

Ministry of Foreign Affairs – (Department for The Middle East and Northern Africa - MENA)

Meeting in the Council for Development Policy 31 October 2017

Agenda item 5.a.

- 1. Overall purpose** For discussion and recommendation to the Minister
- 2. Title:** UNDP Funding Facility for Expanded Stabilisation (FFES) in Iraq
- 3. Presentation for Programme Committee:** 19 September

UNDP Funding Facility for Expanded Stabilisation (FFES) in Iraq

Key results:

- Early recovery and rapid return to a sustainable development pathway are achieved in post-conflict and post disaster settings.
- Geographically, projects in 2018 will focus on Ninewah, specifically Mosul and possible projects in Tal Afar, Hawija and al-Qaim are being investigated.

Justification for support.

- The grant will build on the ongoing support to the Funding Facility for Immediate Stabilisation (FFIS) in alignment with the Danish priority to assist the Government of Iraq (GoI) in stabilising areas liberated from ISIL, as presented in the “Syria – Iraq Regional Stabilisation Programme (2016-2018): Supporting ISIL-liberated areas in Iraq and opposition-controlled areas in Syria”.
- FFES is aimed at supporting a safe return and reintegration of IDPs thereby also increasing efforts to assist returnees in finding more viable and sustainable solutions than further migration to other places within Iraq or outside of Iraq. As such, a grant to the FFES can be seen as complementary to other efforts in addressing the migration pressure on Europe in accordance with the Danish Foreign Policy Strategy.
- The support to FFES is in accordance with the priorities of the Coalition against ISIL, and the stabilising activities will link well with Danish assistance to the Iraqi Security Forces as well as the upcoming Danish contribution to police training in liberated areas.

How will we ensure results and monitor progress

- UNDP will conduct monitoring on project activities on the ground in accordance with its Programme and Operations Policies and Procedures (POPP) for Project Management and provide updates on programme implementation to donors.
- As part of the management of Denmark’s the Syria – Iraq Regional Stabilisation Programme, the Danish Stabilization Advisor for Iraq (based in Istanbul) will monitor the programme implementation in close dialogue with partners in Iraq and through bi-monthly visits to Baghdad.

Risk and challenges

- The theatre of operations in Iraq remain highly volatile, both due to risk of increased conflict and insecurity and due to an unstable political situation.
- UNDP has managed to meet these challenges through close coordination with the Prime Minister’s office; the National Operation Center (NOC) and local authorities. Additionally, UNDP is working close with the Combined Joint Task Force (CJTF); the donor community; and are tasking UNMAS with the clearance of priority sites.
- So far, this has proved to be sufficient to balance and counter all these challenges and as a result more than 1000 projects under the FFIS and FFES have been initiated.

File No.	2015-46352		
Country	Iraq		
Responsible Unit	MENA		
Sector			
	<i>Million</i>	2017	2018
Commitment		135 Mill DKK	
			Total
Projected ann. Disb.	One-off payment for 2017		
Duration	2017 - 2018		
Finance Act code.			
Desk officer	Astrid Folkmann Bonde		
Financial officer	Mads Ettrup		

SDGs relevant for Programme



Budget:

Total: DKK 135 Million

Strat. objective(s)	Thematic Objectives
<p>Early recovery and rapid return and sustainable reintegration are achieved in post conflict and post disaster settings</p>	<p>The sustainable return of IDPs in Iraq to newly liberated areas</p> <p>An improved environment for local economic development and improved service delivery in newly liberated areas</p> <p>The sustainable re-establishment of livelihoods and services in newly liberated areas resulting in improved living conditions and access to basic services for men and women, boys and girls</p>

Programme Document for UNDP Funding Facility for Expanded Stabilisation (FFES) in Iraq

1. Introduction

This Document describes the arrangements for a new one-year grant supporting the Funding Facility for Expanded Stabilisation (FFES) in Iraq, with a total funding envelope of DKK 135 Million. The grant supports and builds upon the strategic framework of the on-going Regional Stabilisation Programme for Syria and Iraq 2016-2018 under the Danish Peace and Stabilisation Fund (PSF).

The grant complements existing diplomatic, military, stabilisation, and humanitarian support to Iraq, and underscores Denmark's long-term commitment to countering the threat from ISIL and promoting stability and human rights in Iraq. The design of the grant is aligned with the Funding Facility for Immediate Stabilisation (FFIS), which is supported under the above-mentioned Regional Stabilisation Programme for Syria and Iraq.

1.1 Overall Context

The fight against ISIL in Iraq is moving forward and ISIL's territorial control of parts of Iraq is expected to come to an end in the near future. However, the efforts to help stabilise Iraq will be far from completed with the defeat of ISIL. The situation in the country remains volatile and unpredictable. Major urban areas are left in ruins and the challenges to rebuild critical infrastructure are immense.

In addition, the current political context in Iraq remains extremely complex and challenging. Decades of grievances including human rights abuses from different communities in the Iraqi society has been piling up and left unresolved. Corruption is endemic, and the political elites in power since the 2003 intervention have shown little will to initiate much needed reforms of the state apparatus. The cyclical pattern of violence in the country has resulted in a high degree of sectarianism, often exploited by both national as well as local actors. Approximately 2 million people have returned to their area of origin after having been displaced by the fighting, but as of 12 October 2017 more than 3.2 million Iraqis remain internally displaced¹.

1.2 Status of the fight against ISIL

Following an effective military campaign, led by the Government of Iraq (GoI) with strong Coalition support, the tide has long turned against ISIL in Iraq. However, ISIL is likely to continue presenting a threat through some form of asymmetric warfare, and continuing attempts to radicalise and recruit people within Iraq.

1.3 Status of stabilisation in Iraq

Stabilisation efforts in Iraq have come a long way. More than 1100 projects are being implemented by UNDP under the overall umbrella of the Funding Facility for Stabilisation (FFS). De-mining organisations such as UNMAS and other anti-mine and IED operators are active in all liberated areas and the GoI has launched a reconstruction programme (REFAATO) with loans from the World Bank, the German

¹ <http://iraqdtm.iom.int/>

Development Bank (KfW) and others. That said, the long-term success of current efforts to assist stabilisation are also dependent on ensuing reconstruction efforts.

Large parts of major cities such as Mosul, Ramadi and Fallujah are left in ruins and the cost to rehabilitate and rebuild critical infrastructure will be massive. It is estimated that the total costs for the reconstruction of Iraq post-ISIL will be in the area of 50-100 billion USD. The contamination of IED's and ERWs is unprecedented and it will take years before all booby traps left by ISIL have been found and removed.

The past years of fighting has left more than five million Iraqis internally displaced. Today, two million IDP's have already returned to their area of origin, but without prospects of sustainable livelihood, the question is how long they will stay.

1.4 The political landscape and challenges ahead

The rise of ISIL and the alignment of interests in fighting ISIL led to a political change. A significant degree of unity and coordination has emerged, both within Iraqi society and between the GoI and its regional and international partners. However, the defeat of ISIL is not synonymous with the end of conflict in Iraq. On the contrary, as the threat from ISIL declines, this unity is likely to fracture – as we are currently witnessing with the Kurdish referendum - unless serious efforts at reforms and reconciliation are put in place.

The political elites in power since the 2003 intervention have yet to show actual will to reform as well as to reconcile. Consequently, tensions and possible violent conflict is likely to emerge post ISIL.

2. Strategic considerations and justification

Denmark's international commitments to the Global Coalition strategy to counter ISIL (track two on stabilisation) and to UNSC resolutions (e.g. UN S/RES/2367 from 2017); combined with Danish national interest and concerns over regional and international instability caused by migration and conflict spill-over, provides the rationale for providing additional support for civilian stabilisation efforts in Iraq.

The recent review of the regional stabilisation programme (October 2017) concluded, that there is a continued need for international support for stabilisation in Iraq. In addition, there will be need for financial support to address the major reconstruction challenges due to the massive destruction of infrastructure, wholesale displacement of the population and individual and community trauma. As such, civilian stabilisation support is relevant and complements the Coalition's military actions. Stabilisations efforts helps the displaced to return home and addresses the underlying causes of extremism. Given the unique position of UNDP in providing such support, the review pointed at UNDP as a relevant partner in pursuing this objective, and the present grant outlines support of DKK 135 Million in support to UNPD's Funding Facility for Expanded Stabilisation (FFES).

The objective with the grant is: *To contribute to meeting short to medium term stabilisation needs in areas liberated from ISIL in Iraq, thereby supporting moderate actors in building a more stable, democratic and inclusive Iraq.*

Due to the volatile environment in Iraq, the grant will focus strictly on meeting civilian stabilisation needs, and it will be limited in scope to one year. The objective is fully aligned with the objective of the Stabilisation Programme for Iraq and Syria, which is: *To counter ISIL and other extremist elements in Syria and Iraq, and to promote an inclusive political resolution to the conflict in Syria and a more stable and inclusive Iraq through meeting immediate stabilisation needs in both countries and offering support to*

moderate actors that provide an alternative to extremism in order to build more stable, democratic and inclusive societies.

This grant will contribute to the above goal through reinforcing particularly the thematic area 2 of the Regional Programme in enhancing Community resilience and return through improved access and provision of priority services in former ISIL-held areas of Iraq.

By involving Iraqi authorities at all levels in setting priorities and deciding on engagements, the support is aligned with national priorities. Furthermore, the programme is aligned with local priorities by involving local actors in programming and including needs and political considerations, as well as capitalising on the considerable body of knowledge pertaining to supporting local capacities to promote community resilience and pave the way for sustainable return in the liberated areas of Iraq.

Programme efficiency is optimised as funds are channelled through a multi-donor funding facility. However, lessons learnt suggest that a strong local Danish presence through a combination of MFA visits and the deployment of a suitably qualified stabilisation advisor is necessary to ensure that Denmark contributes with capacity as well as financing to promote the effectiveness and efficiency of support to the FFES and the ongoing engagements. In addition, funds will be reserved for bilateral monitoring of the engagement, including during the inception phase of the Danish support to FFES.

The FFS management works as an overall umbrella structure for both the FFIS and the FFES. Both the FFIS and FFES channels are supervised by the FFS Steering Committee, which ensures a unison approach to the division of tasks and projects between the two channels.

The support to FFES will align with the priorities of the peace and stabilization fund, and thereby create a synergy between Danish development assistance and support to peace and security. Moreover, the support has the potential to increase synergy with the engagements of the Danish-led Regional Development Protection Programme to create economic development and increase job opportunities on local level in Iraq.

3. Programme summary

UNDP's engagements under the overall umbrella of the FFS are progressing well and remains the main entry point for donors wishing to support stabilisation projects where there is close alignment with the Iraqi authorities.

The aim of FFES is to quickly consolidate the gains made during immediate stabilization (FFIS) by generating jobs in the newly liberated cities and stabilizing the corridors between liberated districts. The focus is on the rehabilitation of large public institutions, including universities and public hospitals, which provide work for thousands of employees and incentivize families to return to and remain in, rather than leave the liberated areas. Priority is also given to repairing the sections of the transport, electricity, sanitation and agricultural corridors that link liberated cities to each other. Another element is to provide short time employment to young people who find themselves unemployed, as they return to their homes.

Rather than risking setbacks due to the slow pace of reconstruction in some of the country's most sensitive cities and districts, FFES will fast-track implementation of a selected range of medium-sized, high-impact, low-cost, visible projects in liberated areas. FFES builds on the relationships established at federal, governorate, district and local levels during the period of immediate stabilization to ensure continuing progress.

Using the same modalities as the immediate stabilization channel FFIS, the FFES uses fast-track procedures to avoid complex contracting and implementation modalities often required for multilateral and bilateral projects. The average cost of a FFES project is expected to range from US\$5 to US\$20 million and the average implementation period from four to a maximum of 18 months. FFES includes four windows, one for each of the governorates liberated from ISIL. All projects are expected to anchor local economies, incentivize families to remain in their home area, generate jobs and consolidate infrastructure grids and corridors between liberated areas.

The FFES and the FFIS has an end-of-project vision to phase out from stabilization efforts app. one year after the defeat of ISIL in Iraq. At the conclusion of the programme, modalities will be developed for a transition into large-scale reconstruction efforts, led by the Iraqi Government, using national and relevant international financial resources (e.g. World Bank, ADB, etc.). The exit strategy is to ensure that the Iraqi government at central and local levels are fully engaged in the process and that they are aware that FFES will not undertake large-scale reconstruction activities, which will be financed through other means.

3.1 Immediate Stabilization and Expanded Stabilization

The two channels are envisioned to operate sequentially; with FFIS supporting priority cities during the first 3-4 months after liberation and FFES supporting Governorate-level priorities over a period of 12-36 months.

FFES will have the advantage of building on FFIS' track-record. FFES teams will continue to use the consultative mechanisms with Governorates and local communities that have been established under FFIS and to benefit from the extensive local networks, which have been mobilized during the FFIS operating period. As is the case with FFIS, FFES priorities will be decided by a local governorate control cell. Elements and concerns in relation to human rights, protection, environment, gender and inclusion will be taken into account during the selection and sequencing of activities. Efforts will be made during the planning phase to establish a basis for - and to ensure complementarity with large-scale reconstruction efforts including World Bank programmes.

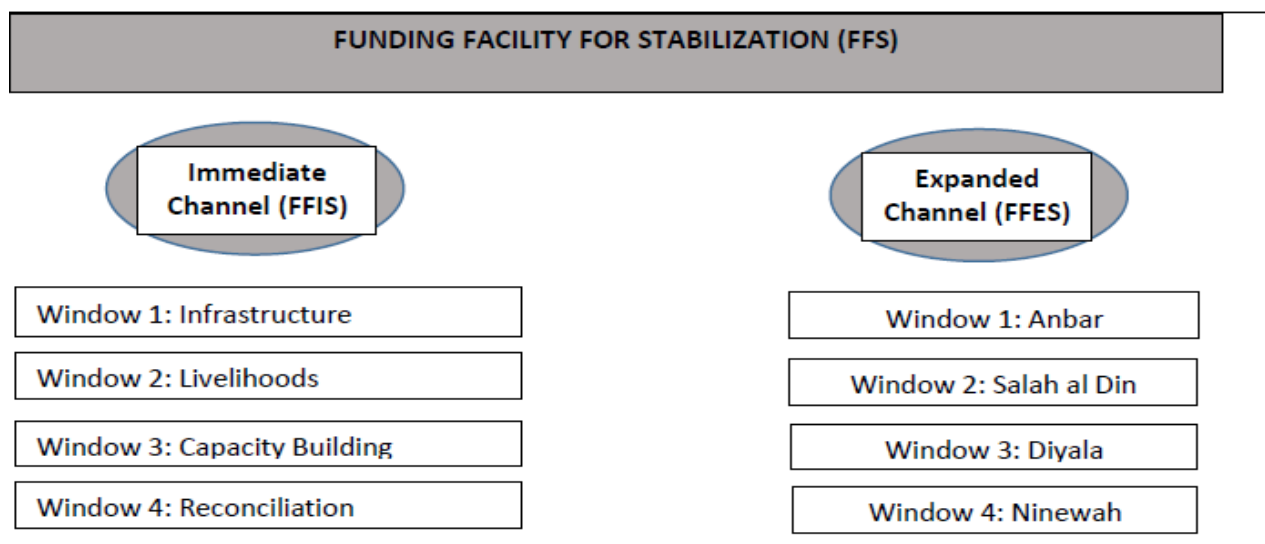


Figure: Schematic of the Funding Facility for Stabilization

Building on Experience

As noted above, FFES builds directly on the experience of FFIS and the existing relationships and systems established at governorate and city levels over the past two years. Key lessons learned from FFIS include:

- *The levels of contamination of project sites* significantly affect the speed of stabilization activities. Sites heavily contaminated by mines, IEDs and unexploded ordinance (UXO) and explosive threats pose additional dangers to stabilization assessments and project implementers. Ramadi, for example, was heavily contaminated including with 'booby traps' which added additional pressure on immediate stabilization efforts. Internationally-qualified and experienced mine clearance actors have proven essential to clear project sites from the treat of remnant explosives to enable rehabilitation works to be undertaken. FFES will build on these experiences and undertake more detailed planning, advance preparations, and coordination with specialists for each FFES project;
- *There remain considerable un-met stabilization needs* beyond the capacity and mandate of FFIS (3-26 month-long projects). For example, the Ramadi Maternity Hospital is estimated to cost US\$15 million due to the serious damages sustained during ISIL occupation and the liberation campaign. These needs have been raised in the 24-month priority plans/stabilization plans developed by local authorities under FFIS. These longer-term 'expanded stabilization' projects are essential for stabilizing the target areas beyond the initial period to continue rebuilding trust in local authorities and the Iraqi Government and to sustain jobs and livelihoods and public services;
- *Engagement of local authorities and stakeholders* is essential in undertaking the assessments and prioritizing the projects to ensure ownership over the process and alignment with government systems and capacity building objectives. Continuing the Provincial Control Cells/Command Centers (PCCs) established as part of the FFIS, is considered a pragmatic and constructive approach;
- *Livelihoods and small-business grants* were very successful in contributing to stabilizing FFIS locations. The economic stimulus these grants and activities provided to the poorest households, including widows, female-headed households and youth, proved a positive experience. The challenge is to 'scale-up' these activities to reach more beneficiaries and quicker. FFES aims to achieve this through investing in longer-term projects where the private sector can create significant numbers of jobs relatively quickly, especially in the construction sector.
- *Engagement of women and girls has been challenging* given cultural norms and the pressure to implement quickly using FFIS grants. FFES will develop a gender strategy to better target the FFES channel to meet the needs of women and girls. In particular, projects will be prioritized that benefit women and girls, such as female accommodation at Universities, girls' education facilities, etc.
- *Stabilization is most successful when communities are mobilized to contribute* to their own reconstruction. Youth brigades and civil society initiatives in cleaning and upgrading public spaces have had a significant impact. Local ownership over the projects is essential and FFES will take this into account when prioritizing sites and projects for implementation
- *Detailed conflict analyses can play a critical role* in assessing the local socio-political dynamics in order to better guide the planning and design of infrastructure projects to ensure they do not exacerbate existing or generate potential socio-political conflicts. Such analyses take time and must be balanced with the demand to implement projects as quickly as possible. FFES will undertake conflict analyses on each project and tailor the project based on the findings;
- *Monitoring* of projects and their impact is crucial, especially as the scale of the programme expands. There is a need to better track indicators of success, including qualitative reporting from beneficiaries and take timely corrective action where required. UNDP will conduct regular monitoring on project activities in accordance with its Programme and Operations Policies and Procedures (POPP) for Project Management. Monitoring missions to project sites are conducted at regular intervals.
- *Short-term gains can be easily lost when there is a gap* between immediate stabilization and reconstruction. Immediate service delivery and livelihood support can lay the foundations for

longer-term peace and reconciliation efforts. However, unless there are bridging projects until longer-term reconstruction projects start, citizen frustration and resentment can increase which weakens state legitimacy and state-society relations, undermining the stabilization efforts to date.

Table 1: Results Framework

Thematic Programme		Resilience and Rapid Response	
Thematic Programme Objective		Community resilience and sustainable return enhanced through improved access and provision of priority services in former ISIL-held areas of Iraq and areas under moderate opposition control in Syria.	
Impact Indicator		Increase in the % of IDPs returning to newly liberated areas.	
Baseline	Year	10 %	2016
Target	Year	80 %	2018
Engagement Title		UNDP Funding Facility for Expanded Stabilization	
Outcome		Iraqi Government in newly liberated areas is supported through high impact medium size projects to help stabilize corridors between liberated cities.	
Outcome indicator		Number of medium-size projects implemented in newly liberated areas	
Baseline	Year	0 %	2016
Target	Year	100% of the projects which was initiated in 2017 have been implemented and 80% new projects have been initiated in 2018.	2018

4. Overview of management set-up

The Programme design takes account of the need to minimise overall transaction costs to the MFA. As a result, the proposed engagement utilizes a pooled cooperation arrangement with a well-established partner (UNDP) under the Regional Stabilisation Programme for Iraq and Syria.

The FFES management design has a particular focus on anti-corruption measures. Concrete modalities are put in place in order to minimize the risk of corruption in the bidding - and decision-making procedures of the programme implementation. This includes; 1) thorough assessments of the documentation that are handed in as part of the bidding applications, 2) cautious management of the choice of engineers and programme officers on the projects in order to ensure a high degree of impartiality and 3) technical evaluations to review the technical decision-making processes of the project implementation.

4.1 Programme oversight

Following the review of the Regional Stabilisation Programme, a Programme Management Committee (PMC) will be established². The PMC provides guidance on the direction of the programme, while the Stabilisation Advisor will continue to be responsible for the implementation of the programme through an increased focus on a close monitoring and interaction with Baghdad and Erbil based stakeholders.

² Includes the Heads of MENA and SSP, the MENA Syria / Iraq Team, the Advisors in Istanbul and a representative from the MoD / Defence Command Denmark (Værnsfælles Kommando – VFK)

4.2 Implementation arrangements

The programme is due to start in December 2017 and will run until 31 December 2018 (12 months). The programme is based on the following documentation:

- This document, providing its rationale, budget, management framework etc.
- A cost sharing agreement (Cooperation Agreement) with UNDP Iraq.
- UNDP's Project documentation: Project Document for the Funding Facility for Immediate Stabilisation in Iraq (FFIS) (2015), Project Document for the addition to the FFIS of the Funding Facility for Expanded Stabilisation in Iraq (FFES) (2016), Annual Report 2016 for the Funding Facility for Stabilisation in Iraq (FFIS and FFES).

The Stabilisation Advisor will participate in the relevant steering committees of the UNDP programme, ensuring overall coordination of Danish priorities with MENA.

In Baghdad, the Stabilisation Advisor will draw upon existing arrangements with Control Risk. Although the financial costs involved are relatively high, the Control Risk compound is highly secure and located nearby likeminded country representations in the International Zone. Moreover, Control Risk transportation offers a much needed level of flexibility for movements during limited time "on the ground". Mobility beyond Baghdad will be limited, and potential field visits to FFES sites in the liberated areas will be evaluated on a case by case basis. Travel to Erbil, in the Kurdish region, is possible, with due consideration of basic security precautions. The MENA department as well as the Advisors will continue to have a dialogue with the MFA Security department to ensure that SoPs are updated and reflect the developing security environment in Iraq.

4.3 Monitoring

The MENA department, including the Ambassador to Iraq and the Stabilisation Advisor will provide ongoing monitoring of the programme implementation, and will deploy regularly to Baghdad in order to consult with likeminded donors, the Coalition Working Group on Stabilisation as well as the UN Country Team. UNDP Iraq will provide Denmark with written narrative and financial reporting on a quarterly basis. The programme will be integrated into and aligned with the Regional Stabilisation Programme for Syria and Iraq and utilise the same reporting formats and procedures used under the Peace and Stabilisation Fund.

The FFES draw on Third Party Monitoring arrangements supported by USAID, and Denmark is expected to have access hereto.

In the dialogue with UNDP, there will be a particular focus on the development of elements outlined in the Risk matrix. Challenges of corruption and mismanagement will be given special attention.

Given the importance of communication of project implementation to the citizens benefitting from the project, as well as governors and local authorities, the central government and also the international community; Denmark's dialogue with UNDP will emphasise issues of effective monitoring, tracking of sub-project activities and outputs and the communication of results.

During the upcoming formulation of an expected new phase of the Regional Stabilisation Programme for Iraq and Syria, the progress of the UNDP FFES will be evaluated and relevant adjustments will be made.

5. Programme Inputs

5.1 Budget

The Danish grant to the FFES and a budget line for Technical Assistance is indicated below and in annex D.

Table 2: Budget

Budget	2017	2018	Total
UNDP FFES	134,5		134,5
TA and Review		0,5	0,5
Total	134,5	0,5	135

Figures in millions DKK

5.2 Process

The implementation of the Programme is based on a Cost-Sharing Agreement (to be developed) with UNDP, confirming UNDPs intent and interest in receiving Danida funding for the FFES and moving forward with programme implementation.

The Cost-Sharing Agreement will clarify the following; (a) the disbursement arrangements (one tranche); (b) reporting modalities; and (c) communication in regards to selection of projects based on Danish priorities.

6. Risks and risk mitigation

The volatility of the security situation with possibly increased levels of violence and insecurity due to interethnic or religious conflict increase the risk of the completion of projects. The management of the FFES programme has a strong dialogue with the central government, who has taken clear ownership of the programme and who have proved able to take lead of dialogues with local authorities and ensure the completion of projects and the safe return of IDP's.

In addition to the technical and operational challenges linked with the large and more complicated activities of the FFES, risks include corruption and mismanagement given the increased complex procurement processes in programme implementation. The UNDP has a strong focus on procurement measures and emphasis on professional expertise on programme management staff, who are able to assess the actual cost of project activities and to oversee the management of the individual projects.

Over time, the need to implement a higher degree of flexibility of activities between the FFIS and the FFES channels could increase in order to meet the needs on the ground. There is a possibility that the FFIS channel and the FFES channel will merge into one channel in light of the development of the stabilization need. Based on the regular consultations with UNDP, other donors and the Government, analysis will be made whether this has de facto implications for the actual engagements being implemented, and whether it will have any bearing on the financial arrangement with UNDP. The outcome of this analysis will depend on an assessment of the situation in Iraq, the level of engagements that have been initiated under the Danish contribution, and the stabilisation needs at the given time.

The US government has provided a USD 50 million grant to the FFES. At the moment there is not a clear picture of how many other donors will opt for the FFES. As the defeat of Daesh continues in Iraq and the liberated areas increase, the assessment is that the demand for large scale stabilization needs will grow and the donor appetite for the longer-term engagements is expected to increase.

UNDP have successfully carried out the effective implementation of activities under the FFIS. There is a need to monitor whether the principles and implementation processes of delivering immediate stabilisation can be scaled to meet the extended stabilization and the longer term engagements of the FFES. An inception review of the FFES will be carried out within the first six months of the Danish support to the FFES, this will most likely take place in the margins of the formulation of a second phase of the Stabilisation Programme for Iraq and Syria.

7. Annexes

- a. Analysis of Programme Context
- b. Partners – brief descriptions
- c. Results Framework at output level
- d. Budget details
- e. Risk Management Matrix
- f. List of supplementary materials.
- g. Plan for communication of results

Annexes

Annex A. Analysis of Programme Context

Status of stabilisation in Iraq

While the fight against the ISIL caliphate in Iraq is close to completion, the situation in the country remains volatile and unpredictable. ISIL is expected to continue posing a serious security threat to the country and to continue radicalisation and recruitment activities.

The stabilization challenge in the country is growing as regions are liberated from ISIL. Major urban areas are left in ruins and the challenges to rebuild critical basic infrastructure are immense. Specifically, the aftermath of the liberation of Mosul presents the biggest stabilization challenge to date.

This being said, the efforts to address the stabilization needs in Iraq are significant. More than 1100 projects are being implemented by UNDP under the overall umbrella of the Funding Facility for Stabilisation (FFS). Moreover, UNMAS and other anti-mine and IED operators are active in all the liberated areas and the GoI has launched a new reconstruction programme (REFAATO) with loans from the World Bank, KfW and others. That said, the current efforts to assist stabilisation are a drop in the ocean in the bigger picture of reconstruction and much more is required to succeed. It is estimated that the cost for reconstruction of Iraq post-ISIL will be in the area of 50-100 billion USD. In addition, the contamination of IED's and ERWs is unprecedented and it will take years before all booby traps left by ISIL are found and removed. The fighting has left more than five million Iraqis internally displaced, of which two million have already returned to their area of origin, but without a livelihood the question is how long they will stay.

The political landscape and challenges ahead

The current social-political context in Iraq remains extremely complex and challenging. Decades of grievances including human rights abuses, which have been piling up and left unresolved. Corruption is endemic, and the political elites in power since the 2003 intervention have shown little will to initiate much needed reforms. The Kurdish referendum in September 2017 and the upcoming parliamentary elections in 2018 adds to the increased uncertainty of the political and ethnical stability in the country.

Politically, the rise of ISIL and the alignment of interests in fighting it led to a change, and a significant degree of unity and coordination emerged, both within Iraqi society and between the GoI and its regional and international partners. However, the defeat of ISIS is not synonymous with the end of conflict in Iraq. On the contrary, as the threat from ISIS declines, this unity is likely to fracture unless there is a serious effort at reforms and reconciliation. Unfortunately, the political elites in power since the 2003 intervention have yet to show actual will to reform as well as reconcile. Consequently, a range of other tensions and possible violent conflict is likely to emerge post-ISIL. To some degree, 'older' tensions might return to the surface. However, it would be a mistake to assume that the post-ISIS situation will simply resemble the pre-ISIS situation. As with previous Sunni insurgencies, the ISIS period affected all conflict dynamics and the relative power of all actors – including the introduction of new actors, in particular the Popular Mobilisation Forces (PMF). It has also caused huge physical and psychological damage, which will leave a legacy for many years to come.

The potential future conflicts in Iraq might occur along the following fault lines; 1) Sunni-Shia; 2) Arab-Kurd; 3) public vs. elites; and 4) geopolitical intervention. This is a simplistic way of presenting the challenges and there is a myriad of underlying drivers of conflict influencing the overarching tensions in Iraq. Also, the fault lines are not mutually exclusive. The perceived historical grievances from Shia under Saddam and Sunni post-2003 have been manipulated by elites on both sides. Although it is fair to address these issues, the narrative of marginalisation has been manipulated to justify many actions on both sides.

Kurdistan’s position within Iraq has long been controversial, and the Kurds did suffer enormously under Saddam Hussein. However, with the recent referendum the KRG has pushed their allied in Baghdad into a corner, and the consequences are a much tougher line on the Kurdish aspirations for an independent state or more autonomy. Moreover, the Kurdish occupation of disputed areas in particular Kirkuk, is in the current situation a potential spark for a full blown civil war. Also, the KRG is not a united entity, in fact, apart from the wish to secede, there is very little the three main parties KDP, PUK and Gorran agree upon. As witnessed by the massive Sadr organised demonstrations calling for reforms in 2016 and 2017 and the ones organized by the Kurdish civil servants, there is strong public anger towards corrupt elites who have been manipulating the state for the benefit of themselves (and for their backers).

Corrupt networks of patronage and influence have captured much of the state in both Baghdad and Erbil, and as a result, the state is failing to deliver adequate services – including public security and access to justice. The public anger is often diffuse and unfocused, but as proven with the storming of the parliament in 2016, it is potent. Iraq’s internal tensions are often exacerbated by external actors. Iraq is high on the interest sphere of various regional as well as international powers, and is an area on which wider struggles for influence are played out: between Sunnis and Shias, between the Arab and Persian/Iranian worlds; between Iran and the West; and for regional (intra-Arab) influence.

Annex B. Partner – brief description

UNDP is the lead in the UN system for stabilization in Iraq and mandated by the Government of Iraq for FFIS/FFES programmes. It has overall responsibility for project management; ensure of timely and quality outputs and reporting³.

Annex C. Results Framework at output level

Thematic Programme		Resilience and Rapid Response	
Thematic Programme Objective		Community resilience and return enhanced through improved access and provision of priority services in former ISIL-held areas of Iraq and areas under moderate opposition control in Syria.	
Impact Indicator		Increase in the % of IDPs returning to newly liberated areas.	
Baseline	Year	10 %	2016
Target	Year	80 %	2018
Engagement Title		UNDP Funding Facility for Expanded Stabilization	
Outcome		Iraqi Government in newly liberated areas is supported through high impact medium size projects to help stabilize corridors between liberated cities.	

³ Read the reports from UNDP at <http://www.iq.undp.org/content/iraq/en/home/library/Stabilization.html>

Outcome indicator		Number of medium-size projects implemented in newly liberated areas	
Baseline	Year	0 %	2016
Target	Year	100% of the projects which was initiated in 2017 have been implemented and 80% new projects have been initiated in 2018.	2018
Outcome		Improved access and provision of services in newly liberated areas	
Outcome indicator		Number of beneficiaries from improved infrastructure and livelihoods	
Baseline	Year	0 %	2016
Target	Year	300,000 people benefited	2018
Outcome		Increased access to electricity in newly liberated areas	
Outcome indicator		Number of hours/days of electricity in newly liberated areas	
Baseline	Year	2 hours per day	2016
Target	Year	16 hours per day	2018

Annex D. Budget details

Budget	2017	2018	Total
UNDP FFES	134,5		134,5
TA and Review		0,5	0,5
Total	134,5	0,5	135

Figures in million DKK

Budget for FFES	Total	%
Total FFES	400 mill.	100
DK support	22,4 mill*	5,6

Figures in USD

*Assume exchange rate DKK/USD = 6.00

Annex E. Risk Management Matrix

Risk factor	Likelihood	Impact	Risk Response
Escalation of violence along sectarian lines.	Likely	Major	Ensure strong coordination and implementation through local authorities and local NGOs. Interventions in liberated areas are subject to principles of engagement. Project develops social cohesion measures to further mitigate the risk.
IDPs are not able to return due to targeted demographic re-engineering efforts.	Likely	Major	No project activities can be carried out if principles of engagement are not met. - Ensure a strong focus on dialogue and social cohesion throughout all project components.
Lack of programme ownership by national	Unlikely	Major	Clear agreement from central level to engage in stabilization through the project. Local rapid

partners			assessments are to be led by local authorities to ensure their buy-in of needs and priorities. Involvement of Government/Governorates in regular review.
Corruption and mismanagement given the increased complex procurement processes in programme implementation.	Likely	Minor/ Major	Focus on procurement measures and emphasis on professional expertise on programme management staff, who are able to assess the actual cost of project activities and oversees the expenditure management of projects.
Merging of the FFIS channel and the FFES channel into one channel in light of the development of the stabilization need.	Likely	Minor	Assessment if the Danish support should be earmarked to ensure support to FFES activities.

Annex F. List of supplementary materials.

- UNDP 2016 Annual Report: Funding Facility for Stabilization Annual Report
- UNDP Detailed Overview: Funding Facility for Expanded Stabilization
- UNDP Briefing Note: Funding Facility for Expanded Stabilization
- UNDP 2017 Q2 Report: Funding Facility for Expanded Stabilization – Scaling up in Mosul
- Programme Document: Syria – Iraq Regional Stabilisation Programme (2016 – 2018)

Annex G: Public Consultations and Communication of Results

Effective stakeholder engagement and local ownership is essential for the successful implementation of the FFES programme. Proactive communication and effective consultation with the GoI, local authorities and local organisations is an integral part of project implementation and is designed to meet international requirements whilst respecting local cultural norms and project constraints.

UNDP Iraq provides written narrative reporting on a quarterly basis about the status of implementation of FFES activities and achievement of results. A careful balance is introduced to ensure an appropriate level of engagement without creating burdens for the implementation management or local communities and other stakeholders and to ensure consistent messages are sent about the programme implementation.

Quality Assurance Note¹

File number/F2 reference: 2015-46352

Programme/Project name: UNDP Funding Facility for Expanded Stabilisation (FFES) in Iraq

Programme/Project period: 2017 -2018

Budget: DKK 135 Million

Quality assurance process - *incl. considerations for not undertaking a full appraisal*

The programme under consideration, the UNDP implemented Financing Facility for Extended Stability (FFES), is one of two components under UNDP's overall programme Financing Facility for Stability (FFS). The other component, Financing Facility for Immediate Stability (FFIS), has received funding as part of the Regional Stabilisation programme for Syria and Iraq, funded by the Peace and Stabilisation Fund. As such, the FFIS part of FFS was appraised in 2016 by KFU as part of the approval process for the Regional Programme. Both components are following the same management structure and principles, the main difference between the two being the volume of engagement budgets and the duration of the activities. As such, it is considered relevant to use the findings of the 2016 appraisal. Furthermore, KFU has recently undertaken a Review of the Regional Stabilisation Programme (October 2017), in which the support for the FFIS was assessed.

Therefore the present comments pertaining to the FFES draws on i) The 2016 Appraisal, ii) the 2017 Review's findings on the FFIS, iii) documentation on the FFES provided by UNDP, and iv) the more detailed discussions on the FFES with UNDP and donor partners, which the review Team, MENA and the Regional Advisor had during the review.

The Quality Assurance does not include a full Desk appraisal, and the findings of the processes mentioned above, forms the basis for the assessment of the viability of the programme outlined in the following. The conclusion of the note points to the need for further elaboration during the inception phase of the programme management tools incl. M/E, reporting, and transparency.

Independent assessment of the design of the programme/project

KFU undertook the appraisal of the original contribution to the FFS, and KFU has led the review of the Regional programme, during which discussions with UNDP was held.

KFU has not had access to material and dialogue allowing for a full appraisal of the FFES, and KFUs comments therefore only concerns the overall design features of the engagement, not the details of activities or modalities.

¹ This format follows the checklist for appraisal of programmes and projects above DKK 10 million, which may be used to document the quality assurance process of appropriations above DKK 10 million, where a full appraisal is not undertaken as endorsed by KFU (appropriation from DKK 10 up to 37 million), or the Programme Committee (appropriations above DKK 37).

Compliance with Danida policies and Aid Management Guidelines

The programme is in full accordance with Denmark's Foreign- and Security Policy Strategy as well as the strategy for Development Cooperation and Humanitarian Action, the World 2030 in its effort to alleviate challenges in countries affected by conflict, and to assist displaced populations.

The preparation process of the Programme has due to the time constraints not gone through a normal project cycle. However, formats outlined in Aid Management Guidelines for multi- and bilateral development assistance are largely followed. The documentation provided by UNDP is weak. It includes a brief document representing the FFIS, a revised version also including references to the FFES, and the annual report for the FFS for 2016. This will be the level of detail offered in the documentation that will constitute the supporting programme/project documents for the agreement between Denmark and UNDP.

Based on the 2017 Review assessment of the UNDP programme; this should not prevent the possible release of support – it is the level of documentation that UNDP has offered to all donors. However, as part of the dialogue with UNDP during the first six months inception phase of the engagement, the Programme Management in charge of the Regional Syria Iraq programme should request additional documentation / information from UNDP allowing for a better understanding of programme approach and status.

Relevance and adequate response

The issue of stabilising recently liberated areas is crucial in Iraq. It is a precondition for making it possible for internally displaced persons and refugees to return to their places of origin. The feedback received from the Iraqi Government, Donors and other national and international partners during the 2017 review has been that UNDP's FFS is a key player on this agenda.

Issues related the HRBA/Gender are addressed in terms of providing access and possibilities for return for displaced persons, including women and female-headed households. Still these are areas where the programme has room for improvement and a need to be worked on. Issues related to Green Growth and Environmental Risks are not considered in the present programme.

Comments from the Danida Programme Committee

Some of the issues raised at the Programme Committee meeting are still pending, including the need for a more comprehensive and improved Programme Document. As elaborated below, this includes the approach to monitoring and evaluation, which continues to be weak. At present, it will be unclear what contribution FFS is making to encouraging returns; and the level of monitoring provides a limited opportunity to learn what works. UNDP intends to organize an evaluation in the future. The 2017 Review found that there is a risk that a post-project evaluation in these circumstances is likely to miss a lot of evidence. It is therefore recommended that the Danish Programme Management Team (the Stabilisation Advisor and MENA) pursue an improved monitoring as part of UNDP's implementation

modalities. This dialogue with UNDP will most likely be best placed as part of the participation in the UNDP Steering Committee jointly with other key donors.

It is still not clear for how long time the FFIS and FFES will run in parallel. Whichever way UNDP eventually decides to merge the two, is most likely not going to affect the quality of activities, but UNDP should be encouraged to initiate a planning process for this, to ensure optimal utilisation of resources in the process, and to reduce opportunity costs.

Sustainability and alignment with the national development policies and/or with relevant thematic strategies

The issue of sustainability of any engagement in Iraq in the present context has to be addressed carefully. The fight against Daesh is still ongoing, and the underlying tensions in the country that most likely will be released once the threat from Daesh is reduced, provides a harsh back curtain for the next many years.

Based on feedback from interlocutors and available UNDP reporting, the 2017 Review considers the FFIS highly relevant to the needs of post-conflict areas and the mechanisms that UNDP has established to be effective in delivering core outputs. On the engagement logic, the RT concludes that the kinds of reconstruction projects that the FFIS is pursuing seem relevant and fully in line with Government priorities.

The results framework, indicators and monitoring framework

The original FFS documentation includes a relatively generic results framework. This is partially because of the fluid context in which it operates however; this is not an argument for not improving. UNDP's management explains that the definition of success at the outcome level is the return of displaced people to areas they left when Da'esh took over, but if there is a lack of accurate estimates and realistic targets, then there is a risk of spending time and money on activities that are not contributing to encouraging return.

Acknowledging that UNDP still needs to improve on monitoring and reporting, Denmark should encourage UNDP to acquire more expertise in setting up systems to monitor how much it contributes to the objectives it has set itself, emphasizing that ongoing monitoring now will be necessary to enable meaningful learning and evaluation in the coming years.

Programme budget

The 2017 Review found that given that most partners only started implementing activities with Danish funding in the beginning of 2017, it was in most cases too early to assess whether funds have been spent according to the budgets. This also applies to the FFS.

It should be noted, that during 2017 Review, a number of donors were consulted on the FFS, and none of them expressed concerns on the budget.

Realism of time-schedule.

The FFES and the FFIS has an end-of-project vision to phase out from stabilisation efforts approximately one year after the defeat of ISIL in Iraq. It is the overall assumption that hereafter the Iraqi government or governorates will assume the responsibilities for the further development in these areas. This is a logical and obvious assumption, but it is still not clear what will be the capacity of “the” / “a” Iraqi government to do this within the next year or two – pending the outcome of the fight against Daesh. Hence, the issue of sustainability and the need for continued international support remains a big question.

Consultation and harmonisation with other donors

The FFS is a multi-donor funding facility and provides a harmonised approach for donors. It is the impression of the 2017-Review that key donor-partners have been consulted on the working of the FFS as part of the preparations.

Adherence to Danida guidelines on contracts and tender procedures

The contractual arrangements will consist of a Cost Sharing Agreement between Denmark and UNDP. The procedures for entering such an agreement with the UN has followed the procedures normally applied for such engagements.

Assessment of partner capacity to properly manage and report on the funds

UNDP has provided annual reporting on the programme progress. This reporting has been considered satisfactory by Donors providing funding for the FFS, as it has followed the existing results framework. As mentioned above, the 2017 review found that the M/E of UNDP can and should be improved – this should form part of the dialogue between Denmark and UNDP in the inception phase.

UNDP appears to lack a system to report to donors on cases of corruption. UNDP informed the 2017-Review of cases of mismanagement and corruption. These have allegedly not affected activities funded by Denmark. The programme management should ensure that UNDP offers full transparency on this in the future.

Risks assessment and risk management

Overall comment: Support of this nature – in a context like Iraq – does come with huge risks. E.g. the risk of areas relapsing into conflict, mismanagement at the level of implementation, poor quality, political interference and subsequent biases in programme planning. However, none of these risks constitutes an argument against international support for stabilisation efforts in Iraq, and supporting UNDPs Stabilisation Programme seems to be an appropriate approach in doing so.

The provided outline of Risks in the Programme Document includes important insights, and will be important to monitor.

In addition to the technical and operational challenges linked with the larger and more complicated tasks; a particular set of risks include corruption and mismanagement. As

mentioned elsewhere, this risk should be acknowledged, and part of the mitigation includes strong programme monitoring.

It must also be acknowledged, that given the high costs of the individual activities, the loss in case of failure to deliver – or due to destruction due to the conflict – are higher than in the smaller and shorter term activities under the FFIS.

Conclusion

Considering the context, and the feedback from key interlocutors, addressing the fluid and urgent challenges that are linked with stabilising newly liberated areas in Iraq in order to allow for the return of displaced persons is highly relevant.

Based on the feedback from the Iraqi Government, donor partners, and other national and international interlocutors providing such support through the FFES constitute a relevant approach, and is probably the best possible option for a Donor like Denmark to provide such support.

As mentioned, there are urgent needs for a coherent voice among the donors in the Programme Steering Committee, based upon which Denmark and the other donors can work on stronger clarity from UNDP on approach and documentation. This has to do with questions of transparency, but more importantly, it will also allow donors and UNDP to strengthen interventions, and to reduce opportunity costs. These issues should be addressed in the first six months of the programme.

Date: 17.10 2017

Signed by:

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