



PRIVATE SECTOR ENGAGEMENT IN SDGs: TOOLS AND APPROACH



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Abbreviations

BOP	Base of the Pyramid
CER	Corporate Entrepreneurship Responsibility
CSO	Central Statistical Organization, Iraq
CSR	Corporate Social Responsibility
ECCI	Erbil Chamber of Commerce and Industry
EU	European Union
GDP	Gross Domestic Products
GNI	Gross National Income
GRI	Global Reporting Initiative
IDP	Internally Displaced People
IFC	International Finance Corporation
ILO	International Labor Organization
IPP	Independent Power Projects
KPIs	Key Performance Indicators
KRG	Kurdistan Regional Government
KRSO	Kurdistan Region Statistics Office
LLC	Limited Liability Company
MENA	Middle East and North Africa
MSMEs	Micro, Small and Medium Enterprises
NAP	National Adaptation Plan
NDP	National Development Plan
NGO	Non-Government Organization
PPP	Public Private Partnership
PRS	Poverty Reduction Strategy
PSRM	Private Sector Resource Mobilization
OECD	Organization for Economic Co-operation and Development
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
SOEs	State-Owned Enterprises
TCFD	Task Force on Climate-Related Financial Disclosures
TVET	Technical and Vocational Education and Training
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNDP FFS	UNDP Funding Facility for Stabilization
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNGP	United Nations Guiding Principles
USAID	United States Agency for International Development
VNR	Voluntary National Review
WB	World Bank

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Foreword

Private sector actors play a crucial role in achieving the United Nations Sustainable Development Goals (SDGs). The private sector can help to bridge the finance gap for SDG-oriented projects, improve the management of development projects, integrate SDGs into business practices and decision making, and advance SDG-oriented innovation and social entrepreneurship. A systematic approach to enhancing private sector engagement will leverage widespread capacity in effective management and innovation.

The Global UNDP Private Sector Development and Partnership Strategy (2018-2022) is designed to assist countries to align private sector activities and investment with the 2030 Agenda by influencing investors and businesses of all sizes, embedding the SDGs into decision making and practices, and supporting governments to establish enabling policy and regulatory environments while facilitating multi-stakeholder partnerships. It provides a clear approach and guiding principles and recommends innovative tools to engage the private sector in the SDGs.

The latest data from Iraq's Sustainable Development Report and Second Voluntary National Review (VNR) report indicate that the combined impacts of COVID-19, conflict-related humanitarian crises, and institutional challenges have halted or reversed

progress against most SDG indicators in Iraq. The lack of official data on many of the SDG indicators is a key obstacle to evidence-based planning and budgeting. Due to years of conflict, progress towards the SDGs is slow with Iraq ranking 115 out of 163 in the SDG Index Dashboard Report 2022.

Boosting progress towards the achievement of SDGs in Iraq requires the concerted effort of all actors, including government, civil society, development partners and the private sector. This document puts forward a UNDP strategy for engaging and enhancing the contribution of the private sector in Iraq toward achieving the SDGs. It adopts the overall approach and guiding principles put forward by UNDP's Private Sector Development and Partnership Strategy (2018-2022), tailored to fit the local context, priorities, and challenges. Guided by interviews conducted with key private sector actors and government agencies in Iraq, mapping of current levels of private sector engagement, and a review of the country's national development plans and strategies, it proposes an approach and concrete tools to engage the Iraqi private sector. This tailored strategy will guide UNDP efforts in engagement with Iraq's private sector toward sustainable development.



1. Introduction and Overview

This document puts forward a UNDP strategy for engaging Iraqi private sector in the country's ongoing efforts to achieve SDGs. Interviews were conducted with private sector firms in key sectors including petroleum, construction, real estate development, banking and finance, telecommunication, logistics, shipping, and transportation. Regional private sector associations in Baghdad, Karbala, Anbar, and Basra were also interviewed. A standard questionnaire was used to assess private sector levels of awareness of and engagement in SDGs, including Corporate Social Responsibility (CSR) initiatives, behavioral change, investments, innovations and collaboration with government, UN agencies, CSOs and/or development partners. It also explores the existence of a strategy, programme for engagement and reporting mechanisms at the firm's level. Additionally, a desk review of available data and literature was conducted to map out existing initiatives and support to private sector provide insight into the overall business environment and the challenges faced by private sector.

The strategy is based on UNDP global strategy for engaging private sector and tailored to fit the structure of the Iraqi private sector and the business environment in Iraq. The document also proposes toolkits to guide and facilitate implementation with relevant examples from Iraq and other countries in the region. The document is not intended to provide a deep analysis of the challenges faced by the private sector nor recommend interventions to support private sector development. It is structured as follows: the first part provides a brief overview of private sector structure in Iraq, business and policy environment and challenges that inhibit private sector growth and challenges of engagement of Iraqi private sector in SDGs. The second part maps out existing engagement initiatives and efforts of UNDP and other development partners. The third part presents a strategy to enhance private sector's engagement in and contribution to SDGs in Iraq as well as proposes the toolkits to facilitate and guide implementation.

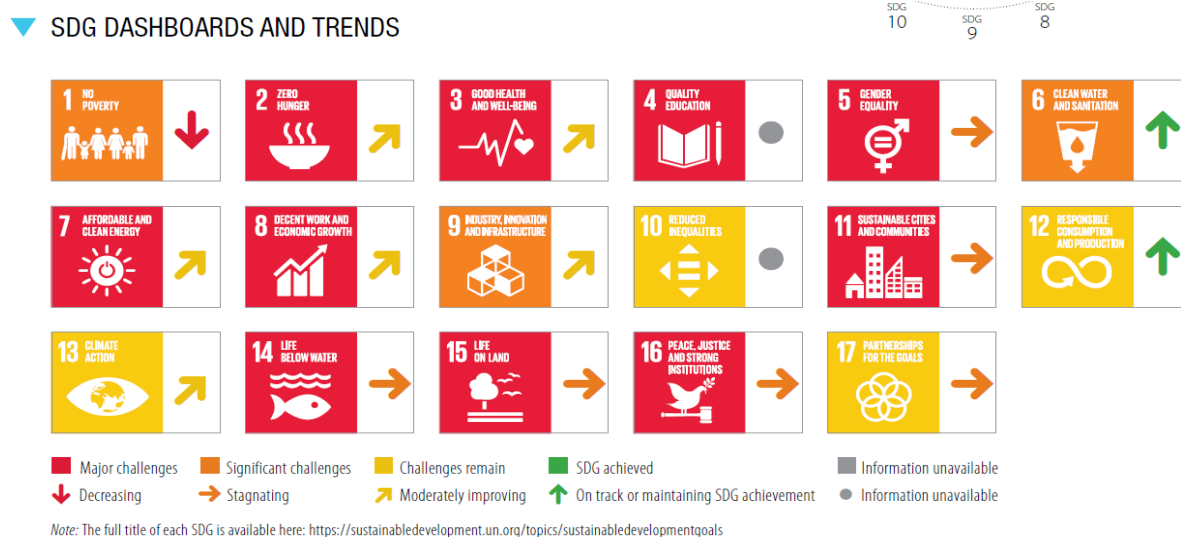
The latest data from Iraq's Sustainable Development Report and Second Voluntary National Review (VNR) report indicate that the impact of COVID-19, the conflict and humanitarian crisis, as well as institutional challenges, have halted or reversed progress against most SDG indicators in Iraq. The lack of official data on many of the SDG indicators is a key obstacle to evidence-based planning and budgeting. Due to years of conflict, progress towards the SDGs is slow with Iraq ranking 115 out of 163 in the SDG Index Dashboard Report 2022.¹

¹ Sustainable Development Report website, <https://dashboards.sdgindex.org/map>



Box 1 Iraq's progress on SDGs

The SDG Index and Dashboards Report 2022 shows that major challenges remain on ten goals: 2, 3, 4, 5, 7, 8, 11, 14, 15, and 16, and significant challenges remain in three goals: 1, 6, and 9. Some challenges remain in four goals: 10, 12, 13, and 17



Source: Sustainable Development Report Dashboard, 2022

1.1. Private sector in Iraq

The private sector in Iraq is relatively small, mostly concentrated in the informal sector, and does not realize its full potential for growth and employment generation. Years of conflict and unrest and recently COVID-19 have had negative impact on private sector development and entrepreneurial initiatives. In 2019, 58 percent of the workforce in the private sector, were in informal jobs.² There is a small number of large firms and substantial number of micro and small enterprises. Micro and small firms mostly operate in wholesale and retail, trade (import and export), construction, and transportation services, as well as light industry. Medium size firms are mostly in construction, transportation, logistics, shipping, and manufacturing. The country's few large, multinational, and multi-industry conglomerates are predominantly in the oil sector and telecommunication. National large and medium size private businesses are emerging in ICT, particularly mobile communications, construction, technical services for the oil and gas sector, banking, and manufacturing.³ Private limited liability companies (LLCs) are the most generic form in the country. Apart from LLC, other types of entities (particularly for foreign investors) include the branch office of a foreign entity, and representative office of a foreign entity. Joint ventures are possible, but they do not create a legal entity, unless the private

² International Organization for Migration. *Impact of COVID-19 on Small and Medium Sized Enterprises in Iraq*. Grand-Saconnex, Switzerland, 2020: IOM, reliefweb.int/sites/reliefweb.int/files/resources/IOM%20Iraq%20Impact%20of%20COVID-19%20on%20Small%20and%20Medium-Sized%20Enterprises%20in%20Iraq.pdf.

³ World Bank, *Iraq - Systematic Country Diagnostic (English)*. Washington, D.C.: World Bank Group, 2017, <http://documents.worldbank.org/curated/en/542811487277729890/Iraq-Systematic-Country-Diagnostic>

limited liability company is incorporated.⁴ Trusts and similar equitable arrangements are not formally recognized in Iraq. According to the World Bank, it takes 26 days and eight administrative procedures to open a business, incurring costs of 34.2% of per capita GNI. This renders Iraq among the less business-friendly countries.⁵

Table 1.1 shows the total number of firms and employees in extractive industries (excluding oil and natural gas) and manufacturing sector according to the Industrial Establishments Survey (2020).⁶ While the total number of large firms (30+ employees) is quite small compared to small firms, they employ most workers in the sector. There is no data available for the number of firms and employees in oil and natural gas, agriculture, forestry and fishery and services sectors and subsectors. It is clear, however, that private sector in Iraq is dominated by small enterprises, yet large enterprises contribute the largest shares of value-added and employment. Except for Kurdistan, the number of medium-size firms is quite small as well as their share of total employment.

Table 1.1 Number of firms and employees in the extractive industries (excluding oil and natural gas) and manufacturing sector 2020

		Total number of enterprises	Total number of employees
Small (1-9 employees)	Iraq including Kurdistan	26,247	86,663
Medium (10-29 employees)	Iraq, excluding Kurdistan	188	2,639
	Kurdistan	396	5,441
Large (30+ employees)	Iraq, excluding Kurdistan	682	112,414
	Kurdistan	128	12,173

Source: Central Statistical Organization, Iraq

Table 1.2 shows the number of firms registered at the Baghdad Chamber of Commerce in 2021. Clearly, not all firms in Iraq are registered in the Chamber but this is an indicative of the private sector landscape in the country, which is comprised of a substantial number of small and micro enterprises, a few large firms and even a smaller number of medium-size firms. It is important to note that the Chamber classifies firms based on working capital rather than the number of employees, which is the standard for classification used by Government ministries and the Central Statistical Organization.

Many of the large firms are either State-Owned Enterprises (SOEs) or multinational corporations and their subsidiaries. Meanwhile, Iraqi firms that can be considered large or medium size are concentrated in very few sectors. Interviews with Iraqi firms and the Chamber of commerce indicate that it is common for Iraqi firms to have multiple activities, usually within the same broad economic sector or across multiple sectors⁷. These additional challenges must be taken into account when engaging the private sector. They necessitate careful tailoring of engagement approach based on size and firm's main activity.

⁴ Iraq Britain Business Council (IBBC), *Launch a company in Iraq*, <https://iraqbritainbusiness.org/doing-business-with-iraq/launch-company-iraq>

⁵ World Bank, *Doing Business Archive, 2020*, <https://archive.doingbusiness.org/en/data/exploreeconomies/iraq>

⁶ Central Statistical organization, Iraq, <https://mop.gov.iq/en/page/view/details?id=83>

⁷ Private sector firms were selected based on availability to cover key sectors, including oil, construction, industry, banking and financial services, shipping, and communications.

Table 1.2 Number and classification of Iraqi firms registered with the Baghdad Chamber of commerce in 2021

Category	Membership status		Total		Category definition (based on firm's capital in Iraqi Dinars)
	New registration	Renewal	Number	Percentage	
Excellent	287	491	778	26%	750 million-1 billion
First	54	987	1041	35%	500 million-750 million
Second	148	67	215	7%	250 million- 500 million
Third	208	74	282	10%	50 million -250 million
Fourth	425	209	634	21%	1 million-50 million
Total	1122	1828	2950	100%	

Source: Baghdad Chamber of Commerce

The Second Voluntary National Review (VNR) in Iraq, conducted in 2021 underlined the need for enhancing private sector engagement. The Iraq's Private Sector Development Strategy 2014-2030, Iraq Vision 2030 emphasizes a vital role to partnerships with the private sector as a generator of jobs, knowledge, and innovation for sustainable development. However, efforts and progress in this regard remain very modest and ad hoc. It is also important to note that Iraq's Private Sector Development Strategy 2014-2030 was formulated before the adoption of the SDGs and, hence, did not specifically address SDGs nor put forward a strategy to engage private sector in SDGs. The strategy, however, focused on private sector development and creating an enabling environment for private sector growth.

1.2. Challenges to private sector development in Iraq

According to interviews with private sector actors, including private sector associations, UNDP's survey of micro, small, and medium enterprises in Baghdad, Basra, and Nineveh, Iraq's White Paper (2020) and World Bank reports (2017 and 2019), the private sector in Iraq faces a variety of serious challenges that inhibit its growth which can be summarized as follows:

- i. Business regulations and procedures: business regulations are chief among challenges faced by private sector in Iraq. World Bank's Ease of Doing Business indicators reveal that Iraq has one of the least business friendly regulatory frameworks. Procedures to start businesses, export, import and obtain various licenses are lengthy and costly. World Bank Doing Business 2020 ranked Iraq 172 out of 190 countries. The same report ranked Iraq 103rd in getting construction permits, and 154th in starting a business. Iraq is also ranked low in terms of getting credit, enforcing contracts, getting electricity and trading across borders. Interviewed private sector firms were keen to highlight the cumbersome and inconsistent bureaucratic processes that adversely impact the private sector.
- ii. Access to finance: the UNDP MSMEs Survey, covering the three governorates of Baghdad, Basra, and Nineveh, reports that 70% of firms surveyed identified access to finance as a major challenge. Interviewed banks confirmed that the high-risk environment in Iraq and widespread corruption compel banks to insist on high collateral for loans, avoid MSMEs and only lend large reputable firms, charge high interest rates and fees to compensate for possible losses. Losses from bad loans are often passed to good

borrowers. During the interviews with several banks in Iraq, conducted by the author, the issue of clients' lack of awareness, particularly small loan borrowers, was highlighted. Most borrowers under small loans do not understand the steps and procedures to apply for a loan. Entrepreneurs do not have the capacity to prepare proper business plans, proposals, and feasibility/market studies.

- iii. Lack of financial inclusion and weak use of banking and financial services: UNDP Survey reports that only 1% of micro enterprises, 2.6% for small enterprises, and 16% of medium enterprises covered in the survey had bank accounts.
- iv. Lack of skilled human resources: Brain-drain mainly due to conflict, security challenges and lack of economic opportunities, and weak education system led to loss of human capital over the last three decades.
- v. Security and lack of political stability: security challenges play a leading role in increasing risks of doing business, deterring domestic and foreign investment, and disrupting business and market functions. Lack of political stability which impacts regulatory and policy framework increases the risks and costs of doing business for the private sector.
- vi. Weak macroeconomic framework: the macroeconomic framework in Iraq is weak and policies are mostly reactionary. Both fiscal and monetary policies are closely tied to volatile international oil prices. There is a lack of stability and consistency in crafting macroeconomic policies. Additionally, macro policies are not particularly designed to stimulate private sector led growth.
- vii. Weak infrastructure: Conflict and weak fiscal stance leading to decline in investment in public infrastructure resulted in deteriorating an infrastructure that was once considered among the best in the Arab region.
- viii. Weak linkages with and insufficient knowledge of global and regional markets: apart from the oil sector, both private sector and State-Owned Enterprises (SOEs) are mostly catered to domestic market and lack linkages to global supply and value chains.
- ix. Overreliance on oil revenues led to the dominance of the public sector, which in turn has prevented the emergence of a vibrant private sector. Most State-Owned enterprises are loss-making and rely on the state for their funding, through budget direct transfers and indirect subsidies. Yet they continue to enjoy special privileges and increasing role in the economy.
- x. Corruption: widespread corruption hinders business development as businesses are not operating in a plain level field and suffer the added costs of corruption in all business processes. Corruption is pervasive in every step of import, quality control, and transport of goods. Nearly all firms interviewed identified corruption as a major challenge.
- xi. Informality of private sector due to reluctance to go through a bureaucratic registration process and irrelevance and lack of incentives related to the registered status.
- xii. Digital challenges: albit the heavy reliance on mobile phones, knowledge, and utilization of internet in doing business and e-commerce is low. Digital literacy is particularly weak among both employers and employees. This was clearly identified by the over 75% of firms surveyed by UNDP MSME survey as well as firms interviewed during the course of the development of this document. A few initiatives by banks and telecommunication firms however have started, introducing mobile money, mobile payment services and other online services over the last few years.
- xiii. Narrow market in terms of demand and business opportunities, MSMEs' dependence on the local market, poor marketing capabilities and weak export-oriented base and lack of awareness on trade opportunities.

Electronic transactions in Iraq are regulated under the E-signature and E-transactions Law. However, online and fintech businesses are not regulated as such in Iraq and are not legally considered as businesses unless they have a physical office address in Iraq. Fintech industry in Iraq covers a limited range of sub-sectors, such as mobile and electronic payments and telecommunications. Other tech areas such as online shopping, trading and electronic services, and smartphone applications remain underdeveloped, particularly in suburban and rural areas. Iraqi banks also provide fintech services and operate, based on a license from the Central Bank of Iraq. The low usage of electronic payments makes the expansion of fintech companies challenging. FinTech's in Iraq do not yet constitute a competitive threat to institutions offering traditional financial services. Authorized electronic payment service providers rely on banks to facilitate client access to certain products, such as loans, which are credited by banks directly to customers' credit cards.

The impact of COVID-19 and the Russian-Ukrainian conflict have exacerbated the above-mentioned challenges. The private sector operating in the informal economy was disproportionately impacted. A drop in oil prices directly impacts the fiscal balance and prompts the government to reduce spending which impacts the private sector that depends heavily on government procurement. At the same time, firms that rely on the oil sector for contracts in construction, logistics and security are also adversely impacted. Meanwhile, the long lockdown during COVID-19 led to a significant drop in sales and revenues. Disruption in supply, shipping, and transportation chains due to COVID-19 and the conflict in Ukraine increased costs of operation for Iraqi private sector. These hardships have led to the expansion of informal labor activities in many sectors. It is also important to note that Iraqi private sector operates in an environment of multidimensional fragility (economic, security, political, environmental, and societal) which translates into uncertainty, high risks, declining competitiveness and increasing opportunity costs. As a result, the private sector's contribution to growth, employment generation, and economic diversification is low and lacks sustainability.

1.3. The challenges facing engagement of Iraqi private sector in SDGs

For the implementation of the 2030 Agenda, the private sector is considered the main partner in localizing, achieving, monitoring, and reporting on progress towards the SDGs. Currently, Iraqi private sector, large or small, have not fully committed to the SDGs at the national level, and lack the awareness of the SDGs. Interviews conducted with private sector firms revealed that except for large international firms operating in Iraq, such as Zain Telecommunication Enterprise, private sector firms lack basic awareness of what the SDGs are. There is a wide misconception that sustainable development is only about climate change mitigation related issues. Another misconception, private sector firms tend to reduce private sector engagement in development to Corporate Social Responsibility (CSR) and equate CSR with ad-hoc community-level charitable initiatives. The concept of social responsibility and the role of community initiatives to support the Goals is not clear to Iraqi private sector. Almost all the firms interviewed by the author, when asked to rank SDGs in terms of importance to the firms, indicated that they are not familiar with these Goals.

There are, however, scattered, and scarce initiatives that support and/or contribute to SDGs in the areas of renewable energy, women empowerment, entrepreneurship, employment generation, TVET and food security. Key examples of these initiatives are outlined in section 2.1. Most of these initiatives are conducted by large, mostly international, firms. In addition to the lack of awareness of the SDGs and their importance, the lack of coordination mechanisms and capacity are the root of low private sector engagement. While big, more often international companies have advanced in the use of environmen-

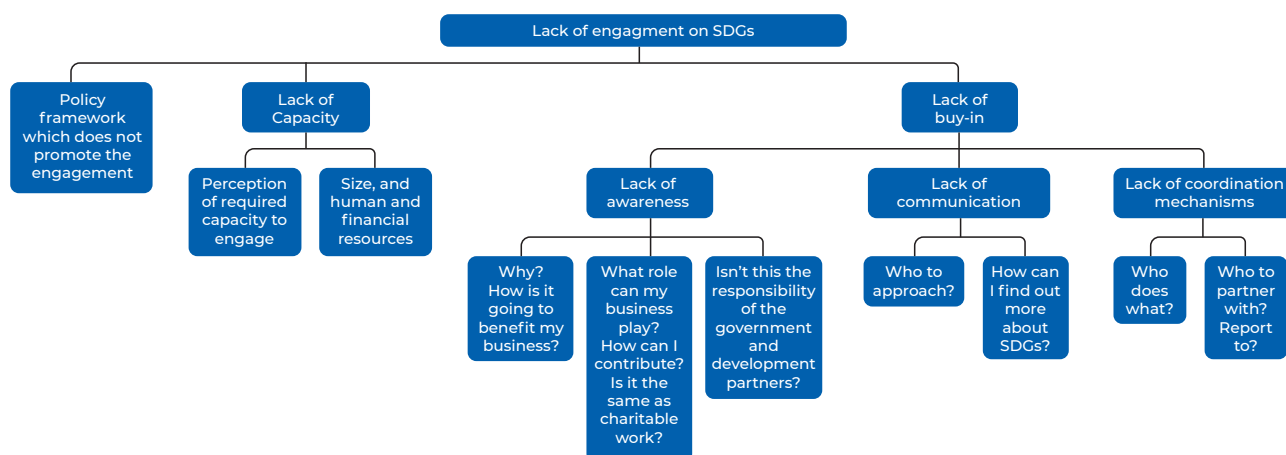


tal and social standards and certifications, national firms rarely use the international standards. The major obstacle in attracting the private sector in Iraq to contribute to the SDGs remains to be securing buy-in through a clear message that explains why it is beneficial for them to engage and work towards achieving SDGs. Expectedly, private sector firms in Iraq are concerned with profit maximization, risk reduction and increasing market share. The contribution and positive impact that engagement in SDGs will have on these objectives are not clearly understood. UNESCWA points out that many private sector companies operate in the “survival mode” and are not considering any engagements that involve money spending

For micro, small, and medium size enterprises, lack of capacity and widespread informality presents the main challenges to engagement, due to the lack of accurate data on firms in the informal sector as well as the private sector often overestimates the required resources to play an active role in achieving SDGs. While the size and lack of financial and human resources will indeed constrain the nature, the scope and the level of engagement, innovative approaches to engaging MSMEs as both contributors and beneficiaries can be devised. It is possible to devise different roles and levels of engagements based on size and capacity, whereby there is always a room for and type of engagement no matter how small the business is. Active engagement may as well encourage these firms to move into the formal economy and realize the potential for growth.

For engaging large enterprises, the key challenge is the lack of buy-in, partially due to lack of awareness, or wrong perception about the role of private sector in SDGs vs. the roles of government, CSOs and international organizations. The private sector is, understandably, preoccupied with conventional business functions and priorities, such as finance, revenues, profits, costs, and market share. The main priority of the firm is to maximize profit, manage risks and enhance market share. Private sector often lacks the awareness of where SDGs fit in their priorities and how it can contribute to boosting profits and market share, bringing sustainable and innovative solutions to conventional business problems and opportunities for advancing business interests. The private sector often lacks the knowledge of how to engage in, contribute to and/or report on SDGs. Additionally, there is a lack of culture of corporate responsibility, engagement in public good, trust in the government and coordination and communication with government and international organizations, as well as a complex and challenging business environment. It is also important to note that the policy framework in Iraq does not specifically promote engagement of the private sector in SDGs. The Private Sector Development Strategy 2014-2030 which is the main document that guides the government policies with regards to private sector development was formulated in 2014 before the adoption of the SDGs and mainly focuses on supporting and creating an enabling environment for private sector growth in the conventional sense with no reference to SDGs.

Figure 1.1 Private sector engagement problem tree



1.4. Review of government policies and strategies on private sector development

The need for private sector development is recognized by the Iraqi government and is reflected in several key policy documents.

National Development Plans: The government of Iraq and the Ministry of Planning have been working closely with the UN and the international donors on the National Development Plans (NDPs) covering the period between 2005 and 2022. Iraq has published five NDPs covering the periods 2005-2007; 2007-2010; 2010-2014; 2013-2017 and the latest 2018-2022. They have all prioritized the role of the private sector as a partner in development as well as the need to create an enabling environment for private sector growth. Estimates of the private sector's contributions in development finance varied according to each plan. The 2010-2014 development plan was the most ambitious and estimated a contribution of up to 46 percent of total planned investment, which was decreased to 21 percent in the 2013-2017 Plan. The 2018-2022 NDP was supported by UNDP and was the first plan to integrate SDGs. It was a result of broad consultations with various stakeholders, including multisectoral experts, technical teams, private sector, and NGOs. The plan emphasizes the private sector development as "a key anchor for development." The 2018-2022 plan is aligned with SDGs targets and indicators using UNDP's Rapid Integrated Assessment Tool. The reforms proposed in the NDP 2018-2022 are framed in the context of mobilizing private investment towards the enhancement of sectors that contribute to sustainable development. The NDP is usually criticized for the lack of concrete initiatives and mechanisms that clearly outline how to manage the implementation challenges, such as the deterioration of the investment climate, the lack of access to finance, the distortion of sectoral structure, and foreign trade imbalance. The NDP does not explicitly elaborate on how to engage private sector in SDGs or how to integrate it into the development process, monitor its contributions or measure their impacts. The NDP 2018-2022 is complemented by Iraq Vision 2030 and several sectoral policies.

Iraq Vision 2030: Sustainable Development Goals (SDGs) are integrated in the Vision and the private sector is placed at the core of its strategy aiming at expanding "the private sector's participation, encouraging local and foreign investments and building national companies which support and expand diverse economic activities."

White Paper for Structural Reform, 2020: The document lays out the plans for transforming Iraq's economy while focusing on mitigating the impacts of COVID-19 and declining oil prices in 2020. Several proposed reforms include public finance, infrastructure, legislative amend-

ments, governance, and e-government measures. The main objectives of the White Paper relate to financing the budget deficit and creating a long-term plan to address structural economic problems, aiming to place the country on a private sector-driven economic growth path. The White Paper proposes the following initiatives to support private sector:

- Financing private sector projects through establishment of a fund to be supported by government agencies and private banks and allocating part of external grants for this fund.
- Issuing bonds by Ministry of Finance to support the Iraqi economy, in dollars and dinars, for 5.0 trillion dinars, subject to increase.
- Expanding partnership programs between the public and private sectors, by enacting the partnership law between public and private companies (PPP law).
- Strengthening product and consumer protection policies through control over border crossings, and developing dynamic import tariff policies, standardization, and quality control procedures.
- Simplifying private sector's operation in the areas of starting business, i.e., business licenses, and decentralized company registration, according to a comprehensive database.
- Amending the key laws related to the economy and business, such as the Companies Act, Insurance Act, and the Insolvency Act, with the aim of improving the business environment and updating the relevant legal framework.
- Making payment of the outstanding dues accrued after 2014 to the private contractors of government project, farmers, and independent power projects (IPP) investors and any other payments due to the local private sector, as well as compensation to the Property Claims Commission.

The White Paper's implementation is closely monitored by the international development agencies. According to the recent reports the progress in implementation has been slow. Regarding private sector development, the noticeable achievement is the launch of On-line Single Window platform for a one-stop business registration for Baghdad residents, which utilized the United Nations Conference on Trade and Development's (UNCTAD) digital solutions platform and implemented by the Global Entrepreneurship Network.

Private Sector Development Strategy (PSDS) 2014-2030:

The strategy is set out to stimulate growth and create jobs through diversifying the economy, supporting the private sector, and creating an enabling environment for its growth and promoting investment. It is the key strategy for private sector development in the country with the four-pillar approach to address and find solutions to the private sector's needs. The phased timeframe covered the periods from 2014-2017, 2018-2022 and onwards until 2030.

- Pillar I: Understanding the Private Sector (to make accurate information on the formal and informal private sector available to the Government and private sector for strategic planning and decision making purposes through surveys of formal and informal private sector; information systems for Government and private sector stakeholders; network of local business registration centers; capacity-building of government and private sector on ways to use information during planning, executing, tracking and reporting on the progress).



- Pillar II: Improving the Business Environment (to streamline policies, laws, regulations, and procedures that foster private sector development; improve access to finance for private businesses; have incentives in place for increasing production and innovation, businesses' registration, private investment, and employment; strengthen quality control, quality assurance, certification, and licensing systems).
- Pillar III: The SME Development Programme (to improve SME productivity and competitiveness and to involve the private sector, including SMEs and larger companies, in State-Owned Enterprises' restructuring and corporatization through advisory, counseling, business planning, training and networking services to SME; establish a Fund to provide seed capital, soft financing and loan guarantees for the private sector; initiate a special programme to create business opportunities for the private sector, industrial zones, business incubators, business development centers; establish a special unit too increase job opportunities for women and to enhance awareness).
- Pillar IV: The Implementation, to ensure the efficient and timely implementation, in 2021, the Ministry of Planning established the establishment of Private Sector Development Council, Planning, Research & Implementation Unit, a National SME Agency and a Monitoring and Evaluation (M&E) unit.

Iraq Industrial Policy & Investment Promotion Strategy 2018

:the strategy focus on promoting the industrial and energy sector as the main engine for growth and employment generation in Iraq. It does integrate SDGs to a great extent. It includes elements of enhancing private sector contributions to specific SDGs, including employment and income generation, poverty reduction, renewable energy and sustainable production and consumption. However, the main focus remains to stimulate, and create enabling environment for, private sector growth in the industrial and energy sector and enhancing private sector's contribution to these SDGs is byproduct.

Some progress has been made in terms of implementation, but it has been slow due to the absence of clear roles and responsibilities for implementing agencies and partners, implementation commitments and coordination mechanisms.

It is important to note that The Private Sector Development Strategy was formulated before the adoption of the SDGs and therefore does not address link support to private sector to SDGs nor it attempts to enhance the engagement of private sector in SDGs.

There are also sectoral policy documents that address the private sector development in Iraq within sectors. These include the Decent Work Country Programme (ILO) (2019-2023), the National Action Plan for the implementation of UNSCR 1325 (INAP) (2021), Nationally Determined Contributions of Iraq (2021), National Education Strategy (2011-2020), the Technical and Vocational Education and Training (TVET) National Strategy (2012-2022); the Integrated National Energy Strategy 2013-2030, Strategic Plan of Ministry of Agriculture (2015-2025), Poverty Reduction Strategy (PRS) 2018-2022, the Food Security Strategy (2019), the Strategy for Water and Land Resources (SWRLI)(2014), and the National Strategy and Plan of Action for Protecting the Environment in Iraq (2012-2017).

Anti-corruption oversight in Iraq is with the Board of Supreme Audit (BSA). Iraq is a party but not a signatory to the UN Anticorruption Convention. Iraq is not a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

2. Mapping of existing private sector engagement and support

2.1. Mapping of existing private sector SDGs related initiatives

As mentioned in Section 1, most private sector SDGs-related initiatives are conducted by large firms. Some international firms operating in Iraq, such as Zain Telecommunication, have a systematic approach with a dedicated responsible department, CSR annual plan, budget; utilize the Global Reporting Initiative (GRI) standards, and align reporting to the UN reporting lines (for example, the United Nations Guiding Principles (UNGP) on Business and Human Rights Reporting Framework and the Task Force on Climate-Related Financial Disclosures (TCFD)). Large Iraqi firms, such as Asiacell, have ad-hoc SDGs related silo initiatives that fall under CSR, mostly in the form of financial contributions, sponsorships, or donations with presumably no dedicated annual budget but with consistent reporting on the achievements that do not have clear KPIs. The following are some key examples of existing SDGs-related initiatives conducted by firms that were interviewed:

Zain Telecom company:

In 2021, Zain Telecom company launched the Women in Tech program across its operating markets. The program targets young female graduates with specialization in STEM (Science, Technology, Engineering and Math). The program focuses on providing technical training for the selected candidates to prepare them for work in their field and increase their employability. The training includes mentoring that develops interpersonal and soft skills, as well as exposure to new ideas in business development. By creating successful matches, the program aims to enable future generations of females to enter the High-Tech field with the promise of becoming changemakers in the industry. Around 124 women were selected out of 500 applicants. The program helped the graduates to find jobs or internship opportunities in the field. In Iraq, the program provided paid internship at Zain for 10 participants and resulted in the employment of additional 7 participants.

Asiacell Telecom Company:

In September 2021, Asiacell funded the installation of 8 soil moisture equipment at Goizha Mountain of Sulaymaniyah city. They were installed by the Civil Development Organization (CDO) at Goizha Mountain to measure the ratio of moisture at the location where over 22 thousand trees were planted on the area of 50 hectares of Goizha mountain (Afforestation Project by Asiacell). The trees were planted to maintain the green environment of the mountain. The project provided work opportunities for over 450 employees.

ASAS Platform (ASAS) is the latest platform designed by Asiacell to target young entrepreneurs. It is a digital portal that encompasses all the initiatives created by Asiacell and its partners. The platform offers an array of resources spanning business development, self-development, and educational initiatives in an accessible, user-friendly interface. It is updated regularly to share information with the users about workshops and related activities run by Asiacell and its partners. UNDP, KAPITA (Iraq's Private Sector Development company), the Station (Iraq's coworking space and the Foundation for entrepreneurs), Orange Corners Innovation Fund are among Asiacell's partners that are hosted in one place to allow youth to choose the programme that fits their needs at their convenience.

TotalEnergies: In September 2021, TotalEnergies, the Iraqi Ministries for oil and electricity, and the country's National Investment Commission signed major agreements covering several projects in the Basra region, designed to enhance the development of Iraq's natural resources to improve the country's electricity supply. TotalEnergies with the support of the Iraqi authorities, is investing in the following projects:

- The construction of a new gas gathering network and treatment units to supply the local power stations, with TotalEnergies also bringing its expertise to optimize the oil and gas production of the Ratawi field, by building and operating new capacities.
- The construction of a large-scale seawater treatment unit to increase water injection capacities in southern Iraq fields without increasing water withdrawals as the country is currently facing a water-stress situation. This water injection is required to maintain pressure in several fields and as such will help optimize the production of the natural resources in the Basra region.
- The construction and operation of a photovoltaic power plant with a capacity of 1 GWp to supply electricity to the grid in the Basra region.

These projects represent a total investment of approximately US\$10 billion (100% share).

Al-Moosawi Group and its subsidiary Al-Qura Co. for engineering and Contracts: The company built a hospital in Basrah as an CSR initiative. The hospital, which currently covers its own operation costs, provides medical services to low-income people in the community and operates as a non-profit establishment. The company also launched Al Taawood organization, a non-profit organization that works on women's empowerment, through providing TVET and entrepreneurial training women entrepreneurs and MSMEs. The group and its subsidiaries have modest annual financial allocations for CSR.

Private Sector Associations: Private sector associations in Iraq have some ad-hoc initiatives, often in collaboration with their members, international development partners and/or UN agencies. The Business Union of Iraq conducted studies on topics such as poverty reduction and employment generation. The union also contributed to TVET and the training of young people with the consequent employment by the union's member firms. The union is active in employment schemes that secure the employment of new graduates by its members. The union is engaged in charitable work by collecting donations, clothing, and food to support local communities and Internally Displaced People (IDP). Through its members, the union provides disaster risk management in the events of floods.

The Baghdad Chamber of Commerce, among other activities, recently signed a cooperation agreement with the International Finance Corporation (IFC), through which IFC and the Chamber will provide training in business management and entrepreneurial skills for Iraqi women entrepreneurs and SMEs. The programme targets four hundred and fifty (450) women by the end of 2022. This is one of several steps that the Chamber has taken to implement its vision to upscale support to private sector and pioneering projects, particularly women.

2.2. Mapping of current UNDP engagement with private sector in Iraq

UNDP MSME Surveys. In 2021, the Ministry of Planning's Central Statistical Organization (CSO) in partnership with UNDP and with funding from the United States Agency for International Development (USAID) has conducted a study on Micro, Small, and Medium-Enterprises (MSMEs) in Iraq. The Survey covered the three governorates of Baghdad, Basra, and Nineveh. The survey presented a comprehensive analysis on MSMEs' structures, trends, business dynamics, challenges and opportunities through up-to-date, reliable, relevant market information and analysis. In February 2022, UNDP Iraq, and the Kurdistan Regional Government's Ministry of Planning (MoP) initiated a cooperation to conduct a survey of MSMEs, that follows the survey conducted in Federal Iraq across Baghdad, Basra and Ninewa. It will cover all governorates of the Kurdistan Regional Government (KRG): Dohuk, Erbil, Halabja and Sulimaniyah. Despite the limited coverage, the

surveys provide a good basis for guiding policies and programmes to support and create enabling environment for private sector growth. It is highly recommended to replicate the survey to include all regions of Iraq as well as large and multinational firms to provide full coverage of private sector landscape in Iraq. It is also recommended to conduct a follow up diagnostic study with an SDGs lens to identify challenges and bottlenecks that inhibit private sector growth and engagement in SDGs.

UNDP-Shell Partnership (2012-2016), budget: US\$7,932,202. In 2012, UNDP signed a four-year Basra-focused partnership agreement with Shell Iraq, consisting of two main components: the Local Area Development in communities surrounding the Shell-operated Majnoon Oil Field in the north of Basra Governorate (LADP Majnoon); and the Micro, Small, and Medium Enterprise and Vocational Training Programme (MSME/VT) to build the capacity of the local workforce and small and medium enterprises in the oil and gas sector in Basra.

Key Results:

- *LADP Majnoon component:* 13 small businesses established in Basra's oil field communities; 3 primary schools rehabilitated and 4 playgrounds constructed in Basra; 2 development plans prepared for Al Nashwa and Al Dair sub-districts; 90 is the total number of oil field communities were consulted to identify developmental needs and community profiles in the Governorate; 219 participants from Basra received training on business and entrepreneurship topics, English language and Health, Safety and Environment training, and vocational training; Vocational training to 30 unemployed youth from March to May 2014; Assessment of challenges facing date palm production, marketing, and sale in Basra, over the period of January to March 2014.
- *MSME/VT component:* Capacity building workshops in 2015 for 94 staff members from the Government's South Oil Company and contractors working for Shell Iraq, in Basra (English language training and Health, Safety and the Environment (HSE) courses); Training of Trainers (ToT) courses to 95 participants from Basra in September and October 2012 (courses included contract management and procurement, entrepreneurship and leadership, and health, safety and the environment).

UNDP/EU Innovation for Development Initiative (2015-2018), budget US\$300,000. In 2015, UNDP started the Initiative as a pilot project, in partnership with Zain Telecommunication Company, to promote business and social entrepreneurship, through Design Thinking and the Business Model Canvas, in addition to volunteerism amongst young people in Iraq. In 2016, the European Union (EU) adopted the UNDP Innovation for Development Initiative in Iraq, under the Local Area Development Programme (LADP).

Key achievements:

- Organization of the Innovation for Development Forum 2015 in Baghdad with over 300 participants, including representatives of both the private and public sectors.
- 11 potential partnerships were announced during the 2015 Forum. 17 out of 68 teams were selected to present their innovative proposals to an evaluation committee whose members represented the private sector, the Federal Government, and non-governmental organizations.
- Three workshops were organized in Baghdad, Basra, and Erbil to build the capacity of dozens of young people.
- 100 young potential entrepreneurs (65% males and 35% females) were trained on innovative approaches to development.
- Online members of the Youth Café (youth-led social media forum and online outreach and mobilization tool) have reached 20,000.

UNDP Innovation for Development Project (2018-2020), budget US\$420,000. The project aimed to upskill individuals (young women and men) and institutions in the field of innovation, entrepreneurship, and the SDGs.

Key results:

- A training manual in the fields of innovation, entrepreneurship, and business to gain an insight into the entrepreneurial ecosystem in Iraq, and support youth to develop their own projects.
- An online platform for youth and entrepreneurs to interact with other stakeholders of the ecosystem (private and public sector), provide them with online courses, information and knowledge about entrepreneurship and job opportunities in Iraq.
- Two simulation games aimed at training youth in how to engage with the entrepreneurship ecosystem in Iraq using real life scenarios that face startup businesses and entrepreneurs.
- The Youth Leadership Program (YLP) builds a dynamic network at the intersection of youth, innovation, and sustainable development. Over 800 participants were trained and introduced to a set of tools that help them to identify local problems, find solutions and build prototypes using Design Thinking Methodology. Many of them went on to develop their ideas into successful startups.

UNDP Iraq Crisis Response and Resilience Programme (ICRRP) (2014-2021), budget US\$182.1 million. ICRRP supported the displaced populations and host communities across Diyala, Dohuk, Erbil and Sulaymaniyah by rehabilitating the infrastructure through 4 components: basic services, livelihoods recovery, protection, and social cohesion. Under the component “Livelihoods recovery,” there were activities that targeted the private sector development. In 2019, ICRRP provided capacity-building support to the Erbil Chamber of Commerce and Industry (ECCI) fostering public private sector engagement and the development of a preliminary Action Plan for Private Sector Growth in the KRI. ICRRP supported a business forum Private Sector Development: *Toward the Diversification of Local Economies in the KRI*. The forum engaged 160 individuals from the private sector, finance, government, NGOs, and UN agencies in three roundtable discussions aimed at brainstorming solutions to persistent barriers of private sector development in KRI. Additionally, ICRRP introduced the preliminary findings of a Solid Waste Management Assessment. 150 individuals from the private sector, finance, government, NGOs, and UN agencies attended, including the acting Minister of Municipalities and Tourism, and the Deputy Governor of Erbil. The assessment of the existing value chain identified two major entry points for UNDP Iraq to consider for future livelihoods recovery support for the KRG.

UNDP, Rehabilitation of the Vocational Training Center in Ramadi, 2019. Its main building and 14 workshops were rehabilitated and equipped. Since its reopening in 2019, more than 2,000 Iraqis have been trained through the Center. The rehabilitation and equipping of the Vocational Training Center in Ramadi were implemented by UNDP Iraq’s Funding Facility for Stabilization (FFS). The rehabilitation was funded by USAID, while the supply of IT equipment and furniture was supported by the Federal Republic of Germany, provided through KFW Development Bank.

UNDP Iraq and Asiacelell, MOU, 2021. Asiacelell and UNDP signed a two-year Memorandum of Understanding (MoU) to cooperate (i) supporting young entrepreneurs and start-ups in developing innovative solutions to local challenges alongside UNDP Iraq’s Accelerator Labs. (ii) supporting an online platform to connect entrepreneurs with potential investors; and (iii) promoting opportunities for long-term, sustainable youth employment.

2.3. Mapping of active development partners engagement with private sector in Iraq

Other United Nations Agencies and development partners implement a number of private sector development programs and projects. The projects are very targeted and have concrete firsthand elements. Some of them are indicated below:

United States Agency for International Development (USAID) is extensively involved in private sector development in Iraq and has a number of successful programs and projects.

Iraq Durable Communities and Economic Opportunities (Dceo/Tahfeez) Project that supports micro, small, and medium-sized enterprises (MSMEs) to develop local business associations and networks, identify barriers to growth and trade, and advocate collectively for policy changes to improve the local business environment. The project timeline is 2019-2024 with the budget of US\$126 million.

The Funding Facility for Economic Reform supports the Federal Government of Iraq and the Kurdistan Regional Government's efforts to design and implement economic reforms that respond to citizens' demands for more responsive public financial administration, greater financial stability and market diversity, and improved integrity and transparency.

Iraqi Governance and Performance Accountability (IGPA/Takamul) project provides individualized business development services to SMEs to boost their access to different markets and attract new private sector investment opportunities.

Ignite program provides incubation services and/or support that will accelerate the growth of the businesses. The Tech Incubator trains young Iraqi entrepreneurs to start and manage successful businesses in a collaborative environment where specialists and business leaders serve as mentors. At the end of the program, entrepreneurs create a fully functioning prototype of their business.

Middle East and North Africa Investment Initiative (MENA II) supports businesses in Iraq with access to capital investment and business development services to improve firm-level competitiveness, grow their revenue and create jobs.

New Partnerships Initiative (NPI) supports the Iraqi firm Top Mountain to promote entrepreneurship, improve Iraqis' employability, and job readiness through a wide array of initiatives including a business incubator and a youth-focused employment program.

German Federal Ministry for Economic Cooperation and Development (GIZ)

PSD Project Private sector development and employment promotion/economic (re-)integration of young people, timeframe 2017-2024. The project links interventions at the policy level with measures to improve the service provision of key stakeholders (e.g., line ministries, training institutions and chambers) through economic policy advice to consolidate the ability of the government partners to develop fact-based economic policy-making, to foster public-private dialogues, to engage business associations, civil society organizations and academia as well as to promote business integrity. The project also works to promote the delivery of support measures to jobseekers and entrepreneurs through labour market-driven skills development, job placement measures, entrepreneurship development and advisory services for micro, small and medium-sized enterprises (MSMEs).

International Labor Organization has launched a national Labour Force Survey in collaboration with Iraq's Ministry of Planning and the Central Statistical Organization (CSO) in March 2022. The survey presents estimates at the national, governorate, urban and rural levels and covers a broad array of indicators on the labour market and demographic characteristics of residents in Iraq. The CSO and the Kurdistan Region Statistics Office (KRSO) conducted a similar Labour Force Survey in 2021, with technical and financial support by the ILO.

World Bank in Iraq focuses on banking and governance reforms, private and public partnerships. In 2021 WB conducted the Informal Sector Enterprise Survey in Iraq covering four major cities in the country: Baghdad, Basra, Sulaymaniyah, and Najaf. The surveys were designed to mirror the standard World Bank Enterprise Surveys, which usually cover the formal sector. The surveys were tailored to help understand the conditions in which informal businesses operate.

Baghdad Water and Sewerage Improvement Project, timeline 2017-2023, budget US\$210 million. The sectors: sanitation, water supply, water, sanitation, and waste management. A three-component project includes institutional strengthening of urban water management and utility management and creating an enabling environment for private sector engagement; investment in drinking water supply and wastewater infrastructure; and technical support to the project management unit (PMU) in the Mayoralty of Baghdad.

Electricity Services Reconstruction and Enhancement Project, 2019-2024, budget US\$200 million. The project indirectly supports the increase of participation of the private sector in electricity services. The project's objective is to improve the reliability and operational and commercial efficiency of electricity services in Basra.

International Finance Corporation (IFC) focuses on infrastructure, gas capture and renewable energy. It also explores investment opportunities in financial markets, manufacturing, and agriculture. In 2021, IFC brokered a five-year, US\$360 million loan to Basra Gas Company to help improve energy access, prevent associated greenhouse gas emissions, and support a more resilient and sustainable energy sector. The project supports Iraq's transition to a lower carbon path and helps the country meet its growing power needs. In addition, IFC led US\$125 million financing package for a modern shipping terminal in Umm Qasr Port in Basra, Iraq's largest port, one of the largest non-energy-related FDI investments in the country to date. The new terminal is expected to significantly reduce vessel turnaround times, boost trade, and enhance the country's connectivity to global markets. IFC works on capacity building for banks and financial institutions, including small- and medium-enterprise banking, digital financial services, and risk management and corporate governance. In 2017 IFC launched the Kurdistan Institute of Directors (KIoD) alongside the Erbil Chamber of Commerce and Trade. It provided corporate governance advisory services to help strengthen the role of independent directors and boards in Iraq and raise awareness of best practices. As the outcome, corporate governance services were provided to six Iraqi companies, including Salaheddin Holding, nine educational events were conducted, reaching about 447 participants, and building the capacity of 16 Iraqi trainers. IFC also partnered with the Women Empowerment Organization to conduct corporate governance training for current and potential female directors and businesswomen to equip them with the needed skills to effectively succeed in their roles. Fifty-one women participated in the different trainings, and 35 women participated in a training of trainers' workshop.

UNCTAD signed an agreement in 2021 to implement a project to promote trade and development in Iraq through modernizing and automizing customs and improving its international business ratings, using UNCTAD's Automated System for Customs Data (ASYCUDA).

International Trade Centre (ITC): Strengthening the agriculture and agri-food value chain and improving trade policy' (SAAVI) project. The five-year project (2020-2025), budget of EUR 22.5 million is funded by the European Union. Implemented by ITC in close collaboration with the Government of Iraq and other local partners through building productive and commercial agricultural value chain analysis, introducing upgrades in the production and marketing systems through capacity building to farmers and firms, the provision of a wide range of business development services, and technical agriculture training. The project will also build the capacities of micro, small, and medium enterprises and broaden the knowledge and skills base for youth including training on entrepreneurship and business skills. Through SAAVI, technical and vocational skills programmes are also strengthened to better match the needs of the private sector.

International Organization for Migration (IOM) ran the Enterprise Development Fund (EDF), a financing mechanism implemented by IOM in Iraq that provides small and medium enterprises (2 to 30 employees) with grants to contribute to their recovery and/or expansion. It was piloted in 2018 in Mosul before being expanded to various locations in Iraq as of 2019. The financial grant is based on an evaluation of needs and the potential for job creation. The EDF methodology can easily be adapted and tailored to the needs of specific groups of interest businesses, including for returnees and other groups supported by IOM in Iraq, and a business plan.

Japan International Cooperation Agency (JICA) is providing infrastructure development loans (electricity, water supply, transportation), and associated capacity development and training assistance for Iraqi labor force. The recent two-year project "Capacity Development Project for Agriculture Research and Extension" targets the development of human resource in the agriculture sector in Kurdistan to improve research planning, implementation, and operational capacity of Agriculture Research Stations.

Iraqi Middle Market Development Foundation (IMMDF) is initiative of the United States Government and with the support of Overseas Private Investment Corporation (www.opic.gov), to finance projects of Iraqi private small and medium-size enterprises through loans to generate employment and economic growth in Iraq (SMEs).



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



3. Private sector engagement strategy

3.1. UNDP's Global Private Sector Development and Partnership Strategy

UNDP's Private Sector Strategy seeks, in partnership with governments, civil society and businesses, to ***make markets work for the SDGs*** with an emphasis on inclusion of the poor and marginalized communities. It seeks not only to enhance the private sector's role as a vital actor in advancing the SDGs but also to promote the adoption of the SDGs as the main framework for private sector strategies and operations so that all business outputs are contributing to the SDGs. This strategy builds upon UNDP's longstanding adoption of a market system approach, which is also the main basis for work on private sector development and partnerships championed by a few other international agencies. The strategy puts forward an integrated approach to engaging in private sector on three levels of engagement:

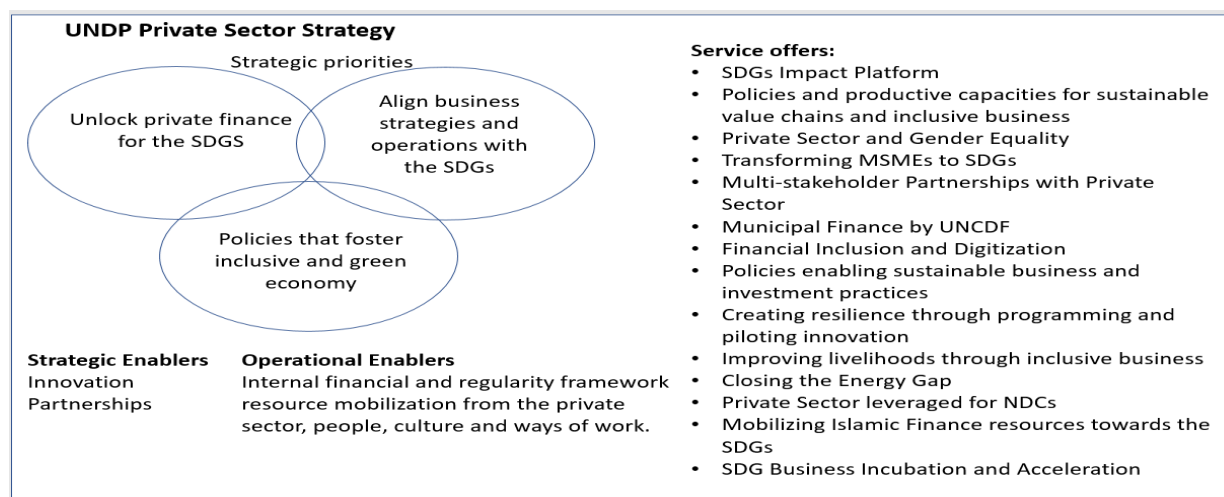
Macro Level: working on the ***upstream*** (e.g., policy level)

Meso Level: working on the ***mid-stream*** (e.g., market services, trade, sectors, and institutional support)

Micro Level: working on the ***downstream*** (e.g., business, and productive capacities)

UNDP's strategy is set out to advance its vision translated into three strategic priorities facilitated by two strategic enablers and three operational enablers through a suit of service offers (Figure 3.1). The private sector strategy is fully aligned with the three development outcomes and six signature solutions of UNDP's Strategic Plan (2018-2021), and, hence, can be adapted, selectively however, to every country and development context.

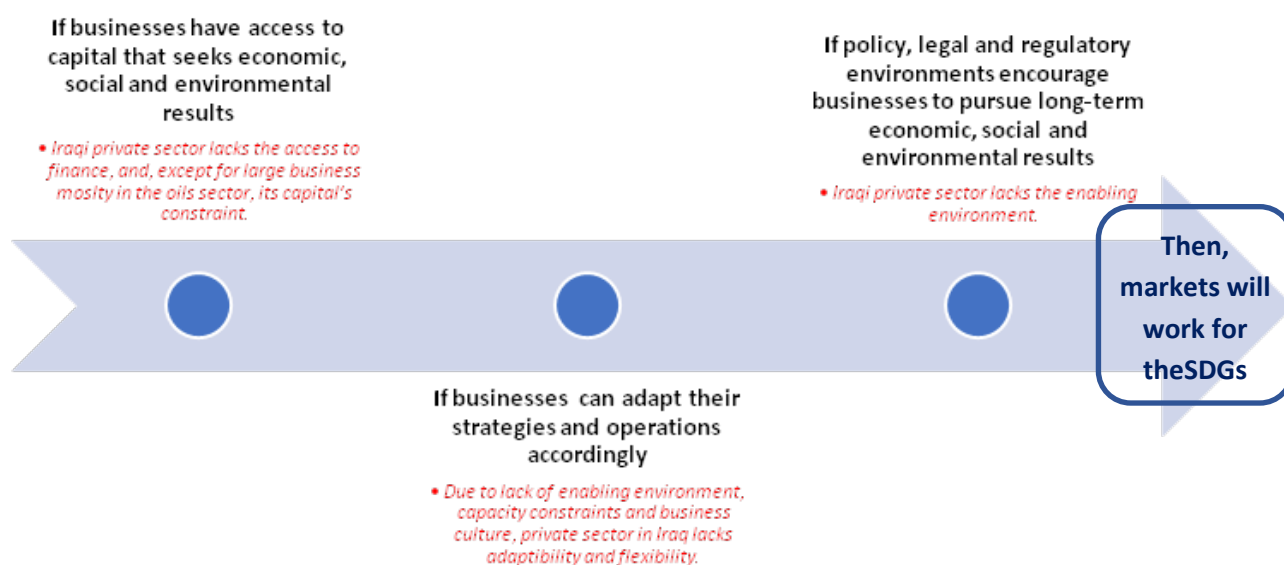
Figure 3.1 UNDP Strategic priorities, operational and strategic enablers, and service offer



Source: UNDP Private Sector Strategy 2018-2022

Following the logic of the UNDP global private sector engagement strategy starting at its underlying theory of change, we find that the private sector in Iraq is lacking, to different extents, on all three hypotheses (Figure 3.2).

Figure 3.2 UNDP's private sector strategy 2018-2022: theory of change



Source: adapted from UNDP Private Sector Strategy 2018-2022.

3.2. Private sector SDGs engagement strategy in Iraq: Overarching approach and guiding principals

Luckily, albit the modest progress, Iraq's development strategies and plans and particularly its Private Sector Development Strategy are set to support, create an enabling environment for and tackle the challenges that inhibit private sector growth. However, the government initiatives are not linked specifically to SDGs. As such, engaging private sector in SDGs Iraq must start with unlocking its potential through the effective implementation of the Private Sector Development Strategy and other plans that cater to the same objectives in a coherent and integrated manner. Further, linking these policies and programmes to SDGs will serve dual purposes of supporting the private sector on the one hand, and enhancing its engagement in SDGs, on the other. This can go simultaneously with engaging private sector firms, or a group of firms, based on their current levels of capacities and priorities.

UNDP Private Sector Engagement Strategy recognizes the immense challenges facing private sector in a fragile development setting such as Iraq. It points out that "in fragile contexts, for example, UNDP will focus on supporting the creation of a basic enabling environment for business." Further, the challenges may be turned into opportunities through devising the needed support to private sector and creating a private sector's enabling environment that is already SDGs-oriented. The incentive structure that is normally an integral component of any support package to private sector, can be aligned to SDGs and conditional upon needed behavior change, e.g., sustainable business practices and gender equality, which will contribute to the achievement of specific SDGs targets. UNDP service offers (such as UNDP SDG Accelerator, UNDP Sustainable Finance Hub Sustainable Finance Service Offers) can be utilized to unlock the unrealized potential of private sector in Iraq while enhancing its engagement in and contribution to SDGs.

A first step should be to analyze countries' business-related policy and regulatory frameworks through an SDG lens and identify challenges and bottlenecks and needed reforms that can incentivize social and environmental returns. The analysis should be based on recent surveys conducted by UNDP, which provide extensive evidence highlighting bottlenecks and challenges at various levels. Currently, UNDP is finalizing the results of

the MSMEs Survey in Kurdistan. Since the surveys cover only micro, small, and medium enterprises, there should be a survey to cover large firms as well. Meanwhile, the work can start on devising initiatives to engage private sector firms, based on their capacities, sector of operation, size, and challenges they face, that are integrated with the Private Sector Development Strategy. The solution pathways to tackle challenges outlined in the problem tree, shown in Figure 11.1, will center around multi-approach pathways.

Sustainability is not a solo journey. It is about working together within the company, between suppliers and clients and sharing knowledge and expectations. The SDGs can be approached as a potential business opportunity and as a driver of investment. It should be treated as any business issue and the advantages of the opportunity should be explored. The obvious solution is to include sustainable practices into formal Corporate Responsibility or Sustainability projects. However, to embed sustainable development into the actual business practices requires commitment from the companies. They need to look for commercial solutions to social, economic, and environmental problems (commercial solutions like microfinance and microinsurance for MSMEs and households). Business investment and inclusive value chains help to create jobs, generate incomes, build physical and institutional infrastructure, and offer products and services that meet customers' needs and aspirations and provide a chance to contribute to SDGs. The comparative advantage of business in development is that when the core business investments, operations, and value chains are profitable, these contributions and multiplier effects are financially sustainable, and potentially scalable. Engaging private sector at the macro level entails close partnership at the policy level, which will require building trust and communication, and coordination channels between the government and the private sector. This should go beyond consultation and be a true and equal participatory approach. The private sector will be more inclined to engage and contribute to objectives and targets if it participated in their formulation. UNDP can play a vital role in facilitating and advancing private sector – government dialogue and collaboration. At the macro, meso and micro levels, engaging private sector and enhancing its contribution towards the achievement of the SDGs can take different forms and may have various levels and scope of engagement, around different engagement modes. The followings are the five modes of engagement and illustrative examples from the Arab region and around the world, additional examples are provided in the appendices. The engagement modes are not mutually exclusive, and, hence, overlapping modalities for engagement is possible.

Engagement mode A Financial contribution:

In addition to contributing to tax revenues, the private sector can participate in financing SDGs related projects through donations and Corporate Social Responsibility (CSR) initiatives. This is usually suitable for large enterprises. It can also be utilized as integrated component of government procurement and concession contracts, as a set percentage of profits, which has been experimented with by the government in the oil sector in Iraq. This is one of the modalities of collaboration with UNDP. See examples in Box 2.



Box 2 Examples of engagement mode A (CSR)

Utilizing government procurement and expenditure to stimulate Corporate Social Responsibility in Iraq:

Concessions and large government procurement contracts, which cater to large firms, may include provisions to allocate a proportion of profits to finance SDGs-oriented development initiatives under Corporate Social Responsibility Programmes. The Iraqi government has successfully piloted this approach by including a condition to allocate a certain percentage of contract to CSR in large contract in the oil sector with TotalEnergies, and it can be replicated and scaled up.

Source: TotalEnergies, <https://totalenergies.com> and information provided by Ministry of Planning and Baghdad Chamber of Commerce.

REPSOL Oil Company in partnership with UNDP, COLOMBIA

Repsol is a global oil company, present along the entire energy value chain. In 2014, Repsol worked together with UNDP on La Guajira project. The Wayuu indigenous people of La Guajira province in Colombia live in a desert region and have limited access to potable water. Repsol and the UNDP signed an agreement to conduct the Communities Benefit Plan (PBC) in the Guajira Peninsula in the north of the country. The agreement focused on measures to improve access to drinking water for the Wayuu people, including through construction of two micro-aqueducts and maintenance of four water reservoirs that benefit more than 1,600 people from 18 communities. Capacity was also built in local indigenous communities to enable maintenance of 1,200 water wells and windmills. This agreement is especially relevant because it was the first time that UNDP signed a partnership agreement with the oil industry in Colombia related to UNDP's agreement with the National Hydrocarbons Agency to ensure that the companies which sign oil contracts develop Benefits Plans for the Communities that are affected by their activities.

Source: www.repsol.com, Press release, 2014



Engagement mode B Investment:

Making new investments and re-directing existing investment to SDG-oriented projects. This can relieve the burden on the public budget, particularly in Goal 11, where projects are mostly capital-intensive and long-lasting. For instance, profitable renewable energy projects are good examples. This is more suitable for large and medium size firms but also for entrepreneurs. See examples in Box 3 and Box 10.

Box 3 Examples of engagement mode B (Investments)

Saudi Aramco, Kingdom of Saudi Arabia

In 2021, Saudi Aramco commenced development of the Jafurah unconventional gas field, representing a milestone in the Company's efforts to expand its integrated gas portfolio and support Saudi Arabia's goal to produce half its electricity from gas and half from renewables. Gas produced from Jafurah will supply cleaner energy to the domestic energy sector and provide feedstock for blue hydrogen and ammonia production. Aramco also invested in the Sudair Solar PV project, the first project under the PIF's renewable energy program and capable of producing 1.5 GW of renewable energy once fully operational.

Source: Saudi Aramco Annual Report, 2021

Majid Al Futtaim (UAE) renewable energy investment

Majid Al Futtaim is the leading shopping mall, communities, retail, and leisure space. To reduce the dependency on fossil fuels, securing supply and decreasing energy costs Al Futtaim is investing in covering a proportion of energy use through renewable sources. First, the retailer's Sustainable Building Policy requires all new projects to achieve a minimum on-site renewable energy generation of 25% of its total energy use. During 2021, Majid Al Futtaim shopping malls, communities and retail assets grew their renewable energy generation to 21.4 million kWh compared to 17 million kWh in 2020, an increase of 26%. Second, Majid Al Futtaim has partnered with Yellow Door Energy on a series of Power Purchase Agreements (PPAs). In 2021, a 17 MW solar park in Jordan became operational, providing 100% of the energy use of 35 Carrefour stores across the country with renewable supply. A second 6.2 MWp PPA was signed in 2021 with the developer, which will be the largest private solar plant in the Kingdom of Bahrain once developed. Spanning over 40,000 m², the rooftop solar plant will generate 10 million kWh of clean energy in its first year of operation for The Bahrain Mall, meeting 50% of the shopping mall's energy consumption needs, equivalent to reducing carbon emissions by 6,300 tones. Similarly, Shopping Malls business unit is embarking on a third 20-year PPA with Yellow Door Energy to provide renewable energy to 16 shopping malls across the UAE, Bahrain, and Oman. Scheduled to be completed by the end of Q1 2023, the PPA will provide more than 65 million kWh of renewable energy per year and support the business unit to reach its goal of generating 25% of landlord electricity demand from renewable sources. Moving forward, Majid Al Futtaim are actively exploring opportunities for off-site PPAs as well as other high-quality renewable, clean energy opportunities to ensure 100% of its energy consumption is supplied from renewable sources in the future.

Source: Majid Al Futtaim, ESG report 2021, <https://www.majidalfuttaim.com/en/who-we-are/sustainability-and-esg/reports>

Engagement mode C Project management: Leveraging technical expertise and experiences, private sector can deliver and manage quality projects while balancing resources' efficiency. This also includes Private Public Partnerships (PPP). A World Bank study to measure the effectiveness of private sector involvement in public utilities provision shows that there are increases in utility accessibility and improvements in service quality. This mostly suitable for large and medium size firm but may also work for some small businesses for local and community projects, which are common in Iraq. See examples in Box 4, Box 5 and Box 15.

Box 4 Example of engagement mode C: management of public utility (water)

Yerevan Water Supply, Armenia: Management or Lease Contracts

Armenia had been experiencing a deterioration of its water networks since its independence in 1991. The water supply coverage of Armenia is relatively good, but less than 15% of water connections received a continuous supply. Metering was not very prevalent and nonrevenue water levels were high. With user charges limited due to flat tariffs, operation, and management (O&M) cost recovery was less than 30%. To address these challenges, the government started its PPP program in 2000 to contract private operators in the management of Armenian water operations. The first was a PPP management contract in the year 2000 awarded for Yerevan city (with a population of 1.2 million) Yerevan Water Services Company (YWSC), the city's public water utility. The second was in 2006 awarded to Armenia Water Services Company (AWSC) for 29 towns and 160 villages outside Yerevan (with a combined population of 620,000). The third PPP contract was awarded in 2017 to three smaller water service companies in Lori, Shirak, and Nor Akunq areas; the three had a combined population of 320,000.

Initially, the Public Services Regulatory Commission (PSRC) was established to regulate public utilities, and the Yerevan and Armenia water utilities companies (YWSC and AWSC,) were formed. The Government of Armenia mobilized funding from multilateral agencies (World Bank and ADB); implemented water sector reforms; expanded, upgraded, and improved infrastructure and service delivery. These efforts were critical to engaging private sector participation and improving service delivery, even though Armenia did not yet have a PPP policy or related legislation.

Management contract (2000–2005): Following a 2-year project preparation period, funding mobilization, and competitive bidding, the Italian utility Acea was selected from among the three bids received. Acea took over O&M of Yerevan's network in June 2000. The contract included 93 key performance indicators (KPIs). Four of them were linked to bonuses: (i) meter installation, (ii) survey of leak detection, (iii) use of electricity, and (iv) water supply continuity.

Lease contract (2006–2016): The lease contract (2006–2016) was revised to facilitate increased risk transfer to the private sector, including billing and collection risks. The contract gave the responsibility for investment implementation to the private operator to steer the network roll-out for greater efficiency. The operator was required to finance a part of the capital expenditure (capex) but was given flexibility for implementation. The operator was also required to provide a leasing fee to the State Committee for Water Economy (SCWE). This was used to service debt repayments. The service area was expanded to cover 30 villages around Yerevan. For better focus, the number of KPIs was reduced from 93 to 25. Four KPIs were subject to penalties: continuity, quality, speed of responsiveness to complaints by customers, and compliance with time limits for implementation of capex. The tariff increased significantly after the start of the contract to US\$0.39/m³, up from a prelease tariff of US\$0.28/m³. A 10-year program for tariff levels, with rules for tariff adjustment procedures, was established. Tariff regulation was performed by the Public Services Regulatory Commission based on submissions by the operator and the approval of the State Committee on Water Systems.

In 2009, the private operator and SCWE renegotiated the KPIs based on experience from the early years. The negotiations lowered target hours of supply from the third to seventh year of the contract, increased target hours for eight to ninth year, and left them the same for the final year. The lease contract improved both operational and financial results in the performance of Yerevan Water Services Company. Water services improved sharply; however, nonrevenue water levels remained high. The lease contract led to positive operational and financial improvements. Increased tariffs and collection rates led to a sharp increase in revenue. Water services became fully self-financing by 2011, although nonrevenue water levels remained high. From 2006 to 2015, the operator recorded approximately US\$4.1 million in cumulative operational profit before taxes.

Source: ADB, *A governance approach to urban water Public-Private Partnerships, Case Studies and lessons from Asia and the Pacific*, March 2022

Box 5 Example of engagement mode C: PPP in renewable energy

Morocco: The Ouarzazate “Noor 1” Concentrated Solar Power Project

The Ouarzazate Concentrated Solar Power (CSP) project, also referred to as “Noor” is a regional programme financed by the Clean Technology Fund and led by the World Bank and the African Development Bank. The Noor Ouarzazate Solar Complex is a 580MW power plant located 10 km north-east of the city of Ouarzazate, Morocco. It is the largest Concentrated Solar Power plant in the world. Phase 1 of the project involved the construction of a 160MW CSP plant named Noor I, while Phase 2 involved the construction of the 200MW Noor II CSP plant and the 150MW Noor III CSP plant. Phase 3 involved the construction of a 70MW photovoltaic (PV) Noor IV CSP power plant. Phase 1 construction works started in August 2013 and Noor I was officially commissioned in February 2016. Noor II and Noor III were commissioned in 2018.

The project's Phase 1 key stakeholders included the Government of Morocco and the Moroccan Agency for Solar Energy (MASEN); International financial institutions (AfDB and WB) and other donors; and a special-purpose vehicle for the project to structure the PPP. Most of its shares belong to the winner(s) of the tender, i.e., private companies/consortium, which is responsible for the construction and operation of the power plant. A consortium of private developers, which contributed US\$ 190 million of equity capital and expertise for an estimated 14% after-tax rate of return included ACWA Power International (95% Saudi Arabia), Aries Ingenieria y Sistemas (Spain) and TSK (Spain)). This structure enables transfer of project implementation and operational risk from MASEN to the Consortium.

The estimated investment for Phase 1 was US\$537m. The overall investment for Phase 2 of the Noor complex was US\$2bn funded through 80% debt and 20% equity. The debt facility was entirely provided by MASEN with funds secured from the AfDB, the Agence Française de Développement, the Clean Technology Fund, the European Commission, the European Investment Bank, Kreditanstalt für Wiederaufbau and the World Bank.

The project was developed on a Build, Own, Operate and Transfer (BOOT) and is operated and maintained by a consortium led by NOMAC, a subsidiary of ACWA Power, and MASEN. The project enjoys a 25-year PPA with the promoter, which is to sell the electricity to the Office National de l'Électricité, through another PPA, although at a lower price.

With the successful financial closure of the Phase 1, the project, the first publicly supported CSP project, has proven that a large-scale infrastructure project could be financed within the planned budget in an emerging economy. The project remains an example of successful PPP in the renewable energy sector.

Among the highlights of the project:

- Strong public support, via a favorable regulatory and policy framework, a specialized entity tasked with developing CSP projects and Government's financial support to implement the ambitious Moroccan Solar Plant.
- Significant financial and technical contributions from IFIs: early concessional finance, driving down capital costs by 25-30%, as well as institutional and specialized technical support.
- Strong engagement and coordination of donors: early agreements between donors and MASEN gave a clear indication of project terms and costs, transparency and competition among private investors resulting in satisfactory rates of return (bids were in line or below projected levels).
- A carefully designed PPP model, allowing for optimal alignment of risk between public and private players: the private developer bears construction and operational risk while the Government of Morocco will bear electricity market risk (revenue risk), MASEN acting as both equity investor and power purchaser (off-taker).

Source: OECD, *Public Private Partnerships in the Middle East and North Africa, A Handbook for policy makers, 2014 EU, Directorate General for International Cooperation and Development, Blending in the energy sector, Tools, and Methods Series, Reference Document No 19, November 2015*

Engagement mode D Behavioral changes: By aligning company's strategies, practices, processes that govern how goods and services are produced and delivered to markets with sustainable development objectives, upholding an integrated reporting framework, and conducting due diligence along supply chains, the private sector can better evaluate and address environmental and societal issues. In addition to contributing to the achievement of SDGs, this will enhance business sustainability, enable firms to better manage risks and may reduce costs. This should be promoted across all sectors and for all firms (regardless of size and capacity). See examples in Box 6, Box 8 and Box 13.

Box 6 Examples of engagement mode D

Making retail trade more sustainable and environment friendly

Retail stores and supermarkets throughout the USA and other countries substituted plastic bags for organic biodegradable paper bags. In Samoa, with UNDP's and New Zealand government's support, biodegradable bags are manufactured locally and used throughout the country. The bags feature local artwork. Similarly, in Egypt major supermarket and grocery store chains Metro and Khair Zaman converted in 2015 to 100% biodegradable bags. Before the initiative, the stores (around 97 locations in eleven governorates) used approximately 80 million plastic bags per year.

Source: UNDP and the Industrial Modernization Center (IMC), *Expanding Horizons in Development: The Rising Role of Egypt's Private Sector*, Egypt, 2016.

Majid Al Futtaim (UAE)

Majid Al Futtaim have adopted internationally accepted best practice to measure and report the sustainability activities and therefore benchmark their performance to the comprehensive 2021 GRI Standards (Global Reporting Initiative(<https://www.globalreporting.org/standards/>)). The retailer is also taking part in the United Nations Global Compact early adopters programme to support the launch of an enhanced Communication on Progress (CoP).

Al Futtaim's Green Star Rating system is an example of how firms can work with their value chain. It encourages tenants to improve their energy efficiency. The Rating system assesses tenants' sustainability policies and specific environmental and social aspects relevant to their fit-outs and operations, including energy and emissions, materials and resources, water efficiency, waste management, innovation, and the design process. Tenants then receive a score and are allocated a green star rating from one to five. A total of 535 stores have been rated 3-star or above.

Embodied carbon: Al Futtaim operates an assessment tool, which allows to measure, monitor, and manage these emissions. In line with the Sustainable Building Policy, all new development projects are required to complete an assessment using Majid Al Futtaim's Embodied Carbon Tool during the design stage. In 2021, a study was initiated on Majid Al Futtaim Tower 1 and Tower 2 (UAE) along with four malls to calculate the embodied carbon emissions savings that were achieved during the construction stage through the adoption of sustainable building materials. Majid Al Futtaim Tower 1 and Tower 2, My City Centre Masdar (Abu Dhabi), City Centre Al Zahia (Sharjah), City Centre Almaza (Egypt) and Mall of Oman achieved combined embodied carbon savings of 122.8 million kg CO₂ emission against a business-as-usual scenario, equivalent to the emissions of one person taking 30,700 round-trip flights from Dubai to New York.

Source: Majid Al Futtaim, ESG report 2021, <https://www.majidalfuttaim.com/en/who-we-are/sustainability-and-esg/reports>

Engagement mode E Innovations and entrepreneurship: Private sector can play a key role in introducing new technologies that advance SDGs, such as emission reduction and sustainable and efficient utilization of raw materials. The best examples of this are the rapid technological advancement in electric vehicles, green hydrogen, substituting carbon fibers, organic and biodegradable material for metals and plastics, and waste recycling. This is more suitable for large and medium size firms but also for innovative entrepreneurs (start-ups and research institutions). Innovation does not only concern the introduction of new products and/or production and distribution systems, but also includes innovative inclusive business models, green FinTech and entrepreneurial activities, particularly social entrepreneurship. It includes financing, supporting, and collaborating with academic and non-academic research institutions and individual innovators on scientific research that advances the SDGs agenda. Clearly this can be considered a form of investment and fall under engagement mode B, however the difference lies in the introduction and advancement of new technology and innovations, while engagement mode B does not have to involve the introduction and advancement of new technology. See examples in Box 7 and Box 16.

Box 7 Examples of engagement mode E

Saudi Aramco, Kingdom of Saudi Arabia

Saudi Aramco oil company plans to begin permanently storing carbon dioxide from 2026 in one of the largest facilities of its kind, as the oil giant seeks to reach its goal of net-zero emissions by 2050. The company is looking to capture carbon dioxide emitted by processes that convert natural gas into hydrogen, among other industrial activities, and permanently store the pollutant deep underground in a reservoir that previously produced oil and gas.

The first phase of the project near the industrial city of Jubail, on the east coast of Saudi Arabia, will be able to store between 5 million and 9 million tons of carbon dioxide per year, which is equivalent to the emissions from about 1 to 2 million gasoline-powered passenger vehicles driven over a year. The project is part of Aramco's larger vision to become a leader in producing hydrogen, a gas seen as key to the global energy transition since it produces zero emissions when burned.

Source: World's Largest Oil Exporter Has to Go Big on Carbon Storage, Bloomberg US Edition, 11 August 2022

Air-to-Water Pilot/ Example of Majid Al Futtaim shopping mall

Given the importance of water to the retailer's business activities such as food, beverages, and fashion, which rely on agriculture and other water intensive processes, significant innovation is required to safeguard water. In 2021, Majid Al Futtaim started exploring hydro-panel technology and solar power to generate clean drinking water from air. The pilot was launched at Majid Al Futtaim offices in Dubai, installing 10 hydro-panels, which each produce an average of four liters of water per day using solar energy and have the capacity to store 40 liters of water. The air-to-water produced is used for consumption in the Leadership Institute and any excess water is used to irrigate the terrace garden. The air-to-water integration was expanded across several indoor assets using air-to-water generators. For example, two 1,000 liter-dispensers were placed in the construction areas for workers to receive high quality chilled water on-site, four 30-liter dispensers were placed in the company's offices across the UAE, one 30-liter dispenser in Crate and Barrel, one of the tenants' shops in the mall, and twelve 100-liter dispensers in metro stations across Dubai. There are plans to expand the use of this technology across the hotels and operating countries to support company's Net Positive water commitment.

Source: Majid Al Futtaim, ESG report 2021, <https://www.majidalfuttaim.com/en/who-we-are/sustainability-and-esg/reports>

Indeed, private sector engagement and contribution must go far beyond the mere financing of programmes and projects. Private sector in Iraq is characterized by a small number of large firms and substantial number of small firms and scarcity of medium size firms. Therefore, there should be different entry points, incentive structure and levels and modes of engagement defined based on size, capacity, and economic sector. Large firms are concentrated in oil, communication, construction, manufacturing, and banking, while small firms are distributed across services, particularly transport and wholesales and trade. Meanwhile few medium to large firms are emerging in services related to the oil sector, construction, financial services, and banking. The role of the private sector, therefore, needs to be defined based on its size, capacity, scope, and the nature of economic activity versus the relevant Sustainable Development Goals and targets.

Since goals and targets are inherently interlinked, actions to take for achieving one goal may be mutually reinforcing or contradictory to other goals. An integrated approach, through horizontal integration across sectors and value/supply chains and vertical collaborations within sectors and value/supply chains, is essential to generate and/or scale up the synergies and positive externalities as well as mitigate and/or eliminate the tradeoffs and negative externalities.

For instance, recent Iraqi private sector investments in renewable energy will contribute to reducing emissions and generate decent jobs, while initiatives in the agriculture sector and food security will also reduce poverty, eliminate hunger, and promote sustainable production and consumption. Some of the pertinent entry points for private sector in Iraq, based on existing initiatives, can be the SDG 7 on affordable and clean energy, SDG 8 on decent work and economic growth, and SDG 9 on industry, innovation, and infrastructure. These SDGs (7, 8 and 9) also cut across or can contribute to many other SDGs, such as gender equality and women empowerment, no poverty, zero hunger, responsible consumption and production, and climate change. However, firms and/or groups of firms will need to participate in selecting the SDG and the level and mode of engagement that best suits them.

Enhancing private sector's engagement and contribution to SDGs will require aligning private sector goals and priorities, for example maximizing profits and market share and minimizing costs and risks, with public good, in general, and SDGs' targets and priorities, in particular. To achieve such a complex goal, relevant policies and regulations need to be revisited and amended to create enabling environment and incentives for the private sector to adopt sustainable and environmentally friendly practices and processes and foster long-term quality investment. Promoting an inclusive business model should be prioritized (see example of an inclusive business model in Box 10 in the appendix). An inclusive business model should be commercially viable, scalable, and capable of expanding access to goods, services and income generating opportunities to people living at the base of the pyramid.

3.3. Private sector SDGs engagement strategy in Iraq: Theory of Change

The proposed three key pillars of the strategy to enhance private sector engagement in and contributions to SDGs in Iraq are as follows:

The solution pathway provided in Figure 3.3 below (based on the problem tree outlined in Figure 1.1) along with toolkits below can serve as basis for an action plan to operationalize the strategy in line with the overall proposed approach and guiding principles. However, the action plan is best developed in participatory approach that involves government and private sector actors.

1. Upscaling and aligning support to and creating enabling environment for private sector with SDGs:

- While working with government, private sector and development partners, up-scale and align to SDGs the efforts to support private sector and create enabling environment and promote inclusive business models. A first step will be to conduct a diagnostic study with an SDGs lens to guide the formulation policies and programmes.

2. Tailoring approach, engagement level and mode:

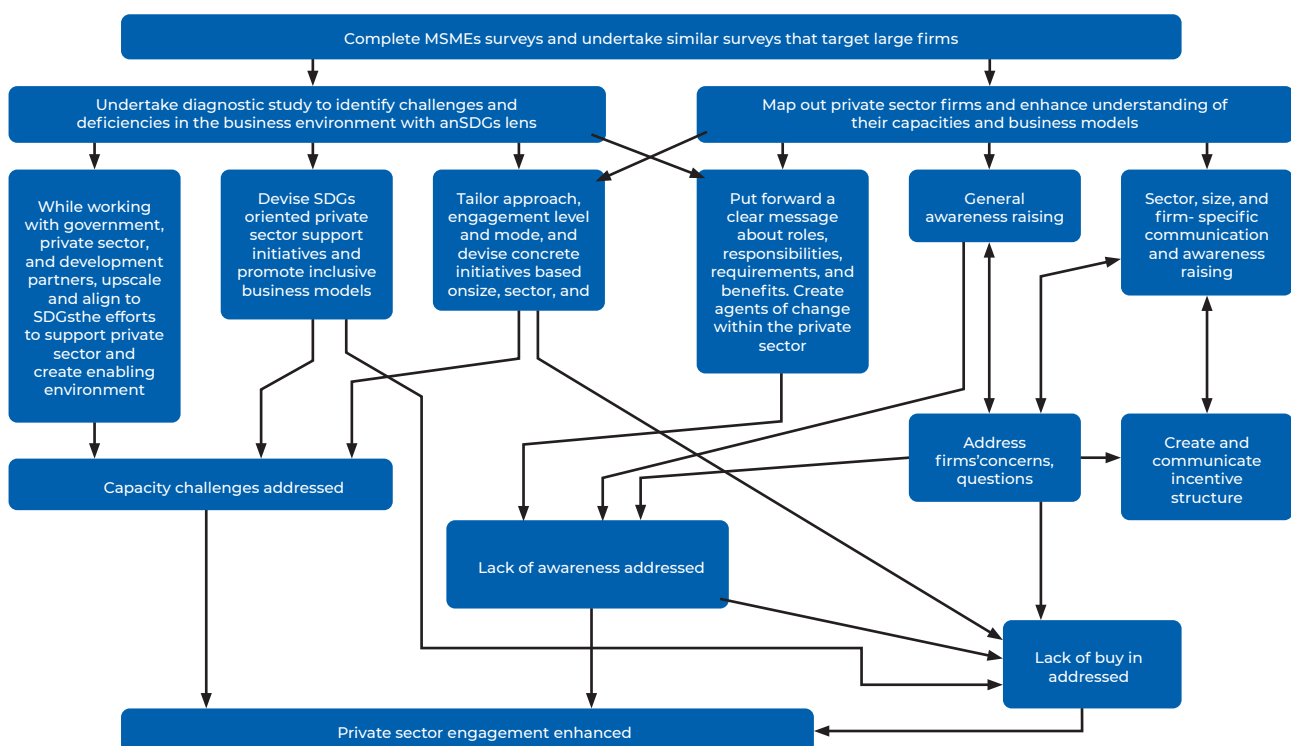
- Classify firms based on size, capacity, and sector of operation/main activity and tailor approach, engagement level and mode, and devise concrete initiatives accordingly. A first step will be to map out private sector firms and enhance understanding of their capacities and business models.

3. Communication and raising awareness:

- Combine general and group- and firm- specific communication and awareness raising. Create and support networks for agents of change and foster leading by example.

The solution pathway provided in Figure 3.3 below (based on the problem tree outlined in Figure 1.1) along with toolkits below can serve as basis for an action plan to operationalize the strategy in line with the overall proposed approach and guiding principles. However, the action plan is best developed in participatory approach that involves government and private sector actors.

Figure 3.3 Multi-approach solution pathways



Theory of change

Following the logic of the problem tree and the solution pathways, the theory of change for the private sector engagement strategy in Iraq is:

If policies and programmes designed to support private sector and create enabling environment for its growth are upscaled as well as aligned with and linked to SDGs, including through sustainable and socially and environmentally responsible business practices; *If* private sector awareness is raised and buy-in is secured through effective communication, advocacy, creating and supporting networks of agents of change and leading by example; *If* private sector engagement and partnership initiatives are tailored to cater to firms' size, capacity, sector of operation and, hence, interests and priorities; **Then** private sector engagement in and contribution to SDGs will be enhanced.

4. Proposed private sector engagement toolkits

4.1. Proposed overarching Engagement toolkit 1

Purpose of tool	To help UNDP, government and development partners effectively enhance private sector's engagement and contributions to SDGs based on UNDP Private Sector Engagement Strategy
Target users	UNDP as well as a broad range of ministries, governmental agencies, UN agencies, development partners and private sector associations.
Input	UNDP, Government ministries, private sector, and development partners
Output	Private sector actors (from various size-groups and sectors) can effectively engage in and contribute to SDGs at the macro, meso and micro levels through different engagement themes depending on their size, capacity, resources, sector of operation and interests.

This toolkit is a comprehensive overarching engagement toolkit based on UNDP global private sector engagement toolkit, tailored and centered around the proposed UNDP Private Sector Engagement strategy and the challenges in Iraq. It is flexible enough to address general engagement or engagement on specific themes at all levels (macro, meso and micro) utilizing different engagement modes (A, B, C, D and E). The toolkit outlines steps to engage different sizes of Iraqi firms through selecting the appropriate level and engagement mode of engagement. All of UNDP's engagements and partnerships with the Private Sector, including PSRM partnerships should be guided by UNDP five guiding principles.

How to use this tool

4.1.1. Step 1: Diagnostic, Scoping and Mapping exercise

- Conduct a follow up diagnostic study based on the recent UNDP MSMEs surveys to analyze challenges and bottlenecks that inhibit private sector growth and devise concrete and applicable SDGs oriented policy recommendations and programmes to support private sector and create an enabling environment for its growth. It is recommended to conduct additional surveys to expand the geographical and firm-size coverage to include all private sector landscape in Iraq. It would be useful also to consider adding questions (in the survey questionnaire) relevant to businesses engagement with SDGs.
- Pre-screen prospects against UNDP exclusionary criteria for Private Sector partnerships as outlined in UNDP Private Sector Resource Mobilization Toolkit (UNDP PSRM), while taking into account challenges and bottlenecks identified by the diagnostic study.
- Devise SDGs oriented action plan to support and create enabling environment for private sector.
- Map out private sector firms and classify them into groups based on size (1,2,3 and 4), Figure 4.1, taking into account firms' financial and human resources capacity, and based on economic sector.
- Before reaching out, it is essential to get to know the potential partners: find out as much information about the firms to be targeted. It is recommended to follow UNDP Global Toolkit and prepare a "Power Map" for all firms to be targeted to identify the following:

Entry points. Identify where initial contacts that UNDP may have with the potential partner, are located in the overall corporate governance structure, including relevant reporting lines.

Budget holders. Find out where in the company structure relevant budgets are held and

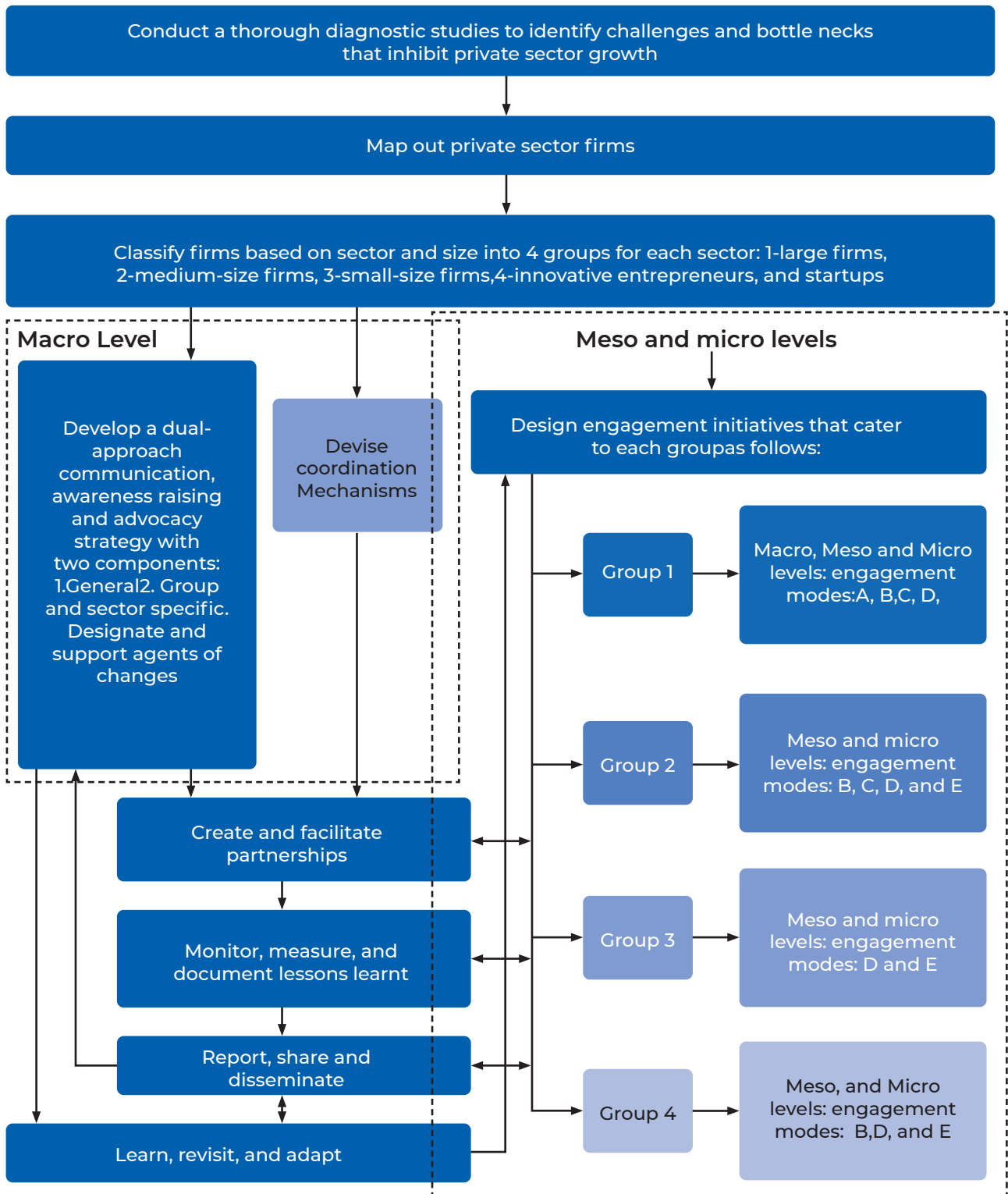
administered. This could include budgets for sustainability, social investment, CSR, and/or partnerships.

Gatekeepers. Make a note of key company personnel who might be important 'gate-keepers' that may be able to facilitate access to higher-level decision makers, including those with the authority to enter into agreements with organizations such as UNDP and to disburse funds.

Decision-makers. Clarify the names and designations of the most relevant members of the company's senior leadership team, including the Director/Chief Executive Officer (CEO)/Director and other relevant senior manager, such as the Country Manager, relevant business unit leaders, Senior Vice-Presidents (SVPs) and Vice-Presidents (VPs), as well as the Chairperson and members of the Board of Directors.

Figure 4.1 Toolkit Action Plan

Meso Level



4.1.2 Step 2: Design engagement initiatives that cater to each group

- Launch a dialogue with private sector and government to identify entry points based on firms' classification
- Define engagement level, scope, and engagement mode for each group of firms depending on the size (1, 2, 3, and 4), taking into account firms' financial and human resources capacity, and based on economic sector.
- Tailor UNDP's value proposition to prospective partner and partnership and define a 'benefits grid' articulating UNDP's "asks" and "offers" and prepare a strong pitch.

For large firms, particularly in the oil sector, telecommunication and construction, engagement should be at the macro, and meso levels and include all engagement modes of engagement. For instance, large firms are the only firms that can provide financial contributions (engagement mode A) to finance SDGs' projects and programmes. But they can also engage in other modes, such as investing in renewable energy (engagement mode B) and investing in innovation for sustainable solutions to advance SDGs (engagement mode E).

Engage by example through market insights and successful models for driving sustainable development. This can serve as a way to initiate activities to engage in SDGs. The examples of the successful initiatives in other countries (like financial inclusion, improved sanitation, waste management), what and how other businesses did it, may serve as an inspiration to start or replicate business initiatives.

Financial contributions (engagement mode A) is suitable for large firms at the meso and micro levels: Corporate Social responsibility (CSR) is one of the modalities utilized for UNDP collaboration. It will be useful to start with SWOT analysis in UNDP Private Sector Resource Mobilization Toolkit Module 2, Tool 2A.

Large private sector firms will need to assess their current business practices and align or develop new CSR strategies in line with specific SDGs. It should be made clear that the SDGs alignment should go beyond social investment and stand-alone corporate responsibility projects. In the cases of big companies, strong commitment from the top leadership is required. UNDP should encourage discussion with the top management that can also include other stakeholders. The discussion will be to showcase good practices at places that can be linked and further enhanced to contribute to SDGs. UNDP can support the initiation by private sector companies of at least three CSR projects aligned to the SDGs. Continue dialogue with big companies on moving away from the stand-alone CSR to indicator-driven SDG impact management.

UNDP in collaboration with big companies can scope the local areas where businesses operate in and identify the social, economic, and environmental baselines and existing and potential impacts of current operations. This will inform a more thorough and targeted engagement, contribution, and mitigation measures. Another area of intervention is to include the SDGs in companies' risk assessment procedures to anticipate and preempt the risk through activities linked to SDGs (environmental issues). Finally, big companies need to develop the indicators for reporting and disclosure mechanisms on SDGs implementation. The reported quantitative information will feed the national government responsible for country's SDGs achievements. It can be useful to utilize the SDG Corporate Tracker (SDG CT), which is a multi-stakeholder initiative that measures and reports the contribution of the business sector to the SDGs. It has an online platform that collects data in a standardized method for the analysis of the contribution of the private sector.

A good initiative of catalyzing CSR funding was successfully implemented in Egypt. The Social Responsibility Map in Egypt was launched by the Information and Decision Sup-

port Center (IDSC) in cooperation with UNDP, with more detailed resources to provide a list of active development projects by governorate, local unit, village, or sector (health, education, potable water, sanitation, environment, among others) to help large firms identify initiatives that align with their CSR programmes and get involved.

For the private sector to play a more active role in achieving the SDGs, firms will need to move beyond CSR and embrace Corporate Entrepreneurship Responsibility (CER). CER is the framework to lobby, mobilize and organize the private sector to contribute to development through entrepreneurship, corporate activism, and cross-sectorial partnerships. Through CER, the private sector can help in nurturing healthy entrepreneurial ecosystems that will function as the bedrock of the sector's developmental strategies and the nexus around which new Public-Private Partnerships would pivot. This will be more suitable in Iraq, as well as in most of developing countries, where CSR is less popular and beyond most firms' financial capacity. Because CER is more of an investment rather than a donation, it can be a bridge between CSR (engagement mode A) and investment (engagement mode B).

Investment (engagement modes B): In the Iraqi context, this engagement mode is more suitable for large firms at the meso and micro levels but may also work for some medium-size firms with ambition to grow and join the big players. Where there are investments involved, action to support the SDGs must be made in the business' financial best interest to happen at scale. Businesses are motivated by generating and maximizing returns for their owners. The business case can be based on regulatory compliance, market demand, increased productivity or efficiency, cost savings, mitigation of risk ranging from reputational risk to price risk, the reduction of future business costs, attraction, and retention of talent, improving brand image or a combination of these. It varies from company to company based on factors like location, industry, size, and position within the value chain. The business case needs to be specific to the sector or the line of business, new product, service, business process, or business model proposed. In some cases, the financial value is straightforward (for example, for water use efficiency measures or workforce health investments). However, in many cases it is difficult to present a clear quantitative business case in favor of SDGs action. In such cases it is worth looking at some of the variables that drive cost, like consumer education, physical infrastructure, regulatory policy, and the incentives these create. Motivating firms to make such investment can be catalyzed through one or more of the following:

- Generate new revenue by creating new opportunities for market differentiation, lowering cost of production, expansion and growth including through innovating to access extremely promising markets which do not yet exist or are in their early days.
- Employer attractiveness for improved recruitment and retention.
- Increase supply chain resilience by enhancing supply chain sustainability and operational efficiency.
- Generate investors' interest by increasing attractiveness to a wider range of investors.

Project Management (Engagement mode C) can be suitable to large and medium size firms in Iraq at the macro, meso and micro levels. This engagement mode will require working with government to enhance transparency and accountability, review regulation and procedures that govern public procurement, explore Private Public Partnerships (PPP), and build trust between the government and the private sector. There will be a need to enhance anticorruption measures. This is an important entry point for UNDP.

Behavior Change (engagement mode D) at the macro, meso and micro levels: Suitable for all firms of all sizes and economic sectors. All firms from all groups must be engaged in this engagement mode to make their business practices and processes more sus-

tainable and aligned with SDGs. This will require effective communication and raising awareness at all levels. Firms should be guided and encouraged to have a systematic and sound methodological approach to behavior change as follows:

- Integrate sustainability into business practices and supply chain: the way businesses manufacture their products, sort their supplies and inputs, and deliver their services is key to the impact they have on the environment and in society. Considering alternative sources for the raw materials is one example to adapt sustainable practices.
- Integrate gender equality through women and youth empowerment: two important questions are how the firm is hiring people and whom it is hiring.
- Commit to actions that make a difference. It is best to start by identifying inefficiencies in the firm's business model. The following questions need to be answered: How can business be more efficient? How can it produce or deliver products and services in a greener, more responsible way? Can the business collaborate with other businesses? This way, it is very possible that profits will be boosted by cutting costs while reducing any negative environmental impact.
- Design products and services in a different way. It is good to think about the after-life of firm's products and how to recapture and include them in the production line again. This will inevitably reduce production costs and can be considered an investment: The questions to consider: Are there any products that can be delivered as services? What type of waste or impact are the products creating? Is there a way to reduce this?
- Collaborate with others locally and globally. Businesses can come together and start working towards common objectives. Joining local Chambers of Commerce and participation in entrepreneurship conferences and networking with new players in the system can help find areas of convergence and create collaborations. Try to find opportunities in the ways businesses and other actors are producing and/or collaborating.
- Measure, report and share the firm's impact through examples of good practices and lessons learnt with other actors in the system. It is crucial that businesses spread the word with other businesses and help shift consumer preferences towards more responsible products and services.
- An incentives system can be developed to acknowledge and award private companies' sustainability and inclusiveness practices and SDG practices as well as to encourage to be involved in SDG practices. (For example, Rwanda NGO in KRI holds Rwanda Annual Award that includes entrepreneurship nomination among others) UNDP's Gender Equality Seal, Social and Environmental Standards can also be included.

Box 8 Example of responsible procurement under engagement mode D

<p>Responsible procurement (Majid Al Futtaim, UAE)</p> <p>Sourcing sustainably and locally sourced products benefits the business by minimizing transport related emissions and supply chain disruptions as well as supporting local economic development in the communities. In 2021, Majid Al Futtaim - Retail in the UAE signed a memorandum of understanding with UAE Ministry of Climate Change and Environment to support local farmers in the UAE. The collabora-</p>	<p>tion supports farmers with insights on supply and demand to manage and grow the right crops to reduce unnecessary impacts on the land and environment. In 2021, produce from farmers in Dubai and Abu Dhabi provided 20% of the total fruit and vegetables for Majid Al Futtaim supermarkets in the UAE. Currently alternative purchasing methods are explored to expand the procurement from local farmers. Majid Al Futtaim – Retail also works closely with local farmers to help grow their business and ensure they adapt to trends in</p>	<p>the market. In another example, the Majid Al Futtaim's supermarkets in Kenya collaborated with Kenya Export Promotion and Branding Agency (KEPROBA) to amplify the support for local suppliers via the Made in Kenya brand mark. Products from local suppliers were promoted to the customers through discounted prices, in-store communication, social media platforms and the Carrefour app. 17 local suppliers were supported through this partnership offering over 40 products.</p>
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Innovations and entrepreneurship (engagement mode E) at the meso and micro levels: In Iraq, this engagement mode is more suitable for large and medium-size firms as well as for entrepreneurs and startups. Firms' innovations will accelerate progress towards SDGs. The most common form of innovations is the new more environmentally friendly products or systems of production. However, innovations can be in promoting and supporting social entrepreneurship which will contribute to SDGs, enhance private sector engagement, and foster innovations. Social entrepreneurship, like any other profit seeking business aims to tackle a market failure, except that in the case of a social enterprise, the definition of market failure extends from that of pricing or quality to that of market externality, access, and equity as well.

Box 9 Examples of innovations and social entrepreneurship under engagement mode E: Social entrepreneurship in UK, Jordan, and Egypt

<p>UK The world's largest vertical farm was built to help end the UK's reliance on imported foods. It is a 13,500 square meter facility in Lincolnshire, UK, which uses only green energy and requires 95% less water than traditional farming.</p>	<p>number of social entrepreneurs in the Middle East. Predominantly, two types of social enterprises exist in Egypt: (a) those that tackle a social challenge of access; whether access to electricity, health and services typically known to be provided by the government (in a welfare state); and (b) those that tackle an issue of agency or limited bargaining power of individuals at the BOP. A good example of a social entrepreneurship enterprise that has managed to scale and succeed is KarmSolar, a private company that started by developing off-grid solar energy solutions for marginalized communities. Another company, Tatweer managed to tackle the issue of limited bargaining power for both businesses and individuals at the base of the pyramid. It utilized typically underutilized trade channels by establishing a network of kiosks and generating revenue through advertising space. The</p>	<p>company improves the kiosk-owner autonomy and bargaining power by improving relations with companies and the government and providing better financial management.</p> <p>Source (Example 1): NESTE, The 7 sustainable innovations to watch, https://journeytozerostories.neste.com/sustainable-innovations?gclid=CjwKCAjw4cZBhAEEi-wAZ105RedgLewfEVC4SrhWYHWy-llfYRJqqSuJ8TY0iGLg83gIXhfWsrutTBoCPqgQAVD_BwE#2ea13554</p> <p>Source (Example 2): WFP, Report "Food-restricted voucher or unrestricted cash? How to best support Syrian refugees in Jordan and Lebanon?", 2017</p> <p>Source (Examples 3 & 4): UNDP and the Industrial Modernization Center (IMC), Expanding Horizons in Development: The Rising Role of Egypt's Private Sector, Egypt, 2016.</p>
<p>Jordan The United Nations World Food Programme (WFP) launched its Innovation Accelerator in 2016 to identify, support, and scale up new approaches to solving world hunger. One pilot, called Building Blocks, uses blockchain technology to offer Syrian refugees residing in the Azraq camp in Jordan a more secure and efficient way to receive electronic cash transfers.</p>		
<p>Egypt According to a Brookings Institution report, Egypt is home to the largest</p>		

Innovations can be made by utilizing innovative and new work arrangements. Firms can contribute to SDGs through adopting new work arrangements that will facilitate and enhance employment of vulnerable and marginalized groups (e.g., women in rural areas). New work arrangements include remote work and flexible work hours.

Box 10 Example of investing in innovative work arrangements in Egypt (under engagement modes B and E)

<p>NatureTex, a subsidiary of SEKEM Holding, is a high-quality producer of colorful baby and children's wear, dolls, toys, home textiles, and fabrics made from organic Egyptian cotton. The factory competes successfully in the international market for organically produced textiles through the production of high-quality products. The factory typically employs a large number of women but features a high turnover rate among these young women. This, in turn, has incurred extra costs for the factory in terms of training and recruitment. Management conducted an investigation to identify the factors that lead young women to leave their jobs, and to find ways of increasing profits. The results of the participato-</p>	<p>ry analysis showed that young women join the factory, are well trained to provide high quality work until they are about to get married. Once married, women leave their jobs. This also resulted in not having enough women in leadership positions, as women did not stay long enough to gain the necessary experience to be promoted. NatureTex collaborated with their former employees to achieve a work-life balance while capitalizing on the skills they gained on the job. This was done through outsourcing production to external workshops. There are two different kinds and sizes of workshops: the doll making workshops where raw materials and equipment are sent for wom-</p>	<p>en to make dolls and send back to the factory; and bigger workshops to which raw materials are sent to produce garments. The doll making workshops were women-only workshops, while the garment making ones were more formal and mainly businesses that took orders from NatureTex. Family-owned workshops allowed women to bring their children with them and get lunch breaks to go home and prepare lunch for their families. Source: UNDP and the Industrial Modernization Center (IMC), Expanding Horizons in Development: The Rising Role of Egypt's Private Sector, Egypt, 2016.</p>
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4.1.3 Step 3: Develop Coordination Mechanisms

Effective coordination is essential for enhancing as well as sustaining private sector engagement and it is an integral component of the toolkit. The Ministry of Planning has formed a unit responsible for SDG implementation collaborating closely with counterparts in other government bodies on the implementation of relevant SDGs. To complement the work of ministries on SDGs, an independent unit can be established to work on private sector engagement for SDGs.

UNDP can collaborate closely with the SDGs unit at the Ministry of Planning as well as private sector actors. Another option is to establish a joint unit or committee that includes the Ministry of Planning and UNDP as well as, possibly other key partners or actors from the private sector (e.g., Chamber of Commerce). In Iraq not all firms are active in the Chamber of Commerce. Additionally, there are separate Chambers of Commerce in every region. However, the Chambers of Commerce may be useful in facilitating the engagement with medium and small firms. UNDP may also establish a unit (at the UNDP country office) to take charge of coordinating private sector engagement for SDGs and support and collaborate with the Ministry of Planning coordination unit.

Inter-ministerial coordination can provide greater agility and responsiveness and contribute to the coherent work on SDGs. Building on the coordination unit at the Ministry of Planning, a joint committee or an advisory board can be formed to include other relevant ministries, private sector actors, including private sector associations, and UNDP to identify clear roles and responsibilities and advise on modes and initiatives of engagements. The joint committee/advisory board may help investigate business opportunities and marketable products for companies. It can facilitate partnership with private sector companies on the collection and analysis of data to support the implementation of SDGs through systematic private sector surveys.

The concept of SDG engagement unit can also be utilized at the local level because developing a cross-sectional cooperative structure within local governments is important to generate greater outcomes. One-stop service center within smaller municipalities can be set up. The service centers can conduct promotional activities to raise local firms' awareness of the SDGs. Cross-sectional coordination will allow for more integrat-

ed solutions to the SDGs. One-stop service centers can function as coordination hubs that actively gather information on the local issues as well as viable solutions that local businesses may be able to offer. This way local partnerships can be formed to solve the problems.

4.1.4 Step 4: Develop communication, awareness raising and advocacy programme

Awareness raising and communication strategy should be an integral component of any engagement programme. It should include a general component for all firms in all sectors and a component that is sector and group specific. The key activities of this strategy may be as follows.

Develop a communication strategy that combines general awareness raising with targeted communication and key messages to cater to different size-groups, sectors, and firms' interests. Go beyond raising awareness and communication to initiate and sustain dialogue and promote participation.

Engage by example through market insights and successful models. Choose pertinent examples of success that resonate with the targeted firm or group of firms. Example should have clear steps and actions taken, tangible results achieved and concrete and measurable outcomes and benefits for the company, community, and society/country as a whole. The best examples are the ones that can be replicated, scaled up and tailored to fit the targeted firms.

Establish a network of agents of change within the private sector. This will enhance the scope and suitability of engagement.

It is essential to make the information available on the actual possibilities to involve in SDGs. Once companies are aware of the possibilities, they may have the incentives to act and know what they would like to try or implement. The businesses will base the decisions depending on their capabilities, necessary financial resources, relationships, and networks and time required to execute, measure results, and continuously improve. The engagement in SDGs can be very narrow-focused, and businesses can map specific goal/goals to tackle and concentrate on depending on their vision, business model, strategic priorities, what resources, skills, finances, and networks can be deployed to have the greatest impact on society.

It is important that private businesses perceive sustainable development challenges as sources of business risk and opportunity and are prepared to engage in new practices. If this is not the case, the business cannot be expected to change the way they do business or allocate commercial or social investment or engage in public advocacy and policy dialogue. SDG awareness may start at the highest level but eventually the innovative approaches should be embedded into all business practices. Policy dialogue through multi-stakeholder consultation should continue to encourage improvements in corporate practices or adoption of standards. These can take the form of bilateral consultations, multilateral networks, cross-sector round tables, specialized hubs.

Transparent and easily accessible information sharing can be the valuable tool to inform the private sector on existing opportunities, new methods, innovative approaches, funding to address the SDG engagement: multi-stakeholder networks, conferences/seminars/workshops, funding opportunities to support SDGs.

Effective communication will depend on the ability to create messages that resonate with private sector firms. General messages can focus on raising awareness and highlighting general information such as: what are the SDGs; why are they important; where does Iraq stand vs. other countries; examples of successful Iraqi private sector engagement in Iraq and other countries; as well as key elements of UNDP's strategy to engage

private sector in SDGs. The brochure developed as a part of this strategy and the toolkit can serve as good materials for this purpose. It provides examples from the region, and it can be tailored to focus particular modes of engagement by using examples from this document. However, sector, size, and firm specific messages will need to focus on more specific issues that are pertinent to the firm, the size-group, the market and/or the sector.

The creation of the digital platform in the form of mobile applications may help share useful information on SDG related activities and good practices. The aim is to stimulate the replication of good practices, registering and disseminating initiatives related to the SDGs from various sectors and from big companies to SMEs.

The dialogue with the big Iraqi companies that are mostly in oil or construction industries can start with the deeper mapping exercise which may take a form of online questionnaires and in-depth interviews for case studies, drawing a comprehensive analysis on the current understanding and activities of sustainable development in selected big companies, including foreign-owned companies operating in Iraq across different industries. The mapping will create a baseline of current objectives, strategies, and practices of enterprises in Iraq and will help to create a better targeted approach to raise awareness, provide incentives, and establish partnerships for the SDGs. If they have not done so as a part of their corporate responsibilities, the big companies will need to identify the SDGs that are most relevant to their activities, priorities, or impacts. Different SDG may be relevant depending on the certain stages of production etc. (relevant for oil companies). The engagement with the stakeholders is a crucial component for the big companies. The multi-stakeholder engagement with national and regional (local) government, with the local actors (e.g., suppliers and contractors), investors (e.g., banks and insurance companies), development partners will be beneficial to identify overlapping development priorities in the specific region/geographical area and how the businesses can link those priorities to SDGs and contribute through partnerships. This can be done through developing an understanding of the role and concrete steps or initiatives that the company is ready to take.



Box 11 Raising awareness and advocacy: Examples of key messages for private sector

Most quoted incentives for engaging the private sector firms interviewed in Iraq can be summarized below:

1. Potential for business growth, through building new partnerships, securing new contracts and markets and moving from local scale to national, from national to regional and onto global scale. The companies can contribute to meeting the SDGs in a way that drives financial performance in the markets they operate in. (Examples of beverage companies contributing to improved access to watersheds in in the water-constrained areas).

2. Addressing risks. SDGs on their own define potential risk areas that already exist or represent the challenges to businesses and society. Addressing those risks will prevent the risks to grow and have negative

impact on businesses and communities.

3. Potential to attract capital. Linking the business operations to SDGs may attract new investment flows that are directed towards climate-focused finance, innovative financial products, renewable energy finance etc.

The UN Global Compact (2015) suggests the following benefits to the companies to look at:

- Rigorously measure and assess the company's impacts on poverty.
- Continuously improve the company's business model and value chain management.

- Manage risk by: Identifying blind spots and high-risk areas based on international principles and standards of responsible business behavior.

Assessing stability of supply.

Assessing 'license to operate' risks.

- Enhance learning and development that enables key staff to better manage and forecast poverty impacts, improve value chain performance, and manage community relations.

- Build trust and improve relationships with stakeholders.

- Improve market knowledge by understanding the characteristics and key success factors related to existing and future markets.

- Enhance competitive advantage by: Differentiating themselves from industry peers.

Gaining deep knowledge of how to access consumers, labour, and suppliers through shared value strategies.

4.1.5 Step 5: Create and facilitate partnerships

Create and effectively maintain a wide network of partnerships that includes private sector actors, government agencies, UN agencies, civil society, grassroot and community-level organizations, private sector associations, and development partners. Utilize the network effectively for policy development at the macro level as well as developing initiatives at the meso and micro levels.

Partnerships can also be a good incentive to engage on SDGs. Partnerships with other companies and relevant sectors can allow several parties like businesses, governments, donors, civil society organizations, and others to share information, pool assets and resources, access new sources of innovation, create economies of scale, and enhance the legitimacy of their own individual activities. The partnerships may be project-based alliances of two or more organizations that come together in a formal agreement to accomplish a certain objective within a certain timeframe to multi-stakeholder platforms designed to facilitate the kind of coordination and collaboration needed to address complex challenges over the long term. Link the network of partners with the network of agents of change.

The partnership strategy will need to be expanded to include South-South and triangular cooperation and leverage the South-South Global Thinkers Initiative to maximize local stakeholders' benefits from knowledge sharing. This will stimulate innovations, expand the horizon of cooperation, and capture regional and global experiences and innovations.

4.1.6 Step 6: Develop mechanisms for monitoring, measuring, and documenting lessons learnt

Develop effective mechanisms for monitoring and measuring impact and documenting lessons learnt. This is crucial for learning and adapting, as well as identifying opportunities for scaling up and replicating initiatives as well as a tool for showcasing successes, promoting new engagements, and attracting social investments. Integrate key stakeholders in M&E process. Involvement of the private sector in developing M&E plan will promote collaboration and ownership of the plan. The private sector can provide valuable data in relation to certain indicators and help documenting success stories. This will also serve as a marketing tool for the private sector and will encourage further engagement. The scope of monitoring and evaluation frameworks for PSRM partnerships should include the following types of indicators and elements:

- Volume of resources raised, in comparison to organizational investments
- Outputs
- Outcomes (i.e., impacts, ultimate results)
- Satisfaction of Private Sector partners
- Visibility and communications outputs/outcomes
- Lessons learned
- Co-benefits (for example, opportunities created to collaborate with other companies in the country context, or other companies in the industry sector, or to scale-up collaboration to an industry-level)

4.1.7 Step 7: Report, share and disseminate

It is important to widely disseminate monitoring and evaluation reports and documented lesson learnt. Integrate reporting and sharing with M&E, communication and awareness raising and partnership development activities.

4.1.8 Step 8: Learn, revisit, and adapt

The toolkit is flexible, and this flexibility should be utilized to the extent possible in learning and adapting new approaches, engagement modes and engagement levels based on feedback. Hence, the process of learning and adapting should also be integrated with the M&E process and should guide scaling up or down of initiatives.



Box 12 Action plan for firms: Six actions that companies should take now

1. Identify and commit

A critical step for companies is to identify how the goals directly and indirectly relate to their business. Companies should take a strategic approach and align their corporate priorities with the relevant SDGs to better engage with customers, employees, and stakeholders to make a positive impact. Companies should consider:

- Identifying the SDGs that have the biggest impact in terms of risk and opportunity over the long term and where the company has the biggest ability to contribute to the progress toward the goals.
- Determining the levers available to scale impact through changes to business models, procurement strategies, products, and services.
- Publicly committing to the SDGs to tackle relevant goals.

2. Develop targets and KPIs

The 17 SDGs are accompanied by 169 specific, global, and universally applicable targets. As companies identify their priority SDGs and begin to consider their strategy, they should set their own clear targets and key performance indicators (KPIs) to monitor and communicate progress. Companies should consider:

- Establishing targets and KPIs that are closely aligned with the relevant SDG.
- Aligning any existing targets and monitoring and measurement methods with these new targets and KPIs.

3. Align sustainability and corporate strategy toward targets

By working through the process of identifying the most relevant SDGs and setting targets and KPIs, it is important for companies to reassess how well existing practices are aligned with the issues and targets. Companies should consider identifying areas where:

- Business models can be adjusted
- Products or services are developed
- Supply chains are transformed
- Innovation and R&D are refocused
- Sustainability strategies are realigned to achieve both corporate goals and the SDGs

4. Create business opportunities

The SDGs provide a framework for generating revenue, providing business growth opportunities, and fostering innovation in products and services. By identifying new business models, products or services that drive progress toward the goals, it is likely that more resilient and prosperous communities will emerge, markets will expand, and new ones emerge, and consumer bases will grow. Companies should consider:

- Identifying underserved geographies and segments of society, which could benefit from innovative products and services developed in a sustainable way.
- Investing in education, capacity building and work opportunities to stimulate the economy through increasing the local economic power while preserving the environment.
- Reducing the link between economic growth and intense use of natural resources and materials through energy and water efficiency, lower carbon, and circular economy ideas.

5. Collaborate

It is unlikely a single company can solve any of these problems on their own, and collaboration is vital, both within sectors and across different industries. Collaboration will likely be the main enabler for successfully addressing the SDGs and scaling up efforts. Companies should consider:

- Identifying collaboration opportunities with peers, customers, suppliers, academia, and nonprofit organizations, as well as across industries, to achieve mutually beneficial solutions, leverage networks, achieve scale and share responsibility.
- Partnering with governments, cities, and civil society to deploy the financial, technological, and human resources of business to promote development, stability, and trade.
- Create sustainable supply chains by improving the dialogue with suppliers, which would also have a positive impact on SMEs competitiveness and market position.

6. Measure, assess, report, and communicate

Businesses will also likely be held accountable for the impact of their activities and progress in addressing goals linked to the SDGs. Integrating the SDGs in the core business and reporting cycle can help companies to focus on creating visible shared value. Companies should consider:

- Aligning existing reporting and communication with the SDGs to both discuss performance in the context of the expectations set by the SDGs, and align disclosures with the language of the SDGs to establish a common dialogue among stakeholders
- Developing systems to integrate the management of SDG issues into everyday business decision-making

4.2. Engaging private sector at the level of planning and policy formulation (macro level) Toolkit 2⁸

This is a macro level toolkit that is designed for engaging the private sector in the national planning and policy formulation processes, focusing on two groups of private sector enterprises: private enterprises and private financiers. The toolkit can be adopted to engage private sector at the macro (policy and planning) level for any national policies and/or plans, such as a COVID-19 recovery plan, industrial policies, national development strategies and local development plans.

⁸ Adapted from International Institute for Sustainable Development (IISD), *Toolkit for Engaging the Private Sector in National Adaptation Plans (NAPs)*, May 2020

Purpose of tool	To help governments develop strategies for the effective engagement of private sector actors in the national level policy process
Target users	UNDP, broad range of ministries and agencies, including those responsible for finance and development planning, as well as for sectors such as agriculture, fisheries, water, and health that participate in engaging the private sector in national planning efforts. Some approaches can be used by subnational governments.
Input	Government ministries, private sector, UNDP, and development partners
Output	Private sector actors can function as stakeholders in the planning, implementation, monitoring, and evaluation phases of the national level policy process

How to use this tool

This tool identifies two groups of private sectors: private enterprises and private financiers. Private enterprises are commercial firms that will provide the products and services to engage in policy formulation and planning and support policy priorities and potentially invest in enhancing their operations and supply chains. Private financiers provide direct financing to private enterprises for the activities contributing to the policy implementations and can support government interventions through Public-Private Partnerships (PPP). The tool is useful at the macro level and can accommodate different engagement modes and cater more to large and medium size firms.

- The government can benefit from private sector engagement, through building wider network for development, utilize private sector hands-on experience in project management and knowledge of the market as well as enhance ownership.
- The private sector can be the source of policy-related investments (for example, funding of adaptation programs or PPP through micro-loans, corporate loans, corporate bonds, project finance, venture capital).
- The private sector can be the implementing partner (through increasing their operations and supply chains' resilience; provision of new services or products that help to support the policy).
- The private sector can already be engaged in policy-oriented activities as part of the Corporate Social Responsibility (CSR) or sustainability efforts.
- The private sector can benefit from the engagement through enhancing its relationship with the government, implementing related procurement contracts, incentive packages, expanding partnerships and networking.
- Through engagement in supporting the management of climate risks, the private sector can manage and reduce its own risks and associated costs. The investment in climate-resilient infrastructure or integration of SDGs into business plans are some of the examples. While this kind of investment can be difficult for MSMEs,

the awareness activities targeting MSMEs of the benefits of engagement should not be ignored.

- Private businesses may mitigate some of the risks and challenges they face as well as leverage new business opportunities for new services or products' investments that will contribute to SDGs.
- The private sector through engagement may strengthen reputation and brand value.
- The private sector will expand its network and create a new partnership through engagement which will contribute to its growth and market share expansion.
- Engagement will enhance private sector compliance with investors preferences, laws, regulations, and hence can reduce the size of the informal sector.
- Insurance companies are increasingly encouraging clients to demonstrate how they are adapting to climate change to avoid any potential losses and mitigate climate-related risks along the supply chain.

4.2.1 Laying the groundwork and addressing the gaps

Know the context

- To develop the private sector engagement strategy, the government or organization needs to know and analyze the current context. Three areas of context analysis include the subject matter context, private sector context and policy context. The context analysis will allow the government or organization to make a judgement on viability of the potential engagement and the extent of such engagement. The subject matter context involves information available on the subject matter, impact, existing activities (if any), and any gaps in information. Private sector context will include private sector actors in the mapping exercise to identify the groups of private sectors (enterprises and financiers) operating in the priority sectors, what has already been done and make a business case for engagement. Special attention during the mapping exercise should be paid to MSMEs and women-led businesses. While MSMEs are mostly in the informal sector and it will be challenging to engage them, the attempt needs to be made through the business associations. Another option is to work directly with those informal businesses and encourage/facilitate their formalization. Policy context requires analysis of current institutional arrangements related to the subject matter and how to align the strategy of engaging private sector with the national and sectoral development priorities, policies, and plans. In the Iraqi context, where the level of trust and cooperation between the government and the private sector is extremely low, UNDP has a key role to play in facilitation and coordination. UNDP can also support the mapping exercise to identify private sector firms and financiers as well as wider partners.

Establish a network of agents of change and a wider network of contacts and communication mechanisms

- Based on the context analysis, there is a need to carefully build the relationship with the private stakeholders. Identify champions and build a network of agents of change. At the early stages communication should be centered around the information about the purpose, objectives, and the business case on engaging and investing in policy. For effective communication it is important to set clear and measurable communication objectives, develop key messages and best channels to reach various levels of stakeholders (the approaches will be different for big

players and MSMEs). The language of communication strategy should be clear, without complex terminology and relevant to a specific sector. It is also necessary to identify the needs and capacity of key stakeholders before developing a value proposition for investing in policy.

Create enabling environment

- Once communication is established, the main challenge is to create the enabling environment to encourage and facilitate engagement. This requires commitment from the government or the leading organization.
- Information sharing: the private sector needs to be aware of the current developments in the subject matter at the national level, best practices on the SDGs, for example, in the country or the region, previous projects or programs and lessons learnt. Information sharing should be strategic and presented as an opportunity for the private sector.
- Financing: The government can use financial incentives to motivate investment. For example, if it is related to climate change adaptation, government can provide access to public procurement contracts related to climate change, risk guarantees, simplified access to loans related to climate change adaptation investment, seed funding for new services or products that support adaptation, de-risking large scale investments.
- Institutional arrangements: specific ministries, like planning, finance or other line ministries should make institutional arrangements that will facilitate and support private investment in the specific area. The communication and regulatory framework should be conducive to business engagement (example, fast-tracking permits for adaptation-focused projects).
- Capacity-building: the private sector may not understand all information related to certain policies. The capacity-building of the private sector can help to understand data and risk management, ways to integrate policies into SOPs as well as the ways to integrate national policies into investment portfolio (for financiers) etc. The assistance can be sourced from international development organizations or private service providers specializing in customized coaching.

4.2.2 Preparation

- This step involves the planning process (design, financing, activities, and implementation). The dialogue mechanism and modes of engagement of the private sector in planning exercises should be established.
- Assess vulnerabilities and identify options. The private sector can be engaged to generate sector-related information. Assessment of vulnerabilities should take into account the private sector perspective because private sector may possess the first-hand information on possible impact of vulnerabilities for their business and make decisions accordingly. The discussion on viable solutions should include the private sector as it can pinpoint the potential areas of collaborations, like for example PPP. This can be done with the support of UNDP.
- Review and appraise options. This exercise involves selecting priority policy actions as well as their expected costs, effectiveness, and efficiency. Involvement of private sector in this step can be done through formal dialogue with all parties to understand the costs, technical feasibility, co-benefits, probable effectiveness, and how realistic and achievable the proposed actions are.

- Communicate the action plan to private sector. Apart from reaching the private sector to raise awareness and make business cases, private sector actors can also be involved in promoting certain policies. It will be a good marketing strategy for private sector who are actively engaged and work to share stories of success and failure to promote crowding in from other industry players.

4.2.3. Implementation

- This step includes the development of implementation strategies, like long-term national strategy, capacity building for plan implementation, coordination of implementation process.
- Supporting implementation. Government can engage the private sector at this stage to support the implementation of programs and build the business case why engaging and investing will have short- and long-term benefits. Government can support the engagement by providing access to and training on specific tools, organizing discussions to share experiences and disseminating knowledge products. Government can also identify the needs in implementation-related services or goods and share with the private sector for investment considerations. Private finance institutions can support the government's implementation of infrastructure climate adaptation or renewable energy projects through PPP. Government may encourage private sector investment by sharing the pilot projects (if any) or existing projects in the region so the private sector will consider replicating them.
- Monitor and adjust the enabling environment. The activities may involve the dissemination of current trends and updated information available in the country to keep the private sector informed. Special attention should be paid to business associations and Chambers of commerce to ensure that MSMEs are aware of the related and up-to-date information, partnership opportunities, capacity building and networking events that may benefit and encourage MSMEs to get involved, while utilizing the appropriate mode of engagement that cater to them (for instance engagement mode E).

4.2.4. Reporting, monitoring and review

- Integrate key stakeholders in M&E process. Involvement of the private sector in developing M&E plan will promote collaboration and ownership of the plan. The private sector can provide valuable data in relation to certain indicators, can support data collection efforts by sharing or selling their data, reporting on their sectoral outcomes, and disclosing risks in their supply chains.
- Review and assess the ongoing private sector engagement. It is important to know if the private sector has been engaged in any activities related to SDGs and in what way, which private sector actors opted out and which have been engaged. The information will help to identify the representation of engaged sectors (size, sector, women-led etc.). It is useful to know which engagement methods have been the most effective and if the engagement had an impact in reducing local or national issues.
- Share the M&E results, update the policy implementation activities based on private sector inputs and promote engagement.

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6. APPENDICES

Box 13 An example of inclusive business model: Creative Egypt

Creative Egypt is the first registered trademark for Egyptian handicraft products. It is an integrated hub established to preserve the traditional Egyptian lifestyle by innovatively integrating Egyptian ethnic designs into modern products. Creative Egypt promotes these designs through a shopping and entertainment atmosphere that transfers cultural knowledge. Ultimately, the flagship shop, located in Cairo, aims to promote both Egyptian heritage and sustainable development by sourcing high quality handicrafts from Egyptian artisans throughout Egypt and facilitating market access to their products, which present a fusion of traditional motifs with contemporary lifestyles.

The hub combines around 8,500

handicraft products representing a group of leading Egyptian designers and entrepreneurs from 45 creative clusters and governorates; providing income for more than 16,700 beneficiaries, 15,000 Egyptian artisans and 115 displaying participants. The hub envisions further supporting the Egyptian handicraft sector to facilitate access to domestic and international markets. Creative Egypt displays a wide variety of products ranging from handmade carpets and textiles (such as Akhmim and Tally textiles) to mouth-blown recycled glass products.

The model is inclusive in the sense that it involves (often) marginalized artisans as producers. Creative Egypt helps

artisans through the provision of know-how, skills development, and market intelligence to help them grow and survive in a highly competitive market. Furthermore, the hub offers marketing, design, and conceptualization support. The core principle is to provide artisans with the opportunity to assume a proactive role in the value chain and to enhance their involvement in the design process, quality control and marketing of their products, while acting as a link between those artisans and their different markets.

Source: UNDP, and the Industrial Modernization Center (IMC), *Expanding Horizons in Development: The Rising Role of Egypt's Private Sector*, Egypt, 2016.

Box 14 Example: Y-SDGs certification system in Japan

The City of Yokohama has established the Yokohama City SDGs Certification System (Y-SDGs) to support small and medium-sized enterprises and organizations that promote SDGs, with the goal that companies and organizations will shift to sustainable management and operations, expand new customers and business partners, and that investors and financial institutions will utilize the Y-SDG certifications for investment and loan decisions such as Environmental, Social, and Governance (ESG) assessment and investment. This certification system was designed by Sumitomo Mitsui Banking Corporation (SMBC), one of Japan's three largest banks; Sumitomo Mitsui Financial Group's Japan Research Institute; and Yokohama SDGs Design Center.

Y-SDGs are certifications available for businesses (companies, various organizations, NPO corporations, civic activity groups) who are willing to contribute to the achievement of the SDGs. Evaluations are conducted in four fields: Environment, Social, Governance and Local, across 30 criteria. Certification is then made in 3 categories (Supreme, Superior, Standard) according to the status of efforts in each evaluation criterion. Certifica-

tion authority lasts 2 years, and applications are accepted about once every three months. The evaluation is performed by Yokohama SDGs Design Center and certification issued by the Mayor of Yokohama.

SMBC has provided a loan to Yamashin-Filter, a company in Yokohama that is aiming for Y-SDGs certification. This is the first loan utilizing "Y-SDGs," and the first case in a government-designated city where a certification system for SDGs created by the local government was weighed by financial institutions for an investment decision. It is expected that Y-SDGs will be considered as an important part of more companies' non-financial data in the future.

In addition to being able to utilize the acquisition of certification as non-financial data, certified companies have the benefit of being able to post the certification mark on owned media for marketing purposes. In addition, from April 2021, Y-SDGs certified companies will be eligible for additional points in the scoring for public procurement competitive bids in Yokohama City. In addition, Yokohama City will add Y-SDGs certified companies to the credit guarantee fee subsidy under

the city's SME financing system and support the smooth financing of the companies that have acquired them.

Major rating agencies perform ESG assessments of companies, but often the main target of such assessments is large companies. In Japan, SMEs account for more than 99% of all companies. The power of SMEs is indispensable for sustainable development. The Y-SDGs are designed to support the activities of all sizes of companies that promote the SDGs.

Yokohama SDGs Design Center

With the goal of helping Yokohama become a "SDGs Future City," the Yokohama SDGs Design Center was established as an intermediate support organization that works in collaboration with various players toward the creation of a "Yokohama-style large city model" that aims to solve environmental, economic, and social issues in an integrated manner.

Source: City of Yokohama Global Offices, Y-SDGs certification system launched by Yokohama city and financial institutions to support SDG promotion, 2021, <https://businessyokohama.com/blog/2021/03/23/yokohama-y-sdgs-launch/>

Box 15 Example on engagement modes c and d: Transportation sector in Kyrgyzstan

In the 2000s, the streets of Bishkek city in Kyrgyzstan were buzzing with private minibuses, ferrying people from Osh Bazaar to Ala Too Square and the dachas in the suburbs. These ageing private minibuses were gradually retired due to transport reforms. The new fleets of buses introduced to fill in public transportation gaps were limited and failed to satisfy the capital city's demands. People turned to private car ownership, leading to traffic congestion, and increasing air pollution. The fixed fare system and fare evasion also made it difficult for operators to cover operating costs and expand capacity. Further reforms were urgently needed.

It is against this backdrop the city identified opportunities for greater private sector involvement in the provision of transport options, and international development partners encouraged public-private partnerships.

As a result, the trolley bus system was upgraded, electric buses were introduced, and Bishkek's public transport services' operational sustainability improved. The introduction of e-ticketing for public transport showed how public-private partnerships could help achieve the triple bottom line of economic, social, and environmental gains.

The system allows operators to utilize

data collected to predict passenger flow and plan bus routes, thus increasing public transport revenues. It also allows operators to identify concessionary passengers such as students and retired persons. As e-ticketing becomes mainstream, it reduces the usage of paper receipts and waste.

More recently, the wave of the sharing economy driven by the introduction of new technologies brought Yandex taxi into the transportation sphere.

Source: UNESCAP, Blog, 2021, <https://www.unescap.org/blog/how-can-private-sector-help-build-smart-resilient-and-sustainable-cities>

Box 16 Example of innovations (mode E) in Arab countries

Zain Telecom

Zain Drone, a subsidiary of Zain Group, was established in 2018 for the Kuwait market with a focus on drone powered solutions as a service. In 2019, Zain Drone established an entity in Saudi Arabia and continued to explore opportunities in Jordan and South Sudan.

Zain Drone emphasizes the importance of engaging with cross-sectoral stakeholders from government entities to scientific institutions, in order to be able to progress the drone industry. In collaboration with governmental institutions, Zain Drone identified challenges related to the government process of detecting violations and inspections in industrial sectors. In 2021, Zain Drone engaged with the Public Authority of Industries in Kuwait to assess mechanisms that deploy drones to detect industrial violations during the last cycle of drone surveying. Areas of focus in the partnership include field inspection in the renewable energy sector, as well as providing support services to agriculture. Zain Drone intends to engage with Kuwaiti scientific entities (the Kuwait Institute for Scientific Research (KISR) and Kuwait Foundation for the Advancement of Science (KFAS)) to assess mechanisms where drone technologies can play a role in assessing and gathering insights and data efficiently. Through its engagement with KISR, Zain assessed the usability of infrared camera to effectively detect algae in salt water near desalination plants in Kuwait. In Saudi Arabia, the Municipality of Tabuk used Zain Drone technologies to monitor the development

and construction of the Medina Development project, and Zain Drone collaborated with Sadara Chemical Company to conduct ground flares and tanks inspections. The services offered by Zain Drone are of value to different sectors including to oil and gas, energy and utilities, network sites and infrastructure, agriculture, construction, media, logistics, defense, contracting, and many others. Based on R-economy, drone technologies have great potential to be used to address the SDGs.

Fintech: The launch of Zain Ventures is a major step towards propelling digital innovations in the entrepreneurial start-up environment. Zain's investment in Pipe.com (US-based fintech) and swvl.com (Mass Transit platform) will further accelerate their growth across Zain footprint, as the digital investment team will help them realize more potential growth across Zain markets. Zain intends to obtain a digital banking license and becoming the first telco-led challenger bank across the Middle East. Given the success and exponential growth of Tamam in Saudi Arabia (fintech company offering micro-lending services), which is the first entity in the region to be licensed by a regulator to offer consumer micro loans via a digital app., Zain is keen on fostering innovations in the fintech space. Similar success is evident through Zain Cash in Iraq and Jordan, allowing users to deposit, withdraw, transfer money, and pay for goods and services via their mobile phone. Zain Cash service provides mobile banking services for both the banked and unbanked population. The service allows users to deposit e-money

onto their mobile numbers, transfer money across Iraq, Cash-in/Cash-out at thousands of locations, purchase digital goods and products online, and more. The service has strengthened the concept of financial inclusion and succeeded in empowering a large segment of population who otherwise do not have access to any formal financial institution.

After COVID-19, Zain Telecom launched the Learning Passport initiative. The Learning Passport provides zero-rate access on both the website and mobile application for all Zain users regardless of their location or connectivity status to overcome and bridge the digital divide. The Learning Passport's off-line mode also enables those with low internet bandwidth to access all the materials and download educational content. In Jordan, the Learning Passport has approximately 14,000 enrolled users (70% females) who have access to 81 different courses and 1,209 lessons including English Language, basic and advanced digital skills, life skills, social innovation, financial literacy, technical and vocational education and training courses including jewelry making and carpentry, child protection basics, and a specially tailored Gender Equality Package that focuses on developing girls' skills and raising their awareness. In 2021, Learning Passport was launched in Sudan with UNICEF and the Ministry of Education of Sudan, providing access to the platform to approximately 2,112 users.

Source: Zain Sustainability Report, 2021 and <https://womenintech.zain.com/en/>



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