

UNDG Iraq Trust Fund

**ANNUAL PROGRAMME NARRATIVE PROGRESS REPORT
REPORTING PERIOD: 1 JANUARY – 31 DECEMBER 2010**

Programme Title & Number
<ul style="list-style-type: none"> • Programme Title: Strengthening the Capacity of the Housing Sector in Iraq: Bridging for Phase III • Programme Number : E4-20 • MDTF Office Atlas Number: 76234

Country, Locality(s), Thematic Area(s)
Baghdad and KRG Housing and Shelter SOT

Participating Organization(s)
UN-HABITAT (lead), UNDP

Implementing Partners
<ul style="list-style-type: none"> • National counterparts (government, private, NGOs & others) and other International Organizations MoCH Baghdad, MMP, MoP, MoJ and KRG

Programme/Project Cost (US\$)	
MDTF Fund Contribution:	\$750,000
UN-HABITAT:	\$465,000
UNDP:	\$285,000
Agency Contribution	
Government Contribution	
Other Contribution (donor)	
TOTAL:	\$750,000

Programme Duration (months)	
Overall Duration	15 months
Start Date	31 August 2010
End Date	30 November 2011
Operational Closure Date	
Expected Financial Closure Date	

Programme Assessments/Mid-Term Evaluation
Assessment Completed - if applicable please attach <input type="checkbox"/> Yes <input type="checkbox"/> No Date: _____ Mid-Evaluation Report – if applicable please attach <input type="checkbox"/> Yes <input type="checkbox"/> No Date: _____

Submitted By
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NARRATIVE REPORT FORMAT

I. Purpose

The proposed USD \$750,000 Bridge Funding project for the Strengthening the Capacity of the Housing Sector is intended to better prepare and equip the Government of Iraq and its Ministry of Construction and Housing to meet the increasing needs of the Iraqi housing sector. It builds on previous phases of the Strengthening the Capacity of the Housing Sector program, where a systematic survey and analysis of Iraq's urban housing market in Phase I led to a National Housing Policy in Phase II designed to address Iraq's critical housing needs. The policy shifts the Government's emphasis from direct provision of housing to enabling private sector delivery, through creating a conducive legislative and regulatory environment, in line with global good practice. A third phase is planned, and aims to support the Government of Iraq in implementing the Policy through providing technical support in key institutional and regulatory reform processes and in technical actions. The proposed Bridge Funding project will consolidate Phase II and lay foundations for Phase III by putting in place necessary actions to initialize the reform of key institutions that underpin the reform of the sector.

Outputs:

Output 1: MoCH, National Human Settlements Committee (NHC), and other stakeholders have evidence base for improved planning and implementation of institutional and regulatory reforms within the housing sector

Output 2: KRG is supported to adapt the National Housing Policy to address regionally specific criteria

Output 3: Key housing sector institutions have a framework for realigning roles and building capacity in line with recommendations of the National Housing Policy

Output 4: Government of Iraq (GoI) has improved knowledge of the potential to establish a commercial housing finance market in Iraq in line with Banking Sector Reform processes.

MDG 7, Target 7a: aims to "integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources." This project clarifies the roles of the housing institutions, so that they can be better structured to support sustainable approaches to housing delivery stipulated in the National Housing Policy

Target 7d: aims "by 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers." This project contributes to this goal by laying foundations for Phase III, where the State Commission for Housing will gain improved capacity to support local initiatives in slum upgrading and address the housing needs of the poor.

ICI 4.4.1 aims to "improve access to housing by 15%" and NDS 2007-2010 p81 states: "Iraq is facing a serious housing shortage which, unless addressed as a matter of urgency, could have a severe negative impact on the overall quality of life and urban development. A consensus has emerged that the solution to Iraq's housing shortage lies in a market-driven system founded on a strong housing finance system which can scale-up housing loans for moderate and low-income families." A market driven housing delivery system relies on a well functioning housing finance system. The project

supports this national priority by scoping the potential of commercial banks to engage in housing finance. By also reviewing roles and responsibilities of housing related institutions, this project paves the way for the institutional and regulatory reforms that will be needed to support a market driven housing delivery system.

II. Resources

Financial Resources:

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MoCH Baghdad is supporting the training component inside Iraq for ministry staff.

- budget revisions approved by the appropriate decision-making body.

A budget revision will be submitted in 2011 requesting a change of scope for the project. This has been reached after extensive discussions with the main counterpart, MoCH Baghdad.

Outputs would be slightly amended to realign with the implementation of the recently approved Iraq National Housing Policy document (by the cabinet of ministers). Other outputs would shift to the second phase of implementation responding to more urgent needs.

- Good practices and constraints in the mechanics of the financial process, times to get transfers, identification of potential bottlenecks, need for better coordination, etc.

UN-HABITAT Iraq Programme follows and applies the United Nations financial rules and regulations and other official directives in undertaking financial activities of the projects and programmes for which the UN-HABITAT Iraq Programme has administrative responsibilities. UN-HABITAT establishes separate accounts for individual projects and funds and operates the financial transactions under the auspices of the United Nations Office in Nairobi (UNON). The latter approves all financial transactions and certifies financial statements of the UN-HABITAT accounts. Due to absence of working banking systems in Iraq, transfer of funds for project activities are remitted through money vendors against transfer charges. The inability of the money vendors to transfer desirable amount of funds at specific time in Iraq will adversely affect the implementation of activities as well as the credibility of the agency for efficient and timely implementation of the activities. The UN-HABITAT Iraq Programme explores best practices in undertaking its financial activities by discussing operational issues with other UN agencies at the Operations Management Team Meetings (OMT). It also discusses and explores best practices and operational issues with other UN agencies, bilaterally.

Human Resources:

- National Staff:

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1 National staff (programme) - (part-time)

- International Staff:

1 International staff (operations) - (part-time)

1 International staff (programme) - (part-time)

III. Implementation and Monitoring Arrangements

Engaging international consultants who work directly with Iraqi counterparts and national consultants will result in reducing costs when compared to institutes, and will give a wider range of possibilities in finding the best expertise in the required field.

UN-HABITAT will adopt a participatory approach when implementing activities related to capacity building, using “learn on the job” method, which insures ownership and understanding of the target group.

- The utilized procurement procedures.

UN-HABITAT: All procurement activities are undertaken based on core principles of the UN Financial Rules and Regulations which are best value for money, fairness, integrity and transparency, effective competition and the interest of the United Nations. The provisions of the UN Procurement Manual, which is subordinate to the provisions of the UN financial rules and regulations govern and guide the procurement activities. Within this framework, procurement of local goods, services and works up to a ceiling of \$150,000 are undertaken directly by the Amman-based office through a special Delegation of Authority. For procurement of all international goods, services and works, the United Nations in Nairobi (UNON) reviews, authorizes, and monitors all contracting and financial transactions. Procurement of all services, which entail contracting of personnel are processed centrally at UN-HABITAT Headquarters. Without compromising on ‘best value for money’, emphasis is placed on sourcing goods, works and services from within Iraq, wherever able and available. This not only helps to contribute to local economic development and employment generation, but also to strengthen local supply capacity and enhance sustainability. Further, in appreciation of the leadership role of the Government of Iraq, serious consideration is given to views and preferences of the client Ministry, in the selection of goods and services.

UNDP’s standard procurement procedures will be utilized for UNDP’s component.

- The monitoring system

This project is a phase of a continuous technical assistance and capacity building programme. It builds on previous phases of the Strengthening the Capacity of the Housing Sector projects that started in 2006. During that period UN-HABITAT has compiled lessons learned and built a network of coordination with counterparts in the housing sector, both at the central level in Baghdad and in KRG. The project team will be undertaking missions to Iraq to insure the continuous dialogue with relevant ministries, and to closely monitor the progress of activities.

Monitoring systems will include monthly reports from field officers, regular project reports from lead national and international consultants. In addition, internal team meetings are held regularly in order to discuss project updates, bottlenecks, lessons learnt and possibility of benefiting from other ongoing projects and to avoid duplication and/or overlap.

Through the first and second phase of the program, the following lessons have been drawn:

1. The approach of using international and national experts, including consultancy companies, to work alongside technical working groups worked well in the establishment of the National Housing Policy; this model should be replicated.
2. The allocation of time of a significant number of senior technocrats to the Phase II project indicated the commitment of MoCH and related ministries to the process of housing sector reform, and allowed significant debate and a wide range of inputs in the development of the policy. Significant input of

Iraqi counterparts, and thorough review processes enabled the policy to reflect accurately the Iraq context, and to develop strategies that can be realistically implemented. It is, therefore, important that MoCH continues to lead the process of housing sector reform, and for the planning of reform processes to be thoroughly participatory, involving a wide range of stakeholders.

3. There was limited representation of private sector and civil society in the processes leading to the development of the National Housing Policy. During the review of Phase II under this project, it will be important to include representation of these actors in order to better design phase III, then to continue their engagement in working groups that will be established within this project.

IV. Results

- Programme progress in relation to planned outcomes and outputs.
 - Terms of reference for consultancies have been prepared and will be discussed with MoCH.
 - Meeting with relevant housing delivery KRG ministries have resulted in establishing an inter ministerial task force headed by MoP to prepare a strategy for low income housing in KRG.
 - Terms of reference prepared for a consultancy to assist key housing sector institutions to set a framework for realigning roles and building capacity in line with recommendations of the National Housing Policy.
 - Terms of reference prepared for a consultancy to strengthen the role of the existing NHC to exist as a high level independent inter-ministerial body to monitor and support the implementation of the National Housing Policy and membership widened to include Ministry of Finance, private sector and civil society members.
- The key outputs achieved in the reporting period including # and nature of the activities (inputs), % of completion and beneficiaries.

The project started in September 2010, and is still in its' preparatory stage where very few activities took place.

Output 1: MoCH, National Human Settlements Committee (NHC), and other stakeholders have evidence base for improved planning and implementation of institutional and regulatory reforms within the housing sector. **(10% achieved)**

1.1 Independent evaluation of Strengthening the Capacity of the Housing Sector in Iraq Phase II project is undertaken.

Upon MoCH request, the above output will be changed. A request for a change in scope will be submitted to re-phrase it as follows: **“Evaluation of key Housing Sector Outputs relevant to the implementation of the National Housing Policy is undertaken”**

- Terms of reference prepared for the consultancy awaiting approval of the requested change.

1.2 Iraq Housing Market Study originally prepared in 2006 updated to reflect current housing situation.

The above output is unfunded

Output 2: KRG is supported to adapt the National Housing Policy to address regionally specific criteria **(10% achieved)**

Upon MoCH request, the above output will be changed. A request for a change in scope will be submitted to re-phrase it as follows: **“Strategy prepared to address low-income housing in KRG, in line with the National Housing Policy”**

- A Meeting with relevant housing delivery KRG ministries have resulted in establishing an inter ministerial task force headed by MoP to review a strategy for low income housing in KRG based on the Erbil Housing Strategy prepared by UN-HABTAT under “Strengthening the Capacity of the Housing Sector Phase 2 Project .

Output 3: Key housing sector institutions have a framework for realigning roles and building capacity in line with recommendations of the National Housing Policy (**10% achieved**)

3.1 Role of the existing NHC strengthened to exist as a high level independent inter-ministerial body to monitor and support the implementation of the National Housing Policy and membership widened to include Ministry of Finance, private sector and civil society members.

- Terms of reference prepared for a consultancy to strengthen the role of the existing NHC.

3.2 Training Needs Assessment of MoCH undertaken. MoCH will finance the training

- Terms of reference prepared for the needs assessment consultancy.

3.3 Roles and responsibilities of MoCH and related institutions clarified in the light of the requirements of the National Housing Policy.

- Terms of reference prepared for the structural realignment consultancy.

Output 4: Government of Iraq (GoI) has improved knowledge of the potential to establish a commercial housing finance market in Iraq in line with Banking Sector Reform processes. (**% achieved**)

4.1 Assessment prepared of two major state-owned commercial banks and selected private commercial banks to ascertain their position to engage in Housing Finance.

4.2 Scoping study of the potential for the National Housing Fund to support commercial housing finance prepared.

4.3 Study on alternative Housing Finance mechanisms to support households that are not served through commercial housing finance.

- MoCH has requested that funds from this output be shifted to output 3.3 and this output would be implemented whenever more funds come through, therefore a request for a budget revision will be submitted to reflect that.

- The delays in programme implementation, the nature of the constraints, actions taken to mitigate future delays and lessons learned in the process.

A change of scope was requested by MoCH Baghdad due to the pressing need to start the implementation of the National Housing Policy that was indorsed in November 2010 after the approval project. The proposed changes implied revision of already planned course of work, which resulted in delaying the actual starting of activities.

- The key partnerships and collaborations, and their impact on the achievement of results.

As mentioned earlier, this project is a third phase of a capacity building programme targeting the housing sector in Iraq that has started in 2006. Partnerships were established with stakeholder ministries of the housing sector namely the MoCH in Baghdad as the lead ministry. In KRG, an ongoing project targeting the housing sector is under way and has yielded good results and lessons learnt of which this project will benefit from. A coordination network between KRG ministries (MoCH, MMT, MoP, Governorate of Erbil, Erbil Municipality) and Baghdad is encouraged through exchange of expertise and policy directions.

- Other highlights and cross-cutting issues pertinent to the results being reported on.

- Gender Equality: The project addresses housing reform process that look into land management issues. Tenure security issues affect women in Iraq as a result of inheritance practices, and due to titles in a spousal relationship usually being held by the man. Lack of tenure security can leave people vulnerable to being excluded from civil processes, being able to access finance through lack of collateral and in some cases results in social exclusion.

- Environment: One of the principles of the housing sector reform is the promulgation of environmentally appropriate construction practices; this will be taken forward in Phase III for which this project is a preparatory phase.

- Employment Generation: It is widely recognised that a well functioning market is an employment generator. This project is contributing to housing sector reform, which provides a chance for private sector engagement in housing production, will propagate the employment generation potential associated with a well functioning housing market.

V. Future Work Plan (if applicable)

- The projected activities and expenditures for the following reporting period (1 January-31 December 2011), using the lessons learned during the previous reporting period.

Future activities:

1. An evaluation of key Housing Sector Outputs relevant to the implementation of the National Housing Policy.
2. Preparation of a Strategy to address low-income housing in KRG, in line with the National Housing Policy.
3. Review and strengthening the role of the existing NHC to monitor and support the implementation of the National Housing Policy, and membership widened to include Ministry of Finance, private sector and civil society members.
4. Undertaking a Training Needs Assessment of MoCH to determine capacity gaps and required trainings. This will be followed by the actual training which will be financed by MoCH.
5. Review the roles and responsibilities of MoCH and related institutions clarified in light of the requirements of the National Housing Policy.

- Any major adjustments in strategies, targets or key outcomes and outputs planned.

A budget revision will be submitted for a change of scope and movement of funds between budget lines. The following are the points that will be requested to the change of scope:

1. Change:

Output 1.1 Independent Evaluation of Ph 2 completed

To be re-written as:

“Evaluation of key Housing Sector Outputs relevant to the implementation of the National Housing Policy is undertaken”

Justification:

MoCH would prefer to evaluate in more detail components of Ph 2 which are relevant to implementing the housing policy – this may also include relevant components of Erbil housing project (E-4-18a)

2. Change:

Output 2.2: KRG is supported to adapt the National Housing Policy to address regionally specific criteria

To be re-written as

“Strategy prepared to address low-income housing in KRG, in line with the National Housing Policy”

Justification:

Re-writing the output signified a more focussed and tangible product which could be immediately piloted and disseminated to other areas in Iraq

3. Change:

Output 3.2: Training Needs Assessment of MoCH

to be merged with

Output 3.3: Roles and responsibilities of MoCH and related institutions clarified in the light of the requirements of the National Housing Policy.

Justification:

Based on MoCH suggestion.

Shift funds from funded outputs to unfunded outputs to reflect MoCH priorities.

Previously unfunded Output 3.3 to be funded

Previously funded Output 4.3 to be unfunded

Justification:

The housing policy was endorsed in November 2010, instructions were given to all relevant institutions to support the implementation of the housing policy, MoCH is now under pressure to advise these institutions on their new roles. Consequently output 3.3 has become a higher priority than output 4.3

List of abbreviations:

MoCH: Ministry of Construction and Housing/Baghdad

MoP: Ministry of Planning

MMPW: Ministry of Municipalities and Public Works

KRG: Kurdistan Regional Government

MMT: Ministry of Municipalities and Tourism (KRG)