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**Project Agreement between Japan International Cooperation Agency  
and UNDP for Partnership Services for Support Unit to the  
Monitoring Committee on the Japanese ODA Loan project (VI)**

**FINAL REPORT, FEBRUARY 2015**

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### Abbreviations and Acronyms

BTMU	Bank of Tokyo-Mitsubishi UFJ
EoJ	Embassy of Japan in Iraq
E/N	Exchange of Notes
FMA Agreement	Project Agreement between Japan International Cooperation Agency and United Nations Development Programme for Partnership Services for Support Unit to the Monitoring Committee on the Japanese ODA Loan project (IV)
GCPI	General Company for Ports of Iraq
GoI	Government of Iraq
GoJ	Government of Japan
JICA	Japan International Cooperation Agency
JFY	Japanese Fiscal Year
L/A	Loan Agreement
L/C	Letter of Credit
LCOM	Letter of Commitment
LMU	UNDP Loan Management Unit
M/C	Monitoring Committee for Japanese ODA Loan Projects
MMPW	Ministry of Municipality and Public Works
MoB	Mayoralty of Baghdad
MoC	Ministry of Communication
MoCH	Ministry of Construction and Housing
MoE	Ministry of Electricity
MoF	Ministry of Finance
MoH	Ministry of Health
MoIM	Ministry of Industry and Minerals
MoM	Minutes of Meeting
MoO	Ministry of Oil
MoP	Ministry of Planning
MoT	Ministry of Transportation
MoWR	Ministry of Water Resources
MPM	Monthly Progress Meeting
MPR	Monthly Progress Report
NRC	North Refineries Company
PMAC	Prime Minister's Advisory Commission
PMT	Project Management Team of implementing ministries and agencies
P/Q	Prequalification
REMEK	Regional Ministry of Electricity in Kurdistan
RMMTK	Regional Ministry of Municipalities and Tourism in Kurdistan
SCFSR	State Company for Fertilizer South Region
SOC	South Oil Company
SRC	South Refinery Company
TBI	Trade Bank of Iraq
ToR	Terms of References
UNDP	United Nations Development Programme

Japan International Cooperation Agency (JICA) and United Nations Development Programme have renewed the Project Agreement for Partnership Services for Support Unit to the Monitoring Committee on the Japanese ODA Loan Project on 3 March 2014 to expand and enhance the joint cooperation in supporting the Government of Iraq (GoI).

In accordance with the FMA Agreement, UNDP Loan Management Unit (LMU) has the dual roles of "(i) supporting JICA's and the M/C's monitoring capacity and activities and (ii) assisting GoI, especially PMTs under each implementing ministry and agency, in implementing the ODA Loan projects through technical support, consultation and capacity development interventions.

## **Context**

### **Brief Background:**

In October 2003, the Government of Japan (GoJ) announced a USD 5 billion assistance package, including USD 3.5 billion Japanese ODA loans, to support Iraq's reconstruction at the Madrid Conference. As of 25 February 2015, the GoJ pledged loan assistance for 21 projects and JICA concluded 21 loan agreements amounting to USD 4.6 billion.

All Japanese ODA Loan project activities, such as procurement, project management and financial management, are undertaken by implementing ministries and agencies of GoI. As standing mandate, JICA promotes efficient use of loan money and needs to ensure that the project implementation is undertaken in an accountable, transparent and efficient manner, in line with JICA guidelines and regulations and that the loans are properly used for the purpose of achieving each project's objectives.

As one of the actions to strengthen the monitoring mechanism for projects under Japanese ODA Loans to Iraq, GoJ, JICA and GoI established an M/C under the leadership of the Prime Minister's Advisory Commission (PMAC), the Ministry of Finance (MoF) and the Ministry of Planning (MoP). The first M/C meeting was held on July 22, 2008 in Baghdad with the presence of concerned officials of GoI, GoJ and JICA and, since then, the M/C has proved to be a very effective mechanism to facilitate and expedite project implementation. Starting from the fifth meeting (August 2009), and in accordance with the FMA Agreement, UNDP became actively engaged in the Support Unit role to the M/C.

### **Intended objective:**

The FMA Agreement aims to support and enhance the monitoring capacity and activities of the M/C, to ensure that projects are implemented in a transparent, accountable and efficient manner, in accordance with JICA's rules and regulation, as well as those of GoI, in particular in procurement and financial management. The FMA Agreement also aimed to strengthen the GoI and implementing ministries / agencies capacities in procurement and financial management and to execute the projects' budget as planned through UNDP's technical and procedural support in line with JICA's requirements. Moreover, UNDP Iraq assesses the

progress in implementation of projects of GoI and provide recommendations and technical support to GoI in order to develop efficient and effective project management.

### Targeted Project

L/A No.	Implementing Ministry / Agency	Name
IQ-P1	MoT/GCPI	Port Sector Rehabilitation Project
IQ-P2	MoWR	Irrigation Sector Loan
IQ-P3	MoE	Al-Mussaib Thermal Power Plant Rehabilitation Project
IQ-P4	MoCH	Samawah Bridges and Roads Construction Project
IQ-P5	MoO	Engineering Service for Basrah Refinery Upgrading Project (E/S)
IQ-P6	MoIM/SCFSR	Khor Al-Zubair Fertilizer Plant Rehabilitation Project
IQ-P7	MoO/SoC	Crude Oil Export Facility Reconstruction Project
IQ-P8	MoE	Electricity Sector Reconstruction Project
IQ-P9	MMPW	Basrah Water Supply Improvement Project
IQ-P10	KRG-MoE	Electricity Sector Reconstruction Project in Kurdistan Region
IQ-P11	KRG-MoMT	Water Supply Improvement Project in Kurdistan Region
IQ-P12	MoB	Baghdad Sewerage Facilities Improvement Project (E/S)
IQ-P13	MMPW	Water Supply Sector Loan Project in Mid-Western Iraq
IQ-P14	MoE	Al-Akkaz Gas Power Plant Construction Project
IQ-P15	KRG-MoE	Deralok Hydropower Plant Construction Project
IQ-P16	MoH	Health Sector Reconstruction Project
IQ-P17	MoC	Communication Network Development Project for Major Cities
IQ-P18	MoO	Engineering Services for Beiji Refinery Improvement Project (E/S)
IQ-P19	MoO	Basrah Refinery Upgrading Project
IQ-P20	MoT/GCPI	Port Sector Rehabilitation Project (II)
IQ-P21	MoE	Hartha Thermal Power Plant Rehabilitation

Note: IQ-P10 is only for the evaluation.

### Expenditures under this agreement

The summary of expenditures under this agreement was as follows:

(US\$)

Budget Category	Descriptions	Amount in the Agreement (Cost Estimation)	Amount
1	Project Personnel	1,054,000.00	996,500.00
2	Capacity Building (Training) for Project Management Teams	300,000.00	360,000.00
3	Indirect cost / Miscellaneous	67,700.00	67,825.00
4	Security	54,160.00	54,260.00
5	Agency Management Support Cost	118,069.00	118,286.80
<b>Total</b>		1,593,929.00	1,596,871.80
<b>Total Invoice Amount (A)</b>			1,593,929.00

## Implementation Progress and Reviews

### I. Support Unit to the M/C

1. The LMU played an important role in supporting the M/C, presenting analyses and recommending actions and measures identified through UNDP's monitoring activities in procurement management, financial management, organizational set-ups etc. Minutes of four M/C meetings (see table below) were prepared in English and submitted to the EoJ, JICA and as well as to the GoI for official dissemination to all relevant ministries and agencies, with Arabic translation of the summary. (Clause 2 of the Terms of Reference of the FMA Agreement).

M/C No.	Date	Venue
22 <sup>nd</sup> M/C	13 February 2014	PMAC, Baghdad
23 <sup>rd</sup> M/C	5 June 2014	PMAC, Baghdad
24 <sup>th</sup> M/C	30 October 2014	PMAC, Baghdad
25 <sup>th</sup> M/C	19 January 2015	JICA, Tokyo, Japan

2. The LMU conducted the required activities and delivered the periodical monitoring reports and analyses in financial management, procurement management, contract management and organizational issues of the PMTs to oversight GoI entities (PMAC, MoP and MoF), and JICA on the occasion of the M/C meetings. (Item 3.3 (f) of the ToR)
3. The LMU's presentations were recognized as analytical, informative and contributed, not only to the smooth implementation of the projects by implementing ministries and agencies, but also to the strategic insights of the entire programme by oversight GoI entities and JICA. In each M/C meeting, the LMU delivered the following analysis and recommendations (Clause 2 and item 3.5 (c) of the ToR) ;
  - a. Review on the status of implementation of actions agreed in the previous M/C meeting;
  - b. Issues raised during the preparatory meeting
  - c. Overview on progress of ODA Loan projects;
  - d. Procurement and contract management issues;
  - e. Financial management / outstanding banking charges;
  - f. Reporting;
  - g. Tax Exemption; and
  - h. Code of Authorities
4. On 19 January 2015, the 25<sup>th</sup> M/C Meeting was held in Tokyo, Japan. In its public open session, JICA/UNDP provided joint presentation on the history of the M/C that focused on:
  - a. Background of Establishing the Monitoring Mechanism;
  - b. Monitoring Mechanism in Iraq and its Evolution;
  - c. Achievements;
  - d. Advantage of Iraqi Monitoring Mechanism; and
  - e. Agenda for the Future.

### II. Preparatory Assistance for the ODA Loan Projects

1. The LMU maintained major areas of (i) developing the criteria of assigning the PMT members, (ii) evaluating and providing advice on the optimal organizational set-up, and

- (iii) establishing work procedures and coordination mechanisms.(Item 3.1 (a) of the ToR)
2. Since 2009, the LMU conducted successive analyses and evaluations on the ODA Loan implementation set-ups and the related institutional capacities of the GoI to identify institutional weaknesses, capacity deficiencies, capacity development needs and to propose optimal organizational arrangements, including PMT structures, staffing, mode of functioning, work procedures and empowerment, in relation to the ODA projects. The ultimate purpose of these analyses and evaluations has been ensuring effective, efficient and timely implementation of the ODA Loan projects. The LMU drafted and submitted a proposed “Code of Authorities to the ODA Loan PMT Directors” to PMAC in July 2012, and it is under the review and study by PMAC.(Item 3.1 (a) of the ToR)
  3. During the 21<sup>st</sup> ODA Loan M/C meeting held in November 2013, the M/C, while recognizing the importance of adequate level of empowerment to PMTs that has been repeatedly confirmed, agreed that the proposed Code of Authorities was based on a comprehensive approach that was very difficult to adopt in the transitional period of the first half year.
  4. After the formulation of the new government in September 2014, the PMT Director of IQ-P9 restored the delegated authorities, which allowed the project to resume at the expected speed. Since some PMTs are still facing the challenges in the minimum level of authorities, the comprehensive approach of adapting the Code of Authority to the ODA Loan PMT Directors shall be resumed.
  5. In addition to the depreciation of the Japanese Yen (JPY) against the USD, the GoI budget in 2015 is very much constrained. Most PMTs had to consider how to allocate their Iraqi budget contributions for each project in consultation with MoP.
  6. Effectuation of the New Projects (Item 3.1 (d) of the ToR)  
The effectuation of the new projects<sup>1</sup> Exchange of Notes (E/Ns) and Loan Agreements (L/As) remains as major challenge for the preparatory stage. Due to emerging security challenges and political developments in 2014, including the parliamentary elections and the formation of the new government, the E/N and the L/A for IQ-P20 are still pending on GoI ratification, for almost a year, just as the previous 4 projects<sup>2</sup>.

### III. Procurement Management

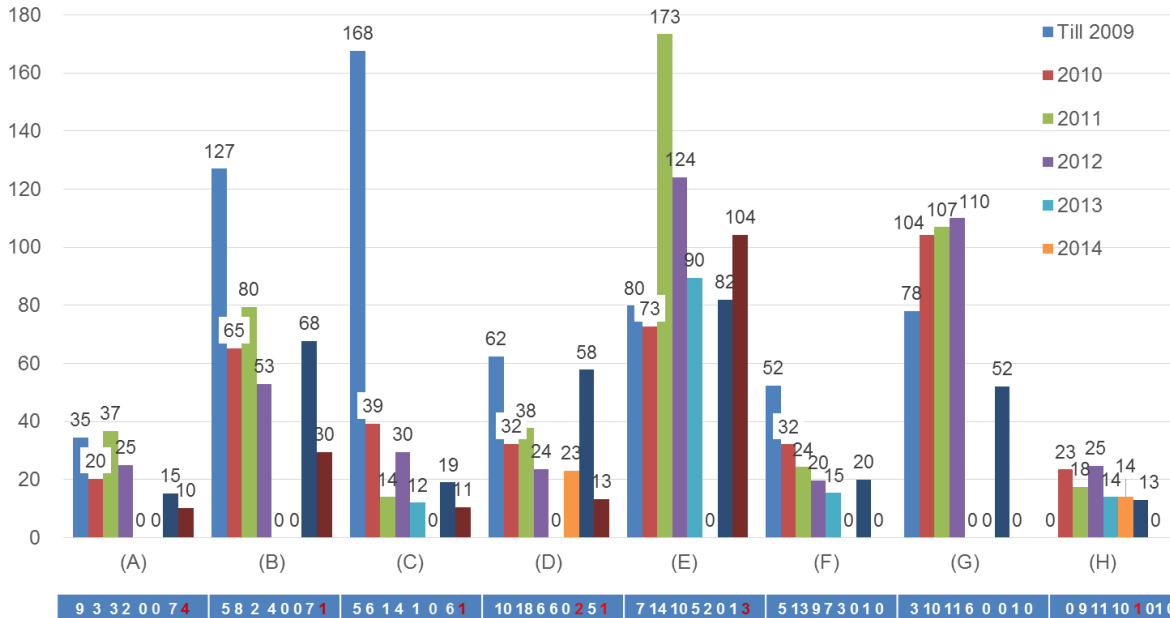
As a result of LMU’s monitoring activities of Procurement Management, PMTs’ understanding and compliance with JICA rules and regulations has improved, the timeliness of the procurement process, however, still has areas that need to be strengthened. LMU will continually and carefully monitor and identify any bottlenecks with new and on-going projects.

1. Procurement Plan (Item 3.2 (a) and (b) of the ToR)
  - a. Submission of the Procurement Plans was one of the mandatory exercises for all PMTs as emphasized in the JICA ODA Seminar in February 2014. All PMTs have submitted their Procurement Plans. The LMU organized, jointly with JICA, a workshop to review the submitted Procurement Plan in April 2014.
2. Procurement Management (Item 3.2 (c) and (d) of the ToR)
  - a. Procurement progresses were monitored though various monitoring activities. As the general tendency, the time of procurement process has been shortened year after

<sup>1</sup> Port Sector Rehabilitation Project (IQ-P20), the L/A of which was signed on February 2014, and Hartha Thermal Power Plant Rehabilitation Project (IQ-P21), which was signed on 23 February 2015.

<sup>2</sup> Health Sector Reconstruction Project (IQ-P16), Communication Network Development Project for Major Cities (IQ-P17), Engineering Services for Beiji Refinery Improvement Project (IQ-P18) and Basrah Refinery Upgrading Project (IQ-P19)

year. Especially new projects (IQ-P13, IQ-P15 and IQ-P17) attended the procurement training even before starting procurement process, and accomplished shorter periods for each procurement process than older project; however, they are facing the challenges on the unexpected procedures or the security challenges.



(A) JICA's concurrence of PQ Document, (B) PQ Evaluation, (C) JICA's concurrence of PQ Evaluation, (D) JICA's concurrence of Bid Documents (E) Bid Evaluation, (F) JICA's concurrence of Bid Evaluation, (G) Contract Negotiation, (H) JICA's concurrence of Contract  
 Note: Data of IQ-P9 PK3 is excluded from (G)

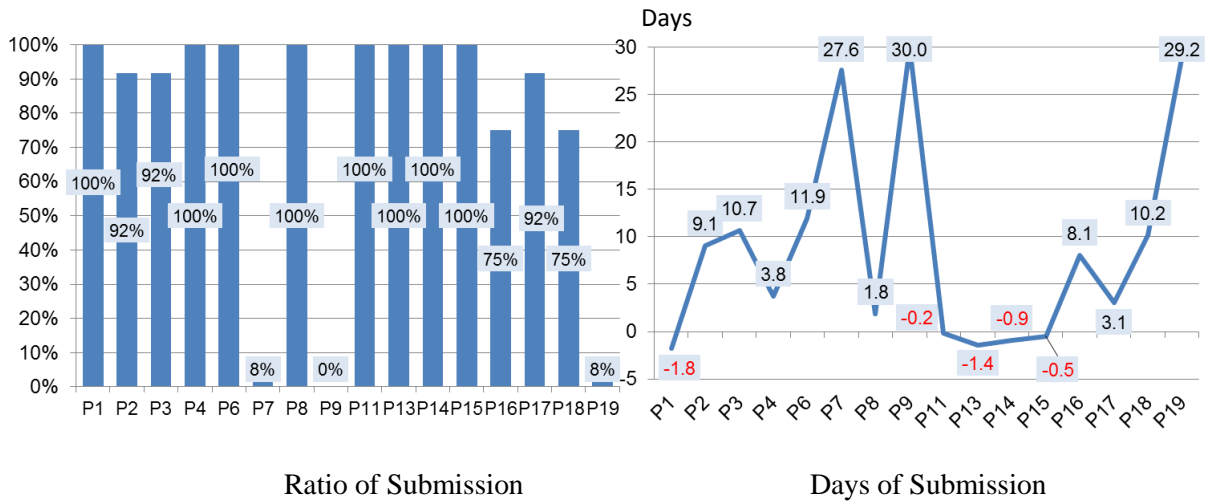
Average duration for each Procurement Stage (As of 31 December 2014)

- b. IQ-P16 to IQ-P21 are in the procurement process. Verifying that the procurement processes are conducted in accordance with JICA guidelines is key in the monitoring activities of LMU; thus, the LMU attended the each procurement event, such as P/Q openings, pre-bid meetings and bid openings and reported to JICA the findings and / or bottlenecks in order to prevent deviation.

3. Monthly Progress Report (Item 3.2 (e) of the ToR)

The LMU provided strategic presentation “How to Prepare the Monthly Progress Report (MPR)” particularly for new projects. This has resulted in the quality of reporting improving across the projects and has enabled JICA/LMU to capture more accurate information. On the other hand, there is need to strengthen the regularity of certain PMTs’ submissions of their MPR, and the LMU is encouraging these PMTs to submit it in timely manner by finding the roots that hinders their submissions.

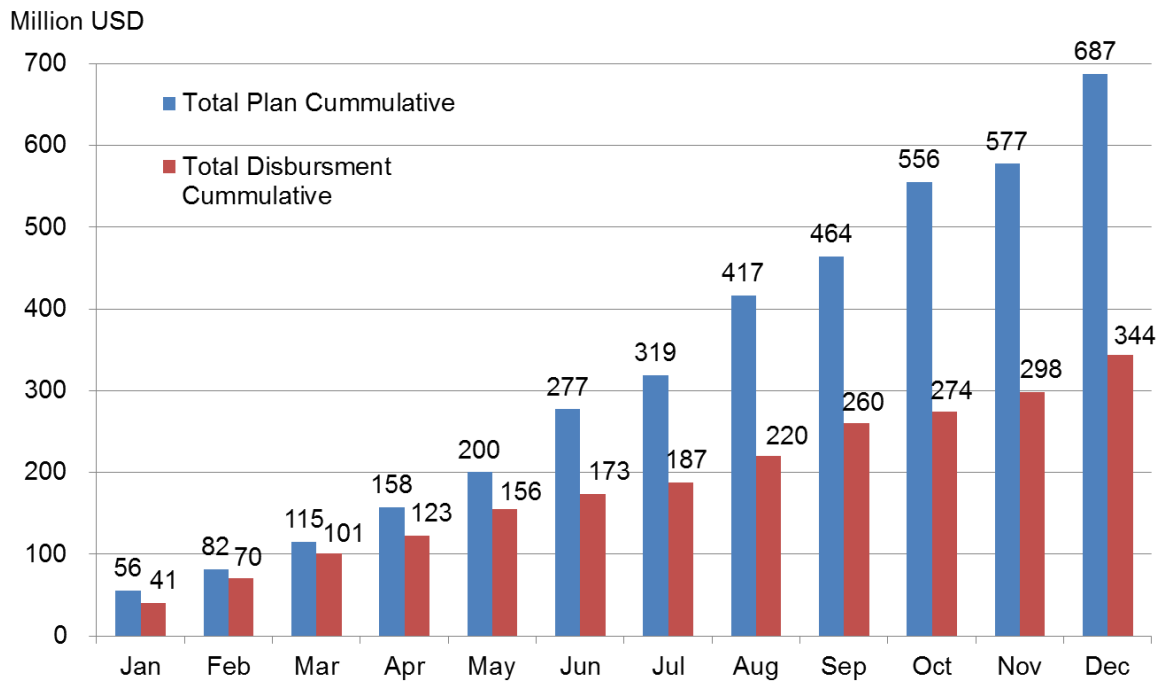




#### IV. Financial Management

##### 1. Disbursement Plan (Item 3.3 (a) and (d) of the ToR)

All PMTs were requested to submit Disbursement Plans as emphasized in JICA ODA Seminar in Tokyo in February 2014. The submitted Disbursement Plans were reviewed during a Workshop in April 2014 organized by UNDP together with JICA and some requested PMTs resubmitted their plans with recommended modification.



Note: Plans of P5/P7/P10/P12/P18/P19 are not included

Disbursement against Plan (As of 31 December 2014)

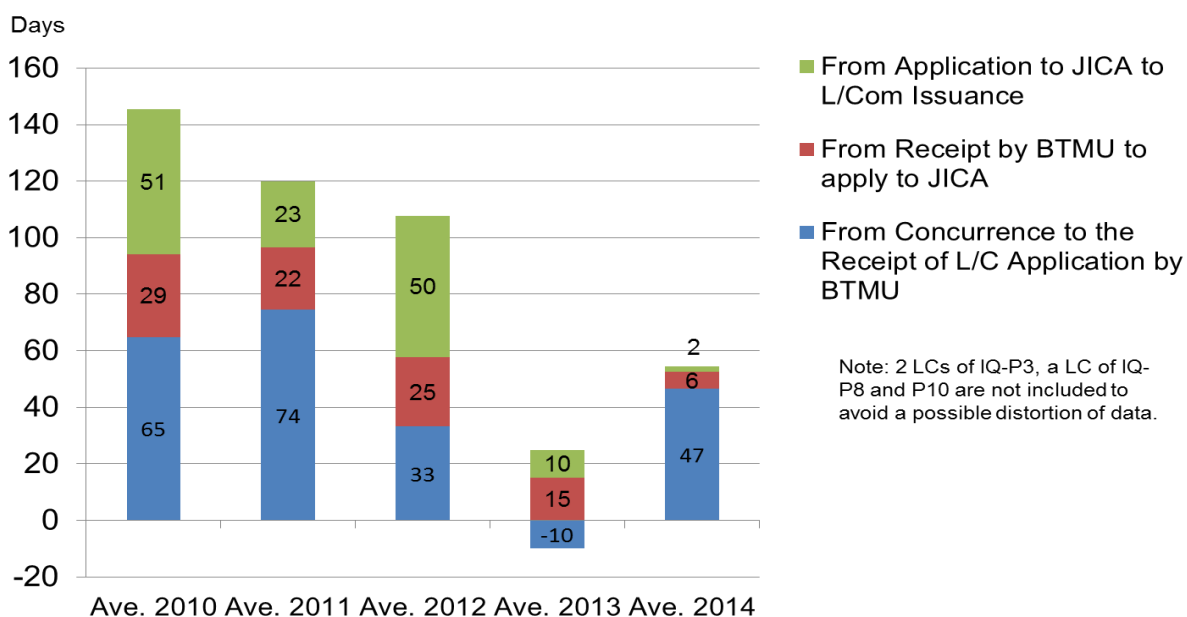
##### 2. Disbursement of JFY

The disbursement amount is a very critical issue. As indicated in the diagram above, the amount of JFY 2014 disbursement as of the end of December was JPY 24 billion, which is quite low compared to the last year over the same period. Though unfortunate circumstances prevented some projects from disbursement, the PMTs are required to

maximize the amount in order to prove that Iraqis are working for the development of the country. If PMT extend their maximum efforts, the amount of JFY 2012, JPY 40 billion, will be achievable. The outstanding progress payments and milestone payments by the end of December shall be disbursed as soon as possible.

3. The LMU assesses the financial management processes of bookkeeping and information management system in the implementing agencies and in the MoF as limited to the Japanese ODA loan and provided the recommendations to JICA and the M/C. (Item 3.3 (c) and (d) of the ToR)
4. The LMU continually monitors, assists and provides advice to the PMTs to ensure that financial procedures comply with JICA’s applicable guidelines. (Item 3.3 (c) of the ToR)
5. The LMU monitors the financial management procedures under each project, identifies any problems or malfunctions delaying the processes and provides advice and guidance to JICA and the M/C to resolve these issues.
6. Letter of Credit (L/C) (Item 3.3 (b) of the ToR)

The LMU played key role in following-up financial issues with the Trade Bank of Iraq (TBI), Bank of Tokyo-Mitsubishi UFJ (BTMU), line ministries, as well as beneficiaries in some cases. This facilitated and accelerated the L/C issuance and payments. The average duration of the issuance of L/C has been reduced from 145 days in 2010 to 55 days in 2014. Especially, the processes after the application to BTMU has been dramatically shortened in time, while preparing the L/C application still takes relatively longer time.



Average Duration of L/C Issuance for Main Component

## V. Contract Management

1. Physical Monitoring on Site (Item 3.4 (a) and (c) of the ToR)
  - a. The LMU acted on behalf of JICA in the physical monitoring of the implementation of each project through physical verification, timely site-visit monitoring missions and updating the progress of each project.

- b. In 2012, the LMU set up the modality that the LMU consults with JICA to consolidate the agenda to be discussed on sites prior to mission and submitted mission reports to JICA. In this year, the LMU enhanced the daily communication with JICA in order to share any possible concerns or challenges in the timely manner. The LUM also shared the quarterly work plan on the each project with JICA and will keep updating for more efficient arrangement with JICA.
- c. Since the delivery of goods and services on sites is progressing, physical monitoring at sites is one of the key activities to capture the actual situation and identify the issues to overcome. The LMU has strengthened the cycle of the on-site monitoring activities to expand the coverage of monitoring activities on the progress of the projects and developed reporting format as well as supporting documents.
- d. Despite the deterioration in the security situation last summer, the LMU dispatched 55 missions, in addition to the regular meetings with PMTs. In 2014, the LMU conducted site visits and monitoring missions on the occasions of projects' milestones, procurement events and observation of monthly physical progress. The LMU also attended the MPMs and contractual negotiation meeting and provided observations and analyses in order to identify areas of improvement.

No.	Project	Date	Description
1	IQ-P1	6 March 2014	Site Visit and Monitoring
2	IQ-P1	10 February 2015	Grand Completion Ceremony
3	IQ-P2	25-26 January 2015	Site Visit and Monitoring
4	IQ-P2	1 February 2015	Lot 5-2: Opening of Financial Offer
5	IQ-P3	6 March 2014	Meeting for Negotiating Contract Issues
6	IQ-P3	25 March 2014	Meeting for Negotiating Contract Issues
7	IQ-P3	July 2014	Meeting for Negotiating Contract Issues
8	IQ-P4	19, 29 March 2014	Site Visit and Monitoring
9	IQ-P4	26 August 2014	Site Visit and Monitoring
10	IQ-P4	28, 29 January 2015	Site Visit and Monitoring
11	IQ-P6	11 March 2014	Site Visit and Monitoring
12	IQ-P6	9 April 2014	Site Visit and Monitoring
13	IQ-P6	11 May 2014	Site Visit and Monitoring
14	IQ-P6	23 June 2014	Site Visit and Monitoring
15	IQ-P6	11 August 2014	Site Visit and Monitoring
16	IQ-P6	17 September 2014	Site Visit and Monitoring
17	IQ-P6	9 December 2014	Site Visit and Monitoring
18	IQ-P6	22 December 2014	Site Visit and Monitoring
19	IQ-P6	27 January 2014	Bid Opening
20	IQ-P6	25-27 January 2015	Monthly Progress Meeting
21	IQ-P7	15 February 2014	Monthly Progress Meeting
22	IQ-P7	March 2014	Monthly Progress Meeting
23	IQ-P7	April 2014	Monthly Progress Meeting

24	IQ-P7	May 2014	Monthly Progress Meeting
25	IQ-P7	24-26 June 2014	Meeting for Negotiating Contract Issues
26	IQ-P7	17 August 2014	Monitoring on Inspection of the Design
27	IQ-P7	27 October 2014	Meeting for Negotiating Contract Issues
28	IQ-P7	30 November 2014	Meeting for Negotiating Contract Issues
29	IQ-P7	9 January 2015	Meeting for Negotiating Contract Issues
30	IQ-P8	23-27 March 2014	Lot 4: Site Visit and Monitoring
31	IQ-P8	12, 14 May 2014	Lot 3: Site Visit and Monitoring
32	IQ-P8	11-14 May 2014	Lot 4: Site Visit and Monitoring
33	IQ-P8	22, 25 September 2014	Lot 3: Site Visit and Monitoring
34	IQ-P8	17-25 September 2014	Lot 4: Site Visit and Monitoring
35	IQ-P8	7, 8 January 2015	Lot 3: Site Visit and Monitoring
36	IQ-P9	20 March 2014	Signing Ceremony for the Construction Contract
37	IQ-P9	17 July 2014	Site Visit and Monitoring
38	IQ-P9	20 January 2014	Site Visit and Monitoring
39	IQ-P9	8 February 2014	Site Visit and Monitoring
40	IQ-P11	26 February 2014	Site Visit and Monitoring
41	IQ-P11	25, 26 March 2014	Site Visit and Monitoring
42	IQ-P11	5-11 May 2014	Site Visit and Monitoring
43	IQ-P11	6-9 July 2014	Site Visit and Monitoring
44	IQ-P11	7-12 September 2014	Site Visit and Monitoring
45	IQ-P11	1-7 November 2014	Site Visit and Monitoring
46	IQ-P11	21-25 February 2015	Site Visit and Monitoring
47	IQ-P15	November 2014	Progress Meeting
48	IQ-P15	16 February 2015	Progress Meeting
49	IQ-P16	30 September 2014	Meeting with PMT for Contractual Issues
50	IQ-P17	24 March 2014	Meeting with
51	IQ-P17	31 August 2014	Progress Meeting with Consultant
52	IQ-P19	22 January 2014	Site Visit and Monitoring
53	IQ-P20	11 August 2014	Site Visit and Monitoring
54	IQ-P20	7-9 September 2014	Meeting with Contract Negotiation with Consultant
54	IQ-P20	5 January 2014	P/Q Opening
55	IQ-P21	29 January 2015	Contract Negotiation Meeting with Consultant

- Since November 2012, the LMU established checkpoints on safety measures on works that have been monitored during mission and reported. The compliance with safety measures as checked solely by LMU to figure out the level of compliance. However, responding to recent fatal accidents on the site, the LMU reconsidered the modality of only checking safety measures with PMTs towards enhancing PMTs' awareness in safer

site condition as well. When the LMU identifies item(s) that does not comply with the list, it urges PMT to act, and verifies their actions in the next site visit monitoring mission. The LMU attended the site safety measure workshops organized by JICA in February 2015, and will conduct deeper analysis on how to enforce safety policy at the site in order to recommend to the M/C. (Item 3.4 (b) of the ToR)

3. LMU continued the monitoring and verification of utilization of procured equipment, the observation and findings were reported during the M/C meetings. Asset management in GoI system is one of the areas that will be improved as recognized by some ministries. LMU will explore the method to ensure the adequate usage of the procured equipment for further recommendation to the M/C.
4. Tax exemption and custom levy waiving have been negatively impacting project implementation for last two years and were recognized as cross-cutting issue at the M/C level. The LMU has closely monitored the situation and provided suggestion and recommendation to the M/C. The regular procedures are well understood among PMTs. However, the case of IQ-P6, which includes tax account settlement of pre - 1990, is still pending. In the future, similar situation might encounter other projects. Thus, the LUM will make comprehensive review of the case and report to the M/C once the PMT of IQ-P6 completes the entire procedures. (Clause 2 and Item 3.4 (a) and (c) of the ToR)
5. The LMU also provided a report on the analysis and recommendations at the implementation stage of the specific projects upon the request of JICA and the M/C. (Clause 2 and Item 3.4 (d) of the ToR). JICA and the LMU have conducted quarterly meetings in-between the M/C meetings as listed below to share and update information on project progress for close monitoring.

Meeting No.	Date	Venue
2Q of 2014	3 April 2014	Baghdad
3Q of 2014	23 July 2014	Amman, Jordan
4Q of 2014	14, 15 December 2014	Erbil
1Q of 2015	18, 19 February 2015	Erbil

## VI. Capacity Development

The LMU supported the institutional and individual capacity development of the implementing ministries in procurement, project management and financial management wherever necessary. The capacity development is a key component of LMU's scope of work to tackle identified bottlenecks and weaknesses through monitoring activities.

1. JICA ODA Seminar (Item 3.5 (a) of the ToR)  
LMU attended JICA ODA Seminar from 15 to 23 January 2015 to assist JICA in facilitating the knowledge-sharing session and delivering the presentations.
2. UNDP Training Programme (Item 3.5 (b) of the ToR)  
Responding the actual needs of PMTs, which directly link to the progress of projects, UNDP facilitated following trainings in 2014.

No.	Area	Name of Course (Target)	Date/Place
1	Procurement	Bidding Process for the Selection of Contractors (IQ-P13-P20)	9-13 November 2014, Basra
2		Bidding Process for the Selection of Suppliers (Projects having procurement of equipment)	14-16 November 2014, Basra
3		Contract Management (2 Groups: All Projects)	19-23 October 2014 9-13 November 2014, Basra
4	Financial Management	Financial Management Training (Letter of Credit and Disbursement Plan) (IQ-P9, P11, P13-P21)	23-27 November 2014, Kuala Lumpur, Malaysia

3. Proposed measures for Capacity Development (Item 3.5 (c) of the ToR)

After more than five years on the initiation of ODA Loan's implementation, there are cross cutting issues despite the different natures of the projects and of the implementing ministries and agencies. PMTs are accumulating knowledge of tackling those issues from their project implementation side. Some of the PMTs have developed effective methods to overcome the bottlenecks or difficulties in the actual context of Iraq. In addition to theoretical understanding of public procurement, sharing empirical knowledge has contributed to enhancing the capacity development of PMTs. The LMU confirmed the effective knowledge sharing among PMT through conducted workshops, and, as the mentioned in 5.c, Basra PMTs have regular meeting for knowledge-sharing meeting in order to contribute smooth implementation of ODA Loan Projects. The LUM is establishing the platform in more effective and optimal manner with consultation with JICA in 2014.

4. Capacity Building for Expansion of Knowledge (Item 3.5 (d) of the ToR)

The LMU organized Financial Management Workshop for TBI from 11 to 17 June 2014 in Tokyo, Japan with cooperation of BTMU. TBI is the only bank in Iraq practicing the L/C; therefore the capacity development of the L/C department of TBI is an important key for encouraging the foreign investment to Iraq as well as accelerating the Japanese ODA Loan projects' implementation. The workshop didn't focus only on reviewing shipping documents, but also on acquiring the mechanism how to receive, monitor and control the SWIFT. This opportunity will help to accelerate TBI's monitoring and controlling system as a bank, which will be resulted in the more smooth and effective procedures of handling L/Cs of ODA Loan Projects and others.

5. Proposed measure for Capacity Building (Item 3.5 (c) of the ToR)

a. The LMU organized a workshop to discuss improving the areas of weaknesses identified and learning from some projects, which have been able to overcome project management challenges based on the observations and analyses of the 2013 Performance Evaluation (Refer to VII in this report). For effective implementation of the projects, all PMTs set their activities' plans in 2014 as the baseline.

No.	Name of Course	Date and Venue
1	Project Management and Performance Evaluation in 2013	20-22 April 2014, Dubai, UAE

- b. The LMU also organized small Financial Management Workshops for PMTs in Basra, Erbil and Baghdad upon the strong request from the PMT Directors. The LMU invited not only the person in charge of the finance, but also PMT Directors, Engineers and Procurement Specialists, those who are involved in the projects. These workshops contributed to the participants having the standardized level of understanding of the procedures in the PMTs as well as smooth financial management. Based on the English materials developed over the past 4 years, the LMT provided presentations in Arabic in order to extend active discussion among the participants.
- c. With LMU's facilitation, PMTs agreed to have regular meetings every month at UNDP Basra Office in order to enhance the knowledge-sharing in implementing Japanese ODA Loan projects in efficient way. In addition, Basra PMTs recognized that ODA Loan brings not only funds to Iraq, but also international business practice to the implementing ministries/agencies. Since September 2014, the following points have been discussed. In the 25th M/C meeting, the activity of the Basra PMT's knowledge - sharing platform was reported.

No.	Date	Agenda
1	27 September 2014	<ul style="list-style-type: none"> <li>▪ Shared the status and progress of each project.</li> <li>▪ Agreed the significance of the Basra Coordination Committee (BCC)</li> <li>▪ Concerned issues</li> <li>▪ Agreed future possibility</li> </ul>
2	25 October 2014	<ul style="list-style-type: none"> <li>▪ Delegation of Authority</li> </ul>
3	6 December 2014	<ul style="list-style-type: none"> <li>▪ Awareness of ODA Loan Project</li> <li>▪ Extension of the accumulated knowledge to GoI/Governorate investment programmes.</li> </ul>
4	10 January 2014	<ul style="list-style-type: none"> <li>▪ Preparation of presentation for 25<sup>th</sup> M/C Meeting</li> </ul>
5	14 February 2014	<ul style="list-style-type: none"> <li>▪ Effectuation of ODA Loan</li> </ul>

## VII. Consultation

LMU organized knowledge sharing workshops among JICA's borrower countries in August 2014. The workshop recognized the monitoring mechanism for Japanese ODA Loan projects in Iraq as effective, although this intervention needs continuous improvement. A strong focus on development results, effective monitoring and evaluation is one of the key pillars of good governance at all levels to improve delivery, including budget execution, and to demonstrate results through "Plan-Do-Check-Action" (PDCA) business cycle. Iraqi line ministries and agencies demonstrated their strong ownership of the projects, and this workshop is a trigger for the South-South Cooperation from Iraq.

|

<b>No.</b>	<b>Name of Course</b>	<b>Date and Venue</b>
<b>1</b>	Knowledge Sharing Workshop on Monitoring and Evaluation Mechanism for Development	25-28 August 2014 Istanbul, Turkey



## VIII. Performance Evaluation

The LMU submitted 2014 annual performance evaluation of PMT to the Chairperson of M/C in March 2014 based on the agreed key performance indicators. The summary of scores is below.

ODA Loan Project No.	Ministry /Agency	PMT Organizational Efficiency / Effectiveness (25)	Proc. Mngmt (30)	Contract Mngmt (5)	Financial Mngmt (30)	Reporting (10)	Total Points out of Max. Applicable Points to Project (A)	Max. Applicable Points to each Project (B)	% (total /max) (C) = (A)/(B)	Adjusted Points (converted to 100 points) (C)*100	Rank
<b>Group 1</b>											
IQ-P1	MoT/GCPI	16.0	4.0	4.0	26.5	10.0	60.5	78.0	77.5%	77.5	1
IQ-P2	MoWR	9.0	5.9	1.9	27.5	8.0	52.3	86.0	60.8%	60.8	6
IQ-P3	MoE	8.0	1.5	0.0	16.5	2.0	28.0	78.0	35.9%	35.9	10
IQ-P4	MoCH	9.0	2.0	0.0	15.7	6.0	32.7	78.0	41.9%	41.9	9
IQ-P5	MoO	-	-	-	-	-	-	-	-	-	-
IQ-P6	MoIM /SCFSR	17.5	1.5	0.0	26.2	6.0	51.2	78.0	65.7%	65.7	4
IQ-P7	MoO/SOC	10.0	4.0	0.0	23.1	8.0	45.1	78.0	57.8%	57.8	7
IQ-P8	MoE	15.0	15.9	1.7	25.5	8.0	66.1	100.0	66.1%	66.1	3
IQ-P9	MMPW	14.0	20.7	0.0	25.0	4.0	63.7	100.0	63.7%	63.7	5
IQ-P10	RMEK	14.0	3.0	2.5	25.1	8.0	52.6	78.0	67.5%	67.5	2
IQ-P11	RMMK	14.0	10.0	0.0	16.8	6.0	46.8	86.0	54.5%	54.5	8
IQ-P12	MoB	4.5	-	-	6.4	-	10.9	35.0	31.2%	31.2	-
<b>Group 2</b>											
IQ-P13	MMPW	19.0	18.5	-	18.3	6.0	61.8	95.0	65.0%	65.0	1
IQ-P14	MoE	5.5	8.9	-	14.2	8.0	36.6	95.0	38.5%	38.5	3
IQ-P15	RMEK	14.0	14.1	-	17.0	10.0	55.1	95.0	58.0%	58.0	2
<b>Group 3</b>											
IQ-P16	MoH	18.5	3.0	-	-	6.0	27.5	43.0	64.0%	64.0	1
IQ-P17	MoC	12.5	3.5	-	-	8.0	24.0	43.0	55.8%	55.8	2
IQ-P18	MoO/NRC	7.0	-	-	-	8.0	15.0	35.0	42.9%	42.9	-
IQ-P19	MoO/SRC	7.5	4.0	-	-	0.0	11.5	43.0	26.7%	26.7	3

\* P5/P12/P18 are only Engineering Services and not ranked.

\*\* Grouping is applied for evaluation in 2013 and based on the timing when L/A was signed.

(Clause 3.6 of the ToR)

Result of Performance Evaluation 2013

## **IX. Recommendation and Lesson Learned**

To achieve the next step, the LMU recommends the following points as way forward of the ODA Loan projects;

### **1. Preparatory Assistance for the ODA Loan projects**

This stage poses three (3) critical challenges this year:

#### **a. Organisational Set - Up:**

Optimal organizational set-up (PMTs), including reasonable delegations of authority, is one of the critical pre-requirements for the smooth implementation of the ODA Loan projects. The political situation in 2014 made very difficult for the PMTs to be delegated authorities in comprehensive manner. On the other hand, now that the new government formulated, the LMU observed some positive expectation that ministries will delegate authorities to PMTs. This is associated with the increasing role and importance of the Japanese ODA Loan in the GoI's investment programme due to the current budget constrain. Therefore, the LMU recommends that the M/C and JICA organize the workshop for the awareness of ODA Loan projects for the high level officials as soon as possible.

#### **b. Effectuation of E/Ns and L/As**

The effectuation of ODA Loan E/Ns and L/As is also key to initiate project implementation and accelerate its process in the GoI system. While the M/C strong intervention is required in this matter, the above mentioned awareness workshop will also serve this purpose.

#### **c. Suspension of Projects**

The deteriorating security situation in parts of Iraq forced some projects to suspended implementation either partially or completely. Partially suspended projects have to review their overall plans of implementation, and make corrective efforts with related parties.

### **2. Procurement Management**

While procurement management under Japanese ODA Loan can be considered as entering the next phase of the capacity development, the LMU recommends the following three points:

a. PMTs generally understand JICA's rules and regulations. However, the LMU observed several issues in the implementation stage that were caused by partially inadequate procurement process, such as vagueness in drafting contracts or in contract negotiations. PMTs need to understand the concept philosophy behind and interpretation of JICA's rules and regulations as well as international standards in order to avoid the potential risks of disputes in the implementation stage.

b. Several projects are newly starting the procurement process, the reviews and feedbacks on the challenges during the contract management stage caused by procurement process, bidding documents or contract negotiation process in on-going projects shall be shared with the new projects in order to avoid similar bottlenecks.

### 3. Financial Management

It is recommended to closely monitor and analyze the PMTs' coordination of the financial management and contract management components of a project in the view of financial management for the bellow reasons.

- a. "Average duration of L/C issuance for Main Component" shows less duration on the processes after the application to BTMU. This leads to the assumption that the quality of documentation has significantly improved thanks to the effective guidance and training to the PMTs provided by JICA, LMU and BTMU. In other words, the challenge on the L/C opening procedures remains at the process from the concurrence to the application of the L/C to BTMU. The LMU currently monitors this process as a category; however, it is required to observe the process in more detailed steps in order to identify the bottlenecks in the process. Through the observation of the process of the L/C amendment, an assumption of reasons is the linkage between the contract negotiation and financial management. The points to be amended on the contract and on the L/C are sometimes not synchronized during the negotiation between the PMTs and the consultants / contractors.
- b. Some payment processes, especially those requiring sort of certificate from the PMTs, seem to show slightly delays. The LMU has not yet collected the data for the process from the submission of invoices payment to the effectuation of disbursement; therefore, it is required to follow the actions of the parties in order to identify the bottlenecks. The LMU will monitor the duration of each action or reason of delay together with JICA and propose possible interventions of capacity development in the financial management.

### 4. Contract Management

Most of the PMTs faced irregular contract negotiation due to the security situation, shortage of funds, and sub-optimal delegation of authority or dispute issues in 2014. This highlighted the areas of improvement for PMTs in the contract management stage.

- a. Generally speaking, the preparations of the three parties involved in the MPM are not enough to settle the issues in the meetings. Some discussion points are not well shared in advance, and each party seems to not have enough evidence to support its claims.
- b. Documentation of the Minutes of Meeting (MoM) can be considered as a challenge for all three parties. Fundamentally, the MoM is a quasi-agreement of related parties that is legally binding for a certain level for next actions; however, in most cases, the wording of MoM is very vague and unclear, mixing between opinions and agreements and lacks specific action points. This leads to further confusion in the interpretation of the MoM among the parties. In addition, the act of signing the MoM itself comes to be the main purpose of the meeting, and the MoM becomes rather a record of proceedings of the meeting than its minutes. All parties shall explicitly stipulate agreed and/or disagreed points in order to make the MoM an agreement on solid steps of action, otherwise, discussions will be looping in the same points continuously.

- c. Regarding PMT's role, they need to develop their capacities in: i) formulating an outline of their internal opinion before attending meetings, ii) requesting the Consultants to prepare the necessary information or data in order to develop further and have solid negotiation with the Contractors iii) enhancing the skills of expressing opinions or requirements. Most the PMTs just express their claims fragmentally and are not able to lead the negotiation to realize their claims in the project context. Particularly in discussing the issues of contractual disputes, PMTs shall review and refer to the contract agreement precisely. The current way of referring to the contracts is very rough and arbitrary, such as saying "according to the contract" or "does not comply with specifications" without referring the specific clauses of the contract. The PMT shall identify exact "sentences" or "words" in the clauses with their optimal interpretation to convince other parties. This skill could be said as the one of the most important capacities of public officials.

## 5. Capacity Development

The capacity development requires two (2) main approaches in the coming year;

### a. Regular capacity development training

For the last two (2) years, the provided capacity training has been designed based on the progress of projects – for example, providing advanced level course and basic level course. However, the focus of some of PMTs in the advanced stage seems to be shifting to the bottom up of the knowledge in the PMTs judging from their nominees on the training. This made the level of understanding of nominees varies widely and focusing on a certain level in the training difficult in programmed trainings. It is time for LMU to review the policy of capacity development trainings, including those of aimed level for implementing ODA Loan projects.

### b. Knowledge-sharing

Recognition of the importance of knowledge-sharing is increasing among the oversight agencies and PMTs, and several attempts materialized in 2014. This good trend is, however, in its initial stage and depends on the personal merits and efforts of PMTs. The next challenge will be how to operate and institutionalize this mechanism as solid platform. Basra PMTs which initiated the knowledge-sharing and study group will be a good pilot for establishing solid platform, LMU will keep facilitating the opportunities with close coordination with JICA.

**X. Project Cost**

Project costs are broken down as table shown below. The expenditures were made in line with the Agreement between JICA and UNDP. All supporting documents are attached to the final invoice to JICA.

## (1) Project Personnel

(US\$)

Item	Description	Unit Price	Quantity	Total
1.1	Procurement Management Specialist(Shiori Otan/Basra)	33,000	11.0	333,000.00
1.2	Programme Management Advisor (Shigeru Handa)	18,000	5.5	99,000.00
1.3	Capacity Development Specialist (Humam Misconi)	18,000	4.0	72,000.00
1.4	Civil Engineer (Sabri Al-Shahtoor/Baghdad)	7,500	11.0	82,500.00
1.5	Electric Engineer(Jabbar Al-Haideri/Basra)	7,500	11.0	82,500.00
1.6	Electric Engineer(Mustafa Roomani/Baghdad)	7,500	11.0	82,500.00
1.7	Financial Specialist (Auday Tawfeek)	7,500	11.0	82,500.00
1.8	Coordinator (Noora Anaya/Baghdad)	7,500	11.0	82,500.00
1.9	Programme Assistant (Firas Sabah Abbas/Baghdad)	5,000	11.0	55,000.00
1.10	Programme Assistant (Ala Al-Safar/Basra)	5,000	5.0	25,000.00
<b>Total for Project Personnel</b>				<b>996,500.00</b>

## (2) Capacity Building

(US\$)

Item	Descriptions	Unit Price	Quantity	Total
1	Provision of Trainer for Training No.1 (Crown Agents)	33,664.07	1.00	33,664.07
	Payment for Training No.1 (19-23 Oct.) (AL-Sami General Trade Co. Ltd)	27,777.75	1.00	27,777.75
2	Provision of Trainer for Training No.2 (Crown Agents)	75,293.00	1.00	75,293.00
	Payment for Training No.2 (AL-Sami General Trade Co. Ltd)	66,957.45	1.00	66,957.45
3	Provision of Trainer for Training No.3 (Bank of Tokyo - Mitsubishi UFJ)	15,587.51	1.00	15,587.51
	Payment for Training No.3 (Plaza Holidays)	76,899.34	1.00	76,899.34
4	Payment for Training No.4 (Plaza Holidays)	64,858.08	1.00	64,858.08
5	Payment for Training No.5 (Plaza Holidays)	22,472.28	1.00	22,472.28
	Payment for Training No.5 (DSA Paid by UNDP to the participants)	7,208.000	1.00	7,208.00
6	Payment for Training No.6 (Plaza Holidays)	50,577.38	1.00	50,577.38
<b>Total for Capacity Building</b>				<b>441,294.86</b>

## Attachment

Category	Description		Date	Relevant Documentations	Attachment No.
Agreement	Agreement and TOR		3 March 2014	Agreement	1
Monitoring Committee	22 <sup>nd</sup> Monitoring Committee		13 February 2014	Presentation Minutes of Meeting	2
	23 <sup>rd</sup> Monitoring Committee		5 June 2014	Presentation Minute of Meeting	3
	24 <sup>th</sup> Monitoring Committee		30 October 2014	Presentation Minutes of Meeting	4
	25 <sup>th</sup> Monitoring Committee		19 January 2015	Presentation Minutes of Meeting	5
On-Site Monitoring Mission	P1	Site Visit and Monitoring	19 March 2014	Site Visit Report	6-1
	P2	Lot 2-2: Site Visit and Monitoring	25-26 January 2014	Site Visit Report	6-2
	P3	Site Visit and Monitoring	6 March 2014	Site Visit Report	6-3
	P3	Update Pending issues to M/C	25 March 2014	Report to M/C	6-4
	P3	Munities of Meeting at PMAC	27 October 2014	MoM	6-5
	P4	Onsite Inspection Report	19-20 March 2014	Inspection Report	6-6
	P4	Site Visit and Monitoring	26 August 2014	Site Visit Report	6-7
	P4	Site Visit and Monitoring	28-29 January 2015	Site Visit Report	6-8
	P6	Site Visit and Monitoring	11 March 2014	Site Visit Report	6-9
	P6	Site Visit and Monitoring	11 May 2014	Site Visit Report	6-10
	P6	Site Visit and Monitoring	23 June 2014	Site Visit Report	6-11
	P6	Site Visit and Monitoring	11 August 2014	Site Visit Report	6-12
	P6	Site Visit and Monitoring	9 December 2014	Site Visit Report	6-13
	P6	Meeting (JCMT)	25-27 January 2015	Meeting Report	6-14
	P6	Lot C Attending Bid Opening	27 January 2015	Attendance Report	6-15
	P6	Site Visit and Monitoring	9 February 2015	Site Visit Report	6-16
	P7	Site Visit and Monitoring	15 February 2014	Site Visit Report	6-17
	P7	Meeting (SOC PMC)	17 August 2014	Meeting Report	6-18
	P7	Meeting (3 days)	24-26 August 2014	Meeting Report	6-19
	P7	Meeting	19 October 2014	Meeting Report	6-20
	P7	Meeting (PMAC PMC)	28 October 2014	Meeting Report	6-21
	P7	Meeting (at PMAC)	30 November 2014	Meeting Report	6-22
	P8	Lot 4: Site Visit and Monitoring	23-27 March 2014	Site Visit Report	6-23
	P8	Lot 3: Site Visit and Monitoring	12-14 May 2014	Site Visit Report	6-24
P8	Lot 4: Site Visit and Monitoring	11-14 May 2014	Site Visit Report	6-25	
P8	Lot 4: Site Visit and Monitoring	17-25 September 2014	Site Visit Report	6-26	

Category	Description	Date	Relevant Documentations	Attachment No.	
	P8	Lot 3: Site Visit and Monitoring	22/25 September 2014	Site Visit Report	6-27
	P8	Lot 3: Site Visit and Monitoring	7-8 January 2014	Site Visit Report	6-28
	P9	Lot 4 : Site Visit and Monitoring	20 March 2014	Monitoring Photo	6-29
	P9	Site Visit and Monitoring	17 July 2014	Site Visit Report	6-30
	P9	Site Visit and Monitoring	22 January 2015	Site Visit Report	6-31
	P11	Site Visit and Monitoring	26 February 2014	Site Visit Report	6-32
	P11	Site Visit and Monitoring	25 March 2014	Site Visit Report	6-33
	P11	Site Visit and Monitoring	7-12 September 2014	Site Visit Report	6-34
	P15	Meeting	26 February 2014	Meeting Report	6-35
	P19	Site Visit and Monitoring	22 January 2014	Site Visit Report	6-36
	P20	Signing Ceremony for E/N and L/A	6 February 2014	Attendance Report	6-37
	P21	Site Visit and Monitoring	11 August 2014	Site Visit Report	6-38
	P21	Site Visit and Monitoring	22 September 2014	Site Visit Report	6-39
	P21	Attending Contract Negotiation	29 January 2014	Site Visit Report	6-40
	-	Site Visit and Monitoring	28 February – 3 March 2014	Basra Site Visit Report	6-41
Training	Advance Contract Management (2 Groups)		19-13 October 2014/ 9-13 November 2014	Presentation	7-1
	Bidding Process for the selection of Contractors		9-13 November 2014	Presentation	7-2
	Bidding Process for the selection of Suppliers		14-16 November 2014	Presentation	7-3
	Financial Management Training		23-27 November 2014	Presentation	7-4
Workshop	Project Management and Performance Evaluation in 2013		20-22 April 2014	Presentation	8-1
	Knowledge Sharing Workshop on Monitoring and Evaluation Mechanism for Development		25-28 August 2014	Presentation	8-2
Reporting	Monthly Progress Report		Every month	Feedback to MPR	9
Others	Performance Evaluation 2013		16 March 2014	Evaluation Report	10
	JICA ODA Seminar 2014		15-23 January 2014	Presentations	11