



FUNDING FACILITY FOR STABILIZATION

2021 SUMMARY PROGRESS REPORT

REPORTING PERIOD	January to December 2021
PROJECT TITLE	Funding Facility for Stabilization (FFS)
UNDP PROJECT ID	00089459 (Output ID 00095684)
PROJECT DURATION	May 2015 to December 2023
PROJECT RESOURCES	US\$1,284,871,183
PROGRAMME COUNTRY FOCAL POINT	Office of the Prime Minister
UNDAF OUTCOME	Outcome 1: Government and communities' resilience to disasters (man-made and natural) strengthened.
UNDP COUNTRY PROGRAMME OUTCOME	Outcome 3: Conditions improved for the safe return of internally displaced persons (IDPs) in newly liberated areas
UNDP PROGRAMME OUTPUT	Output 1: Government of Iraq supported to address the immediate stabilization needs in newly accessible areas which allows for the return of IDPs.
IMPLEMENTING PARTNER	UNDP
REPOSIBLE PARTNER	UNDP
PROJECT LOCATIONS	Liberated governorates of Anbar, Diyala, Kirkuk, Ninewa and Salah al-Din
CONTRIBUTING PARTNERS	Australia, Austria, Belgium, Bulgaria, Canada, Czech Republic, Denmark, Estonia, European Union, Finland, Germany, Greece, Iraq, Italy, Japan, Kuwait, Malta, Netherlands, New Zealand, Norway, Poland, Republic of Korea, Romania, Slovakia, Sweden, Turkey, United Arab Emirates, United Kingdom, United States of America.

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1. 2021 IN CONTEXT

In October 2020, the Government of Iraq (GoI) put forth the White Paper, which should form the building blocks for the country's economic recovery. And, compared with previous years, 2021 seems to have more favorable socioeconomic conditions, mainly linked to a gradual increase in oil prices, and the parliamentary elections resulting in some changes. Harnessing these developments, Iraq joined the Paris Agreement and took its first steps in transitioning to clean energy, awarding several large contracts to build solar energy plants. And, for the first time in decades, the country also regained some of its regional influence, hosting several meetings between Iran and Saudi Arabia, as well as a regional summit attended by Egypt, Iran, Jordan, Kuwait, Turkey and UAE.

Still, the political, economic, security, humanitarian and development situation in Iraq remains unstable, despite years of effort and significant progress to rebuild and strengthen resilience, following the liberation from the Islamic State in Iraq and the Levant (ISIL). Approximately 1.19 million people remain internally displaced, social tensions persist in some areas, unexploded ordnance contamination is extensive, access to basic services and livelihood opportunities is limited, pockets of poverty are widespread, and have increased in the last years, and the Iraqi economy still suffers from the impact of the twin shocks of the COVID-19 pandemic and swings in oil prices.

The 2021 parliamentary electoral process culminating in low voter turnout, followed by demonstrations in some areas of the country, including Baghdad, shows that the gap in trust between citizens and state institutions remains persistent, and that the social contract continues to be fractured.

Iraq's security environment continues to be volatile. Attacks from non-state armed groups using Improvised Explosive Devices (IED) and rocket attacks targeting international presence, Iraqi Security Forces, as well as critical infrastructure, including the Baghdad and Erbil international airports, occurred over the course of 2021. A few weeks after the elections, Prime Minister Mustafa Al-Kadhimi narrowly escaped a drone attack on his official residence in the Green Zone in Baghdad. In fact, more than 600 ISIL-related incidents were recorded in Iraq in 2021, including a suicide bombing in Baghdad in July 2021.

Iraq continues to be one of the most fragile countries globally. Iraq's ranking is high on a number of fragility metrics, such as the Sustainable Security Index (152 out of 155)¹, the Organisation for Economic Cooperation and Development (OECD) Fragility Report (one of the 27 chronically fragile

¹ Oxford Research Group, "Sustainable Security Index", 2020.
<http://oxfordresearchgroup.org.uk/Pages/Category/sustainable-security-index>.

countries)², and the Fragile States Index (in the top 20 fragile states)³, to name a few. Fragility can intensify poverty and undermine opportunities for individuals and societies to escape it⁴.

In looking at its economy, Iraq is one of the most oil-dependent countries in the world. Over the last decade, oil revenues have accounted for more than 99 percent of exports, 85 percent of the government's budget, and 42 percent of GDP. This continued dependence on oil exposes the country to macroeconomic volatility, while budget rigidities restrict fiscal space and any opportunity of counter cyclical policy⁵. The fall in oil prices from late 2014 until mid-2021 coupled with the COVID-19 global pandemic have deepened existing economic and social vulnerabilities, with negative effects still felt throughout 2021, as the country experienced the largest contraction of its economy since 2003.

GDP contracted by 10.4 percent in 2020 on the back of the OPEC+ oil production cuts agreement as well as the negative impact of COVID-19 on non-oil sectors. As a result, "GDP per capita, a proxy of for individual welfare, is estimated to have contracted by 15 percent in 2020 – a significant larger contraction than regional and income peers"⁶. In addition, the oil price related drop in budget revenues forced the government to cut discretionary spending, including a drastic 87 percent (y/y) cut in public investment (47 percent in non-oil sectors), already at significant low levels compared with regional and income peer countries, thus raising concerns over the ability of the government to drive the reconstruction agenda and close the infrastructure gap.

The government also opted for an 18.5 percent devaluation of the Iraqi Dinar against the US\$ in December 2020, which boosted oil receipts, but also had major negative impacts on Iraqi households and their food basket. As of January 2021, in a country of 40.2 million, Iraq's unemployment rate was more than 10 percentage points higher than its pre-COVID-19 level of 12.7 percent. Unemployment among the displaced, returnees, women, the self-employed and informal workers remains elevated⁷. Although Iraq's economic conditions have improved as international oil markets have gradually recovered in the latter half of 2021, achieving development gains will continue to be dependent on the ability of the GoI to undertake major reforms to achieve fiscal sustainability and channel resources to priority sectors. Government spending continues to be dominated by rigid expenditures, such as wages and transfers⁸. Non-oil public investment remains very low and in stark contrast to the large needs and continues to

² OECD, "States of Fragility Report", 2018. <https://compareyourcountry.org/states-of-fragility/countries/IRQ>.

³ The Fund for Peace, Fragile States Index, 2018. <https://fragilestatesindex.org/country-data/>.

⁴ A proper understanding of the drivers of fragility and a recognition that Iraq has its own unique combinations of risks and coping capacities is central. In that regard, UNDP has produced a fragility report for Iraq, applying a multidimensional concept of fragility based on the methodology developed by the OECD, to inform current and future policy decisions and strategic priorities of the GoI, the UN system and donor partners. UNDP, "Impact of the Oil Crisis and COVID-19 on Iraq's Fragility", 2020. <https://www.iq.undp.org/content/iraq/en/home/library/impact-of-the-oil-crisis-and-covid-19-on-iraq-s-fragility.html>.

⁵ <https://www.worldbank.org/en/country/iraq/overview#1> (25 February 2022).

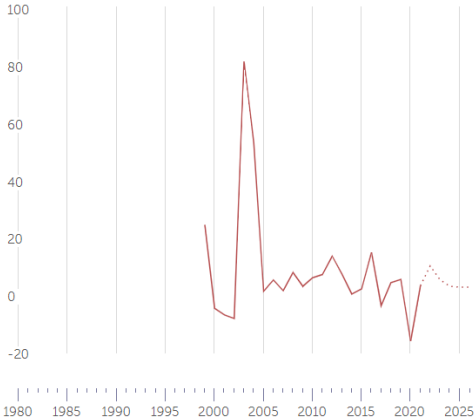
⁶ World Bank, "Iraq Economic Monitor", 2021.

⁷ <https://www.worldbank.org/en/country/iraq/overview#1> (25 February 2022).

⁸ Two items alone, public wages and pensions, averaged 60 percent of total spending in the last 5 years and over 70 percent in 2020. World Bank, Iraq Economic Monitor, 2021

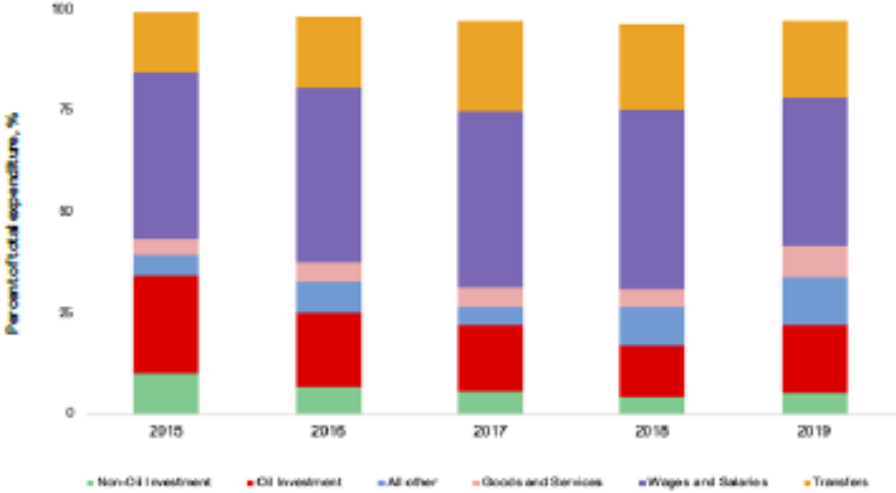
suffer from persistent under-execution⁹. In addition, “the efficiency of public spending in Iraq is also limited by issues at the level of public financial management. Iraq public financial management faces multiple challenges to support efficient and accountable allocation of public resources necessary to address national priorities. Weaknesses exist at each stage of the fiscal process [and] the budget in Iraq, as it stands, is not an effective policy instrument for public finance. It is formulated on a year-by-year basis, is not linked to a medium-term fiscal strategy [...] and supported by a statement of sectoral priorities”¹⁰.

Figure 1. Real GDP growth in Iraq



Source: IMF, October 2021 projections

Figure 2. Government spending in Iraq



Source: World Bank, 2021.

⁹ In 2019, 78 percent of investment was oil related (7 percent of GDP), leaving only 22 percent for non-oil-investment (2 percent of GDP). World Bank Group, “Addressing the Human Capital Crisis: A Public Expenditure Review for Human Development Sectors in Iraq”, 2021.

¹⁰ World Bank Group, “Addressing the Human Capital Crisis: A Public Expenditure Review for Human Development Sectors in Iraq”, 2021, p.34.

Climate change continues to be a serious threat and is acting as a multiplier to the already fragile environmental, security, political and economic landscape. Low rainfall levels and high temperatures caused by climate change have contributed to the depletion of water supplies across the country. Iraq is experiencing one of its worst periods of water scarcity in modern history, with rainfall and water availability in 2021 at the second lowest on record in 40 years¹¹. The Iraqi marshlands, considered as the largest wetland ecosystem in the Middle East at their peak of extension, continue to shrink, and Razazza Lake, Iraq's second largest lake, is drying up. Drought and environmental degradation are having direct impacts on agriculture and food security, threaten an already fragilize social fabric, may trigger new displacements, and fuel potential clashes for resources.

Displacement continues to be a key characteristic of the post-conflict environment in Iraq. About 1.19 million people remain internally displaced; more than 90 percent of whom fled their areas of origin more than 4 years ago. The return pace started to slow down in 2018-2019, which shows the complexity of challenges including heavily damaged housing and infrastructure for basic services, the lack of livelihood opportunities, social cohesion and reconciliation issues, and a persistent volatile security and safety environment in some areas of return.

In the period from January to December 2021, the International Organization for Migration (IOM)¹² recorded that a total of 120,666 returnees arrived in their area of origin, representing a significant decrease from the numbers recorded in 2020 (235,116) and 2019 (431,130). During the year, Ninewa accounted for the highest number of returnees (38,418), bringing the total number there to 1,927,572. Additionally, a total of 37,860 returnees also arrived in Anbar (raising its total to 1,542,492), while 28,962 returnees arrived in Salah al-Din (raising its total to 737,706).

In the period from January-February 2021, a significant number of these movements of Internally Displaced Persons (IDPs) took place following the closure and re-classification of camps in Ninewa, Kirkuk, Diyala, Salah al-Din, Anbar, Karbala and Baghdad¹³. As of 31 December 2021, the proportion of all those displaced from each governorate who have managed to return (return rate) varied, with 74 percent in Ninewa, 76 percent in Diyala, 82 percent in Kirkuk, 84 percent in Salah al-Din and 92 percent in Anbar. Protracted displacement is expected to continue over the next year, as barriers to return, local integration or resettlement remain significant and about 1 percent of IDPs have expressed their intention to return over the coming 12 months¹⁴.

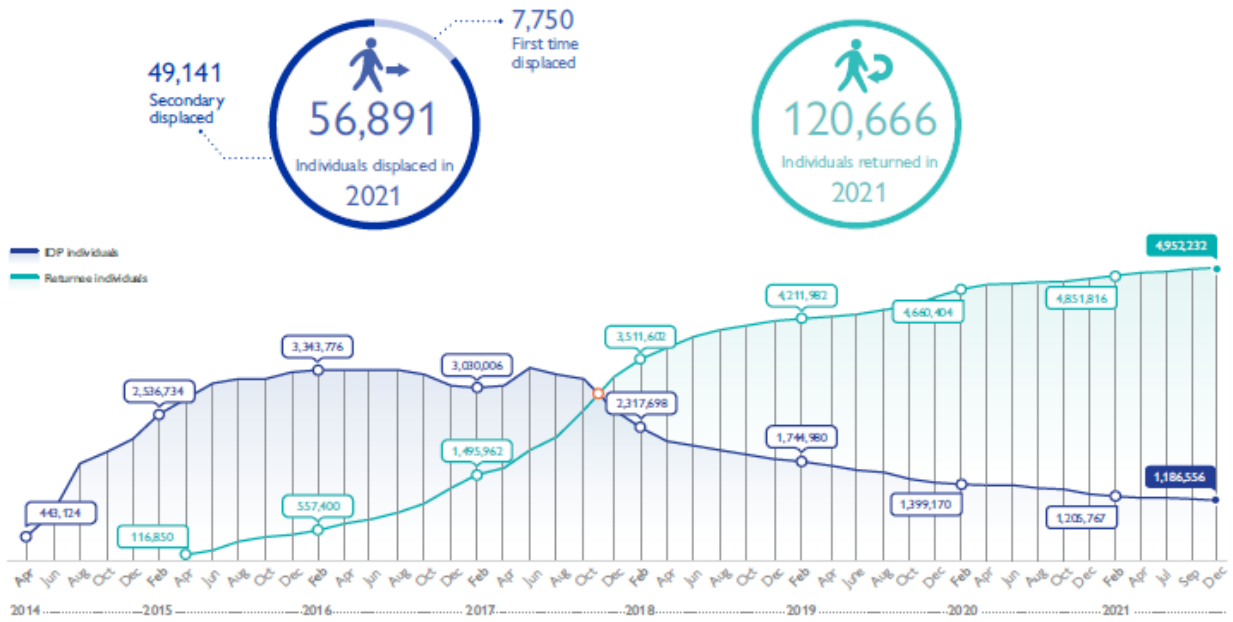
¹¹ United Nations, "Iraq Humanitarian Needs Overview", 2022.

¹² IOM DTM, Master List Report 124, October-December 2021.

¹³ Between October 2020 and February 2021, IOM DTM implemented an Emergency Tracking exercise which tracked the movements of IDPs from camps to other locations following the closure or re-classification of camps. Products are available at <http://iraqdtm.iom.int/IdpMovements#Camp>.

¹⁴ United Nations, "Iraq Humanitarian Needs Overview", 2022.

Figure 3. Number of IDPs over time



Source: IOM, 2021.

2. A YEAR OF STEADY PROGRESS AND ADAPTATION

Since 2015 and following the liberation of Iraq from ISIL occupation, UNDP has been leading civilian stabilization efforts using the Funding Facility for Stabilization (FFS) as the main vehicle to create the necessary conditions for IDPs to return and rebuild their lives in dignity and in peace. Throughout the years, the FFS' integrated approach has been paving the way for an inclusive and sustainable post-conflict recovery in Iraq, by combining major infrastructure rehabilitation efforts across key sectors, such as education, electricity, health, housing, municipal services, transportation networks, sewerage, water, with immediate and medium-term socio-economic interventions to support livelihoods, local government capacity support as well as social cohesion and peacebuilding initiatives.

Progress

In 2021, the FFS completed 368 projects (3,060 since 2015) across all sectors of interventions and in the five liberated governorates of Anbar, Diyala, Kirkuk, Ninewa and Salah al-Din¹⁵ (**figures 4 and 5**) for a total value of US\$ 164.5 million (US\$ 826.2 million since 2015), generating over 3 million benefits (18.9 million since 2015), half of them for women (**figures 6 and 7**)¹⁶. This represents an estimated 8 million individual beneficiaries since 2015. By the same time period, 322 projects were under implementation, 195 under procurement and 2,161 in the pipeline.

¹⁵ Social cohesion projects that cut across several governorates are marked as such and reported under "multi-locations".

¹⁶ An individual may receive multiple benefits from project interventions in various sectors in a given location. A benefit from a sectoral intervention is considered to have accrued to an individual on completion of the project. Benefits from different sectoral interventions are considered mutually exclusive and hence accrued. For this reporting exercise, benefits reported are those generated by completed projects for infrastructure, livelihoods, and capacity building, as well as completed and ongoing projects for social cohesion.

Figure 4. Completed projects by governorate and sector, 2021

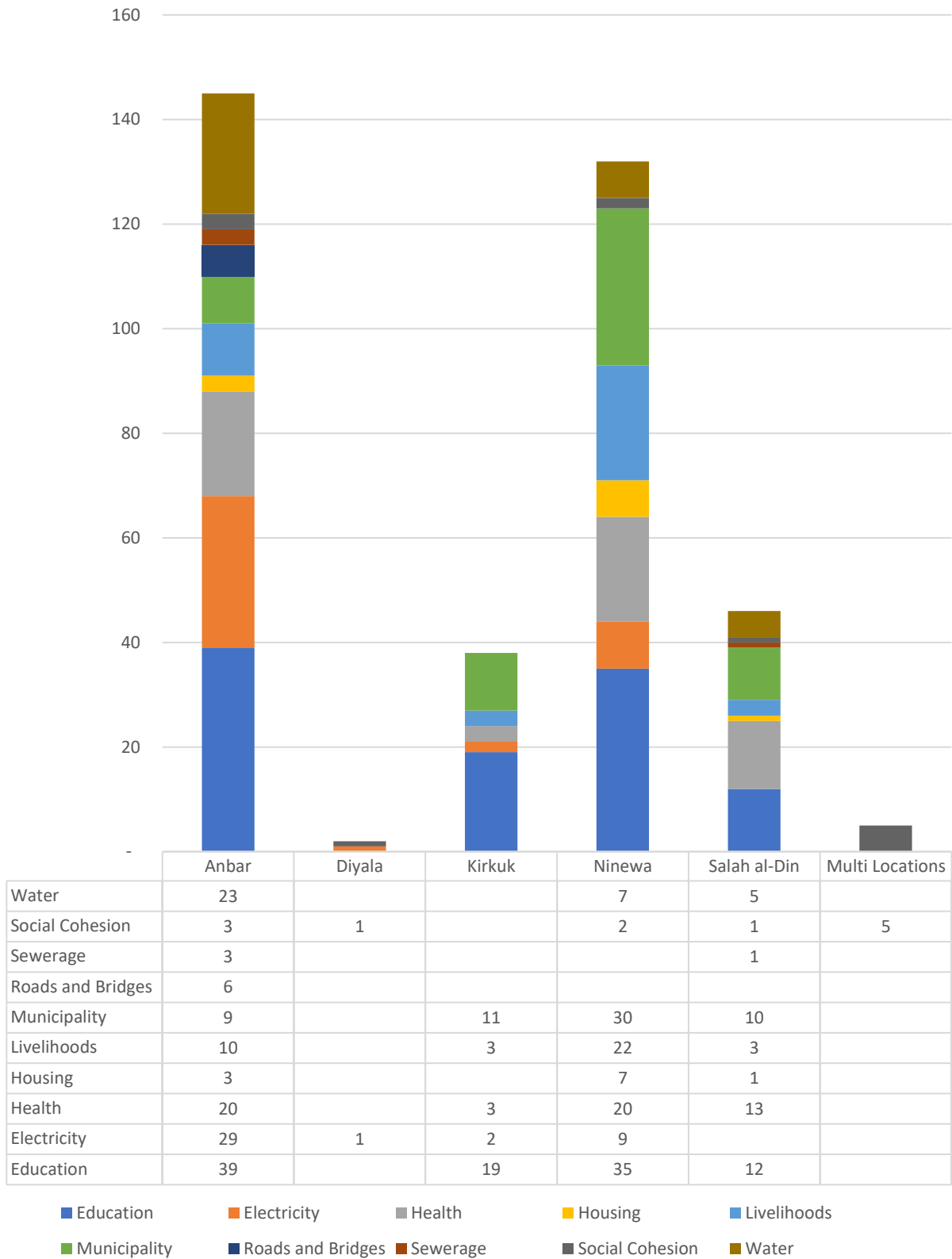


Figure 5. Completed projects by governorate and sector, 2021 (cumulative)

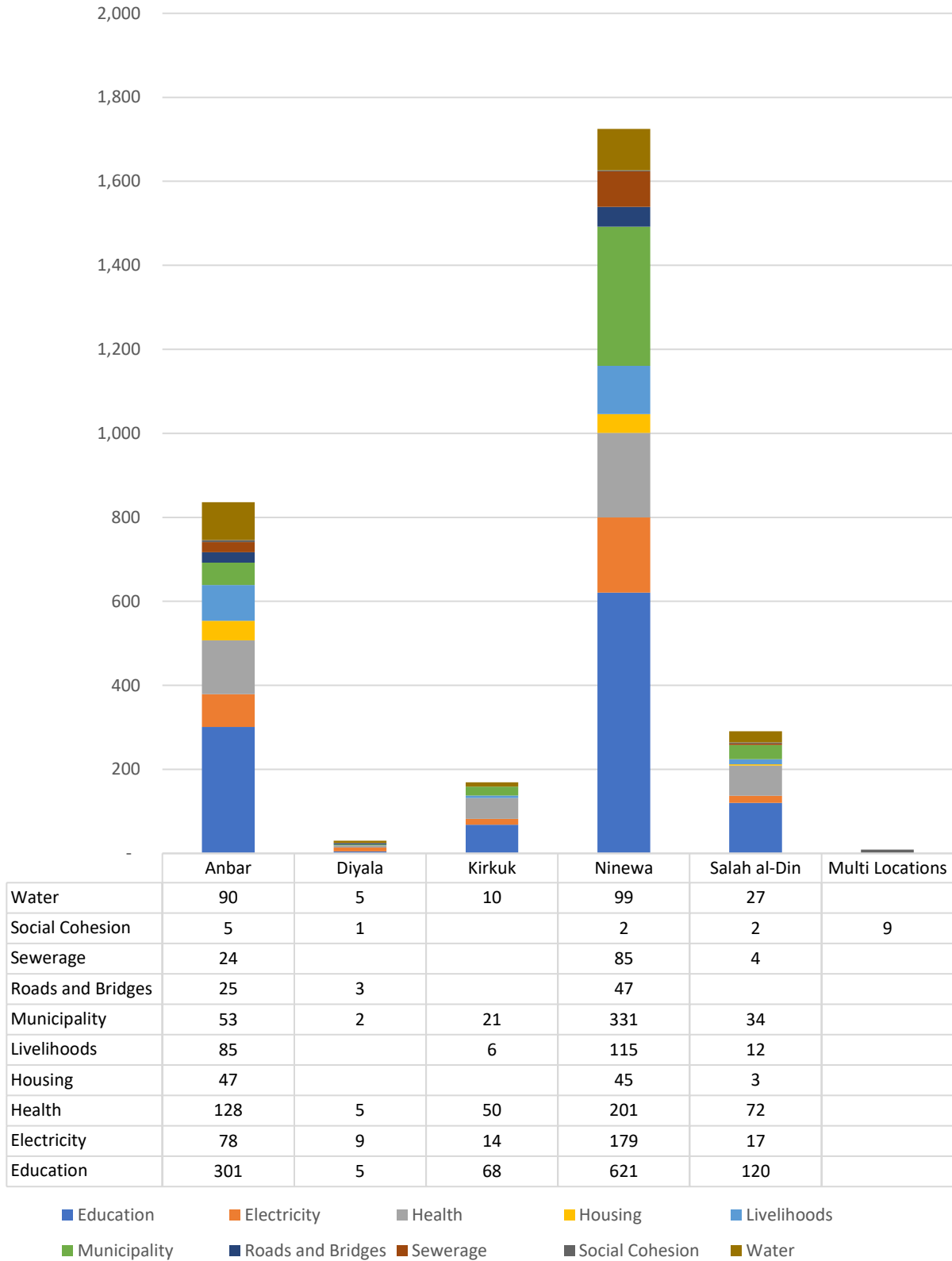


Figure 6. Accrued benefits by sector, 2021

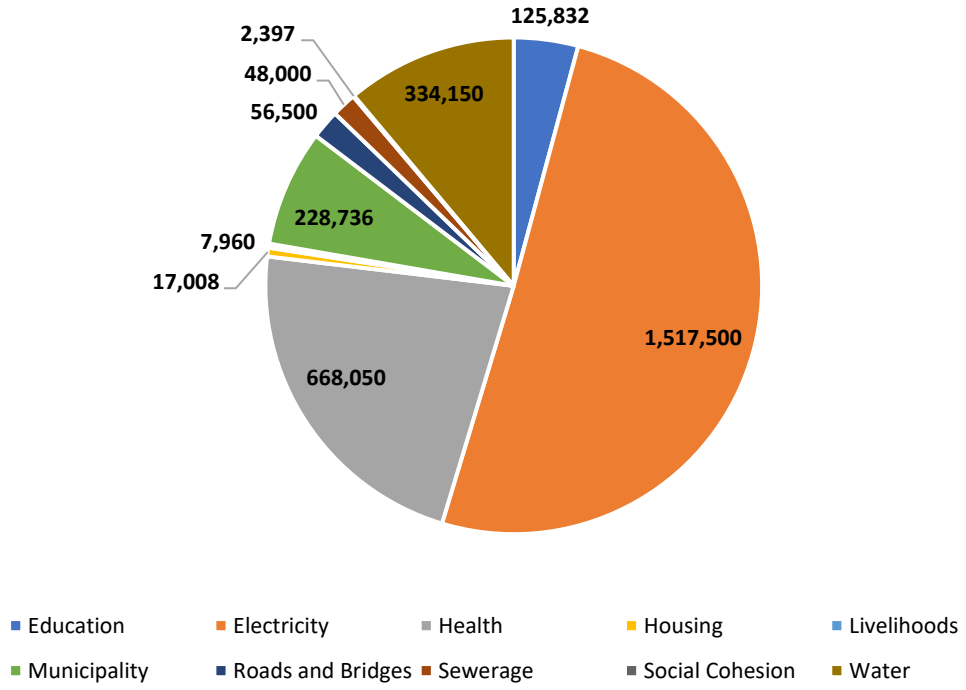
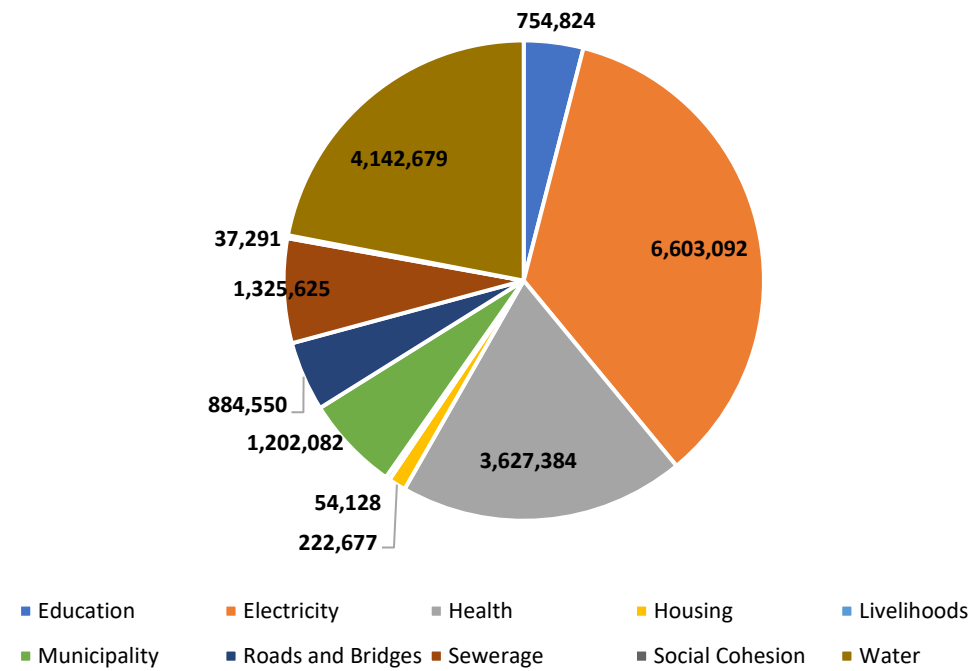


Figure 7. Accrued benefits by sector, 2021 (cumulative)



Progress against set targets has been steady and consistent (**figure 8**). In some instances, results have surpassed set objectives while in a few cases, progress has been marked by corrective measures and a necessary recalibration of implementation timelines given contextual and operational challenges that have characterized 2021.

Challenges

The COVID-19 global pandemic continued to present public health and socio-economic challenges during 2021. Cases had reached record levels in late July and early August and steadily declined until the end of the year. By 27 December 2021, a total of 2,093,891 COVID-19 infections, resulting in the death of 24,163 individuals had been confirmed¹⁷. In parallel, around 16 percent of the population had been vaccinated with more than 15 million COVID-19 vaccine doses administered – the second lowest rate in MENA¹⁸. While UNDP field operations have been uninterrupted during 2021, infections among UNDP personnel, movement restrictions on goods and logistical bottlenecks, and preventive safety measures have continued to create challenges in implementing activities in the target areas. This resulted in adjustments of timelines and priorities to minimize delays in project implementation.

The COVID-19 related challenges and supply disruption have added pressure to the procurement process, thereby requiring different and flexible approaches to UNDP's standard workflow. The procurement processes were expedited where possible to ensure awards were made in a faster manner without compromising quality review and due diligence. Additionally, bidders and contractors have continued to raise concerns of increased global market prices for certain commodities, equipment and materials, which in some instances have impacted contractual implementation timelines, especially for civil works and longer-term contracts. Some contractors went so far to threaten full withdrawal from their respective contracts due to this reason. However, the implementation of bid and performance securities (for bidders and contractors, respectively), the inclusion of damage clauses to protect UNDP from delays, as well as UNDP's flexibility to accept lower priced brand materials, if the minimum specifications are considered equivalent and met, have proven to be effective mitigation measures.

Adverse security conditions in some areas continued to create difficulties in accessing and implementing activities. Such challenging security conditions and limited safety guarantees in certain instances also resulted in a recalibration of timelines and priority projects. Access impediments include the presence of landmines and other unexploded ordnance (UXO), difficult physical environments, or the obstruction of conflict-affected people's access to services and assistance. Improvised explosive devices (IED) and explosive hazards (EH) continued to be discovered on some project sites presenting threats to the communities and personnel, requiring clearance prior to commencement of work on site. Collaboration with the UN Mine Action

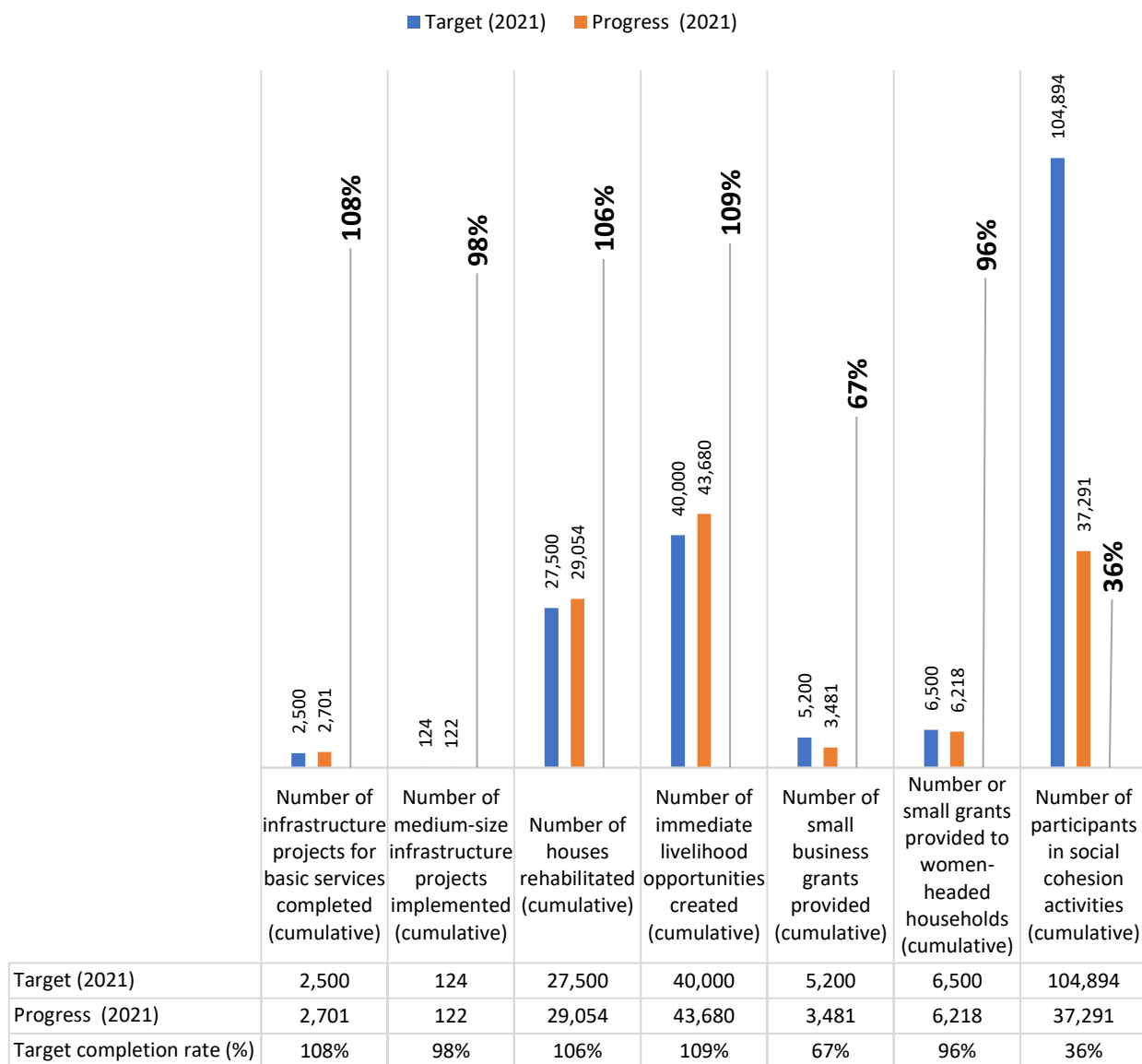
¹⁷ World Health Organization (WHO), COVID-19 Iraq portal. <https://covid19.who.int/region/emro/country/iq> (14 February 2022).

¹⁸ John Hopkins University. <https://coronavirus.jhu.edu/vaccines/international> (14 February 2022).

Service (UNMAS), local authorities, security forces and local demining actors remained essential to ensure that liberated sites are safe for intervention. The FFS continued to work with EH removal actors, through coordination with the Directorate of Mine Action (DMA) to conduct rapid threat assessments and undertake the issuance of contracts for EH clearance. The prolonged IED and EH clearance process in some instances also resulted in the readjustment of timelines in project implementation.

Other challenges, including limited financial and/or administrative capacity of some contractors to perform according to required standards, the presence of societal barriers in some areas compromising the engagement of women in project activities, and local political dynamics resulting in community leaders to seek control over activities for reelection motivations, also called for programming adjustments over the course of 2021.

Figure 8. 2021 cumulative progress (real value and completion rate (%)) against 2021 selected targets, by output indicator



Key achievements

The year of 2021 was marked by key successes providing important essential services, livelihood opportunities and social cohesion support to entire communities across the liberated governorates. In Mosul, a total of 40 substations have been completed between 2017 and 2021, making a tremendous difference for the city. In 2017, the electricity grid was largely out of order, and by the end of 2021, Mosul was receiving an average of 12-23 hours of electricity per day in

summer, and 8 hours per day in winter – with remaining shortages largely due to a shortage of power supply rather than to the distribution network. In addition, the Mosul University Central Library and Grand Theatre Hall have been completed, forming the “heart” of the University, and representing the crowning achievement of a total of 52 projects that have been completed (college buildings, laboratories, and workshops) since 2017. By the end of 2021, more students were studying at Mosul University compared to pre-ISIL occupation. UNDP also completed the reconstruction of the Ninewa High Court, the highest court in northern Iraq. Reconstructed to twice its original size, it now houses 10 different courts (including appeals, criminal investigations, and domestic violence), which used to be scattered across temporary sites in Ninewa.

The rehabilitation of Al-Qadisiyah Electrical Substation in Ramadi, which is considered as one of the main substations in the city feeding major areas in the west of the city, as well as other important facilities such as the University of Anbar and Al-Tash water project, have been completed. The Al-Qadisiyah Electrical Substation was built in 1986 with a capacity of 2 x 31.5 MVA. The building, electrical parts and equipment of the substation were heavily damaged during the conflict. Combined with the deterioration of its equipment as a result of exceeding lifespan and the lack of spare parts, the substation was operating at an efficiency rate under 40 percent, which negatively affected the supply of electrical power to the population. UNDP has rehabilitated this substation, which included dismantling all old equipment, rehabilitating all buildings, equipment structures and bases, cable trenches and the main fence inside the substation. The rehabilitation also included the provision and installation of new equipment, such as transformers, switchgears, control system, cables, etc. in line with modern global specifications. The substation is now operating and feeding all targeted areas at full efficiency depending on the power received from the source.

UNDP continued to engage and build capacities of community members representing different groups to ensure a holistic approach and understanding of social cohesion, coexistence, and peacebuilding. By engaging with local governments, tribal and religious leaders, community-based peace mechanisms, women, and youth, issues pertaining to violent extremism and lack of social cohesion can be addressed through multiple avenues. Capacity building of local actors on these issues allows for a more sustainable approach in achieving social cohesion, coexistence, and peacebuilding.

The integrated approach that UNDP has followed through the FFS continued to contribute to sustainable reintegration and strengthen the support for stabilization at the governorate and national level. By the end of 2021, 19 projects on social cohesion had been completed and 5 projects were under implementation across the five liberated governorates, so far reaching about 38,000 people (half of them women) who have directly participated in social cohesion activities. UNDP has continued to regularly engage with and support Local Peace Committees (LPC) and Community Dialogue Committees (CDC) across the 5 governorates to engage with their respective communities and facilitate the return and reintegration of displaced families. UNDP has also contributed to the prevention of violent extremism (PVE) and conflict.

3. RESPONDING TO STABILIZATION PRIORITIES AND BUILDING RESILIENCE

By supporting the GoI to stabilize liberated areas in the short and medium term, the FFS ultimately contributes to the safe and dignified return of IDPs and the prevention of secondary displacement. Since 2014, it is estimated that more than 6 million men, women, boys, and girls had been displaced, of which an estimated 4.95 million people have returned to their areas of origins as of December 2021. The return pace has been slowing down in 2018-2019 and by the end of 2021, 1.19 million individuals remained displaced¹⁹. The slowing return trend shows the complexity of challenges, including heavily damaged housing and infrastructure for basic services, the lack of livelihood opportunities, social cohesion and reconciliation issues, and a persistent volatile security and safety environment in the areas of return.

Creating the conditions for return

While the return of IDPs is often seen as a significant and critical step towards “Durable Solutions” in the aftermath of conflict and has therefore remained a critical strategic objective of the FFS, the FFS continued to focus on the conditions of returns (qualitative measure), responding to priority needs across the humanitarian and development spectrum to ensure that IDPs and returnees have access to decent basic services and economic opportunities to rebuild their lives in a safe and socially cohesive environment²⁰, while also recognizing that human mobility is a key productive and positive characteristic of people’s trajectories and an inherent feature of resilience. In that context, the FFS continued to promote an area-based approach targeting conflict-affected locations through an integrated programming arrangement aimed at addressing priority needs and providing assistance for the benefit of IDPs, returnees and entire communities, thus setting the ground for an inclusive conflict-sensitive recovery and a lasting peace between population groups. As such, the FFS continues to play a pivotal role in the operationalization of the Humanitarian-Development-Nexus (HDP) in Iraq, critically responding to the Durable Solutions Agenda framed in priority 5 of the United Nations Sustainable Development Framework (UNSDCF), with UNDP acting as co-chair of the Durable Solutions Task Force.

A UNDP snapshot analysis combining the December 2021 results from the IOM’s Return Index²¹ and the FFS project tracking system shows that FFS projects have been implemented where the conditions have been and continue to be the most severe (**figure 9**). Given Iraq’s rapidly changing environment, UNDP will continue to use evidence to plan and prioritize interventions. Sectoral

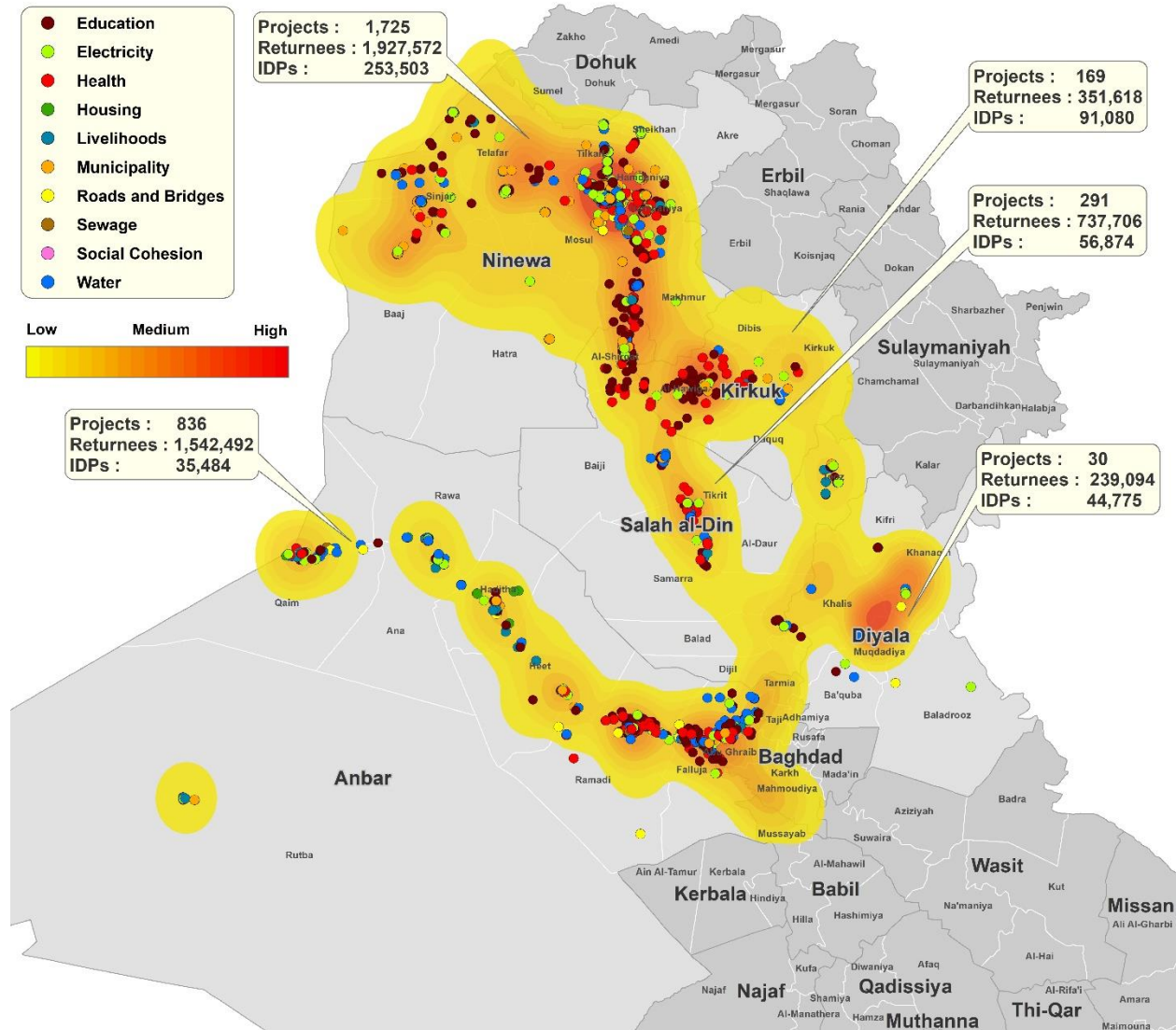
¹⁹ IOM DTM, Master List Report 124, October-December 2021.

²⁰ The definition of returnees is not related to the criteria of returning in safety and dignity, nor with a durable solutions strategy. IOM DTM, 2021.

²¹ IOM’s Return Index is built on a list of indicators developed in consultation with relevant partners and stakeholders to reflect the displacement context in Iraq. To measure the severity of conditions in each location of return, the Return Index is based on 16 indicators grouped into two scales: (i) livelihoods and basic services, (ii) social cohesion and safety perceptions. The severity index ranges from 0 (all essential conditions for return are met) to 100 (no essential conditions for return are met). Higher scores denote more severe living conditions for returnees. The scores of the severity index can be grouped into three categories: “low” severity conditions, “medium”, and “high” (which also included the identified “very high” locations). IOM, Return Index: Methodological Overview – Iraq, May 2020.

and capacity needs assessments conducted by UNDP, which will be finalized during the first quarter of 2022, as well as needs assessments integrated in the Durable Solutions Plans of Action, will further contribute to the identification of priorities for 2022-2023.

Figure 9. Completed projects by sector (cumulative) and severity of conditions, 2021²²



Source: UNDP GIS modelling, December 2021 UNDP-IOM data.

The definition of clear priorities within the FFS integrated approach continued to be based on regular spot-checks using available data, tools, and consultations with national counterparts and development partners, while pursuing broader analyses on needs to ensure the FFS response

²² By 2021, a total of 3,060 projects have been completed, with 9 social cohesion projects cutting across all five governorates and therefore not assigned to a specific governorate on this map.

remains stabilization-focused and with a potential to link interventions with sustainable development outcomes. As such, while the FFS continued to provide large and much-needed support to infrastructure rehabilitation, it also recognized that “livelihood has become the main factor for IDPs considering returning to their place of origin. Without a functioning economy to return to, IDPs are choosing to stay in host communities where they see more economic security, even if tenuous or temporary”²³. In that context, the FFS has scaled up its livelihood support during 2021 and exceeded its set target with a 109 percent achievement rate.

UNDP also continued to recognize that housing status plays a role in IDPs relationship to livelihoods as “IDPs were hit with two economic blows in the process of displacement. First, they lost their jobs and source of livelihood, and had to try to find new means of income. Second, they lost their housing, which over half of them owned prior to displacement. Finding the resources to pay for repairs, as well as the costs of moving, while still paying rent (in most cases) in displacement explains why they rank jobs or a source of livelihood as the most important requirement for the return to their area of origin”²⁴. By 2021, the FFS has completed 95 housing projects, reaching a cumulative total of 29,054 houses rehabilitated in the liberated areas since 2015, therefore surpassing the set target for 2021. In the remaining two years of the FFS, housing projects will continue to be prioritized.

Figure 10. Requirement need for return to area of origin



Source: IOM, 2020.

²³ IOM Iraq, “Access to Durable Solutions Among IDPs in Iraq: Livelihoods and Economic Security in Displacement”, 2020, p.5.

²⁴ *Ibid.*, p. 12.

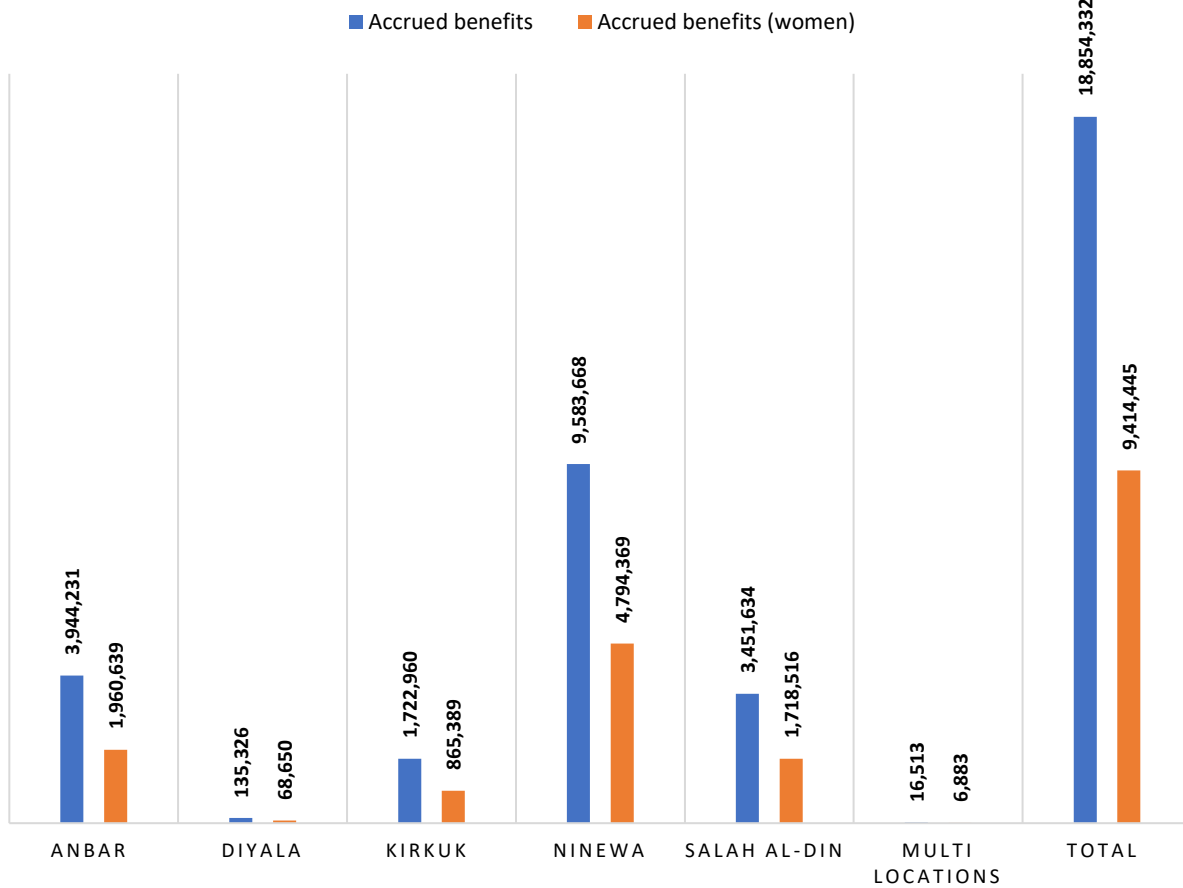
Integrating sustainability and gender considerations

The mainstreaming and integration of environmental principles in stabilization implementation has gained traction in 2021. An increasing interest coming from end-users in a context of weak, sporadic, and unreliable power supply from the federal network, has for example allowed the FFS to rehabilitate 40 agricultural wells in Ninewa, 36 of which supplied with solar power. The rehabilitated wells now provide water for approximately 1,500 donums of agricultural land, supporting 1,724 people with their livelihoods directly and tens of thousands of others indirectly. In 2021, the FFS has also supported farmers and communities in Northern Iraq through training and grant support to strengthen climate smart agriculture, including soil management, crop selection, conservation and organic agriculture, sustainable water management, with the objective to increase productivity and incomes, adapt and build resilience against climate change and enhance climate change mitigation measures, as well as to access potential new markets. UNDP also developed a new circular economy project with a focus on specific economic sectors, aiming at providing new job opportunities, mainly through skills development and grant support for start-ups, business expansion or restart.

The FFS has responded to stabilization priorities with an increasing focus on gender equality, by strengthening the integration of gender considerations into project preparation, implementation, monitoring and reporting, based on the recognition that women and girls, representing half of the population in Iraq, are especially vulnerable in conflict situations, often bear a disproportionate burden in the post-conflict process, and have a key role in building lasting peace and sustainable development. While disaggregated progress results show an equal distribution of project benefits between men and women (**figure 11**), key immediate and medium-term programming interventions have also specifically been designed and implemented to contribute to women's socio-economic empowerment. Beyond the rapid cash injection to women-headed households and cash-for-work support, livelihood interventions have contributed to "soften" the current structural labor market challenges particularly affecting women (i.e., challenges related to labor demand and supply, obstacles to starting a business, barriers to social norms).

Interventions in 2021 have for example contributed to the restoration or development of women enterprises through grant support and training. Projects have also been focusing on the development of productive capacities using key sectors to maximize benefits and achieve a more sustainable outcome. In that regard, the agriculture sector has been identified as one of the key focus areas under the livelihood portfolio, as it yields positive spillover effects that go beyond direct benefits. By boosting productive capacities and sustainable practices in this labor-intensive sector, it not only impacts direct project beneficiaries, but also contributes to a better output (very low compared with other key economic sectors) and brings a series of positive key socio-economic outcomes, particularly for women as they represent the highest share of total employment in the sector in Iraq.

Figure 11. Accrued benefits by governorate, 2021 (cumulative)



UNDP has continued to apply a zero-tolerance policy against corruption, fraud, sexual exploitation and abuse, harassment and other types of misconduct. Communication to all staff and contractors on how to report instances of threats, blackmail and other wrongdoings have continued and the response mechanisms built into the overall management structures for cases of threats towards staff or contractors have been strengthened and proven to be effective. Staff involved with procurement processes have continuously benefitted from briefings and trainings in relation to standard protocols to ensure non-leakage of procurement related information, identification and reporting of attempts to undermine protection of procurement documentation and guidance on conduct and reporting in cases of threatening situations. In 2021, 6 cases of misconduct have been recorded, involving vendors, staff, and service contractors²⁵.

²⁵ By the end of 2021, 1 case had been closed (failure to comply with obligations), 2 cases substantiated (1 case of misrepresentation, forgery and false certification; 1 case of procurement fraud) and 3 cases under investigation (2 cases of failure to comply with obligations; 1 case of procurement fraud). UNDP Office of Audit and Investigations (OIA), 2021.

Strengthening government ownership

Throughout the years, UNDP has continued to work closely with the GoI and the international community to stabilize and rehabilitate critical infrastructure and restore basic services damaged during the conflict. Efforts of all parties represent a critical and sizeable contribution to stabilization in Iraq but fall significantly short in resolving the 88.2 billion assessed damages²⁶ and other negative consequences of the conflict. By 2021, the total contribution of the GoI to stabilization in the liberated governorates reached approximately US\$ 910 million, with about US\$ 793 million channeled through the Reconstruction Fund for Areas Affected by Terrorist Operations (REFAATO) and the remaining US\$ 117 million through financial and in-kind support to the FFS²⁷. In 2021, the Global Coalition's Stabilization Working Group endorsed a US\$ 205 million ask for the FFS, and partners contributed approximately US\$ 82 million, leaving the current FFS funding gap from the initial US\$ 1.88 billion at approximately US\$ 441 million. Given the current needs, available funding, and realistic implementation capacity of the FFS, UNDP will seek to raise US\$ 300 million for 2022-2023 in order to address the most critical residual stabilization needs prior the FFS' closure on 31 December 2023.

Iraq's political, economic and security situation as of late December 2021 continued to face significant challenges, putting the caretaker government in a difficult position to respond to ongoing crises while fully taking over the stabilization works in the liberated areas that still have large scale needs. Protests over the course of 2021 demanding substantial political, economic and social reforms attest the weakened state institutions. The 2021 parliamentary electoral process culminating in disputed results and low voter turnout, show that the gap in trust between citizens and state institutions remains persistent. In that context, a key FFS objective will continue to focus on building ownership of the GoI over the stabilization agenda, in hope that it will also generate greater public trust and build stronger state legitimacy as a necessary pre-condition of institutional and inclusive economic development. Therefore, within the two remaining years of the FFS (2022-2023) and as part of its Exit/Transition Strategy currently under development, much attention will not only be on accelerating the implementation of critical priority projects across sectors, including in hard-to-reach locations and populations, while consciously ensuring the integration of gender, human rights, conflict sensitivity and sustainability principles across all interventions, but also on strengthening the capacities of the GoI to (1) ensure that gains achieved by the FFS are preserved and protected, and (2) take over remaining stabilization needs. A successful transition will also be highly dependent on the ability of the GoI to tackle endemic corruption, reduce opportunities for rent seeking, enhance transparency and cash-flow management and effective financial decentralization, and use the opportunity of the recent increase in oil prices to undertake major reforms to achieve fiscal sustainability and improve the adequacy, equity, and efficiency of public spending through a better allocation of resources across and within sectors²⁸. Combined with an over-dependence on oil revenues to finance

²⁶ World Bank, Iraq Damage and Needs Assessment of Affected Governorates, January 2018.

²⁷ UNDP estimates.

²⁸ In 2019, only about 10 percent and 4 percent of the government budget were allocated to education and health, respectively - the lowest share of public budget on health and education in MENA and among UMICs. World Bank

government spending, which usually produces large and pro-cyclical swings in expenditures for much-needed sectors, concerns over the ability of the GoI to close the major infrastructure gap and provide critical service delivery remain, despite Iraq's upper-middle income status²⁹.

Group, "Addressing the Human Capital Crisis: A Public Expenditure Review for Human Development Sectors in Iraq", 2021.

²⁹ The reliance on oil revenues (95 percent share) to finance government spending makes the budget sensitive to oil price volatility. For every dollar drops in international oil price, oil revenues fall by US\$ 1.4 billion, and the uncertainty associated with oil price swings can have a negative impact on budget decisions and investment. In fact, the recent drop in oil prices translated into a drastic cut in discretionary spending in 2020, including a decrease in investment in non-oil sectors by 47 percent (y/y) with an execution rate of only 13 percent. World Bank, Iraq Economic Monitor, 2021.