This action is funded by the European Union

**ANNEX I**

of the Commission Implementing Decision on the 2017 special measure in favour of Iraq

**Action Document for Funding Facility for Stabilization (FFS)**

<table>
<thead>
<tr>
<th>1. Title/basic act/ CRIS number</th>
<th>Funding Facility for Stabilization - financed under the Development Cooperation Instrument (DCI) CRIS number: MIDEAST/2017/040-245</th>
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</table>
| 2. Zone benefiting from the action/location | Iraq  
The action shall be carried out at the following location: Country-wide |
| 3. Programming document | EU Regional Strategy for Syria and Iraq as well as against Da'esh threats |
| 4. Sector of concentration/thematic area | Stabilization/Reconstruction | DEV. Aid: Yes\(^1\) |
| 5. Amounts concerned | Total estimated cost: EUR 413 355 070 (corresponding approximately to USD 462 883 617)\(^2\)  
Total amount of EU budget contribution: EUR 50 400 000 (corresponding to approximately USD 56 438 969)  
This action is co-financed in joint co-financing by other donors (see list of donors contributions under paragraph 1.1.2) |
| 6. Aid modality and implementation modality | Project Modality  
Indirect management with UNDP  
Direct management (procurement of services) |
| 7 a) DAC code(s) | 15220, 16050 |

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

\(^2\) Based on UN Operational Rates of Exchange, 0.893, correct as of 01 June 2017.  
8. Markers (from CRIS DAC form)

**General policy objective**

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<th>Significant objective</th>
<th>Main objective</th>
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</thead>
<tbody>
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<td>Participation development/good governance</td>
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<td>☑</td>
<td>☐</td>
</tr>
<tr>
<td>Aid to environment</td>
<td>☒</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Gender equality (including Women In Development)</td>
<td>☐</td>
<td>☑</td>
<td>☐</td>
</tr>
<tr>
<td>Trade Development</td>
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</tr>
<tr>
<td>Reproductive, Maternal, New born and child health</td>
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**RIO Convention markers**

<table>
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<tr>
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<th>Significant objective</th>
<th>Main objective</th>
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<tr>
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<td>Combat desertification</td>
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<td>Climate change mitigation</td>
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<tr>
<td>Climate change adaptation</td>
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9. Global Public Goods and Challenges (GPGC) thematic flagships

N/A

10. SDGs

SDG 16
SDG 5

SUMMARY

The onslaught of the Islamic State of Iraq and the Levant (ISIL) beginning in 2014 resulted in the displacement of 3.4 million Iraqis, many of whose places of origin are the target communities for stabilisation initiatives. Military clearing operations to root out ISIL militants must be followed by rapid, timely, and effective efforts by the Government of Iraq (GOI) to restore essential services and livelihoods that will help facilitate the safe voluntary and dignified return of internally displaced persons (IDPs).

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

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

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

Endorsed by the Prime Minister and leading members of the Stabilisation Working Group of
the Global Coalition to Defeat ISIL, co-chaired by Germany and the United Arab Emirates. Following the Working Group's endorsement in April 2015, UNDP developed the project document to create FFIS, which was formally established on 11 June 2015, to which the EU has already contributed EUR 14 million under a previous delegation agreement. 3

This programme is in line with the EU Consensus for Development as it reflects one of the key themes: peace. It is also relevant for the Agenda 2030. Indeed it contributes primarily to the progressive achievement of SDG 16: "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels".

**Acronym List**

- **CMI**: Crisis Management Initiative
- **ERW**: Explosive remnants of war
- **EU**: European Union
- **FAFA**: Financial and Administrative Framework Agreement
- **FFES**: Funding Facility for Expanded Stabilization
- **FFIS**: Funding Facility for Immediate Stabilization
- **FFS**: Funding Facility for Stabilization
- **GOI**: Government of Iraq
- **IcSP**: Instrument contributing to Stability and Peace
- **IDP**: Internally displaced persons
- **IED**: Improvised explosive device
- **IOM**: International Organization for Migration
- **ISIL**: Islamic State in Iraq and the Levant
- **KRG**: Kurdish Regional Government
- **KR-I**: Kurdistan Region of Iraq
- **M&E**: Monitoring and evaluation
- **NGO**: Non-governmental organisations
- **NOC**: National Operations Centre
- **OCHA**: United Nations Office for the Coordination of Humanitarian Affairs
- **SDG**: Sustainable Development Goals
- **SRSG**: Special Representative of the Secretary-General
- **UNAMI**: United Nations Assistance Mission for Iraq
- **UNDP**: United Nations Development Programme
- **UNMAS**: United Nations Mine Action Service
- **UNSCR**: United Nations Security Council resolution
- **UXO**: Unexploded ordnance

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3 CRIS reference: 376-561
1 CONTEXT

1.1 Country/Regional context/Thematic area

Iraq has been undergoing political, economic, and social turmoil as a result of the conflict with Da’esh. Its onslaught in the beginning of 2014 resulted in the displacement of 3.4 million Iraqis, many of whose places of origin are the target communities for stabilization initiatives.

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

1.1.1 Public Policy Assessment and EU Policy Framework

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

In proposing stabilization, the EU remains committed to key areas of the Agenda for Change, and is in line with the political interests of the EU, as described in the most recent European Union Council Conclusions. The Council Conclusions (22 April 2013) underline that “the EU reiterates its continuing commitment to support Iraq’s transition towards a sustainable democratic system, including through targeted assistance advancing good governance and the rule of law”. Moreover, in line with the recent Council Conclusions of 14 December 2015, “It (EU) intends to maintain its focus on counter-terrorism cooperation, immediate stabilisation of retaken areas, and support to reconciliation and peacebuilding initiatives.” Having adopted the Multi-Annual Indicative Programme 2014-2017, the Commission has identified 3 priorities for actions in the support to Human Rights and Rule of Law: a) Support to the democratic development of Iraq including through enhanced functioning of parliamentary democracy, b) Improve the national Rule of Law and Human Rights protection system in order to increase the performance of public institutions and strengthen monitoring capabilities of CSOs and c) Promote the principle of judicial independence and sustain the Security Sector Reform process. By intervening at the onset of “liberation”, it is critical to establish at an early stage stabilization initiatives, paving the way to a more balanced and sustained democratic governance.
Furthermore, the Joint Communication on an “EU comprehensive regional strategy for Syria and Iraq as well as the Da’esh threat” adopted by the Commission on 6/2/2015 and endorsed by the Council on 16/03/2015 develops an EU comprehensive regional strategy in order to tackle in a comprehensive and coordinated manner the crises in Iraq and Syria and the threat posed by Da’esh. In this respect “The EU supports efforts by the Global Coalition to counter ISIL/Da’esh, including military action in accordance with international law. It recalls that military action in this context is necessary but not sufficient to defeat ISIL/Da’esh. It will coordinate closely with international partners in the framework of the Global Coalition’s working groups on stabilization, strategic counter-messaging, foreign terrorist fighters, countering terrorist financing and military action”.

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

1.1.2 Stakeholder analysis

The FFS Project Document was signed by the Chief of Staff of the Prime Minister’s Office as the main counterpart of the project. In order to manage the stabilization challenges, the Prime Minister’s Office has set up Control Cells in each Governorate with retaken areas: Ninewah, Salah-al-Din, Diyala and Anbar. The control cells are composed of representatives of line Ministries, security actors and the Governor’s office, chaired by the provincial Governor. The control cells are the counterparts of the FFS at governorate level. In addition to Government counterparts, civil society organizations play an important role in stabilization in particular youth activists and women organizations which have developed community solidarity activities and emergency employment activities for youth. Before FFS engages, an in-depth local conflict analysis is prepared, mapping local actors and drivers of conflict. Finally, the National Operations Centre under the Prime Minister’s Office coordinates the security forces in newly retaken areas and has been an important counterpart for civil-military coordination of planned stabilization activities. Through the Stabilization Task Force meetings with the Prime Minister’s Office, Governors of retaken areas and international community, a strong coordination mechanism has been established for stabilization efforts which discusses overall political and security issues related to stabilization as well as specific challenges related to mine action/IED clearance and ongoing efforts in stabilization through the Funding Facility. The Funding Facility is currently supported by 21 countries which are part of the Global Coalition.

<table>
<thead>
<tr>
<th>DONOR</th>
<th>CONTRIBUTION AGREEMENT SIGNED</th>
<th>CONTRIBUTION AGREEMENT SIGNED</th>
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<td><strong>USD 406,444,648</strong></td>
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</tbody>
</table>

### 1.1.3 Priority areas for support/problem analysis

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

- **Window 1**: *Public works and light infrastructure rehabilitation*. This window is used to finance light repairs of key public infrastructure including clinics, police stations, water facilities, power grids, government buildings and access roads. It will also be used to finance rubble removal and waste collection. The intention is to provide short-term employment through public work schemes including cash for work.

- **Window 2**: *Livelihoods*. This window is be used to finance activities aimed at jump-starting the local economy and generating income for local households, particularly
families returning to their homes. The intention is to provide micro-credit grants to small businesses with high community impact including bakeries, electrical shops, agriculture, food kiosks and micro-stores. Where possible, support will also be given to women and vulnerable households.

- **Window 3: Capacity support.** This window will be used to finance technical support for local governments, boosting their immediate response capacity to cope with the challenges arising during stabilization. The intention is to recruit and deploy technical experts to support planning, budgeting, implementation, and monitoring functions. Professionals with expertise in property restitution rule of law and policing can also be deployed. The expectation is that these deployments will be short-term, until government funding comes on line to absorb these staff or transition them.

- **Window 4:** Community reconciliation. This window is used to finance programs that help local leaders and community groups promote social cohesion and dialogue. The intention is to provide micro-credit grants to community organizations to support reconciliation activities.

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

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

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

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

During its Steering Committee meeting on 31 March 2016, the Stabilization Funding Facility has been adapted to include a second channel for meeting “expanded” needs at the Governorate level for high impact medium-size rehabilitation projects for improved service delivery and job

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5 This describes the intent of Window 4 in the original FFIS Project Document. Programming against Window 4 has since been developed into a full-time UNDP project given the importance and complexities of community reconciliation work. Conflict analysis, however, remain an integral aspect of FFS project design.
creation. This new channel is known as the Funding Facility for Expanded Stabilization (FFES) and complements the Immediate Stabilization channel (FFS). Both channels are managed under the guidance of the same Steering Committee and operate using fast-track modalities to ensure that progress is rapid and visible on the ground. Under FFES, priority is given to projects that generate jobs and incentivize large numbers of people to return to their communities. These types of projects include rehabilitation of large public institutions, for example universities and public hospitals, which provide work for thousands of employees and act as a magnet for returning families.

2 Risks and Assumptions

<table>
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<tr>
<th>Risks</th>
<th>Risk level (H/M/L)</th>
<th>Mitigating measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stabilization efforts and critical decision making are marred by weak political leadership, which does not have the authority or respect of the security forces, community leaders or the general population.</td>
<td>H</td>
<td>Good offices at high political level to provide advice or recommendations. Technical level advisory support to support decision making and possibly, provide expertise or other capacity support.</td>
</tr>
<tr>
<td>Lack of Government financial resources for retaken areas and Government unable to implement priority capital investment projects in retaken areas which could reverse initial gains.</td>
<td>H</td>
<td>Raise essential requirements to the attention of the Prime Minister’s office and liaise with the Ministry of Finance. Liaising with WB on implementation of stabilization/recovery loan. Launch of Expanded Stabilization channel to address medium size investments over 2-3 year period to avoid that gains in stabilized areas are reversed.</td>
</tr>
<tr>
<td>Significant distrust between Popular Mobilization Forces (PMF – Shi’a militias) and local population prevents IDPs from returning despite stabilization efforts. Also, tensions between tribes are hindering their safe return.</td>
<td>M</td>
<td>Engage PMF and local authorities on principles of protection of returnees and raise security concerns at high level. Any intervention is informed by local conflict analysis including actor mapping and drivers of conflict/peace.</td>
</tr>
<tr>
<td>Inability to communicate the role of international community in stabilization and international community is used as scapegoat when things go wrong.</td>
<td>M</td>
<td>Strategic communications officer in FFS and joint advocacy/messaging by UN and international community. Weekly briefings to PMO (Prime Minister’s Office) and NOC (National Operations Centre) including obstacles encountered.</td>
</tr>
<tr>
<td>Poor command and control of security forces, incapacitated police forces and division of roles of PMF/police not clear. Risk of looting of (FFSFFS) assets during stabilization phase.</td>
<td>H</td>
<td>Maintain a clear understanding of relationship between UN, Governorate and security forces on the ground during the implementation of FFSFFS. Deployment of liaison officer on the ground to participate in Control Centre and raise security concerns for FFS interventions with relevant counterparts. International community to advise and monitor coordination between</td>
</tr>
</tbody>
</table>
Mass infestation of IEDs and slow removal of these will cause casualties and slow down returns and recovery work. | H | Close coordination with UNMAS as the coordinating body for IEDs/UXOs, international NGOs such as MAG and with the NOC of the PMO. Clearance activities by security forces/police or civil defence, international NGOs and/or companies follow the stabilization priorities as set by the Command Centre of the Government.

Weak capacity of the local police to take over security functions. Militias prolong their stay as long as local police is not able to take over their tasks. | H | Training of local police by international community. Maintain clear understanding of capacity and numbers of police and other security actors in stabilization areas. Build relationships with local leaders and government officials and leverage community buy-in to protect and support FFS assets.

Gender – limited effectiveness of the programme; increased gender gaps, exclusion of women from the benefits of the programme in case gender is not targeted properly in the design of the programme | H | Reformulate the programme and include a gender equality perspectives in the design, include the EU gender comprehensive approach on Women, Peace and Security, follow up on the national and regional implementation of the UNSCR 1325 to 2122) (as mentioned above); include women’s rights organisations, women’s groups and associations.

Assumptions

It is assumed that liberation of Da’esh-held territories will be gradual as fierce resistance from Da’esh fighters will continue until the last stronghold has been retaken. The Government will not be able to provide major funding to stabilization or the recovery phase and will depend on grants and loans from the international community and International Finance Institutions.

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

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

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

- Third, as the Central Government deals with badly needed reforms for improved service delivery, a localized approach with strong local ownership and partnerships with local actors can foster expedient implementation of stabilization activities. The strong role of the provincial control cells led by the respective Governor which includes the technical directorates and the security actors has been instrumental in leading and coordinating stabilization efforts. The coordination structure between the Prime Minister’s Office, Governors and international community is also seen as a successful formula. Critically, the Government of Iraq works with UNDP to select projects that exist within existing operations budgets of the line ministries. This helps ensure that rehabilitation efforts are sustained following site handover to the line directorates and that FFS efforts support the Government’s long-term rehabilitation and recovery effort.

- Fourth, most geographical areas have unique triggers which will encourage or prevent IDPs from returning. Local conflict analysis is therefore essential, including an understanding of the drivers of conflict and motivations of stakeholders. After 12 months of testing conflict sensitivity models of delivery, FFS learned that community reconciliation as envisioned in the 2015 Project Document requires dedicated long-term programming that ties community interventions to national-level processes. At the request of the Government of Iraq, programming for window 4 now exists as a separate UNDP program; however, conflict analysis remains a key component of the stabilization needs assessment process. Conflict analyses inform areas of intervention and types of projects implemented, and helps UNDP open dialogue with Government of Iraq counterparts on sensitive topics regarding conflict mitigation and prevention.

- Fifth, cash-based activities have been the best, most efficient and most effective, high-impact modalities for IDPs returning to their areas of origin. Youth brigades have been involved in debris removal, upgrading of public facilities and repair of the returnees houses. These are specifically designed as cash injections during the crucial period following the return of IDPs to their communities of origin. These are not intended to be early recovery or long-term jobs programs, but designed to ensure the maximum number of vulnerable families receive cash assistance to pay for medical bills, moving families home, fix up damaged homes, etc. Small business grants similarly inject cash into the local economy to jumpstart businesses that will continue beyond the scope of the project. Hundreds of businesses have received such grants, to include women, and help boost overall local economies.

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

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

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

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

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

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

3.3 Cross-cutting issues

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

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6 "Increase Iraqi counter-IED/UXO clearance capacities and threat assessment of liberated areas", EU-funded project, implemented by UNMAS (Budget: EUR 4.5 million)
7 "Support to conflict reduction between IDPs and host communities", EU-funded project, implemented by IOM (Budget: EUR 3.5 million)
8 "Government-led multi-stakeholder reconciliation process", EU-funded project, implemented by CMI (Budget: EUR 1 million)
particular note. Special attention is paid to design the criteria of receiving the small grants to ensure at least 30% of the beneficiaries are females with a higher priority given to vulnerable segment such as divorced or widowed female with no sustainable income. The FFS is also recruiting a gender specialist to identify further means to ensure stabilization activities further empower women in retaken areas.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective of this project is to ensure that early recovery and rapid return to sustainable development pathway are achieved. The specific objective, implemented through the Funding Facility for Stabilisation, is to support the Iraqi Government in newly liberated areas to address immediate challenges for the safe, voluntary and dignified return of IDPs. At the onset of FFS in June 2015, 3.3 million Iraqis were displaced, the Government of Iraq had limited resources to undertake the mass scale rehabilitation required to encourage safe and voluntary returns, and approximately one-third of the country was under ISIL control. As of 26 July 2017, over 2 million Iraqis have returned to newly liberated areas in FFS areas of operation in Anbar, Diyala, Kirkuk, Ninewah, and Salah al-Din.

The programme directly supports the Government of Iraq in its planning and implementation of stabilization activities. The Government of Iraq initiates planning with a series of assessments, facilitated by UNDP, that develop six- and 12-month priorities for each city that is in need of stabilization support. The process is informed by a number of stakeholders, including but not limited to governors’ offices, line directorates, council members, and civil society. All FFS areas of intervention undergo stabilization assessments once areas are liberated and cleared by the National Operations Centre of hazards and other security threats. To date, 23 out of 28 assessments have been completed (some areas are under ISIL control, contaminated with explosive ordnance, or have endured, significant security threats).

Following the endorsement of the Steering Committee to work in a particular city, UNDP undertakes a conflict assessment of the area to inform FFS interventions. All Steering Committee approved areas of FFS intervention have undergone a conflict assessment (currently 28).

FFS is currently developing, procuring, implementing, or closing over 1,053 Window 1 and 68 Window 2 projects in liberated areas. By the end of 2019, UNDP expects to have completed over 2,500 projects.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG 16: "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels", and SDG 5 “Achieve gender equality and empower all women and girls.” Further, the project directly benefits hundreds of thousands of Iraqis in retaken areas who have endured traumatic conflict and returned to their areas of origin.

This does not imply a commitment by the country benefiting from this programme.
4.2 Main activities

- **Window 1**: Public works and light infrastructure rehabilitation. This window will be used to finance light repairs of key public infrastructure clinics, police stations, water facilities, power grids, government buildings, and access roads.

- **Window 2**: Livelihoods. This window will be used to finance cash for work activities, as part of this cash injection into the local economy. In addition, it intends to provide microcredit grants to small businesses with high community impact. Where possible, support will be given to women and vulnerable households.

- **Window 3**: Capacity support. This window will be used to recruit and deploy technical experts to support planning, implementation, and monitoring functions, and possibly support to women’s committees in the provincial councils. The expectation is that these deployments will be short-term, until government funding comes online to absorb these staff or transition them. Professionals with expertise in property restitution rule of law and policing can also be deployed. The expectation is that these deployments will be short-term, until government funding comes on line.

- **Window 4**: Community reconciliation. The intention is to provide microcredit grants to community organizations to support local reconciliation activities, to train community facilitators for reconciliation, with special attention to local women’s groups, and to start a restorative justice process.

This project will focus on windows 1 and 2: the rehabilitation of infrastructure in newly retaken areas (Window 1) and supporting returnees through cash-generating work opportunities (Window 2). Specifically, EU funding will ensure that by June 2019:

- Returnees have access to basic services through completion of 1,000 projects in water, health, education, electricity, municipal, and sewage services;
- 3,600 work opportunities will have been generated, of which 20 percent are geared for women and 70 percent for youth (under 30); and

The project expects to undergo the following activities to achieve these results:

- Conduct stabilization needs assessments and conflict analyses for each FFS area of intervention;
- Assist the Government of Iraq in identifying six- and 12-month priorities;
- Coordinate FFS window 1 priorities as developed through the Provincial Control Cells;
- Coordinate FFS window 2 support with governors’ offices, municipalities, community leaders (mukhtars, women), councilmembers, and civil society;
- Undergo fast-tracked FFS procurement procedures to select implementing agencies for windows 1 and 2;
- Begin window 1 project implementation in priority sectors of health, education, water, electricity, roads and bridges, sewage, and municipalities;
- Begin window 2 cash for work projects;
- Execute monitoring system during implementation phase, which includes onsite oversight and management, as well as regular site visits from Erbil/Baghdad-based experts;
- Complete site handovers and initiate evaluations.
UNDP decision-making on the funding of projects is guided by a set of principles:

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

4.3 Intervention logic

The intervention logic identifies the changes we want to bring about in a given context in the targeted Iraqi areas, and identifies how we think the associated change processes might happen, why and on the basis of what assumptions/evidence. The most significant assumptions developed in this part are to be included in the logical framework matrix in the appendix.

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

In addition to the above, the return of IDPs is delayed by security challenges as the capacity of the local police to take over security duties in retaken areas from Iraqi Security Forces. Italy is leading the police training that will re-establish local control of security provision and professionalize the force. This training complements FFS stabilization efforts. Another
delaying factor is the presence of unexploded ordnances and improvised explosive devices which have been planted by ISIL to obstruct the return of the population.

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

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

The Funding Facility is implemented through UNDP, though certain activities are implemented through trusted local partners. Ownership by and the leading role of the Iraqi Government (particularly at the governorate level) are critical and include priority setting and decision making through the Steering committee, chaired by the Chief of Staff of the Prime Minister’s Office.

5 IMPLEMENTATION

As a result of the graduation of Iraq as upper-middle income country, the Commission has authorised the application of the exception clause provided for in Article 5(2)(b)(ii) of the (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 (the DCI Regulation) to Iraq.

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 48 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

5.3.1 Indirect management with an international organisation

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

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

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

This implementation entails the funding rehabilitation of light infrastructure in newly retaken areas (Window 1) and support livelihoods by jumpstarting the local economy and generating income (Window 2). This implementation is justified because of the unique and privileged standing and accessibility which UNDP enjoys in the specific Iraqi context.

If negotiations with the above-mentioned entrusted entity fail, that part of this action may be implemented in direct management.

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.

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 realization of this action impossible or exceedingly difficult.
### 5.5 Indicative Budget

<table>
<thead>
<tr>
<th></th>
<th>EU contribution (amount in EUR)</th>
<th>Indicative third party contribution(^9), in currency identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.3.1 Indirect management with UNDP</td>
<td>50 000 000</td>
<td>EUR 362 955 070 (corresponding to approximately USD 406 444 648)</td>
</tr>
<tr>
<td>Evaluation and Audit</td>
<td>400 000</td>
<td>0</td>
</tr>
<tr>
<td>Communication and visibility</td>
<td>Covered by the UNDP contract</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50 400 000</strong></td>
<td><strong>EUR 362 955 070 (corresponding to approximately USD 406 444 648)</strong></td>
</tr>
</tbody>
</table>

### 5.6 Organisational set-up and responsibilities

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

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

### 5.7 Performance monitoring and reporting

Infrastructure rehabilitation activities will be monitored by a team of engineers, contracted through a third party company to monitor quality of work and to ensure that implementation is in line with the agreed specifications of the contract. These engineers work closely with the monitoring committees which have been set up by the Government for each infrastructure site. Livelihoods activities are monitored by field staff in retaken areas and by UNDP recruited experts. Regular site visits from the UNDP M&E Team also ensure quality and timeliness of work.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of UNDP responsibilities. To this aim, UNDP maintains a

\(^9\) including previous EU contribution
permanent internal, technical, and financial monitoring system for the action and elaborate regular quarterly progress reports and a final report. 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 (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

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

5.8 Evaluation

Having regard to the importance of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It 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 could be potentially replicated in other countries.

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

The Commission shall inform the implementing partner at least 3 months 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, one contract for evaluation services shall be concluded in the last year of implementation of the action.

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 last year of the implementation of the measure.
5.10 Communication and visibility

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

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

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

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.
APPENDIX - Indicative Logframe matrix (for project modality) ¹⁰

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.

<table>
<thead>
<tr>
<th>Results chain</th>
<th>Indicators</th>
<th>Baselines (incl. reference year)</th>
<th>Targets (incl. reference year)</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall objective: Impact</strong></td>
<td>1.1: Number of governorates with reconstruction and development plans</td>
<td>1.1: 0</td>
<td>1.1: ; Target: 4</td>
<td>1.1: Progress and final reports</td>
<td>Government counterparts are willing to engage; security problems will not lead to major delays in project progress; Currency fluctuations and inflation are minimal; national IDP and returnee situation remains relatively stable. Returns to areas of origin are voluntary, and returnees voluntarily remain in areas of origin.</td>
</tr>
<tr>
<td><strong>Specific objective(s): Outcome(s)</strong></td>
<td>1.1: Number of returnees to targeted liberated areas of Salah al-Din, Ninewah, Diyala and Anbar</td>
<td>1.1: total 1.6 million returnees (as of April 2017)</td>
<td>1.1: 2,400,000 internally displaced persons have returned to their places of origin by June 2019.</td>
<td>1.1: Progress and final reports; Baseline, mid-point, end-line surveys; National Reports and surveys; IOM returns database; OCHA database/population tracking; Local Authority information.</td>
<td>¹¹ Aligned with the UNDP Strategic Plan and Country Programme Results and Resource Framework for Iraq 2014-2017 (Outcome 6).</td>
</tr>
<tr>
<td></td>
<td>1.2: Percentage of host community individuals, refugees, and internally displaced persons able to</td>
<td>1.2: 60% (weighted average calculated from the World Bank)</td>
<td>1.2: 75%</td>
<td>¹² This is the stated output for the Funding Facility for Stabilization, including FFIS and FFES, approved in April 2016.</td>
<td></td>
</tr>
</tbody>
</table>

¹⁰ Mark indicators aligned with the relevant programming document mark with ‘*’ and indicators aligned to the EU Results Framework with ‘**’.

¹¹ Aligned with the UNDP Strategic Plan and Country Programme Results and Resource Framework for Iraq 2014-2017 (Outcome 6).

¹² This is the stated output for the Funding Facility for Stabilization, including FFIS and FFES, approved in April 2016.
| Outputs | O1: “Government and communities' resilience to disasters (man-made and natural) strengthened”\textsuperscript{13} | 1.1: Number of infrastructure projects for basic services (water, health, electricity, education and municipal services) which have been rehabilitated in FFIS targeted areas. | Household Socio-Economic Survey, REACH refugee assessments, and the Multi-Cluster Needs Assessment, phase II) | refugee/internally displaced persons/host community assessments | 1.1: 2,500 projects completed by June 2019. | Progress and final reports; Baseline, mid-point, end-line surveys; Service Centre reports and ATLAS; Implementation partner reports; Local Authority Information. | Absorptive capacity; political willingness to engage in stabilization activities; Security situation allows implementation; residents are engaged in planning and implementation; High level of IED contamination and destruction delay IDPs from returning but concerted efforts of local and international actors to tackle these challenges will allow FFS to work in retaken areas soon after liberation. Adequate numbers and |
| O2: “Improved livelihoods opportunities for crisis-affected communities”\textsuperscript{14} | 2.1: Number of work opportunities for individuals, including women and youth, created in liberated areas of target provinces” | 1.1: 1,051 projects ongoing (as of June 2017) | 2.1: 6,981 job opportunities as of June 2017 | 2.1: 20,000 job opportunities created by June 2019, 30% for women and 70% for youth (under 30). | 2.2: A total of 5000 small businesses receive grants in 4 target provinces by 31 December 2018 | 2.2: Small businesses have no grants. |
|  | 2.2: Number of small business grants, including women-owned businesses, awarded in |  |  |  |  |  |  |

\textsuperscript{13} Aligned with UNDAF Outcome 1
\textsuperscript{14} Expected UNDP Iraq Country Programme Outcome 3
| Liberated areas of target provinces | (end Q4). A total of 100 women’s small businesses will receive grants | Quality of personnel can be recruited and remain with Project at expected remuneration; security allows international staff presence in country. |