

World Bank Iraq Trust Fund
Public Finance Management (TF094552/TF094654 – P110862)
October 2011

Project Summary Sheet

Title	Public Finance Management Project				
Implementing Agency	Ministry of Finance (MOF) World Bank				
Location	N/A – Institutional Support/Nationwide				
Sector code (OECD DAC)	15120 Public Sector Financial Management				
Compact Priority	<p>4.1.2.B1 Develop and implement legislation and build institutions to improve Public Financial Management</p> <p>4.1.2.B2 Achieve an integrated and comprehensive budget and increase strategic content</p> <p>4.1.2.B3 Establish and implement procedures and regulations to improve budget reliability and accountability</p> <p>4.1.2.C1 Pass and implement legislation and regulations, build and operationalize institutions for public procurement</p>				
Project Cost	US\$18 million: US\$16 million MOF-implemented grant US\$2 million World Bank-executed technical assistance				
Duration	47 months				
Approval Date	June 2009	Effective Date	July 2009	Closing Date	June 2013
Project Description	The Project supports the ongoing public financial management (PFM) reform process, including the strengthening of budget preparation, budget execution, public procurement systems; and, building the capacity of public financial management institutions and their staff.				
Beneficiaries	The main direct beneficiaries are the Ministries of Finance, Ministry of Planning, Procurement Regulatory Authority, Board of Supreme Audit, Ministries of Oil, Education, Water Resources and Electricity, as well as some of the spending units which are involved in piloting new processes. By improving the performance of public finances, the Project has the potential of broad national benefit.				
Near Term Employment Creation	N/A				

Strategic Context and Donor Coordination

The Project is closely coordinated with other donors in the country who are active in the area of PFM, particularly the IMF, DfID, USAID, UN and the US Department of the Treasury. As part of project implementation, the MOF will convene regular donor coordination meetings to track progress toward the implementation of the PFM Action Plan, and solicit inputs from other donors.

Project Development Objective

Support the Government of Iraq's efforts to develop a more effective, accountable and transparent public financial management

Outputs, Key Activities and Procurement

Outputs	<ul style="list-style-type: none"> • Budget Strategy • Medium-Term Forecasting Framework • Detailed sector strategies for one or two key sectors
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	<ul style="list-style-type: none"> • Investment preparation procedure • Budget call circular design • Budget preparation manual and procedures • Sector specific standard bidding documents • Procurement information monitoring system • National Procurement Manual • Cash release system design • Commitment control system design • Financial reporting procedures improvements • Internal MOF Network • Training curricula
Activities	<ul style="list-style-type: none"> • Technical assistance and on-the-job capacity building to the staffs of the budget, accounting and economic directorates of MOF, the procurement department of the MOPDC, and the finance and investment departments of the spending units involved • Workshops, seminars, training courses and conferences
Procurement	<p>Goods: US\$ 0.1 million</p> <p>Consultants' Services and Training: US\$14.0 million</p> <p>Incremental Operating Expenses: US\$ 0.3 million</p> <p>Technical Assistance: US\$ 2.0 million</p> <p>Unallocated: US\$ 1.6 million</p>

Financial Data

Funds Committed	US\$8.1 million	% approved	45
Funds Disbursed	US\$1.5 million	% approved	8
Forecast Closing Date	June 2013	Delay (months)	

Progress against Indicators

Capital budget execution up by 10%	There has been no monitoring and evaluation of this indicator in the past. A reporting format has been agreed with the Director General Accounts in the Ministry of Finance during the Supervision Mission in July-August, 2011. As per the report received from the Ministry of Finance, the Budget execution rate was 75 % at the start of the project in 2008. It increased to 83 % in 2009 but fell to 78 % in 2010.	% of planned	40
Outstanding cash balances at spending units as share of budget down by 30%	There has been no monitoring and evaluation of this indicator in the past. A reporting format has been agreed with the Director General Accounts in the Ministry of Finance during the Supervision Mission in July-August, 2011. A report is expected next week.		Cannot be determined.
50% of contracts above threshold awarded competitively	There has been no monitoring and evaluation of this indicator in the past. A reporting format has been agreed with the Procurement Regulatory Authority in the Ministry of Planning during the		Cannot be determined.

	Supervision Mission in July-August, 2011. A report is expected next week.		
Ministry of Finance Training Institute providing training in all operational aspects of PFM project.	For Capacity Development for Ministry of Finance Training Institute, that includes Needs Assessment, Twinning Arrangement, new curriculum, training events and study tours, etc., a Contract has been recently awarded to Coffey International Development Middle East Pvt. Ltd. The capacity development work has to start next month, after completion of which the Ministry of Finance Institute will be able to start providing training.		0

Qualitative Assessment of Project Performance

The Iraq PFM project was started in July 2009 and has to be completed by June 2013. It is a 4-year project and 2 years time (50%) has lapsed. During the 50 % of the elapsed project time, following progress has been made so far:

- Against the project cost of US\$16 million, only \$446,000 (less than 3 %) has been disbursed so far.
- During the past 8-10 weeks, there has been a significant progress in terms of signing consultants' contracts, because of which Commitments have risen to \$6.92 million (43 % of the project cost).
- After taking into account the ongoing planned procurement process, a maximum of US \$ 2.73 million (17 % of project cost) can be further committed in the next few months.
- An amount of US\$6.35 million (39 %) is still unplanned/unallocated. At the time of our mission, the government had no plans in place to use these unspent project funds.
- The Monitoring and Evaluation System is virtually non-existent and the agreed Results Framework is not being used to monitor Project Outcomes and Intermediate Outcome Indicators.

However, the Project continues to provide the platform for sustained engagement with the GOI on PFM reform, as evidenced by the May 2010 consultative workshops in Istanbul, which resulted in Draft Budget Strategy for 2011, as well as a draft of a new Accounting Manual.

Major Implementation Obstacles

The major implementation bottlenecks at this time are as follows:

- Lack of full-time staff in the PMT - 9 out of 11 staff in the PMT is working part time. There has been an agreement with the PMT during the Supervision Mission that four full-time component leaders and a full time translator/interpreter will be appointed under the project. The Component leaders are supposed to work with respective consultants to ensure their timely delivery.
- Inadequate supervision from the Ministry of Finance. The Ministry of Finance is not reviewing the progress of the project to take necessary mid course corrective actions to remove bottlenecks. An agreement has now reached with the PMT that a Steering Committee will be formed under the chair of Finance Minister with concerning DGs as its members. The Steering Committee would, apart from other things, monitor progress of the project.
- The security environment of Iraq is a major impediment for the visits of international consultants to Baghdad. Because of this, most of meetings with the consultants are taking place outside Iraq. This leads to a lack of participation of operational staff in those discussions and consequently its follow-up.
- There are large numbers of unplanned funds (\$6.35 million) in the project and the government needs to take a quick decision on what activities they would like to spend those funds.