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eTrade Readiness Assessment of Iraq

Key Findings and Policy Recommendations



ICT Policy Section

Thursday, December 3, 2020



General Economic and Trade Outlook...

1. Iraq is shifting towards a **post-conflict reconstruction**
2. **Need to diversify** the economy (crude oil constituted 98% of exports in 2018).
3. **Increasing regional/international trade and e-trade is key** (to create new value chains and create meaningful job opportunities).
4. Enormous **youth bulge** (60% is >25 yrs) - yet the oil sector employs only 1% of the population!



E-commerce as a key driver of development

1. **Recognition of the potential of e-commerce** to diversify the Iraqi exports and boost economic/social development
2. The current **business environment is not conducive** to attract local and foreign investments
3. **Public-private sector dialogue** and coordination on e-commerce is very **limited...**
4. ...but there is **willingness to increase discussions** (the high-level policy dialogue organized during the eT Ready mission in Baghdad for the first of such a kind)



eT Ready : Results in the 7 key policy areas

1. There is currently **no policy or strategy** aimed at addressing e-commerce holistically, and national development plans do not explicitly mention the role of e-commerce in the economy.
2. The ICT sector has suffered major damage as a result of decades of conflict, which explains why Iraq has **one of the lowest fixed broadband (17%) and mobile adoption rates in the MENA region**, despite relatively affordable prices.
3. In addition to the damaged transportation infrastructure, the outdated operational model of the Iraqi Customs is one of the factors contributing to the **lack of necessary trade facilitation mechanisms**.
4. There is an increasing number of e-payment solutions, especially m-payments; however, the **Iraqi economy** remains largely **cash-based**.

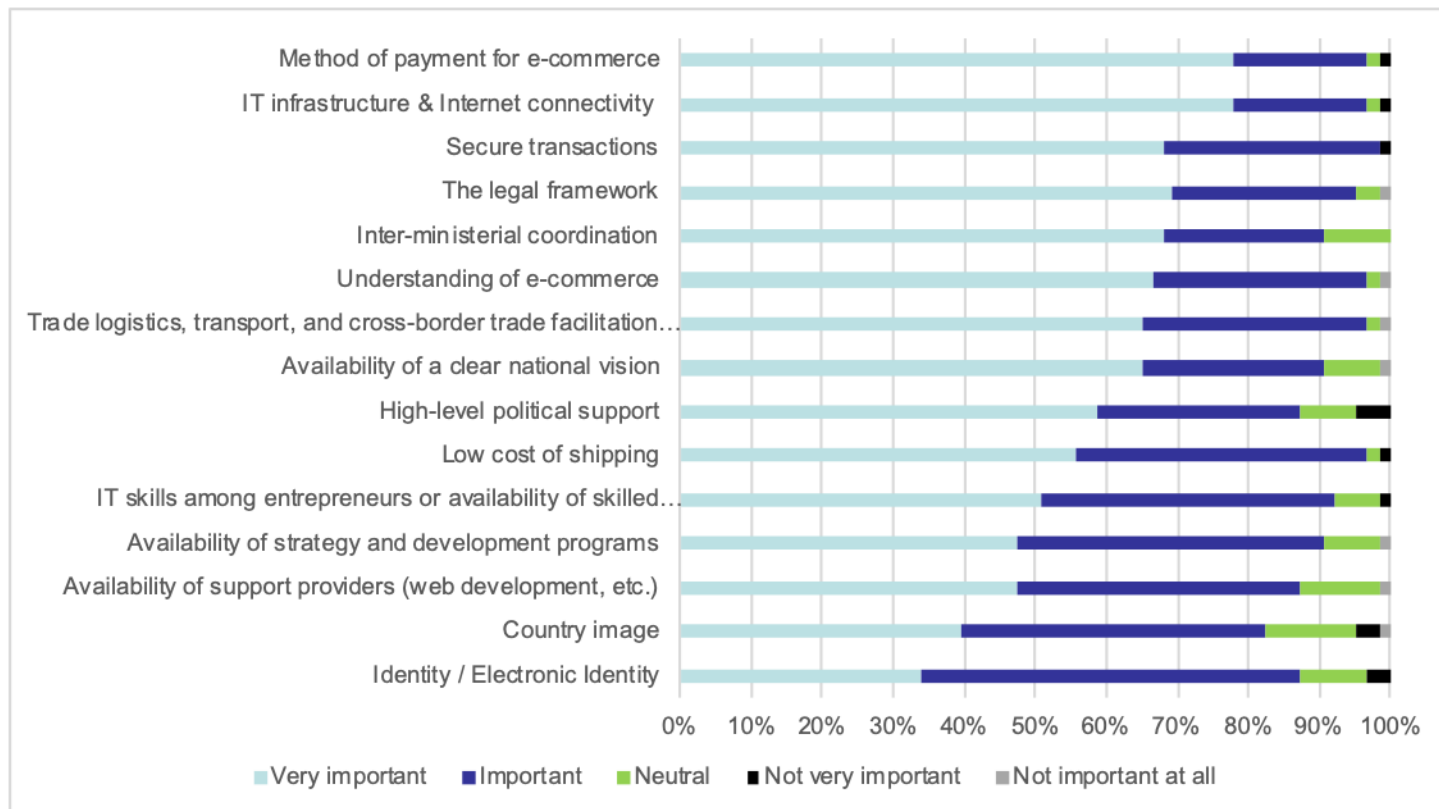


eT Ready: Results in the 7 key policy areas (ctd)

5. The Iraqi legal & regulatory frameworks lack the provisions needed to support e-commerce development and increase trust, as **existing laws are incomplete, outdated, or not implemented.**
6. MSMEs in Iraq lack the knowledge, expertise and awareness to effectively engage in e-commerce. There is a need to infuse education on ICT and e-commerce in universities, TVET institutions and high schools. *Iraq has **low rates of technological literacy**; yet, with 60 percent of the population under 25, Iraq has **enormous untapped potential of using e-commerce for youth development.***
7. Access to financing is one of the major challenges for the development of e-commerce in Iraq as the **banking and non-banking systems fail to provide the funding needed by start-ups and MSMEs.** Local incubators are growing but still embryonic.



How important are the following to create an enabling environment for e-commerce in Iraq?



Source: UNCTAD eT Ready Survey (63 responses from private and public sectors)



eT Ready: Key Policy Recommendations

1. **Develop a national e-commerce strategy** with a clear and unified vision and establish an **E-commerce National Task Force (ENTF)**.
2. **Rebuild the ICT infrastructure** and encourage competition and private investment. Specify complementary but distinct roles for the MoC and the CMC to liberalize the sector.
3. Simplify/**automate customs procedures** through ASYCUDA. Implement the **Iraqi Post Initiative** to increase trust in post delivery.
4. **Secure e- and m-payment solutions** and **increase trust** among consumers through awareness-raising and strengthening the payment legislation.



eT Ready: Key Policy Recommendations (ctd)

5. **Update and implement a series of laws** (e-Signature, e-Transaction Act, Consumer Protection Act, Privacy Law, Cybercrime, IP Law...) to increase trust in online transactions.
6. **Raise awareness on the importance of e-commerce** and the digital economy among public sector employees and build their skills through training and partnerships. Undertake a skills gap analysis and revise curricula accordingly.
7. **Develop specific financing solutions** for start-ups and women-run businesses, including with the support of the international community.



Way Forward :

Based on a study on the impact of Covid-19 on the Iraqi Economy:

- Iraq faces a significantly worsened economic outlook through ‘twin shocks’ due to oil prices crisis, and the lockdown starting from March 2020. (*Impact of Covid-19 on the Iraqi Economy UNDP in Iraq*)
- These shocks are having a profound impact on key macroeconomic indicators. GDP is expected to contract by nearly 10 percent in 2020. (*Impact of Covid-19 on the Iraqi Economy UNDP in Iraq*)

Other studies found that:

- Adopting online services have been challenging.
- E-commerce has proven to be a useful tool for sustaining businesses during the pandemic, so the low adoption rate could be an opportunity for intervention. (*Covid-19 in Iraq: private sector impacts, IOM, ILO*)

While this is a global trend, having this eTrade Readiness Assessment of Iraq is putting Iraq in a much better situation than many other countries.



Way Forward :

Initiate the Implementation of the recommendations:

- The Working Group which was initiated by MoT immediately after the fact-finding mission should develop the terms of reference for both:
 - Establishing the E-commerce National Task Force for Iraq.
 - The e-commerce strategy

In addition to public sector stakeholders, private sector engagement is highly recommended at this stage.



Way Forward :

Recommendations for developing an Iraqi e-commerce strategy

- **Ensuring effective participation of private sector and academia actors, especially the women entrepreneurs.**
- **Once finalized, the preliminary survey results conducted by CMC** in coordination with Ministry of Planning-Central Organization for Statistics on the use of ICT and e-commerce by households and individuals could be used as the baseline for e-commerce strategy.



Way Forward :

- **Setting a mechanism for enhancing cooperation and coordination between BPC, Customs, Iraqi Post and freight forwarders** to facilitate the movement and access of goods in reduced time and cost.
- While there is an urgent need to move faster, UNCTAD expertise in this field could provide a fast track platform for accomplishing the transformation of this assessment into a concrete e-commerce strategy accompanied by a coherent M&E tools
- **Donors coordination/engagement mechanism/initiative** could be developed with the support of UNCTAD



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Thank you!