

SUMMARY

2016 Special Measure in favour of Iraq for the Funding Facility for Stabilization to be financed from the general budget of the European Union

1. Identification

Budget heading	BGUE-B2016-21.020400-C1-DEVCO
Total cost	EUR 14,000,000 of EU contribution EUR 71,899,580 (as of 2 June 2016) of third party contribution.
Basic act	Regulation (EU) No 233/2014 of the European Parliament and of the Council establishing a financing instrument for development cooperation for the period 2014-2020

2. Country background

The onslaught of the Islamic State of Iraq and the Levant (ISIL) beginning in 2014 resulted in the displacement of 3.2 million Iraqis, many of whose places of origin are the target communities for stabilisation initiatives. Military clearing operations to root out ISIL militants must be followed by rapid, timely, and effective efforts by the Government of Iraq (GoI) to restore essential services and livelihoods that will help facilitate the return of internally displaced persons (IDPs).

3. Summary of the Measure

1) Background:

In March 2015, the Government proposed the establishment of a UN Funding Facility dedicated to the stabilisation of liberated areas.

Following the endorsement of the Prime Minister and leading members of the Stabilisation Working Group of the Global Coalition to Defeat ISIL, co-chaired by Germany and the United Arab Emirates in April 2015, the United Nations Development Programme (UNDP) developed the project document to create the Funding Facility for Immediate Stabilization (FFIS), which was formally established on 11 June 2015.

2) Cooperation related policy of beneficiary country:

The broader reconciliation, national dialogue and reform efforts currently led by the Prime Minister depend on strong Government response to promote stabilization in new liberated areas.

3) Coherence with the programming documents:

This measure is aligned with the "EU regional strategy for Syria and Iraq as well as the Da'esh threat" which states: "The EU supports efforts by the Global Coalition to counter ISIL/Da'esh, including military action in accordance with international law.

It recalls that military action in this context is necessary but not sufficient to defeat ISIL/Da'esh. It will coordinate closely with international partners in the framework of the Global Coalition's working groups on stabilisation, strategic counter-messaging, foreign terrorist fighters, countering terrorist financing and military action”.

4) Identified actions:

The specific objective of the measure is to support the Government of Iraq in addressing the immediate stabilization needs in newly liberated areas in order to allow the return of IDPs.

The Funding Facility's Project Document outlines four primary areas of engagement:

- Window 1: *Public works and light infrastructure rehabilitation*: light repairs of key public infrastructure including clinics, police stations, water facilities, power grids, government buildings and access roads.
- Window 2: *Livelihoods*: cash for work activities, microcredit grants to small businesses, support to women and vulnerable households.
- Window 3: *Capacity support*: recruitment and deployment of technical experts to support planning, implementation, and monitoring functions, and possibly support to women's committees in the provincial councils.
- Window 4: *Community reconciliation*: local reconciliation activities, trainings of community facilitators.

5) Expected results:

The programme is expected to reach the following results:

1. Rapid local stabilization and recovery assessments are carried out with local authorities, UN agencies and civil society actors;
2. Priority infrastructure for basic service delivery are rehabilitated
3. Emergency job creation and cash grants to small businesses have restarted the local economy
4. Stabilization expertise provided to Government authorities have built local capacity to better plan and manage the stabilization phase
5. Community reconciliation and local dialogue initiatives are implemented.

6) Past EU assistance and lessons learnt.

First, the most sensitive aspect of stabilization is security. IDPs return in large numbers only when they feel safe and see trusted forces in place. Although FFIS has no direct interventions in the security sector, complementarity of efforts with for instance the police training is of essence.

Second, while programming in inaccessible area may be difficult, a timely pre-planning process may help in being better prepared and in finding creative solutions for interventions in hostile areas. Based on lessons learned in Tikrit, which was the test case for FFIS as the first city to receive stabilization support, UNDP engaged in Ramadi well before liberation. The pre-planning included conducting preliminary needs assessments, pre-positioning of some equipment, initial efforts for tribal reconciliation and supporting the Governorate with operational stabilization planning expertise before liberation. A similar pre-planning process is applied for the liberation of Mosul.

Third, as the Central Government deals with needed reforms for improved service delivery, a localized approach with strong local ownership and partnerships with local actors can foster expedient implementation of stabilization activities. The

strong role of the provincial control cells led by the respective Governor which includes the technical directorates and the security actors has been instrumental in leading and coordinating stabilization efforts. The coordination structure between the Prime Minister's Office, Governors and international community is also seen as a successful formula.

Fourth, most geographical areas have unique triggers which will encourage or prevent IDPs from returning. Local conflict analysis is therefore essential, including an understanding of the drivers of conflict and motivations of stakeholders.

Fifth, cash-based activities have been the best, most efficient and most effective, high-impact modalities for IDPs returning to their areas of origin. Youth brigades have been involved in debris removal, upgrading of public facilities and repair of the returnees houses.

Sixth, stabilization efforts need to be properly sequenced with a post-liberation strategy, including recovery, transitional justice, reconciliation, reconstruction and reform. This is crucial to ensure that gains made are not lost. A second stabilization channel has been added to FFIS to fund medium-scale projects that generate jobs, incentivize mass returns, and help to consolidate corridors between stabilized cities and districts.

7) Complementary actions/donor coordination.

In order to ensure a coordinated approach to Stabilization, a Stabilization Task Force was set up by the Prime Minister's Office in which all coalition partners participate. The EU is chairing the Mines Action/IED clearance sub-group to ensure a coordinated approach in dealing with the challenges of IEDs/mines in newly liberated areas as well as a smooth coordination with stabilization activities. In addition, the FFIS has a Steering Committee that endorses new areas of engagement and reviews overall progress and management of risks.

4. Communication and visibility

The European Commission and its implementing partners will abide by the visibility rules for European Union financing as per relevant provisions of the project.

5. Cost and financing

	Indirect management with UNDP	EUR 14,000,000.00
T h	Total EU contribution to the measure	EUR 14,000,000.00

The Committee is invited to give its opinion on the attached Special Measure 2016 in favour of Iraq.



ANNEX 1

of the Commission Implementing Decision on a special measure in favour of Iraq

Action Document for Funding Facility for Stabilization

1. Title/basic act/ CRIS number	Funding Facility for Stabilization - financed under the Development Cooperation Instrument (DCI) CRIS number: MIDEAST/2016/376-561			
2. Zone benefiting from the action/location	Iraq The action shall be carried out at the following location: Country-wide			
3. Programming document	EU Regional Strategy for Syria and Iraq as well as against Da'esh threats			
4. Sector of concentration/ thematic area	Stabilization/Reconstruction	DEV. Aid: Yes ¹		
5. Amounts concerned	Total estimated cost: EUR 85,899,580 (as of 2 June 2016) Total amount of EU budget contribution: EUR 14,000,000			
6. Aid modality and implementation modality	Project Modality Indirect management with an International Organisation			
7 a) DAC code(s)	15220, 16050			
b) Main Delivery Channel	41000 - United Nations Development Programme (UNDP)			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹ Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

	born and child health			
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			

SUMMARY

The onslaught of the Islamic State of Iraq and the Levant (ISIL) beginning in 2014 resulted in the displacement of 3.2 million Iraqis, many of whose places of origin are the target communities for stabilisation initiatives. Military clearing operations to root out ISIL militants must be followed by rapid, timely, and effective efforts by the Government of Iraq (GOI) to restore essential services and livelihoods that will help facilitate the return of internally displaced persons (IDPs).

Further, the weight and success of the Government of Iraq’s response to promote stabilization following liberation will be judged by the level of political effect achieved and trust gained between the Government and the people. Broader reconciliation, national dialogue and reform efforts currently led by the Prime Minister depend on strong Government responses following liberation at the local level.

In March of 2015, the Government proposed the establishment of a UN Funding Facility dedicated to the stabilisation of liberated areas, constructed around four Windows:

- Public works and light infrastructure rehabilitation.
- Livelihoods
- Capacity support.
- Community reconciliation.

Following the endorsement of the Prime Minister and leading members of the Stabilisation Working Group of the Global Coalition to Defeat ISIL, co-chaired by Germany and the United Arab Emirates, in April 2015 UNDP developed the project document to create FFIS, which was formally established on 11 June 2015.

1 CONTEXT

1.1 Country/Regional context/Thematic area

Iraq has been undergoing political, economic, and social turmoil as a result of the conflict with Da'esh. The group occupied approximately one-third of Iraq's territory by the summer of 2014, the pinnacle being Da'esh's taking of Mosul that June. The widespread public disillusionment with the Government of Iraq that Da'esh is able to exploit is a result of suspected corruption at all levels, and feelings that the previous Prime Minister of Iraq specifically undertook divisive sectarian policies. Da'esh has been able to exploit and hijack Sunni Arab disenchantment for the organization's objectives. The onslaught of Da'esh beginning in 2014 resulted in the

displacement of 3.3 million Iraqis, many of whose places of origin are the target communities for stabilization initiatives.

Since then, the Government of Iraq and its security forces have undertaken clearing operations in the governorates of Salah al-Din, Ninewah, Anbar, and Diyala, and have liberated key areas that require stabilization support. These military operations have also occurred in the context of the national reconciliation and political reform, which aim to provide inclusion for marginalized communities and devolve administrative and fiscal authority to the governorates. In late 2014, the Prime Minister of Iraq and the UN Special Representative of the Secretary General (SRSG) for Iraq agreed to establish a joint UN trust fund to support stabilization and reconstruction in areas liberated from Da'esh control. In March of 2015, the Government reviewed the structure of the trust fund and decided to separate stabilization, for which UNDP prepared a concept note for a stabilization funding facility. The Prime Minister and leading members of the Stabilization Working Group of the Global Coalition to counter Da'esh, co-chaired by Germany and the United Arab Emirates, endorsed the note. Following the Working Group's endorsement in April 2015, UNDP developed the project document to create the Funding Facility for Immediate Stabilization (FFIS) which was formally established on 11 June 2015.

1.1.1 Public Policy Assessment and EU Policy Framework

Failures in rule of law lie at the heart of the crisis in Iraq. The EU and its Member States should consider enhancing their support to the Iraqi government in the introduction of measures strengthening the rule of law and the protection of human rights in all areas of Iraqi public life. In the current crisis context, and more so in the newly liberated areas, development policy should pursue conflict-sensitive approaches across humanitarian, development, stabilisation and political dialogue, taking into account the wider root causes of conflict, chronic insecurity and the impact of these factors on the vulnerability of populations. All these dimensions are essential components of building resilience and ensuring that efforts to link relief, rehabilitation and development remain integral.

In proposing stabilization, the EU remains committed to key areas of the Agenda for Change, and is in line with the political interests of the EU, as described in the most recent European Union Council Conclusions. The Council Conclusions (22 April 2013) underline that "*the EU reiterates its continuing commitment to support Iraq's transition towards a sustainable democratic system, including through targeted assistance advancing good governance and the rule of law*". Moreover, in line with the recent Council Conclusions of 14 December 2015, "*It (EU) intends to maintain its focus on counter-terrorism cooperation, immediate stabilisation of liberated areas, and support to reconciliation and peacebuilding initiatives.*" Having adopted the Multi-Annual Indicative Programme 2014-2017, the Commission has identified 3 priorities for actions in the support to Human Rights and Rule of Law: a) Support to the democratic development of Iraq including through enhanced functioning of parliamentary democracy, b) Improve the national Rule of Law and Human Rights protection system in order to increase the performance of public institutions and strengthen monitoring capabilities of CSOs and c) Promote the principle of judicial independence and sustain the Security Sector Reform process. By intervening at the onset of "liberation", it is critical to establish at an early stage stabilization initiatives, paving the way to a more balanced and sustained democratic governance.

Furthermore, the Joint Communication on an "*EU comprehensive regional strategy for Syria and Iraq as well as the Da'esh threat*" adopted by the Commission on 6/2/2015 and endorsed by the Council on 16/03/2015 develops an EU comprehensive regional strategy in order to tackle in a comprehensive and coordinated manner the crises in Iraq and Syria and the threat

posed by Da'esh. In this respect *“The EU supports efforts by the Global Coalition to counter ISIL/Da'esh, including military action in accordance with international law. It recalls that military action in this context is necessary but not sufficient to defeat ISIL/Da'esh. It will coordinate closely with international partners in the framework of the Global Coalition's working groups on stabilisation, strategic counter-messaging, foreign terrorist fighters, countering terrorist financing and military action”*.

On a more complementary note, this action equally builds upon Regulation (EC) No 1717/2006 of the European Parliament and of the Council of 15 November 2006 establishing an Instrument for Stability, the Annual Action Programme 2015 for the Instrument contributing to Stability and Peace – Conflict prevention, peace-building and crisis preparedness component was adopted by the Commission on 27 May 2015². Whereby *“Ensuring a coherent response to crises is part of the EU's wider efforts in external relations, in close cooperation with the EU Member States, to turn the 'comprehensive approach' into comprehensive action. Such coherence implies an effective use and sequencing of the entire range of available EU tools and instruments related to the full crisis cycle, including conflict prevention, crisis response, crisis management, stabilisation, as well as longer-term recovery, reconciliation and reconstruction but also development”*.

1.1.2 Stakeholder analysis

The FFIS Project Document was signed by the Chief of Staff of the Prime Minister's Office as the main counterpart of the project. In order to manage the stabilization challenges, the Prime Minister's Office has set up Control Cells in each Governorate with liberated areas: Ninewah, Salah-al-Din, Diyala and Anbar. The control cells are composed of representatives of line Ministries, security actors and the Governor's office, chaired by the provincial Governor. The control cells are the counterparts of the FFIS at governorate level. In addition to Government counterparts, civil society organizations play an important role in stabilization in particular youth activists and women organizations which have developed community solidarity activities and emergency employment activities for youth. Before FFIS engages, an in-depth local conflict analysis is prepared, mapping local actors and drivers of conflict. Finally, the National Operations Centre under the Prime Minister's Office coordinates the security forces in newly liberated areas and has been an important counterpart for civil-military coordination of planned stabilization activities. Through the Stabilization Task Force meetings with the Prime Minister's Office, Governors of liberated areas and international community, a strong coordination mechanism has been established for stabilization efforts which discusses overall political and security issues related to stabilization as well as specific challenges related to mine action/IED clearance and ongoing efforts in stabilization through the Funding Facility. The Funding Facility is currently supported by 19 countries which are part of the Global Coalition (as of 2 June 2016).

Donor	Currency of agreement	In Euro	Not yet transferred (Euro)	Received as of 2 June 2016 (Euro)
Japan	USD 17,078,140	15,525,581		15,525,581
Germany	EUR 14,500,000	14,500,000		14,500,000
USAID	USD 15,300,000	13,909,090		13,909,090
Norway	NOK 66,000,000	7,072,694		7,072,694

² Commission Implementing Decision C(2015) 3453.

UAE	USD 10,000,000	9,090,909	6,363,636	2,727,273
Italy	EUR 7,000,000	7,000,000	4,500,000	2,500,000
Netherlands	EUR 5,000,000	2,500,000	2,500,000	2,500,000
Sweden	USD 4,000,000	3,636,364		3,636,364
UK	GBP2,500,000	3,285,011		3,285,011
Korea	USD 2,000,000	1,818,182		1,818,182
Australia	AUD 2,000,000	1,303,355		1,303,355
Canada	USD 1,200,000	1,090,909		1,090,909
France	EUR 1,000,000	1,000,000		1,000,000
Austria	EUR 1,000,000	1,000,000		1,000,000
Finland	EUR 1,000,000	1,000,000		1,000,000
Belgium	EUR 1,000,000	1,000,000		1,000,000
Denmark	DKK 7,000,000	933,085		933,085
Czech Republic	CZK 5,000,000	183,270		183,270
Slovakia	EUR 50,000	51,130		51,130
Total		85,899,580	13,363,636	72,535,944

1.1.3 Priority areas for support/problem analysis

The Funding Facility's Project Document outlines four primary areas of engagement:

- **Window 1: Public works and light infrastructure rehabilitation.** This window is used to finance light repairs of key public infrastructure including clinics, police stations, water facilities, power grids, government buildings and access roads. It will also be used to finance rubble removal and waste collection. The intention is to provide short-term employment through public work schemes including cash for work.
- **Window 2: Livelihoods.** This window is be used to finance activities aimed at jump-starting the local economy and generating income for local households, particularly families returning to their homes. The intention is to provide micro-credit grants to small businesses with high community impact including bakeries, electrical shops, agriculture, food kiosks and micro-stores. Where possible, support will also be given to women and vulnerable households.
- **Window 3: Capacity support.** This window will be used to finance technical support for local governments, boosting their immediate response capacity to cope with the challenges arising during stabilization. The intention is to recruit and deploy technical experts to support planning, budgeting, implementation, and monitoring functions. Professionals with expertise in property restitution rule of law and policing can also be deployed. The expectation is that these deployments will be short-term, until government funding comes on line to absorb these staff or transition them.
- **Window 4: Community reconciliation.** This window is used to finance programs that help local leaders and community groups promote social cohesion and dialogue. The intention is to provide micro-credit grants to community organizations to support reconciliation activities.

The areas of engagement are informed by a needs assessment process. UNDP provides the methodology for rapid and detailed stabilization needs assessments following a prioritization process led by the Government. The 3 primary objectives of the needs assessment process are:

1. Collect pre-conflict and post-conflict data on the conditions of the health, education, electricity, water, and municipality sectors;
2. Prioritize 6 and 24-month priorities, which will inform governorate stabilization plans, and resource allocations to address priority needs identified;
3. Develop the capacity of provincial governments to conduct needs assessments and use them for stabilization and reconstruction planning.

Based on the needs assessments, projects are selected through a consultative process with the Government, UNDP, and affected populations. In most areas, needs far outweigh resources available to UNDP. Therefore, UNDP and the Government (including the Governor, the Control Cell, and the Office of the Prime Minister) deliberate and agree on which priorities will be supported through the Funding Facility. The Steering committee of the Funding Facility provides overall guidance to the Stabilization interventions and approves any areas which will be considered for Stabilization support under FFIS. In deciding where to activate FFIS, the Steering Committee focused on several key factors including:

- a) Strategic importance of an area;
- b) Size of the displaced population;
- c) Scale of destruction; and
- d) Area's demographic profile.

During its Steering Committee meeting on 31 March 2016, the Stabilization Funding Facility has been adapted to include a second channel for meeting "expanded" needs at the Governorate level for high impact medium-size investment projects for improved service delivery and job creation. This new channel is known as the Funding Facility for Expanded Stabilization (FFES) and complements the Immediate Stabilization channel (FFIS). Both channels will be managed under the guidance of the same Steering Committee and both will operate using fast-track modalities to ensure that progress is rapid and visible on the ground. Under FFES, priority will be given to projects that generate jobs and incentivize large numbers of people to return to their communities. These types of projects include rehabilitation of large public institutions, for example universities and public hospitals, which provide work for thousands of employees and act as a magnet for returning families.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Stabilization efforts and critical decision making are marred by weak political leadership, which does not have the authority or respect of the security forces, community leaders or the general population.	H	Good offices at high political level to provide advice or recommendations. Technical level advisory support to support decision making and possibly, provide expertise or other capacity support.
Lack of Government financial resources for liberated areas and Government unable to implement priority capital investment projects in liberated areas which could	H	Raise essential requirements to the attention of the Prime Minister's office and liaise with the Ministry of Finance. Liaising with WB on implementation of stabilization/recovery loan. Launch of Expanded Stabilization

reverse initial gains.		channel to address medium size investments over 2-3 year period to avoid that gains in stabilized areas are reversed.
Significant distrust between Popular Mobilization Forces (PMF – Shi'a militias) and local population prevents IDPs from returning despite stabilization efforts. Also, tensions between tribes are hindering their safe return.	M	Engage PMF and local authorities on principles of protection of returnees and raise security concerns at high level. Any intervention is informed by local conflict analysis including actor mapping and drivers of conflict/peace.
Inability to communicate the role of international community in stabilization and international community is used as scapegoat when things go wrong.	M	Strategic communications officer in FFIS and joint advocacy/messaging by UN and international community. Weekly briefings to PMO (Prime Minister's Office) and NOC (National Operations Centre) including obstacles encountered.
Poor command and control of security forces, incapacitated police forces and division of roles of PMF/police not clear. Risk of looting of (FFIS) assets during stabilization phase.	H	Maintain a clear understanding of relationship between UN, Governorate and security forces on the ground during the implementation of FFIS. Deployment of liaison officer on the ground to participate in Control Centre and raise security concerns for FFIS interventions with relevant counterparts. International community to advise and monitor coordination between security actors and governorate, and report back to coalition.
Mass infestation of IEDs and slow removal of these will cause casualties and slow down returns and recovery work.	H	Close coordination with UNMAS as the coordinating body for IEDs/UXOs, international NGOs such as MAG and with the NOC of the PMO. Clearance activities by security forces/police or civil defence, international NGOs and/or companies follow the stabilization priorities as set by the Command Centre of the Government.
Weak capacity of the local police to take over security functions. Militias prolong their stay as long as local police is not able to take over their tasks.	H	Training of local police by international community. Maintain clear understanding of capacity and numbers of police and other security actors in stabilization areas. Build relationships with local leaders and government officials and leverage community buy-in to protect and support FFIS assets.
Assumptions		
It is assumed that liberation of Da'esh-held territories will be gradual as fierce resistance from Da'esh fighters will continue until the last stronghold has been liberated. The Government will not be able to provide major funding to stabilization or the recovery phase and will depend on grants and loans from the international community and International Finance Institutions. In		

liberated areas which have not been prioritized by the FFIS steering committee, such as most of Diyala province, other programs will be put in place to provide longer term support. It is assumed that stabilization support will transition into longer term capacity building programs such as the EU-funded Local Area Development Program II (LADP II).³

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

First, the most sensitive and difficult aspect of stabilization is security. IDPs return in large numbers only when they feel safe and see trusted forces in place. Although FFIS has no direct interventions in the security sector, complementarity of efforts with for instance the police training, led by Italy, is of essence. This has allowed for the deployment of trained local police once Iraqi security forces pull out of a liberated city.

Second, while programming in inaccessible area may be difficult, a timely pre-planning process may help in being better prepared and in finding creative solutions for interventions in hostile areas. Based on lessons learned in Tikrit, which was the test case for FFIS as the first city to receive stabilization support, UNDP engaged in Ramadi well before liberation. The pre-planning included conducting preliminary needs assessments, pre-positioning of some equipment, initial efforts for tribal reconciliation and supporting the Governorate with operational stabilization planning expertise before liberation. A similar pre-planning process is applied for the liberation of Mosul.

Third, as the Central Government deals with badly needed reforms for improved service delivery, a localized approach with strong local ownership and partnerships with local actors can foster expedient implementation of stabilization activities. The strong role of the provincial control cells led by the respective Governor which includes the technical directorates and the security actors has been instrumental in leading and coordinating stabilization efforts. The coordination structure between the Prime Minister's Office, Governors and international community is also seen as a successful formula.

Fourth, most geographical areas have unique triggers which will encourage or prevent IDPs from returning. Local conflict analysis is therefore essential, including an understanding of the drivers of conflict and motivations of stakeholders.

Fifth, cash-based activities have been the best, most efficient and most effective, high-impact modalities for IDPs returning to their areas of origin. Youth brigades have been involved in debris removal, upgrading of public facilities and repair of the returnees houses.

Sixth, stabilization efforts need to be properly sequenced with a post-liberation strategy, including recovery, transitional justice, reconciliation, reconstruction and reform. This is crucial to ensure that gains made are not lost. When FFIS was established in June 2015, the working assumption was that enhanced stabilization projects would be undertaken by the Government, using public revenues, as soon as FFIS left a city or district. This sequencing of post-liberation efforts has not materialized due to the drastic drop in oil revenue. Worried that military gains are at risk and that the progress being made during immediate stabilization might be reversed by the slower pace of reconstruction, a second stabilization channel has been added to FFIS to fund medium-scale projects that generate jobs, incentivize mass returns, and help to consolidate corridors between stabilized cities and districts.

³ *Local Area Development Program II (LADP II)*: EU-funded project, implemented by UNDP (Budget: EUR 11.5 million)

3.2 Complementarity, synergy and donor coordination

In order to ensure a coordinated approach to Stabilization, a Stabilization Task Force was set up by the Prime Minister's Office in which all coalition partners participate. The EU is chairing the Mines Action/IED clearance sub-group to ensure a coordinated approach in dealing with the challenges of IEDs/mines in newly liberated areas as well as a smooth coordination with stabilization activities. In addition, the FFIS has a Steering Committee that endorses new areas of engagement and reviews overall progress and management of risks.

Most importantly, the current EU Regional Trust Fund in Response to the Syrian Crisis, the "Madad Fund", complements the initiative and will act as a catalyst for increased coordination among all stakeholders. Such stance revolves around three types of complementarity, namely (a) Geographical (the EU TF has more a focus on the Kurdistan Region of Iraq), (b) Thematic (the EU TF remains a comprehensive tool tackling stabilization, reconstruction and development), and (c) Political – highlighting the role of the EU as a main donor in the region.

Another area of complementarity pertains to the current EU-funded Local Area Development Program II, which aims to improve the Iraqi decentralisation and deconcentration processes, acknowledged by all stakeholders as crucial pillars of Iraq unity and stabilization.

Synergy is sought also with EU initiatives funded by the Instrument contributing to Stability and Peace:

- "Increase Iraqi counter-IED/UXO clearance capacities and threat assessment of liberated areas", carried out by UNMAS, which aims to mitigate risks related to explosive remnants of war (ERW), including mines and improvised explosive devices (IED) in areas where the Iraqi authorities have re-established control.⁴
- "Support to conflict reduction between IDPs and host communities", implemented by IOM, which is contributing to reduce tension between internally displaced persons (IDPs) and host communities following the steady increase of population displacement nationwide. Using a conflict-sensitive approach, the action seeks to supplement basic services in communities affected by a major influx of IDPs.⁵
- "Government-led multi-stakeholder reconciliation process", implemented by CMI, which supports Government efforts to move a national reconciliation process forward through facilitating dialogue, building capacity and providing technical expertise.⁶

3.3 Cross-cutting issues

Given the sensitive nature of stabilization and the fragile conditions prevailing in many newly liberated areas, concerns relating to human rights, protection, gender and inclusion will be taken into account during the prioritization and sequencing of activities, as cross-cutting issues. In compliance with the EU Gender Action Plan, the UNDP Stabilization Funding Facility is streamlining gender programming into stabilization activities across all areas. While all windows under the Funding Facility are targeting both genders equally as beneficiaries, livelihoods support activities including small grants to support micro local business, are of particular note. Special attention is paid to design the criteria of receiving the small grants to

⁴ "Increase Iraqi counter-IED/ UXO clearance capacities and threat assessment of liberated areas", EU-funded project, implemented by UNMAS (Budget: EUR 4.5 million)

⁵ "Support to conflict reduction between IDPs and host communities", EU-funded project, implemented by IOM (Budget: EUR 3.5 million)

⁶ "Government-led multi-stakeholder reconciliation process", EU-funded project, implemented by CMI (Budget: EUR 1 million)

ensure at least 30% of the beneficiaries are females with a higher priority given to vulnerable segment such as divorced or widowed female with no sustainable income. The FFIS is also recruiting a gender specialist to identify further means to ensure stabilization activities further empower women in liberated areas.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective of the Funding Facility for Stabilisation is the sustainable return of internally displaced persons to their areas of origin. The specific objective of the project is to support the Government of Iraq in addressing the immediate stabilization needs in newly accessible areas which allows for the return of IDPs. The project has the following outputs, which are also reflected in the 4 windows of the Funding Facility:

- (i) Rapid local stabilization and recovery assessments are carried out with local authorities, UN agencies and civil society actors;
- (ii) Priority infrastructure for basic service delivery are rehabilitated;
- (iii) Emergency job creation and cash grants to small businesses have restarted the local economy;
- (iv) Stabilization expertise provided to Government authorities have built local capacity to better plan and manage the stabilization phase;
- (v) Community reconciliation and local dialogue initiatives are implemented.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG 16: "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels".

Further, the project directly benefits hundreds of thousands of Iraqis in liberated areas who have endured traumatic conflict and returned to their areas of origin.

4.2 Main activities

- **Window 1:** Public works and light infrastructure rehabilitation. This window will be used to finance light repairs of key public infrastructure clinics, police stations, water facilities, power grids, government buildings, and access roads.
- **Window 2:** Livelihoods. This window will be used to finance cash for work activities, as part of this cash injection into the local economy. In addition, it intends to provide microcredit grants to small businesses with high community impact. Where possible, support will be given to women and vulnerable households.
- **Window 3:** Capacity support. This window will be used to recruit and deploy technical experts to support planning, implementation, and monitoring functions, and possibly support to women's committees in the provincial councils. The expectation is that these deployments will be short-term, until government funding comes online to absorb these staff or transition them. Professionals with expertise in property restitution, rule of law and policing can also be deployed. The expectation is that these deployments will be short-term, until government funding comes on line.
- **Window 4:** Community reconciliation. The intention is to provide microcredit grants to community organizations to support local reconciliation activities, to train community

facilitators for reconciliation, with special attention to local women's groups, and to start a restorative justice process.

Under the framework of the Funding Facility for Expanded Stabilization (FFES), the EU contribution will support Governorate-level priorities over the medium-term to ensure that the gains made during immediate stabilization are not endangered by the slower pace of reform and reconstruction.

UNDP decision-making on the funding of projects is guided by a set of principles:

- Legitimate security arrangements under Governorate control for civilian safety and protection will need to be in place in areas where FFIS is operationalized (exceptional security arrangements to repel counterattacks may also be present);
- Mechanisms to ensure the safe and voluntary return of IDPs will need to be in place in areas where FFIS is operationalized; these include conditions specified in the UN's Guiding Principles on IDPs including marking of IEDs and UXO; freedom of return; freedom of movement; and mechanisms for resolving property and land disputes;
- Governors and Provincial Councils will need to be directly involved in deciding on priorities and project funding;
- General principles embodied in international human rights and humanitarian law (especially non-discrimination and impartiality) will need to be taken into consideration in deciding on priorities and project funding;
- Gender dimensions and minority rights will need to be taken into consideration in deciding on priorities and project funding.

4.3 Intervention logic

The FFIS is a tool by which the Government of Iraq carries out its stabilization efforts, and the four windows outlined above are avenues to support the Government's leading role in stabilization efforts. The impact of the occupation by ISIL of large parts of Iraq has been devastating with severely destroyed infrastructure, houses and the large-scale looting of assets. This has led to the massive displacement of the Iraqi population who are incentivized to return if the Government of Iraq is able to show that it quickly restores basic services, provides temporary job opportunities and fosters dialogue. The rehabilitation of priority infrastructure to resume service delivery is essential to restore the confidence of the population in the Iraqi Government. Emergency job creation efforts will provide the population - which has been in protracted displacement - with much needed cash to restore their lives. The capacity building expertise to the four Governorates of the liberated areas will allow for a better response to the immediate stabilization challenges. These challenges include timely planning of stabilization efforts, civil-military planning and coordination, coordination between civilian activities, interaction with international community and communication to the Iraqi population. The community reconciliation initiatives will aim at a broad-based return of IDPs, in particular those who have more difficulties with returning as their communities are accused collectively of siding with ISIL. The reconciliation initiatives will also support vetting procedures for the return of IDPs.

In addition to the above, the return of IDPs is delayed by security challenges as the capacity of the local police to take over security duties in liberated areas from Iraqi security forces is

currently being built. Italy is leading the police training, which complements the stabilization efforts of the FFIS. Another delaying factor is the presence of unexploded ordnances and improvised explosive devices which have been planted by ISIL to obstruct the return of the population.

When FFIS was established, the working assumption was that at the end of the immediate stabilization period public resources will be used to avoid that gains achieved will be lost. The drastic drop in oil revenues and the cost of the war effort against ISIL, however, puts this assumption at risk. Worried that military gains are at risk and progress made during the immediate stabilization might be reversed by the slower pace of reform and reconstruction, the Government and the UN expanded the Stabilization Facility with a second stabilization channel to fund medium-scale initiatives to accelerate recovery and rapidly build resilience to future shocks.

The first liberated city which was supported by FFIS was Tikrit which has seen a large return of the population thanks to (i) restored confidence in the Government to deliver services and jumpstart the local economy, (ii) improved security by Iraqi security forces and local police and (iii) timely sequencing of stabilization interventions and (iv) community reconciliation efforts which allowed for the return of all major tribes who were living in Tikrit before ISIL occupation. This experience has been the basis of the upscaling of the FFIS to other liberated areas.

The funding facility is implemented through UNDP though certain specific activities could be undertaken through NGOs/CBOs and other UN agencies. However, ownership by and the leading role of the Iraqi Government (particularly at the governorate level) are critical and include priority setting and decision making through the Steering committee, chaired by the Chief of Staff of the Prime Minister's Office.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country referred to in Budget Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of adoption by the Commission of this Action Document.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1 Indirect management with an international organisation

This action will be implemented in indirect management with United Nations Development Programme - UNDP, in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation is justified because of the comparative advantage UNDP enjoys in the specific Iraqi context, coupled with its pivotal role within the Global Coalition framework and its unique capacity in carrying out stabilization actions in a volatile environment. Furthermore, FFIS addresses the needs of the “*EU regional strategy for Syria and Iraq as well as the Da'esh threat*”, in complementarity with the "Madad fund.

The entrusted entity would carry out the following budget-implementation tasks:

- Launching call for tenders and for proposals;
- Definition of eligibility, selection and award criteria;
- Evaluation of tenders and proposals;
- Award of grants, contracts;
- Acting as contracting authority concluding, monitoring and managing contracts;
- Carrying out payments, and recovering moneys due.

5.4 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
Indirect management with UNDP	14,000,000.00	71,899,580 (as of 2 June 2016)
Total	14,000,000.00	71,899,580 (as of 2 June 2016)

5.5 Organisational set-up and responsibilities

For the implementation of this action, the existing FFIS Steering Committee will provide overall guidance to the Stabilization interventions and approve any areas which will be considered for Stabilization support under FFIS (please refer to 1.1.3)

The Steering Committee is co-chaired by the Prime Minister's Office, the UN D/SRSG and the UNDP Resident Representative. Other members include the 4 Governors, Iraqi institutions (including Prime Minister's Office), and major fund-contributing partners. The EU will be represented by the Head of Delegation, ensuring that objectives are adequately addressed. The EU will have a voice in the selection of activities as the Committee provides overall strategic direction to and oversight of the FFIS.

5.6 Performance monitoring and reporting

Infrastructure rehabilitation activities will be monitored by a team of engineers hired through a third party company to monitor quality of work and to ensure that implementation is in line with the agreed specifications of the contract. These engineers work closely with the monitoring committees which have been set up by the Government for each infrastructure site. Livelihoods and community reconciliation activities are monitored by field staff in liberated areas and by UNDP recruited experts. In addition, UNDP has hired a third party monitoring company to provide independent monitoring which will be used for quarterly donor reporting.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.7 Evaluation

UNDP will carry out an evaluation of the project after the first year of its implementation and will seek inputs from partners to the Terms of Reference.

Having regard to the nature of the action, a final evaluation will not be carried out for this action or its components. However, a final evaluation of the Fund Facility for Stabilization will be carried out jointly with the Government of Iraq, UNDP and other donors.

The Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner..

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.8 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing decision.

5.9 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ⁷

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	The overall objective of the Funding Facility for Stabilisation is the sustainable return of internally displaced persons to their areas of origin.	Return figures as provided by the Displacement Tracking Matrix of IOM (DTM) disaggregated by sex ** (EU RF 5 L2)	As of 1 April 2016, around 500,000 people returned to newly liberated areas in Anbar, Diyala, Kirkuk, Ninewah and Salah Al Din	750,000 people returned by end of 2016 1,500,000 people returned by end of 2017	DTM as published on the IOM Iraq website with bi-weekly data.	

⁷ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

Specific objective(s):	<p>The specific objective of the project is to support the Government of Iraq in addressing the immediate stabilization needs in newly accessible areas which allows for the return of IDPs.</p>	<p>1. Number of beneficiaries of rehabilitated infrastructure e.g. number of children under 1 year old immunized, number of primary schoolchildren enrolled in school, number of women receiving contraception etc.</p> <p>2. Number of job opportunities created and small businesses supported with grants disaggregated by sex</p>	<p>1. As of 1 January 2016, around 215,000 people have benefited from rehabilitated infrastructure in water, health, electricity and education.</p> <p>2. As of 1 April 2016, 3,000 job opportunities were created.</p>	<p>1. 1,000,000 people have benefited from improved service delivery through infrastructure rehabilitation.</p> <p>2. 1,000 businesses have benefited and 30,000 people benefited from short term job opportunities</p>	<p>Quarterly progress reports report on the indicators</p>	<ul style="list-style-type: none"> - High level of IED contamination and destruction delay IDPs from returning but concerted efforts of local and international actors to tackle these challenges will allow FFIS to work in liberated areas soon after liberation. - Longer term success of stabilization will also depend on availability of public resources for longer term support and national reconciliation efforts to address equitable services, power sharing and transitional justice issues. - Political leadership is committed to stabilization. - Tensions among tribes and security tensions with popular mobilization forces and local population can be contained. - Local police is increasingly deployed to newly liberated areas.
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Outputs	<ol style="list-style-type: none"> 1. Rehabilitation of public infrastructure projects in liberated areas 2. Small grants to retail shops to restart their businesses and emergency job creation programs which provide job opportunities for people. 3. Deployment of stabilization expertise to liberated areas to support the Government in stabilization planning and implementation 4. FFIS targeted areas with structured community dialogues to allow for the return of all IDPs and lay the foundation for restorative justice 	<p>1.1 Number of completed infrastructure projects</p> <p>2.1 Number of retail shops benefiting from small start-up grants ** (EU RF 30 L2)</p> <p>3.1 Number of stabilization advisors and stabilization assessment and planning documents</p> <p>4.1 Number of areas with structured community dialogues</p>	<p>1.1 As of 1 January 2016, around 50 projects.</p> <p>2.1 As of 1 June 2016, 200 shops were established.</p> <p>3.1 As of 1 June 2016, 2 governorates have received stabilization experts in communication, planning and monitoring</p> <p>4.1 As of 1 June 2016, 2 structured dialogues have been carried out in Tikrit and Yathrib leading to returns of IDPs</p>	<p>1.1 As of the end of 2017, an additional 15 infrastructure rehabilitation projects completed</p> <p>2.1 As of end of 2017, an additional 200 shops supported with grants in newly liberated areas</p> <p>3.1 As of end of 2017, 4 stabilization advisors in total are being deployed to newly liberated areas and 10 stabilization assessments have been completed</p> <p>4.1 As of end of 2017, 5 additional areas with structured community dialogues have resulted in broad-based return of IDPs</p>	<p>Quarterly progress reports will capture progress for each output.</p>	<ul style="list-style-type: none"> - Engagement by FFIS will require IED and UXO clearance before activities can start. - Public resources for post FFIS activities will be very limited and Iraq will continue to rely on loans and grants. - National reconciliation processes are advancing, though slowly. - Local police is able to assume local security tasks and avoid looting. - Liberated areas which are not targeted by FFIS are covered by other programs and the Funding Facility will transition long term into capacity building project LADP II. - The ongoing military clearance operations advance gradually.
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