



IOM IRAQ

BUILDING PARTNERSHIPS FOR IMPACT: PRIVATE SECTOR CONTRIBUTIONS TO DURABLE SOLUTIONS IN IRAQ

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INTRODUCTION

As governments and humanitarian and development institutions around the world make progress towards durable solutions for forcibly displaced people, the private sector holds untapped potential for accelerating their contributions to these solutions. “Insufficient leverage of civil society and the private sector” is seen as a barrier to achieving durable solutions, whereas “governments and international organizations cannot achieve social cohesion, create jobs, or provide housing at scale unless they partner with these actors.”¹ A report published by a high-level panel on internal displacement,² established by the United Nations Secretary-General, states that “engagement of the private sector on solutions to internal displacement could be a gamechanger.” Beyond providing resources as a part of their corporate social responsibility or playing a role in delivering humanitarian aid, the private sector is well-positioned for job creation and service delivery at scale. The panel’s recommendation to make use of private sector capacities for solutions for internal displacement is detailed in Box 1.

Box 1: Recommendation of the United Nations High-Level Panel on International Displacement: Make Better Use of the Capacities of the Private Sector for Solutions³

Private sector actors are urged to seek out opportunities for engagement where they can contribute to solutions to internal displacement.

Governments and financiers should create business-friendly environments by adopting policies and regulations that can incentivize private sector engagement, including through the use of public-private partnerships, social impact bonds, blended finance or insurance mechanisms to lower the risk of investing and operating in internal displacement contexts.

Governments, private sector actors, financiers, the UN and NGOs should work together to establish national and local private sector platforms to share knowledge and create opportunities for strengthened partnerships and private sector engagement.

Committed private sector actors should volunteer to serve as champions at the national or global level on engagement in internal displacement settings, and global platforms like the World Economic Forum should provide space for private sector actors to showcase good practices and make commitments to action.

Donors and humanitarian and development organizations should commit to sourcing products from the local private sector whenever possible.

The UN and NGOs should invest in building their understanding of the private sector, including by recruiting individuals with private sector backgrounds.

According to the *IASC Framework for Durable Solutions for IDPs*, durable solutions are achieved when IDPs “no longer have any specific assistance and protection needs that are linked to their displacement and can enjoy their human rights without discrimination on account of their displacement.”⁴ Progress toward durable solutions is measured against eight criteria: Safety and Security; Adequate Standards of Living; Access to Livelihoods; Restoration of Housing, Land, and Property and Compensation; Access to Documentation; Family Reunification; Participation in Public Affairs; and Access to Effective Remedies and Justice. The pathways to durable solutions are return, integration, or resettlement/relocation.

The aim of the following guidelines on increasing private sector contributions to durable solutions in Iraq is to support partnerships and effective initiatives for and with the private sector, so that these activities are impactful, sustainable, and aligned with the broader goals of achieving durable solutions for displaced populations and host communities in the country. This comprehensive primer and strategy document not only aims to increase the private sector’s contributions

1 Caroline Blay and Sophie Crozet, *Durable Solutions in Practice*.

2 United Nations, *Shining a Light on Internal Displacement: A Vision for the Future* (New York, United Nations Secretary-General’s High-level Panel on Internal Displacement, September 2021).

3 Ibid.

4 Inter-Agency Standing Committee (IASC), *Durable Solutions for Internally Displaced Persons* (New York, IASC, April 2010).

but also aligns them with broader economic and social development goals, creating a win-win scenario for businesses, displaced populations and host communities. The guidelines are based on an analysis of the current strengths and weaknesses of the private sector in Iraq as a stakeholder in advancing durable solutions and the examples, opportunities and barriers in facilitating their participation. As a result, it recommends specific steps that humanitarian and development sectors can take in partnership with the private sector.

METHODOLOGY


The research for this report took place over five months and included literature review; key informant interviews; data collection from small and medium-sized enterprises (SMEs); and a validation workshop with a diverse set of stakeholders, to answer the following questions:

1. What are the roles in which the private sector can contribute to durable solutions?
2. What are the challenges and incentives for the private sector to become strategic partners to non-profit sector actors (United Nations, non-governmental organizations and the government) in engaging in durable solutions?
3. What do the public and non-profit sectors need to do in order to effectively engage the private sectors in durable solutions beyond the traditional grant-fund incentives?

Representatives from the humanitarian and development sectors, the startup ecosystem, business associations and donors and development finance institutions have been interviewed through a semi-structured methodology to drive insights about their current understanding of and participation in durable solutions and recommendations for increasing the private sector's contributions. These interviews have covered the following indicative topics: awareness about the private sector's role in durable solutions in Iraq; examples of existing private sector partnerships; and incentives, tools and mechanisms available or needed to facilitate further private sector contributions to durable solutions.

Data collection from SMEs focused on understanding local businesses' contributions to durable solutions as well as their perceptions about the private sectors' role in supporting communities affected by displacement. A total of 151 companies from Baghdad, Ninewa and Dohuk were surveyed. The sample consisted of companies that participated in Enterprise Development Fund (EDF) programmes as well as those that were applicants but were not qualified for various reasons.⁵ The findings are indicative rather than representative given the lack of a complete business sampling frame. A survey with over 60 questions was administered in person in these three governorates by IOM's research staff, with the operational support of IOM's Displacement Tracking Matrix (DTM) unit, and information management and technology support provided by the information management (IM) unit in IOM. The surveys took place between 25 April and 19 May 2024.

The report also synthesizes the key findings from a workshop on 6 June 2024, which took place in Erbil with over 40 participants. The workshop brought together various stakeholders, including international and local non-governmental organizations (NGOs), United Nations agencies, private sector entities and donors to discuss the preliminary findings from the research and share ideas on coordination, tools, resources and approaches necessary to engage the private sector effectively in durable solutions for displaced populations in Iraq.

 ***We aim to start activities related to agribusiness livelihood and are already looking for private sector engagement. IOM's workshop gave us a good idea of how to engage the private sector to achieve good results.” - Workshop participant***

⁵ In each of the governorates, 25 companies that were EDF grant recipients and 25 that were EDF rejected applicants were surveyed. In Baghdad, one additional company from outside of the EDF sample was included, bringing the total to 151.

FORCED DISPLACEMENT AND THE ROLE OF THE PRIVATE SECTOR

The report of the United Nations High Commissioner for Refugees to the United Nations Secretary-General's High-Level Panel on Internal Displacement elaborates on the critical role of private sector engagement in supporting internally displaced persons (IDPs).⁶ The report acknowledges the private sector's potential for donations and high-impact cross-sector partnerships in stabilized and protracted IDP situations, necessitating new frameworks and collaboration among IDPs, humanitarian and development actors, governments and private sector entities. The private sector can play a multifaceted role in IDP contexts, from advancing protection and peace to restoring prosperity through economic inclusion and growth, particularly by local private sector actors. The private sector is recognized for its potential indirect contributions to peace processes and for its importance in economic recovery and job creation in fragile settings. On the other hand, the private sector's responsibility in adhering to human rights standards and contributing to durable solutions by mitigating their involvement in adverse human rights impacts, including displacement, is important. Recommendations from this report are included in Box 2.

BOX 2: RECOMMENDATIONS FROM UNHCR'S "PRIVATE SECTOR ENGAGEMENT FOR INTERNALLY DISPLACED PERSONS"

ALL STAKEHOLDERS

- Systematic mapping of private sector actors and inclusion of relevant actors in participatory processes;
- Systematic application of a Fragility Lens Framework;
- Support or incentives to businesses to make full use of their knowledge, communication, and logistical capabilities, and to ensure their constructive participation in multi-stakeholder initiatives, ideally government-led;
- Cross-sector data platforms that pull together data on IDPs collected by different actors, including the private sector –with appropriate safeguards;
- Cross-sector crowdfunding and matchmaking platforms to connect humanitarian organizations with businesses interested in contributing goods, services and/or expertise;
- Value chain assessments when designing social and economic inclusion interventions targeting IDPs;
- Wider dissemination of relevant research.

POLICYMAKERS

- Introducing or revising frameworks on how private sector actors engage with IDPs;
- Creation of incentives (through tax breaks, subsidies) for the private sector to engage with IDPs;
- Working with businesses to embed key normative frameworks in business actions;
- Ensuring that IDPs have access to up-to-date labour market information and consider schemes to incentivize companies to employ IDPs;
- Mapping business assets, capabilities and networks, in order to understand their potential contributions, and sharing this information as appropriate with humanitarian and development actors;
- Consideration of the private sector as a co-implementer of programs, projects and government contracts for certain services aimed at IDPs;
- Convening public-private platforms and partnerships.

⁶ UNHCR, *Private Sector Engagement for Internally Displaced Persons*. (Geneva, UNHCR, April 2021).

⁷ Ibid.

HUMANITARIAN SECTOR

- More systematic engagement with the private sector beyond traditional modalities of procurement and philanthropy;
- Due diligence on all collaborations with the private sector, including harmonization of due diligence policies and principles;
- Creating key principles of engagement by the humanitarian sector with the private sector, to ensure that these are more systematically applied in IDP settings;
- Fit-for-purpose staffing structures, competencies, and resources for private sector engagements, including specialized sectoral or industry expertise;
- Review or creation of partnership policies and processes;
- Developing and sharing analytical tools and methodologies, as well as good practices;
- Introduction of innovative procurement modalities, such as additional selection criteria in local procurement processes with regards to impacts on IDPs.

BILATERAL AND MULTILATERAL DONORS

- Multi-year, flexible funding designed to leverage private sector contributions to achieve long-term, collective outcomes;
- Increased funding for the testing and piloting of models that include the private sector and learning – to build an evidence base of what works and what doesn't;
- Capacitating of reliable intermediaries and umbrella group actors, public or private, such as chambers of commerce and industry bodies.

In their International Finance Corporation (IFC) paper “Private Sector Initiatives in Forced Displacement Contexts: Constraints and Opportunities for a Market-based Approach,”⁸ the authors underline the private sector’s importance in offering sustainable economic opportunities for forcibly displaced and host communities, while stressing that this should complement, not replace, public sector and humanitarian efforts. Governments, along with international partners, should enhance the business environment to support the displaced people and their host communities. Donors and development organizations should assess the commercial viability of private sector engagement and provide market intelligence, ensuring conflict-sensitive approaches to investment. Humanitarian groups are positioned to gather and share socioeconomic data with private sector entities, which can be leveraged to understand and meet the needs of the forcibly displaced communities, including their skills and potential for entrepreneurship. Blended finance⁹ is highlighted as a key method for de-risking investments in challenging environments and creating market solutions that address immediate needs, skill development and long-term economic benefits. Partnerships are essential for implementing private sector solutions to enhance self-reliance, with the Global Compact on Refugees and the PROSPECTS Partnership as key examples of cooperation. Donor funding should be strategically used to create markets and attract private investment in areas conducive to engagement with the displaced population.

Based on consultations with its member networks, the United Nations Connecting Business Initiative (CBI)¹⁰ encourages policymakers to “not overlook the role of the local private sector,” as local businesses are often first responders in emergency and displacement situations, with an inherent motivation to support their communities. Therefore, it is recommended that “the private sector should have a seat at relevant coordination structures led by governments, humanitarian and development organizations” to ensure timely flow of information about priorities and needs and alignment with efforts to prevent and respond to internal displacement. Another important recommendation is for the creation of a “network structure” to help the private sector understand the frameworks for internal displacement; navigate the mandates of responsible stakeholders; reduce duplication; and align their contributions with others to maximize their collective positive impact on vulnerable populations. Sharing examples of existing examples of private sector engagement for insights and inspiration is also necessary. Finally, CBI underscores the need for a nuanced understanding of the private sector and the many ways that businesses of different sizes and capacities can participate, including the contributions of IDP-owned businesses.

8 Weiye Wang, Ozan Cakmak and Kurt Hagemann. *Private Sector Initiatives in Forced Displacement Contexts: Constraints and Opportunities for Market-based Approaches* (IFC, May 2021).

9 Blended finance is the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development. Blended finance has mobilized approximately 200 billion United States dollars (USD) to-date based on *Convergence data*.

10 Connecting Business Initiative (CBI). *Private Sector Engagement in Internal Displacement – Recommendations for Policy Makers* (CBI, 30 April 2021).

THE ROLE OF THE PRIVATE SECTOR IN IOM'S GLOBAL STRATEGIC PLAN

The IOM Strategic Plan 2024–2028¹¹ includes a multifaceted approach to engaging with the private sector, focusing on creating opportunities for decent work, fostering inclusive workplaces and ensuring access to necessary resources and protections for migrants. The private sector is seen as a key partner in achieving the plan's objectives, particularly in the areas of labour migration and the promotion of migrant rights and well-being.

IOM will provide technical assistance to skills mobility initiatives led by the private and public sectors. This involves connecting migrants to decent work opportunities and promoting migrant-centred human rights due diligence in businesses. The plan also includes scaling up work with businesses to foster inclusive workplaces, which suggests a focus on creating environments that are welcoming and respectful of migrant workers' rights. In addition, according to the strategy, IOM programmes will equip migrants with skills and knowledge relevant to the 21st-century workplace, including entrepreneurship and skills training, which can be beneficial for both migrants and the private sector in terms of workforce development. The plan also mentions improving access to social protection and finance for migrants, which could involve collaborating with the private sector to ensure that migrant workers have access to financial services and social safety nets. IOM emphasizes the importance of long-term partnerships built on trust, including those with national and local actors. IOM's convening role on migration, as Coordinator and Secretariat of the United Nations Network on Migration, may involve engaging with the private sector in discussions and initiatives related to migration.

As an example of IOM's private sector engagement, a recently announced global partnership between IOM and the [Tent Partnership for Refugees](#) – a global network of 350+ companies committed to the labour market integration of refugees – will “accelerate the workforce inclusion of migrants and other forcibly displaced people around the world.”¹²

THE SOCIOECONOMIC AND POLICY CONTEXT IN IRAQ

THE STATUS OF DURABLE SOLUTIONS

In Iraq, the COVID-19 pandemic exacerbated existing challenges and introduced new ones, affecting IDPs' standard of living and access to justice, among other areas, as well as severely impacting revenues of the SMEs.¹³ The economic fallout from the pandemic has led to changes in food consumption patterns and increased the urgency for compensation for housing damage. Similarly, “global and regional instability linked to the war in Ukraine and the Israel-Gaza crisis are poised to impact Iraq's economic and commercial landscape significantly,” with spillover effects such as declining business confidence; increasing food prices; and volatility in oil prices threatening the already vulnerable communities such as IDPs.¹⁴

Latest findings from IOM's six-year-long study of the progress towards durable solutions¹⁵ reveal that while safety and security have been largely achieved, IDPs continue to struggle with providing for basic needs and maintaining their standard of living. The pandemic has intensified these struggles, with many households adopting negative coping strategies. Employment sectors have seen considerable fluidity, with informal labour remaining the dominant source of income for IDPs. Housing challenges are significant, with most homes in areas of origin heavily damaged or destroyed, and rent consuming a large portion of monthly expenses. While many IDPs may not face discrimination or lack of rights, the majority still consider themselves displaced due to their inability to return to their physical homes or districts.

Among the 15 per cent of IDPs who no longer feel displaced, the presence of a network of family and friends,

11 IOM, *IOM Strategic Plan 2024–2028* (Geneva, IOM, 2024).

12 IOM, *IOM and Tent Announce Strategic Partnership to Support Labour Market Integration of Migrants in Mexico and Beyond* (IOM, 8 February 2024).

13 IOM, Food Agriculture Organization (FAO), International Trade Centre (ITC). *Panel Study: Impact of COVID-19 on Small and Medium-Sized Enterprises in Iraq* (IOM, 2021).

14 IOM, *Livelihood Policy Brief No.7* (IOM, March 2024).

15 IOM, *Access to Durable Solutions Among IDPs in Iraq* (IOM, Dashboard).

employment and having a home in the governorates to which they were displaced are cited as reasons for their sense of integration. However, the slow governmental compensation process for destroyed property remains a significant barrier to achieving durable solutions. The adaptability and willingness of IDPs to learn new trades present an opportunity for the government and NGOs to provide training and open new employment sectors.

Most IDPs felt safer and more accepted in their host communities over time, although they continue to consider themselves displaced. The ability to provide for basic needs improved slightly, yet many IDPs still relied on borrowing money or informal labour for income, as opportunities in agriculture and other sectors remained limited. Access to property in the governorates of origin improved, but many homes were heavily damaged or destroyed. Personal documentation lost during displacement was partially replaceable for most IDPs, which is crucial for claiming rights and accessing services. Family reunification and participation in public affairs saw some positive developments, although challenges remained. Access to justice improved, particularly with growing confidence in the ability of courts to ensure justice.

The scarcity or lack of employment and income-generation opportunities makes IDPs reluctant to return, especially following financial losses and reduced income due to lost property, savings and job opportunities as a result of displacement. At least one out of every three displaced individuals is currently experiencing poverty. Provision of jobs or livelihood opportunities will be a key factor in enabling the IDPs to return and settle. Pressure on limited resources such as water, land, housing, food and education in the host areas is another important issue. With around 55 per cent of total employment in Iraq in the informal sector,¹⁶ the performance of SMEs in areas affected by displacement is closely linked to the prospects for economic reintegration and employment for IDPs and returnees. Livelihoods assistance and business grants have been crucial in attenuating the effect of external shocks such as COVID-19 and the resulting economic challenges.¹⁷

In addition, according to a Protection Consortium of Iraq (PCI) study, “lack of livelihoods and functional markets further impede households’ abilities to generate income and meet basic needs such as shelter and nutrition, and act as a barrier to decisions around return to area of origin. Forty per cent of PCI survey respondents indicated ‘lack of services and infrastructure’ as a primary motivation for not returning to their area of origin; and almost 60 per cent of respondents who had been displaced more than once indicated ‘lack of services’ as their reason for secondary (or subsequent) displacement.”¹⁸

In terms of the needs and challenges faced by IDPs and returnees, there are key regional differences, with “liberated areas, central and northern regions near Syria, are specific to IDPs,” whereas in the South, climate-induced displacement and degradation of rural livelihoods pose challenges, and in the Kurdistan region, where there are camps, humanitarian needs persists.¹⁹

The comprehensive operational framework designed to address the challenges of internal displacement in Iraq outlines strategic objectives, specific activities and coordination mechanisms to support sustainable return, local integration or relocation of IDPs and returnees.²⁰ Within this framework, for Strategic Objective 3: Livelihoods, displacement-affected populations need to have access to sustainable livelihoods and income, with activities ranging from supporting job creation and improving access to sustainable livelihoods, including assets recovery and rehabilitation to increasing access to and quality of financial and employment services; rehabilitation and re-establishment of markets and value-chain where these have been significantly affected; explosives clearance of agricultural land and other productive infrastructure such as irrigation infrastructure; and asset replacement and rehabilitation.

“...Wherever possible, close linkages with private sector development programs should be sought to align capacity development programs (such as skills development and vocational training) with the labour market needs of a recovering economy.”²¹

16 ILO, *Iraq Labour Force Survey 2021* (ILO, 5 July 2022).

17 IOM, *Performance of the Private Sector When Supported by Conditional Cash Grants During the Covid-19 Pandemic* (IOM, 2021).

18 Protection Consortium of Iraq, *Where Should We Go? Durable Solutions for Remaining IDPs in Iraq* (Danish Refugee Council, International Rescue Committee and Norwegian Refugee Council, May 2024). “

19 Nicolas Jude Larned, Erol Yayboke and Giorgi Gigauri, *Iraq 20 Years After the Invasion: Humanitarian, Displacement, and Climate Change Challenges* (Center for Strategic and International Studies (CSIS), 20 March 2023).

20 Solutions Technical Working Group, Durable Solutions Task Force and Durable Solutions Technical Working Group, *Resolving Internal Displacement in Iraq: Inter-Agency Durable Solutions Strategic and Operational Framework* (June 2021).

21 Ibid.

PRIVATE SECTOR ENGAGEMENT FOR REFUGEES IN IRAQ

The 2024 Regional Refugee & Resilience Plan (3RP) for Iraq²² underscores the importance of continuing to promote the integration of the country's nearly 300,000 refugees into society, including through advocating for refugees' needs and enhancing the capacity of local government and systems to accommodate them. Currently, the employment landscape for refugees typically involves temporary positions, requiring refugees to depend more on debt compared to the local population. Notable challenges remain in health-care accessibility for more than half of the Syrian refugee households, and despite more children going to school, education quality and access are still pressing issues. The 3RP focuses on the host countries, including Iraq, to create broader economic opportunities to foster self-reliance among refugees. The Plan encourages the facilitation of access to formal and dignified jobs, financial assistance, and support for micro, small and medium-sized enterprises (MSMEs). It recommends aligning refugees' skills with the local job market's needs in partnership with the private sector: "The 3RP will explore bringing the private sector on board at a strategic level to promote economic inclusion of refugees and host communities, leveraging the private sector's infrastructure capacities for responses." In addition, according to UNHCR's strategy in Iraq, "facilitating access to decent work and economic opportunities for refugees builds their capacities to attain a dignified solution in exile while enabling them to contribute to the local economy."²³ One of the strategy's guiding principles for achieving its strategic objectives in refugee livelihoods and economic inclusion is "Partnership and Coordination," which requires the contribution of external partners, primarily public authorities but also the private sector, including informal entities.

THE IRAQI ECONOMY, PRIVATE SECTOR, INVESTMENT ENVIRONMENT²⁴

The Iraqi economy has historically been dominated by the public sector, and oil revenues have accounted for over 40 per cent of gross domestic product (GDP). The reliance on oil has made the economy vulnerable to oil price fluctuations and hampered the development of other sectors. The government has recognized the need to diversify the economy and has been taking steps to support the private sector as a means of achieving sustainable economic growth. The government has set a target for the private sector to account for at least 60 per cent of GDP and absorb 4 per cent of unemployment between 2023 and 2030.

According to the USAID,²⁵ "economic diversification and job creation initiatives are needed to address the country's fiscal fragility and human capital issues resulting from its dependence on oil. Private sector development is critical to ensuring long-term prosperity for all Iraqis. The private sector has the potential to be an engine of growth for Iraq, creating jobs and improving the integration of women, youth and religious and ethnic minorities into the economy. However, lack of access to private investment capital, insufficient financial and institutional support and political instability remain roadblocks." The World Bank notes that youth, women and IDPs, who are disproportionately affected, urgently need employment opportunities and solutions to the specific factors faced by each of these groups, adding that "without special attention to their demand for jobs, peace and reconstruction are at risk."²⁶

Despite these challenges, in recent years the private sector has seen some growth. New SMEs have started to emerge, particularly in the service, retail and construction sectors. However, they are small: 60 per cent of SMEs have 20 employees or less and face limited access to finance, a complex regulatory environment and inadequate infrastructure. A key constraint on SME growth and recovery is their inability to finance business expansion, with less than 7 per cent of GDP allocated to private sector credit.²⁷

Furthermore, the process of registering a business in Iraq (as well as closing it) is often cumbersome and bureaucratic, which demotivates entrepreneurs and discourages them from formalizing.²⁸ According to the World Bank's "Ease of

22 Regional Refugee & Resilience Plan (3RP), *Regional Strategic Overview* (3RP, 2024).

23 UNHCR, *Refugee Livelihoods and Economic Inclusion: UNHCR Iraq Strategy 2023–2024* (UNHCR, 2023).

24 Excerpted from *U.S. State Department 2023 Investment Climate Statements: Iraq*, with supplemental references included.

25 USAID, *Private Sector Development* (USAID, March 2023).

26 World Bank Group, *Jobs in Iraq: A Primer on Job Creation in the Short-Term* (World Bank, 19 February 2019).

27 ILO, *"ILO and KfW join forces to empower Iraqi small and medium enterprises and foster inclusive growth"* (Baghdad, ILO, 14 February 2024).

28 It is worth noting that the Kurdistan Regional Government has made efforts to address this issue, including launching an [online portal](#) to streamline and expedite the registration process for businesses.

Doing Business,”²⁹ Iraq ranks 154th in starting a business (out of 190 economies ranked), influenced by factors such as the number of procedures, time taken and costs incurred, which are comparatively higher than regional averages. With access to finance as a key challenge, Iraq ranks 186th in getting credit for businesses. Furthermore, electricity provision puts Iraq in the 131th place, with the reliability of electricity supply and transparency of tariffs being areas of concern.

The banking sector, which could play a critical role in providing financial services to the private sector, remains underdeveloped. State-owned banks dominate the sector, and there is a general lack of modern banking services and products. “The Central Bank of Iraq estimated that 99.8 per cent of Iraq’s USD 122 billion personal consumption expenditures were made in cash in 2019.”³⁰ SMEs face substantial difficulties in accessing appropriate finance, with an estimated funding gap of around USD 6 billion. Iraqi SMEs struggle with defining uniform criteria, lack of suitable security for loans, ineffective enforcement of security rights, limited credit capacity, high interest rates, long loan processing times and limited financial literacy among SME owners. A key issue in accessing finance for business owners is the lack of guarantees and the common requirement by banks to have a public sector guarantor to secure a loan.³¹

Nonetheless, startup activity is growing. While problems such as traditional financing sources – with strict procedures and risk aversion – and limited infrastructure around transport logistics, internet connections and energy supplies hamper the startup sector, Iraqi corporates are beginning to invest in startups.³²

Foreign direct investment (FDI) in Iraq has been limited, partly due to political instability and security concerns. However, the government has been trying to attract FDI by improving the investment climate through legal and regulatory reforms, including anti-corruption measures. These reforms aim to simplify procedures, provide guarantees and reduce bureaucracy for foreign investors. In addition, Iraq has recently resumed its accession process to the World Trade Organization (WTO), highlighting its commitment to economic and legislative reforms,³³ which will also help with challenges faced by Iraqi SMEs in exporting their products.

Another key challenge for the private sector is the lack of skilled labour. Education and vocational training systems have been affected by years of conflict, which has led to a mismatch between the skills available in the labour force and the needs of private sector employers. Scoring below counterparts in the region on the Human Capital Index (143rd out of 173 countries ranked in the world)³⁴ Iraq needs significant investment in education and vocational training to create a skilled workforce that can support the development of the local private sector and meet the evolving demands of the global economy. On the other hand, many qualified applicants are unable to access existing jobs. In a low-trust environment, women and youth struggle to get the initial experience required to enter the labour market, resulting in high unemployment rates. Displaced persons who lack social networks among the host community or who must transition to a new sector can face similar challenges. In addition, women face traditional gender norms and barriers in accessing more competitive sectors, such as manufacturing. Addressing these job market frictions is essential to unlock Iraqi growth, exploiting untapped human capital.³⁵



29 World Bank Group, *Doing Business 2020* (Dashboard).

30 Ali Al Suhail, *The Iraqi Private Sector We Need: Call to Action* (Kapita Business Hub, 23 October 2022).

31 IOM, *Livelihoods Policy Brief No.6* (IOM, August 2023).

32 Clement Gibon, *A New Era of Opportunity is Opening Up in Iraq with the Development of The Private Sector and the Creation of Start-Ups* (Equal Times, 13 October 2023).

33 World Trade Organization, “Members welcome Iraq’s return to WTO accession talks after 16 years” (Geneva, WTO, 18 July 2024).

34 World Bank Group, *Human Capital Index 2020, Iraq* (World bank, 2020).

35 Martin, D. *Job market frictions in Iraq: Employers and jobseekers’ decision-making* (Baghdad, IOM, 2024).

PRIVATE SECTOR AND DURABLE SOLUTIONS IN IRAQ

The private sector plays a crucial role in addressing the complex and multifaceted challenges faced by Iraq, particularly those related to displacement and durable solutions for refugees, IDPs and returnees. By leveraging their resources, expertise and innovative capabilities, private companies can contribute significantly to durable solutions that promote economic stability, social cohesion and sustainable development.

Despite the private sector's operational and innovation capacity, workforce development ability and potentially strong community ties through SMEs, its risk-averse nature and commercial interests that may conflict with social inclusion and purpose pose barriers to their engagement in displacement-affected communities. In Iraq, these barriers are exacerbated by a lack of awareness and access to data for informed decision-making, the informal nature of the Iraqi economy, high perceived risks, unclear benefits, limited economic diversification and a challenging business environment. These barriers are compounded by a weak financial system and limited trust in financial institutions. Post-conflict capacity depletion and brain drain have left many institutions weak, with a need for substantial capacity building. There is a prevalent stigma around displacement, which affects business dealings and the integration of displaced communities into the local economy and perceived financial risks. Many interventions are short-lived and reliant on donor funding, without sustainable or scalable business models, leading to discontinuity in benefits for communities.

Table 1 outlines various ways the private sector can engage in durable solutions, highlighting potential contributions, mediating variables and moderating variables involved in creating impactful and lasting outcomes.

TABLE 1. VARIABLES IN PRIVATE SECTOR CONTRIBUTIONS TO DURABLE SOLUTIONS IN IRAQ

CONTRIBUTIONS	MEDIATING VARIABLES	MODERATING VARIABLES
Employment and Vocational Training	By offering employment opportunities and vocational training to refugees and IDPs, companies can help integrate them into the workforce, contributing to their self-reliance and economic stability.	<ul style="list-style-type: none"> • Availability of skilled labour force and ability of the private sector to diversify its workforce through linkages to IDP communities. • Safety and security for the employees and employers. • Building trust and resolving intercommunal tensions between displaced and host communities
Supply Chain Inclusion	Incorporating affected communities into the supply chains of businesses can provide them with a sustainable source of income. This could involve sourcing goods and services from local entrepreneurs or engaging community cooperatives. Linking small and medium-sized local enterprises owned by IDPs/returnees/refugees to value chains of larger companies can create new market access, growth and jobs.	<ul style="list-style-type: none"> • The regulatory framework and policy support in Iraq can determine the ease with which local SMEs, especially those owned by IDPs, returnees and refugees, can be integrated into larger companies' supply chains (as well as into public and NGO procurement). • Availability of sufficient capital to reliably supply the requested goods and services.
Products and Services	The private sector can innovate and adapt its products and services to address the immediate and long-term needs of displacement-affected communities. By focusing on affordability, accessibility and relevance, companies can provide critical solutions that enhance standards of living through food security, health, education and economic opportunities.	<ul style="list-style-type: none"> • Market demand and sustainability ensure that products and services are not only needed and used by the community but can also be offered continuously by the private sector. • The policy environment and regulatory support can facilitate these market-based offerings. • Production and distribution infrastructure can affect availability. • Affordability and cultural relevance can affect communities' access.
Innovation and Technology Transfer	The private sector can bring innovative solutions and technology transfers that address specific challenges faced by displaced or affected communities. This includes access to clean energy, water purification technologies, and digital education platforms.	<ul style="list-style-type: none"> • The availability and quality of digital infrastructure, including internet access and mobile network coverage, as well as access to reliable electricity, determines the effectiveness of technology transfer initiatives such as digital education platforms. • Local capacity, skills and infrastructure to technologies.

CONTRIBUTIONS	MEDIATING VARIABLES	MODERATING VARIABLES
Investment in Infrastructure and Local Development	Direct investment in infrastructure, such as housing, roads and telecommunications, can facilitate access to markets, improve living conditions and spur local economic development.	<ul style="list-style-type: none"> Community engagement (inclusion in planning and implementation) and acceptance of infrastructure development projects. Ability of private sector to participate in public procurement. Access to financing.
Financial Services and Inclusion	Providing access to financial services, such as banking, loans and insurance, can empower displaced persons and communities recovering from crisis, enabling them to manage risks, invest in businesses and save for the future.	<ul style="list-style-type: none"> The level of trust in and cultural acceptance of financial institutions and credit. Availability of Islamic finance products. Risk profile/perceptions of underserved communities including IDPs (due to track record, lack of documentation, etc.) Availability of de-risking mechanisms, risk-sharing capital, alternative credit scoring, and innovative financial products
Research and Development (R&D)	Companies can collaborate with academic institutions and NGOs to conduct research and develop solutions that address the long-term needs of displaced populations, such as sustainable housing, health-care innovations and climate-resilient agriculture.	<ul style="list-style-type: none"> Government funding for R&D projects, tax incentives for participating companies and institutions, as well as regulations that facilitate or hinder research activities, intellectual property rights and the implementation of developed solutions. Linkages, communication and trust amongst stakeholders.
Advocacy and Policy Influence	The private sector can use its voice to advocate for policies that support durable solutions, including legal rights for displaced persons, land use policies and regulatory reforms that encourage investment in affected areas.	<ul style="list-style-type: none"> Public opinion and the level of social cohesion can influence the effectiveness of advocacy and policy influence efforts by the private sector.
Partnerships with NGOs and International Organizations	Collaborating with NGOs and international organizations can enhance the impact of private sector initiatives by leveraging their expertise in humanitarian assistance and development, ensuring that efforts are well-coordinated and aligned with the needs of affected communities. "Such partnerships ideally start from a common understanding of a specific problem or need, and then build on the existing assets and capabilities of different partners." ³⁶	<ul style="list-style-type: none"> The extent to which the private sector, NGOs and international organizations align plays a critical role in these partnerships' success.
Public-Private Partnerships (PPPs)	PPPs involve collaboration between government entities and private sector companies to finance, build and operate projects such as infrastructure, education and health services. This can enhance the quality and accessibility of essential services for affected communities.	<ul style="list-style-type: none"> Quality of governance and the institutional capacity of the public sector: transparency, accountability and effective public administration
Corporate Social Responsibility (CSR) Initiatives	Through CSR, companies can support durable solutions by investing in community development, education and livelihood programmes. These initiatives can help build resilience, reduce vulnerability and promote social cohesion.	<ul style="list-style-type: none"> The level of community engagement and participation in these programmes, including planning, implementation and evaluation. Transparent and rigorous impact assessment and MEAL (Monitoring, Evaluation, Accountability, and Learning) processes. Communication and recognition opportunities for the private sector.

36 Weiyei Wang, Ozan Cakmak and Kurt Hagemann. *Private Sector Initiatives in Forced Displacement Contexts*.

ECOSYSTEM OF PRIVATE SECTOR ENGAGEMENT

Several private sector actors are and can potentially be engaged in achieving durable solutions in Iraq. These include local businesses of various sizes, stages and sectors; international companies; social enterprises; business associations and chambers; accelerators and incubators; and other business support organizations. Additionally, NGOs and international organizations with programmes focused on livelihoods, entrepreneurship and employment are important stakeholders due to their partnerships with and support for the private sector in achieving these mutual goals. The diverse groups of stakeholders listed below, along with examples,³⁷ are not comprehensive of the full ecosystem but are meant to be indicative of private sector contributions to durable solutions.



LOCAL BUSINESSES: SMES

SMEs in Iraq have the potential to contribute to durable solutions in several ways, including as employers; through business ownership and self-employment by IDPs, returnees and refugees; as suppliers to larger enterprises and public projects; and by providing essential products and services. Given their prevalence in the Iraqi economy and prominent role as driver for job creation, their role in durable solutions is paramount. According to one study by the IFC, “there are between 377,000 and 840,000 small and medium enterprises in Iraq. They account for a large part of employment and play a critical role in non-oil economic growth and innovation. Iraqi SMEs operate in a challenging environment, but also exhibit remarkable resilience.”³⁸

The comprehensive “Iraq MSME 2020 Survey,” conducted with 2,000 MSMEs, across Baghdad, Basra and Ninewa, found that 95 per cent of MSMEs are male-owned and male-staffed, with a significant majority (83%) being informal entities.³⁹ Financing emerged as a major challenge, with limited banking transactions and difficulties in obtaining loans. A significant portion of MSMEs did not have bank accounts and cited insufficient funds as a barrier at the onset. Moreover, a substantial percentage of MSMEs did not seek financing post-establishment, with many relying on personal savings or loans from family and friends. In addition, most MSMEs did not maintain proper accounting records nor had insurance coverage. Technology usage was low, except for mobile phones, and MSMEs showed minimal engagement with the internet and e-commerce. There was an exclusive reliance on local sales markets, with limited export intentions or activities, and a weak presence in networking and professional collaborations. Trade, transportation, warehousing and construction sectors accounted for 63 per cent of all MSMEs.

³⁷ Examples are primarily based on desk research and feature information from corporate websites and other marketing materials.

³⁸ IFC, *Iraq Economic Recovery Creates Opportunity to Invest in Small and Medium Businesses* (IFC, November 2022).

³⁹ UNDP, *Iraq MSME 2020 Survey* (UNDP, November 2021).

Bahar Factory in Sulaymaniyah was established in 2018 by specialists in the field of healthy foods and medicinal herbs with more than 10 years of experience. Their mission is “to create innovative and healthy products and provide satisfactory services to customers” using natural methods such as vinegar fermentation, oil cold pressing, and herbal distillation with local fruits and herbs. The company has worked with DRC on business development and export promotion. They have hired at least one IDP and one refugee as a part of their workforce.⁴⁰

LARGER LOCAL AND INTERNATIONAL BUSINESSES

International businesses and multinational corporations operating in Iraq are typically concentrated in the energy and infrastructure sectors. Due to their larger size, these companies can provide employment and sustainable income, as well as skills building, to IDPs. One potential advantage of these companies may be more established corporate social responsibility and inclusion and diversity initiatives. Through technical assistance and market incentives, these companies can increase the share of displaced people in their workforces. However, to achieve this goal, understanding the workforce needs of these companies and creating solutions for matching with displaced labour and talent will be necessary. Incorporating SMEs, including those owned by IDPs, returnees, and refugees into the supply chains of these larger companies is another important tool to advance income growth and employment. Private sector investments in infrastructure projects, such as building or repairing housing, schools and health-care facilities, can also contribute to durable solutions. In addition, larger companies can support durable solutions and the humanitarian and development sectors by providing their know-how, distribution networks, supply chain management and communications capabilities.

Toyota Iraq,⁴¹ in collaboration with the United Nations Development Programme (UNDP), initiated a programme in 2016 aimed at providing young, displaced Iraqis with sustainable income opportunities. Through UNDP’s Iraq Crisis Response and Resilience Programme (ICRRP), candidates were referred to Toyota Iraq for vocational and on-the-job training in the automotive industry. The programme’s first group graduated in vehicle technician training in January 2017, followed by another group in customer relationship management and automotive parts storekeeping in June 2017. The third group, consisting of 16 trainees mainly from Mosul and Tikrit, recently began their training. Trainees highlighted the importance of gaining marketable skills through this training to improve his employment prospects and contribute to the local economy.

Zain Iraq⁴² sponsored a training workshop for more than 30 youth from Anbar to raise awareness around the need to contribute to the development of their governorate, playing a vital role in rebuilding its infrastructure and its reconstruction.

Home Istanbul Stores, a home goods and furniture retailer, was launched in 2011, consisting of five branches, two in Erbil, one in Sulaymaniyah, one in Duhok and one in Kirkuk. Having a range of over 25,000 items and cooperating over 230 overseas companies, Home Istanbul has been actively serving the people of Kurdistan and Iraq as a pioneer DIY leader of home improvement and construction sector. The company has collaborated with DRC to provide employment to IDP.⁴³

⁴⁰ Based on interview with DRC, April 2024.

⁴¹ Toyota, *IDPs join Toyota Iraq UNDP Technicians Training Development Program* (Toyota, 10 August 2017).

⁴² *Youth Empowerment for IDPs* Zain, 21 June 2018.

⁴³ Based on interview with DRC, April 2024.

STARTUPS

Startups, different from MSMEs, are defined here as fast-growing, entrepreneurial and innovative ventures that are typically tech-based. They can contribute to durable solutions through tech-enabled products and services that solve challenges such as access to IDs, documents, payments, online training and digital platforms for education, health care and communication as well as by revolutionizing traditional sectors such as agriculture. Technology tools and data analytics can also support information about and services for IDPs, as well as advocacy efforts. They also create employment and pathways to self-employment and skills development, especially for youth in the digital economy. In Iraq, addressing environmental issues related to climate change and resource management necessitates innovative solutions and private sector investment to foster inclusive and sustainable development, thereby mitigating climate displacement. The startup examples below, emerging from displacement-affected communities, are active in these crucial sectors.

KESK⁴⁴ is a pioneering female-owned green-tech company in Iraq, founded by Basima Abdulrahman, to tackle the severe power disruptions that plague the country. Located in Erbil, KESK offers green energy engineering services, smart solar PV products, and remote monitoring services to a diverse clientele, including government bodies, the oil and gas sector, international organizations and individual clients. By leveraging green power and cloud computing technologies, KESK aims to provide sustainable and reliable energy solutions, which are critically needed in a region where electricity outages are frequent and summer temperatures soar above 48 degrees Celsius. KESK's impact on the community is substantial, addressing the urgent need for alternative energy sources in Iraq.

Green Shovel⁴⁵ was established in order to provide integrated smart agricultural systems for greenhouses, smart irrigation systems, remote agricultural control and monitoring systems and smart devices for fertility and soil moisture with high accuracy and appropriate prices. The company seeks to provide the best services to allow an increase in agriculture production and to ensure the cultivation and success of all types of crops in Iraq, and to find appropriate solutions to prevent crop damage using advanced technology and the expertise of agricultural engineers. It was founded in 2019 by an agricultural engineering team, programmers and artificial intelligence specialists who were Syrian refugees. The company works through the innovation of smart agriculture to make farmers, the socioeconomically disadvantaged groups and farmer women benefit from technology to increase their profits and income.

Mosul Solar,⁴⁶ founded by Muhammad Khaled Al-Qattan, an entrepreneur from the city of Mosul, seeks to develop and spread the culture of renewable and solar energy, reduce air pollution, get rid of private generators and reduce the load on the national electric grid by providing solar energy systems, solar heaters and agricultural irrigation systems.

“ Water scarcity and management challenges are significant concerns, and the salinization of water and soils, desertification and the disappearance of arable land are existential environmental concerns connected to poor resource management and climate change. These challenges also represent economic opportunities in Iraq, which needs investments in green and renewable energy, modern irrigation systems, and the infrastructure to capture flared gas.”
- U.S. State Department⁴⁷

44 GroFin. KESK: A Green Solutions Company (Northern Iraq Investments, 27 December 2022).

45 Green Shovel; Harris, C. *Displaced Entrepreneurs: Supporting New Beginnings Away from Home* (podcast, Morgan Stanley, 23 November 2022).

46 Five One Labs.

47 U.S. Department of State, *2023 Investment Climate Statements: Iraq* (US Department of State, 2023).

ACCELERATORS AND INCUBATORS

Critical to the entrepreneurial ecosystem, institutions such as accelerators, incubators and innovation hubs, along with other entrepreneurship support programmes, play a vital role in nurturing startups that contribute to durable solutions. These entities provide essential support, resources and mentorship, helping startups to innovate, scale and address pressing social and environmental challenges.

Five One Labs is a global startup incubator that helps refugees and conflict-affected entrepreneurs launch and grow their businesses. The organization has been operating in Iraq since 2017 and has recently expanded to Colombia. Their module includes an integrated approach of welcoming roughly 50 per cent refugees and 50 per cent local residents into their programmes. As of date, 37 per cent of their participants are migrants or conflict-affected people (IDPs, refugees or returnees), including participants across all programmes, including Incubators, accelerators, boot camps and summer innovators.

Mosul Space is “the first innovation hub founded in Mosul, working on education, innovation, entrepreneurship and technology to help the youth improve their skills to fill the gap between the market and the education system as well as supporting private sector development.” Founded 10 years ago in Mosul to bridge the gap between academic education and labour market needs, the hub has collaborated with partners such as GIZ, ITC and UNDP to provide youth capacity-building, incubation and various tech and business training programmes. In addition to offering youth access to a state-of-the-art co-working space, it delivers impactful programmes at three major universities in Mosul. The organization is dedicated to building social cohesion and supporting displaced individuals and returnees.

The Station provides co-working space, community and support for entrepreneurs and startups, aiming to foster innovation and entrepreneurship in Iraq. Established in 2018, the Station is “one of Iraq’s leading coworking spaces, and Baghdad’s first coworking space” and “it became the cornerstone for Iraqi youth with fresh and innovative ideas to set their first foot into the business world and private sector.” Following growing demand for its services and programmes, The Station has expanded to Erbil.

The International Finance Corporation (IFC), Iraq Venture Partners (IVP) and Innovest Middle East⁴⁸ have launched a new initiative that aims to address the challenges faced by entrepreneurs in Iraq. According to the IFC, “Scale Iraq will support 20 startups, addressing their specific needs and gaps and designing and delivering tailored interventions to help them raise financing and connect with potential investors,” as a part of IFC’s Scale Mashreq initiative, which supports 150+ startups across the Levant. The programme operates under the PROSPECTS Partnership, a global partnership funded by the Government of the Netherlands “to improve the access of host communities and forcibly displaced people to education, social protection and decent work,” together with the IFC, the ILO, UNHCR, UNICEF and the World Bank. PROSPECTS aims to transform the way in which the private sector and other stakeholders respond to global forced displacement.

48 IFC, IVP Launch Scale Iraq initiative to support Iraqi startups. Wamda, 31 January 2024.

BUSINESS ASSOCIATIONS AND CHAMBERS OF COMMERCE

These institutions are important in engaging with durable solutions as their convening power and advocacy role can facilitate contributions from their members and provide access to the private sector for programmes working with displaced communities.

The Federation of Iraqi Chambers of Commerce is “an economical and professional organization aiming to care and organize the private commercial and economic activity and to reinforce its role in the process of development.” The Federation is the largest business organization in Iraq with 18 members chambers of commerce across the country, including three chambers in Erbil, Sulaymaniyah and Duhok in the Kurdistan Region.

INVESTORS, FUNDS, FINANCIAL SERVICES

Funds, banks and other institutional investors and capital providers are essential to the growth of the SME sector, entrepreneurs, project financing and advancing durable solutions. These may include microfinance institutions, local banks and other lenders; development finance institutions active in Iraq with a sustainable and inclusive development agenda; and other financial services providers such as insurance companies.

As of November 2023, the Government of Iraq has established the *Iraq Development Fund*, which “aims at improving investment environment in Iraq to be attractive so as to develop non-oil economic resources in Iraq; launch sustainable economic and social development, and find solutions to economic, social and environmental crises by relying on modern technology; attracting capital; employing private sector’s funds in strategic, environmental and service projects, as well as developing human resources with skills suitable for the labour market and entrepreneurship.” In addition, the examples below feature financing crucial for entrepreneurs and displaced communities.

The Nomou Iraq Fund (NIF), managed by GroFin, was “launched in 2013 with the objective to build a strong SME sector to help rebuild the economic fabric of Iraq and create sustainable jobs for Iraqis.” The Fund aims to support local businesses/SMEs to help rebuild an industrial economy damaged by war and embargoes and to create employment in a region where the fast-growing and predominantly young workforce have limited opportunities. The Nomou Iraq Fund programme supports entrepreneurs through expert advice and guidance as well as financing (with a sustainable deal structure) to grow their businesses.

Mercy Corps⁴⁹ piloted a loan guarantee programme to encourage microfinance institutions (MFIs) to take more risks in lending to new communities, women, youth and vulnerable populations. They established two investment funds focusing on agriculture and SMEs and contributed to capacity-building and strategic planning for MFI partners. By developing tailored loan products for specific communities such as returnees, women and youth, Mercy Corps built strong partnerships with MFIs to foster trust and sustainability. Mercy Corps’ programme showed the importance of capacity-building for private sector partners in risk management and strategic planning; the need to tailor loan products to community needs while maintaining profitability; and the importance of trust and ownership in partnerships. Mercy Corps’ MFI partners showed significant improvement in the number of loans disbursed with Mercy Corps’ support. They also enhanced financial stability and reputation through this partnership and benefited from Mercy Corps’ support in monitoring and evaluation and capacity building.

49 Based on interview with Mercy Corps, May 2024.

The ILO and the German Ministry for Economic Cooperation and Development through the German Development Bank (KfW) have launched “Promotion of Small and Medium-Sized Enterprises (SMEs) in Iraq programme” a collaborative endeavour that unlocks access to sustainable finance, with an emphasis on supporting youth and women entrepreneurs. The new five-year initiative through December 2028, with a USD 21.5 million fund from the KfW, will enhance access to finance for Iraqi SMEs.

U.S. International Development Finance Corporation (DFC) signed a memorandum of understanding in August 2020 with the Government of Iraq to strengthen cooperation in support of private sector-led development across Iraq. DFC aims to invest USD 1 billion over four years in private sector projects, focused on investments that advance mutual development goals, including investments in energy, financial services, health, housing and agriculture.

LOCAL AND INTERNATIONAL NGOS

Organizations with programmes that focus on livelihoods, skills development, entrepreneurship and access to finance are key stakeholders for building linkages between displaced communities and the private sector. In addition, social enterprises, which incorporate both financial sustainability and impact into their business models, are ideally placed to create impact on IDPs in an intentional and dedicated fashion.

Jusoor and TalPods have teamed up to create an innovative pipeline to fast-track young talent to rapidly upskill to mid-senior positions and employment as full-stack developers through an intensive boot camp and a paid apprenticeship with fast-growing tech companies. The 18-month project “Tech Talent Pipeline” invites Syrian candidates with degrees, certifications or strong self-taught proficiency in Lebanon, Jordan, Turkey and Iraq to apply for this unique upskilling and employment opportunity.

Re:Coded provides coding bootcamps and professional development training to youth in conflict-affected areas. In Iraq, Re:Coded operates in Erbil and Mosul, focusing on tech education to empower young entrepreneurs and freelancers.

INTERNATIONAL DONORS, DEVELOPMENT AGENCIES, MULTILATERAL ORGANIZATIONS

International donors, development agencies and multilateral organizations are key partners in engaging and empowering the private sector to contribute to durable solutions in Iraq. These entities provide vital support by facilitating investment, offering technical assistance and fostering partnerships between businesses and local communities. They work to enhance the capacity of private enterprises, promote inclusive economic growth and develop sustainable market systems. By collaborating with private sector stakeholders and NGOs and funding partnerships, these organizations help to create job opportunities, improve livelihoods and drive economic development in regions affected by displacement and conflict.

IOM, with funding from KfW, launched the EDF to support economic recovery and job creation in Iraq. The programme aims to boost sustainable economic recovery in areas affected by forced displacement by providing financial capital to businesses owned by IDPs, returnees and host community members. The disbursement of grants is conditional on the implementation of an agreed business plan, which is co-funded by IOM and by the business owner, with periodic milestones in terms of investment and job creation. Since 2018, IOM has invested over USD 42 million to support more than 2,600 SMEs in Iraq, generating over 12,000 permanent jobs. The EDF programme has been adapted to support female entrepreneurs, over 600 of whom have been awarded grants, as

well as green businesses, innovative start-ups and displaced entrepreneurs, helping them to return to their areas of origin and rebuild their businesses.

A collaboration between the ILO, the United Nations Education, Scientific and Cultural Organization (UNESCO) and the European Union supports “internally displaced persons, Syrian refugees and host community members to access immediate, short-term decent employment in the cultural heritage sector in Erbil in the Kurdish region in northern Iraq.” This employment-intensive approach aims to create 1,000 skilled and unskilled jobs. In addition, the ILO is focused on transitioning from informal to formal economy in Iraq, to improve working conditions and protection for workers and businesses, and sustainable employment generation schemes. In addition, in partnership with the Central Bank of Iraq, these partners work to improve access to finance for refugees and other vulnerable groups, and, under the PROSPECTS programme, to support forced displaced persons.

USAID’s “Durable Communities and Economic Opportunities” project MSMEs to create a more business-friendly ecosystem, identify barriers to growth, attract investors, promote inclusive economic growth and advocate for relevant policy change. USAID also partners with Iraqi business associations to strengthen private sector networks and advocates for greater access to finance. USAID’s Iraqi Governance and Performance Accountability project provides individualized business development services to SMEs to boost their access to different markets, attract investment opportunities and enhance their business skills, with emphasis on women, youth and marginalized business leaders. The USAID-funded Middle East and North Africa Investment Initiative (MENA II) supports businesses in Iraq with access to capital and business development to improve competitiveness, grow revenues and create jobs, including USD 2 million in agribusinesses to increase food security in Iraq.

The International Trade Centre (ITC), a joint agency of the United Nations and the World Trade Organization, has been operating in Iraq for four years, focusing on agri-food markets under the EU-funded SAVI programme and the Base project, which targets MSEs in the construction and energy efficiency sectors. ITC organizes a two-day annual event, the International Trade Forum (INTF), to help Iraqi businesses identify and develop trade opportunities. In 2024, INTF welcomed over 400 Iraqi companies and international buyers, to engage in discussions and B2B networking.⁵⁰ In addition, “By Iraqi Hands” label was created to promote local products and support sustainable development. ITC emphasizes initiatives and projects that create opportunities for women, youth and vulnerable groups, including the poor, refugees, IDPs, people with disabilities and other marginalized communities. ITC has established 10 private sector alliances across Iraq, organizing around 1,000 farmers and MSEs in areas of return or displacement. These alliances collaborate with companies, business support organizations, chambers of commerce, universities and incubators. ITC’s network includes companies that invest in local talent, create job opportunities, and provide vocational training for displaced individuals. Through its programmes, ITC has supported over 6,000 farmers and aspiring entrepreneurs, leading to increased income and employment among beneficiaries. Promoting inclusive economic development, ITC supports market systems, enhances competitiveness and fosters entrepreneurship, in partnership with various NGOs.

50 Iraq National Trade Forum and International Trade Centre, “Iraq National Trade Forum: The Key Facts and Figures” (5 March 2024).

UNDP SDG INVESTOR MAP: SECTORAL OPPORTUNITIES to Support Durable Solutions

“Iraq’s SDG Investor Map” is a collaborative effort between the Republic of Iraq’s Ministry of Planning (MoP), UNDP in Iraq, and UNDP Istanbul International Center for Private Sector in Development (ICPSD).⁵¹ It identifies investment opportunities and conditions aligned with the Sustainable Development Goals (SDGs) in target markets and sectors in Iraq. The impact investment opportunities highlighted are at the intersection of national development needs and public policy priorities. The report’s priority sectors for Iraq are Food and Beverage, Education, Renewable Resources and Alternative Energy, Transportation, Infrastructure, Health Care and Extractives and Minerals Processing. Of these, select sectors with impact on IDPs, as stated in the report, are highlighted below:

Pharmaceuticals production: Iraq faces challenges in delivering health-care services to IDPs. Low-income families often must purchase the least expensive, lower-quality drug options. These communities are also at a higher risk of encountering illegal and counterfeit medications. To improve the situation, there is a need to make pharmaceutical products more affordable and accessible, boost the competitiveness of Iraq’s health-care sector, create decent job opportunities and diversify the economy.

Food processing: Investments in food processing benefit rural and smallholder farmers by boosting their production, creating jobs for women, offering export opportunities for businesses and stimulating local demand for a diverse range of high-quality products. In conflict-affected areas like Ninewa, many vegetable producers are IDPs returning after displacement, who would benefit from increased food processing work.

Social housing: The demand for housing in Iraq is rising by approximately 3,000 units annually, with the current housing deficit estimated at 3 million units. The investment map issued by the National Investment Authority in 2022 outlines ambitious goals to establish 900,000 housing units. This includes 700,000 units that are either suspended or under implementation across all governorates except the Kurdistan region, and the construction of 100,000 newly designed housing units to address part of the anticipated housing shortfall. Additionally, another 100,000 housing units are planned to meet the needs of families returning after displacement due to terrorist and military operations, as well as to address slum areas.

Education infrastructure: Marginalized communities in Iraq, including approximately 200,000 displaced households and those living in over 470 informal settlements, face significant barriers to accessing physical education facilities. They contend with overcrowded and inadequate school facilities and long travel distances to reach schools. The necessity for displaced children to work to support their families further hinders their participation in the education system. With over 3 million children out of school, particularly girls and IDPs, increased investment in education could greatly benefit these students.

Utility-scale solar farms: In 2022, the Central Bank of Iraq (CBI) launched the 1 trillion Iraqi Dinar initiative (approximately USD 750 million) to promote solar energy projects through concessional loans. Investments in this sector are expected to provide reliable, affordable and clean energy to the population, thereby stimulating economic activity and employment opportunities, particularly for youth, women and IDPs.

Specialty dairy products: Establishing tech-intensive dairy farming facilities or modernizing existing dairy processing plants with state-of-the-art handling, storage and processing equipment, energy-efficient refrigeration and merchandise management systems will enhance the value added to the dairy value chain. This will contribute to economic diversification, reconstruction efforts and the creation of decent work opportunities in conflict-affected areas of Iraq.

⁵¹ UNDP Iraq, *The Iraq SDG Investor Map* June 2024. These are direct excerpts from the UNDP Iraq publication, focusing on recommended sectors and solutions that are relevant for IDPs and durable solutions.

LOCAL BUSINESSES AS PARTNERS IN DURABLE SOLUTIONS

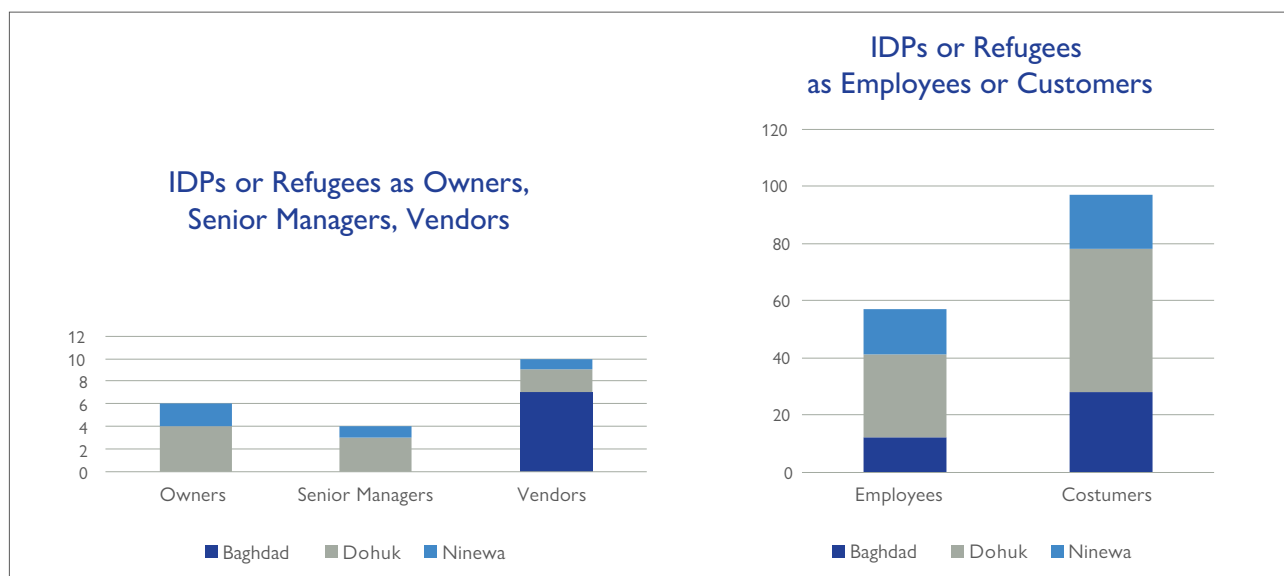
Based on findings from IOM's recent survey of 151 SMEs in Ninewa, Baghdad and Dohuk conducted for this report, insights have emerged regarding SMEs' operations, IDP and refugee inclusion, contributions to durable solutions, and engagement with NGOs and United Nations agencies. Most of the businesses surveyed (72%) are formally registered and operate across sectors such as manufacturing (36%), services (24%) and accommodation and food (13%). They face several challenges, with limited market linkages being a notable barrier to growth. While a high percentage of businesses sell to individual consumers (97%) and SMEs (46%), only a small fraction engages with the government (20%), NGOs and United Nations agencies (10%) or large businesses (10%), highlighting a substantial opportunity for creating market linkages and procurement practices that could help these businesses expand and thrive. Of the surveyed businesses, 57 per cent go beyond their local area to sell nationally in Iraq but only 4 per cent sell internationally, potentially indicating a gap and opportunity in export promotion.

On average, the surveyed companies had nine employees full-time and two part-time, with 74 per cent indicating that their employees will increase in the coming 12 months, pointing to an opportunity to support these companies in their workforce expansion in an inclusive manner. Of these, 2.4 full-time equivalent employees⁵² (approximately 25% of the workforce, on average) are women. Businesses have expressed an ongoing interest in hiring women, with comments such as, "When hiring workers, I will accept more displaced female workers as they are good workers and do their job better than male workers" and "I will hire professional displaced women in my business, depending on demand for my products."

The displacement status of the business owners reflects diverse experiences. Only a few respondents (3) are internally displaced, while a notable number (31) are returnees. Of these 34 displaced entrepreneurs, 23 (68%) previously owned businesses and faced significant challenges while starting their new businesses, primarily related to startup costs, securing funding, and, to a lesser degree, finding qualified employees. These findings underscore the importance of targeted support for displaced entrepreneurs to overcome these hurdles and sustain their businesses.

"We are providing job opportunities for skilled [displaced] workers because these people have experience and make our work successful."

Despite the limited direct involvement of IDPs and refugees as business owners, there is a notable level of inclusion in the workforce, with 38 per cent of the surveyed businesses employing IDPs or refugees. This suggests a latent potential for these businesses to play a more active role in providing durable solutions for displaced populations. In addition, 10 companies indicated that their suppliers or vendors included IDPs or refugees and 64 per cent indicated that their customers included IDPs or refugees. These findings showed some differences across the three governorates (Charts 1 and 2).



⁵² Full-time equivalent is calculated as the total of full-time employees and half of part-time employees.

Despite their inclusion of IDPs and refugees, however, the survey revealed that many businesses lack a clear understanding of what durable solutions entail, with only 42 per cent of surveyed businesses indicating that they were familiar with the term prior to the survey. This percentage was much lower in Dohuk at 12 per cent, compared to 60 per cent in Baghdad and 54 per cent in Ninewa, pointing to the need for awareness raising.

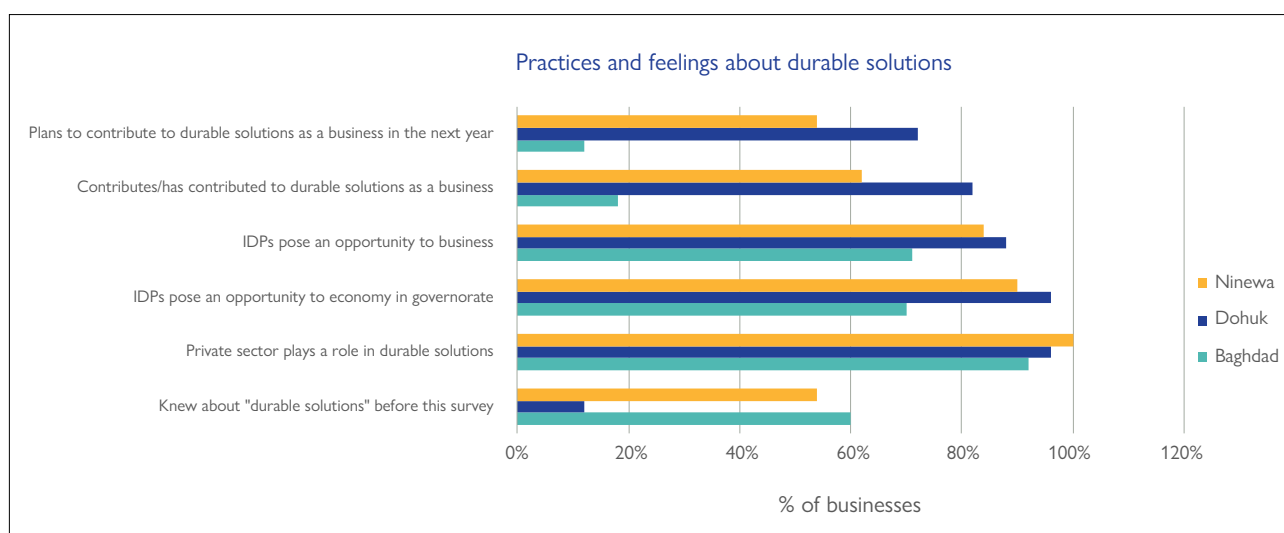
“We are employing many IDPs in our company because they are good and professional, which is useful for our company.”

When the criteria for durable solutions was explained to them, 46 per cent of businesses said they have not contributed to them; this showed some variation among governorates, with 82 per cent of businesses in Dohuk reporting having contributed to durable solutions versus only 18 per cent in Baghdad. Among all businesses who have contributed, 49 per cent expressed that their contributions were focused on providing jobs and livelihoods. All other types of contributions to durable solutions were selected by less than 10 per cent of businesses, led by “increasing food security” (7.3%), “providing housing/shelter” (6.6%) and “providing education” (5.3%).

“Employing [displaced people] can only be done through the private sector, but the government is obligated to support this sector by allocating free lands for the purpose of establishing private sector projects and [offering] soft, interest-free loans.”

While 53 per cent of the businesses overall said they did not have plans to contribute to solutions in the next 12 months, this percentage was much higher in Dohuk (72%) and much lower in Baghdad (12%). Overall, 41 per cent will continue to do so with jobs and livelihoods. When asked to elaborate on why their business did not contribute to a durable solution, the responses were primarily focused on “limited income and expansion opportunities,” and in some cases the inability to find IDPs to work with them.

Several key steps are necessary to enhance the contributions of SMEs to durable solutions for IDPs and refugees. Increasing access to funding and financing is crucial, as expressed by 87 per cent of businesses. They also expressed an interest in more guidance on how they can be involved, more information about community needs and recognition of their efforts, all at around 30 per cent.



Surveyed businesses' partnerships with NGOs and United Nations agencies are currently limited, with around 14 per cent of businesses engaging in such collaborations (highest in Ninewa, at 20%), suggesting fertile ground for expanding these partnerships to enhance the impact on IDPs and refugees. Existing partnerships reported by the businesses include:

- Providing skills training to NGO beneficiaries (such as, sewing; environmental awareness/recycling, handicrafts, English language, computer skills, business management);
- Building infrastructure and providing camp services (such as caravans and toilets; solar systems, trash collection);

- Cultural restoration projects in partnership with UNESCO;
- Supplying NGOs with products and services (for example banners and boards; filming and editing).

“The private sector has privileges, for example speed, adaptation to circumstances and bringing expertise from abroad quickly, as well as developing [their] workforce through training and educational courses.”

The survey findings also highlight a significant gap in corporate social responsibility (CSR) initiatives, with 74 per cent of businesses lacking formal CSR programmes. Nevertheless, there is a strong interest in community support, as 82 per cent of businesses believe it is in their interest to aid their communities. For these businesses, their top motivations for supporting the community include increasing opportunities for their businesses (62%) and improving the business reputation (55%). This is important for designing programmes that create business opportunities and provide sufficient recognition. Examples of community support practices among the SMEs surveyed include the following:

- Supporting the poor in the community, including workers, with cash, food baskets, clothes, medicine, etc.;
- Building mobile classrooms for schools;
- Providing scholarships and other support to orphans, widows, children with disabilities and families in need;
- Providing free workshops and training for the community and for their workforce;
- Cooperating with community policing programmes and conducting awareness-raising sessions;
- Planting and forestation support and raising awareness about renewable energy.

“Here in Iraq, the private sector needs financial support, expertise and the exchange of expertise with major companies and institutions in developed countries.”

SME owners believe the private sector is vital for creating jobs, supporting small enterprises and reducing reliance on imports that harm local industries. They stress the need for government measures such as easing tax procedures, providing interest-free loans and free land, and simplifying investment processes to enhance local businesses' competitiveness. According to the businesses surveyed, the private sector's adaptability, expertise and commitment to workforce training offer a competitive edge, crucial for diversifying the economy beyond oil.

“Education, health care and providing job opportunities are very important to the foundation of any integrated society, so I think it is necessary to support this group, and we have refugees from Syria working with us, and we provide them with all support, especially in education and health, and of course, to employ them with us.”

With 75 per cent of businesses viewing IDPs as an opportunity for their operations (and 18% interested in learning more) and 85 per cent recognizing their potential contribution to the local economy (and 11% interested in learning more), a clear opportunity exists to harness the private sector's role in addressing the challenges faced by displaced populations. These findings underline the need for concerted efforts to build stronger market linkages, enhance support for displaced entrepreneurs, and foster collaborations between SMEs and NGOs/United Nations agencies. By doing so, the private sector can significantly contribute to creating sustainable and inclusive economic opportunities for IDPs and refugees, ultimately driving durable solutions for these communities.

SMES CONTRIBUTING TO DURABLE SOLUTIONS

BAHAR

Located in Dohuk, BAHAR specializes in the manufacturing of plastic bags and plastic tablecloths. The company employs 26 full-time workers, including four IDPs and three refugees. Approximately 10 per cent of BAHAR's revenue is generated from exports to Turkey, Poland, Sweden and Germany. The company significantly contributes to durable solutions by providing job opportunities and vocational training to displaced individuals. BAHAR aims to expand its contributions by securing additional funding and financing to increase hiring.

AL AFRAH TILES

Based in Mosul, Ninewa, AL AFRAH TILES manufactures tiles and is owned by an IDP who has been displaced for six years. The company employs 12 full-time workers, all of whom are IDPs. AL AFRAH TILES contributes to durable solutions by offering employment opportunities to displaced individuals. The company seeks more financing to expand its hiring capacity and further support the displaced community.

CLOUD CENTER

Located in Mosul, Ninewa, CLOUD CENTER operates in the education sector with six full-time and 40 part-time employees. The centre partners with the United Nations, development agencies, and NGOs to deliver courses in English, computer skills, and business management. CLOUD CENTER hires displaced teachers and provides free lessons for displaced and host community students. According to the company, "the private sector can play a vital role by training and offering job opportunities for displaced persons, so they will get a source of income and more stable conditions." They are ready to cooperate with the NGO and United Nations sectors to offer courses to displaced students in Mosul or other areas.

GREEN GOLD FOR SUSTAINABLE DEVELOPMENT

Operating in Baghdad, GREEN GOLD FOR SUSTAINABLE DEVELOPMENT manufactures organic fertilizers. The company collaborates with NGOs on food security projects and production of organic fertilizers in displacement-affected areas, such as Anbar Governorate. They have conducted workshops on home agriculture, particularly on rooftops, and environmental preservation. The company states, that "the role of the private sector is very important in the presence of peace and security because it preserves families by preventing conflict over food and basic needs. In addition, it is the role of the private sector to create new and sustainable job opportunities for youth."

PUTTING REGIONAL DIFFERENCES INTO CONTEXT⁵³

Baghdad, Dohuk, and Ninewa have been affected differently by displacement and returnee dynamics and face their own set of economic challenges and opportunities.

BAGHDAD

The capital city has experienced significant displacement, both from within the city and from other parts of Iraq. Baghdad has absorbed IDPs seeking refuge from conflict zones. Additionally, returnees to Baghdad often face challenges such as housing shortages and limited economic opportunities, as the city's infrastructure struggles to support the growing population. Baghdad has a relatively lower percentage of in-camp IDPs compared to other governorates. There are infrastructure needs such as construction and provision of water, sewage systems and road projects in Baghdad.

DOHUK

Located in the Kurdistan Region of Iraq, Dohuk has historically seen a large influx of IDPs, especially during the Daesh crisis. Many of these IDPs were from nearby Ninewa and Salah al-Din provinces. As the security situation improved, some IDPs returned to their places of origin, while others remained in Dohuk due to continued instability or lack of infrastructure in their hometowns. Dohuk hosts a significant number of in-camp IDPs, with 55.8 per cent of the IDPs caseload in the camps located in this governorate. There is a need for concerted efforts to secure the return of displaced

⁵³ Government of Iraq, "National Plan for Getting the IDPs Back to Their Liberated Areas" (Baghdad, 2020).

individuals in Dohuk, including addressing housing destruction, infrastructure and lack of services. Dohuk also needs economic stability and job opportunities for families to secure their daily living necessities after their return, suggesting potential areas where the private sector could play a role in providing employment opportunities and economic support.




NINEWA

Ninewa province, especially Mosul, endured severe conflict during the Daesh occupation, resulting in the displacement of millions. Despite the liberation of these areas, the return of IDPs has been slow due to ongoing security issues, lack of basic services and significant infrastructure damage. Ninewa, a vital agricultural, trade and cultural centre in Iraq, had a diverse economy pre-conflict, thriving in agriculture, industry and services. Currently, Ninewa hosts the largest number of IDPs, with 308,031 households, equating to about 34.5 per cent of displaced households. The local economy is fragile, with significant challenges in markets and economic security. Less than a quarter of IDP households have a stable income, and only a small percentage can manage unexpected expenses. The agricultural sector struggles due to climate change and environmental degradation. Post-Daesh reconstruction efforts focus on rebuilding infrastructure, homes and businesses, which are crucial for economic recovery. Private sector investment in local businesses, job creation and agricultural support are essential for the region's economic revitalization and durable solutions for displaced populations.



RECOMMENDATIONS

To effectively link private sector contributions to the key objectives of durable solutions for IDPs, a range of strategic tools and approaches can be employed. These tools facilitate the planning, implementation, monitoring and evaluation of private sector initiatives, ensuring they align with the overarching goals of securing long-term safety, adequate living standards and access to livelihoods for displaced communities. By enhancing coordination, providing necessary tools and resources, adopting best practices and addressing challenges, significant strides can be made toward sustainable development. The private sector plays an invaluable role in bridging gaps, offering technical expertise and fostering economic resilience. Continued collaboration and innovation are essential to create an enabling environment where both businesses and vulnerable populations can thrive. The following recommendations, for implementation by the humanitarian and development sectors in partnership with the private sector, outline specific strategies and actions to achieve these goals.

 AWARENESS	 ACTION	 ASSESSMENT
<ul style="list-style-type: none"> • Clarify concepts • Provide data • Identify benefits • Enhance knowledge • Provide tools 	<ul style="list-style-type: none"> • Facilitate partnerships • Offer technical assistance • Customize engagement 	<ul style="list-style-type: none"> • Establish metrics • Integrate reporting • Recognize contributions

AWARENESS

Introduction to Durable Solutions for the Private Sector: To foster understanding and engagement, it is crucial for the humanitarian sector to clarify the concept of Durable Solutions for businesses. Educational materials and workshops should outline the criteria for measuring progress, in private-sector friendly terms, and explain how businesses can contribute through employment, sourcing, providing products and services, and offering access to financing. Highlighting the business case for involvement, such as market expansion, workforce development, resilient supply chains, community ties, and reputational benefits, can motivate participation. Additionally, training and capacity-building programmes focusing on demand-driven skills development, entrepreneurship, financial literacy and business models for underserved markets can enhance the skills and capacities of both businesses and beneficiaries. Specific training programmes, such as Private Sector for Refugees (PS4R)'s "[Understanding the Private Sector/Refugees Link](#)" and UNDP CBI's "[Private Sector Engagement in Fragile and Conflict-Affected Areas](#)" online courses, can equip businesses with the knowledge and tools needed for effective engagement in conflict, fragility and forced displacement contexts. Fostering mutual learning and coordination opportunities between the private sector and the humanitarian and development sectors can be highly beneficial. Existing coordination mechanisms can be expanded to include special private-sector-focused sessions, where the topics, language and environment are more welcoming and conducive to private sector participation.

Data-based Evidence of Benefits: Evidence-based approaches can motivate businesses to engage in durable solutions. Providing data and best practices from Iraq and other countries can showcase successful models of private sector participation in communities affected by conflict and displacement. Highlighting incentives for private sector engagement, such as certifications for businesses that support IDP integration, participation in business support programmes and access to favourable financing (with the support of donors and development finance institutions), can enhance their reputation, business performance and market position. Focused efforts and targeted publicity can increase visibility of private sector contributions.

Access to Market Information: Providing actionable, demand-driven market information is essential. A comprehensive dashboard or regular communications with up-to-date data on workforce profile and skills, economic indicators and the evolving needs of displaced populations and returnees can guide business decisions. Humanitarian and development

actors with extensive livelihoods programmes and data and analytical capacities can fulfill this need. An ecosystem map, database or other similar resource that grows over time and includes support mechanisms for businesses and potential partners can facilitate connections, if implemented by coordinating mechanisms. Enabling networking, mentorship and market development events and platforms can help businesses connect with local vendors and service providers, fostering local procurement and value chain inclusion. Coordinating with local communities and incorporating their knowledge in planning and implementation will ensure initiatives are well received and effective.

ACTION

Value Chain Analysis and Market-Driven Solutions: There is a need for market-driven livelihood solutions, including market system value chain analyses and buyer-driven interventions, which are often inadequate for vulnerable populations, including displaced individuals, women and youth. A sectoral approach focusing on priority areas like agriculture and agribusiness can significantly impact food security and job creation.⁵⁴ Market linkage events can facilitate partnerships among larger businesses, MSMEs and farmers; enhance R&D through collaborations with universities; and use demo farms to showcase new technologies. Direct buyer-farmer interactions can educate on quality, packaging and standards.

Supporting Local Economies and Contract Facilitation: Supporting local economies through a database of supplier MSMEs in high IDP population areas can connect them with larger corporations, facilitating job creation and access to livelihoods. Contract facilitation can help SMEs overcome barriers to entering larger supply chains. Impact sourcing, which prioritizes social enterprises and suppliers that contribute positively to local communities, especially those affected by displacement, can further support livelihood opportunities. These efforts also create an investable pipeline for impact funds, development finance institutions and others that aim to provide capital to enterprises that positively affect displaced communities.

Skills Matching and Vocational Training: The private sector has significant potential to create jobs and develop skills, particularly through investment in local talent and vocational training. Determining the skills needed for high-priority sectors in partnership with the private sector and focusing on vocational training and skills development that align with market needs is essential. Partnerships with educational institutions and international organizations can support employment services and work-based learning.

Defining Business Priorities and Offering Technical Assistance: Customizing engagement suited to different business sizes, locations, sectors and operational sectors is essential (see Annex I for various modes of engagement). Providing a diagnostic tool and accompanying technical assistance and advisory services for businesses to assess market engagement opportunities with IDPs and in conflict-affected communities can be a good start. Technical assistance can include guidance on inclusive hiring practices, designing products and services that meet the needs of displaced populations, or implementing impact sourcing strategies. In addition, general business development services to SMEs to increase their capacity, resilience to shocks and rebuilding are also important to meet durable solutions objectives.

Thematic Incubator and Accelerator Programmes: Supporting targeted, thematic incubators and accelerators focused on durable solutions can spur innovation in addressing challenges faced by IDPs. These initiatives can lead to the development of solutions for essential services, employment and housing, and address priorities such as overcoming water scarcity and diversifying energy sources. Such programmes encourage IDP and refugee participation in public and economic life by involving them in solution creation processes. Promoting entrepreneurship and innovative business practices, especially among youth, can shift the mindset from seeking public sector jobs to creating sustainable private sector employment opportunities.

Enhancing Financial Literacy and Investment Readiness: Financing for companies should be viewed through a broad lens based on their impact on IDPs and refugees. MSMEs, the backbone of Iraq's economy, often struggle with access to finance, limiting their growth and ability to provide employment. Supporting MSMEs in market access, business development services and competitiveness, along with increasing financial literacy and professional services for SMEs and startups, can enhance their resilience and attract foreign capital. Addressing mistrust of financial providers and negative perceptions of business loans is an essential outcome of this approach but it will only be successful if accompanied by sustained efforts to make the banking sector more inclusive towards SMEs.

⁵⁴ Other sectors crucial to Iraq's sustainable development and solutions for IDPs, returnees and refugees include those identified in UNDP's SDG Investor Map.

Capacity Development of Financial Institutions: Strengthening the capacity of financial institutions to serve IDPs through tailored financial products and services can facilitate access to credit, savings and insurance products for displaced communities. This supports economic inclusion and resilience, enabling IDPs to start and grow businesses, invest in housing and manage financial risks more effectively. For instance, strengthening MFIs participation in durable solutions also includes publishing repayment data to demonstrate reliability and attract investment; addressing documentation and credit scoring issues; and empowering MFIs to provide loans without collateral or guarantors, with support from donors.

Increasing Private Sector Capital, Catalysed by Donors: Using donor funds to share risks and encourage private sector investment is a viable approach. Innovative finance tools such as blended finance and outcomes-based financing can align private sector investments with durable solutions for IDPs. These mechanisms help mitigate investment risks and increase the financial viability of projects aimed at improving housing, health care, education and economic opportunities for displaced populations. Addressing issues related to interest rates and demand for Islamic banking is also crucial for expanding financial inclusion. In addition, conditional business grants that complement local private investment can be an effective tool to support entrepreneurs affected by displacement and their host communities, promoting local recovery in areas affected by conflict and climate change.⁵⁵

Addressing Regulatory Hurdles and Offering Conducive Policies: Creating a conducive business environment involves partnerships and support for the public sector. Governments can implement policies that incentivize the private sector to hire IDPs or to source from businesses supporting displaced communities. Examples include providing preferential treatment in public procurement processes, simplifying business registration and operation processes, and encouraging job creation and access to finance in conflict-affected areas. Business associations, NGOs working closely with the private sector and the development sector can support the public sector with such policy changes.

ASSESS

Aligning with Companies' Sustainability and Impact Goals: To foster meaningful engagement, the humanitarian and development sectors should assist companies in integrating their contributions to durable solutions within their broader sustainability and impact goals. This alignment can be achieved by ensuring that these contributions are in line with other private sector investment priorities such as the SDGs. Assessing private sector contributions is also crucial for ensuring transparency, learning and adapting strategies over time, as well as to celebrate successes and reward businesses. Establishing clear, measurable success metrics for business contributions, including economic impact, job creation and improvements in living conditions for displaced populations, according to the durable solutions criteria, will be vital in these efforts. An intermediary organization or a coordination mechanism to facilitate private sector contributions to durable solutions can undertake such initiatives.

Recognizing Contributions: Launching campaigns and organizing regular events where companies can commit to contributing towards durable solutions can enhance their visibility for partnerships and accountability. Recognizing efforts through an award or recognition programme for outstanding contributions by businesses can feature success stories, acknowledge best practices and encourage wider participation. Implementing these initiatives (by humanitarian and development organizations, business associations, and others) can help set clear goals and recognize the valuable contributions made by the private sector towards achieving durable solutions.

⁵⁵ While some participants in this research feared that long-term reliance on aid and grants have limited entrepreneurial and commercial mindset, others highlighted their important role in spurring entrepreneurship and bridging barriers in access to finance in a context where most SMEs are unable to secure affordable loans, based on empirical research from Iraq and other countries.

ANNEXES







ANNEX I: MODES OF PRIVATE SECTOR ENGAGEMENT IN DURABLE SOLUTIONS CRITERIA

DURABLE SOLUTIONS CRITERIA	POSSIBLE PRIVATE SECTOR CONTRIBUTIONS
SAFETY AND SECURITY AND FREEDOM OF MOVEMENT	Security infrastructure and services Technological solutions for public safety
ADEQUATE LIVING STANDARDS: FOOD SECURITY	Agricultural inputs supporting farmers/SMEs Agricultural development and agribusiness investments Supply chain and distribution networks Innovative food solutions Assistance to farmers, training and capacity development
ADEQUATE LIVING STANDARDS: SHELTER AND HOUSING	Construction materials from SMEs Construction and real estate development Building materials and technologies Rental assistance and housing finance
ADEQUATE LIVING STANDARDS: MEDICAL SERVICES	Health-care facilities and services Pharmaceuticals and medical supplies Health technology and innovation Training and capacity-building
ACCESS TO EMPLOYMENT AND LIVELIHOODS: EMPLOYMENT	SMEs and entrepreneurship Innovative economic solutions: digital jobs Skills training and vocational education Innovative economic solutions: job platforms Diversity and inclusion programmes
ACCESS TO EMPLOYMENT AND LIVELIHOODS: ECONOMIC SECURITY	Market access and value chain integration Financial services Social protection programmes
RESTORATION OF HOUSING, LAND, AND PROPERTY COMPENSATION: SECURE TENURE RIGHTS	Legal assistance and advisory Investment in affordable housing projects Supporting compensation schemes (distribution)
RESTORATION OF HOUSING, LAND, AND PROPERTY COMPENSATION: RESTITUTION/COMPENSATION	Technological solutions for land registration and documentation Investment in community development projects Private sector advocacy
ACCESS TO PERSONAL DOCUMENTATION	Technological solutions for documentation Legal assistance and advisory
FAMILY REUNIFICATION	Infrastructure and connectivity projects Support for reunification initiatives
PARTICIPATION IN PUBLIC AFFAIRS	Inclusive policies Voter education campaigns Logistical support for voting Community engagement programmes
ACCESS TO EFFECTIVE REMEDIES	Legal assistance and advisory Strengthening judicial and administrative mechanisms Legal literacy and awareness programmes Transparency and accountability

ANNEX II: RELEVANT FRAMEWORKS AND GUIDELINES

REFUGEE LENS INVESTING

The “*refugee lens*,” developed by the RIN, the first impact investing collaborative dedicated to solutions to global forced displacement, is an investing framework to qualify and track investments over time. The tool provides investors with a lens to assess and qualify prospective and historical deals as refugee investments. The following six-part taxonomy on advancing refugee self-reliance through investments and the private sector can be adapted to IDPs and returnees in Iraq. The lens can inform the various modes of private sector engagement in durable solutions, in particular business ownership, employment, sourcing and access to finance.

 <p>R1: Refugee-owned businesses at least 51% ownership or at least 1 refugee in a key operational role</p>	 <p>R4: Refugee-supporting, host-weighted activities source at least 10% from refugee-led businesses</p>
 <p>R2: Refugee-led enterprises at least 1 refugee in senior management or refugee representation on the board</p>	 <p>R5: Refugee lending facilities provide debt instruments with 25% of loan proceeds to R1-R4 enterprises</p>
 <p>R3: Refugee-supporting ventures intentionally provide goods and services to or employ refugees</p>	 <p>R6: Refugee funds provide equity or alternative financing to R1-R4 enterprises</p>

PEACE INVESTING

The Peace Impact Framework provides a pragmatic and tailored impact management approach for in-country investment managers and facilitates needed partnerships with civil society, government and the United Nations system. The Framework aims to identify investments that have the potential for peace impact in each context and to maximize their contribution through concerted and continuous impact management. The methodology includes four steps. Each step sets out good practices based on the best available evidence on how business can contribute to pathways out of armed conflict:

1. Context-specific conflict and private sector analysis, drawing on the best available evidence and supplementary research where needed;
2. Peace-positive investment strategy, identifying high-potential sectors and regions, explicitly defining the theory of change for how private sector development can address known conflict drivers;
3. Transaction diligence and structuring regarding both commercial viability and peace impact, and identifying appropriate uses of grant funding/blending;
4. Post-investment support and accountability, including partnerships to reinforce peace-positive business practices, monitoring of business-level key performance indicators, and peace impact evaluation at portfolio level.

WORLD BANK'S FCV STRATEGY / FRAGILITY FRAMEWORK

World Bank Group's Strategy for Fragility, Conflict, and Violence (FCV) for the years 2020–2025 is designed to address the complex challenges of FCV by focusing on prevention, engagement during crises and post-conflict recovery. The Strategy emphasizes the importance of inclusive development responses that consider the diversity and specific vulnerabilities of different groups, such as gender and youth, to prevent and address FCV. The Strategy's approach includes four pillars:

- Preventing violent conflict and interpersonal violence by addressing the drivers of fragility;
- Remaining engaged during conflict and crisis situations to protect development gains;
- Helping countries transition out of fragility;
- Mitigating the spillovers of FCV.

The strategy highlights the need for early response to crises, such as food insecurity, and the development of anticipatory actions across the humanitarian-development nexus. It also underscores the importance of dialogue with civil society, robust oversight, flexible programme design and systematic approaches to conflict sensitivity analysis. The World Bank Group recognizes the need to shift from reactive to proactive responses, addressing environmental and climate-related factors that fuel conflicts and undermine livelihoods. Special emphasis is placed on investing in human capital, supporting macroeconomic stability, creating jobs, building community resilience, engaging in justice and the rule of law and engaging with the security sector. The strategy also calls for supporting adequate funding for frontline service delivery and reinforcing local governments.

The World Bank Group emphasizes the critical role of private sector development in creating income opportunities that contribute to stability in FCV situations. Inclusive job opportunities and services that engage women, youth and a broad range of local and regional companies, including Small and Medium-sized Enterprises (SMEs), can increase participation in the economy and support stability. Supporting the private sector and market creation in FCV situations requires extensive project development, regulatory reform and capacity-building. Efforts are made to address environmental and social issues and support pioneering firms that are willing to invest in challenging environments. The International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) have scaled up their engagements in FCV settings. The introduction of the IDA-IFC-MIGA Private Sector Window (PSW) allows IFC and MIGA to access IDA resources to de-risk investments and guarantees, enabling a substantial scale-up of activities in FCV settings.

The World Bank Group aims to leverage both public and private finance solutions to support private sector development in diverse FCV settings. This includes providing financing, advice, technical assistance to SMEs and local companies, and infrastructure projects. The World Bank Group provides support to market institutions and regulators, which goes hand in hand with support to entrepreneurs and investors. In FCV settings, addressing corruption and lack of rule of law are key to enabling private sector development. IFC's Creating Markets strategy is critical in the FCV context and focuses on looking beyond individual projects to impacts on entire markets. This requires a sectoral focus for project development and advisory work. The World Bank Group coordinates efforts such as Country Private Sector Diagnostics, country strategy processes, and IFC's upstream efforts under the Creating Markets strategy to ensure that World Bank Group institutions complement one another in pursuing overall approaches to sector development. Enhanced partnerships with other development finance institutions (DFIs) are emphasized for scaling up engagements, programs, and investments in FCV settings.

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

The UNDP Private Sector Development and Partnership Strategy (2023–2025) emphasizes the need for the private sector to play a significant role in creating inclusive and sustainable markets that align with the SDGs. The strategy focuses on three strategic outcomes: 1) Unlocking private finance for the SDGs; 2) Aligning business strategies and operations with the SDGs; and 3) Promoting policies that foster inclusive and green economies. UNDP's approach involves working closely with governments, businesses, investors, communities, civil society and academia to leverage market change into broad-based transformation that aligns with the SDGs through:

- Developing new, flexible, shock- and risk-responsive instruments that can rapidly respond to deteriorating situations or opportunities for reform, stabilization or peace, which could be applicable in fragile settings.
- Modernizing operational systems and structures to accelerate partnerships with the private sector, including due diligence protocols, financial rules and management systems.
- Providing grant support and other incentives alongside technical assistance and non-grant financing to enterprises, including Micro, Small and Medium-sized Enterprises (MSMEs), to maximize measurable social and/or environmental outcomes.
- Catalysing private sector investment through comprehensive diagnostic studies that direct private sector to optimal investments into high growth and potential sectors.
- Analysing countries' business-related policy frameworks through an SDG lens to identify bottlenecks and reforms that can incentivize social and environmental returns.
- Supporting the creation of a basic enabling environment for business in fragile contexts, as well as support for MSMEs in the context of recovery and stabilization efforts.

CONFLICT-SENSITIVE BUSINESS PRACTICES

The concept of a conflict sensitivity lens in the context of investment and private sector action refers to the consideration of how business activities and investments can impact conflict dynamics within a region. Applying a conflict-sensitive lens means understanding and acting upon the interaction between business operations and their sociopolitical context to minimize negative impacts (such as exacerbating tensions or contributing to violence) and maximize positive ones (like promoting peace and stability). Development Finance Institutions (DFIs) play a significant role in promoting conflict-sensitive business practices among the companies they invest in. These practices are designed to ensure that business operations do not inadvertently exacerbate existing conflicts and may even contribute to peace and stability. These conflict-sensitive practices are incorporated into investment criteria and monitoring processes. They may provide guidance and support to companies to help them understand and implement these practices effectively. By doing so, DFIs contribute to the broader goals of peace, security and sustainable development in the regions where they operate. Some of the key conflict-sensitive business practices encouraged by DFIs include:

- **Community Engagement and Social Impact Assessments:** DFIs require companies to engage with local communities to understand their needs, concerns and the potential impacts of business activities. Social impact assessments can identify risks and develop strategies to mitigate them. Example: *The IFC Performance Standards on Environmental and Social Sustainability* provide guidance on community engagement and assessment.
- **Human Rights Due Diligence:** Companies are expected to conduct human rights due diligence, especially in conflict-affected areas, to ensure they do not contribute to human rights abuses. *The United Nations Guiding Principles on Business and Human Rights* outline the responsibility of businesses to respect human rights and perform due diligence.
- **Local Capacity-Building:** Investments should aim to build local capacity, promote economic development and avoid creating dependencies. This includes hiring local workers, providing training and sourcing from local suppliers where possible, such as in *The OECD Guidelines for Multinational Enterprises*.
- **Environmental Protection and Sustainability:** Environmental stewardship is crucial, particularly in conflict-affected areas where the environment may already be degraded. Companies are encouraged to adopt sustainable practices that do not further harm the environment. For example, the *Equator Principles* provide a framework for determining, assessing and managing environmental and social risk in projects.
- **Transparency and Anti-Corruption:** Businesses are urged to maintain high levels of transparency in their operations and to actively combat corruption, which can fuel conflict and undermine the legitimacy of both the company and the DFI. For example, *Transparency International* provides resources for businesses on anti-corruption.
- **Conflict-Sensitive Investment and Operations:** Companies need to understand the conflict dynamics of the regions in which they operate and ensure that their investments do not exacerbate these conflicts. *The Conflict-Sensitive Business Practice: Guidance for Extractive Industries* by International Alert is one such detailed guide on this topic.
- **Inclusive Development and Non-Discrimination:** Promoting inclusive development and ensuring that no group is discriminated against in employment, compensation, access to resources and the benefits from investment. For example, the *African Development Bank's Integrated Safeguards System* highlights the importance of inclusive development and non-discrimination.

ILO GUIDING PRINCIPLES FOR IDPs

The provision of decent work opportunities for all, including nationals, refugees and other forcibly displaced persons, in countries of origin, host and third countries is important. A Tripartite Technical Meeting on the Access of Refugees and other Forcibly Displaced Persons to the Labour Market was held in 2016, where the principles were adopted to guide the work of Member States on the *Access of Refugees and other Forcibly Displaced Persons to the Labor Market*.

- **Governance frameworks on access to labour markets.** Members should formulate national policies, and national action plans to ensure the protection of refugees and other forcibly displaced persons in the labour market. National policies and action plans should be formulated in conformity with international labour standards, decent work and humanitarian principles and foster opportunities for formal and decent work that support self-reliance. Members should make easily available information regarding laws and regulations applicable to entrepreneurship.

- Economic and employment policies for inclusive labour markets. Members should formulate coherent macroeconomic growth strategies, including active labour market policies that support investment in decent job creation that benefit all workers.
- Labour rights and equality of opportunity and treatment. Members should adopt or reinforce national policies to promote equality of opportunity and treatment for all, in particular gender equality, recognizing the specific needs of women, youth and persons with disabilities, with regard to fundamental principles and rights at work, working conditions, access to quality public services, wages and the right to social security benefits for refugees and other forcibly displaced persons, and to educate refugees and other forcibly displaced persons about their labour rights and protections.
- Partnership, coordination and coherence. Members should promote national, bilateral, regional and global dialogue on the labour market implications of large influxes of refugees and other forcibly displaced persons, and the importance of access to livelihoods and decent work.
- Voluntary repatriation and reintegration of returnees. Countries of origin should reintegrate refugee returnees in their labour market. The ILO and its Members in a position to do so should aid countries of origin in areas of refugee returnees in creating employment and decent work for all, as well as livelihoods and self-reliance.
- Additional pathways for labour mobility. Members should promote labour mobility as one of the pathways for admission and for responsibility-sharing with countries hosting large numbers of refugees and other forcibly displaced persons and include such pathways for admission in their national policies.

PS4R CHARTER OF GOOD PRACTICES

The Charter of Good Practice on the Role of the Private Sector in Economic Integration of Refugees represents a push for global standards that could be applied in a systemic manner by public and private sectors alike. The Charter offers guidelines on how the private sector can facilitate refugee integration into host community economies, and how policymakers and practitioners can enable the private sector to play a stronger role in Economic Integration of Refugees. The charter is divided into four sections and offers five principles for each: 1) Entrepreneurship; 2) Investment; 3) Employment; 4) Services and Products. The Charter was elaborated collaboratively during the June 2019 Paris Conference by hundreds of practitioners from many companies and institutions under the co-sponsorship of the World Bank Group (WBG), the European Investment Bank (EIB) and the Confederation of Danish Industry (DI) with participation from the International Chamber of Commerce, the UNHCR and the World Economic Forum. The Charter's principles are meant to be adopted and applied within private sector businesses, public institutions or development projects – making use of global standards that emanate from practitioners and experts within the field.

ANNEX III: PUBLIC POLICY ANALYSIS

The policy implications for national governments and international actors in supporting durable solutions for internally displaced persons (IDPs) are multifaceted and require a comprehensive approach that addresses both immediate needs and long-term strategies.⁵⁶ These include:

1. Ensuring safety and security in both host communities and areas of return.
2. Supporting livelihood opportunities, particularly for those who worked in agriculture before displacement by restoring agricultural infrastructure and markets or assisting in finding alternative employment.
3. Addressing housing needs by rebuilding homes, integrating IDPs into national development plans and supporting housing in areas of return or new locations.
4. Implementing effective compensation programmes for lost lives and property to build trust and facilitate return or integration. Doing so requires addressing bureaucratic hurdles and ensuring transparency and responsiveness in compensation schemes.

⁵⁶ Elizabeth Ferris, *Access to Durable Solutions Among IDPs in Iraq* (IOM and Georgetown University's Institute for the Study of International Migration (ISIM), funded by the U.S. Department of State, 2020).

5. Strengthening the rule of law and building confidence in institutions, including courts, to achieve overall stability and prosperity.
6. Good data collection within official mechanisms to understand the scope of internal displacement and to integrate IDPs into national planning effectively.

The government's private sector development policy is also important, particularly in creating durable solutions regarding standard of living and livelihoods opportunities. The Iraqi Private Sector Development Strategy (PSDS) 2014–2030,⁵⁷ initiated by the Government of Iraq's Prime Minister's Advisory Commission and developed in partnership with United Nations agencies, outlines a comprehensive plan to revitalize Iraq's private sector. The strategy envisions a strong, regionally competitive, and globally integrated private sector, contributing to economic diversification, sustainable development and job creation. The PSDS is structured around four main pillars: 1) Understanding the Private Sector, focusing on collecting accurate private sector data for strategic planning; 2) Improving the Business Environment, aimed at streamlining policies, laws and regulations favoring private sector growth, as well as improving access to finance and establishing incentives for business registration, investment, and employment; 3) The SME Development Programme, which seeks to enhance SME productivity and competitiveness; and 4) The Implementation Pillar, ensuring the efficient and timely execution of the strategy's activities.

The PSDS aligns with Iraq's Constitution, which mandates economic reform and private sector development, and existing national development plans. It focuses on sectors with significant market development and employment generation potential, including industrial and manufacturing sectors with opportunities for public-private partnerships and SME integration with State Owned Enterprises (SOEs). The strategy also emphasizes the importance of using Iraq's natural resources, and it highlights the need for legislative, regulatory and policy reforms to facilitate private sector development. The sectors of the Iraqi economy identified as priority areas for their potential to attract domestic and foreign investment, contribute to economic diversification and create job opportunities should be aligned with the private sector engagement strategies of the humanitarian and development entities.

The Strategy also identifies the housing sector as a significant area for private investment, particularly to benefit vulnerable communities, such as internally displaced people (IDPs) or returnees. The strategy emphasizes the assessment and creation of opportunities to attract private investment in the housing sector, with the goal of achieving durable solutions and using housing construction as a catalyst for broader economic and social development.

Similarly, as a part of the Economic Pillar of the National Plan for Getting IDPs Back to their Liberated Areas,⁵⁸ the role of government in finding durable solutions for the displaced is well articulated, and the solutions are supported through legislation, policies and plans. The Ministry of Migration and Displaced has sought to provide internal support or in partnership with governmental and humanitarian institutions, looking for a more effective role for the government entities for fulfilling all requirements to end displacement as well as ensuring sustainability and stability post return. One of those key requirements is the provision of income generation and job opportunities. In addition to livelihoods, housing is a fundamental driver for the continuation of displacement, for two reasons: housing destruction, and issues related to the ownership of property and its restitution. In a survey about the main reasons for their unwillingness to return, a large percentage of the IDPs attribute the reason to housing destruction.

Another key strategy is the establishment of sustainable SMEs in the affected areas to create job opportunities for the voluntary returnees, with a special focus on economically empowering youth through access to decent work and entrepreneurship within the principles of justice, equality and equal opportunities. The Government of Iraq is taking steps to empower its youth economically by establishing vocational training centres in retaken regions and promoting entrepreneurship through accessible loans. These efforts are supported by international and local agencies, aiming to provide both practical skills and financial incentives to reduce unemployment rates among young graduates and uneducated youth. For women's economic independence, the plan includes providing loans for small projects and ensuring equal opportunities in employment by refining the database for the unemployed, free from identity or gender discrimination. This comprehensive approach is supported by a combination of government departments, NGOs and international organizations, working together to provide the necessary funding and technical assistance. The overarching goal is to foster a more inclusive economy that offers diverse opportunities for all Iraqi youth, particularly in areas recovering from conflict.

57 Government of Iraq, "Private Sector Development Strategy 2014–2030" (Baghdad, 2014).

58 Government of Iraq, *National Plan for Getting the IDPs Back to Their Liberated Areas* (Baghdad, 2020).

Based on the Kurdistan Regional Government's Vision 2030, developed in partnership with UNDP, policy priorities related to the economy and productivity, which will affect private sector's role in durable solutions, are as follows: In addition to economic diversification and fiscal sustainability, the Kurdistan Regional Government aims to improve the private sector and the business environment, with the private sector recognized as a key partner in realizing Vision 2030 and becoming a major source for employment. Doing so requires promoting entrepreneurship and having a solid financial sector that facilitates access to finance. Improving the competitiveness of the business environment so that it is conducive to business and is attractive to domestic and foreign investments will also be a priority. Labour force participation is another priority targeted by Vision 2030, to improve female labour force participation (from around 14% today, compared to 63.7% in Organisation for Economic Co-operation and Development countries.) Therefore, the Kurdistan Regional Government is focused on eliminating the economic, social and cultural barriers that are limiting labour force participation, particularly among young females. Another national priority focus is the energy sector and infrastructure. Energy and infrastructure are important inputs for economic development and the power sector is an indispensable infrastructure in any economy. Despite strong generation capacity, power supply in the Kurdistan Region of Iraq remains unreliable. Households receive on average only 17 hours of electricity per day, leading many to use private generators. This is also a negative factor for private sector development. Vision 2030 seeks to address these challenges by 2030 and diversify the energy mix by increasing the share of renewable energy in power generation. The Vision also aims to provide adequate and inclusive infrastructure across the Kurdistan Region of Iraq.

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