



KRG BUDGET EXECUTION SUPPORT PROJECT

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**4th Quarter 2013 Report
(October – December)
Field Operations**

Inclusive Growth & Economic Empowerment

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1. Summary of Quarterly Progress

This report is an update on second quarter from 1 July through 30 September 2013 on the implementation status of the KRG Budget Execution Support (BES) Project.

Assisting MoP with Capital Investment Budget

During the reported quarter, UNDP Project team continued assisting KRG Ministry of Planning with the preparation of 2014 Capital Investment Budget. The project team assisted in cross checking all proposed projects with the budget ceilings of line ministries, and to classify the status of projects if completed, ongoing, or new. Based on the cooperation with Local Area Development Programme, the project team also assisted MoP with readjusting provincial allocations based on the approved number of population in each governorate. UNDP worked closely with MOP's Database Office (KDMS) to make sure that the data is being entered correctly, proposing solutions for faced deficiencies to the database developing company.

Capacity Building for KR Board of Supreme Audit

In November, UNDP conducted a capacity building workshop for KR Board of Supreme Audit on *“Risk Based Approach for Financial Auditing and Procurement & Tendering Audit”*. The training was attended by 16 senior staff members from from BoSA, who were introduced to all audit stages as per INTOSAI Standards that will allow them to put into practice an effective new



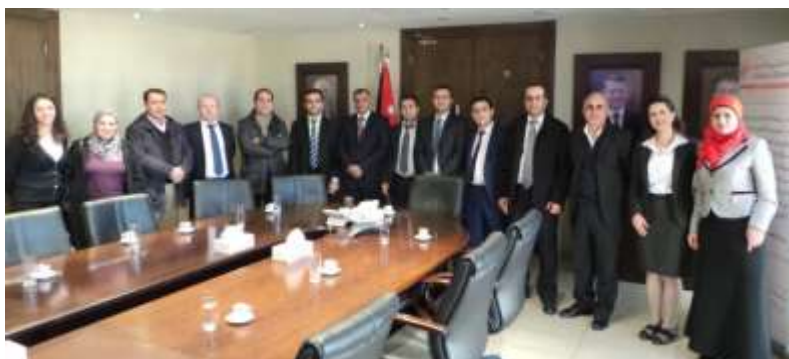
audit methodology in KRG. In addition, participants will be able to understand the procurement and tendering regulations and contracting practical practices for the public sector. Mr. Fareeq Suleiman Ramadan, Acting Head of KRG Board of Supreme Audit, paid a visit to the training workshop during its second day emphasizing on the importance of such workshops, and to push for the implimentation of what was discussed during it to enhance the entity's capacity and efficiency. The visit left a very positive impact on the participants.

Please refer to Annex I for a full detailed report of this capacity building workshop.

Capacity Building for the Ministry of Planning on Strategy Execution and Monitoring

In December, UNDP conducted a workshop in Amman that included a two-days seminar on Strategy Execution, followed by sessions on the principles of Monitoring and Evaluating the Government's performance.

The workshop discussed strategy execution for both private and public sector entities, presenting frameworks of strategic planning,



operational planning, monitoring and tracking strategy executions, and project management. The sessions tackled several tracking models used globally for strategy execution and measuring growth and progress were presented while focusing on the balanced-scorecard model. The workshop was concluded with a field visit to the Ministry of Information Technology and Telecommunication, to have the exposure of the Jordanian experience over the last 10 years in enforcing strategic planning at public sector entities - mainly Ministries.

The workshop was attended by ten KRG officials from Ministry of Planning and representatives from the planning teams of the governorates. Please refer to the workshop report under Annex II for more details.

Finalizing the Concept Note of Treasury Single Account

In October 2013, UNDP submitted the first draft of an implementation phase under the project for applying Treasury Single Account (TSA) system in KRG. During the reported quarter, several meetings were conducted with Mr. Nader Majeed Nader (Head of Cash Management Unit, MoF) and Mr. Zagros Fattah (DG of Capital Investment, MoP) to discuss the submitted concept note, focusing on the objective of the TSA, the activities to be planned to achieve final outputs, and how to include in the project the possible needed IT infrastructure. Based on these discussions, another draft concept note was sent and UNDP will be discussing next quarter the budget and possible cost sharing to fund this phase.

Diagnoses of Provincial Capacities in Planning and Budget Execution

In cooperation with UNDP's Local Area Development Programme, the Project finalized a diagnostic report on the capacities of the governorates in planning and budget execution. The report analysed the organizational structure and planning responsibilities between the regional and local authorities, identifying the gaps in needed coordination and capacities. The report was concluded with a set of recommendations to improve the planning process and quality for more efficient budget execution, including how to improve the support that the governorates receive from Ministry of Planning. The report is attached under Annex III for more details.

2. *Background*

Iraq has abundant human and natural resources: a population of approximately 30 million inhabitants, the world's second-largest oil reserves and considerable gas reserves. The oil sector dominates Iraq's economy: it accounts for two-thirds of the GDP and provides over 90 percent of government revenues. For the people of Iraq to benefit from hydrocarbon revenues, public financial management reforms are priority.

The Iraqi Constitution of 2005 allocates greater powers, particularly in the management of public resources, to Iraq's provinces/governorates and substantial autonomy to any province or group of provinces organized into a region, with the Kurdistan Region (KR) being the only recognized to date. Thus, the strengthening of public financial management practices in general, and budget execution in particular, at both the national and sub-national levels in Iraq, is central to preserving governmental integrity and accountability as well as enabling efficient and effective resource management, budget execution, and service delivery.

With a population of around 4 million and an area of approximately 40,000 square kilometers, the Kurdistan Region is composed of three Governorates, namely: Duhok, Erbil and Sulaymaniyah. The capital and seat of the Kurdistan Regional Government is Erbil. The Kurdistan Regional Government exercises executive power according to the Kurdistan Region's Constitution and laws as enacted by the democratically elected Kurdistan National Assembly.



Iraqi Kurdistan has been largely stable and has remained isolated from the sectarian violence prevailing elsewhere in Iraq. The Federal Model for Iraq, established by the National Constitution, has suited the KRG, which has taken full ownership and control over its development agenda.

KRG Budget Execution Support Project

This Project aims at strengthening the capacities of the Kurdistan Regional Government (KRG) in budgetary process and is the foundation to accelerating the Kurdistan Region stabilization, reconstruction and development efforts. In doing so, (i) the KRG's budgetary capacity in policy, planning, execution and control will be strengthened, (ii) transparency and accountability in the mobilization and use of KRG public resources improved and (iii) capacity developed for public financial management in the KRG.



Erbil Citadel
One of the landmarks of Erbil City

3. Scope of the Problem

Wars and sanctions have contributed to marked deterioration in standards of living in Iraq's recent years, resulting in daunting challenges to accumulating and managing public resources, undertaking infrastructure reconstruction and rehabilitation, and expanding delivery of essential services to the Iraqi population. Over 23% of Iraqis live below the poverty line of US\$2 per day. The education enrollment rate averages 85% in primary schools but falls to 36% for secondary schools. Health indicators once set the standards for the region but have seriously deteriorated due to the low level of public spending on health, amounting to 3.4% of total government spending. The population with access to sewerage systems averages only 25% nationwide. About 85% of households continue to suffer from weekly or daily electricity cuts. There is a continuous decline in agricultural productivity which stems from lack of public investment—exacerbated by distortions in agricultural markets and further compounded by environmental deterioration.

Socio-economic development, is further hampered by deficiencies in the management of public resources at both the national and sub-national levels which in-turn are affected by multiple factors. Firstly, slow, outdated budget allocation approval processes in addition to falling budget allocations over the years for ensuring quality and equitable coverage of public essential services. There tends to be generally weak capacity and little experience at local levels for integrated, participatory strategic planning and budgeting. Furthermore, municipalities and technical directorates frequently suffer from low administrative, financial, budgetary, managerial and technical capacity thus negatively affecting effective implementation, monitoring and evaluation mechanisms.

Slow and outdated budget allocation approval processes and subsequent delays in actual transfers of funds from the Ministry of Finance to Governorates and Line-Ministries for implementation, cripple local efforts to provide quality essential services to their citizens. In addition, there tends to be limited experience and weak capacity at local level to carry out integrated, participatory strategic planning and budgeting, which could support governorates to respond to local communities' most important needs while aligning their development efforts with national priorities and vision. Lastly, there is a lack of transparency and accountability in public financial management that gives weight to allegations of rampant corruption and misuse of public resources.

4. UNDP's Response to the Challenges

In accordance with a general shift in UNDP intervention strategy from immediate post-conflict reconstruction to capacity development and policy based interventions, this project is helping to increase the technical capacity of communities and local governments and their control over decisions and resources that affect their development, while preserving center-periphery coordination and consultation. It engages and empowers people through a participatory process of local development planning, budgeting and implementation. UNDP will assist Local Authorities in performing their role and assuming their responsibility for planning and managing local revenues and expenditures to support and facilitate the expansion of pro-poor quality services in target project areas. Concurrently, citizen accountability mechanisms regarding the use of public resources and the quality of service delivery will be developed.

Within this framework, the proposed Budget Execution Support (BES) project will attempt to establish strong linkages with current and future UNDP projects, namely with the Anti-Corruption Project, the Board of Supreme Audit Support Project, the decentralization and local governance projects, the Public Sector Reform Programme, the Private Sector Development Programme, and the Local Area Development Programme.

The main objective of the proposed BES Project is to support the KRG's efforts to develop more effective, accountable, and transparent public financial management systems. Specifically, it will help strengthen budget formulation, execution, monitoring, control, and reporting; modernize public procurement; and develop PFM capacity generally. The project design was based on the Logical Framework proposed by UNDP and adopted by the members of the KRG Joint Project Formulation Team on 18 February 2009.

At that time, the Authorities requested UNDP's support to prepare a regional Public Financial Management Action Plan for the KRG. This Action Plan, has been prepared and approved which provides an overall policy and operational framework for: (a) designing and implementing an integrated Public Financial Management (PFM) reform and institution building program; (b) aligning this program with the PFM Action Plan currently implemented at the national level; (c) assisting to coordinate and mobilize

donors' support for priority reforms and capacity building, and (d) monitoring progress in implementing the PFM reforms.

To ensure broad-based ownership of and participation in this reform programme, a conference was organized in May 2009 to bring together key stakeholders involved in public finance and budget execution from both the executive and legislative branches of KRG, as well as representatives of the Central Government and donors. The adoption of the Action Plan was a key outcome of this conference.

Key Activities of the Action Plan: Project activities have been grouped under four components:

Component 1: Strengthening Budget Policy, Planning and Formulation;

Component 2: Strengthening Budget Execution and Monitoring;

Component 3: Strengthening Budget Reporting, Oversight and Control;

Component 4: Management Information System (MIS) and Capacity Building.

Component 1: Strengthening Budget Policy, Planning and Formulation:

This component aims at laying strong foundations for a policy and planning framework to support a credible annual budgeting process framed by a medium-term perspective and complemented by a regional development strategy and detailed sector strategies.

Component 2: Strengthening Budget Execution and Monitoring:

This component aims at strengthening budget execution through allocation of resources in accordance with the budget as adopted, improvement of treasury functions (e.g., cash forecasting and management, accounting, and commitment control), and adoption of a procurement system in line with best practices.

Component 3: Strengthening Budget Reporting, Oversight and Control:

This component aims at improving information on financial flows and strengthening both internal and external controls in order to enhance accountability and transparency over the use of public resources and mitigate related fiduciary risks.

Component 4: Management Information System (MIS) and Capacity Building:

This component aims at upgrading the financial management information system, both hardware and software, and strengthening the capacity of the staff involved in the budgetary processes. The MIS component will be covered through the PFM project handled by the World Bank in Baghdad

In the approved work plan, page 18, we referred to the above components as outputs.

5. Achievements since Initiation

The project was initially conceived as an area-based development initiative, which UNDP Senior Management approved on May 5, 2008. This initiative was retrofitted and a revised BES Project Document was prepared and approved by UNDP LPAC on March 18, 2009. The KRG Authorities launched the BES project at a Conference held in Erbil on May 5-6, 2009 and the Iraq Strategic Review Board endorsed it on June 3, 2009. Overall, the project implementation is on track as per its key performance indicators. The following progress achieved to date is listed from the present quarter and previous quarters in reverse order starting from the last quarter till the beginning of the project:

Updates of activities during this reporting quarter:

1. In October 2013, UNDP finalized a concept note for an implementation phase of Treasury Single Account (TSA). Several meetings took place with MoF and MoP to discuss details and activities that led to an updated version by the end of Q4 2013.
2. In November 2013, UNDP conducted a capacity building workshop for KR Board of Supreme Audit on "Risk Based Approach for Financial Auditing and Procurement & Tendering Audit". The training was attended by 16 senior staff members from BoSA, who were introduced to all audit stages as per INTOSAI Standards on financial, contracting and procurement audit.
3. In December 2013, UNDP conducted a capacity building workshop on Strategy Execution and M&E for Governmental Strategies. The workshop was attended by ten officials from MoP and the planning teams of KR governorates.
4. During Q4 2013, the Project Team assisted the Capital Investment Department of MoP in screening and classifying capital investment projects, including the calculations of governorates' allocations.
5. During Q4 2013, UNDP finalized a diagnostic report on the capacities of the governorates in planning and budget execution. The report analysed the organizational structure and planning responsibilities between the regional and local authorities, with a set of recommendations to improve the planning process and quality for more efficient budget execution.

Previous progress from the last quarter till the beginning of the project:

99. In September 2013, the project team conducted a 4-days training that was attended by 83 civil servants on how to complete the call-circular forms for the 2014 budget preparation forms

98. During Q3 2013, UNDP Project's team assisted the Directorate of capital Investment of KRG Ministry of Planning; with the preparation of 2014 Budget Call-circular forms. Also, the team provided assistance to the DG of Capital Investment in their discussions with all line ministries for their budget requests, organizing the process to include on-going and new proposed projects

97. During Q3 2013, UNDP conducted more than 24 interviews with the government staff that attended the several capacity building trainings conducted under the project. The interviewed staff were from Ministries of Planning, Finance, Municipalities, Housing, and Higher Education who participated in the BES Project Trainings conducted through June 2013. The interviews aimed to get the participants' feedback on the gained knowledge and level of exercise for it in their current jobs, and to understand the obstacles and future support they needed in terms of capacity building and technical assistance.

96. In July 2013, UNDP conducted a workshop on the fundamental foundations of Strategic Planning for the public sector. The workshop introduced concepts and methodologies in strategic planning from its formulation, through implementation and ending with monitoring and evaluation. The workshop was attended by nine line ministries and representatives from Erbil Governorate and Garmian Administration.

95. During Q2 of 2013, UNDP held six workshops on different PFM topics, with the participation of 108 government staff from 17 government entities. Comprehensive reports were made for each workshop.

94. In June 2013, Project Board Meeting was held at KRG Ministry of Finance to review the progress of the project and future plans. As a result of the meeting, KRG MoF and representatives from KRG agreed for an implementation phase under the project for the system of Treasury Single Account (TSA). The Project Board asked UNDP to submit a concept note for the estimated time and funds needed for implementing a TSA system in KRG, where it will assist in solving a current and important issue facing KRG in terms of cash management

93. In June 2013, a presentation of the desk review report was conducted for H.E Dr. Ali Sindi, KRG Minister of Planning, highlighting the major findings and recommendations. The Minister asked UNDP to continue working with MoP on the

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Vision document, and to explore the possibility of UNDP's assistance in the consultation process of the vision.

92. In April 2013, UNDP made a presentation for the Desk Review Report of KRG's Vision document to the Director General of Capital Investment of Ministry of Planning. The presentation summarized the major points and recommendations to the document based on best international practices. Findings were discussed for the finalization of the report which was re-submitted in May

91. In April 2013, UNDP launched phased II of Local Area Development Programme, highlighting the partnership with Budget Execution Support Project, to enhance the linkages between the planning efforts at the governorates' side with the overall strategic planning and objectives of KRG's.

90. In March 2013, UNDP finalized and signed a Letter of Agreement with Jordan's Institute of Public Administration, to facilitate providing capacity building programmes for KRG government on different public financial management aspects. The Institute of Public Administration is a specialized training center under Jordan's Ministry of Public Sector Development, which provides an umbrella in covering wider topics and areas related to several governmental entities in KRG. The government of Jordan was and is still benefiting from several USAID projects that tackle fiscal reforms and public sector modernization; it was stated in the Letter of Agreement with IPA to utilize the knowledge and expertise gained from those programmes

89. In March 2013, DoS approved UNDP's request for a no-cost extension for its grant, making it valid through 30 September 2013. The request was approved through an official amendment based on an updated work plan and budget.

88. In March 2013, three workshops were proposed covering several areas related to counterparts, those workshops to take place in April 2013.

87. In February 2013, several meetings were conducted with KRG counterparts to discuss the capacity building plans, and the expected participants from their side. It was stressed to consider job descriptions and qualifications in the nominations, in order to maximize the benefit of those workshops.

86. In Q1 2013, UNDP started the desk review for the latest KR Vision document. The review includes a comparative analysis with best practices in the region and the world, with an analysis to the document's structure and content. A draft report was submitted in March 2013, to be discussed and finalized in the following quarter

85. In December 2012, KRG BES Project Team assisted MoP in reviewing all capital investment projects (completed, on-going and proposed) for the fiscal year 2013. The team assisted MoP in classifying the capital investment projects according to strategic

sectors and sub-sectors, assigning codes for future control of capital investment projects via KDMS. These efforts will continue in the next quarter to cover around 4000 capital investment projects, and to create a guiding working document for classifying future projects. The list of classified capital investment projects by sector will also be used for presentation purposes with KRG Parliament.

84. In December 2012, the BES Project Team attended KDMS workshop and several meetings on KDMS system organized by MoP, to review the system's features and implementation process. The main focus of BES team was the financial component of the KDMS system to make sure that the required financial and budgeting information is captured in the system.

83. In November 2012, and based on the capacity building needs assessments, UNDP drafted capacity building plans for KRG BoSA and MoF. The plans were shared with both entities for feedback, and got cleared in December 2012.

82. In October 2012, UNDP finalized the technical evaluation for the announced RFP for the joint plan between LADP and KRG BES Projects. In November 2012, the financial evaluation was completed and negotiation took place with successful bidders. The case was presented to the Procurement Committee and contract was finalized in December 2012.

81. In October 2012, UNDP finalized capacity needs assessment for KRG BoSA and MoF, and shared it with focal points and senior officials for both entities. Feedback were received and reflected in the reports, which was finalized in November 2012.

80. During Q3 2012, a Letter of Agreement between UNDP Iraq and Jordan Audit Bureau (JAB) was drafted and discussed with JAB's officials. The agreement is for JAB to provide capacity building trainings on selected PFM and auditing topics. JAB is translating the agreement for final review in order to proceed with the approval process. Agreement is expected to be finalized during Q4 2012

79. On September 18, 2012 a consultative workshop was organized by UNDP based on a request from KRG Government, to present the End-of-Assignment report for PwC, reviewing the major deliverables and recommendations. The meeting was attended by Minister of Planning, Minister of Finance, Deputy Minister of Finance and most of related Director Generals from both ministries. The meeting concluded for KRG's appreciation to the deliverables, and their commitment for the desire change, which they are not ready for mainly due to available technical knowledge and capacities.

78. On September 17, 2012 the Project manager met again with Acting Head of BoSA to discuss their views about the last conducted capacity building needs assessment, indicating the UNDP will share the report for more discussions once finalized.

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77. During September 9 - 14, 2012 the Capacity Building Consultant conducted needs assessment based on interviews and meetings with focal points and relevant officials at MoF and BoSA. In addition to that, the Consultant conducted at a later stage an analysis to the current structure, available job descriptions, and training policies. Employees at MoF and BoSA were given questionnaire that will be analyzed for better understanding of the needs.

76. During July, the ToR of Capacity Building Consultant was finalized and advertised. Consultant was on board by July 29th analyzing finished deliverables

75. During July 2012, the final report of the Study Tour was submitted to MoF and MoP with the Arabic translation, after including the feedback from all participants.

74. During July 2012, several meetings were held with UNDP Project Managers and consultants, for the projects that can be related to the strategic planning process in KRG. Through the meetings, areas and issues for coordination were identified, highlighting the inputs from KRG BES Projects that will lead to coherent planning.

73. On July 19th, 2012 KRG BES Project team attended KDMS (Kurdistan Development Management System) meeting organized by MoP and Synergy Ltd, where KDMS components were introduced and comments on the KRG requirement were taken in consideration.

72. On July 5th, 2012 Project Manager met with the Acting Head of KRG Board of Supreme Audit (BoSA), and discussed future cooperation and the coming capacity building opportunities for BoSA

71. On July 4th, 2012 Project manager met with KRG Deputy Minister of Finance (Mr. rashed Taher) to discuss the delivered reports and progress. Project Manager also met with the assigned focal point of MoF for the capacity building programme

70. On July 4th, 2012, presented the Joint work plan for KRG BES and Local Area Development Programme. The presentation took place at KRG MoP, for Director General of international Cooperation and Capital Investment. During the same meeting, a Strategic Planning Cycle for KRG was presented, showing the involvement of four current UNDP projects.

69. During Q2 2012, several discussions and meetings took place to establish a partnership with the Jordan Audit Bureau (JAB), where JAB would provide practical technical trainings for KRG Board of Supreme Audit and other KRG line ministries.

68. During June 2012, UNDP submitted a framework to the Ministry of Planning for KRG Public Investment Programme (PIP). The report included a proposed cycle for the PIP exercise within the regular Budget Call Circular process and within the concept of Mid Term Expenditure Framework. The report also identified best practices for

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prioritizing and evaluating projects for capital investments and PIP exercises for three pilot ministries: Education, Health and Agriculture.

67. During June 10 – 14, 2012, six officials from MoP participated in a Project Management Training organized by a sister UNDP Project, Loan Management

66. During Q2 2012, Budget Execution Support initiated several discussions and meetings to identify synergies with UNDP's Local Area Development Programme (LADP), which is concerned with the strategic planning at the governorate level and has completed major deliverables in five Governorates in the completed Phase I and the Bridging Phase to prepare for Phase II which will initiate in the near future. In May 2012, the KRG BES team participated in a workshop at MoP to learn more about the structure of Provincial Annual Plans under LADP for future linkages and synergy within strategic planning under the Regional Development Strategy

65. During May 9–14, 2012, several meetings were conducted with the Ministry of Finance Directors in Erbil and Sulaymaniyah, discussing the submitted reports

64. In April 2012, several public financial management reports were officially submitted in Arabic and English to the Ministry of Finance (MoF) and Ministry of Planning (MoP). MoF prefers to have reports in Arabic for easier reference, which was accommodated although the review of the Arabic translated reports was time and effort consuming. The submitted reports were Mid Term Expenditure Framework (MTEF) /multiyear budgeting, Single Treasury Account (TSA) and the Procedures Manual for Central Expenditures

63. During Q1 2012, UNDP reviewed and edited several PFM reports into Arabic, due to a request by the KRG Ministry of Finance to assure maximum understanding for future reference;

62. In February 2012, UNDP organized a Study Tour Programme on the Spanish Model of Fiscal Decentralization, hosted by the Spanish Institute for Fiscal Studies and organized by KPMG;

61. In January 2012, UNDP held a workshop with KRG stakeholders presenting a Framework of Public Investment Programme for KRG;

60. During Q4 2011, UNDP initiated the review of submitted Public Financial Management (PFM) deliverables of the Mid-Term Expenditure Framework, Treasury Single Account (TSA) Procedures and Manual for Centralized Expenditures;

59. During Q4 2011, meetings and discussions took place with KRG officials regarding arrangements of an intended Study Tour in fiscal decentralization;

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58. In October 2011, draft reports were submitted to Ministry of Finance who contracted translation of the documents into Arabic for future reference and presentation;
57. In November 2011, a meeting took place with the Director General of Ministry of Planning to discuss deliverables and preparations for a workshop presenting a framework of Public Investment Programme for KRG;
56. In November 2011, an Information Package was drafted on fiscal decentralization for presentation at the intended February Study Tour;
55. In December 2011, the sector development strategy under the Ministry of Agriculture was reviewed;
54. In September 2011, PwC submitted draft reports to UNDP on modernizing KRG's financial information systems, Single Treasury Accounts, methodological guide of MTEF and procedures manual for centralized expenditures. All of these important drafts to be reviewed and discussed with UNDP in the coming quarter;
53. KPMG continued their efforts during September 2011 to collect adequate information from the two pilot ministries (Education and Health) in order to produce relevant sector strategies;
52. By end of August 2011, KPMG completed a draft of sector strategy for Ministry of Agriculture, to be shared with the ministry for comments and feedback;
51. In mid-August 2011, KPMG advisor has provided recommendations to the KRG MoP and MoF on how to improve communication systems. The recommendations were found very helpful by the two ministries who expressed that more support might be required during the implementation;
50. In August 2011, flowcharts and narratives about the current MoF procedures have been provided to head of accounting departments, in order to provide feedback and comments that can be utilize for finalizing the Procedures Manual of Centralized Expenditures;
49. On August 3, 2011, PwC made a full diagnostic presentation to MoF Deputy Minister and MoP Director General on the current financial systems at MoF and related improvement opportunities. Strategies were presented for quick-win improvements, and KRG acknowledged and preferred a big bang approach more than incremental upgrades;
48. In August 2011, PwC conducted several working group meetings and workshop on the MTEF methodological guide, targeting to finalize it by September 2011;

47. The National Project Manager based in Erbil assisted KPMG and PwC with their meetings in July 2011, and in obtaining needed information for their progress especially with regard to budgeting process forms and development strategies;
46. UNDP Project Manager conducted a mission to Erbil in July 2011 to discuss progress with KRG officials, planning meetings with UNDP's consultants from KPMG and PwC and attended working group meetings on multi-year budgeting;
45. In July 2011, KPMG held meetings with head of planning at the Ministry of Planning and the three pilot ministries (Health, Education and Agriculture) to seek their support for the preparation of PIP for their ministries;
44. In July 2011, PwC presented to the heads of accounting departments a draft of Procedures Manual for Centralized Expenditures within MoF. It was to show the structure of the expected manual and to gain support in obtaining the needed information for finalizing it;
43. On July 21, 2011 PwC presented a draft report on IT applications within Ministry of Finance to all heads of accounting departments and IT Unit;
42. In June 2011, PwC conducted workgroup meeting with General Directors of Budgeting at Ministry of Finance and Ministry of Planning to review current budget preparation system;
41. In June 2011, PwC conducted workgroup meetings with Head of Tendering Department and Head of Store at Ministry of Finance to review the current process used for tendering and controls in place at stores;
40. In May 2011, KRG Ministry of Finance sent UNDP their final installment against their contribution to the project, for the amount of US\$150,000;
39. In May 2011, KPMG conducted a workshop on Kurdistan Development Management System (KDMS), which is a mature UNDP project, to seek synergy and the system's assistance in managing the projects that to be incorporated in the Public Investment Programme exercise;
38. In May 2011, KPMG presented the Public Investment Programme concept to MoP's related Director Generals;
37. In May 2011, KPMG conducted training for the Communication Unit of MoP;
36. In April 2011, PwC made an initial draft of a methodological guide on Mid Term Expenditure Framework (MTEF);
35. In April 2011, specific communication strategies were produced for KRG Ministries of Planning and Finance. The communication strategy for Ministry of Planning was presented;

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34. In March 2011, Working Groups from relevant KRG ministries were formed to respond to the Priority Actions;
33. In February 2011, UNDP organized a Joint Coordination Workshop hosted by H.E. KRG Minister of Planning and attended by Deputy Minister of KRG Ministry of Finance, representative from Department of State as well as other representatives from relevant ministries of KRG Government. Through the workshop, factual findings were directly discussed with KRG Officials, and current progress and future plans were presented. Priority actions were determined and communication/coordination mechanisms were set with KRG;
32. In January 2011, PWC finalized an assessment for their components of the project. The report reflects findings gained from interviews and desktop study of documents published and received upon request. The report was discussed with KRG Ministry of Finance and Ministry of Planning, and shared with the DoS concerned representative;
31. UNDP contracted Crown Agents Consulting Co. to conduct a mid-term review of the project. The final report was completed during 1st Quarter 2011. This report provided an assessment of required experts for the un-covered areas and provided a section on conclusions and recommendations;
30. UNDP Project Manager and the primary contractors KPMG and PriceWaterhouseCoopers (PwC) briefed a delegation from Department of State on the project's progress in December 2010;
29. Terms of Reference developed for a National Project Officer to be based in Erbil with interviews conducted in December 2010. The successful candidate was selected in January 2011 and start date 2nd Quarter 2011;
28. UNDP sponsored five KRG personnel from the Ministry of Finance and Board of Supreme Audit to attend the MENA Public Financial Conference in Beirut Lebanon during November 30 – December 2, 2011. The Conference allowed the KRG participants to be exposed to the public financial management experiences in the region and met counterparts from the region for future networking and technical assistance;
27. UNDP's senior management in November 2010 assigned a new Project Manager to oversee the project and maintain its progress after the departure of the ex-Project Manager;
26. KPMG issued its second deliverables, namely the Draft Communication Strategy, reviewed and discussed by UNDP and KRG during 1st Quarter 2011;

25. KPMG issued its first contractual deliverable 4th Quarter 2010, namely the draft Work Plan and Inception Report to be further reviewed and approved by the KRG Authorities;

24. UNDP-Iraq officially launched the KPMG advisory assistance during a workshop held in Erbil on October 5, 2010;

23. PricewaterhouseCoopers issued its first contractual deliverable, namely the draft Work-Plan and Inception Report to be further reviewed and approved by the KRG Authorities in 4th Quarter 2010;

22. UNDP-Iraq officially launched the PricewaterhouseCoopers advisory assistance during a workshop held in Erbil on 6-7 July 2010;

21. UNDP-Iraq awarded the contract to PricewaterhouseCoopers on 20 May 2010, in the amount of US\$623,091.00 and to KPMG on 21 June 2010 in the amount of US\$784,900.00;

20. Following the Erbil visit, on 15 March 2010, UNDP-Iraq continued fostering collaboration between the KRG Authorities and the Iraqi Ministry of Finance. Through strong support of the KRG Prime Minister's Office, UNDP-Iraq was successful in securing the endorsement of the Memorandum of Understanding between the KRG and the Central Government PFM Teams. The signature of the Memorandum of Understanding was an important milestone, which assisted in further opening the door to effective collaboration;

19. During the February 2010 visit, the following agreements were reached: (i) agreement on KRG institutional arrangements to implement World Bank-funded PFM project activities and to coordinate with the Central Government PFM Team; (ii) obtained the intervention of the KRG Prime Minister for the signature of the MOU with the Central Government Authorities; (iii) sought World Bank's support to the KRG initiative, including technical assistance to help "fill gaps" in the KRG's PFM Action Plan technical assistance;

18. The mission discussed project management issues and reached agreement with the Authorities on the mobilization, logistics, and oversight of consultants in Erbil once UNDP-Iraq awarded and contracts finalized. In addition, key policy discussions were held on, inter alia: the 2009 budget execution, 2010 budget law being discussed at the KRG Parliament, and the preparation of the 2011 budget. The Authorities also sought policy advice on mainstreaming poverty into the regional development strategy and budget priorities. The mission further discussed programs for strengthening public finance oversight and control and building capacity of the KRG Board of Supreme Audit;

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17. The BES Project Manager carried out a field mission to Erbil on February 21-25, 2010 as part of ongoing operational and policy advice to the KRG Joint Project Formulation Team. The mission met with the KRG Prime Minister Chief of Staff, the Minister of Planning, the KRG Deputy Finance Minister, the Director of Foreign Relations, the USAID/Iraq-RRT, Representatives of the Governor's Office; Representative of the General Directorate of Finance in Sulaymaniyah, Representative of the General Directorate of Finance in Dohuk, Representative of the Ministry of Municipality, the Supreme Board of Audit, various experts from regional line ministries, all members of the Joint Project Formulation Team, as well as Representatives from UNAMI, and the World Bank;

16. UNDP-Iraq restructured the BES Work-Plan incorporating in earlier decisions and actions with a view to: (i) award the contract for the selected policy planning, analytical, and advisory tasks that do not require prior action from the Central Government. (ii) defer the contract awards of lots pertaining to the tasks requiring prior actions from the Central Government; and (iii) seek support from the World Bank, through its PFM Project, to assist in carrying out additional activities of the KRG PFM Action Plan not covered by the BES project, significantly increasing synergies between the KRG and the Central Government;

15. Sought to mobilize additional resources to cover the funding gap from the US DoS, the Iraq Trust Fund and internally through UNDP-Iraq;

14. UNDP-Iraq successfully completed all procurement processes, reviews and clearances required for awarding the contracts for the proposed consultancy services;

13. A Request for Proposals was sent to 11 firms that indicated interest during 4th Quarter 2009, with a deadline of 17 January 2010. Proposals were received and were evaluated by a working group both financially and technically;

12. Expression of interest sought from a pool of reputable international and national consulting firms with a deadline of 1 December 2009;

11. Drafted key terms of reference for the mobilization of experts which were approved by the KRG Authorities on 11 November 2009;

10. UNDP signed The KRG Cost-Sharing Agreement on 12 October 2009;

9. UNDP signed the Department of State Grant Award S-NEAIR-09-GR-166 Agreement on 8 September 2009;

8. Developed partnership at the international level: The main international counterparts are the core donor group working on Public Financial Management in Iraq including USAID and Regional Reconstruction Team, DFID, JICA, the World Bank, and other UN Agencies working with the KRG;

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7. Developed partnership at the regional level: The project benefited from a very participatory process led by a Joint Project Formulation Team, comprising of representatives from the KRG Governor's Office; the Ministry of Finance, Ministry of Planning, Ministry of Electricity, and Ministry of Municipalities and Tourism; the Board of Supreme Audit; the Kurdistan National Assembly; and the KRG Office for Coordination of UN Affairs. Additionally, universities and civil society organizations were consulted;
6. Mobilized counterpart funding from the KRG Authorities (\$500,000.00), co-financing from the United States Government- Department of State (\$2 million), and parallel financing from the World Bank;
5. Established the KRG Donor Coordination Group on PFM;
4. Prepared an MOU between the KRG and the Central Government and obtained the approval of both the KRG and Central Government Authorities;
3. Prepared the KRG PFM Action Plan and endorsed by the KRG Authorities;
2. Prepared the KRG Budget Execution Support Project and approved by UNDP-Iraq, the Iraqi Strategic Review Board (ISRB), and the KRG Authorities;
1. Organized a KRG PFM conference on May 5-6, 2009 in Erbil;

6. Progress Tracking – against approved work plan (3rd grant amendment)

Project Objective 1:			
Improved strategic planning in the KRG through use of a multi-year Public Investment Programme (PIP)			
	Approved Completion Date	Actual Completion Date	Requested Revised Date
Activity 1.1: Provide TA to support KRG's efforts in establishing and consulting a comprehensive Vision.	Q4 2013	Q4 2013	
Activity 1.2: Design and delivery of capacity building trainings for MoP officials on strategic planning and project management	Q4 2013		Q1 2014
<p>Discussion of Work Plan Progress against Objective 1: UNDP continued the discussions with KRG MoP for the recommendations of desk review report, but no substantial progress happened from last quarter's reporting. Due to political pressures and parliamentary elections, MoP rushed in launching the vision document. UNDP will continue the discussions with MoP for a full-fledge consultation process as recommended. MoP indicated that they will consider the recommended full consultation process. In Q4 2013, UNDP conducted a capacity building workshop on Strategy Execution and M&E for Governmental Strategies/performance. The workshop discussed strategy execution for both private and public sector entities, presenting frameworks of strategic planning, operational planning, monitoring and tracking strategy executions, and project management. The workshop was concluded with a field visit to the Ministry of Information Technology and Telecommunication, to have the exposure of the Jordanian experience over the last 10 years in enforcing strategic planning at public sector entities - mainly Ministries. The workshop was attended by ten KRG officials from Ministry of Planning and representatives from the planning teams of the governorates.</p>			
<p>Indicator 1.1: % of adopted recommendations from submitted analytical report on KRG's vision Definition: the report will summarize TA provided to review and improve KRG's vision/strategic planning Target: 25% of recommendations under the analytical report on KRG's vision is adopted Baseline: No existing desk review conducted by a third party Data Source: Counterparts reporting, actual changes on KRG's vision document</p>			
Result from Quarter	0%	Cumulative Result	15%
<p>Discussion of this Indicator: As reported earlier, the desk review report of KRG's Vision included recommendations that will lead to extra analysis and research by the team who wrote it. KRG MoP asked UNDP to conduct a short-term consultation process for the Vision Document, but UNDP could not do it since we are not in a position to defend the document. Due to political constraints and the parliamentary elections that took place in September 2013, MoP rushed for the launch of the Vision document. Extra discussions took place in Q4 2013 to see how UNDP can assist with a full-fledged consultation process for the document. If MoP agrees to the consultation, all of UNDP's recommendation might be reflected through the full-fledge consultation process. Due to the fact that KR Government is going through a transitional period after the last parliamentary elections, results of that will not be within the lifetime of DoS grant. Therefore, we considered the MOP's</p>			

interest in our work in the consultation process as a considerable result under this indicator.

Indicator 1.2: Number of MoP staff with enhanced capacities on strategic planning and project management

Definition: indicator describes technical assistance provided to enhance capacities at KRG MoP

Target: 6 MoP officials with enhanced capacities

Baseline: 2 MoP officials are involved regularly with on-the-job training provided through the project

Data Source: Counterparts' reporting, Capacity building report, follow up communication and meetings to analysis pre and post-performance

Result from Quarter

2

Cumulative Result

17

Discussion of this Indicator:

UNDP managed to increase capacity of another two new staff from MoP on Strategic execution and M&E of governmental performance.

The target under this indicator was exceeded due to the need of involvement of MoP staff from different departments.

Project Objective 2: Improved policy based budgeting with Medium Term Framework, with more internal control systems and guidelines

	Approved Completion Date	Actual Completion Date	Requested Revised Date
Activity 2.1: Design and delivery of capacity building trainings for MoF officials on public financial management	Q4 2013		

Discussion of Work Plan Progress against Objective 2:

UNDP did not have any planned activities for MoF during this quarter, due to the fact that it has been a very busy quarter for them preparing for the public budget.

Indicator 2.1: Number of MoF staff with enhanced capacities on financial management and PFM deliverables under the project

Definition: indicator describes technical assistance provided to enhance capacities at KRG MoF

Target: 12 MoF officials with enhanced capacities

Baseline: 6 MoF officials are involved constantly with on-the-job training provided through the project

Data Source: Capacity building report, follow up communication and meetings to analysis pre and post-performance

Result from Quarter

0

Cumulative Result

29

Discussion of This Indicator:

The increase in the target is due to involving MoF staff from several departments/directorates based on the subject of trainings.

Project Objective 3: Diagnoses of staff skills in financial management at the governor's office level

	Approved Completion Date	Actual Completion Date	Requested Revised Date
Activity 3.1: Utilize UNDP's Local Area Development Programme, to create linkages between KRG Government and the governorates with regard to planning and public budgeting	Q3 2013	Q3 2013	
Activity 3.2: Identify gaps and capacity building needs at the governorate levels, that will enhance the governorates role in the public budget formulation and execution	Q4 2013	Q4 2013	
Activity 3.3: Design and delivery of capacity building trainings for governorates' officials on strategic planning, general public financial planning and budgeting	Q3 2013	Q3 2013	

Discussion of Work Plan Progress against Objective 3:

The cooperation and synergies between the two UNDP's programmes (Budget Execution and Local Area Development) demonstrated positive impact on the intended results for both programmes. For KRG BES, the project benefited by getting involved in the regional development budgets (the governorates' budgets) which is a considerable part of the government's capital investment budget, and managed to align it with the MoP's format. On the LADP's side, the programme benefited from linking the strategic planning efforts at the governorates' level with the strategic planning of the government (KRG Vision), in addition to incorporating the planning processes with the public budgeting cycle. For the governorates' budgets for 2014 (what is called as regional development budgets), the Project Team in coordination with LADP managed to reflect for the first time the governorates' budget on the same format that MoP uses for Capital Investment. This helped both the governorates and MoP to reduce the efforts and negotiations to clear those budgets.

The project managed to conduct a diagnostic analysis for the planning and budget execution capacities at the governorates' level, identifying gaps, capacity needs and missing support from MoP. The report was concluded with a set of recommendations to enhance the cooperation between the governorates and line ministries to achieve better response to needs and strategies, with more efficiency in budget execution. The report will be a reference for the governors' offices when establishing the regional development strategies for their governorates, in order to set policies that will improve their budgeting techniques and budget execution.

In terms of capacity building for the governorates' staff, during the reported quarter, four staff from Erbil Governorate and Garmian Special Administration participated in the capacity building workshop on Strategy Execution and M&E for Governmental Strategies. To date, the programme has enhanced the capacity of 13 governorates' staff on several topics.

Indicator 3.1: % of adopted recommendations from submitted sub-national budgetary functional analysis at the Governorates' Offices conducted

Definition: the report of indicator will summarize the provided technical assistance for enhancing the linkages between governorates and government in Erbil

Target: 25% of recommendations under the sub-national budgetary functional analysis report are adopted

Baseline: No current analysis of governorates' role and contributions to the public budgeting process

Data Source: Project reporting

Result from Quarter	0%	Cumulative Result	0%
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Discussion of This Indicator:

In terms of the needed analysis, the diagnostic report was finalized and submitted as planned in Q4 2013, however, the results of adapting the recommendations will need more time to be materialized. The report will be discussed more with MoP and the governorates in the coming quarter, although the political situation of the region being busy with formulating the new government might not lead to the desired attention. Solid results most likely will be seen beyond the lifetime of the grant.

So for this indicator, we are still highlighting 0% of achievement while UNDP conducted the needed analysis. We will see what we can reflect in the coming quarter based on the signs received from KRG counterparts.

Indicator 3.2: Number of staff from the Governorates' offices with enhanced capacities on general financial management and budgeting

Definition: indicator describes technical assistance provided to enhance the capacities of Governorates' officials

Target: 2 staff from each governorate (total of 6)

Baseline: 0 staff with enhanced capacity through the project

Data Source: Counterparts' reporting, Capacity building report, follow up communication and meetings to analysis pre and post-performance

Result from Quarter	0	Cumulative Result	13
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Discussion of This Indicator:

The project took advantage of the capacity building programmes designed for MoP and included several officials from the governorates to enhance their capacities on Strategy Execution and M&E of Governmental Performance. Four staff from the governorates participated in this capacity building workshop, but all were part of the previous provided capacity building; therefore it did not affect the last reported number of staff with enhanced capacities.

Project Objective 4: Increased the capacity of KRG Board of Supreme Audit (BSA)

	Approved Completion Date	Actual Completion Date	Requested Revised Date
Activity 4.1: Design and delivery of capacity building trainings for BSA officials on international auditing standards	Q4 2013	Q4 2013	
Activity 4.2: Linking KRG BSA with international auditing institutions (INTOSAI, ARABOSAI, ASOSAI...)	Q4 2013	Q4 2013	

Discussion of Work Plan Progress against Objective 4:

During the reported quarter, UNDP conducted the last capacity building activity planned under the DoS grant for KR Board of Supreme Audit. The workshop was on "Risk Based Approach for Financial Auditing and Procurement & Tendering Audit", introducing all audit stages as per INTOSAI Standards to put into practice an effective new audit methodology in KRG. In addition, participants will be able to understand the procurement and tendering regulations and contracting practical practices for the public sector. The training was attended by 16 senior staff members from BoSA,

So far, the project managed to make linkages for KRG BSA with Jordan Audit Board through capacity building workshops; however, it is politically sensitive to make official linkages with KR BSA considering that Iraq has a a Board of Supreme Audit in Baghdad. In addition to that, the position of Head of Supreme Audit for KRG has been vacant for more than a year by the time of this report, which does not allow taking decisions or conducting further efforts in this regard. The position is expected to be filled in Q1 2014, and further discussions will take place by then but it will go beyond the life time of DoS grant.

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Indicator 4.1: Number of KRG BSA staff with enhanced capacities on international auditing standards
Definition: indicator describes technical assistance provided to enhance capacities at KRG BSA
Target: Minimum 6 BSA officials with enhanced capacities
Baseline: 0 BSA with enhanced capacities through the project
Data Source: Project reporting, capacity building report

Result from Quarter	15	Cumulative Result	45
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Discussion of This Indicator:
 During reported quarter, 15 new BSA staff participated in the capacity building workshop on financial, procurement and tendering audit. The project exceeded the target due to the following reasons: 1) Taking advantage to take more staff with minimum impact on arrangements/cost. 2) Different topics entailed different type and level of employees to participate. 3) Huge need among the BSA staff for this type of trainings.

Indicator 4.2: Number of linkages of KRG BSA with regional/international auditing institution achieved
Definition: indicator describes the success of linking KRG BSA with international/regional institution for future cooperation and exchange of knowledge
Target: One Regional Audit Institution is linked with BSA
Baseline: no current linkages as far as reported
Data Source: Counterparts' reporting, Capacity building report, follow up communication and meetings to analysis pre and post-performance

Result from Quarter	1	Cumulative Result	1
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Discussion of This Indicator:
 Through the capacity building programmes, the project managed to make linkages for KRG BSA with Jordan Audit Bureau, through the MOU between UNDP and Jordan's Institute for Public Administration (IPA). Based on the above, we considered an unofficial link has been established through the lifetime of the grant.

However, there are several legal aspects that need to be analyzed more for KRG BSA to be linked directly and officially with other regional auditing institutions. In addition to that, the Head of the Board of Supreme Audit has been a vacant position for more than a year by the time of this report, which makes it difficult to make any important decision or major activity in this regard. The new Head of KRG BSA is expected to be on board in Q1 2014 and the project will see what can be done to facilitate linkages with regional/international audit institutions, but these efforts will go beyond the lifetime of DoS grant.

DoS Grant is contributing indirectly to the following Outputs

Output	Notes
New Budget Manual being developed nationally to be implemented in KRG	Once developed nationally, the project will provide technical assistance to support implementation of a new Budget Manual.

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When Procurement Laws are implemented at the national level, law regulation, standard bidding evaluation and reporting documents are disseminated in KRG	Once developed nationally, the project will provide technical assistance to disseminate and provide capacity building on the new procurement law and regulations. The project will also review KRG regional legislations to conform to the new law.
New procedures to account for commitments which are consistent with the national system are implemented	Once developed nationally, the project will seek KRG compliance with the new accounting instructions regarding accounting for commitments and revising the form and content of cash flow statements. The project will conduct capacity assessment of treasury staff and design training programs in liaison with national initiatives, including on-the-job training in implementing the new accounting and payment systems.
KRG financial and management information system software and hardware are established and key functions are automated	To be implemented by the World Bank Project with Central Government (CG)
Technical capacities of procurement departments are reinforced	To be implemented by the World Bank Project with CG
Sub-national public procurement information and monitoring system that track all procurement are implemented	To be implemented by the World Bank Project with CG
New procedures for cash payments are implemented in KRG consistent with those of the national level	To be implemented by the World Bank Project with CG

7. Impact of Security, Risks, Mitigation Measures and Remedial Actions

Risk Log

A risk log is used within UNDP to monitor potential issues that could be faced and establish counter measures to mitigate or manage all related risks.

Project Title: KRG Budget Execution Support **S-NEAIR-09-GR-166** **Risk Log**

#	Description	Type	Impact & Probability on a scale 1 (low) to 5 (high)	Countermeasures / Management Response	Owner
1	Security situation in KRG, although safer than in the rest of Iraq, is still fragile. Further deterioration in Kirkuk or elsewhere would severely impact the risk assessment risk levels and security in KRG as well.	Political	Deterioration of security situation would have a negative impact on the ability of UNDP staff and consultants to provide TA to KRG Officials under the project due to travel and other security-related restrictions. Probability=2 Impact = 5	UNDP will monitor the security and political situation with UNAMI. If the situation deteriorates, project activities would be scaled down to mitigate the risks incurred in delivering technical assistance in conflict-affected areas.	UNDP Project Management Team
2	Implementation of the regional PFM Action Plan in KRG, to be supported by the proposed BES project, is in large part subject to the pace of execution of the national PFM Action Plan by the Central Government.	Strategic	Delays in enacting legislation and adopting new PFM procedures at the national level would delay their implementation in KRG as well as the training of staff in the new systems and procedures. These include, for instance, the new Budget User's Manual, BCC Guidelines, and procurement regulations and standard bidding documents. Probability = 4 Impact = 4	UNDP will have a proactive approach with both central and regional authorities on their respective PFM action plans. UNDP will liaise with other donors (USAID, DFID, World Bank) in order to ensure timely execution of agreed reforms at the national level which would otherwise delay the KRG reform agenda. Other project activities which do not require prior actions from Central Government will proceed in the meantime.	Joint Project Formulation Team (JPFT)
3	Risks of weak cooperation on PFM reforms between the Central Government and KRG Authorities due in part to protracted political and financial issues.	Operational	Uncertainties in the amount, timing, and accountability of fiscal transfers to KRG will continue to undermine the credibility and predictability of its budgetary process. Lack of genuine cooperation would also hinder the full alignment of KRG PFM procedures with those at the national level. Probability = 3 Impact =4	UNDP will: (a) support policy dialogue on fiscal decentralization between KRG and Central Government, working closely with other partners; and (b) Foster outreach and partnership activities between their respective teams in charge of the PFM action plans at central and regional levels.	JPFT
4	Governance risks pertaining to corruption and mismanagement of public resources.	Operational	Corruption would weaken the project's ability to deliver results by undermining public confidence in the KRG Authorities' commitment to improve public financial management and accountability. Probability = 3 Impact = 4	UNDP will act on both demand and supply sides of good governance by: (a) raising awareness of reforms in both the executive and legislative branches of government and with the general public; (b) fostering transparency through dissemination of project activities and results;	JPFT

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				and (c) Public accountability through disclosure of procurement steps and outcomes.	
5	Difficulty in attracting seasoned experts to work in KRG for extended periods of time.	Organizational	Could delay project execution. Probability = 2 Impact = 2	UNDP to mobilize the UN roster of PFM consultants, reach out to other donors, private sector and tap into Iraqi diasporas.	UNDP Project Management Team
6	Change of Project Management structure at a critical juncture of the BES project execution.	Operational Organizational	Could slow-down the pace of project execution, and the oversight of consultants. Probability = 2 Impact = 2	UNDP to consult with KRG Authorities in order to implement the most effective arrangements, with project staff to be present in Erbil during the upcoming quarter.	UNDP-Iraq

8. Summary of Expenditures

The project's budget was revised by the new project management to reflect the needs and while adhering to the approved contributions.

Table A: *The project's approved funding as at the end of the reporting period is as follows:*

Donor	Amount USD \$	Notes
Department of State	\$2,000,000	USD 1,832,019 received. Last advance request is expected to be received in Q1 2014
KRG	\$500,000	Note KRG retained USD100K for project miscellaneous expenses.
UNDP	\$1,500,000	From 2008 through 2014
Total	\$4,000,000	Through June 2014

Out of the US\$500,000 counterpart funds committed by the KRG Authorities, \$100,000 was retained in the KRG to cover project miscellaneous expenses, and the full amount of KRG's contribution of \$400,000 has been received by UNDP. The U.S. Department of State total committed budget is \$2 million, out of which UNDP has received USD\$1,832,019 by the end of Q2 2013. Final advance to be received in Q1 2014

Table B: *Summary of expenditures/commitments up to December 31, 2013:*

Budget Item	Total Grant Approved Budget	Total Prior Expenditures	Expenditures for the Period / Q4	Total Remaining Grant Balance
National Staff	170,260.48	184,092	9,823 -	23,654
International Staff	147,000.00	119,018	7,949	20,033
Travel	40,697.65	109,273	1,237 -	69,813
International/National Consulting Services & Capacity Building Programme	1,450,000	1,212,783	48,441	188,776
M&E	15,000.00	-	-	15,000
Audit	15,000.00	-	-	15,000
Supplies	2,964.32	2,394	807 -	237
Translation & Printing	6,548.90	5,665	173	711
Security	20,269.84	10,489	2,094	7,687
Courier Charges	1,417.74	1,912	- -	495
General Management Services (7%)	130,841.28	108,167	13,471	9,203
Total	2,000,000	1,753,793	83,995	162,212

The above Table B summarizes the major expenditures against the project according to the approved budget line items, it is meant to reflect the financial progress and should not be considered as an official financial report as accounts are not yet closed up to by UNDP HQ system and the summary does not reflect all intended reversals.

9. Conclusion and Plan Next Quarter

Overall, the KRG Budget Execution Support Project implementation is on track to achieve its development objectives. The project is responding to the approved work plan that was developed for 2013 under the second amendment of DoS grant S-NEAIR-09-GR-166, but due to the delay of receiving the final advance, a minor extension will be needed to finish fully the planned activities in Q1 2014.

The following actions are planned for the next quarter:

- **Continuing with the capacity building plan**

UNDP will continue with the remaining capacity building workshop based on conducted needs assessment.

- **Preparations for Final Programmatic Report against DoS Grant**

During the coming quarter, UNDP will review DoS grant's objectives in preparation for the final programmatic report of the grant. The project team will make final conclusions on the grant's objectives and project's outputs, in preparation for a comprehensive final report.