



Interview

Mohamed Al-Hakim

Investor, Advisor, and Founder of Fedshi and EQIQ

Mohamed Al-Hakim is the founder of EQIQ, a venture capital fund focused on boosting the Iraqi tech startup ecosystem, and the founder of Fedshi, a social commerce platform aiming to revolutionize the shopping experience in Iraq. Mr. Al-Hakim has almost 20 years of experience in management, banking, and investment. He founded and managed many firms, including RiverStream and Zain Bank. He took over the role of the country manager of both Careem Iraq and Jordan.

In this interview, Mr. Al-Hakim talks about the social commerce platform, Fedshi, and highlights the market gap that Fedshi aims to address. He also walks us through establishing his venture capital fund, EQIQ, and the challenges that he had to overcome. He provides an in-depth analysis of the e-commerce sector in Iraq. Furthermore, he reflects on his decade-long experience in the Iraqi ecosystem and shares his vision of the future.

Can you provide us with a glimpse into your career?

My career started early and has involved many different ventures, some moderate successes, and many valuable failures that I have learned from. I launched my first venture in the tech space when I was 15 years old, so it has been 20 years since then. I also launched two other ventures, one at the age of 17 and one at 19, before I graduated from university. After graduating from the University College of London with a bachelor's degree in Economics, I started my career in investment banking with Goldman Sachs in 2010. I stayed at Goldman for 3 years before joining a Private Equity investment firm investing in commercial real estate. In 2014, I decided to move back to Iraq to build my own business, and to start with, I founded an investment firm that focused on online and customer marketing opportunities in Iraq under the name of Riverstream. I later co-founded Ideal Payments, which is an e-payment service provider with a focus on digital wallets, and then went on to co-found Zain Bank, which set out to be the first digital bank in Iraq. I helped set up and scale Careem in Iraq in 2018 as the General Manager and then also became the General Manager of Careem Jordan in 2020. By the fall of 2021, I departed from Careem to start building my own venture capital fund, EQIQ, and social commerce startup, Fedshi.

How is the journey of establishing the VC. What market need have you identified?

We wanted to build a VC fund in Iraq since it is our focus market and to kickstart the ecosystem here. However, it was challenging to establish a VC fund due to the lack of a fund regime in Iraq; hence, you have to establish it outside the country. Furthermore, some regulations may hinder your ability to register in a different country and operate from there. For instance, a law was passed in 2019 that prohibits foreign entities from owning more than 49% of local entities. We had to do quite a bit of structuring around this issue as we built the VC fund in the ADGM. However, we managed to set it

up and raise \$15 million of funding, having closed the first round of funding in January 2023. We are now on the path to raise another \$15 million to bring the size of the fund to \$30 million.

In terms of the market, we believe that the Iraqi ecosystem is at a stage where there is insufficient capital to create opportunities, and simultaneously, there needs to be more opportunities to create demand for capital to exist. It is a chicken-egg dilemma. What comes first, the capital or the opportunities? We believe that capital and opportunities should come together at the same time, but if we let it happen organically, it might take a long time.

The market is attractive on paper, and at the same time, Iraq is an open economy, which means that large regional tech companies will seek to enter the market as the political situation in the country stabilizes. They would be able to enter and, given their resources, experience, and track record, dominate the market with their product. If the goal is to have a few Iraqi companies that may be able to compete and thereby also a viable ecosystem, it is time to build them now. Otherwise, it might be too late, and we might end up playing on the fringes of the ecosystem, missing out on opportunities in large important sectors.

From our perspective, we do not see the tech ecosystem in Iraq as a short-term opportunity; we are in it for the long run. The fund's life is 8 to 10 years. The amount of money that we are aiming to bring the fund up to is \$30 million, deployed over the next three to five years. Whilst we are in it for the long haul, we are not standing by idly watching as the ecosystem grows. Since we started in September 2021 up until today, we have not just been waiting to raise funds. We have already started building our first venture, a social commerce platform called Fedshi, which we launched a year and a half ago.

Can we know more about EQIQ?

EQIQ is a venture capital fund focusing on investments in Iraqi tech startups. It is based in UAE, Abu Dhabi, and the Abu Dhabi Global Market, more specifically. We operate in Iraq directly through a local company. EQIQ operates both as a fund that invests in tech startups and as a venture builder that builds startups. It is a hybrid between a venture capital fund and a venture builder. Our mission is to kickstart the Iraqi tech ecosystem by building champions in Iraq that serve the needs of all Iraqis and grow through providing delightful daily customer experiences to people.

What are the sectors you are focusing on?

We have a sector-specific strategy, focusing on a few sectors, such as e-commerce, logistics, payments, and other daily consumer businesses. We tend to conduct extensive research on the sectors that we are interested in. If we find good opportunities that are already up and running, we choose to back those opportunities. If we do not, we may decide to marry a concept with a team and resources and pursue that opportunity ourselves. Then, on the other side, we have also dedicated part of our capital to deal flow, i.e., any attractive deals in other sectors that may come our way. We play on both sides, try to be open-minded, and include any opportunity. We also know that we are not the only investors looking at those sectors in Iraq, and thus, we try to have a partnership mindset to bring players together. In fact, there are many players competing in those sectors, yet the market is big enough for many competitors but not always many survivors.

Can you tell us more about Fedshi? And its business model?

Fedshi is a clear manifestation of our EQIQ's strategy. As I mentioned, we scan the sectors that we find interesting for opportunities. If we do not find any great opportunities, we build them

ourselves. In e-commerce, we found that the opportunity lies in social commerce; hence, we built Fedshi. Today, we are the largest e-commerce platform in Iraq by the number of daily orders. We serve resellers who sell directly to customers on social media platforms. We offer them a digital platform with catalog, order, and financial management; products at wholesale prices; services like warehousing, fulfillment, last-mile delivery, and customer care.

Fedshi's resellers do not have to pay anything for the products; we buy the products, store them, photograph them, list them, create the content, whether videos or descriptions, and then offer the products at a wholesale price. We also provide a price range for the retail prices at which they sell the products to customers; each reseller can sell that product within the price range. The resellers are responsible for marketing and promoting the products on their social media pages or online stores. Once they receive orders, they submit them through the app without payment. At Fedshi, we receive orders, take care of the fulfillment and delivery processes, and upon delivery, we collect the payment from the customer. Then, we proceed to pay the reseller their profits.

“

Our mission is to kickstart the Iraqi tech ecosystem by building champions in Iraq that serve the needs of all Iraqis and grow through providing delightful daily customer experiences to people.

”

What opportunity have you found in the e-commerce sector that motivated you to create a social commerce platform?

When we studied the market in detail, we found that many people were following the model of Amazon and other prominent e-commerce platforms in the US and Europe and expecting those models to work in Iraq. However, Iraq is a very specific market. The country did not have access to the internet until 2003. When the internet became the norm, social media was already very prominent. Therefore, our internet culture is based on social media. While in the US and Europe, the internet was available long before social media was prominent. The environment in which Amazon was built during the 1990s in the States differs from the current environment in Iraq. Each country has a different development path; therefore, copying Amazon's model is not necessarily the right strategy for Iraq.

The general assumption for the Iraqi market is that the e-commerce sector is currently small but will grow eventually and stimulate many people's businesses to grow as well. Yet, when we did our research, we discovered this assumption was inaccurate. The e-commerce sector is already substantial, with a total volume of \$3 billion in 2020 and an estimated 500,000 or 600,000 e-commerce orders per day.

However, the e-commerce market is fragmented among many different merchants, and no one owns the market or the sales channels. Our estimate is that almost 40,000 resellers and merchants are on Facebook, Instagram, and other social media platforms selling directly to customers.

We decided to serve the resellers in the market in a better way instead of launching a platform that converts customers from consumption on social media to consumption on a platform and trying to monopolize and consolidate the sales channel. We investigated the experience of the merchants and

their issues and ended up with a list of challenges, including sourcing, warehousing, fulfillment, last-mile delivery, cash collection, returns, and rejections, to name a few. As a result, we built Fedshi as a platform to provide these services to resellers who sell directly to their customers on social media.

We did not see the need to go to an Amazon-like platform that charges 15% or 20% to display the merchant's products online when there are more customers on Instagram, TikTok, and Facebook than on any other platform. This conclusion laid the foundation for our concept.

Is social commerce popular in Iraq due to the impulsive purchasing nature or due to the dominance of social media when we first had access to the internet?

Considering the traditional offline shopping scene, visiting a shopping mall is not just about making purchases. People frequent shopping malls for entertainment, food, leisure time with friends, and even as a retreat from hot weather. Thus, one might step into a shopping mall with nothing in mind about shopping but depart with bags in their hands after spotting appealing items in shop windows. Shopping is impulsive—it is not necessarily based on household necessities. Sometimes, an attractive, reasonably priced item catches your eye, intensifying your impulse to purchase it. Subsequent regret is possible, but the decision to buy is immediate.

Further exploration and our own research indicate that impulsive shopping makes up 75% of total consumer behavior, with the remaining 25% being driven by specific needs. There is nothing online that replicates this experience, apart from social media. When on Facebook, the primary intention is not purchasing products; it is content consumption. Suddenly, one sees an ad that drives an impulsive purchase. We firmly believe that social commerce represents the future of e-commerce.

A significant volume of e-commerce occurs through social media everywhere in the world, not just in Iraq. This is why Facebook launched a marketplace, Instagram has a shop feature, and TikTok is also heading towards that opportunity. These platforms observed a substantial number of transactions taking place and decided to capitalize on this opportunity. Naturally, when brands generate content and advertise their products, they aim for consumers. However, if you redirect them and suggest they buy on a website, it creates a negative experience. The content and impulse are initiated on one platform, only for the transaction to be carried out on another. Drawing on the aforementioned shopping mall analogy, if one sees an attractive item in a store and wants to purchase it but is told to go to a different part of town to obtain the item, they would not complete that purchase.

In the case of Iraq, we leapt throughout stages of development in the IT sector. Nowadays, nearly all internet connections are mobile in Iraq, while in the West, there were successive stages: desktop connection, dial-up, phone line, and eventually broadband. In contrast, our transition was swift, bypassing these stages altogether.

As sanctions were lifted in 2003, we gained internet access. However, it was not until 2007-2008 that internet penetration gained momentum, with widespread access in recent years, especially mobile internet. The introduction of 4G connections came late, around January 2021. This opened our eyes to the internet, with social media emerging as the dominant force and the infrastructure for information exchange. For us, Facebook operates as a web browser. We use Facebook to connect with millions of followers, whether to check restaurant reviews or group discussions before purchasing or to inquire about a specific topic.

Our assumption is that the same thing is happening when it comes to e-commerce. We are not using those platforms that list everything together; it is not a one-stop shop. Accessibility and search are easier, and content creation becomes effortless in many different ways and forms: a video, a live stream, a story, a picture, and an animation help diversify the shopping experience. It does not have to be as standardized as things are on an e-commerce platform, where you see the description of a product just like the description of a million others. That is not how shopping works in real life. Shopping is a tangible experience.

It is about feeling, seeing, interacting, and seeking recommendations. E-commerce cannot mirror that experience, while social media helps us to humanize the experience.

How does Fedshi contribute to job creation?

Since we started, we have created over 6,000 job opportunities and distributed over IQD 1 billion in profits to our resellers. There are countless examples of how we have supported youth to start their own ventures and generate income. One of our resellers, who is only 18 years old, made IQD 40 million in profits in just a couple of months. We are building this platform alongside a group of highly motivated youth who are extremely sharp and hungry to develop their businesses, create their own opportunities, and provide a better life for themselves and their families.

How did Fedshi's model evolve as you started operating?

We have a very experimental approach at Fedshi, so we have had a lot of trial and error. We do not claim to know what we are doing, but we love to launch quickly, fail fast, learn from our failures, and pivot. When we started, we needed to gain the knowledge of what would work and what would not. For example, we decided to start with three different categories: fashion, makeup, and home

appliances. We decided that 40% of the catalog would be in fashion, 40% would be in makeup, and 20% would be in home appliances. However, the market had its say, which directed us towards home appliances, an unexpected twist that taught us to listen humbly to the market. Research only takes us so far; the fundamental lessons that sharpen our evaluation come from the market's data points.

Can you tell us about your experience building a local startup from scratch in Iraq? What significance does that hold for the Iraqi ecosystem?

My passion lies in building things. Doing so in the challenging landscape of Iraq has been challenging and costly. The path I chose was not the easiest one. Unlike my experience in establishing the regional branch of Careem in Iraq, where I benefitted from established resources and expertise, our startup venture in Iraq was a starkly different undertaking. For instance, when we introduced Careem to Iraq, we had financial backing, a product in the product-market fit (PMF) stage, knowledge from 13 other countries, and a team of 1,000 people based in Pakistan, Dubai, and Egypt. Hence, despite its importance, this experience lacked the essence of a true startup. Although we often liked to call it a startup, in reality, it was a startup powered on steroids. Again, while my experience launching and leading Careem Iraq was a tremendous one, it lacked three vital ingredients to make it a true entrepreneurial experience both for myself and for the country.

Firstly, in my opinion, the core product of a technology startup is its intellectual property, its technology. In building a regional branch, we were not developing intellectual property within the country; it was being done elsewhere. Yet, we were merely facilitating its dissemination. We did not create pioneering tech products in Iraq. Instead, we imported existing ones.

Secondly, a startup ecosystem thrives when individuals are inspired to become founders themselves, creating a ripple effect of innovation and success. Our regional branch did not foster that. We did not face the battles faced by scrappy startups from day one, the fights that instill the resilience and resourcefulness necessary for long-term growth and sustainability. We created an excellent managerial class but not necessarily an excellent entrepreneurial class at Careem Iraq.

Thirdly, while we were on a trajectory to become a dominant force, external factors, including demonstrations and the pandemic, reshaped our course. We adapted, even becoming the fastest branch to achieve profitability. Once we were profitable, those profits were not being reinvested in Iraq but elsewhere. From the company's perspective, that made total sense. However, this diverged from my personal purpose, which is the need for our human and financial resources to be reinvested in Iraq, not channeled elsewhere.

These three disparities pushed me to depart and start building my local startup, where I am striving to address these gaps. We aim to develop intellectual property in Iraq, innovate, and create distinct Iraqi products that can be exported. We are cultivating an entrepreneurial class that experiences the struggles and triumphs of building from the ground up. Crucially, we are dedicated to reinvesting the fruits of our labor back into our country, nurturing its growth and self-sufficiency.

With your long experience and close involvement in the ecosystem, what is your reflection on the scene, and where are we heading?

I have been involved in this ecosystem for almost a decade, which has given me the ability to see the ecosystem from different angles. When I take a step back, zoom out, and look at the market as a whole, I see progress, development, and people who are growing; I see maturity, potential, and opportunity.

When I zoom in, I see challenges, problems, delays, and inefficiencies. I think we are heading in the right direction, but it is taking a long time, which is why there is a need for someone or an institution to handhold the ecosystem and somehow pull it a little bit.

Usually, ecosystems and industries develop like a flat curve in the beginning. Then suddenly, there is an inflection point where things go very fast. We are still in that flat part of the curve but are going up. This holds true not only for our local context but for comparable markets in our vicinity—Jordan, Turkey, and Iran. These regions underwent phases with minimal ground to stand on, yet their ascent from there to dynamic activity occurred relatively quickly, spanning about a decade. We anticipate a similar trajectory, ideally over the next decade, although uncertainties abound.

The “Zero Hour” has not arrived yet, which is good news for Iraqi entrepreneurs. Once it arrives, momentum will escalate, drawing in a multitude of participants. The open and competitive economic environment invites both opportunities and challenges, especially against established tech giants and major brands. Currently, entering this arena offers a favorable window. The future holds potential. This might happen in the next decade or next year. Only one thing is certain: it will happen.

What advice would you share with entrepreneurs fighting their day one fight?

I would suggest that entrepreneurs do something that is aligned with their own purpose, focus on being the best problem-solvers, and work as hard as they possibly can to succeed.

My advice is that entrepreneurs do something aligned with their purpose and mission because it is difficult to stay motivated. Entrepreneurs are going to run into a lot of challenges, and their determination will be tested. Therefore, alignment of what they do and their mission will leave no room

for backing out but continuing to fight.

For an entrepreneur to create value, they have to be problem solvers. They will face numerous challenges, which require them to find solutions. The traditional industries in the market might not be tech-savvy, but they are clever and quick to recognize opportunities. Entrepreneurship is a product of hard work, long hours of work, and sacrifices concerning income, personal life, and family time. Entrepreneurs who are not willing to make those sacrifices should not pursue this path. Moreover, it is important to be humble, accept and embrace mistakes, and be open to learning from them.

Do you have any concluding remarks you would like to share with us?

I am quite optimistic about the country’s future, the market, the ecosystem, and the youth. We are well-positioned to make great things happen over the next few years. I encourage everyone who dares to try and navigate this ecosystem on their own. Although failure can be excruciating, it is an opportunity to reinvent oneself as a better version of who they were. I have failed so many times that I am not sure of what version I have become, but I am looking forward to the upcoming version.

“

The “Zero Hour” has not arrived yet, which is good news for Iraqi entrepreneurs. Once it arrives, momentum will escalate, drawing in a multitude of participants.

”