

Action Document for EU Trust Fund to be used for the decisions of the Operational Board

1. IDENTIFICATION

Title/Number	Strengthening the Long-Term Resilience of Subnational Authorities¹ in countries affected by the Syrian and Iraqi Crises	
Total cost	Total estimated cost: EUR 40,000,000 Total amount drawn from the Trust Fund: EUR 40,000,000	
Duration	36 months	
Country	Lebanon and Iraq	
Locations	Lebanon: Bekaa, Baalbek-Hermel, Akkar, Sour, Tripoli, Metn (to be confirmed during negotiation) Iraq: Dohuk, Erbil, Sulaymaniyah, and Ninewa Governorates (to be confirmed during negotiation)	
Implementing Partner(s)	VNG International United Nations Development Programme (UNDP) and UN Habitat	
Main Stakeholder(s)	Lebanon Ministry of Interior & Municipalities and Social Affairs Iraq: Ministry of Planning in Baghdad and Ministry of Planning of the Kurdistan region	
Aid method / Method of implementation	Project Approach: Direct management – direct award to consortium led by VNG International Indirect Management – Delegation Agreement with UNDP & UN Habitat	
DAC-code	15112	<u>Sectors:</u> Decentralisation / subnational government
Objectives	The overall objective is to strengthen the long-term resilience of targeted subnational authorities and their host/refugee populations in countries affected by the Syrian and Iraqi crises. The specific objectives of the action are: <ul style="list-style-type: none"> – Subnational authorities have enhanced capacities to engage in holistic, area-based planning and consider different scenarios that respond to the needs of host, refugee and IDP populations; – Service delivery is increasingly responsive, and generates greater social stability outcomes, based on the needs of host, refugee and IDP populations. – Subnational authorities are empowered to facilitate local economic development and have better access to municipal investment that 	

¹ For the purpose of this Action, the term ‘Subnational Authorities’ is primarily used to refer to devolved local governments (ie. Municipalities or Unions of Municipalities in Lebanon and Municipalities or Governorates in Iraq). Deconcentrated entities are considered within the scope of this action although they are not the primary beneficiaries (eg. Social Development Centres in Lebanon, Board of Relief and Humanitarian Affairs in Iraq).

	benefits the extension of safe public services and economic opportunities for host, refugee and IDP populations.
Main Activities	<ul style="list-style-type: none"> - Engagement of subnational authorities in Crisis Response coordination mechanisms. - Technical advice and on-the-job training to strengthen the ability of clusters of subnational authorities (and their regional/provincial administrations) to effectively plan (including spatial scenario plans) and manage the provision of critical services and infrastructure. - Service delivery improvements, including capacity building / dialogue with the users of public services in pilot localities. - Rehabilitation of small-scale community WASH and housing infrastructure in partnership with relevant service providers. - Identification and formulation process for municipal investment projects that benefit the extension of safe public services and create economic opportunities for host communities and refugees. - Capacity development packages developed and rolled out in target subnational authorities on procurement, project development, community participation and municipal finance management. - Activities supporting local economic development and employment creation for Syrian refugees, IDPs and host communities. - Activities will be included that ensure social stability, as well as countering xenophobia, racism and other forms of discrimination, targeting elected officials and community leaders.

2. RATIONALE AND CONTEXT

The conflict in Syria has triggered the highest level of forced displacement since World War II, with almost five million registered refugees and more than 6 million internally displaced persons (IDPs). Seven years after the outbreak in 2011, the region is now facing a protracted crisis, and the initial humanitarian challenges have altered to also affect the capacities of the host communities, their development and social stability.

The refugee response is increasingly recognizing the need to support more durable solutions. However, the lack of understanding of the implications of displacement, both to the refugees and the host communities, hinder the identification of the means and methods for an adequate refugee response.

The primary objective of the EU Regional Trust Fund in Response to the Syrian Crisis, “The Madad Fund” (hereinafter referred to as the Trust Fund/Madad) is to "provide a coherent and reinforced aid response to the Syrian and Iraqi crises and the massive displacement resulting from them on a multi-country scale. In pursuit of this objective, the Trust Fund shall address the needs of three groups: refugees, internally displaced persons (IDPs) and returnees and provide assistance to the communities and the administrations in which those groups find themselves, as regards resilience and early recovery.

Created in 2013, the Trust Fund was mandated to build resilience of affected populations and host communities to withstand the crisis. Madad works in complementarity with humanitarian action and development cooperation, and is an important tool for the implementation of the humanitarian-development nexus.

Lebanon currently faces a period of political uncertainty following the resignation of Prime Minister Saad Hariri in November 2017. This unexpected turn of events has potential ramifications on the stability of Lebanon and also on the presence and conditions for Syrian refugees in Lebanon.

The Lebanese sub-national governance system exhibited numerous structural deficiencies prior to the Syrian refugee crisis. A compromise stemming from Lebanon's complex mosaic of confessional interests; Lebanon's 1108 Municipalities, only 20 percent of whom have more than 6 employees and 2/3 of whom have less than 4, 000 inhabitants, are charged with a disproportionately wide range of competences² according to the Municipal Law. Yet a complex and often un-transparent system of inter-governmental fiscal relations³ and administrative controls⁴ prohibits the majority of Municipalities from becoming financially autonomous and administratively independent. Hence the majority are not able to provide anything beyond the basic urban services: road maintenance; street lighting; waste collection and policing. To overcome these limitations, Lebanese municipalities are permitted to establish Unions of Municipalities (UoMs), with the permission of the Ministry of Interior and Municipalities (MoIM). There are currently 55 UoMs composed of over 700 Municipalities; reflecting the patchwork of Lebanese confessional geographies, many are not territorially contiguous.

Constitutionally, Iraq is a federal state, while the state grants certain rights to the autonomous region of Kurdistan. This complicates the nature of assistance as the location of an intervention determines the law which governs it. A governorate council in KR-I is subject to a local governance law adopted by the Regional Parliament of the KRG in 2009, while another governorate council in Iraq proper is governed by the Law of Governorates adopted by the Council of Representatives in 2008 and twice amended. In comparison, the Law of Governorates is more advanced in terms of local decision making. In exact parallel to the parliamentary system of the Iraqi central government, a governor is chosen from among the members of an elected governorate council.

At the sub-level, governorates are divided into districts and districts are divided into sub-districts, and for each of these administrative divisions of the state, there is an executive, a council and departments of central government ministries. None is independent of, or controls the other. Instead, as stipulated in the Constitution and the Law of Governorates, the obligation on all of these government bodies is to coordinate. Such role becomes ever more pressing in light of declining financial resources.

The initial response to the Syrian and Iraqi displacement crises by governments and aid agencies (including INGOs) in Lebanon and Iraq was largely scattered and uncoordinated. The arrival of an estimated 1.5m refugees in Lebanon between January 2012 and January 2014 – with approximately 60 percentage located among the traditionally deprived communities of eastern and northern Lebanon – impacted on service delivery, social cohesion and local development in equal measures. In Iraq, a result of the emergence of the so-called Islamic State of Iraq and Syria, the country hosts 3.1 million IDPs as of end of October 2017, including those who remained displaced since 2006. According to IOM's Displacement Tracking Matrix and Inter-agency Information Sharing Portal on Syria Regional Refugee

² Beyond the standard set of municipal services, they are expected to help establish, manage and maintain infrastructure, kindergartens, public schools, vocational training centres, playground, dispensaries, public hospitals and public housing.

³ Municipal revenues are split between own source revenues (direct taxes and fees from construction permits, rental value and sewerage), fiscal transfers which are disbursed inconsistently and according to a questionable formula by an Independent Municipal Fund (IMF), and loans, fines, grants and fees transferred from other public institutions.

⁴ Municipalities are administratively supervised for different functions by a District Commissioner, Governor and Ministry of Interior and Municipalities, and subject to oversight by the Civil Service Board, Court of Auditors, Ministry of Finance and Ministry of Public Works.

Response, the Kurdistan Region of Iraq (KRI) itself hosts more than 860,000 IDPs as well as around 245,000 Syrian refugees as of end of July 2017, compared to a local population of around 5 million. The influx of IDPs has intensified since the beginning of the Mosul Operation on 17 October 2016, resulting in approximately 840,000 individuals displaced as of beginning of August 2017. With an estimated 2 million people having returned to their places of origin, more than 1.2 million people are still displaced. The current situation results in a displaced population ratio similar to the one of Lebanon.

Bearing the brunt of the crisis, subnational authorities – best placed to assess local needs – did their best to respond to multiple challenges while UN agencies and INGOs were heavily engaged in scaling-up the humanitarian response. From its early stages, the aid response did not harness the opportunity to leverage the crisis as a catalyst to address longstanding -due structural deficiencies, and strengthen the role of subnational authorities in bottom-up public sector service delivery and infrastructure planning/investment.

In the Lebanese context, where the direct pursuit of decentralisation remains a challenge, an incremental approach that serves as a marker for future reforms ('policy takeaways') may be the most viable approach. Concentrated efforts that deploy targeted (European and regional) local government expertise in specific pilot localities can contribute to the **dual objectives of municipal service delivery and capacity development**. An obvious entry point that has received almost no support since the onset of the crisis emphasises the central role of local governments and other subnational authorities in **holistic, area-based scenario planning, with an orientation towards the extension of public services and local economic development through the identification and formulation of bankable municipal investment projects**. It is anticipated that the lesson from these pilots will inform a new conceptualisation of the role of subnational authorities in the national crisis response strategies, whilst also setting a precedent for future strategic policy discussions on decentralisation and service delivery.

In Iraq, the challenges are similar. Faced with a multi-level crisis, regional authorities are struggling to provide an adequate response. The majority of vulnerable IDPs and Syrian refugee families live in over-crowded rented houses of urban neighbourhoods without tenure security or basic safety, structural and sanitary standards. While some of the IDPs were able to stay temporarily with their relatives or to rent apartments, massive numbers of IDPs are still in need of shelter and basic services. This could significantly hinder early recovery efforts and further deteriorate the socio-economic wellbeing of the displaced and local populations, as well as leading to social tensions and public discontent, potentially resulting in additional widespread social unrest and violence.

Even among IDPs who are willing to return, a number of factors prevent or delay the return, including damage to housing, poor access to basic services, deterioration of community cohesion and security, limited economic opportunities, and disputed land and property claims. In Sinjar, aside from widespread physical destruction and the presence of unexploded ordinances, lack of proper documentation on housing, land and property rights have been preventing many IDPs from settling back in their former properties, some of which have been in the meanwhile usurped, as highlighted by assessments conducted by UN-Habitat.

In this light, with adequate support, **local authorities can better plan, lead and coordinate state, societal and development partner efforts at achieving progress where people need it most (services, social cohesion and security, economic livelihoods)**. It should be noted that local governments do not have an exclusive mandate over all of the above and need to work with other formal and informal actors that also play an important (and sometimes even

more preponderant) role in these areas, such as the local executive (de-concentrated) bodies of line ministries for planning and delivering public services. They must be supported to work with civil society on reducing conflicts and preventing violence, and with the private sector in stimulating the growth of local economies to generate employment opportunities. Above all, the role of **local governments as conveners of local problem-solving, including refugee-related issues, and recovery-planning coalitions can have a direct effect on social peace and help strengthen the social contract.**

Based on the above, a specific and devoted action to strengthen the long-term resilience of the subnational governance systems is foreseen in Lebanon and Iraq. The proposed action adheres to the priorities of the Regional Refugee and Resilience Response Plan (3RP) 2017-2018 and aligns itself to national priority policies and plans, as well as being complementary to ECHO, Madad Fund, ENI and DCI projects, as well as other programmes funded by European member states. It is also directly aligned to the EU-Lebanon Partnership Priorities: “Special attention will be given to deprived areas, including by empowering municipalities, union of municipalities and local authorities and by strengthening civil society organisations, in order to improve local governance.” Furthermore, the EU-Lebanon Compacts commits the EU to “Increase support to local authorities through development programmes in priority regions to be determined in coordination with Lebanese authorities.”

2.1. Summary of the action and its objectives

The **overall objective** is to strengthen the long-term resilience of targeted subnational authorities and their host/refugee populations in countries affected by the Syrian and Iraqi crises.

The **specific objectives** of the action are:

- Subnational authorities have enhanced capacities to engage in holistic, area-based planning and consider different scenarios that respond to the needs of host, refugee and IDP populations;
- Service delivery is increasingly responsive, and generates greater social stability outcomes, based on the needs of host, refugee and IDP populations.
- Subnational authorities are empowered to facilitate local economic development and have better access to municipal investment that benefits the extension of safe public services and economic opportunities for host, refugee and IDP populations.

In line with the Overall Objective of the EU Regional Trust Fund in Response to the Syrian Crisis, “The Madad Fund” *“to provide a coherent and reinforced aid response to the Syrian crisis on a regional scale, responding primarily to the needs of refugees from Syria in neighbouring countries, as well as of the communities hosting the refugees and their administrations, in particular as regards resilience and early recovery”*, the Action will contribute to the Specific Objective 3 of the current Result Framework⁵.

⁵ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/eutf_madad_results_framework.pdf

2.2. Context

As of February 2017, UNHCR had registered 1,011,366 refugees in Lebanon and 233,224 refugees in Iraq.⁶ The configuration of internal displaced persons in Iraq is expected to follow the same trend. Against the backdrop of an acute volatile environment, the influx of IDPs has intensified since the beginning of the 'Mosul Operation' on 17 October 2016, resulting in approximately 840,000 persons displaced as of beginning of August 2017. With an estimated 2 million people having returned to their places of origin, more than 1.2 million people remain displaced.

Poverty amongst targeted population is high, with savings and resources depleted. Host communities are also affected as the influx of refugees has led to increased competition for jobs, services and resources. Such competition is a driver of tensions and increases the risk of conflict between the refugees and host populations.

2.2.1. Sector context: policies and challenges

2.2.1.1. *Decentralization and local public service delivery*

As indicated, the Lebanese Municipal Law bestows Municipalities with a wide range of competences, yet this has not been sufficiently backed up by the provision of financial and human resources. A draft Decentralization Law presented in April 2014 following a lengthy consultation process, proposed wide-ranging reforms that would create more favorable conditions for subnational service delivery; the law failed to gain sufficient political transaction. Consequently, municipalities continue to make attempts to provide basic services with the majority of assistance coming from ad hoc transfers, own source revenues and external development assistance under the LCRP (Water, Energy, Public Health, Education, Livelihoods and Social Stability Chapters).

The action proposed is not a sectorial programme but an area-based, territorial-integrated approach to municipal resilience which also aims at informing national policy response and at strengthening the long-term decentralization and core government development processes.

Strengthening municipal resilience will be achieved by improving municipal finance (i.e. raising endogenous resources and therefore reducing donor dependence); by enhancing municipal capacity for urban planning and service provision; by generating local employment opportunities and by enabling municipalities to provide affordable housing and infrastructure and basic urban services both to the local and the displaced populations with private sector support. Challenges include low capacity at the municipal level, lack of resources and often a lack of political will to decentralize decisions to the local level.

In the Kurdistan region in particular, the large scale of the influx put pressure on government to deliver public services. The fiscal crisis is affecting the Government's ability to provide basic services to the increased population. The regional authorities have not been able to leverage international support and assistance, to address economic and social development issues linked to refugee and IDP influx. Subsidies, social benefits and pensions impose pressure on the overall budget, with subsidies for electricity, water and agriculture reaching US\$2.4 billion per year.

⁶ <http://data.unhcr.org/syrianrefugees/regional.php> , March 2017

Strengthening procurement systems and utilizing modern tools such as PPP, are increasingly viewed as one of the most significant priorities in many countries for delivering services, improving the investment climate, and facilitating private sector-led economic growth. It has been recognized by the OECD (2007) that “public procurement is the government activity most vulnerable to waste, fraud and corruption due to its complexity, the size of the financial flows it generates and the close interaction between the public and the private sectors.”

2.2.1.2. *Capital investment planning*

At the Brussels Conference on the Syria Crisis in April 2017, the Government of Lebanon and the International Community committed to a range of measures aimed at stimulating economic growth and generating livelihoods. Among these, GoL committed to implementing a capital investment programme (CIP) that will include a set of priority (national and local) infrastructure projects that will generate employment opportunities for Lebanese and Syrians. CIP is expected to be presented to Parliament in October 2017. A new PPP Law has already been approved; investments in municipal capacity will be needed to ensure the Law can be applied in relation to local infrastructure investments.

Local government borrowing is not well-pursued in the MENA region, yet there is an ever-increasing demand for locally-planned infrastructure projects. Subnational governments lack the knowledge and experience to access long-term financing instruments for capital investment; this occurs mostly in the identification and formulation stages of municipal investment project pipelining. There are many potential projects that are developed without sufficient knowledge or prioritisation against a convincing development plan.

Assistance to municipal investment project pipelining is consultancy business, who are often contracted by local authorities to carry out the needed (feasibility) studies and (environmental impact) assessments. If international financing institutions are involved, they often require additional financial and organisational audits that are also contracted. Subnational governments in the target countries need the capacity to oversee and manage such processes.

2.2.1.3. *Livelihoods, Social Stability and Protection*

The profile of the Syrian refugees in Lebanon differ from their host communities, with a tendency of being younger, and with other skills and competencies than those sought after in the economies of the host communities; agriculture rather than services.⁷ At the same time, employment and livelihood opportunities for refugees are severely restricted (both for women and men). Refugee status and residence issues can have far-reaching consequences on the protection, mobility, social wellbeing and economic engagement of Syrian refugees.

The arrival of Syrian refugees generated tensions in host communities. The tensions are linked to overall livelihoods and development challenges (pressures on housing, jobs and local infrastructures); concrete security incidents and human rights violations; but also to perceptions. Intergroup conflicts are still relatively minor issues and mostly manifest in low levels incidents, attacks, harassment and repression (curfew, etc). Instances of violent confrontation are sporadic and localized, usually linked to crimes and offences for which Syrians are being blamed by Lebanese residents⁸. Most recent perception surveys point out to increasing feelings of tension between refugees and host communities.⁹ Such increase is

⁷ The World Bank Group and UNHCR, *The Welfare of Syrian Refugees- evidence from Jordan and Lebanon*, International Bank for Reconstruction and Development / The World Bank, 2016, pp. 34-38.

⁸ *The Syrian Crisis and its Impact on Lebanon, A Conflict Analysis*, Norwegian Church Aid (2015), p. 5

⁹ *Impact Evaluation Report, Lebanon Host Communities Project*, AKTIS/UNDP (2016), p. 67. This is the case of the North and the Bekaa that were the focus of the study; but can be said from other regions, such as Mount-Lebanon.

related to the fact that Lebanese tended to perceive initially the Syrian refugee presence as temporary.¹⁰ With the Syrian crisis entering its seventh year, the presence of Syrian refugees begins to aggravate tensions over the competition for jobs and livelihoods.¹¹ The political calendar, such as elections, also impacts tensions at local level.

A great source of concern in recent surveys is the increased number of respondents seeking to defend their interests and a decrease of those promoting dialogue in most communities. Those figures indicate growing tensions and decreased social stability within the communities, and the increased likelihood this will lead to negative action. This situation could create conditions for people to use more violent or isolating means to “take matters into their own hands”, particularly when considering the high number of respondents who feel powerless to affect change in their communities, and who see themselves as increasingly competing with the refugee population.

The current conflict in Iraq is unfolding within a pre-existing context of economic, political and social challenges stemming from what the World Bank has called “a legacy of conflict and poor governance.” Iraq’s unsustainable dependence on oil, reliance on the public sector as the single largest employer in the country, and lack of diversification in the economy have made the Iraqi population extremely vulnerable to shifts in the oil market. Before the current crisis began, Iraq already had one of the lowest employment-to-population ratios in the region, even among men. The sharp decline in global oil prices in 2014, combined with the urgent need to reallocate funds to military operations, led to a budget crisis that prevented the Government of Iraq (GoI) from paying government employee salaries, further constrained the already weak provision of public services and exacerbated popular dissatisfaction and resentment among underserved populations. This negative impact has fallen disproportionately on displacement-affected households, hosting communities and households in territories controlled by ISIL. Returnee and households who remained, are exposed to damaged or destroyed infrastructure and private property, limited access to electricity, water, municipality services and local markets offer few options for restoring their livelihoods and achieving a dignified existence. These dynamics are further aggravated by competition for limited resources, and tensions and mutual suspicions between individuals who remained and individuals who were displaced and later returned, including those who were initially reluctant or prevented from returning, and those who have been recently displaced.

The vulnerabilities of women and youth, already marginalised within the labour force and in civil participation, cut across all conflict-affected groups and are exacerbated by conflict. The access of women in general, and of female heads of household in particular, to employment is significantly constrained due to cultural and social norms. In situations of displacement and high vulnerability, these challenges are compounded. Women who would otherwise not pursue income-generating activities may find it necessary to do so in order to support their families, yet they will likely encounter cultural barriers, and may lack the necessary skills to access sustainable employment.

In summary, requirements for equitable and sustainable return and re-integration of mixed communities are varied but interlinked. Local economies must be regenerated, entailing the re-establishment of businesses, supply chains and markets, and the rehabilitation of economic and associated services and infrastructure. Pro-active efforts are needed to help to bridge ethnic, sectarian and other social divides. These include confidence-building measures

¹⁰ *Citizens’ perceptions of security threats stemming from the Syrian refugee presence in Lebanon*, International Alert (2015), p. 4

¹¹ *Impact Evaluation Report, Lebanon Host Communities Project*, AKTIS/UNDP (2016), p. 59

ranging from pro-active engagement of different groups in shared community initiatives to facilitate educational, social and sports activities for girls and boys. Formal and traditional local-level governance must be made inclusive and responsive, with different community groups represented and heard. Youth, whose limited life options include extremism or migration, must be effectively targeted for opportunities for livelihoods and positive community engagement.

2.3. Lessons learnt

With the recognition that Lebanon entered into a protracted crisis, and with an increase in government ownership, the focus gradually shifted towards a more comprehensive and long-term resilience building approach targeting vulnerable host communities as well as refugees. This resulted in the Lebanon Crisis Response Plan (LCRP - 2015 – 16, 2017 - 20) which emphasized expanded access and quality of services across a range of sectors, whilst reinforcing social, economic, environmental and institutional stability. In lieu of a more comprehensive, government-owned strategic planning framework, the LCRP has taken on increased significance related to the identification of national development priorities. Ministry of Social Affairs (MoSA) has played a key role in these developments; it will therefore be an important partner to projects foreseen within the scope of this Action Document.

There have been notable gains in some sectors such as education, but even in these cases the overall institutional development focus has taken a back seat, with parallel structures created in Ministries to service the crisis response.

LCRP 2017 – 20 contains 4 indicators oriented towards Municipalities, under the strategic objective to strengthen capacities of national and local service delivery systems:

- 244 municipalities benefiting from municipal service projects.
- 50 municipalities with access to sorting facilities having environmentally sound solid waste management systems.
- 10 municipalities piloting community policing.
- 24,205 public institution personnel benefitting from training.

While there are 10 working groups¹² for LCRP coordination, there is no working groups dedicated to governance and institution strengthening. Coordination on local governance takes place indirectly across different working groups, but mostly under the social stability working group. This contrasts with the Jordan Response Plan, which from the outset included a chapter on Local Governance and Municipal Services, as well as a specific pillar aimed at strengthening the long-term resilience of the local government system as a whole.

Given the above, it is perhaps not surprising that the support provided to municipalities has not been deeply felt, nor has it produced significant and sustainable results. The primary focus has been on projects that emphasise investments in small-scale (municipal and basic social service) infrastructure aimed at fostering social stability, often with limited planning / coordination mechanisms that engage only to a limited extent the affected municipalities, private sector interest groups or other mandated subnational entities (Primary Health Care Centre, Water Establishments and MoSA's Social Development Centres).

With a preference for delivering quick and visible outcomes, the aid response has largely missed an opportunity to harness the crisis as a catalyst to address long-overdue structural

¹² Protection (including Child Protection and Gender-Based Violence), Food Security, Shelter, Water, Energy, Public Health, Education, Livelihoods, Social Stability, Basic Assistance

deficiencies and introduce a comprehensive investment aimed at strengthening local public sector planning and service delivery. The somewhat narrow interpretation of ‘resilience’ at the outset of the crisis was shaped by many contextual factors; a broader definition borrowing from UNDP terminology may now be more appropriate:

“The ability of households, communities, and societies to withstand shocks and stresses, recover from such stresses, and work with national and local government institutions to achieve transformational change for sustainability”

This action will seek to redress this problem through a parallel and innovative EU/UN local government programme. Involving mandated UN agencies will put an imperative on the aid community to move towards a protracted crisis, system strengthening mentality. The engagement of UN agencies with significant programmes on the ground will also help to generate buy-in for new approaches to local government finance, area-based planning and multi-level governance, whilst also leverage EU support towards needed innovations at the level of central government authorities.

To ensure and facilitate measuring the impact of the actions, the design of the actions must be results oriented, with well elaborated baselines and indicators.

2.4. Complementary actions

Lebanon Host Communities Support Project (LHSP, USD 39 million, 2013-2017) jointly implemented by UNDP and MoSA is the most prominent LCRP-related action in the field of local governance in Lebanon. LHSP aims to increase basic delivery of services at community level and improve the ability of the most vulnerable groups to cope and recover from the economic crisis. While LHSP’s activities have been invaluable to link up the national response with regional and local initiatives, many localities still remain devoid of the needed assistance. This is especially true when it comes to implementing regional and local systems and structures that improve the efficiency and durability of the delivery of basic services to host communities and refugees alike. In reaction, MoSA, together with UNDP, developed the Maps of Risks and Resources (MRR) approach that aims to map the (basic) needs and potential of localities.

UN Habitat's **Urban Crisis Response Programme** includes profiling affected cities and city neighbourhoods, formulation of response strategies, capacity building at local level and project implementation. The programme focuses on the main cities in Lebanon.

VNGI’s **Local Governance Project** is a multi-country project which aims at enhancing the resilience and early recovery of cities and towns coping with Syrian displacement through three pathways: i) improving emergency and longer-term planning at municipal level, ii) enhancing project pipelining at the municipal level, and iii) ensuring service delivery is responsive to needs of refugees, IDPs and citizens, including women/girls, as well as firms.

Some of the EU's foremost responses to the Syrian refugee crisis have come from EU Regional Trust Fund in Response to the Syrian Crisis ('Madad Fund') support UNICEF’s ‘**No Lost Generation**’ Initiative, which invests in the future of a generation of children and young people affected by the Syrian conflict in Turkey, Lebanon and Jordan by enabling Syrian children and children in host communities to access educational and child protection services. The regional **Qudra programme** (2016-2019) in Lebanon focuses on improving school infrastructure’, including among others the purchase of school buses and development of playgrounds and the training of school employees. The programme’s investments in securing livelihoods and employment are aiming at an improved access to work. The Local

Economic Empowerment and Development to Enhance Resilience and Social Stability programme (**LEADERS** 2016-2019) focuses on a ‘grass-roots community led participatory approach’ to create more resilient and economic self-reliant communities. The Higher and Further Education Opportunities and Perspectives for Syrians (**HOPES** 2016-2019) programme aims to improve access to higher education opportunities. Each of these initiatives tackles a wide range of social issues, is aimed at strengthening resilience of both host communities and refugees. Much of its focus is on the direct improved of services and on vocational training and skills development of refugees and Lebanese citizens. Search for Common Grounds’ **Livelihoods and Social Stability Project** aims to strengthen community resilience and cohesion among Syrian refugee and host community youth in Iraq, Jordan, and Lebanon by addressing youths’ livelihood challenges through Business Development Services including trainings, coaching and mentoring. A new project to be implemented by **Italian Cooperation** includes a component aimed at improving public and social services through a grant system for selected municipalities.

There are also two ongoing and three potential pipeline Madad Fund programmes in pipeline in the **WASH sector**. These interventions address a range of issues including simple rehabilitation of networks and wells as well as capacity development of the Water Establishments specifically with regards to design. They are also examining the issue around “non-revenue water”. The Trust Fund is also providing support to Social Development Centres on projects related to **Women and Child Protection**. Finally, the Madad Fund is providing support to the **Health Sector**, which a particular focus on sustainable financing of Primary Health Centres (PHCCs).

Under the ENI and **Non-State Actors / Local Authorities** instruments, the EU Delegation has been supporting a number of projects which focus on infrastructure (e.g. hill lakes, water and sanitation, solid waste management) and local development (e.g. agricultural cooperatives, vocational training) in different parts of Lebanon. The EU-funded **SWAM programmes** focuses on the construction of waste facilities to process large volumes of waste while leaving room for good waste management practices in the community, that can be further stimulated by other initiatives. Few of these programmes address municipal capacity building at the level of municipality clusters and unions, except where it relates to specific service or infrastructure orientation. The new Single Support Framework for Lebanon foresees two large local development interventions that are expected to target **North Lebanon** and the **Litani River Basin**. These are expected to begin implementation in 2018 and 2019, respectively.

EU provides funding to a number of programmes in Iraq such as **Local Area Development Programme (LADP)** which aims at boosting local governments to develop local development strategies at the local level. The LADP has a comparative advantage, as it provides a platform for creating synergies with the proposed UNDP / UN Habitat project. The EU funds stabilization programmes under UNDP’s **Funding Facilities for Stabilization**. This programme targets infrastructure and livelihood which finances fast-track initiatives in areas re-taken from Da’esh to quickly repair public infrastructure. The programme also provides grants to small businesses, promotes civil engagement and community reconciliation and provides short-term employment through public works schemes. IOM is working on strengthening social cohesion through the establishment of community centres that target conflict affected communities, this programme is funded by the EU. It has special focus on youth radicalization through provision of conflict resolution training and peacebuilding.

GIZ, within the framework of its Madad-funded QUDRA project, is working with the KRG authorities to contribute to a transparent inclusive delivery capability of Kurdish state administration in regard to basic services for IDPs, refugees and local population in host communities in KRI. This is done primarily with the Joint Crisis Coordination Centre (JCC) and the departments of joint crisis response at the governorates of Erbil, Dohuk and Sulaymaniyah aiming at improving their capacities in crisis management.

2.5. Donor co-ordination

All donors operate within the regulatory boundaries of the countries and in agreement with relevant authorities. Thus, there is coordination with the national authorities usually through specific working groups.¹³

In Lebanon, the EU Delegation is leading coordination with EU Member States through regular meetings of the Development Counsellors, and participates to the coordination platforms established for the various National Response Plans to the Syrian refugee crisis. As well as engaging in the formal structures of the LCRP, the EU Delegation co-chairs an informal donor coordination group.

In Iraq, the action is being coordinated with the KRG Ministry of Municipalities and Ministry of Planning as well as the Joint Crises Center (JCC) at KRG Ministry of Interior established with financial and technical support of UNDP and GIZ via the Madad-funded QUDRA project.

This action has been developed in consultation with Ministries responsible for the Syrian and Iraqi displacement response and tutelage Ministries overseeing subnational authorities.

At a broader level, the EU is also actively contributing to the overall donor coordination under the auspices of the United Nations in the framework of the 3RP that integrates humanitarian, development and macro-fiscal interventions. Activities will be coordinated with UN agencies through the UN country team as well as with national and international NGOs through national coordination structures.

The Madad Trust Fund management team is coordinating and liaising with the donors contributing to the Trust Fund, currently consisting of 22 EU MS and Turkey. Moreover, the EUTF Management also coordinates with its contracted implementing partners and other relevant stakeholders on regional level and cross border issues.

3. DETAILED DESCRIPTION

3.1. Objectives

The **overall objective** is to strengthen the long-term resilience of targeted subnational authorities and their host/refugee populations in countries affected by the Syrian and Iraqi crises.

The **specific objectives** of the action are:

- Subnational authorities have enhanced capacities to engage in holistic, area-based planning and consider different scenarios that respond to the needs of host, refugee and IDP populations;

¹³ For example, the Lebanon Crisis Response Plan (LCRP) is a partnership mechanism between the Government of Lebanon, donors and UN agencies, operating through several thematic working groups (e.g. on livelihoods, social stability, protection, health, education etc.).

- Service delivery is increasingly responsive, and generates greater social stability outcomes, based on the needs of host, refugee and IDP populations.
- Subnational authorities are empowered to facilitate local economic development and have better access to municipal investment that benefits the extension of safe public services and economic opportunities for host, refugee and IDP populations.

3.2. Expected results and main activities

The action foresees two components with different implementing partners, each of which will apply a differentiated approach to the same broad objectives, with variable geographic targeting. Proposals submitted by the applicants have identified Municipalities and Unions of Municipalities in Baalbek-Hermel, Akkar, Sour, Tripoli, Metn, Zahle in Lebanon, and Dohuk, Erbil, Sulaymaniyah and Ninewa Governorates in Iraq. This initial selection is based on a mapping of interventions, experience of the implementers and the existence of vulnerable refugees, IDPs and host communities. The eventual selection, also taking into account a reduced total budget envelope following the submission of the above proposals, will be made during the process of negotiation. The intention is to create maximum opportunities to pioneer the strengthening of subnational authorities within the scope of the protracted crisis.

3.2.1. *The activities suggested under the 1st component led by VNG International are, inter alia:*

Activities under specific objective 1: The objective will be to transition subnational governments from crisis managers to resilience builders on behalf of their communities, using spatial planning as a tool. Training and coaching-mentoring will be provided to selected subnational governments in spatial scenario planning. Specialized front office experts will be embedded in the targeted areas to ensure day-to-day assistance, matching demand and supply. In Iraq, front offices will most likely be embedded with the Board of Relief and Humanitarian Affairs or the Governorate Office (in cooperation with concerned UN agencies). In Lebanon, front office experts will be integrated into the day-to-day working processes of targeted Unions of Municipalities. Through front officers, subnational governments will be provided with direct assistance to develop spatial scenario plans, drawing from European local government experiences. Spatial planning scenarios will be developed within the framework of a longer-term urban development vision. These will be hosted (including 3D simulations) on the platforms of European municipalities and/or buy ICT assistance. Special attention will be given in scenarios to both vulnerable groups and the needs for space and services of local enterprises (part of the business climate).

To generate trust in subnational authorities, activities will target outreach, and seek feedback from communities, private sector interest groups and other levels of government during the production of scenario plans. This is an important step for later, when scenario plans become concrete in zoning proposals and extension or improvement of services. National conferences and platforms will be organised to align subnational governments scenario plans with national/regional level development plans (e.g. Capital Investment Programme), decentralisation strategies and public administration reforms (see section 2.2.1 above).

Activities under specific objective 2: Drawing from scenario plans, service delivery improvements will be made in at least one pilot for each location. Tentatively the focus will be on solid waste management, sewage treatment, mobility and public spaces, or civil protection. While their selection should follow logically from the strategies and prioritization of the scenario planning exercises, they will also provide local communities with tangible and demonstrable *proof* of the added value of well planned and executed service projects. That same *proof* will not just be visible to inhabitants of the urban areas, but also for national

policy makers and potential international financiers. Environmentally and institutionally sustainable solutions will be pursued, as will gender mainstreaming and social cohesion approaches. To ensure proper upkeep of the projects, relevant technical staff and executives for asset management and operation and management will be provided with targeted training.

A parallel ambition will be for improved scenario planning and capacity development to impact on the quality and longer-term potential of other projects developed as a part of the crisis response, while providing local communities, policy makers and potential financiers with tangible and demonstrable proof of the added value of well-planned service projects.

The action will emphasise subnational authority capacities to interface with the users of public services (eg. through feedback sessions, user satisfaction surveys and service benchmarks, community liaison). There will be a dual emphasis on sustainability through the generation of local government revenues.

Activities under specific objective 3: The action will support subnational authorities to oversee and manage the identification and formulation process for municipal investment projects that benefit the extension of safe public services and create economic opportunities for host communities and refugees. Subnational governments need to be able to oversee and manage the identification and formulation process. This is essential for domestic accountability. The emphasis will be on generating knowledge on the requirements of investment funding/financing institutions. The programme will therefore coach and train technical staff and executives of subnational governments in the procedures of relevant development banks/international financing institutions. Hands-on support will be given in negotiations, and drafting the required documentation.

Municipal investment projects will be designed according to the guidelines and standards of investment financing institutions. Identification of priority projects will be based on the scenario plans. Bankable projects will be formulated and support will be provided to carry out feasibility studies, environmental impact assessments, audits, provide legal advice, etc. Together with the subnational government concerned, the programme will address and resolve any remaining legal barriers, such as access to land, and prepare construction permits and project planning. Finally, the programme will conduct broader organizational and financial audits for the municipality if required by the executing entities or the lenders. Specialist contractual expertise will be sought for this component of the work.

3.2.2. The activities suggested under the 2nd component with UNDP & UN Habitat are, *inter alia*:

Activities under specific objective 1: Provide on-the-job training to strengthen the ability of targeted subnational authorities (and their regional/provincial administrations) to effectively plan, manage and deliver critical services and infrastructure. Regional Technical Offices of at least four Unions of Municipalities in Lebanon will be strengthened. Capacity to map past and ongoing local service delivery interventions, as well as collecting and analysing relevant data, will be very important to ensure a transition to full ownership of the crisis response. Consideration will therefore be given to introducing GIS in pilot subnational authorities, based on an initial capacity assessment.

Capacity development packages will be developed and rolled out in target subnational authorities on procurement, project development, community participation and municipal finance management. An initial assessment points to a package consisting of procurement, project development, community participation, local economic development and financial

management. Consideration will be given to scaling up these training packages through national authorities, as an outcome of the project.

A local public finance management training package will be developed that will include a focus on budgeting, revenue collection, transparency and gender sensitive budgeting. Specific tools will be developed to increase local revenues through widening the municipal tax base. Existing legal frameworks will be reviewed to recommend measures for enhanced municipal revenues. The strong emphasis on local revenues will set a precedent for greater fiscal and administrative autonomy and will be tied to long-term sustainability of service delivery.

Where possible, activities will include a focus on multi-level governance. From the outset, subnational authorities will be engaged more directly in Crisis Response coordination mechanisms. This can be best achieved by working directly with mandated UN and government authorities. The potential engagement of UN partners in this action is thus motivated by a need to push the national response frameworks towards long-term resilience and system strengthening. During the inception phase, an assessment will be made of the potential to provide organisational/institutional support to mandated national authorities.

In Iraq, a rapid vulnerability assessment is foreseen, including mapping of movement of host communities, IDPs and refugees, as well as functionality of infrastructure, by identifying key lapses, local economic dynamics, housing and shelter. Satellite imagery may be used together with other sources to conduct detailed assessments and mapping of vulnerability and damage on housing, small-scale community infrastructure, and land and property rights. Work will be undertaken to identify sectors with potential for employment and local economic development through rapid labour skills assessment targeting Syrian refugees and IDPs, labour market assessment to match with employers' needs, and labour market analysis that is integrated with an area-based value chain analysis. The action may work with local authorities on housing units and small-scale community infrastructure to be rehabilitated, based on the findings of the needs assessments and the vulnerability assessments. This process will need to be carefully executed to ensure sensitivity in selection, given the scale of damage and challenges with property documentation (i.e. forgery, loss). This point is particularly sensitive and linkages with IDP camps and informal sites coupled with host communities will be made as the notion of "return" at this given time in Iraq shall not be taken for granted.

Activities under specific objective 2: The action will review and seek to strengthen multi-level governance systems, making recommendations at municipal, inter-municipal, and regional levels to ensure more optimum arrangements for public service delivery. The action will increase the effectiveness of service delivery through a consideration of where the regional level (Unions) can take on a greater role vis-a-vis municipalities with low capacities (funds, staff, etc.). Inter-municipal cooperation will also be pursued, as will improvement of coordination with national/regional policies and priorities, such as crisis management, integrated systems for social services delivery, etc.

Priority strategic investments will be made in service delivery upgrading, tentatively related to solid waste management, energy, water-related services and other municipal services. Investments will be based on existing strategies and plans (eg. Neighbourhood plans, MRR database, national Master Plans and data that is available as part of the Syria Crisis Response) and associated with ensured local capacities and expertise, availability of resources, operation and maintenance processes, guaranteed environmental solutions and secured revenues to municipalities and/or the private sector.

The programme will help subnational authorities to design, develop and implement priority strategic investments. Based upon the above analysis, there will be a number of interventions identified (physical infrastructure, equipment, further documentation/analysis as a prerequisite to a larger scale project). Management/maintenance plans will be developed in line with capacity building activities.

In Iraq, technical specifications will be prepared and rehabilitation undertaken on small-scale community water, sanitation and hygiene infrastructure in partnership with relevant service providers. Maintenance manuals will be prepared and training provided.

Support to the provision of adequate housing will be considered for low-middle income host community, IDPs and vulnerable refugee households; such actions would be prepared jointly with local authorities and home owners to plan and agree the minimum rehabilitation requirements. Local employment targeting host communities, IDPs and refugees would be generated through housing rehabilitation. Occupancy rights would be emphasised through the Social Tenure Domain Model (STDM) or refugees lease agreements.

The action will target local political leadership and community leaders from various sectors, age groups, and women, and provide them with tools and knowledge as to how better manage the impact of the crisis and promote state-society relations.

Activities may be included that are designed to ensure social stability and counter rising xenophobia, racism and other forms of discrimination, targeting elected officials and community leaders. Lessons will be drawn from UN work under the crisis response frameworks. These mechanisms will be adaptive to local context with the common objective of reducing tensions and invigorating the role of the subnational authorities in mitigating conflicts and managing the crisis.

Activities under specific objective 3: The focus will be on the role subnational authorities can play in creating an enabling environment for local economic development. The initial focus will be on engaging local councillors and civil servants in dialogue with private sector interest groups (e.g. Chamber of Commerce, associations of traders, Local Economic Development Agencies, SMEs etc.). Links will be established with relevant Madad Fund livelihoods projects.

The action aims to capitalize on existing natural, physical, and financial resources, available assets, and local skills and competences as well as experiences and lessons learned. Identified projects may be linked to the sectors of agriculture, agro-industry, tourism, light industries, handicrafts, fishing, etc., and could be developed within the targeted areas. The action will consider the design, develop and implementation of priority strategic investments (including key infrastructure) that have potential economic multiplier impacts (eg. markets, business development districts, better provision of services such as electricity that are inhibiting the ability of local businesses to function, etc.). Financing through public-private partnership (PPP) will be considered.

In Iraq, a job creation grant scheme may be foreseen to finance intensive jobs generating projects with a focus on un-skilled and semi-skilled workers in waste collection management and recycling, parks maintenance and hospitality, in close cooperation with the Kurdistan Ministry of Municipalities and Tourism and relevant Governorates. Small businesses may be supported with a special focus on entrepreneurship.

Specific indicators for this Action will be finalised once the formal negotiation team has been appointed.

3.3. Risks and assumptions

The implementing partners will be requested to address identified risks to ensure their mitigation. Among the key risks are:

- Low level of involvement/commitment of host government, agencies and host communities.
- Obstacles to access labour market and generate income for Syrian refugees.
- Operational space for INGOs in the host countries is shrinking.
- Declining acceptance of refugees by host communities and host governments.
- Deterioration of the legal environment for refugees.

The assumptions for the success of the project and its implementation include:

- Stable security conditions and political stability.
- Governmental authorities are supportive of the project and committed to policy dialogue on necessary long-term reforms.
- Intense participatory dialogue with all stakeholders and commitment to the objectives of this support shall enable a common advocacy strategy.
- Willingness of host communities to engage in the project.
- Continuous access to local labour market and support from employment agencies and local businesses.
- Partnerships with local dedicated counterparts.

There is a high level of interest from Ministries responsible for the Syrian and Iraqi displacement response, as well as tutelage Ministries overseeing subnational authorities in both countries. Mitigating measures will be introduced to offset potential risks related to lack of government ownership by introducing these actions within national response plans and also emphasising strong ownership by the concerned subnational authorities.

Obstacles related to access to the labour market by Syrian refugees are currently less of a concern in Iraq but are prioritised and will be mitigated in Lebanon by ensuring that labour participation and also refugee legal status remains within the scope of permitted sectors of work, but also by ensuring alignment to the EU Delegation's advocacy efforts concerned access to work in line with the EU-Lebanon Partnership Priorities and Compact. To the same effect, challenges related to INGO operational space will be mitigated through ongoing EU advocacy efforts.

The very emphasis of this project on subnational authorities is in itself a mitigating strategy aimed at reducing social tensions through a multifaceted approach that includes participatory planning, good governance, service delivery and activities aimed at strengthening social stability.

No stakeholders are perceived to be negatively affected by this action. It will be implemented nationally in both countries, and prioritise services to the most vulnerable areas to benefit all communities with a continuous care for gender equity and equality.

3.4. Cross-cutting issues

A number of cross cutting issues have been identified:

The core feature of this Action is its emphasis on **Sustainability**. Action will build on existing interventions and relationships that the implementing parties have established at both central and local levels. The Action has been designed in such a manner, particularly with regards the Capacity Development activities, to change behaviour and also establish resources that will be an important means of reference in the future. Finally, and most significantly the activities are firmly embedded in existing structures at both the central and local level.

Gender equality and empowerment of women will be addressed through activities that include both men and women and include a gendered approach to local public service delivery and local economic development. All capacity development and training/learning events will seek to include by women and men. Monitoring systems should be put in place that collects gender disaggregated data on all aspects of the interventions. One specific focus of the Capacity Development on Financial Management will be gender sensitive budgeting. All strategic investments will be required to demonstrate a direct impact in regards how they benefit women and youth.

Environmental sustainability will be an integral part of spatial pipeline planning and service delivery / municipal investment project outcomes. All sub projects implemented and supported as part of this initiative will be accompanied by an Environmental Assessment. Furthermore, given the impact that the crisis has had with regards solid waste, water and waste water and energy, several interventions will likely target environmental sustainability.

The new **Public Private Partnership** (PPP) Law in Lebanon is of particular relevance to the strategic project interventions supported under this Action; it therefore has an important role to play in assessing the relevance and opportunity created by this new legislation.

Transparency and accountability will be addressed through all activities targeting capacity development of subnational authorities, but specifically those targeting elected local councils.

3.5. Stakeholders

The primary stakeholders of this action are:

- EU Member States and other donors contributing to the Trust Fund;
- Bilateral donors providing support to Subnational Authorities (eg. Germany, Sweden, Netherlands, United States);
- Ministries and authorities responsible for the Syrian and Iraqi displacement response and tutelage Ministries overseeing subnational authorities;
- Governorates, Municipalities and Unions of Municipalities;
- Other subnational service delivery entities (eg. Water Establishments, Social Development Centres, Primary Health Centres);
- EIB and other investment facilities;
- Syrians refugees, Iraq IDPs and host communities in Lebanon and Iraq;
- Civil society organisations and individual professionals;

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

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

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in section 3.2 will be carried out is 36 months. A possible extension of the implementation period may be granted by the Manager, and immediately communicated to the Operational Board.

4.3. Implementation components and modules

A two-pronged approach will be applied to implementation: two UN agencies (UNDP and UN Habitat) will be engaged that have the country-specific experience and technical mandate to support sub-national authorities and pioneer a new approach to the protracted crisis response. Furthermore, a unique consortium of non-profit EU local government associations, development agencies and civil society organisations has been formed to ensure that targeted European local government expertise can be deployed to support subnational authorities in Lebanon and Iraq. The latter will be led by VNG International, the international cooperation wing of the Netherlands Association of Municipalities. The consortium will be composed of local government associations, development agencies and civil society organisations from different EU countries, all of whom have experience of working in the concerned countries.

The two strands will be complementary and, applying their specific competences and entry points to the discourse. Coordination has taken place during the development of 2 separate project proposals, to ensure maximum complementarity, both from a geographic and technical perspective.

The envisaged assistance to Lebanon is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU.

4.3.1. Component 1 - Direct management/award – VNG International

This component will cover the activities as set out above under 3.2.1

a) Grant: direct award (direct management)

The Madad Fund was established under Article 187 of the Financial Regulations as 'emergency' trust fund, and is therefore covered with flexible procedures applicable to crisis situations.

As above, a negotiation team will be appointed by the Trust Fund Manager to identify suitable organisation and to launch negotiation in the following sequence:

- 1) Process already positively assessed Concept Note / Full Application submitted by VNG International to the Madad Fund;
- 2) In case the above negotiation is not conclusive and/or budgetary availability allows, further identification of suitable alternative implementing partners.

Non-profit EU local government associations, regional development agencies or their subsidiaries and civil society organisations, specialised on local government strengthening, are envisaged partners for this action. Presence and experience in the region, established networks and partnership with local actors and authorities, immediate intervention capacity and readiness and the ability to work in multi-actor approaches will all be considered.

Sub-granting to non-governmental organisations may be considered, to increase the capacities and autonomy of these organisations, create ownership and ensure sustainability of the action. This will also allow the Madad Fund to support organisations that do not have the capacity for a direct partnership with the Madad Fund.

b) Eligibility conditions

Lead applicant shall be a legal entity and non-profit making / non-governmental organisation. Specialised European and International non-profit operators and civil society organisation are envisaged partners. Partnerships with local CSOs is recommended.

c) Essential selection and award criteria

Essential selection criteria are the financial and operational capacity of the applicant; the essential award criteria are relevance of the proposed action to the objectives of the Action Document; design, effectiveness, sustainability and cost-efficiency of the action.

d) Maximum rate of co-financing

The maximum possible rate of co-financing is 80 percent of total eligible costs of the action.

If full financing is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 percent. If full funding is essential, the applicant has to provide adequate justification accepted by the Manager, in respect of the principles of equal treatment and sound financial management.

4.3.2. Component 2- Delegation Agreement (Indirect management) with UNDP & UN Habitat

This component will cover the activities as set out above under 3.2.2.

This action will be implemented in indirect management with United Nations Development Programme (UNDP) in co-delegation with UN Habitat, in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012.

These institutions have been selected on the basis of their expertise in the field, their established presence in these countries and experience from collaboration with and access to relevant national authorities. The possibility to scale up existing operations and/or introduce new activities within existing portfolios will be important. As such, the selection of these entities is justified by their unique position as lead agencies in the sector, coupled with their ability to absorb considerable funds in a short period whilst maintaining the required accountability standards. In addition, the potential and capacities of the organisation to leverage the attention to the needs of women and girls affected by the Syrian and Iraq crises on the international arena will also be an asset.

A negotiation team will be appointed by the Trust Fund Manager to identify suitable organisation and to launch negotiation.

4.4. Indicative budget

Component	Amount in EUR
Component 1: Indirect Management with UNDP/UN Habitat	25,000,000
Component 2: Direct management with VNG International	15,000,000
TOTAL	40,000,000

Costs for monitoring, evaluation, communication and visibility shall be included in the projects' budgets an included in each contract.

This allocation is defined based on the initial negotiation with the above foreseen implementing parties. Fully-elaborated budgets have been developed that include procurement for services, supplies and works. An overall budget negotiation (including specific allocations for each country) will be completed, once the official negotiation team has been appointed.

4.5. Performance monitoring

The concerned implementers have in-house capacity that will be employed to support the establishment of an M & E system that collects the necessary data necessary for the report. MADAD Quarterly Information Notes will be used as well as interim reporting. As regards cooperation with UNDP and UN-Habitat, monitoring & evaluation exercises will be carried out as per provisions of the EC-UN Financial and Administrative Framework Agreement (the FAFA) signed 29 April 2003.

Monitoring will also be ensured through EU Delegations in-country and in particular with the assistance of specific Trust Fund field and liaison officers posted within the EU Delegations. In addition, the EU Trust Fund is launching an independent M&E exercise to accompany all Fund programmes and ensure that targets are met and lessons learnt can be incorporated into other EUTF actions.

The purpose of the Madad Fund Monitoring and Evaluation Framework is to assess, across various levels, the degree to which the Overall Objective of the Trust Fund has been achieved.

Partners implementing this Action will comply with the *ad hoc* Monitoring and Evaluation Framework developed for the Madad Fund as well as with the reporting requirements and tools being developed by the EU Trust Fund.

The monitoring and evaluation exercises mentioned above will represent milestones in the implementation of the activities. These regular assessments will constitute a basis for a possible decision of suspension or revision of activities, should the conditions on the ground not allow for their proper implementation.

4.6. Evaluation and audit

Projects shall carry out an obligatory final evaluation, and one external audit per year. Whenever possible, evaluations will be jointly carried out by partners.

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.

4.7. Communication and visibility

Communication and visibility of EU support is a legal obligation for all external actions funded by the EU. Beneficiaries, host communities and administrations in Syria's neighbouring countries, the European public, EU Members States and other stakeholders of the EU Madad Fund need to be informed about the EU's efforts as the leading donor in the Syria crisis response. Insufficient visibility of the EU's actions weakens the EU's political traction in the region and its standing in Europe. A lack of knowledge about EU assistance could impede on the EU's political efforts to resolve the Syria crisis and its future role in a post-peace agreement transition.

Communication and visibility is an important part of all EU Madad Fund programmes and must be factored into all stages of the planning and implementation of the Action. Each implementer is required to draw up a comprehensive visibility, communication and outreach plan for their respective target country/community and submit a copy for approval to the EU Madad Fund's Communication and Outreach Lead. The related costs will be covered by the project budgets. The measures shall be implemented by the implementing consortium/ia, and/or contractors, and/or grant beneficiaries. Appropriate contractual obligations shall be included in, respectively, procurement and grant contracts.

The global objective of the EU Madad Fund's communication and visibility campaigns, and hence of the implementing partner, is to improve recognition, public awareness and visibility of the comprehensive and joint EU efforts to effectively address the consequences of the Syrian and Iraqi crises. This should be done by highlighting the Action's real-life impact and results among defined target audiences in the affected region but also vis-à-vis the general public, donors and stakeholders in the EU Member States.

The Communication and Visibility Manual for European Union External Action and the specific requirements for the EU Madad Fund serve as a reference for the Communication and Visibility Plan of the Action and the relevant contractual obligations. According to the EU Madad Fund's Visibility and Communications strategy all communication and outreach campaigns must be evidence-based, people-oriented and easily understandable. Regional outreach and communication must be conflict sensitive, strategic, do no harm and be mindful of the differentiation in messaging for beneficiaries and stakeholders in each country of implementation. The campaigns must center on beneficiaries and ensure adequate local ownership. Messaging should have a human face, be empathic, honest, transparent, direct, unambiguous, neutral and conducive to a highly sensitive human and political environment, in addition to being gender-sensitive and gender-balanced.

Furthermore, campaigns should also include components of participatory and engaging communication, where the beneficiary becomes a key actor. This will support the EU Madad Fund's programmes in promoting social cohesion, inclusion, dialogue and help mitigate tensions and misperceptions between refugee and host communities.