



This action is funded by the European Union

## ANNEX 2

of the Commission implementing Decision on the financing of the special measure part 2 in favour of Iraq for “demining” and “local development” for 2018

### Action Document for Supporting recovery and stability through local development in Iraq

|  |  |               |
|--|--|---------------|
| <b>1. Title/basic act/ CRIS number</b>                       | “Supporting recovery and stability through local development in Iraq”<br>Financed under Development Cooperation Instrument <sup>1</sup><br>CRIS number: MIDEAST/2018/41105   |               |
| <b>2. Zone benefiting from the action/location</b>           | Iraq: Anbar, Basrah, Duhok, Erbil, Missan, Ninewa, Salahadin, Suleimaniyah and Thi Qar   |               |
| <b>3. Programming document</b>                               | NA/Special measure for Iraq 2018   |               |
| <b>4. Sector of concentration/ thematic area</b>             | Governance   | DEV. Aid: YES |
| <b>5. Amounts concerned</b>                                  | Total estimated cost: EUR 48,500,000<br>Total amount of EU budget contribution EUR 48,500,000  |               |
| <b>6. Aid modality(ies) and implementation modality(ies)</b> | Project Modality<br>Indirect Management with UNDP<br>Direct management (procurement of services)   |               |
| <b>7 a) DAC code(s)</b>                                      | Main DAC code – 11112 Decentralisation and Support to subnational government (50 %)<br>Sub-code 1 – 15150- Democratic Participation and Civil Society (15 %)<br>Sub-code 2 – 16030 Housing policy and administrative management (35 %) |               |
| <b>b) Main Delivery</b>                                      | UNDP 41114   |               |

<sup>1</sup> Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020 (OJ L 77, 15.3.2014, p. 44).

| Channel  |  |                                     |                                     |                                     |
|--|--|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>8. Markers (from CRIS DAC form)</b>   | <b>General policy objective</b>  | <b>Not targeted</b>                 | <b>Significant objective</b>        | <b>Main objective</b>               |
|  | Participation development/good governance                              | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|  | Aid to environment   | <input type="checkbox"/>            | <input checked="" 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 born and child health                      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|  | <b>RIO Convention markers</b>  | <b>Not targeted</b>                 | <b>Significant objective</b>        | <b>Main objective</b>               |
|  | 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 type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
|  | <b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b> | N/A                                 |                                     |                                     |
| <b>10. SDGs</b>  | Main SDG Goal(s): 11<br>Secondary SDG Goal(s) : 5, 7, 8                |                                     |                                     |                                     |
| <b>SUMMARY:</b>  |  |                                     |                                     |                                     |
| <p>The Action aims to assist the Government of Iraq to restore the legitimacy of the country's institutions and renew the social contract between citizens and state in a context of fractured and sectarian governance. The strengthening of local governments' functions and services is a key to unlock the blockages of the current post-conflict scenario, and mitigate the political risks linked to the forthcoming elections and unmet citizen grievances that could contribute to destabilising the country. The programme intends to build upon the momentum created by the recently concluded EU-funded capacity-building Local Area Development Programme (LADP II). It will do so by bridging the unique bottom up approach and local ownership established in the course of LADP II, through transitional measures that will allow the Government of Iraq to take over to scale-up interventions at national-level (especially vis-à-vis the outcomes of the recent Kuwait conference).</p> <p>The programme is in line with the EU priorities set out in the EU strategy for Iraq endorsed by Member States in January 2018. It addresses the EU Consensus on Development priorities of People, Peace, and Prosperity, and partially on Planet. The planned interventions also fall in line with the objectives of the Government of Iraq's new National Development Plan 2018-2022 (under final review), and contributes to the progressive achievement by Iraq of</p> |  |                                     |                                     |                                     |

SDG Goals 11, while promoting progress towards Goals 5, 7 and 8.

The overall goal is to contribute to the stability and socio-economic development of Iraq by enhancing democratic governance at local level. The specific outcomes are (i) selected Governorates are able to manage effectively and transparently local government systems and public services ; (ii) economic growth and job opportunities have increased in selected Governorates, with special focus on "green" projects involving youth and women; and (iii) living conditions in conflict-affected areas have improved and returnees assisted.

Programme activities will focus on enhancing local government systems by supporting decentralisation processes; implementing selected local priority development projects already listed in the existing local development plans at provincial level and assisting returns and better living conditions in conflict/fragile areas, through the rehabilitation and upgrading of housing and community infrastructure and services.

#### LIST OF ACRONYMS

|            |   |
|------------|---|
| CSOs       | Civil Society Organisations   |
| IDP        | Internally Displaced Persons  |
| IFIs       | International Financial Institutions                                |
| KRG        | Kurdistan Regional Government                                       |
| KRI        | Kurdistan Region of Iraq  |
| LADP       | Local Area Development Programme                                    |
| MOMCHPW    | Ministry of Municipalities, Construction & Housing and Public Works |
| MoP        | Ministry of Planning  |
| NDP        | National Development Plan   |
| PDS        | Provincial Development Strategies                                   |
| PRP        | Provincial Response Plans   |
| RRP        | Recovery and Resilience Plans                                       |
| RRR        | Reconstruction, Recovery and Resilience                             |
| SEAP       | Sustainable Energy Action Plans                                     |
| SMEs       | Small and Medium Enterprises  |
| UNDP       | United Nations Development Programme-                               |
| UN-Habitat | United Nations Human Settlements Programme                          |

## 1. CONTEXT

### 1.1 Sector/Country/Regional context/Thematic area

Iraq has been suffering decades of violence and armed conflict, intensified by Da'esh's acts of terror from 2014 onwards. The three-year fight against Da'esh has taken an enormous toll on the country: loss of civilian and military lives; widespread human suffering and trauma; 2.47 million people still displaced; and the extensive destruction of public infrastructure and private property; in combination with a precarious financial and economic situation; a fragile political and security situation and difficulties in re-establishing the rule of law in full compliance with human rights.

With the ending of the Global Coalition against Da'esh military operation and the successfully restoration of its territorial control, Iraq has now a renewed opportunity to build an inclusive and accountable political system that serves all communities, regions and beliefs, preserves the country's diversity, and enhances its democratic order. This is essential to rebuild trust between the people and their Government and to avoid a return to divisive sectarianism and radicalisation of youth.

The Iraqi and international efforts to stabilise liberated areas have achieved significant progress so far, with 2 million displaced people having already returned back to their places of origin, mostly in a peaceful and orderly manner. Nevertheless, much remains to be done to assist the remaining 2.47 million displaced citizens back home. A recent assessment<sup>2</sup> carried out by the World Bank in the seven Governorates most affected by the conflict, estimates that the overall reconstruction and recovery needs for Iraq are estimated at USD 65.4 billion (ca EUR 54 billion), with USD 17.4 billion needed for the recovery and reconstruction of the Housing sector alone.<sup>3</sup>

Although Iraq is the world's 4<sup>th</sup> largest oil exporter, it is the world's leader in terms of dependency on oil, with the hydrocarbon sector accounting for more than 90 % of the central government revenue. The poor management of Iraq's immense oil wealth, along with the need for public finance reforms, improved accountability, fiscal transparency and effective anti-corruption measures are the key constraints facing the country. Competition over the control of resources has exacerbated ethnic and sectarian divisions, with an ensuing deterioration in governance, security, and state legitimacy.

The dominance of the public sector in the Iraqi economy has prevented the emergence of a vibrant private sector and the associated job creation necessary for enhancing the welfare of all Iraqis. A strong private sector, coupled with a mindset

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<sup>2</sup> World Bank "Iraq Reconstruction & Investment - Damage and Needs Assessment of Affected Governorates" – January 2018.

<sup>3</sup> The Social sectors with the highest recovery needs are Social Protection, Employment and Livelihoods, and Education, for which needs amount to USD 6.4 billion (EUR 5.2 billion) and USD 4.6 billion (EUR 3.75 billion), respectively. Industry and Commerce, and Finance and Markets display the highest recovery and reconstruction needs among the Productive sectors with USD 10.6 billion (EUR 8.65 billion) and USD 9.3 billion (EUR 7.59 billion) respectively. The needs in Infrastructure sectors are the highest in the Power, and Oil and Gas sector, amounting to USD 9.1 billion (EUR 7.42 billion) and USD 7.2 billion (EUR 5.87 billion), respectively.

shift regarding government jobs are also a prerequisite for economic diversification and for sustainable growth.

The recent partial recovery of oil prices is not sufficient to balance Iraq's budget deficit caused by the "triple shock" of the slump of oil prices, protracted war effort and ensuing humanitarian crisis. The 2018 Fragile State Index ranked Iraq 11 out of 178, pegging it into the category of high alert status.<sup>4</sup> The public sector's institutional effectiveness and capacity is still weak. Assistance is also needed in the light of the sizable fiscal restrictions that IMF has imposed.<sup>5</sup>

Failure to address the root causes of the crisis and to ensure support to the most vulnerable will undermine Government reforms, deepen the sectarian divide and ethnic tensions that have facilitated the emergence of Da'esh and risks leading the country into a new crisis.

### **1.1.1 Public Policy Assessment and EU Policy Framework**

The new *National Development Plan 2018-2022* (NDP), that will be launched by mid-2018, has been developed in a bottom up approach that embraces the priorities and actions adopted at local level within the *Provincial Development Strategies* (PDSs) and the *Governorate Urban Strategies* (GUS) and other strategic documents, produced under the EU-funded LADP II.

Government of Iraq's *General Framework of the National Plan for Reconstruction and Development of Damaged Governorates due to terrorist and military attacks* issued in mid-2017 has been translated into LADP-II's *Provincial Response Plans* (PRPs) for the five conflict-affected areas. The Framework provides an estimation of the physical and economic damage occurred, as well as a strong indication of risen poverty and unemployment levels as a result of the conflict and forced population displacement.

Government of Iraq's *Iraq Reconstruction & Investment* three-part document, developed with the support of the World Bank in occasion of the *Kuwait International Conference for the Reconstruction of Iraq* held in February 2018, has anticipated Government's plans for the post Da'esh era, strategically focusing on i) renewing the social contract between the State and its citizens – including combating corruption; ii) promoting economic and business recovery – including the introduction of reforms to attract the private sector;<sup>6</sup> and iii) reinstating rehabilitation of services across the country.

In KR\_I, the Kurdistan Region of Iraq, the Ministry of Planning of the Kurdistan Regional Government (KRG) has developed a Regional Strategic Development

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<sup>4</sup> Iraq ranks unfavourably on many key indicators of good governance compared to the averages for other MENA countries, to upper-middle-income countries (UMIC), and OECD countries. As the World Bank emphasised in its 2017 *Iraq Systematic Country Diagnostic*, "although little accurate and detailed data can be collected on the state of governance on the ground, existing indicators paint a picture of persistent governance challenges."

<sup>5</sup> Mostly through the retrenchment of inefficient capital expenditure while protecting social spending, and restrictions on obtaining loans against sovereign bank guarantee.

<sup>6</sup> Government of Iraq (2018). *Iraq Reconstruction & Investment Part III: Investment opportunities and reform*.

Vision for 2020<sup>7</sup>, encompassing the main development priorities of the region. The document provides a framework under which each individual ministry commits to develop detailed policies and goals to target economic and human capital development, as well as improved public services through building infrastructure. KRG's "Reforming the Economy for Shared Prosperity and Protecting the Vulnerable" developed in 2016 with the support of the World Bank outlines the step-by-step Road Map for reforms.

Planning in KRI is further elaborated by the Provincial Development Strategies (PDS) and *Sustainable Energy and Climate Action Plans* (SECAPs) (also developed under LADP II). SECAPs address the environmental protection (CO<sub>2</sub> and Greenhouse emission reduction), energy efficiency, saving and optimising of natural and financial resources, as well as identifying green solutions for priority infrastructure and public services.

**Law No. 21 of 2008 on devolution of powers** outlines **decentralisation** of functions from central to local level (Governorates) in Iraq. Yet, the devolution of powers has not been adequately coupled with the necessary legislative, administrative and financial decentralisation measures. Attributing powers and responsibilities to Governorates, by transferring more than 800 processes and functions from 7 ministries to the Governorates, has faced both the resentment of central Ministries and the lack of local capacity to assume the devolution functions. So far, only 3 Ministries have transferred functions and budgets to the Governorates. However, the most recent transfer of some responsibilities the Ministry of Municipalities, Construction & Housing and Public Works (MOMCHPW) to their General Directorates at Governorate level, ordered in January 2018, shows the Government's firm intention to progressively continue the decentralisation process.

In the current economic context and political climate, it has become crucial for the central government to enhance fiscal and decision-making capacity and management at the local level. To this day, local authorities are dependent upon central government sectoral allocations. They are poorly motivated to collect local revenue that goes directly to the central budget and is not retained at the Governorate level for local needs. Most of the investment budget is allocated at sectoral level through line ministries and their branches in the Governorates, while less resources and capacities are devoted to those local sectoral departments in charge of local development under the Governor.

**The programme is fully in line with the key priorities of the *EU Strategy for Iraq* recently endorsed by EU Member States. The programme is also in line with the operationalisation of the EU Humanitarian-Development nexus in Iraq**, as it bridges gaps in the EU response between emergency support, stabilisation and long-term recovery. In addition, the proposed support reaffirms the EU commitment to the EU Global Strategy and the EU consensus on Development, in the areas of People, Peace and Prosperity and partially on the area of Planet.

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Ministry of Planning, Kurdistan Regional Government. Kurdistan Region of Iraq 2020: A vision for the Future. September 2013.

### 1.1.2 Stakeholder analysis

The key stakeholders of the proposed actions are “the local authorities” of 9 out of 18 **Iraqi Governorates**<sup>8</sup>, also known as provinces (*muhafazah*). These are public governing bodies elected at sub-national level that possess within a given territory, as defined by law, a degree of autonomy from the central government and a set of competences to deliver public goods and services to citizens within a given territory. **Governors** are elected by the **Provincial Councils** (*majlis al muhafatha*), who are in turn elected by the people at governorate level.<sup>9</sup> The administration of cities and towns on the other hand falls under the framework of the **municipalities** (*Baladiyat*).<sup>10</sup>

Although the Constitution determines Iraq as a federal state, the governorates lack the necessary powers to enforce local governance management systems. Most powers are concentrated at the central level (with the only exception of the autonomous KR-I). Public services are funded by the Federal Government of Iraq

Among the national authorities, both the **Ministries of Planning** at Federal and at Kurdistan Regional level are important stakeholders to this Action to ensure its alignment with national policies and coordination among different actors, as well as any other relevant line ministries depending on the activities implemented.

**Civil Society** The Action will ensure the full involvement of **CSOs**<sup>11</sup>. Such concept is a relatively new one in Iraq, as its legislative framework was established only in 2003. Their capacity differs widely, although there is a growing number of professional CSOs that operate at the national and local levels whose work and role in society is increasingly recognised as able to influence policy and development outcomes, having a positive bridging role bringing citizens' concerns and ensuring government responses to these concerns.<sup>12</sup>

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<sup>8</sup> The Governor is the highest executive official within each governorate. Line Ministries have Directorates in each Governorate. Three out of those 18 governorates are separated in an autonomous region of Kurdistan.

<sup>9</sup> Below the governorates are two formal administrative units: the districts (*qaada*) headed by a Head of District (*Qa'im Maqam*) and the sub-districts (*nahia*) headed by a Head of sub-district (*Mudir*). Districts and sub-districts have their own governing councils (*majlis al qaada* and *majlis nahia*).

<sup>10</sup> Cities can have several Municipalities (e.g. Erbil has six and Basra has 15, each with its own managers and staff). Municipalities are one of the three executive offices of the MOMCHPW at provincial levels, including the Directorates of Water and Sewage. Each municipality has a council (*majlis baladi*). All municipalities respond to the General Directorate of Municipalities (*Mudiriya al Baladiyat*).

<sup>11</sup> The CSO sector in Iraq can be broadly classified into three main groups, which differ significantly in terms of their composition, resource mobilisation and geographic area of operation: (1) **Service providers** that help to fill critical gaps in public service provision and to meet humanitarian needs. Often akin to NGOs, they tend to operate in areas of high fragility where the state is weak or absent, often closely with international development organisations; (2) **Advocacy groups** that work closely with communities and who aim to influence political decision-making for example for the protection of minorities and human rights; (3) **Political organisations**, consisting of diverse and sometimes obscure groups that include affiliates of political parties aiming to extend their power base, organisations supporting religious sects, and political arms of extremist groups and armed militias that focus on recruitment as well as communication and fundraising.

<sup>12</sup> Mercy Corps (2014), “Bridging The Gap: Evidence on the Links between Civil Society and Good Governance in Iraq”.

**Academia** will also be associated to the action - in particular the University of Mosul - for those activities related to curriculum and courses development in the construction sector, in view to ensure more sustainable practices in the rehabilitation and the reconstruction of the conflict affected areas.

The Action will involve European local authorities for **Peer-to-Peer** decentralised cooperation. European local authorities have already established or are in the process to establish cooperation with Iraqi local authorities such as the Association of Netherlands Municipalities VNG, the Danish National Association of Municipalities, funded by the Madad Trust Fund and the Italian National Association of Municipalities (ANCI), funded by the Italian Ministry of Foreign Affairs.

The **private sector** small/medium construction enterprises will be a key stakeholders in the rehabilitation of houses, public facilities, and upgrading of secondary infrastructure and open spaces. Suitable private sector SMEs will be identified and engaged after the commencement of the action through competitive bidding. As there is substantial work on reconstruction and rehabilitation, most of the local private companies concerned will be conducting rubble removal, earthworks, repairs to secondary electrical and water networks, rehabilitation and retrofitting of building, paving, landscaping of open spaces, etc.

### **1.1.3 Priority areas for support/ problem analysis**

**Decentralise basic services.** Given the role that geographical inequities, structural poverty and failure to deliver quality services played as a driver for the cycle of conflict in Iraq, access to basic social services is among the priorities as set by the UN's Recovery and Resilience Programme (RRP). Support is needed at both central and local level, to decentralise service delivery, ensuring that institutional and management gaps at local level are plugged in and that services are informed by local needs, efficiently provided and accountable to communities. This will increase Governorate capacity, but also improve the public perceptions about them as an interface to local communities and potentially build trust among them. Governorates have proven to be a key entry point for change and reform due to their close interaction with local communities.

**Boost economic growth and job creation through the implementation of strategic local actions.** The Iraqi government has failed to equitably and sustainably exploit national resources to reduce poverty and ensure shared prosperity. Economic decision-making today is dominated by short-term needs. The government is prioritising the rapid expansion of oil production in order to finance a bloated public sector and current spending needs – mainly wages – that are detached from any long-term diversification strategy. The complexities of an oil-dominated budget have made the Iraqi economy extremely vulnerable to a sudden decline in oil prices, as has been evident since 2014. The public sector dominates the economy by being the largest formal employer in the country. This has prevented the emergence of a vibrant private sector and the associated job creation necessary for enhancing the welfare of all Iraqis. The weak and stagnant private sector is incapable of generating significant employment opportunities for the tens of thousands of young Iraqis who swell the ranks of the unemployed each year.

Seizing the momentum generated by the *Provincial Development Strategies*, the Action will identify and pilot local development projects that will translate the policy

documents into practice. In this way, the Action will create an enabling environment for SMEs, provide job opportunities, as well as build local capacity to manage and implement sustainable projects.

**Enhance Local Revenue Generation.** Budgeting and revenue collection reflect the legacies of a centralist tradition of governance, revealed in the management approaches to policy, planning, budgeting and execution, but are also affected by a range of systemic inefficiencies and unsustainable subsidies. Current local revenues are negligible compared to citizen needs for services and typical resources from the state budget and investment have been seriously affected by the recent conflict and the economic crisis. The most utilised sources of local government's revenues (rental of public real estates, mostly for commercial activities, along with the sales of land for residential purposes) are unsustainable. Furthermore, issues such as the legal framework for “local taxes”, and the absence of proper records on cities’ inhabitants, require immediate attention in order to rebuild the country's potential for self-reliance.

**Support Urban Recovery and Development of Mosul and smaller cities and towns affected by the conflict with Da'esh.** The current situation in the retaken areas of Mosul is very dynamic, needs and assistance are closely monitored by UN-Habitat through the Reconstruction, Recovery and Resilience (RRR) Platform established in the MoP and will provide a clear indication of the geographical gaps by the inception of the Action. Local authorities are in urgent need to rebuild secondary infrastructure, housing, public facilities, amenities and livelihoods vital for the healing of communities affected by violence and physical destruction. Stronger governance systems are now crucially needed to make the most of scarce resources, and ensure that the reconstruction efforts are implemented in a transformative manner. Local authorities require further support not only to improve building standards and upgrade infrastructure with disaster resilient construction technologies but also to contribute to concretely address economic revitalisation, enhancing resilience and providing better quality of life for citizens- particularly the most vulnerable. Contributing to the notion of “building back better”, the project will engage Mosul University to promote the use of greener and safer technologies in reconstruction.

**Promote sustainable development and decrease consumption of non-renewable resources.** Particular attention needs to be devoted on promoting sustainable development and rationalising consumption of non-renewable resources with a focus on water and electricity. Despite the fact that Iraq is facing serious deficits of water and electricity, consumption of both is one of the highest in the region. This is due to inefficiencies of outdated infrastructure and technologies, high governmental subsidies, as well as lack of a system for charging users for actual consumption. The over reliance on large private fuel generators to make up for the frequent power cuts affects both people’s health and the environment. More advanced and efficient technology is required especially in the provinces, where consumption is rarely measured, to reduce inefficiencies, improve transparency of billing and enhance revenues. Seizing the momentum generated by the SEAPs/SECAPs, the Action will identify and pilot local green projects. In this way, the Action will create an enabling environment for energy saving and efficiency, renewable energy sources, optimised

used of natural and financial resources, protection of environment and climate mitigation measures.

**CSO participation in Local Development Policies.** Lessons learnt from past EU-funded project on local authorities showed a proactive sector willing to engage in local policies although with poor institutional and financial capacities. Experience from LADP II demonstrated that CSOs preferred working, though small grants, on environmental issues and has actively engaged in environmental and sustainable energy projects at community level. The establishment of more structured mechanisms for the participation of civil society is needed to allow the sector to function as key driver for local development and for monitoring local government transparency and accountability.

## 2. RISKS AND ASSUMPTIONS

| Risks  | Risk level (H/M/L) | Mitigating measures  |
|--|--------------------|--|
| Delays in project implementation in some of the targeted Governorates as a result of the elections in 2018 | M                  | <ul style="list-style-type: none"> <li>• The post-election phase and the political stability of Iraq will be closely monitored by development partners</li> <li>• The situation post-election will be assessed at inception phase in each of the 9 targeted Governorates.</li> <li>• The timetable of the activities will be revised, with activities eventually starting first in those Governorates that are settling easily after elections.</li> <li>• A flexible design will be adopted in case of critical situation in some Governorates.</li> </ul>  |
| Deepening of sectarianism and worsening of the security situation derailing progress achieved to date      | M                  | <ul style="list-style-type: none"> <li>• The Action will tap into the expertise and political dialogue conducted by EU and its partners and UNAMI.</li> <li>• Monitoring of the security situation by the respective services of UNAMI and other stakeholders.</li> <li>• Assessment of the changing context and politico-economic vulnerabilities conducted by EU, UN and other international stakeholders.</li> <li>• Implement “quick win” project activities targeting groups sensitive to sectarian divisions and extremist ideologies (i.e. youth).</li> <li>• Collaborating with on-going projects focusing on sectarianism and extremism</li> <li>• Utilise the local Steering Committees established at Governorate level and CSOs</li> </ul> |

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|--|---|--|
|  |   | supported under the Action to alleviate and overcome tensions.   |
| Faltered efforts towards decentralisation hamper improvement of service delivery and accountability at the local level | M | <ul style="list-style-type: none"> <li>• Decentralisation reforms will be encouraged at all levels and by EU, UN, USAID and other partners.</li> <li>• On-going policy dialogue with central Government will serve as monitoring tool of the progress and suggest corrective actions.</li> <li>• Strengthening the capacity of local authorities will prevent faltered efforts towards decentralisation.</li> <li>• Introducing peer-to-peer cooperation projects will pre-empt any attempts from the central government to block the process.</li> </ul>  |
| Trust among citizens and between citizens and the state is further reduced   | L | <ul style="list-style-type: none"> <li>• Citizens' needs will be addressed by Governorates with local development projects and recovery actions.</li> <li>• CSO actions addressing the most acute topics on the local agenda and facilitating dialogue between citizens and local government.</li> <li>• Citizens will be encouraged to actively participate in CSOs activities related to the monitoring of programmes' activities and in general of local Government's accountability.</li> </ul>  |
| Corruption and fraud may affect some of the activities   | H | <ul style="list-style-type: none"> <li>• Progress on national policies against corruption will be monitored and discussed by a platform being created by development partners supporting the PFM reform process (WB, UNDP, EU, USAID) with the Economic Reform Unit sitting at the PM Office.<sup>13</sup></li> <li>• Strict adherence to UN Rules, Regulations and Procedures in all Procurement through competitive bidding and Recruitment</li> <li>• Anti-corruption awareness campaign motivating competition among governorates to achieve high standards in accountability and transparency.</li> </ul> |

<sup>13</sup> As observed by Transparency International, Iraq continues to score among the worst countries on corruption and governance indicators. Corruption risks are exacerbated by the historical legacy of the previous authoritarian regime, lack of experience in the public administration, weak capacity to absorb the influx of aid money, sectarian issues and lack of political will for anti-corruption efforts. While the Government of Iraq has introduced a number of anti-corruption initiatives, these fail to provide a sufficiently strong integrity framework. Political interference, lack of political will, a weak civil society, a confusing penal code, and a lack of resources limit the effectiveness of anti-corruption measures.

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|---|--|
|   | <ul style="list-style-type: none"> <li>• Sign Charters of Principles with Governorates.</li> <li>• Develop M&amp;E procedures implemented at local level and by a 3<sup>rd</sup>-party</li> <li>• Undertake regular and surprise monitoring visits by implementing partners</li> <li>• Ensure contractual arrangements include conditionalities (e.g. payment of tranches subject to progress monitoring reports)</li> <li>• EU-contracted monitoring carried by a 3<sup>rd</sup> party service provider.</li> <li>• Ad-hoc performance assessments, monitoring and spot checks of the sub-projects will be conducted throughout the implementation of the programme.</li> </ul> |
| <b>Assumptions</b>  |  |
| <ul style="list-style-type: none"> <li>• Governorates will be less affected by national elections than central government.</li> <li>• The outcome of the elections planned for May 2018 do not revert the current autonomy levels achieved at Governorate level.</li> <li>• The security situation in KRiI and Southern Governorates remains stable, and liberated areas become more and more accessible with ongoing missions.</li> <li>• Current engagement and ownership of Local Authorities continues.</li> <li>• Governorates wish to achieve high standards in accountability and transparency.</li> <li>• Civil Society continues to demonstrate willingness to engage with local Government at policy and operational levels.</li> </ul> |  |

**3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES**

**3.1 Lessons learnt**

Previous interventions funded by the EU in support of local authorities have seen important cultural changes at Governorate level, enhancing more participatory processes, determination and commitment in the development of local plans and in ensuring that the almost completed National Development Plan 2018-22 was the result of a bottom up design embracing local priorities and local plans.

Mentoring and coaching the local administration continue to be the best tools to build capacity and has proven to be a catalyst for motivation and change. The LADP programme has contributed to a better understanding of how local development and urbanisation can be guided and supported by effective sectoral, spatial and land policies, frameworks and implementation tools. It has for example addressed the unsustainability of current land policies that have led to low-density and patchy urban sprawl, the rise of informal settlements and service provision inefficiencies, by advocating the adoption of more compact housing densities, mixed land use and more realistic minimum plot standards that can help to reduce urbanisation costs as well as car dependency. Lessons learnt also show that the enhancement of local finance will depend on the ability of local authorities to widen its scope and develop this thematic area as a solid component of local management and planning capacity introducing and promoting innovative multi-pronged actions to raise revenues

tailored to local contexts. Changes to any of these regulations are well beyond the reach of officials at governorate level and require deliberate and energetic action from central government.

Policy dialogue to go forward with such reforms should be maintained, if Iraq is to address the root problems of its unsustainable and unequal urbanisation patterns and service delivery – including in the reconstruction of post-conflict areas where resources are even scarcer.

Iraqi institutions at both central and governorate level will need to continue to build their capacity to address multi-dimensional problems, collect and analyse complex multi-sector data and develop coordination mechanisms to deal with institutional overlaps and overcome their natural tendency to work in sectoral ‘silos’.

The availability of reliable and up-to-date data remains one of the key challenges of Iraq<sup>14</sup> – particularly in Governorates that have been occupied by Da'esh and/or have been affected by large population displacement. The recovery context is very dynamic and Governorates and Central Statistical Office have not yet been able to recover their baseline data collection capacity. Because of the lack of recent socio-economic assessments, many demographic and social datasets are actually *projections* of older data which do not capture the rapid changes that are occurring – including rural to urban migration.

The final evaluation of the LADP II programme is planned for mid-2018. A set of recommendations for future intervention with local authorities is expected and will be taken into account during the contracting and inception phase of this Action.

### 3.2 Complementarity, synergy and donor coordination

The proposed Action builds on and scales up the EU funded LADP II<sup>15</sup> institution-building activities. LADP II worked mainly in 12 governorates in Iraq (including KR-I), while stretching some activities to all 18 Governorates. Its focus was to support governorates’ administrations to develop strategic planning documents, based on community participation and local analysis of the problems and identification of priority areas for intervention in the next five years. Three types of local planning were introduced: 1) Community Based Strategic Planning; 2) Sustainable Development Planning and 3) Urban and Spatial Planning.

LADP also supported the Government of Iraq in the process of development of National Urban Strategy as well as the initiation of the preparation of the National Development Plan 2018-2022.

Innovative interventions addressed: **youth** such as Innovation for Development and Sustainable Energy competition, **gender** such as establishment of women office in Governorates, women fora and training in gender based budgeting and **environment** such as “Clean KRI In One Day campaign”, “Clean Missan in 1 day”, Sustainable

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<sup>14</sup> The country’s last census was held in 1987. Holding a new census has been repeatedly postponed because of the political sensitivity of demographic issues such as ethnicity and sectarianism, particularly in the Disputed Territories.

<sup>15</sup> All of the project results of the EU funded LADP programme implemented by UNDP could be seen at [www.ladp-iraq.eu](http://www.ladp-iraq.eu).

Energy Competition for students, Energy generating Playgrounds, Water conference and planting of trees.

Along with those efforts LADP II produced a variety of knowledge-management tools, such as: (a) Ninewah Damage Assessment On-line System; (b) On-line platform and blog for the governorates and other stakeholders to exchange views, opinions and best practices; (c) Knowledge management in Human Resources in Duhok.

LADP awareness raising and visibility were huge and resulted in citizens' awareness of many challenges and solutions at local level as well as visibility of the project and EU as a donor. **The proposed action will focus on assisting local authorities into translating policy into action and implementing selected priorities identified by LADP II** (which was primarily focused on planning).

The action will also complement two Madad-funded projects for Iraq, one implemented by UNDP and UN-Habitat, aiming at plugging in emergency gaps with short term solutions for housing and job creation grant scheme, generating temporary jobs for refugees, Internally Displaced People (IDPs) and host communities; and the other implemented by VNG (the Association of Netherlands Municipalities) for urban development in conflict affected areas. Coordination between both partners is already in place.

From a wider perspective, the Action is complementary to the EU support to the Governance sector in Iraq, where the national Public Finance Management (PFM) reform process will be supported in the areas of accountability and transparency. USAID has supported local governance with a past project of USD 110 Million and their new USD 160 Million Governance Performance and Accountability project (2017-2022), with a focus on technical assistance on policy and legislation on the Iraqi-led economic reforms initiatives at central level and at provincial level mainly to non-decentralised ministries. The EU, World Bank, UNDP and USAID are all coordinating around the wider framework of the economic reform, but closer coordination mechanisms will be set up with USAID on the vertical interaction between central and local level and centralised and already decentralised ministries.

Development actors in Iraq are now shifting from a more emergency-stabilisation phase towards a longer-term reconstruction development oriented cooperation. The outcome of the recent Kuwaiti Conference for Reconstruction in February 2018 demonstrates this shift. Development partners like the World Bank, USAID and GIZ are active with local authorities on very specific sectors supporting the Government of Iraq in very specific aspects of the decentralisation reform, such as public finance management, service delivery functions, improvement of water and sewerage services at provincial level and specific assistance in the reconstruction of Mosul.

### **3.3 Cross-cutting issues**

The Action will promote inclusive policies translated into practical actions, responding to the needs of women and youth. The latter are also being specifically targeted by support to youth entrepreneurship and innovation, including their involvement in the design and creation of dedicated public open spaces for sports, arts and cultural initiatives in cities and towns affected by conflict. The decision-making process for this particular Action will take into account Gender equality

considerations. For instance, gender-balanced participation in trainings and other activities will be considered when selecting project beneficiaries and staff. The Action will also seek to empower specific vulnerable groups (e.g. female heads of households, single parents) through the provision of support for development of skills and job opportunities. Good governance, transparency and accountability of the Governorate's decisions and actions will be a key element of each activity of the Action. The twinning with EU local authorities, the CSOs advocacy role and Local Steering Committees are expected to play a key role in ensuring transparency and accountability in the decision making processes. In this way the Action will build capacities in all stakeholders involved in these processes. Environmental concerns and reduction of energy consumption will be strongly promoted while implementing the physical rehabilitation, retrofitting and provincial development projects, in line with the commitments signed under the Paris Climate Agreement , and notion of *Building Back Better*<sup>16</sup>, recommended by the UN Office for Disaster Risk Reduction (UNISDR). Furthermore, the projects will translate top priorities from 3 Sustainable Energy Action Plans (developed with EU research centre methodology on climate change mitigation) and 5 Provincial Plans into actions whereby environmental concerns and climate adaptation are 2 of the main criteria. All cross-cutting priorities will be part of the selection criteria of local development projects to be supported by the Action.

#### **4. DESCRIPTION OF THE ACTION**

##### **4.1 Objectives/results**

The overall objective is to **promote the stability and socio-economic development of Iraq.**

The specific expected outcomes and related outputs are described below:

**SO1.** Selected Governorates are able to manage effectively and transparently local government systems and public services

O1.1 Gap assessment and gap plugging in the process of decentralisation of powers implemented.

O1.2 Optimised Governorates revenue generation system piloted

O1.3. Strengthened dialogue between local authorities and civil society

**SO2. Economic growth and job opportunities, with special focus on green projects involving youth and women;** have increased in selected Governorates

O2.1. Local development projects implementing priority actions deriving from Provincial Development Plans and Sustainable Energy Action Plans implemented.

**SO3. Living conditions in conflict areas have improved and returnees are assisted.**

O3.1. Damaged houses and public facilities rehabilitated in post conflict areas, in line with the 2018 PRPs;

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<sup>16</sup> Such as the use of more performant materials and more climatically appropriate design solutions of damaged public buildings (as used traditionally by Iraqi architects in the 1970s).

O3.2 On-the-job vocational training delivered and jobs for youth created in line with greener and safer construction technologies.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 11, but also promotes progress towards Goal(s) 5, 7, and 8. However, this does not imply a commitment by the country benefiting from this programme.

## 4.2 Main activities

Taking into account a community development approach that cultivates social, economic, political, cultural and environmental conditions needed for the community to thrive, work begins by: (a) creating space for dialogue (1.4) that helps the community re-narrate its story by asking critical questions about the status quo; (b) helping generate domestic resources (1.3); (c) funding development actions and leveraging more funding (2.1 & 3).

In such manner, the Action addresses post-Da'esh multi-layered crises in Iraq with priority activities sustaining the efforts of many and fragmented donors' interventions aiming at stabilising the country in a systematic way. Furthermore, the Action builds upon the success stories and lessons learnt from other EU-funded projects in Iraq and ensures the sustainability of the latter.

Tentative activities are listed in the table below.

| Outcomes/Outputs  | Activities  |
|---|---|
| <b>SO1. Selected Governorates are able to manage effectively and transparently local government systems and public services</b> |   |
| 1.1 De-centralisation of powers from central to local authorities – Law 21  | 1.1.1 Gap assessment and gap plugging recommendations and actions in the ongoing process of decentralisation.<br>1.1.2 Provision of tailored support to already decentralised local departments in assuming the functions;<br>1.1.3. Mapping of functions and recommendations;<br>1.1.4 Coaching, mentoring, training of staff;<br>1.1.5 Recommendations for improvement of implementing rules and procedures.<br>1.1.6 Ensuring dialogue and coordination with relevant central and regional government authorities. |
| 1.2. Donors' coordination   | 1.2.1 Establishment of donor coordination mechanism at national, regional and Governorate level;<br>1.2.2 Mapping all actions/ interventions at local level;<br>1.2.3 Involving all stakeholders at local level;<br>1.2.4 Ensuring complementarity and avoiding overlapping of activities;<br>1.2.5 Ensuring coordination with centralised mechanisms of donor coordination as well as other Governorates with potential for clustering.<br>1.2.6 Establishing a data base of who does what where.                    |
| 1.3 Revenue generation  | 1.3.1 Piloting of revenue generation systems at local level in 5 Governorates;<br>1.3.2 Piloting cashless billing systems for payments of utility fees, rental of public property and commercial taxes;   |

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|  | 1.3.3 Performance-based revenue's assessment mechanisms;<br>1.3.4.Training of local authorities' employees on revenue generation   |
| 1.4 CSOs facilitating dialogue between local authorities and civil society   | 1.4.1 Set up of sub-granting mechanism for CSOs ;<br>1.4.2 Implement civil society small grant projects (focusing on public consultations, participation in decision making and development of local policies and programmes;<br>1.4.3 Set-up of participatory initiatives such as youth parliaments, gender mainstreaming in policy development and vulnerable groups inclusion,<br>1.4.4 Set up of CSO-led "monitoring practices" for local policy and development actions;<br>1.4.5 Set up of platform for exchanges of CSOs best practices in local development, strengthening CSOs capacity in advocacy and fundraising.  |
| <b>SO2. Economic growth and job opportunities, with special focus on green projects involving youth and women; have increased in selected Governorates</b> |  |
| 2.1 Local Development projects implementing priority actions deriving from Provincial Development Plans and Sustainable Energy Action Plans                | 2.1.1 Develop a transparent selection procedure;<br>2.1.2 Establish Local Steering Committees;<br>2.1.3 Establish independent selection panels (composed by representatives of EU Delegation's Cooperation section, UNDP and independent experts);<br>2.1.4 Build the capacity of local authorities <sup>17</sup> to develop and implement operations, including fostering their project management capabilities (Article 34(3)(a);<br>2.1.5 Define a set of selection criteria in a consultative way (e.g. deriving from the top 3-5 priorities of respective plans; translating those priorities into practical actions; Governorate co-financing and/or commitment to continue after the project life; easy to scale up and replicate; potential for clustering of Governorates; using EU-integrated sectorial approach - promoting economic growth, social cohesion and trust among local communities; developing innovative and knowledge-based local economy; generating sustainable jobs; investing in youth and women; introducing green technologies, infrastructure, ecosystem services, use of sustainable and/or renewable energy sources and climate adaptation and climate mitigation measures;);<br>2.1.6 Selection of projects;<br>2.1.7 Set up independent monitoring and evaluation mechanism (payments will be subject to monitoring reports);<br>2.1.8 Implementation of projects; |

<sup>17</sup>

It is also anticipated that some of the projects would be implemented in partnership with any other actors such as CSOs, Universities, other local authorities, including European Local Authorities, and if justified and cleared from conflict of interest – the private sector.

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|  | <p>2.1.9 Evaluation;</p> <p>2.1.10 EU Visibility – every project will have own communication plan, results will be broadly published and short videos of each will compose a documentary of the intervention.</p>  |
| 2.2. Mechanism aiming at mobilising additional funding   | <p>2.2.1 Explore potential cooperation and partnership with financial institutions to leverage additional funding for prioritised investment projects;</p> <p>2.2.2 Provide the necessary technical assistance and expertise to prepare bankable projects;</p> <p>2.2.3 Build local capacity to develop, manage and monitor investment projects.</p>   |
| <b>SO3. Living conditions in conflict areas have improved and returnees are assisted</b>   |  |
| 3.1 Damaged houses and public facilities rehabilitated in post conflict areas, in line with the 2018 PRPs                        | <p>3.1.1. Support local authorities to enhance area-based identification of needs;</p> <p>3.1.2 Implement physical and rehabilitation projects of housing, public spaces upgrading of community infrastructure based on "planning back better" methodology<sup>18</sup>;</p> <p>3.1.3 Support the introduction of more appropriate construction materials; engaging youth in reconstruction activities</p>   |
| 3.2 On-the-job vocational training delivered and jobs for youth created in line with greener and safer construction technologies | <p>3.2.1 Set up of vocational training modules for skilled and unskilled labourers in the emerging construction sector,</p> <p>3.2.2 Promotion of building innovation to improve construction quality including insulation, the adoption of greener technology in brick production, the reuse of materials (including debris) for porous paving, green roofs, green walls, ecosystem-based rainwater collection/water reuse systems, solar panel water heaters etc.;</p> <p>3.2.3 Development of curriculum and courses on building innovation, passive thermal performances and green technology in partnership with national universities; implementation of awareness campaigns on greener technologies in housing and reconstruction (e.g competitions among youth).</p> |

<sup>18</sup>

The main selection criteria will be introducing green infrastructure (e.g. green roofs, green walls, ecosystem-based rainwater collection/water reuse systems), Introducing ecosystem services (e.g. programmes to protect and enhance forestry, biodiversity, to reduce water or soil pollution); Introducing the use of sustainable and/or renewable energy sources; Introducing climate adaptation and climate mitigation measures.

### 4.3 Intervention logic

This Action intends to develop a systemic way to address local development priorities in the post Da'esh Iraq by:

- a) further consolidating the EU funded LADP institution building activities, preserving the momentum it generated with Governorates' administration actively involved in a participatory process of development; and
- b) building upon Stabilisation activities in the liberated areas.

The Action will be implemented in 9 Governorates, selected on the basis of the following criteria:

- a) balance among Shia dominated **Basra, Missan, Thi Qar** and Sunni-dominated (newly liberated) **Anbar, Ninewa** and **Salahadin** and Kurdish dominated regions – **Duhok, Erbil** and **Suleimaniyah**;
- b) high needs and impact potential;
- c) local government commitment to project concept;
- d) sustainability and scale up of previous LADP II project<sup>19</sup>. Local authorities will be assisted in better addressing the complex interconnections between rapid urbanisation challenges, unmet citizens' needs and unresolved grievances that often lead to social tension- particularly in the newly liberated areas.

Based on the approved PDS/PRPs, the Action will support the selected governorates to prioritise, prepare and implement key priority projects which will foster socio-economic and environmental Development. These will contain concrete and clear actions with already defined priorities. The projects will be selected on the basis of set of criteria and the implementation of the Actions is subject to approval of Local Steering Committees (established in each Governorate by the previous LADP II).

The initial set of criteria for the selection of projects includes:

- (i) addressing the top 5 priorities of the approved local development plans,
- (ii) aiming at translating priorities into practical actions,
- (iii) promoting economic growth, social cohesion and trust among local communities;
- (iv) developing innovative and knowledge-based local economy;
- (v) generating sustainable jobs;
- (vi) investing in human capital- mainly youth and women;
- (vii) introducing green infrastructure; eco-system services ( i.e. protecting forestry, biodiversity, reduce water and soil pollution); sustainable and renewable energy sources; introducing climate adaptation and climate mitigation measures;

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<sup>19</sup> Only Thi Qar, among the selected Governorates, was not covered by the previous LADP II.

(viii) introducing services for local economic development. Priority will be given to innovative projects with high strong social benefits and economic potential, generating sustainable jobs and with potentiality of replicability.

Most of the foreseen interventions build upon the results of LADP II. In more detail, this new action benefits from the PDSs and PRPs developed under it, which are in essence comprehensive development plans for each governorate<sup>20</sup>. Both PDS and PRP follow a holistic developmental philosophy covering a broad spectrum of socio-economic issues ranging from IDPs reintegration and intercommunity dialogue to infrastructure rehabilitation and upgrade.

During this phase, participatory processes will be promoted so that selected impact-oriented projects are effectively linked to identify needs of citizens and opportunities. Different forms of participatory activities, ranging from public consultation on local development priorities, providing feedback and monitoring local government's actions will empower Communities and local authorities to identify needs and priorities to better manage their recovery, in line with city-wide plans and policies.

Governorates' ownership of the content and priorities will be an important aspect of the implementation. Lack of understanding of the role and mandate as well as limited capacity would prevent them from translating the policies into practical solutions as well as initiate business friendly environment. By implementing some priority projects, new approaches and innovative models for social-economic development would be piloted. They would constitute the base for development of more complex investment programmes (pipeline of future projects) that would potentially attract funding from international financial institutions (IFIs) through the provision of concessional loans and other financial instruments. Enhancing synergies by the set up of a mechanism with IFIs and a Peer to Peer decentralised cooperation scheme with European local authorities will further support local capacity development. Work with IFIs will provide an insight on private sector development whereas such decentralised cooperation with EU municipalities will enhance know how in structuring and optimising the work and capacity of Iraqi local authorities.

A mechanism will be established to identify and prepare projects that can be co funded by EU grants and IFI loans and seek agreement of all stakeholders involved. By pooling grant resources from and using them to prepare and/or leverage loans from these IFIs as well as contributions from Iraq, the EU backs priorities and supports in carrying out key investments and boosting economic development, stability and welfare. In addition, it will play a key role in donor coordination and increasing aid effectiveness. Envisaged priority sectors for creating an environment conducive to mobilised additional funding and partnerships, are: (i) Local private sector development - particularly supporting small and medium sized enterprises; (ii) Development of social and economic infrastructure - including: transport, energy, water, environmental infrastructure and information and communication technology; (iii) Climate change mitigation and adaptation.

In the conflict-affected areas, a tailored approach will be ensured given the current context of competing and urgent reconstruction needs and identified criticalities from

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For conflict affected Governorates, the plans are labelled PRPs whereas for non-conflict affected areas they are titled PDSs.

the point of view of national reconciliation and peacebuilding. The Action will ensure that reconstruction efforts do not further contribute to the polarisation of growth, impoverishment of neglected districts and disenfranchisement of youth and minorities living in or returning to the destroyed rural areas. Aside from implementing local projects in Mosul, the programme will be focusing on smaller towns located along key development corridors between Mosul and Baghdad, where reconstruction actors can channel strategic recovery efforts and targeted investment programmes in line with the country's NDP. This aims at ensuring that projects have a catalyst multi-sectoral impact beyond the boundaries of each urban 'node', onto their inter-connected rural hinterland. The emphasis will be put on local projects enhancing provision of services and maximising the participation of citizens and in projects rebuilding secondary infrastructure, housing and public facilities in those Governorates afflicted by the conflict.

The housing and facilities to be rehabilitated are selected in coordination with community members and the local authorities, based on the combination of two main criteria: (a) the degree of physical damage, identified through field assessment based on the categorisation endorsed by the Shelter Cluster in Iraq; and (b) the vulnerability of the beneficiaries based on the vulnerability assessment criteria endorsed by the Protection Cluster and the local authorities. Contractors involved in the reconstruction will be required to employ skilled and unskilled labourers from the area – unemployed youth in particular – who will undergo on-the-job vocational training to provide them the necessary construction and rehabilitation skills. This will empower the community members both socially and economically, and increase community ownership, which is the key to peaceful recovery and resilience.

In line with Principle 4 of the Sendai Framework for Disaster Risk Reduction<sup>21</sup>, the focus will be on “building back better” in recovery, rehabilitation, reconstruction and selected environmental actions promoted by this programme. This priority provides an important premise for the selected local projects to implement recovery in a transformative manner that reduces risks and builds resilience and encourages local administrations and citizens to make the most of scarce resources. The concept of ‘Build Back Better’ is not only about upgrading infrastructure with disaster resilient construction technologies, but also focuses on introducing stronger governance systems responding to local needs, better basic services, improved building standards, diversified livelihoods opportunities through economic revitalisation, and better quality of life for citizens – particularly the most vulnerable.

## **5. IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

### **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

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<sup>21</sup> <https://www.unisdr.org/we/coordinate/sendai-framework>.

and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

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

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation<sup>22</sup>.

#### 5.3.1 Procurement (direct management)

| Subject                | Type (works, supplies, services) | Indicative number of contracts | Indicative trimester of launch of the procedure |
|------------------------|----------------------------------|--------------------------------|---|
| Third party monitoring | service                          | 1                              | 1   |

At the moment, the security situation in Iraq remains volatile, often hampering access to some areas across the country, and consequently restricting EU's ability to directly monitor projects. A contract for a third party monitoring will be concluded directly by the EU Delegation to provide for an additional verification through a contractor able to access the areas of intervention.

#### 5.3.2 Indirect management with an international organisation

This action will be implemented through indirect management with United Nations Development Programme – UNDP. This implementation entails the provision of technical assistance to Iraqi governorates and provincial authorities, the direct implementation of activities in support of local development, including the provision of small grants to local authorities and civil society. This implementation is justified because of UNDP's long standing technical expertise, well-established relationship with local authorities and civil society and mandate in Iraq on local government. Moreover UNDP's past and ongoing experience in implementing EU-funded support to local government in Iraq constitutes another strong asset.

The entrusted entity would carry out the following budget-implementation tasks: launching of procurement and grants mechanisms, definition of eligibility, selection and award criteria; Evaluation of tenders; Award of contracts; Acting as contracting authority concluding, monitoring and managing contracts; carrying out payments.

The entrusted entity intends to work in partnership with UN-Habitat to implement support specific actions related to urban planning and reconstruction. The sub-delegation is justified in light of UN-Habitat's global mandate in human settlements, and long-standing experience in Iraq on urban planning, damage assessments and

<sup>22</sup> [https://eeas.europa.eu/sites/eeas/files/restrictive\\_measures-2017-04-26-clean.pdf](https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf).

expertise in physical reconstruction. Appropriate provisions for this sub-delegation will be included in the contractual agreement between the European Commission and UNDP.

#### **5.4 Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

#### **5.5 Indicative budget**

|  | <b>EU contribution<br/>(amount in EUR)</b> | <b>Indicative third<br/>party contribution</b> |
|--|--|--|
| 5.3.1 – Procurement –direct management<br>Third party monitoring | 500,000                                    |  |
| 5.3.2 – Indirect management with UNDP                            | 47,500,000                                 | N.A.   |
| 5.8 – Evaluation   | 300,000                                    | N.A.   |
| 5.9 - Audit  | 200,000                                    |  |
| 5.10 – Communication and visibility                              | (covered by the<br>contract)               | N.A.   |
| Contingencies  |  | N.A.   |
| Totals   | 48,500,000                                 |  |

#### **5.6 Organisational set-up and responsibilities**

The Action will be implemented by UNDP which will delegate to UN-HABITAT, through a contribution agreement, a part of the activities related to the urban planning and housing component. UNDP will further issue letter of Agreements with Governorates involved for the implementation of specific activities. A grant scheme will be set up for awarding small funds to civil society. Local Authorities and Civil Society will also be involved in the day-to-day monitoring of the activities, along with independent monitors.

A Project Steering Committee will be established and composed by Governors (from the Governorates covered by the programme), Federal Government Ministry of Planning, Kurdistan Regional Ministry of Planning, EU Head of Delegation and a designated representative from the Cooperation Section, UNDP Director, UN-Habitat Head of Agency, or their duly authorised representatives. Local Steering Committees open to the participation of civil society, already created at the level of

each Governorate by the past LADP II, will be directly involved in the monitoring of activities at their respective Governorate level.

UNDP will implement the Action from its established offices in Erbil, Basra, Baghdad and the newly established office in Anbar and through project officers in those provinces where offices are not established.

## **5.7 Performance monitoring and reporting**

Monitoring of the implementation of this Action will be performed in strong partnership with the local authorities involved along with independent consultants contracted by UNDP. A set of guidelines for monitoring project activities is already in place, developed by UNDP with past EU funded programme to local government in Iraq. Urban planning and reconstruction activities in conflict affected areas will be further monitored following the standards endorsed by the thematic clusters in Iraq (ie. Shelter cluster for housing) and strict inspection of the sites, training and supervision of the labourers and contractors will be ensured by UN-HABITAT field engineers.

Studies to define baselines for some of the indicators and final studies to measures achieved targets will be performed by UNDP and UN HABITAT.

In light of previous EU funding to local government in Iraq through UNDP, a set of monitoring guidelines are already in place.

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 logical framework matrix. 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).

The third party monitor could, among others, be tasked with visiting all 9 governorates where activities of the project will be taking place with the aim to assess in pre-set intervals, the progress of the project against its stated objectives and timeframe. Monitors may also visit the end beneficiaries (targeted populations) and conduct surveys of assessing the impact of the actions. Furthermore, constant monitoring will feed the observations made back to the Contracting Authority in order to timely identify challenges and shortfalls.

## **5.8 Evaluation**

Having regard to the nature of the action, a mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for learning purposes, in particular with respect to assessing the capacity achieved by the local authorities involved, revising the framework for policy dialogue on the decentralisation process and fine tuning some of activities, in particular with respect to the possibility of some blending actions with financial institutions.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this action is starting in a post-conflict and reconstruction phase of the country and is supposed to bridge to more development oriented policies and plans at local authorities level. In addition some of the activities foreseen such as twinning with European local authorities and Peer to Peer decentralised cooperation with IFIs institutions are at this stage innovative in the country and lessons learnt from this process will be needed.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

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.

Indicatively, two contracts for evaluation services shall be concluded at mid and at the conclusion of the implementation phase.

## **5.9 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.

Indicatively, one contract for audit services shall be concluded in the period following the end of the implementation phase

## **5.10 Communication and visibility**

The Action comprises several sub-projects and independent activities in different locations which all merit proper visibility and communication plans. Due to this multiplicity of actions, it is necessary to provide a comprehensive visibility coverage for each and every one of them.

In this particular action, communication is essential to the effectiveness of a number of awareness campaigns to be put in place, on specific topics such as environment, sustainable development, energy and water saving, waste etc other community services that require citizens and local authorities together. Video-recording of activities, Production and broadcasting of audio-visual material, promotion of several awareness activities including competitions and creative events will not ensure EU visibility to different levels. To this end, an appropriately scaled budget allocation will be foreseen in the contract with UNDP. In addition, the EU is putting in place a communication and visibility service, funded by Special Measures, which will ensure proper visibility in addition to what is requested from the implementing partner.

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 6.1 above and will build on the successful EU visibility of LADP II.

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)

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 and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

|                                  | Results chain  | Indicators   | Baseline<br>(incl. reference year)   | Targets<br>(incl. reference year) | Sources and<br>means of<br>verification | Assumptions |
|----------------------------------|--|--|--|-----------------------------------|---|-------------|
| <b>OVERALL OBJECTIVE: IMPACT</b> | <b>To promote the stability and socio-economic development of Iraq</b> | SDG 5: Ratio of female to male labour force participation rate<br>SDG 6: Access to improved water source (% pop.);<br>Access to improved sanitation facilities (% pop.)<br>SDG 7: CO2 emissions from fuel combustion / electricity output<br>SDG 8: Unemployment rate (% total labour force)<br>SDG 11: Improved water source, piped (% urban pop. with access)<br>SDG 13: Energy-related CO2 emissions per capita 4.9 | SDG 5: 21.5<br><br>SDG 6: %<br>86.6 %;<br>85.6 %<br>SDG 7: 2.2<br>SDG 8: 16 %<br>SDG 11: 82.9 %<br>SDG 13: 4.9 | Not yet identified <sup>23</sup>  | Annual SDGs country progress report     |             |

<sup>23</sup>

Iraq at this stage does not have national targets on SDGs. The Government of Iraq has requested UNDP to support and develop the SDG targets for Iraq as well a monitoring system (the current one is based on the MDG methodology)

|  | Results chain  | Indicators  | Baseline<br>(incl. reference year)  | Targets<br>(incl. reference year)   | Sources and<br>means of<br>verification   | Assumptions  |
|--|--|---|---|---|---|--|
| <b>SPECIFIC OBJECTIVE(S):<br/>OUTCOME(S)</b> | <b>OS1: Selected Governorates are able to manage effectively and transparently local government systems and public services</b>                                | 1.1 Percentage of citizens confidence increase in local government at governorate level<br><br>1.2 Number of Performance-based revenues' assessments mechanisms performed by UNDP on Local Authorities<br><br>1.3 Donor coordination mechanisms established in each Governorates as well as at regional and national level. | 1.1 <i>TBD during baseline assessment at inception phase (2018)</i><br><br>1.2 None<br><br>1.3 None | 1.1 By 2021, 10 %<br><br>1.2 5 assessments in pilot governorates<br><br>1.3 1 per Governorate | 1.1 Public perception surveys at start and end of project<br>1.2 Performances assessment, progress, monitoring and final reports<br>1.3 Minutes of meetings | Stable political and secure environment.<br>Local elections do not lead to major changes causing delays.<br>Reforms at national level in key sectors make progress and allow for economic development. |
|  | <b>OS2: Economic growth and job opportunities with a special focus on green projects and involving youth and women have increased in selected Governorates</b> | 2.1 Percentage increase in Local Human Development Index for the target governorates <sup>24</sup><br><br>2.2 % of beneficiaries of VET training who find employment within 6 months (disaggregated by sex and age)   | 2.1 0,649% (2017) LADP-EU data by governorate, based on EU-tested methodology)<br><br>2.2 None      | 2.1 By 2021, 10 % increase of LHDI<br><br>2.2 TBD   | 2.1 Impact assessments<br><br>2.2 Follow-up survey (disaggregated by sex and age)   | Political influence over the work of the administration is limited and in line with the established rules and procedures.  |
|  | <b>OS 3 Improved living conditions in conflict areas have improved and returning</b>   | 3.1 Number of returnees living in critical/inadequate shelter or temporary accommodations in conflict affected areas<br>3.2. Number of beneficiaries assisted in their return (disaggregated by sex   | 3.1 Over 260,000 returnees (2017 Nov -IOM/DTM)<br><br>3.2. TBD – when target areas will be          | 3.1-3.2 <i>TBD at inception phase</i>   | 3.1 IOM/DTM monthly data<br><br>3.2 Progress monitoring (disaggregated  |  |

<sup>24</sup>

In line with the practice adopted in several EU countries on development of LHDI based on the methodology of the UN HDI.

|                | Results chain  | Indicators  | Baseline (incl. reference year)   | Targets (incl. reference year)   | Sources and means of verification  | Assumptions  |
|----------------|--|---|---|--|--|--|
|                | population is assisted.  | and age)  | identified.   |  | by sex and age)  |  |
| <b>OUTPUTS</b> | <b>OP 1.1 -Decentralisation of powers from central to local authorities – Law 21 .</b> | 1.1.1 Number of gap assessments conducted<br>1.1.2 Number of gap plugging actions undertaken<br>1.1.3 Peer to Peer partnerships established   | 1.1.1 – Zero<br>1.1.2 – Zero<br>1.1.3 - Zero  | 1.1.1 By 2021: 5<br>1.1.2 By 2021: 5<br>1.1.3 By 2020:15   | 1.1 gap assessments reports<br>1.2 gap plugging actions reports  | By-Laws related to the implementation of Law 21 adopted and enforced.  |
|                | <b>OP.1.2 Donor's Coordination</b>   | 1.2.1 Mapping and database donors/stakeholders/actions established  | 1.2. not in place   | 1.2.3 By 2019:1 per governorate  |  | Political will to advance in decentralisation. Path continues  |
|                | <b>OP 1.3 Optimised Governorates revenue generation system piloted</b>                 | 1.3.1 Number of governorates having piloted revenue generation systems<br><br>1.3.2 Number of officials trained on revenue generation (disaggregated by sex)<br><br>1.3.3 Status of Cashless billing system piloted for utilities payment                                 | 1.3.1 Zero<br><br>1.3.2 TBD depending on target governorate employees<br><br>1.3.3 No electronic system in place for collection of fees or taxes (2018) | 1.3.1 By 2021: systems piloted in 5 governorates<br><br>1.3.2 Training conducted (2018/19)<br><br>1.3.3 Cashless payment system(s) piloted in 5 target gov. (2020) | 1.3.1 Progress, monitoring and final reports<br><br>1.3.2 Training attendance lists<br><br>1.3.3 Technical Briefs for Governorates | Provincial Council and Governor are working together effectively.<br><br>Peer to Peer decentralised cooperation partners are able to work in Iraq. |
|                | <b>OP 1.4 Strengthened dialogue between local authorities and civil society</b>        | 1.4.1 Number of public consultations on local development priorities, implemented and monitored with the support of this action.<br>1.4.2 Establishment of a Platform for exchange of practices between CSOs<br>1.4.3 Number. of CSO projects implemented in the targeted | 1.4.1 Zero<br><br>1.4.2 not in place(2018)<br><br>1.4.3 none  | 1.4.1 at least 1 governorate/year<br><br>1.4.2 platform established<br><br>1.4.3 TBD   |  | Governorates agree to revenues &   |

|  | Results chain  | Indicators  | Baseline<br>(incl. reference year)   | Targets<br>(incl. reference year)  | Sources and<br>means of<br>verification   | Assumptions  |
|--|--|---|--|--|---|--|
|  |  | governorates<br>1.4.4. Number of CSOs participating in action monitoring action funded by the project   | 1.4.4 none   | 1.4.4 TBD  |   | expenditures assessments.<br>Supported CSOs are independent from political or religious influence.   |
|  | <b>OP 2.1 Local projects implementing priority actions deriving from PDS and SEAPs</b>                           | 2.1.1 Number of Awareness Campaigns implemented with the support of this action<br>2.1.2 Number of projects implemented with the support of this action<br>2.1.3 Number of jobs created with the support of this action   | 2.1.1 Zero (2018) awareness campaigns<br>2.1.2-Zero (2018)<br>2.1.3 Zero (2018)  | 2.1.1By 2021, 9 awareness campaigns<br>2.1.2 2021 – 18 projects<br>2.1.3 tbd | 2.1.1Pre-Post awareness survey report<br>2.1.2-2.1.3 Projects progress, monitoring and final reports;   | Senior management of the Governorate open to CSOs inclusion over in decision making processes<br>PDS', SEAPs and PRPs continue to enjoy endorsement after elections. |
|  | <b>OP 2.2 Mechanism aiming at mobilising additional funding</b>  | 2.2.1 Status of development of mechanisms for mobilising additional funding   | 2.2.1 Not created  | 2.2.1 Environment conducive to financial partnerships in place               | 2.2.1 Projects progress, monitoring and final reports;  |  |
|  | <b>OP 3.1 Damaged houses, public facilities rehabilitated in post conflict areas, in line with the 2018 PRPs</b> | 3.1.1Number of individual houses weather-proofed/repared/rehabilitated including WASH facilities with the support of this action<br>3.1.2 Number of public facilities repaired or retrofitted with the support of this action<br>3.1.3 Number of households connected to improved secondary infrastructure with the support of this | 3.1.1-Date to be drawn from RRR Platform in Mo Pat the launch fo the Action (2018)<br>3.1.2 Same as above<br>3.1.3 Same as above | 3.1.2-3.1.3 TBD in the inception phase                                       | 3.1.1-3.1.5 - Projects progress, monitoring and final reports;<br>-Damage Assessments<br>-Rehabilitation progress Dashboard<br>-Competition reports | Governorates provide in-kind contributions to the technical assistance and investments.  |

|  | Results chain  | Indicators   | Baseline<br>(incl. reference year)  | Targets<br>(incl. reference year)   | Sources and<br>means of<br>verification   | Assumptions |
|--|--|--|---|---|---|-------------|
|  |  | <p>action</p> <p>3.1.4 Number of landscaped multi-functional public spaces created with the support of this action</p> <p>3.1.5 Number of youth engaged in projects design and implementation with the support of this action (disaggregated by sex)</p>   | <p>3.1.4 Same as above</p> <p>3.1.5 Same as above</p>   | <p>3.1.4 - 5 Public Space Design Competitions (2021)</p> <p>3.1.5 500 youth (50 % women, 50 % men)</p> <p>3.1.6-3.1.7 TBD at inception phase</p>  | <p>- Attendance sheets</p> <p>- Video and audio-visual material</p> <p>- Photos (before &amp; after)</p>  |             |
|  | <b>OP 3.2 On-the-job vocational training delivered and jobs for youth created in line with greener and safer construction technologies</b> | <p>3.2.1 Number of labourers trained by this action on basic construction skills</p> <p>3.2.2 Number of labour man/days created in the construction sector</p> <p>3.2.3 Status of the Curriculum on Building Innovation, Passive Thermal Performance and Green Technology in the construction industry in Iraq in partnership with Mosul University</p> <p>3.2.4 Status of the course on building innovation, passive thermal performance and green technology at the Mosul University</p> <p>3.2.5 Existence of an awareness campaign on building innovation and greener technologies in construction throughout the housing recovery programme</p> | <p>- 3.2.1-3.2.2 TBD in the inception phase</p> <p>3.2.3. A Building code has been developed by UNHABITAT at KRG level but there is no curriculum (2018)</p> <p>3.2.4. No course in Mosul University (2018)</p> <p>3.2.5 No awareness campaign implemented (2018)</p> | <p>3.2.1-3.2.2 TBD in the inception phase</p> <p>3.2.3.- 3 Sets of vocational training modules per governorate (2020)</p> <p>3.2.4 Academic course on building innovation and green technology (2021)</p> <p>3.2.5 Competition among youth on building innovation and green technologies (2021)</p> | <p>3.2.1-3.2.6 Projects progress, monitoring and final reports;</p> <p>- Course Curriculum</p> <p>- Attendance Sheets</p> <p>- Training Evaluation Sheets</p> <p>- Competition report</p> <p>- Video material</p> |             |

|  | <b>Results chain</b> | <b>Indicators</b>  | <b>Baseline</b><br>(incl. reference year) | <b>Targets</b><br>(incl. reference year) | <b>Sources and means of verification</b> | <b>Assumptions</b> |
|--|----------------------|--|---|--|--|--------------------|
|  |                      | 3.2.6. Number of people reached by the awareness raising campaign on building innovation and greener construction technologies | 3.2.6 Zero (2018)                         | 3.2.6. tbd                               |  |                    |