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**United Nations Development Programme Iraq**  
**Funding Facility for Economic Reform in the KRG (FFER-KRG)**  
**PROGRESS REPORT**  
**1 JUNE 2020 – 30 SEPTEMBER 2020**

<b>Project Title:</b>	Funding Facility for Economic Reform (FFER-KRG)
<b>UNDP Project ID#:</b>	00101758
<b>Project Duration:</b>	1 October 2016 – 31 December 2023
<b>Project Resources:</b>	USAID <sup>1</sup>
<b>UNDP Iraq Focal Point:</b>	Halwan Bakhtyar, Project Manager
<b>Country Programme Outcome 2016-2020:<sup>2</sup></b>	CPD Outcome 2: Administrative and financial reform and devolution policies adopted and implemented at federal and governorate level.
<b>Country Programme Outcome 2020-2024<sup>3</sup></b>	Outcome 2: Improved people-centred economic policies and legislation contribute to inclusive, gender sensitive and diversified economic growth, with focus on increasing income security and decent work for women, youth and vulnerable populations.
<b>Project Output(s):</b>	Output1: The structural implementation mechanism is created and institutionalized.  Output2: The Policy Matrix and recommended next steps are operationalized through technical assistance.
<b>Implementing Partner:</b>	UNDP Iraq
<b>Project Location(s):</b>	Kurdistan Region of Iraq (KRI)

<sup>1</sup> This report provides an overview of progress achieved under the overall FFER-KRG Project in order to provide a holistic picture of UNDP's support to key reforms in Kurdistan Region of Iraq during the period 1 Jun 2020 – 30 September 2020. Therefore, the report captures the activities supported through funding from, KRG and UNDP Iraq.

<sup>2</sup> Country Programme alignment for 2019.

<sup>3</sup> Alignment from 2020. The 2016-2020 Country Programme Document was brought to a formal close by 31 December 2019, and a new Country Programme was approved for implementation by UNDP's Executive Board for the period 2020-2024. <https://www.iq.undp.org/content/iraq/en/home/library/iraq-cpd-2020-2024.html>



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## LIST OF ACRONYMS

API	Application Programming Interface	SSN	Social Safety Net
CoM	Council of Ministers	TA	Technical Assistance
FFER	Funding Facility for Economic Reform	TF	Task Force
FGol	Federal Government of Iraq	UNDP	United Nations Development Program
GDP	Gross Domestic Product	FAO	Food and Agriculture Organization of the United Nations
DG	Directorate General	UNHCR	United Nations High Commissioner for Refugees
DGP	Directorate General of Pensions	UNICEF	United Nations International Children's Emergency Fund
ICT	Information and Communications Technology	USAID	United States Agency for International Development
IFC	International Finance Corporation	WB	World Bank
KRG	Kurdistan Regional Government	WFP	World Food Programme
KRI	Kurdistan Region of Iraq		
MENA	Middle East and North Africa		
MoAWR	Ministry of Agriculture and Water Resources		
MoE	Ministry of Electricity		
MoFE	Ministry of Finance and Economy		
MIS	Management Information System		
MoP	Ministry of Planning		
MoLSA	Ministry of Labour and Social Affairs		
MTEF	Medium Term Expenditure Framework		
MoTI	Ministry of Trade and Industry		
PFM	Public Financial Management		
PM	Prime Minister		
PMT	Proxy Mean Testing		
PPMIS	Public Pension Management Information System		
PPP	Public-Private Partnership		
GDP	General Directorate of Pension		
PPD	Provincial Pension Department		
SME	Small and Medium Enterprises		
SPU	Social Protection Unit		



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## Introduction

The Funding Facility for Economic Reform (FFER) Project is a four-year project of the United Nations Development Programme (UNDP) Iraq designed to promote sustainable, poverty-reducing economic reform and growth strategies in Iraq. The project was approved in 2017 and has supported the Federal Government of Iraq (FGI) and Kurdistan Regional Government (KRG) in their efforts to design and implement various economic reforms. The FFER Project is structured into two sub-projects, respectively FFER-Federal and FFER-KRG, which support the design and implementation of reforms for the FGI and KRG.

In cooperation with its main KRG counterpart, the Ministry of Planning (MoP), FFER-KRG has identified and secured high quality international and national Technical Assistance (TA) to support KRG reform priorities. UNDP is also working with other KRG institutions involved in the reform process. The project has supported many reforms undertaken by different government agencies that contribute to the achievement of the FFER goals and objectives.

FFER-KRG project was developed after the dramatic increase of violence in 2014 when the Islamic State of Iraq and the Levant (ISIL) occupied several cities and territories in northern and western Iraq. As a result of the occupation, over three million people were displaced, with the vast majority of them fleeing to the KRI. In order to strengthen capacities of the KRG to deliver adequate services and provide economic opportunities for its citizens and displaced people (both internally displaced persons and Syrian refugees), an Economic Reform Roadmap was developed with the support of the World Bank (WB) in 2016<sup>4</sup>. It includes medium and longer-term economic and administrative structural reforms that should be undertaken by the KRG with the support of development partners. Thus, UNDP developed the FFER-KRG project in response to the request of the KRG for the needed TA.

Since 2017, FFER has supported various economic reforms undertaken in the region. UNDP remains a key partner of the KRG to develop and implement its policy and process reforms. Going forward, UNDP will increase its support to match the KRG's commitment to reform as embodied by its main policy document: *New Kurdistan Regional Government Cabinet Agenda - 2019*<sup>5</sup>. The engagement of the Office of the Prime Minister (PM) and the MoP is expected to increase government ownership in the planning, design, implementation and management of

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<sup>4</sup> Reforming the Economy for Shared Prosperity and Protecting the Vulnerable -

<http://www.mop.gov.krd/resources/MoP%20Files/PDF%20Files/En-Reforming%20the%20KRG%20Reforming%20the%20Economy%20for%20Shared%20Prosperit.pdf>

<sup>5</sup> New Kurdistan Regional Government Cabinet Agenda 2019 - <https://gov.krd/english/government/agenda/>



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economic reforms. This will increase the pace of reform implementation and ensure the sustainability and improvement of economic and social life in the region.

Security improvements in the Kurdistan Region of Iraq (KRI) have allowed UNDP to increase its support in the region. With increased oil revenue, KRG has recently increased public investment and launched several legislative and policy initiatives. Gross Domestic Product (GDP) grew at a rate of eight percent, impacting positively on other economic indicators. The KRG is also working to improve education, health, electricity and water services. FFER-KRG is harnessing this momentum to strengthen its cooperation with the KRG in support of *New KRG Cabinet Agenda 2019*<sup>6</sup>.

Since early 2020, Kurdistan Regional Government (KRG) has been facing a deep financial crisis due to the oil price decline and COVID-19 Pandemic – related disruptions. In response to the crisis, KRG has undertaken several particular endeavours: the implementation of substantial austerity measures that aim to reduce government budget deficits through spending cuts, attempts to go forward with implementation of the KRG Reform Law (which was recently approved by Kurdistan Regional Parliament), and planning reforms to increase non-oil revenues .

## I. Executive Summary

During this reporting period, the FFER-KRG project supported the design and implementation of several programmes to support the goals and objectives of the KRG economic reform agenda. The project has supported the improvement of the legal and institutional frameworks required for critical economic reforms and the development of systems that contribute to the efficient use of public money. This report provided an overview of progress achieved under the overall FFER-KRG project from 1 June to 30 September 2020. Therefore, the report captures the activities supported through funding from USAID.

The following highlights the most significant accomplishments during the reporting period:

1. **Strengthening the Management of the Pension System**<sup>7</sup>. Following the approval of the PPMIS by the General Directorate of Pension, the migration of the existing pensioners' data was started. During this reporting period FFER-KRG team continued working on the migration of the existing data to the new PPMIS. In parallel, as part of the preparation to hand over the system to KRG, a presentation was conducted to Minister of Planning highlighting on USAID's technical assistance support to this

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<sup>6</sup> New Kurdistan Regional Government Cabinet Agenda 2019 - <https://gov.krd/english/government/agenda>

<sup>7</sup> Strengthening the Management of the Pension System has been funded by contribution by USAID (Technical assistance) and KRG (Development of Public Pension Management Information System (PPMIS))



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activity and the components of the PPMIS. The presentation particularly focused on how this system will help KRG with the implementation of the Reform Law, reorganisation and decentralisation of the pension administration, and availability of reliable data for decision makers.

2. **Establishing a Modern Social Safety Net (SSN).** FFER-KRG continued working with MOLSA Task Force on reviewing the Kurdish version of the SSN Framework and addressing all the translation issues and updating the action plan for the implementation of the SSN. Final Kurdish version was submitted to Minister of Labor and Social Affairs at the end of July 2020. On Aug 11, the final SSN Framework was approved by MOLSA and sent to KRG Council of Ministers for their review and approval.
3. **Establishing an Adequate System for Public-Private Partnerships (PPPs).** The final PPP Framework has been approved by KRG Council of Ministers on July 1, 2020. The framework provides KRG line ministries with the process and mechanisms to identify, assess, select and contract private sector partners. It also establishes the roles and responsibilities of government agencies to prepare and promote PPPs, and to monitor and implement contracts under the PPP modality.

A PPP Pipeline was developed which provides KRG with the list of potential PPP Projects for the service delivery sectors; however the report only provides an initial identification of potential KRG PPP projects that should be subjected to additional screening to ensure the proposed projects meets all the criteria set in the PPP Framework. Additionally, PPP Institutional Reform/Development has been developed, providing KRG with clear guidance on institution required for the implementation of PPP project as per PPP Framework and what capacity is required for each segment to ensure the PPP projects are identification, prioritized and managed in accordance to international standards.

1. **Developing Investment Reform Roadmap.** Consultation with KRG Board of Investment (BOI) has been initiated and for this purpose a list of questions has been shared with BOI and response was received back. Online meeting was conducted with KRG MOP and awaiting BOI to set an online meeting with the Head of BOI for the consultant.
2. **Developing Industrial Sector Development Roadmap.** Based on available data and information, a draft KRI Industry Sector has been developed. The Snapshot provides an overview of all the Industrial Sub-sectors of the KRI and Investment.
3. **Developing Pension System Manual (SOP).** A first draft of the pension manual has been developed. It provides technical and standard guidelines to unify the



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operational procedures followed at the General Directorate of Pension (GDOP) and all over (14) Directorate of Pensions (DOPs), as well as provides required guidelines to Governorate Directorate of Pension on how to determine the pensioners benefit entitlements as per KRG Pension Laws and process pensioner's applications at their department rather than sending it to GDoP. The draft has been reviewed by FFER-KRG project team and the document was revised accordingly. The second draft was shared with GDoP for their review and comments. Additionally, a draft of the proposed organisational structure for General Directorate of Pension (GDoP) and Directorate of Pension (DoP) was developed and shared with KRG Ministry of Finance and Economy (MoF&E) for review and approval.

4. **Developing the Current and Future Economic Reform Agenda for the KRG<sup>8</sup>**. KRG has established a new committee to develop an economic reform plan for the government. On Sep 16, the Committee launched its first meeting, led by the Minister of Planning, to discuss the mechanism and approach to develop the economic reform plan. The Minister of Planning shared a copy of the Economic Reform Agenda that was developed by UNDP for discussion and amendment. Also, its agreed to hold further meetings with relevant ministries to review the proposed reform initiatives and finalise the plan.
5. **Developing Private Sector Employee Pension Contribution MIS**. Upon a request from KRG Ministry of Planning, FFER-KRG has started working on the initial preparation and coordination for the implementation of this new technical assistance including allocation of required fund by UNDP and meeting with MOLSA and other stakeholders. Currently, MOLSA is managing Private Sector Employee Pension Contribution and many companies and workers are making contributions, but the system remains manually managed. Every employee has a file where the contribution payments are recorded on monthly bases, and to verify the employee's payment, MOLSA staffs are required to go back to the file. This has created a lot of risk to the employee, because if their file is lost or destroyed their years of contribution might be lost since it cannot be verified by the Government.

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<sup>8</sup> The development of Current and Future Economic Reform Agenda for KRG is funded by contribution from UNDP Iraq.



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## II. Project Activities and Accomplishments

During the third quarter of 2020, FFER-KRG continued to work closely with the KRG to identify and develop necessary technical assistance that supports economic reform priorities and contributes to sustainable and inclusive economic growth in the KRI. Based on consultations with government partners, the focus of FFER-KRG in 2020 was on stabilising public finances and promoting private sector development. The KRG's main source of income is oil revenue, while public wages and social benefits dominate expenditure. Deep structural reforms in the public administration are required to rationalise public wages, but such reforms are not yet prepared. Therefore, the project focused on social benefits, which are also problematic due to the lack of common standards to determine which citizens are eligible for which benefits.

Private investment is desperately needed to guarantee the sustainable economic development of the KRI. However, an adequate legal and institutional framework to attract and protect foreign investments is lacking in the region. This led the project to focus on developing an adequate framework for PPP contracts as an intermediate mechanism to attract direct private investment in the future.

Technical Assistance provided during this reporting period supported key sectors that contribute to economic growth and social cohesion in the KRI. Annex II provides an overview of performance against benchmarks. The implementation of FFER-KRG policy recommendations and building necessary capacities will increase the efficiency of public resources, attract more significant private investment and provide marginalised citizens with a regular monthly income.

### Technical Assistance 1: Strengthening the Management of the Pension System

The KRG's pension system is far from the standard "pay-as-you-go" systems found in most countries. The system also suffers from mismanagement due to poor administrative capacities, conflicting technical guides, and regulations, and dominating manual work. A preliminary assessment showed that there are various inconsistencies in the pension data and benefits, and only 20 percent of individual pensioners' data are recorded and processed through the computer system. The existing system is a standalone Microsoft Access database for each pension directorate in the provinces, so data on individual pensioners are not integrated into a system for the KRI as a whole.

UNDP's analysis of the situation shows that an assessment and in-depth reform of the pension system is needed. However, this process will take time. A technical assistance to strengthen the management of the existing system was therefore developed as an intermediate step to improve the efficiency of pensions and pave the way for a complete reform in the near future.





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Programme activities, their contributions to the output and expected results are detailed in the following section:

*Note: Action 1 and 2 are reported in the Jan 1, 2019 – May 31, 2020 progress report.*

**Action 3: Migration of the Data and Making the PPMIS Fully Operational:** Following the approval of the PPMIS by the General Directorate of Pension, the migration of the existing pensioners' data started. During this reporting period FFER-KRG team continued working on the migration of the existing data to the new PPMIS. Due to inconsistencies in the data, the data migration has become one of the most challenging aspects of this technical assistance. FFER-KRG team continues cleaning the data to ensure the existing data matches the structural requirement of PPMIS. Another major issue with the existing data is that the data from one directorate to another is different, therefore the team is required to undertake different approaches to map and clean the data.

**Action 4: Transferring the PPMIS ownership to the KRG:** On July 21, FFER-KRG Project Manager and PPMIS Developing Company presented the final PPMIS to his excellency the Minister of Planning and his excellency the Deputy Minister of Planning at the Ministry of Planning. The presentation highlighted on USAID's technical assistance support to this activity and the components of the PPMIS, with a particular focus on how this system will help KRG with the implementation of the Reform Law, reorganisation and decentralisation of the pension administration, and availability of reliable data for decision makers. The Minister agreed to coordinate with KRG Minister of Finance and Economy to hold a meeting and discuss the next steps to operationalise the PPMIS and agree on a date to launch the PPMIS. Arrangement was made to present the final PPMIS to KRG Minister of Finance and Economy in Sep 2020, but due to health issues the meeting was postponed to later date. The objective of this meeting is to present the functionalities of the system and agree on the next steps to ensure the PPMIS is implemented.

## **Technical Assistance 2: Establishing a Modern Social Safety Net (SSN) System in the KRI**

Assessments of the KRI's SSN show that is based on the old system, which does not consider the social and economic status of beneficiaries. There are various social safety payments made to all citizens without consideration of their wealth and income, and many of them are based on political considerations. Undertaking a reform process of the SSN system is a necessary challenge for the KRG to target better the social safety net benefits and, in the short run, to provide decent protection for vulnerable groups. To assess the current SSN system and make recommendations for establishing a modern, good practice-based system, a special programme was designed under the FFER-KRG project. To implement the programme, an expert was engaged to work with MoLSA to design a cash transfer programme targeting the



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poorest KRI residents with a regular income and recommend the necessary legal and institutional changes for its implementation. The key activities carried out by the expert and their contribution to the output and expected results are detailed in the following section.

*Note: Action 1 - 5 are covered in the Jan 1, 2019 – May 31, 2020 progress report.*

**Action 6: Development of the Final Draft SSN Framework:** In April 2020, the draft SSN Framework was submitted to MOLSA, which addressed all the comments and recommendations that were received from MOLSA staffs during the workshops conducted in Dec 2019. During this reporting period, FFER-KRG continued working with MOLSA Task Force on reviewing the Kurdish version of the SSN Framework, addressing all the translation issues, and updating the action plan for the implementation of the SSN. Final Kurdish version was submitted to Minister of Labor and Social Affairs at the end of July 2020.

On Aug 11, an online meeting was conducted at the request and presence of Minister of Labor and Social Affairs, with MOLSA Task Force and FFER-KRG where the final SSN Framework was approved and agreed to send the document to KRG Council of Minister for their review and approval. On Sep 7<sup>th</sup> the final SSN framework has been sent to COM for review and approval.

**Action 7: Implementation of Poverty-based SSN:** During the meeting on Aug 11, the Minister asked MOLSA Task Force to make required arrangements for the implementation of the poverty-based SSN as soon as the Framework is approved by Council of Ministers. She also informed that the KRG Prime Minister has given green light to initiate the implementation of the new program and start registration of eligible families. As soon as KRG financial situation improves, required budget will be allocated for the program to start cash transfer to the registered poor families. In this regard, the minister has asked FFER-KRG to provide further technical assistance to MOLSA during the implementation of the program including developing customised Proxy mean Testing (PMT)<sup>9</sup> for Kurdistan Region of Iraq, and the development of Social Protection MIS.

On Sep 27 an online meeting was conducted with UNHCR and discussed the progress of the KRG SSN, developing a plan for a presentation on Proxy Mean Testing PMT for MOLSA and possible technical support from UNCR team to develop a PMT for KRG SSN. Following this FFER-KRG is coordinating with MOLSA to plan for a meeting for the PMT presentation.

### **Technical Assistance 3: Development of Public-Private Partnership Framework**

The KRI has an inadequate legal and institutional framework to promote foreign investment in the region. At the same time, several structural reforms are needed to attract foreign direct investment. Thus, PPPs remain more attractive to private investors because the risk of the investment is easily transferred to the government. Based on an assessment, the project

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<sup>9</sup> Proxy Mean Testing Methodology: <https://olc.worldbank.org/sites/default/files/1.pdf>



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designed a programme aimed at establishing an adequate system for PPPs. Key activities and their contribution to the output and expected results include:

*Note: Action 1 - 3 are covered in the Jan 1, 2019 – May 31, 2020 progress report.*

**Action 4: Development of PPP Pipeline:** based on the consultation findings and the outcome of the PPP Framework workshop conducted in Feb 2020, the first draft of the PPP Pipeline was prepared in July 2020. The PPP Pipeline provides KRG with the list of potential PPP Projects for the service delivery sectors, however the report only provides an initial identification of potential KRG PPP projects that should be subjected to additional screening to ensure the proposed projects meet all the criteria set in the PPP Framework.

The draft PPP Pipeline was shared with the MoP for comments, and the project team conducted an internal review of the draft. Based on comments made by the MoP and the UNDP team, a second draft was submitted in late July 2020. KRG Ministry of Planning has shared the second draft of the PPP Pipeline with relevant KRG Line Ministries for their comments on the proposed PPP projects in the document. The Ministry is making coordination to follow up with the ministries in September.

For more information on the Kurdistan Potential Public-Private Partnership Pipeline report, [click here](#).

**Action 5: Developing PPP Institutional Reform/Development:** Based on the consultation findings and the outcome of the PPP Framework workshop conducted in Feb 2020, the first draft of the PPP Institutional Reform/Development was prepared in Aug 2019. FFER-KRG conducted internal review of the first draft and comments were addressed by consultant. The second draft has been shared with the MoP for comments. The report provides KRG with clear guidance on institution required for the implementation of PPP project as per PPP Framework and what capacity is required for each segment to ensure the PPP projects are identified, prioritized and managed in accordance to international standards.

For more information on the Institutional Reform Required for Better Identification, Prioritization and Management of Public-Private Partnerships Report, [click here](#).

**Action 6: KRG approves PPP Framework.**

As part of the formalization of the PPP Framework, the Minister of Planning presented the final PPP Framework during KRG Council of Ministers weekly meeting on July 1<sup>st</sup>, 2020. At the meeting, the Council of Ministers approved the PPP Framework. Now the PPP Framework is an official document that needs to be applied in the implementation of PPP Projects. FFER-KRG is working to print the document and send it to all KRG Line Ministries to follow the criteria, process and procedures laid out in the framework for identification, selection and procurement and management of PPP projects.



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#### Technical Assistance 4: Electricity Sector Legal Reform

The electricity sector is managed by departments established under the MoE, with a lack of applicable corporate management principals and standards, and lack of a system of accountability for sector's poor performance. This has worsened the provision of electricity service. Service fees remain low relative to the cost, and the fee collection rate is meagre. The KRG has shown its intention to improve the efficiency of the electricity sector and undertake reforms to unbundle the structure of electric power generation, transmission and distribution and establishing corporations for each of these services. In response to the KRG's demonstrated commitment, a programme to improve the provision of electricity and increase its efficiency was developed. Key activities and their contribution to the output and expected results are detailed in the following section:

*Note: Action 1 - 3 are covered in the Jan 1, 2019 – May 31, 2020 progress report.*

**Action 4: Delivering Training on the draft Electricity Sector Law:** Following the delivery of the final draft of the Electricity Sector Law to KRG Ministry of Electricity in Jan 2020, FFER-KRG made required arrangement to conduct the training on the draft law for the ministry officials in Mar 2020, but due to COVID 19 the activity was postponed. Subsequently, FFER-KRG proposed to KRG MOP on several occasions to proceed with the online training but upon their request the training was delayed with the hope that the situation improves and the training can be conducted in a venue. Since COVID 19 continues to spread in KRI, MOP agreed to proceed with the online training on draft Electricity Law therefore FFER-KRG is making required arrangement with the Ministry of Electricity to organise the training for early Nov 2020.

#### Technical Assistance 5: Developing Investment Reform Map

Several policy documents of the KRG recognize the importance of domestic and foreign direct investment (FDI) in economic and social development of the region. They have identified the areas and established objectives for improving the investment climate, promoting private sector investments and diversification of economic development. Further to the KRG's request for support from FFER-KRG to map the investment reform in the KRI, the Project designed the programme and the following are activities carried out so far:

*Note: Action 1 is covered in the Jan 1, 2019 – May 31, 2020 progress report.*

**Action 2: Developing Investment Reform Roadmap,** due to COVID 19, the consultant is unable to visit KRI to conduct required consultation with relevant KRG officials. To overcome this, FFER-KRG has tried to hold online meetings with KRG Board of Investment (BoI), Ministry of Planning and other stakeholders as well as sharing list of questions prepared by the consultant BOI. During this reporting period meetings have been conducted with BOI-DG of



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Promotion and Licensing and Deputy Minister of Planning. Additionally, a list of questions was shared with BOI and response has been received. Meeting with president of BOI was postponed to Oct 2020 due to unforeseen circumstances. As soon the required consultation is complete, the consultant will start to prepare the first draft of the Investment Reform Map for BOI's review and comments.

### **Technical Assistance 6: Developing an Industrial Sector Development Roadmap.**

Manufacturing and services are considered by the KRG among important sectors for the sustainable growth and development of the region. To support their development several reforms are needed, and new policies and institutions should be in place. FFER-KRG has designed a programme to support the KRG in the assessment of the situation in the industrial sector development for the needed policies and legal, regulatory and institutional framework. KRG seeks deeper expertise in the areas relevant to developing its industry, agriculture, and tourism sectors to conduct this kind of assessment. The programme is currently under implementation and the following activities have been carried out:

*Note: Action 1 is covered in the Jan 1, 2019 – May 31, 2020 progress report.*

**Action 2: Developing Comprehensive snapshot of KRI Industry Sector.** Based on available data and information on industry sector, a draft KRI Industry Sector has been developed which provides an overview of all the Industrial Sub-sectors of the KRI and Investment. The first draft was reviewed by FFER-KRG and all comments were addressed. The second draft is under translation to be shared with KRG Ministry of Trade and Industry for their review and comments. Additionally, FFER-KRG is making arrangement for further consultation with KRG for the development of the Industry Sector reform roadmap.

### **Technical Assistance 7: Developing the Pension System Manual (Standard Operating Procedures (SOP)).**

Governorate Pension Departments are missing technical guides and capacities to calculate pension benefits, and the pension applications submitted by the retired officials are reviewed by the General Directorate of Pension in Erbil in order to determine the eligibility and the amount of the pension benefits for retirees. Thus, it takes 9 months to make the pension rights effective due to the time needed to review the files and make the decision on each individual's pension benefits. This makes the retired people suffer from the lack of income during the period of the administrative review of the pension applications and decision-making process. A programme for the review and improvement of the pension management system and building necessary technical capacities is developed and is under implementation. The following are activities carried out so far:

*Note: Action 1 is covered in the Jan 1, 2019 – May 31, 2020 progress report.*



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**Action 2: Developing new Organisational Structure including Roles and Responsibility for GDoP,** based on the consultation with GDoP and the recent KRG Reform Law, the first draft of the proposed organisational structure for General Directorate of Pension (GDoP) and Directorate of Pension (DoP) were developed and shared with KRG Ministry of Finance and Economy (MoF&E) for review and approval. The report provides organisation structure for GDoP at the regional level and DoPs at the governorate as well as new Pension Funds that are established by the government. We are awaiting MoF&E responses to finalise the organisational structure.

**Action 3: Developing Pension Manual:** Based on the consultation with GDoP and desk review findings and the recent KRG Reform Law, the first draft of the pension manual has been prepared by the consultant and it was reviewed by FFER-KRG project team and comments were addressed. The second draft has been shared with General Directorate of Pension for their review comments.

The Pension Manual provides technical and standard guidelines to unify the operational procedures followed at the General Directorate of Pension (GDOP) and all over (14) Directorate of Pensions (DOPs). This manual identifies the workflow process that must be followed after using the Public Pension Management Information System (PPMIS). It also provides all details in term of all pension laws, pension types, eligibility, steps to be carried out to calculate pensioners benefit, and procedures that need to be followed to process pensioners application. This Pension Manual will support Governorate Directorate of Pension to process pensioners applications at their department rather than sending it to GDoP.

## **Technical Assistance 8: Developing the Current and Future Economic Reform Agenda for KRG<sup>10</sup>**

Various reports and assessments made by the FFER-KRG project show that a new momentum is created after the announcement of the Agenda from the new Cabinet inaugurated in July 2019. In addition, timing, other developments and considerable fiscal uncertainties created by the impact of the COVID-19 have changed significantly the context of the previous reform programmes. The proactive approach of the new KRG in the design and implementation of the economic reforms creates also new opportunities for economic diversification and growth in the KRG as well as the improvement in the provision of public and social services. In response to the new economic reform context and approaches, UNDP designed and financed from the FFER-KRG project a programme to reprioritize and prepare a realistic reform workplan based on the KRG Reform Agenda and reforms foreseen in other documents and agreements of the KRG with various development partners such as World Bank and Iraq—Governance and

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<sup>10</sup> This Technical Assistance has been funded by contribution from UNDP Iraq.



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Performance Accountability (IGPA)/Takamul. The following are key activities and achievements from the implementation of the programme:

*Note: Action 1 - 3 are covered in the Jan 1, 2019 – May 31, 2020 progress report.*

**Action 4: Finalising Current and Future Economic Reform Agenda for KRG**, the final report was shared with KRG Ministry of Planning (MoP) in Jun 2020.

KRG has established a new committee to develop an economic reform plan for the government. Members of the committee are comprised of Prime Minister's Office, Deputy Prime Minister's Office, Ministry of Planning, and all relevant ministries. On Sep 16, the Committee launched its first meeting led by the Minister of Planning to discuss the mechanism and approach to develop the economic reform plan. The Minister of Planning shared a copy of the Economic Reform Agenda that was developed by UNDP for discussion and amendment. Also, its agreed to hold further meetings with relevant ministries to review the proposed reform initiatives and finalise the plan.

Current and Future Economic Reform Agenda for the KRG was prepared in March 2020 and presented to the KRG. The report includes a Roadmap of the economic reforms that should be undertaken in 2020, 2021 and the years to come. Specific economic reforms are identified to meet key specific objectives for 5 (five) pillars: Public Financial Management (PFM) System, Economic Diversification and Development, Public Services, Social Services and Good Governance. The Roadmap is supported by the action plan for the economic reforms that should be taken during 2020-2021 and main reform components/outputs that should be considered for planning short-term (2020-2021) Technical Assistance (TA). The report provides also a set of recommendations on the reform implementation and management which includes institutional arrangements for effective design and implementation of economic reforms in the KRI.

On Sep 28th, Deputy Minister of Planning held first individual meeting with the Ministry of Finance and Economy with the presence of representative from Deputy Prime Minister's Office (Mr. Dara Khailany) and FFER-KRG. The participants revised the proposed reform initiatives for the MoF&E and the following new initiatives were added including establishment of Treasury Single Account, developing a design for Public Financial Management Information System, assessing existing Government Insurance scheme and provide new regulatory framework. The revised list of activities has been shared with the MoF&E for final review and indorsement by the Minister of Finance and Economy.



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## Technical Assistance 9: Developing Private Sector Employee Pension Contribution MIS.

KRG MOLSA is managing Private Sector Employee Pension Contribution and to date around 80,000 employees and 25,000 companies are registered on this system. The registered employee and employers are contributing monthly payments to the scheme depending on the Employee salary, employee 7% of their salary and employer 12% of the salary of each Employee. KRG MOLSA is planning to improve the administration of the Private Sector Employee Pension Contribution and expand the registration to ensure all private sector employees and companies are registered, as well as establishing a MIS to manage this scheme. Currently the scheme is manually managed, and all contributions recorded on the files created for every Employee and Companies. To verify the contributions, MOLSA staffs are required to go back to the file and this has created a lot of risk to the employee because if their file is lost or destroyed their years of contribution might be lost since it cannot be verified by the Government.

**Action 1: Starting Coordination and initiating the activity.** Upon a request from KRG Ministry of Planning, FFER-KRG has started working on the initial preparation and coordination for the implementation of this technical assistance including allocation of required fund by UNDP and meeting with MOLSA and other stakeholders.

During a meeting with MOLSA, FFER-KRG was informed that IGPA, USAID Funded program, is also working with MOLSA on the Private sector Employee Pension Contribution (Insurance). To establish synergy and avoid duplication, FFER-KRG conducted an online meeting with IGPA Project team to discuss the planned activities and coordination mechanism. It was agreed to have joint meeting with MOLSA and MoP to discuss the work and create a joint workplan.

On Sep 22 a meeting was conducted with Minister of MOLSA, Deputy Minister of Planning, DG of Labor, IGPA team and UNDP-FFER-KRG Project Manager, and the main focus was the Private sector Employee Pension Contribution (Insurance). It was agreed that IGPA to continue their work on the business process reengineering and development of MIS specification. On the other side, FFER-KRG to use those reports to develop the MIS for Private sector Employee Pension Contribution, provide training and technical assistance to MOLSA.





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## III. Project Implementation Challenges and Lessons Learned

### III.1. Challenges

The impact of the COVID-19 pandemic has created new challenges for implementation of the initiated economic reform technical assistance. International consultants are still unable to travel to KRI as they will be quarantined for 2 weeks on their return to their country. Additionally, until recently government offices were operating at 30% capacity and they were closing down those departments that had COVID 19 cases for one week as measure to reduce the transmission of COVID 19 at the workplace. This has created a lot of disruption to the work and FFER-KRG was making all the effort to keep the work on the track.

### III.2. Lessons Learned

As the protective measures that were put in place to counter the spread of COVID-19 in the Kurdistan Region of Iraq continued, the Project team needed to identify alternative ways in which to re-start implementation of activities. Therefore, coordination with relevant KRG counterparts was established through online communication channels and identified projects activities that can be carried out online or from home. Thus, the implementation of several projects has resumed, and efforts continue to speed up the process.

### III. 3. Risks

The new government presented the programme for its term and made public an ambitious economic reform policy document named *Outlines of the New Kurdistan Regional Government Cabinet Agenda 2019<sup>11</sup>*. The document outlines economic reforms and priorities for their implementation from 2019 to 2022. Changes were also made in the government structures, and many officials lost their jobs and were replaced by new officials who are politically affiliated with the incoming leadership. Thus, in addition to the slowdown of reforms since the emergency of COVID-19 , a thorough review of ongoing and planned programmes and their alignment with the new government's agenda was needed. The FFER-KRG team was able to continue implementing ongoing technical assistance and worked closely with the FFER-Federal Project Team and the KRG to review economic reform priorities and redesign the project's Workplan. Terms of reference for the development of the new Economic Reform Roadmap was developed, and based on the expert's recommendations, the FFER-KRG project workplan will be revised further. A more detailed analysis of the risks is presented in Annex II.

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<sup>11</sup> New Kurdistan Regional Government Cabinet Agenda 2019 - <https://gov.krd/english/government/agenda/>



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### III.3. Other Issues

The KRG does not have a proper database, and the legal system is dominated by old laws. While a few laws have been changed, and some are in the process of being revised, the government and KRI as a whole continue to be affected by old laws. It is, therefore, necessary to develop *ad hoc* Regulations when the old laws impede the operation of the new governance structures and implementation of reforms.

## IV. The Way Forward

In 2020, FFER-KRG continues to support the KRG to implement economic reforms based on KRG's *Agenda - 2019*. The priority in the third quarter of 2020 is to provide technical assistance continuing from 2019 and first half of 2020 and initiating new technical assistances as per KRG requests. A tentative list of the new programmes and those continuing from June 2020 includes the following:

#### I. Programmes that continue from first half of 2020.

1. Conduct online training on PPP Framework for KRG Line Ministries DGs and Project Staffs. The tentative schedules for the trainings are last week of Oct and first week of Nov 2020.
2. Finalize PPP Pipeline and submit the final report to KRG MOP.
3. Conduct online training on the proposed Electricity Sector Law, what reform this law brings about and how KRG need to prepare for it. Ministry of Electricity DGs, advisors and legal staffs are the focused participants for this training. The tentative schedule for the training is late November 2020.
4. Coordinate with UNWFP and UNHCR to provide necessary support to KRG Ministry of Labour and Social Affairs to develop practical Proxy Mean Testing (PMT) to identify poor and vulnerable families;
5. Support KRG MOP with the finalization of Economic Reform agenda for 2020 – 2023.
6. Finalize the Pension Benefit Review and Approval Manual and conduct training to upgrade technical skills of the Governorate Directorate of Pensions;
7. Hanover the PPMIS system to KRG Ministry of Finance – General Directorate of Pension
8. Develop the Industrial Development Plan and Roadmap; and
9. Develop the Investment Reform Map.



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II. New programmes that are proposed to be implemented in the last quarter of 2020 and first half of 2021:

1. Draft e subsidiary legislation and the MIS for the implementation of the new SSN system.
2. Support with the implementation of the PPMIS;
3. Support the KRG for the rationalization of Salaries and Allowances System for Public Employees to Initiate a Basic Budget Discipline;
4. Support the establishment of a Basic Budget System that Lays Grounds for Budget Modernization;
5. Support the improvement of Tax and Customs Administration to Lay Grounds for a Modern Tax System; and
6. Develop legal and institutional framework for promoting the establishment of the Farmers' Associations in the KRI.

## Annexes:

### Annex I: Performance Tracking Matrix

Project Output	Output Indicators	Baseline Info	Targets (2019 & 2020)	
<b>Output 1</b> The structural implementation mechanism is created and institutionalised;	# of task groups established	One (1)  Poverty-based Social Protection (MOLSA, MOP and KRSO)	10 task groups established.	6 Task groups established (Pension system, Electricity Sector law, PPP, Social Protection, Investment Reform Map and Pension Manual)
<b>Output 2</b> The Policy Matrix and recommended next steps are operationalised through technical assistance	# of Technical Experts Deployed	Six (6) Economic Specialist 2017, M&E Specialist 2018, IT Consultant 2018, Value Chain Specialist, Agriculture Production Specialist, Water Management and Irrigation Specialist.	20 Technical Experts deployed	7 Technical Experts Deployed.  PPP Specialist, Electricity Law Specialist, Social Protection Specialist, Economic Reform Specialist <sup>12</sup> , Investment Policy Specialist, Industry Sector Development Specialist, Pension Specialist/Trainer.
	#of studies conducted for sub areas	Three(3)  Economic Assessment, Poverty-	24 studies/assessments conducted.	9 Analytical Studies/Assessment conducted.  In-depth Study of the Agriculture Sector of KRI <sup>13</sup> , Pension

<sup>12</sup> This specialist has been funded by the contribution by UNDP Iraq

<sup>13</sup> This study has been funded by the contribution by USAID and Netherland – General Consulate in Erbil.

		<p>based Social Protection Survey, Pension System Assessment.</p>		<p>Management Information System Need Assessment, KRG Social Protection Safety Net Regulatory Framework, Assessment of the Legal and Institutional Environment for PPPs, PPP Framework, PPP Pipeline, Assessment of the Electricity Sector and Identification of Issues for Improving Its Performance, Draft Electricity Sector Law, Sample Regulation for Electricity Sector, Economic Reform Agenda Roadmap and action plan<sup>14</sup>.</p>
	<p># of Policy matrix solutions identified, and Action Plans developed based on the carried out analytical work</p>	<p>8 action plans developed</p>	<p>26 Action Plans developed</p>	<p>16 Action Plan Developed.  8 Action Plans were developed to develop different sub-sectors of the Agriculture of KRI. Electricity Sector Legal Reform, PPP Framework, Social Safety Net Reform, Industrial Sector Development Roadmap, Investment Reform Map, Pension Manual and Development of Public Pension Management Information System (PPMIS), Development of Economic Reform Agenda Roadmap.</p>

<sup>14</sup> This assessment has been funded by the contribution by UNDP Iraq.

	<p># of Action Plans being implemented</p>	<p>5 Action Plans implemented</p>	<p>26 Action Plan implemented</p>	<p>5 Action Plans/Technical Assistances were implemented and 3 are ongoing.</p> <p>5 Action Plans implemented: In-depth study on the agriculture study of the KRI, Social Safety Net Regulatory Framework, PPP Framework, Development of Public Pension Management Information System (PPMIS), Development of Economic Reform agenda Roadmap.</p> <p>The implementation of 4 Action plans are ongoing. Electricity Sector Law, Pension Manual Development, Industry Sector Development Roadmap and Investment Reform Map development.</p>
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## Annex II: Risk Log

#	Description	Date Identified	Risk Category	Impact (I) & Probability (P)	Management Response	Owner	Submitted, updated by:	Last Update	Status
1	Delays in the identification of qualified consultants to provide technical advisory support	19 July 2017	Operational Financial	Will delay the implementation of activities and achieving Project targets.  I = 3 P = 3	Procurement plans are developed aligned with the Annual Work Plans to facilitate annual procurement planning.  Terms of References will be prepared in a timely manner.  When required UNDP's pre-vetted Roster of experts will be relied upon to facilitate a faster pace of deployment.	Halwan Bakhtyar (FFER-KRG Project Manager)	Halwan Bakhtyar (FFER-KRG Project Manager)	30 Sep 2020	Reduced
2	Poor quality policy documents produced by consultants recruited by UNDP	19 July 2017	Strategic	Will negatively impact the development results to be achieved under the	Terms of References for identification of Technical Experts will clearly define the areas of expertise required.	Halwan Bakhtyar (FFER-KRG Project Manager)	Halwan Bakhtyar (FFER-KRG Project Manager)	30 Sep 2020	Reduced

				<p>Project, and will also impact UNDP's reputation as a lead Technical Advisory service provider for the Government.</p> <p>I = 4 P = 3</p>	<p>When required UNDP's pre-vetted Roster of experts will be relied upon to identify Technical Experts that have provided quality deliverables to UNDP.</p> <p>A monitoring system will be in place within UNDP to quality assure the deliverables provided.</p> <p>Feedback loops will be created to ensure Technical Experts are regularly provided feedback from UNDP and KRG to ensure quality deliverables are received.</p>	Manage r)			
3	Limited capacity of national institutions to absorb reform	19 July 2017	Organizational	Will result in limited engagement in the reform discussions by the government staff and lack	When identifying the priority thematic areas for reform, the institutional capacity will be assessed to identify risks that may pose a threat to taking	Halwan Bakhtyar (FFER-KRG Project Manager)	Halwan Bakhtyar (FFER-KRG Project Manager)	30 Sep 2020	No change



				of implementation of reforms approved by the Government.  I = 3 P = 2	forward the reform process.  Based on the assessment the design and approach of the activity would be refined.				
4	Political tensions between the Government of Iraq and Kurdistan Regional Government	30 October 2017	Political	I=3 P=3		Ghimar Deeb (Deputy Resident Representative-Programme)  Halwan Bakhtyar (Project Manager FFER-KRG)	Halwan Bakhtyar (FFER-KRG Project Manager )	30 Sep 2020	Reduced, Iraqi and KRG were in good relation during 2020 but dispute on Budget still continues
5	The establishment of the new Kurdistan Regional Government will be delayed	March 2019	Political	Will result in delays to implementing the Project's	Obtain written approval from Ministry to confirm the priority areas for support, in order to also	Deputy Resident Representative	Project Manager (FFER-KRG)	30 Sep 2020	Reduced New Government

				Annual Work Plan and timely use of Project's funding.  I=3 P=4	enable continuity amidst political changes.  Implementation progress will be closely monitored to ensure timely course adjustments are made.	ntative- Programme  Project Manager (FFER-KRG)			established in Aug 2019.
6	Reorganization of KRG's institutional structure	1 Mar 2019	Political	Reorganization might disturb the ongoing and pipeline of Technical assistance agreed upon with the Government institutions.  I=4  P=3	Ensure written approval is secured for Project activities, to better enable continuity amidst political changes.  Document the rationale for selection and prioritization of activities.	Ghimar Deeb (Deputy Resident Representative- Programme)  Halwan Bakhtyar (Project Manager FFER-KRG)	Halwan Bakhtyar (FFER-KRG Project Manager )	30 Sep 2020	Reduced,
8	Restriction on International and local movement imposed by Countries and KRG	11 Mar 2020	Operational	Will result in delays to implementing the Project's	Work on those activities that can be implemented remotely, and start online	FFER-KRG Project	FFER-KRG Project Manager	30 Sep 2020	Reduced  Consultants are working

	making it hard for consultant to travel to deliver the contractual deliverables.			Annual Work Plan and timely use of Project's funding.  I=4 P=5	coordination between the consultant and the government.	Manage r			on those activities that can be implemented remotely
9	KRG has stopped all large gathering including workshops and training as measure to prevent COVID 19 transmission	1 Mar 2020	Operational	Most of the Technical Assistance includes workshops and trainings, this will affect the timely implementation of the activities  I=4 P=5	Start one online training as pilot and assess the situation, if successful continue with the online training.	FFER-KRG Project Manager	FFER-KRG Project Manager	30 Sep 2020	No change

### Annex III: List of the Reports

#	Links of the report
1	<a href="#">Kurdistan Potential Public-Private Partnership Pipeline</a>
2	<a href="#">Institutional Reform Required for Better Identification, Prioritization and Management of Public-Private Partnerships</a>