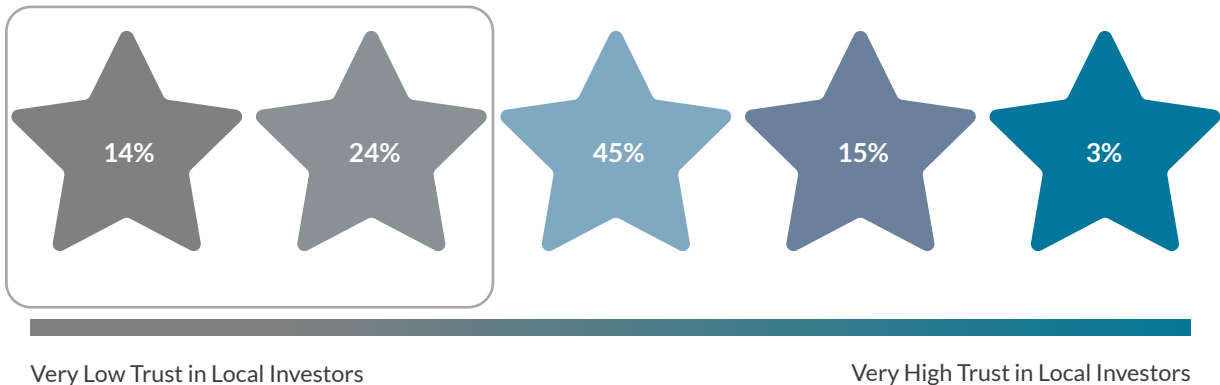
Can you please share the names of the investors in the region that you have heard about? Open ended.

<sup>28</sup> Founder Institute is a global incubator and accelerator program. According to their website, "The Founder Institute does not invest directly in alumni companies. However, we do facilitate investment through introductions, local/ regional/ global events, and more."

## Perceptions of Investors

**Figure 17. Levels of Trust in Local Investors<sup>29</sup>**

We also examined startup founders' perceptions of local investor trustworthiness. When comparing the two top positive versus negative responses, the data shows that respondents display low levels of trust - where low and very low trust sentiment equates to 38% versus high trust sentiment at 18%. With 45% of respondents selecting having a moderate trust in local investors, this indicates that opportunity exists for strengthening ties and trust.



<sup>29</sup> Please rate your trust in investors in Iraq, where 1 is very low trust and 5 is very high trust. Single answer.



## Figure 18. Perceptions of Investors | Local Vs. Regional<sup>30</sup>

To better understand the different facets impacting perceptions of investor trustworthiness, respondents assessed regional and local investors on various measures, such as their knowledge of investment and a startup's operations. The data shows that survey participants perceive investors in Iraq as unfair in the investment deals they offer (64%), risk-averse (51%), lack understanding of venture capital (50%) and lack trust in an entrepreneur's decision-making abilities (50%). Whereas entrepreneurs perceive regional investors as demonstrating high-risk appetite (41%), knowledge of venture capital (36%), and knowledge of how startups operate (38%). These findings are further explored in the following chapter on the roundtable discussion with startup founders.

### Perceptions of Local Investors

	No	Unsure	Yes
Risk Appetite	51%	23%	26%
Knowledge of Investment	50%	36%	14%
Knowledge of Startup Operations	46%	26%	28%
Tech-Saviness	45%	41%	15%
Fairness in Investment Terms	64%	32%	4%
Realistic Goals and Metrics	46%	42%	12%
Trust in Founders	50%	35%	15%
Value Added	36%	31%	32%

### Perceptions of Regional Investors

	No	Unsure	Yes
Risk Appetite	23%	36%	41%
Knowledge of Investment	22%	42%	36%
Knowledge of Startup Operations	28%	34%	38%
Tech-Saviness	28%	49%	23%
Fairness in Investment Terms	35%	51%	14%
Realistic Goals and Metrics	28%	46%	26%
Trust in Founders	24%	51%	24%
Value Added	28%	36%	35%

<sup>30</sup> We would like to understand your perceptions regarding investors in Iraq.

Do you feel that Investors in Iraq take risks? Single answer.

Do you feel that Investors in Iraq understand venture capital? Single answer.

Do you feel that Investors in Iraq understand how a startup operates? Single answer.

Do you feel that Investors in Iraq are tech-savvy? Single answer.

Do you feel that Investors in Iraq offer a fair investment deal? Single answer.

Do you feel that Investors in Iraq have realistic goals, KPIs, or metrics for startups they invest in? Single answer.

Do you feel that Investors in Iraq trust startups' decision-making skills? Single answer.

Do you feel that Investors in Iraq offer additional value other than financial? Single answer.

Other than funding, what benefits can an investor add to your business? Multiple answers.

## Figure 19. Types of Added Value Expected from Investors<sup>31</sup>

The survey questioned entrepreneurs on the value they expect of investors over and above capital investments, often referred to as 'value-add investing'. The data highlights that the top three benefits investors can add to startups within their portfolio are that 1) companies are gaining access to new markets and customers (81%), 2) exposure through networks and connections (74%), and 3) mentorship and solid business advice (59%).

Based on these findings, it is clear that there is a strategic value the founders see in value-add investing to support the growth of the company and thus return greater value to an equity investor. Through win-win approaches and collaboration between the startup and the investor, the opportunities to further drive forward expansion and scale are significant.

Access to Markets	81%	Most Needed
Access to Networks & Connections	74%	
Access to Mentorship & Advice	59%	
Access to Accounting & Financial Advice	51%	Least Needed
Access to New Investors	50%	
Access to Further Funding from Current Investors	46%	
Access to Legal Advice	46%	
Access to Technical Skills & Expertise	38%	
Access to Workspace	35%	
	26%	

<sup>31</sup> Other than funding, what benefits can an investor add to your business? Multiple answers.

# CHAPTER 3

Building upon the survey findings and delving deeper into the outcomes, we set up two roundtables, one bringing together founders of Iraqi startups who have been recipients of venture capital funding and a second roundtable with investors who have previously invested in Iraqi startups. The founders' and investors' experiences and opinions overlapped in many places and strongly diverged in others.

The founder roundtable was held on Tuesday, November 28th, 2023. Attendees included: [Ahmed Al Kiremlı](#) (Orisdi), [Bassam Al-Ateia](#) (Alsaree3/Zajel), [Yadgar Merani](#) (Lezzoo), [Ahmed Dawood Salman](#) (IoT Kids), [Munqith Alazzawi](#) (Baly), and [Ahmed Jamal](#) (Padash).

The investor roundtable was held on Tuesday, January 30th, 2024. Attending investors included: [Hady El Samra](#) (Iraq Venture Partners), [Khalil Alsalem](#) (Al Majal Business Park), [Mohamed Al-Hakim](#) (EQIQ), [Mohammed Azzam](#) (Iraq Venture Partners), [Mohammed Nasif](#) (Al Majal Energy), [Rawaz Rauf](#) (Euphrates Ventures), [Sara Asad](#) (MSA Novo), and [Walid Faza](#) (MSA Novo).

*"Iraqi founders are given a ball 10x heavier than others but expected to play the same game. Our legs are made out of rock. But how far and long can we keep kicking [and] keep standing?"*

## Challenges

### Investor Risk Appetite

One key subject that drove the roundtable conversation was investor appetite. As we explored entrepreneurs' perceptions and insights, the conversation revealed two main factors contributing to investor risk appetite barriers: a traditional investment mindset and local investors' lack of startup endorsement.

#### Traditional Mindset (or Looking for Quick Returns) - Founder Perspective

*"Many investors put their money into primary schools because there is a fast return on investment. They are still stuck in an old-fashioned mindset."*

From the local investment perspective, some founders believe Iraqi investors do not understand the concept of "venture investing" - where high returns may imply high risk. Some participants found that local investors still maintain an investment mindset that focuses on securing fast, low risk returns in established sectors. One founder shared their perspective that investors prefer to invest in schools and restaurants where they would witness a return on their investment (ROI) in less than two years. A participant remarked, "Local investors with conventional mindsets have no faith in the startup community." This traditional mindset emphasizing fast gains deters some Iraqi investors from venture capital (VC) investing.

According to some attendees, the concept of investing in businesses that might, during the early startup period, “burn money” before breaking even is still foreign to local investors<sup>32</sup>. Another entrepreneur voiced, “There is no investment ecosystem in Iraq regarding tech. There are no institutional investors, no VCs<sup>33</sup>.” Further complicating the investment dynamics between local and regional or international investors is that often, ‘local’ angel investors may include Iraqi expatriates who understand the local context and are motivated to contribute to the growth of the startup ecosystem.

## Lack of Endorsement by Local Investors - Founder Perspective

*“International investors are not encouraged to join if you do not have local investors.”*

Iraq is a dynamic, complex country where people unfamiliar with its unique entrepreneurial journey may not fully understand or be able to appreciate the impressive startup scene and all it has achieved. Local Iraqi investors are one of the few investment stakeholders who have the knowledge, contextual experience and relationships to understand Iraq’s context. They have a grasp of the struggles faced by startups and as such, are ideally positioned as critical actors in supporting not only the survival, but growth of Iraqi startups through demonstrating their faith and trust in Iraqi startups.

However, some startup participants in the roundtable mentioned that Iraqi investors are failing to persuade those unfamiliar with Iraq’s ecosystem to take investment interest and action. Some roundtable entrepreneurs agree that local investors could play a significant role in catalyzing foreign investment by instigating interest and displaying faith in the startup ecosystem. Entrepreneurs noted how early-stage investors set the stage for global investment in other regional markets.

One founder used the example of Egypt to demonstrate this idea. Egyptian angel investors displayed faith in local entrepreneurs, setting the stage for international investment. Egyptian startups initially received local validation before attracting big international players: “They raised 10x more in the US because they had already gotten validation in Egypt.”

This lack of advocacy and promotion of Iraq startups has resulted in regional and international investors having little interest in Iraq’s startup scene, shrinking the potential pool of capital available to Iraqi entrepreneurs. A portion of the founders observed that the global or regional investors who do participate and invest in Iraqi startups do so based on their existing understanding of local economic and market dynamics, primarily gained through their existing affiliations with businesses operating in the country .

Founders in Iraq also face challenges in accessing support from international investors even if they’ve had success in securing local investment. Despite the feelings discussed

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<sup>32</sup> One startup relayed an anecdote saying, “I have investors comparing me to investing in crypto and the difference in profits between us. Investors would say ‘We’ve made X amount of money from crypto, why would we invest in you?’”

<sup>33</sup> At the time of the publication of this report, Iraq’s three institutional funds include Iraq Venture Partners (IVP), Euphrates Ventures, and EQIQ Ventures. There also exists the Iraqi Angel Network, an angel group.

<sup>34</sup> An example is Al Majal Group, an oil and gas services company headquartered in Basra, Iraq, and with regional offices in Amman and Dubai. As part of the family’s investment arm, Khalil Al Salem, a Jordanian businessman and the Deputy CEO at Al Majal Business Park (AMBP), has invested in Iraqi startups, including Simma.

above on the importance of local investors encouraging regional investors to invest in Iraqi startups, having local investors may not be enough. For example, international investors don't always trust local Iraqi investor's due diligence process, the legal framework for protection of their rights and legal compliance, economic situation, political environment, etc.

Some of the founders discussed another area where the unmet need for local endorsement has hindered interest in the Iraqi ecosystem. They expressed concern that local investors investing in regional companies negatively impact local startup credibility in the absence of thriving investment in local businesses. A need was stressed for local investors to be more prominent in supporting and advocating for the local startup ecosystem.

## Turbulent Market Dynamics - Investor Perspective

*"Even when targeting the Iraqi diaspora (investors), they have many concerns, especially with the instability of Iraq's economic and political situation."*

Among the attendees, some highlighted several situational deterrents to investor appetite, including the local economy and the political situation. As one investor mused, "Iraq is turbulent. This is why outside investors aren't convinced to invest in Iraq. They need to understand and be willing to take all the risks."

One of the investors also discussed capital control measures and economic de-dollarization as barriers to foreign investors. Putting these remarks into context, in late 2022 and early 2023, the Iraqi Dinar witnessed considerable devaluation, with multiple exchange rates floating around. In August 2023, ATM dollar withdrawals were halted; however, people could still withdraw dollars from bank branches. In early October 2023, the Central Bank of Iraq's director-general of investment and remittances, spoke to Reuters and revealed that dollar cash withdrawals and transactions would cease as of January 2024. A participant highlighted one complication resulting from this from their perspective: "Foreign investors have to convert their money to Iraqi dinars if they want to invest."

## Regulations and Policies

*"If laws aren't enforced, what's the point of even having them in the first place?"*

### Startup Protectionism Laws - Founders Perspective

Another point of consideration is Iraq's lack of regulatory policy enforcement, particularly of [Law No. 14 of 2010](#)<sup>35</sup>, the Competition and Monopoly Prevention Law, and [Law No.11 of 2010](#), the Iraqi Products Protection Law. These laws protect startups in a three-pronged manner: first, they curtail monopolistic business practices; second, the laws restrain international businesses from competing with local companies; and third, they weaken harmful international trade practices that impact local products. Enforcing protectionism laws would support local startup survival and growth in the face of

<sup>35</sup> English text for Law No. 14 of 2010 is [here](#).

non-Iraqi counterparts. One founder felt that implementing such laws “will stop big international companies coming and burning millions of dollars to damage us.”

### Corporate Taxation Laws - Founders Perspective

Some founders raised concerns about the adverse impact of Iraq’s corporate taxation laws on investors’ decisions. In [Income Tax Law No. 113](#) of 1982 and its Amendments, a 15% flat corporate tax rate is levied on a company's net profits. However, the picture is quite different for SMEs and startups in Iraq, which are treated differently from corporations for taxation purposes. With over 49,000<sup>36</sup> officially registered small businesses, the General Tax Authority cannot track overhead expenses. The General Tax Authority assumes that all such entities make 30% net revenues to make matters easier. Thus, as one founder explained, the General Tax Authority taxes small businesses on 15% of the (assumed) 30% of net revenues<sup>37</sup>. It was stressed that inflated corporate taxation hinders entrepreneurship by impacting startup attractiveness to investors, economic growth, employment opportunities, and deadweight losses because of tax avoidance. Startup-friendly taxation policies would ensure greater tax compliance, stimulate the entrepreneurial ecosystem, and thus motivate international and local investors.

### Foreign Ownership in Local Businesses

Other situational deterrents dissuading international investor attention include structural and regulatory barriers. One legal impediment is [Company Law No. 21](#) of 1997 (amended in 2019 by [Iraqi Law 17](#)). This law stipulates that foreign ownership in local Iraqi companies cannot exceed 49%. This ownership law restricts international investment opportunities - as one investor stated, “The 51% rule in Iraq closes a lot of (investment) discussions.” One suggestion was to incorporate startups in a country outside of Iraq, where the (foreign) entity would open branches and offices within Iraq. Such a workaround falls under the auspices of [Regulation No. 5](#) of 1989, where a business is considered a foreign company operating in Iraq and, by doing so, would be exempt from the 51% rule. However, the attendees mentioned that this also comes with issues, such as visa conditions for Iraqi nationals.

### Protecting Investors’ Rights - Founders Perspective

According to the World Bank, “Dispute settlement and investor grievances top the list of challenges to investment retention and expansion in Iraq, with the lack of modern and up-to-date arbitration law adding another problematic layer.” With current business registration frameworks, the majority of startups register as a Limited Liability Corporation (LLC) due to the difficulty of registering as other business types (such as corporations). LLC’s in Iraq do not have board of directors as a requirement for formation, meaning that unless an investor is directly listed on the businesses registration certificate it is hard to ensure investor rights. Thus, efforts to protect stakeholders' and investors' rights is a needed step to influence investor appetite positively.

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<sup>36</sup> This figure is based on a study published by GIZ ‘Priority financing needs of Iraqi SMEs Report.’ According to the report there are between 377,000 and 840,000 SMEs in Iraq. The report also highlights that based on the General Tax Authority there are 49,000 SMEs officially registered as taxpayers, and 5,000 enterprises are taxpayers.

<sup>37</sup> In January 2024, the general tax authority announced the passing of tax control measures, the Regulations On Commercial Businesses And Professions For The Estimated Year 2024, where it is stated that “The basis of these controls is to achieve real profits for taxpayers and reduce the disparity in diligence during estimation and drawing up a general rule for estimating the income of taxpayers, which will contribute to achieving a degree of justice in distributing the burden.”



## Catalyzing Investment Activity

### Lack of Local Pipeline - Investors Perspective

*"International investors are interested but will not onboard themselves in Iraq for only one opportunity, so they're not in if there's no pipeline."*

Many attendees described the lack of a pipeline as a significant hindrance to local investment. One investor explained, "From where we're sitting, we haven't seen many opportunities over the past year or so. A pipeline is number one for me to invest." The consensus was that a healthy pipeline needs to exist to encourage local investment capital and activity. Furthermore, the lack of a pipeline impacts startup valuations by driving them up, discouraging local investors from joining deals.

The lack of pipeline not only impacts local investment appetite and activity but it also impacts international interest. The logic presented by the attendees was that international investor appetite requires a pipeline of startups rather than one-off opportunities. However, opportunities to circumvent this include bringing visibility to success stories that demonstrate the potential of the Iraqi startup ecosystem. A participant explained, "They (international investors) need to see a pipeline; in the absence of a pipeline, you need to create a success story."

Another concern that was expressed by some participants that they view as potentially stifling the progress of the startup scene is the same pool of entrepreneurs and the same investors dominating the ecosystem. This situation is perpetuated by having a small pool of mature and investable startups, leading investors to hedge their capital on a 'sure bet.' Fundamentally, the entrepreneurs and the investors were in alignment with the perspective that in order to put Iraq on the map, there need to be success stories.

### Success Stories - Founders Perspective

*"We lack success stories that would encourage investors to invest in startups."*

Many participants discussed success stories as drivers for increased investment activity and appetite. Roundtable participants mostly agreed that an exit or international acquisition would rejuvenate the local investment ecosystem and attract regional attention. A founder used the examples of the investment buzz generated by [Amazon's acquisition of Souq.com](#) and [Uber's acquisition of Careem](#). These deals catalyzed local UAE players to jump on the entrepreneurial bandwagon. Interest in the UAE's ecosystem spilled beyond the usual players; it also attracted non-traditional (and non-tech) players such as universities, banks, and corporations to invest in local businesses they may not have considered otherwise.

Many founders agreed that success stories would have a secondary benefit by creating a far-reaching ripple effect beyond Iraq's borders. Success stories would mobilize international capital by assuaging fears of Iraq's political and economic climate and ultimately contribute to building international investor confidence, trust and interest in Iraqi businesses.

## Fear Of Missing Out (FOMO) - Founders Perspective

*"We must understand that the investment game is a jealousy game."*

Pierre Suhrcke, Venture Partner at [TempoCap](#), explains what drove the global investment frenzy of 2021 was investors who "saw their peers investing, and it created a herd mentality. As more people invest, more people fear losing out, so they help propel the bandwagon along as more people jump on." In Iraq, FOMO investment focus has been focused around e-commerce and logistics, with over half of all publicly announced deals poured into e-commerce startups during 2023-2021. Looking at the figures (based on a mix of publicly available data and our guesstimates), year-on-year growth (2022-2021) of the value of e-commerce and logistic deals was a whopping 145%. When comparing the year-on-year value of e-commerce and logistic investment deals completed in 2022 to those completed in 2023, we witness a massive 97% decline in the value of deals completed<sup>38</sup>. Some roundtable participants attributed this decline in FOMO investing to the lack of success stories.

## Lack of Investment Readiness - Investors Perspective

*"We want startups supported by people who 'know the game' and how to attract investors. Then maybe we will invest."*

Many investors voiced disappointment regarding donor-led entrepreneurship programs, such as investment readiness initiatives. One investor expressed the need for organizations to hit donor-specified targets within a short time frame that has, in their perspective, negatively impacted the quality of the programs and startups. The investor shared their concern with the level of knowledge the startups have, arguing that, "They (entrepreneurs) didn't know their financial model, financial projections. We had to work with them from scratch; that affected us a lot." A participant highlighted that the burden falls on entrepreneurship support organizations (ESOs): "This is where ESOs should work with donors to convince them to make the programs longer term - not just one year." Investors are looking toward players, such as donors and ESOs, who can support entrepreneurs by transforming their businesses into investable startups.

Some attendees' perceptions of a lack of adequate investment-readiness education and training programs have led to certain unfavorable outcomes in Iraq's entrepreneurial ecosystem. Many local investors have shifted their attention away from Iraqi startups and are focusing on regional startups interested in expanding their operations to Iraq. Local investors are also looking at Iraqi founders with startups based abroad, assuming that Iraqi entrepreneurs based internationally might have a more global education and, therefore, be more investment-ready.

## Business Registration and Formalization - Founders Perspective

Both the Kurdistan Region of Iraq and Federal Iraq have been proactive in adopting digital and streamlined improvements. To help put these developments into perspective, let us look at the business registration landscape and the associated requirements.

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<sup>38</sup>Keeping in mind that 2023 only witnessed three publicly announced deals at the total value of \$550,00 (this figure is based on a mix of publicly available data and guesstimates).

Some challenges entrepreneurs in the Kurdistan Region of Iraq previously faced included restrictions on name/trade registration, proof of office lease or ownership, and capital requirements to be deposited in a commercial bank account.

In April 2022, a new by-law simplifying procedures for business registration in the Kurdistan Region of Iraq was passed, bringing much enthusiasm within the entrepreneurial ecosystem. In May 2022, the Kurdistan Regional Government announced that registering a business name would take 24 hours, and the fee was reduced by 90%. Also, business registration fees were reduced by 60%. Additionally, a business name registry would not extend beyond 24 hours, and a company's registration would occur within a 24- to 48-hour window.

In 2024, the Kurdistan Regional Government stated several additional measures for easing the registration process, for example, allowing startups to officially register their office from a coworking space address, profit estimation for taxing startups that do not make profits will cease, startups that have not profited will cease to pay 15% of the estimated profit. Startups will be exempt from taxation during the first three years of operation. To publicize the updated regulations, the Kurdistan Regional Government has promoted them through on-ground communication, grassroots campaigning, and liaising with inter- and cross-departmental government bodies to increase awareness of the new legislation, process, and requirements.

Federal Iraq initiated its campaign to promote entrepreneurship by digitally enabling the business registration procedure. In September 2020, the Iraqi government announced its new online single-window system for business registration. The system was a collaborative effort between the United Nations Conference on Trade and Development (UNCTAD), Iraq, the United States, and the Global Entrepreneurship Network (GEN). According to UNCTAD, November 2022 witnessed the registration of 275 businesses through the portal, adding up to five times the number recorded since it went live in November 2021. The online portal drastically transformed the registration process, historically a 35-step procedure and hours of waiting in line at various government departments.

In May 2023, the Council of Ministers approved simplifying the startup application process, providing technical support to startups for two years, waiving all registration-related fees (being considered government debt), granting government contracts to startups with a value of up to 1B IQD without undergoing the standard bidding process, and make it easier to establish startups in each governorate.

Based on our experience and knowledge of founders' concerns, many entrepreneurs indicated that Federal Iraq's new business registration legislation needs more promotional and awareness campaigns. Additionally, they felt that the communication of the new process needs to be directed at both the startup ecosystem and public servants involved in the registration process. Bottlenecks to implementing and adopting the new registration process appear to include inter- and cross-governmental bodies unaware of the updated process and the latest regulations. Although the latest developments are a step toward advancing the entrepreneurial ecosystem, their impact on business registration is still yet to be seen.

# Proposed Solutions

## Steps To Increase Investor Risk Appetite

### Success Stories and Pipeline - Investor Perspective

*"If there's a success story, then, maybe, there will be FOMO in Iraq."*

Most investors aligned with many of the entrepreneurs in viewing success stories and the entry of regional players as attributes that would positively influence investors' risk appetite, in part through demonstrating that a potential pipeline of investable startups exists locally. A success story would also have the mutually beneficial effect of influencing investor confidence while motivating local founders.

The foundation of the new generation of startups that could eventually turn into an investable pipeline is being built and hopefully will attract investor attention over the next few years. These startups are coming into operation in a market where they are also exposed to regional businesses, have access to a growing set of investment resources and strong interest in accessing investment to catalyze growth. As an investor pointed out, "Today, it's far easier for a regional player to get into Iraq than the other way around." The entry of regional players into the market, such as Careem and talabat, has fueled a spirit of productive competitiveness and ignited a sense of motivation and ambition in local entrepreneurs. While many Iraqi startups are still in the growth stage and too small to be on the radar of regional investors as of yet, an increase in demonstrated success stories and the continued development of the investable startup pipeline could be crucial to putting Iraqi startups into the regional investment spotlight.

### Setting Precedent - Founder Perspective

*"The wave of local investors willing to take a risk, it's the people on this call right now. It's not going to be anyone else. It's going to be us in the future."*

The majority of the founders indicated that they felt that the future of Iraq's entrepreneurial and investment ecosystem lies in their hands<sup>39</sup>. These participants agreed that they needed to be the ones to set a precedent for investing in Iraqi businesses. This proposed model, of successful entrepreneurs becoming investors themselves, is a journey we have witnessed high profile business leaders such as Steve Jobs, Oprah Winfrey, Elon Musk, and Bill Gates undertake. Regionally, there are impactful examples of successful founders who have become investors, including [Huda Kattan](#)<sup>40</sup> and [Khaled Ismail](#)<sup>41</sup>.

Frustrated that "local investors, despite their mindsets, whether they believe in long-term or short-term returns, do not believe in the startups and local entrepreneurs," some

<sup>39</sup> It is interesting to note that the roundtable participants did not mention entrepreneur-turned-investor Mohamad Hakeem, founder of Iraqi startup Fedshi and founding partner of VC fund EQIQ Ventures. EQIQ Ventures is based on a hybrid model where it operates as a VC fund investing in tech startups and as a venture builder. Based in Abu Dhabi, the fund is focused on kickstarting Iraq's tech ecosystem.

<sup>40</sup> In 2013, Huda Kattan, a beauty influencer turned businesswoman, founded her cosmetics and beauty brand, Huda Beauty. In 2021, Huda established a private investment office, HB Investments.

<sup>41</sup> In 2011, Intel acquired SySDSoft, Khaled Ismail's Cairo-based software company. With the money from the exit, Khaled founded his first angel investment fund, KIAngel. Later in 2017, Khaled launched HIMangel, a \$5M angel fund.

startup founder roundtable participants viewed themselves as holding a responsibility to take active leadership in investing in startups. As a founder noted on the topic of becoming investors themselves, they “have faith in the local talent and the founders we have here. It will only change if one of us builds the courage and establishes a precedent for future generations.”

### Setting Precedent - Investor Perspective

*“At this stage, there is little appetite for the family groups to invest in startups, and that’s where a lot of capital is.”*

Many investors discussed the need to set a precedent to increase risk appetite, but they asserted that local investors should demonstrate faith in local founders. By doing so, local investors would pave the way for success and, eventually, regional and international investor interest. One attendee explained that to keep the ecosystem alive and thriving, “We need local investors, whether at the angel level or series A level.”

Meanwhile, the bulk of Iraq’s wealth lies within family offices, at this stage this group has not yet demonstrated significant widespread interest in focusing investments on the startup ecosystem. While this may shift over time as the startup ecosystem continues to grow and new investment opportunities arise, it was indicated by some that for the foreseeable future it will be critical for local investors (angel or series A) to take the lead in sparking interest and support in investing in the local startup scene.

### Culture - Founder Perspective

*“We need the culture of investors in Iraq to make people aware of startup investment. They need to be educated on the startup process.”*

FasterCapital, a global online incubator and accelerator facilitating access to capital, wrote that education and training positively shifted cultural perceptions of entrepreneurship. Education on entrepreneurial concepts through programs and institutions “can significantly impact individuals’ attitudes towards entrepreneurship.” Thus, education of investors could create a culture more conducive to entrepreneurship. The founders discussed the areas of education investors needed help with to achieve that supportive culture, such as concepts of patient capital, burning money for expansion, and differentiating between expectations and opportunities for investment in small businesses (SMBs) and tech startups.

One participant mentioned, “This part of education should include motivation by talking about stories from the Gulf and China, for example, Souq.com and Careem, which were acquired internationally.” These success stories resulted from years of hard work to overcome challenges, while taking calculated risks and deploying capital before they achieved their current level of success, illustrating the importance of risk tolerance and a longer return time horizon.

## A Shift in Investor Mindset - Investor Perspective

*"It's silly for us to take international venture standards and place them on Iraq and expect them to work."*

Several founders noted that comparing Iraq's founders to founders in big regional hubs such as Egypt, UAE, or Saudi Arabia is not a particularly useful comparison due to the uniqueness of each market. Mirroring the startup roundtable findings, some investors highlighted that not all Iraqi startups have undergone the same experience, opportunities, and exposure as regional ones would due to their size, complexity and exposure to multiple markets. The attendee explained, "There needs to be a mindset shift on how you would invest in Iraq. We need to be pragmatic about it." In summary, setting investor expectations is key. This also implies a different approach to investing in Iraq needs to be considered that reflects localized markets, business models and rates of return, among other factors.

## Ingredients of Entrepreneurial Success

### Defining The Entrepreneur and Investor Roles and Responsibilities - Investor Perspective

One participant posited that two components help drive entrepreneurial success: product- and data-driven entrepreneurs and investor support. The investor stressed that founders need to display that their business idea is built on healthy fundamentals, scalable, and has a sustainable future. Based on this perspective, everything else, such as the structural and the regulatory challenges, is secondary and can be sorted out by the investor. The participant noted that all structural components internal to a startup can be improved through support from investors. From this, these views indicate that entrepreneurs should focus on being product or service driven, building the best business they can. Whereas, the onus of supporting and advising on secondary structural elements lies on the investor, such as how to create a data room for the due diligence process or researching jurisdictions.

### Scalability Versus Local Success - Investor Perspective

*"Many Iraqi founders are building companies that aren't globally relevant. If you have good founders with businesses capable of scaling globally, this will bring credible partnerships."*

A point of contention during the discussion was how Iraqi startups should approach their growth strategy, whether growth through scaling abroad or local market.

Several attendees noted that in order to attract international investors, startups need to have a clear vision for regional expansion. According to these attendees, international investors look to invest in scalable startups that can branch out or easily pivot to regional models to catalyze their growth. An investor shared, "If you have great founders with ideas that can scale globally, that is what brings the investments and partnerships." And so far, a participant stated, "They (Iraqi startups) aren't building for a scalable and global market."



Building on this idea of regional market expansion, a participant proposed that Iraq could be the springboard to test, try, and reiterate the product. The theory of 'springboarding' maintains that the path to globalization is when a business develops the necessary abilities in its mother market to 'spring' to new markets and increase its market capitalization. The investor gave talabat as an example of a successful startup springboarded from its home market, Kuwait, to other regional markets.

The second, and diverging, perspective on the growth strategies of local startups was to hunker down and succeed in local markets (versus expanding into new markets). Once a startup can demonstrate local success, only then can it look into expanding to other countries.

A few attendees suggested handling the pace of growth with Iraqi startups one day at a time, to achieve operational success in Iraq before scaling regionally. An investor explained this with an analogy by saying, "I would be more than happy to co-invest in a successful Egyptian company to expand into Iraq, but if they haven't succeeded in Egypt, why would I want to invest?"

Iraq has many diverse micro-markets and target audiences - for example, Erbil and Basra, while both based in Iraq, have unique local markets, demographics and other factors that make each a unique business ecosystem. An investor emphasized, "We should take a more realistic approach - you need to make it in Iraq first; don't burn cash by venturing into other markets while you're still expanding within Iraq", illustrating the value of capturing market share in a single market before seeking to expand.

## Hedging the Risk

### Fund of Funds and Sovereign Wealth Funds - Investor Perspective

Among the investors some shared several measures they believe would help mitigate investment risk, which in turn would contribute to increasing investments in the country. This included a proposal to create a sovereign wealth fund (SWF) or a fund of funds (FoF) to support investment activities. One main benefit of a SWF or a FoF is that it hedges investment risk by guaranteeing capital, thus reducing investor risk aversion.

Many countries have accelerated their VC investments through SWFs. The Arabian Peninsula boasts approximately 20 SWFs with assets of \$3.7 Trillion. Arabian SWFs were set up largely with the goal to steer economies away from oil dependency through increasing economic diversification while generating wealth for its citizens. One investor explained, "Through SWFs, the government helps de-risk investments and will invest with you." Participants referenced Saudi Arabia's Public Investment Fund (PIF) as an example of this. PIF is a core pillar of Saudi Arabia's [Vision 2030](#), centered on diversifying the Kingdom's oil dependency.

An attendee mused that the onus lies on the government structures in Iraq to ensure that local money is recirculated into the country. SWFs serve as a tool to help incentivize investors to invest their money into the local economy - encouraging a circular flow of capital, promoting change and leveraging opportunities. An attendee pointed out,

“Someone needs to fill that gap at some point to de-risk investment.” An Iraqi SWF would allow professional VCs and experts to benefit from the capital provided to invest (and reinvest) within the country.

Here again opinions diverged among attendees. One investor opposed the idea that a SWF was the only way to promote investor confidence and thus “kick start the ecosystem in Iraq.” He explained, “With Iraq, the perceived risk is always higher than the actual risk.” Since Iraq is a “black box” with very little data to quantify the difference between the perceived and actual risk, it is hard to convince regional investors. An investor debated, “You have to start with the people who already believe in the market of Iraq.” As mentioned in the section above, ‘Setting Precedent,’ the potential for private pools of capital, such as family businesses, angel investors, and series A investors to catalyze a thriving investment ecosystem is immense.

### Venture Building Model - Investor Perspective

*“Venture building is one of the ways to move the ecosystem forward.”*

Several investors agreed that the venture-building model is viable for addressing investment readiness and de-risking investments. Bringing in pre-approved people with the right technical expertise to mentor, co-build, and drive Iraqi startups on the correct path would establish the foundation for a healthy, scalable ecosystem. As one investor mentioned, the ecosystem is not facing a money issue, rather there are shortfalls in the pipeline or supply of investable startups. The investor stated, “There is no need to bring money from outside Iraq. Startups need technical expertise and knowledge to put them ahead of the game.”

### Building Relationships And Creating Trust - Investor Perspective

*“The global funds that invest in Iraq do it based on trust and personal relationship.”*

A participant stated, “We haven’t succeeded in investing in Iraq because of trust and partnership issues. You need to have people you trust.” To facilitate investment in the Iraqi ecosystem, there is a need to build trust among regional and local investors through investor networking, relationship building, and knowledge sharing.

One attendee explained the Baly deal was based on trust and connection. [Kingsway Capital](#), [VNV](#) (formerly Vostok New Ventures), and [MSA Capital](#) (MSA Novo is a venture capital arm of MSA Capital) had existing personal relationships, therefore, a foundation of trust which ultimately led to the co-investment into Baly. The investors referenced some deals that fell through because the global investors needed the proper connection, a relationship of trust, and local partnerships, highlighting how trust can be a bridge to overcome uncertainty or a lack of knowledge.

# Chapter 4

## Looking Forward: Next Steps

### Startup Survey

Based on the survey data, preparing entrepreneurs for business growth and investment readiness will require the support and dedication of the whole entrepreneurial community. Startup enablers, whether the public sector, nonprofits, or the private sector, should come together to offer a holistic and synergistic approach to advancing Iraq's innovation economy.

The following outlines support measures that can advance Iraq's startup ecosystem:

**Sources of Funding:** Explain and identify the different funding mechanisms available to entrepreneurs based on their industry and business model:

- ◆ Programs focused on the sources of funding available to MSMEs in Iraq:
  - ◇ Discuss the pros and cons of each funding mechanism
  - ◇ Identify which type of funding is appropriate based on the business model
  - ◇ Identify and name the players offering various funding mechanisms in Iraq

**Tech and Digital Upskilling:** Close the tech and digital gap through upskilling initiatives:

- ◆ Foster relationships between MSMEs and academia to formulate updated curricula based on labor market needs
- ◆ Lobby for private and public partnerships to formulate tech and digital upskilling programs relevant to the job market
- ◆ Encourage the tech corporations to develop “digital academy programs” to equip fresh graduates with advanced technical concepts and soft skills training

**Federal Iraq Registration Process:** Promote awareness of regulatory requirements for MSME business registration in Federal Iraq:

- ◆ Develop an integrated marketing campaign aimed at MSMEs through a grass root approach (info sessions, videos and tutorials, roadshows, social media marketing, etc.)
- ◆ Ensure that all public sector stakeholders involved in the registration process are aware of the latest developments and have been briefed and on boarded on the updated process
- ◆ Engage ecosystem players (co-working spaces, incubators, accelerators, etc.) to:
  - ◇ Understand the obstacles faced by MSMEs
  - ◇ Update them on the latest news and procedures for business registration
- ◆ Embrace an iterative process by implementing a 360-degree feedback cycle
- ◆ Arrange startup roundtable discussions to uncover entrepreneurs' grievances regarding business registration

**Female-Focused Entrepreneurship Programs:** Level the playing field through female-focused knowledge-sharing and capacity-building programs:

- ◆ Develop digital and technical upskilling programs customized to the needs of female entrepreneurs
- ◆ Ensure that female entrepreneurs know and remain up-to-date on all entrepreneurial developments, like updated business registration legislation

**Education:** Educating startups on the concept of venture investing:

- ◆ Investment readiness workshops
  - ◇ Build MSMEs' overall knowledge of what an entrepreneurial ecosystem entails
  - ◇ Explain venture capital funding
  - ◇ Offer an overview of local Iraqi and regional ecosystem players, trends, sources of information, etc

## Roundtables

While the findings from this research project have yielded valuable insights and findings, much work remains to move the needle on improving access to investment for scalable startups in Iraq.

The startup and investor roundtable participants highlighted many obstacles, long-term solutions, and quick fixes. Based on the discussion, we have identified a number of actionable next steps to support catalyzing the expansion of Iraq's investment ecosystem:

**Education:** Continuous education on the concept of patient capital, programs would include:

- ◆ Masterclasses on angel and venture capital investing
- ◆ Startup-focused investment readiness workshops
- ◆ Overall knowledge building on what an entrepreneurial ecosystem entails
- ◆ Expanding investment readiness programs:
  - ◇ Long-term Investment readiness programs
  - ◇ Needs-based customized startup consultancy services
  - ◇ Schedule an exchange program where local startups can attend regional investment readiness workshops
  - ◇ Overall knowledge building on the investment process from data rooms, due diligence, pitching, negotiation, to valuations

**Promotional Campaigns and Endorsements:** Present Iraq's startups at regional events and conferences in order to provide opportunities for:

- ◆ Iraq's businesses to engage, build relationships, compete, and create synergies with regional startups
- ◆ Startups opportunities to engage, network, and present to regional investors
- ◆ Build trust among regional and local investors through investor networking, relationship building, and knowledge sharing

- ◆ Expose local investors to global best practices by engaging and networking with seasoned regional and international investors
- ◆ Bring greater attention to the Iraqi startup scene

### **Laws and Regulations:**

- ◆ Lobby policy makers on reviewing current legislation and encouraging the passing of startup- and SME-friendly amendments
- ◆ Revisit current taxation legislature
- ◆ Ensure startup and SME protectionism policies are enforced

### **Iraq Stock Exchange:**

- ◆ Organize a roundtable between startups and the Iraq Stock Exchange to discuss the potential for startup- and SME-friendly listing criteria

**Engaging HNWI and Family Offices:** Familiarizing high net worth individuals and family offices with Iraq's startups:

- ◆ Set up mentorship programs
- ◆ Organize networking events
- ◆ Arrange office visits for HNWI to learn first-hand of startup operations

**Engaging Local Startups with Regional Startups and Vice-Versa:** Exposing Iraqi startups to regional startups, and vice-versa while assisting startups with scalability and growth:

- ◆ Arrange headquarters trips for local startups to learn first-hand about regional startup operations
- ◆ Set up mentorship programs where the regional founders mentor the local founders
- ◆ Set up advisory sessions where the regional founders consult local founders
- ◆ Arranging meetings between investors' portfolio companies and local startups to discuss due diligence, the pitch process, negotiation, valuation, growth opportunities, and scalability
- ◆ Arrange trips to regional investment and ecosystem conferences, trade shows, and events

# Conclusion

This State of Investments in Iraq report underscores the resilience and potential of Iraqi entrepreneurs to build dynamic, impactful businesses, as well as the strong interest in improving access to investment to support sustainable growth. The insights gleaned from surveys and roundtable discussions highlight the pragmatic perspectives and practical priorities of both founders and investors, underscoring the need for targeted interventions to support their endeavors.

Looking ahead, the findings and recommendations outlined in this report offer steps to harness the untapped potential of Iraq's startup ecosystem. By leveraging diverse funding sources, promoting tech and digital upskilling, and fostering collaboration between local and regional investors, it's possible to create an environment where Iraqi entrepreneurs can thrive and innovate.

As we come to the close of this report, we invite further collaboration and dialogue to reflect the ongoing evolution of Iraq's startup ecosystem. Please reach out to us at Five One Invest if you would like to learn more, share your own perspective or be interested in participating in future surveys or roundtables.

In closing, let us celebrate the tenacity and creativity of Iraqi entrepreneurs while recognizing the work that lies ahead. With strategic collaboration and a focus on practical solutions, we can pave the way for a brighter future where Iraqi startups flourish through sound business principles, access to adequate financial investment and a thriving entrepreneurship ecosystem.





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ليه شفاء للناس



Brnjo



DARAK  
للاستثمار والتطوير العقاري

Orisdi



OPEN  
SPACE  
ACADEMY



Tajarib

cewas  
Middle East

CAROX  
Natural Leather  
Handmade

VISION  
agora



Lezzoo

IoT KIDS



عالم السريج  
Alsaree3

ServicePoint  
للأعمال الكورانية والميكانيكية

bina

STARS  
Self Defense Academy  
الأكاديمية النجوم الدفاع عن النفس

GOOD DAYS STARTS WITH FLOWERS  
fyay  
Floral & Gift Page

نامو  
namo socks



HEALTH 360

Scape



نقطة عمل  
Business Point

SOZ  
مركز صيانة وصيانة

MIR  
FASHION GALLERY



padash

MEGA WOLF  
NETWORK

pharmazon

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# Appendix

## Agenda | Startup Roundtable

The discussion revolved around understanding the challenges facing the investment landscape and the repercussions on the entrepreneurial ecosystem. Below are key information areas that were prepared for the discussion. The questions were formulated to frame the conversation. The roundtable, however, flowed based on the founders' concerns.

### Investors and Investment Process

#### Local Investors and Investment

- ◆ How do you think investors in Iraq feel about risk? What do you think influences their risk appetite?
- ◆ What do you think would increase the risk appetite of local investors?
- ◆ What would motivate local investors to increase their number of deals and investment size?
- ◆ As a founder, do you feel there is something you can do to increase local investor interest (such as registering your company offshore, finding co-investors, partnering with corporates, etc.)? What obstacles do you face in doing those things?
- ◆ What type of capital do you think your startup needs? Is it angel funding, VC funding, or loans?
- ◆ How can we attract high-net-worth individuals to invest in startups?
- ◆ What was the investment process like? What went well? What could be improved?
- ◆ How long did the investment process take - from when you approached the investor until you received the money in your bank account?

#### Investment Challenges

- ◆ What are the main barriers you face when looking for investment?
- ◆ What are the main barriers you face when approaching investors?
- ◆ Do you think valuations are fair?
- ◆ Do you believe that the current political and economic climate in Iraq will impact your chances of receiving further investment? How will it impact local investment? How do you think it will impact regional and international investment?
- ◆ What would that mean to you and your business if the situation with the investors does not change? What other types of funding options would you revert to?

#### Regional and International Investors and Investment

- ◆ Do you think that regional and international investors are interested in investing in Iraq? What factors would increase their interest?
- ◆ As a founder, do you feel there is something you can do to increase regional and international investor interest (such as registering your company offshore, finding co-investors, partnering with corporates, etc.)? What obstacles do you face in doing those things?

## Added Value

- ◆ Have your investors offered you any value in addition to the funding? For example, have they opened any networking doors? Did they help you with accessing customers, suppliers, etc.? Have they tried to help you look for follow-up funding?
- ◆ How would you compare the value of having regional and international investors versus local investors? In addition to the funding, what value can regional and international investors add?

## Agenda | Investor Roundtable

The discussion revolved around challenges facing the investment landscape, the repercussions on the entrepreneurial ecosystem, and viable solutions. Below are key information areas that were prepared for the discussion. The questions were formulated to frame the conversation. The roundtable, however, flowed based on the investors' concerns and as such, not every investor spoke to every question.

### Investors and Investment Process

#### Local Investors and Investment

- ◆ How do you currently view the level of local investment activity and appetite in Iraq?
- ◆ Why do you say so?
- ◆ What are the top factors that influence your risk appetite when investing in Iraq?
- ◆ Are there any factors and ecosystem changes that would grow your risk appetite?
- ◆ What would motivate you to increase your number and value of deals?
- ◆ What action steps can founders take to increase the interest of local investors (such as registering a company offshore, finding co-investors, partnering with corporates, etc.)? Are there any low-hanging action steps that entrepreneurs should be taking (but have not taken so far)? How can we help them?
- ◆ Where do you see the gaps in funding, and at which stage of funding? What type of support can you offer to bridge this gap?
- ◆ How can we attract high-net-worth individuals to invest in startups?
- ◆ How do you access the startup pipeline? Can you take us through the process?
- ◆ What has the investment process been like? During the investment process, what normally goes well? What could be improved?
- ◆ We are witnessing greater corporate interest. Why do you think that is? For example, the acquisition or investments into Lemune, Miswag, and Pure Platform by the likes of QiCard, Earthlink, Zain Iraq, etc.

#### Investment Challenges

- ◆ In your experience, do startups in Iraq understand the concept of venture capital investing and the investment process? For example, the idea of funding in exchange for shares, valuation, due diligence process, etc.
- ◆ What steps can be taken to resolve this issue?
- ◆ What are the main barriers you face when looking for investment-ready startups?
- ◆ Do you believe that the current political and economic climate in Iraq and the region will impact the number and value of your investments?

- ◆ How do you think the current political and economic environment will affect local investments in Iraq?
- ◆ How do you think it will impact regional and international investments?
- ◆ What are some solutions that you could revert to?  
If the political and economic situation does not change, how would that impact your fund?

### **Regional and International Investors and Investment**

- ◆ How do you currently view the level of international investment interest and appetite in Iraq? Why do you say so?
- ◆ What steps can be taken to encourage and attract regional and international investors to co-invest? Example government policies, startup jurisdiction, startup exposure like attending regional events, etc.
- ◆ As an investor, what steps can you take to increase regional and international investor interest (such as taking portfolio companies on roadshows or conferences or trade shows, etc.)? What type of support would you need?

### **Added Value**

- ◆ Have you offered your portfolio companies any additional services other than funding? Do you play a role in looking for follow-up funding for your portfolio?
- ◆ How would you compare the value of having regional and international investors versus local investors?

## Survey Questions

### Q.1. What is your main position/job?

Founder or Co-founder of a business  
Partner (owns equity + a decision-maker in a company)  
I am an employee in the public sector  
I am an employee in the private sector  
I am a student  
I do not work  
Other

### Q.2. Please specify your age.

Under 18 years  
Between 18 and 24 years old  
Between 25 and 34 years old  
Between 35 and 40 years old  
Between 50 - 41 years old  
Older than 51 years

### Q.3. Please specify how long you have had your business.

Less than 6 months  
6 months - 1 year  
1 year - 3 years  
More than 3 years

### Q.4. Please specify your sex.

Male  
Female

### Q.5. Please indicate the number of employees in your company (excluding the founder(s)).

Less than 3 employees  
Between 3 and 9 employees  
Between 10 and 29 employees  
More than 29 employees  
None of the above - I am the only person working on my business

### Q.6. Please indicate whether your company is registered at the Ministry of Trade.

No  
Yes  
In the process of registering

### Q.7. Please specify the number of founders at your startup (including yourself).

1  
2  
3+

### Q.8. Please specify where the main headquarters of your startup is located.

Baghdad

Mosul  
Basra  
Duhok  
Erbil  
Sulaimani  
Other, please specify

**Q.9. Please choose one of the below to describe your business.**

Physical store  
Home-based business  
Social media business (example, selling products through Instagram or Facebook)  
Tech business (example, software as a service - SaaS, internet of things - IoT, etc.)  
Marketplace - a platform that facilitates the exchange of goods/services between buyers and sellers (example Careem hires 100 drivers or Miswag has 300 vendors selling products on its platform)  
Other, please specify

**Q.10. Please choose one of the below as the sector of your business.**

Entertainment (for example, music, event organization)  
Media & Advertising  
Healthcare  
Education  
Retail  
Logistics  
F&B, Hospitality, Tourism, & Events  
Transportation  
Real Estate  
Agriculture and agri-food production  
Manufacturing (like the production of furniture)  
Handicrafts (like fashion/artisanal/jewelry/soap/candles)  
ICT/IT, financial technology, coding and development  
Other, please specify

**Q.11. Please share your startup's name**

**Q.12. Please share your full name**

**Q.13. Please share your email address**

**Q.14. Please share your phone number**

Funding Options  
Sources Of Funding

**Q.15. Please indicate all sources of financing you have used to fund your startup. Ensure to include funding sources such as family and friends, banks, etc.**

Personal savings or bootstrapping (this means funding your business with income from your company's sales)  
Friends and family  
Business Partnership  
Grants or prizes (example, seed funding from an incubator program)



Accelerator investment (funding in exchange for company shares)  
Loans (banks and financial institutions)  
Crowdfunding (raising money from a large number of people)  
Angel investors (wealthy individuals who have money to invest)  
Venture capital / investment fund (funding in exchange for company shares)  
Other

## Loans

### **Q.16. Do you believe that it is easy for companies in Iraq to get business loans?**

No, it is not easy to get a business loan  
I am unsure - I am unaware of the process for getting a loan  
Yes, it is easy to get a business loan

### **Q.17. Would you ever consider applying for a business loan? The loan could be from a bank, a financial institution, or a development agency.**

No, I am not interested in taking a loan  
I am unsure - I might consider taking a loan  
Yes, I would consider taking a loan  
Yes, I have tried taking a loan, but I got rejected  
Yes, I have tried, and I received the loan

### **Q.18. We would like to understand your point of view regarding loans. Please choose any of the below statements that you believe to be true.**

Loan repayment time is too short  
Loans have high interest rates  
Loans require collateral (collateral is an asset like a car or house), which is hard to get.  
If I am unable to pay back a loan, then I will lose my collateral (collateral is an asset like a car or house)  
A loan might not respect my personal religious beliefs  
Loan application process is complex  
Loan application approval is long  
Other, please specify

### **Q.19. Would any of the below conditions positively affect your decision to take a loan?**

Long-term loan to be repaid over 8 years to 10 years  
Low-interest rate  
No collateral is required (collateral is an asset like a car or house)  
If you cannot pay back the loan, then a third party (example the government) offers to pay your debt.  
Loan that respects my religious beliefs  
Loan application process is made easy  
Loan application approval time is made short  
None of the above  
Other, please specify

### **Q.20. What do you consider to be a low-interest rate?**

2% or less  
3% to 5%  
Other, please specify

## Equity

**Q.21. Do you have any idea about the investment process for startup to receive funding?**

No, I have no idea of the investment process for receiving funding

I am unsure of the investment process for receiving funding

Yes, I am aware of the investment process for receiving funding

**Q.22. Are you ok with the idea of receiving funding and giving up a % of your company?**

No, I prefer not to give out any % (equity/shares)

I am unsure

Yes, I would give a % of my business for funding

**Q.23. Have you ever received funding for a % (equity/shares) in your startup?**

No, I have never given out % (equity/shares).

Yes, I received funding, and in return, I gave equity/shares.

**Q.24. Do you feel the % of the company (based on the funding you received) was a fair deal?**

No, I don't feel that the deal was fair at all.

I don't know / Unsure how to evaluate whether it was fair.

Yes, I feel that I received a fair deal for the funding.

**Q.25. If you receive an investment of \$100,000, what do you feel is a fair % of your company?**

Less than 10% equity

Between 10% and 15% equity

Other, please specify

## Investor Perceptions

**Q.26. Please rate your trust in investors in Iraq, where 1 is very low trust and 5 is very high trust.**

1 Do not trust investors at all

2

3

4

5 Highly trust investors

**Q.27. Are you aware of any investors in Iraq?**

Yes

No / Unsure

**Q.28. Can you please share the names of the investors in Iraq that you have heard about?**

**Q.29. We would like to understand your perceptions regarding investors in Iraq. Please answer the below statements with a yes or no.**

Do you feel that Investors in Iraq take risks?

YES

NO

Do you feel that Investors in Iraq understand venture capital?

YES

NO

Do you feel that Investors in Iraq understand how a startup operates?

YES

NO

Do you feel that Investors in Iraq are tech-savvy?

YES

NO

Do you feel that Investors in Iraq offer a fair investment deal?

YES

NO

Do you feel that Investors in Iraq have realistic goals, KPIs, or metrics for startups they invest in?

YES

NO

Do you feel that Investors in Iraq trust startups' decision-making skills?

YES

NO

Do you feel that Investors in Iraq offer additional value other than financial?

YES

NO

**Q.30. Are you aware of any regional investors?**

Yes

No / Unsure

**Q.31. Can you please share the names of the investors in the region that you have heard about?**

**Q.32. We would like to understand your perceptions regarding regional investors. Please answer the below statements with a yes or no.**

Do you feel that Investors in the region take risks?

YES

NO

Do you feel that Investors in the region understand venture capital?

YES

NO

Do you feel that Investors in the region understand how a startup operates?

YES

NO

Do you feel that Investors in the region are tech-savvy?

YES

NO

Do you feel that Investors in the region offer a fair investment deal?

YES

NO

Do you feel that Investors in the region have realistic goals, KPIs, or metrics for startups they invest in?

YES

NO

Do you feel that Investors in the region trust startups' decision-making skills?

YES

NO

Do you feel that Investors in the region offer additional value other than financial?

YES

NO

**Q.33. Other than funding, what benefits can an investor add to your business? Please choose any of the below statements that you believe to be true.**

Gaining access to new markets and customers

Gaining technical skills and expertise

Gaining mentorship and solid business advice

Gaining exposure through networks and connections

Gaining access to new investors

Gaining access to further funding from current investors

Gaining access to workspace

Gaining access to legal advisory

Gaining access to accounting and financial management advisory

None of the above

### **Startup Challenges**

**Q.34. Please choose the statements that describe obstacles affecting your business growth.**

I do not know how to look for investors or sources of funding

It is hard to find employees with the right skills (or experience)

My business faces infrastructural challenges (example, poor internet quality)

I do not have access to good legal advice

Other, please specify

**Q.35. Do you feel that the sex of the founder affects their chance of receiving investment?**

No, a founder's sex does not impact the chance of receiving funding

Yes, if you are female you are more likely to receive funding

Yes, if you are male you are more likely to receive funding

I do not know

**Q.36. Do you feel that an entrepreneur's education affects their chance of receiving investment?**

No, a founder's educational background does not impact the chance of receiving funding

I am unsure

Yes, a founder's educational background does impact the chance of receiving funding

**Q.37. Do you believe that your business model is right for investment?**

No, my business model is not a right fit for investment

I am unsure

Yes, my business model is a right fit for investment

## Definitions | Figures

**Figure 2. Company Profiles**

Micro-sized Business = Less than 3 employees

Small-sized Business = 9 – 3 employees

Medium-sized Business = 29 – 10 employees

Large-sized Business = 29+ employees

Solopreneur = One Employee who is the Founder of a Business

**Figure 3. Business Model**

Social media business (example, selling products through Instagram or Facebook)

Tech business (example, software as a service - SaaS, internet of things - IoT, etc.)

Marketplace - a platform that facilitates the exchange of goods/services between buyers and sellers (example Careem hires 100 drivers or Miswag has 300 vendors selling products on its platform)

Other = Home-based business, Ecommerce, Retail.

Business Sector

Handicrafts = Handicrafts (like fashion/artisanal/jewelry/soap/candles)

ICT/IT = ICT/IT, financial technology, coding and development

Manufacturing = Manufacturing (like the production of furniture)

Other = Cleantech, Entertainment (for example, music, event organization), Transportation, Real Estate.

**Figure 5. Sources of Funding**

Savings/bootstrapping = Funding a business with income from a company's sales

Grants or Prizes = Example, seed funding from an incubator program

Loans = Loans from banks and financial institutions

VC Fund = Venture capital / investment fund (funding in exchange for company shares)

Angel Investors = Wealthy individuals who have money to invest

Crowdfunding = Raising money from a large number of people

Accelerator Investment = Funding in exchange for company shares

**Figure 6. Loan Procurement & Consideration**

Loan Procurement

No, it is not easy to get a business loan = Not easy to get a loan

I am unsure - I am unaware of the process for getting a loan = Unsure - Unaware of process

Yes, it is easy to get a business loan = Easy to get a loan

Loan Consideration

No, I am not interested in taking a loan = Not interested in a loan

I am unsure - I might consider taking a loan = Unsure - might consider

Yes, I would consider taking a loan = Would consider taking a loan

Yes, I have tried taking a loan, but I got rejected = Applied for a loan & was rejected

Yes, I have tried, and I received the loan = Applied for loan & received it

### **Figure 7. Loan Barriers Vs Motivators**

#### **Loan Barriers**

Loan repayment time is too short = Short Repayment Time

Loans have high-interest rates = High Interest Rates

Loans require collateral (collateral is an asset like a car or house), which is hard to get = Require Collateral

If I am unable to pay back a loan, then I will lose my collateral (collateral is an asset like a car or house) = Potential Loss of Collateral

A loan might not respect my personal religious beliefs = Does not Respect Religious Beliefs

Loan application process is complex = Complex Application Process

Loan application approval is long = Long Approval Time

#### **Favorable Loan Conditions**

Long-term loan to be repaid over 8 years to 10 years = Long Repayment Period (8yrs-10yrs)

No collateral is required (collateral is an asset like a car or house) = No Collateral Requirements

If you cannot pay back the loan, then a third party (example the government) offers to pay your debt = Guaranteed by 3rd Party

Loan that respects my religious beliefs = Respects Religious Beliefs

Loan application process is made easy = Easy Application Process

Loan application approval time is made short = Short Application Process

### **Figure 9. Awareness & Interest in Equity Financing**

#### **Interest in Receiving Equity Financing**

No, I prefer not to give out any % (equity/shares) = Would give % of business

I am unsure = Unsure

Yes, I would give a % of my business for funding = Would give % of business

#### **Awareness of Investment Process**

No, I have no idea of the investment process for receiving funding = Unaware of Process

I am unsure of the investment process for receiving funding = Unsure of Investment Process

Yes, I am aware of the investment process for receiving funding = Aware of Investment Process

### **Figure 11. Receipt of Equity Financing**

#### **Receivers of Equity Financing**

No, I have never given out % (equity/shares) = Never received equity financing

Yes, I received funding, and in return, I gave equity/shares = Received equity financing

#### **Fairness of Investment Deal**

Deal was fair = Fair deal

Unsure if it was fair = Unsure

Deal was not fair = Unfair deal

### **Figure 12. Factors Impacting Chances of Investment | 1**

Yes, my business model is a right fit for investment = Business model is a right fit for investment

No, my business model is not a right fit for investment = Business model is not a right fit for investment

### **Figure 13. Factors Impacting Chances of Investment | 2**

#### **Sex of Founder**

No, a founder's sex does not impact the chance of receiving funding = Founder's sex does not impact chances of funding

I do not know = Don't know

Yes, if you are female you are more likely to receive funding = Females are more likely to receive funding

Yes, if you are male you are more likely to receive funding = Males are more likely to receive funding

Education

Yes, a founder's educational background does impact the chance of receiving funding = Education impacts chances of funding

No, a founder's educational background does not impact the chance of receiving funding = Education does not impact chances of funding

#### **Figure 14. Awareness of Local Investors**

No, I have no idea of the investment process for receiving funding = Unaware of Process

I am unsure of the investment process for receiving funding = Unsure of Investment Process

Yes, I am aware of the investment process for receiving funding = Aware of Investment Process

#### **Figure 19. Types of Added Value Expected from Investors**

Gaining access to new markets and customers = Access to markets

Gaining technical skills and expertise = Access to technical skills & expertise

Gaining mentorship and solid business advice = Access to Mentorship & Advice

Gaining exposure through networks and connections = Access to networks & connections

Gaining access to new investors = Access to new investors

Gaining access to further funding from current investors = Access to further funding from current investors

Gaining access to workspace = Access to workspace

Gaining access to legal advisory = Access to legal advice

Gaining access to accounting and financial management advisory = Access to accounting & financial advice



