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TARABOT
Iraq Administrative
Reform Project



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مشروع الإصلاح
الإداري العراقي

Public Financial Management Reform Team

2013 Results Based Management Concept



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- I. Introduction**
- II. Strategic Budgeting (MTBF)**
- III. Introducing a Results Based Performance Focus**
 - I. Program Performance Budgets**
 - II. Improving Budget Transparency and Classification (Financial Reporting)**



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Improving Budget Performance:





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- **Strategic Budgeting:**
 - Jordan developed forward estimates of expenditure at sectoral level as part of MTBF
 - Reform is resource intensive
 - Requires integrating recurrent (O&M) and capital (investment) budget
- Why is the reform important?
 - Ministries need to understand and make provision for future expenditure policies (3-to-5 years)
 - Requires:
 - ‘Bottom-up’ assessment of the medium term cost of existing policy
 - ‘Forward estimates’ of part of the medium term budget framework



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- Challenges:
 - Analytically demanding
 - Link between MTFB and Budget Still to be Improved
- Steps toward improving medium term budget process:
 - Review of budget calendar
 - Outline for preparing medium term budget policy statement
 - Guidance on preparing budget call circulars
 - Indicative MTBF Budget submission forms (for line ministries)
 - Draft MTBF Guidelines (Manual)
 - Indicative MTBF for three – five ministries
 - Workshops on preparing MTBF



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Introducing a Performance Focus to the Budget

- Traditional input based budget in Iraq does not provide sufficient information on performance outputs
- Why is this reform important?
 - Attempting to ensure efficiency and effectiveness of expenditures is challenging
 - Aim of performance focused budgets is to aggregate inputs that are used to deliver a particular group of activities
- Challenges:
 - Requires many basic elements of financial management to be in place
 - If performance budget program design too sophisticated, the exercise can become nothing more than an information gathering activity
 - Overall objectives can be lost



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- Steps towards results based management process include:
 - Preparing a medium term work plan with timelines for gradual evolution of performance budgeting
 - Training workshops
 - Draft Program Performance Budget Guidelines
 - Prepare 3-5 Ministerial “Indicative” program budgets at the highest level (Program)

Improving Budget Transparency and Classification (Financial Reporting)

- Need for better information on budgeted expenditures
- Why is this reform important?
 - Improving the budget classification is an important component of this broader objective of increasing financial transparency
- Challenges:
 - Major investment is required to update staff
 - Consultative process
 - Review and revise Chart of Account segment (where applicable)
 - Gap Analysis and Review GFS2001/CoFog
 - Workshop on:
 - Functional classification structures and mapping table
 - IPSAS Cash Basis Accounting

Figure 1: Sequencing PFM Reforms

PEFA Framework		2013 Q1	2013 Q2	2013 Q3	2013 Q4	Output / and or Outcome	Current Status	2014 H1	2014 H2	2015 H1	2015 H2
B.	KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency										
	Budget Classification and Chart of Accounts										
PEFA (2008) Performance Indicator (PI)-5 Classification of the Budget (C)	Initial Review Budget Classification Structure with Respect to Introduction of Performance Budgeting	Draft Budget Review	Presentation(s) Chart of Accounts and Budget Classification	Presentation(s) Chart of Accounts and Budget Classification	Revise Budget Classification Draft	Memorandum on Budget Classification Structure Completed / Submitted to MOF	English/Arabic Draft Completed, Pending Submission to COMSEC/MOF				
	Implementation of Revised Coding Block Structure						TBD	TBD	TBD	TBD	TBD
	Accounting Modalities										
	Review of current cash basis accounting structure (gap analysis)	Review IPSAS Guidelines and Map Versus Current Status in Iraq	Review IPSAS Guidelines and Map Versus Current Status in Iraq	Presentation of a) Gap Analysis of Current Gap Basis Accounting; B) Roadmap for Developing Accrual (Modified Accrual basis accounting)	Draft Roadmap on Cash Versus Accrual Accounting	Roadmap and Recommendations on Cash Basis Accounting (Strategy of Future Accrual Accounting)	English/Arabic Draft Completed, Pending Submission to COMSEC/MOF				
	Training										
Training		Design of GFS/CoFoG and IPSAS Cash Basis Training Modules	MOF - Training in GFS/CoFOG and IPSAS Cash Basis Accounting	Pilot ministry training in GFS/CoFOG and IPSAS Cash Basis Accounting	3-5 Ministries Trained on GFS/CoFOG and IPSAS Cash Basis Accounting	MOF/COMSEC should contact IMF/WB and IMF (METAC) for this Training					
C.	Budget Cycle										
	C (i) Policy-Based Budgeting										
PEFA (2008) PI-11 Orderliness and Participation in the Annual Budget Process (C)	Assist in Revising Pilot Ministry Strategic Planning Framework (Where Necessary)	Review pilot ministry strategies	Provide recommendations for pilot ministry strategies	Revised ministry strategies presented		3-5 Line ministry strategies reviewed /modified	Tarabot has started Program Budget/MT BF				

PEFA Framework		2013 Q1	2013 Q2	2013 Q3	2013 Q4	Output / and or Outcome	Current Status	2014 H1	2014 H2	2015 H1	2015 H2
PI – 12 Multi-year perspective in fiscal planning, expenditure policy and budgeting (D +)							Training as part of the training, Ministry's Strategies are being reviewed. MoMPW, MOH, MoED have started this process.				
	Multi-year perspective in fiscal planning, expenditure policy and budgeting										
	Review / modify current medium term budget framework process	Review current medium term framework; Draft MTBF Manual	Arabic/English manual completed; Introductory training 3-5 pilot ministries (2 provinces)		(3-5 Line Ministry Processes Reviewed and Modified)		MoMPW, MOH, MOED have started with basic training. Tarabot will include MOF, MOP and MoA starting in May 2013.				
	Pilot Ministry Training on Developing an Effective Medium Term Budget		3-5 Ministries / Provinces selected; Introductory Training	Intermediate training for 3-5 ministries/ provinces	Hands-on assistance to develop 3-5 Indicative (High-level) ministerial MTBFs	3-5 Indicative (High-level) ministerial MTBF's completed	MoMPW, MOH, MOED have started with basic training. Tarabot will include MOF, MOP and MoA starting in May 2013.				
Review, Provide Recommendations, and Revise Medium Term Budgeting Formats and Calendar (Where Necessary)	Review budget calendar and formats for Medium Term Budgets		Draft Recommendations presented to MOF/ComSec	Revise Recommendations based on ComSec/MOF review	Budget Formats Reviewed/ Suggestions for Revised Calendar Presented	Proposed MTBF and Program Budget Formats, and a proposed budget calendar have					

PEFA Framework		2013 Q1	2013 Q2	2013 Q3	2013 Q4	Output / and or Outcome	Current Status	2014 H1	2014 H2	2015 H1	2015 H2
							been completed. Awaiting submission to COMSEC/MOF for their consideration.				
	Development of Performance Budgeting Structures										
	Stage 1: Pilot Ministry Selection and Concept Note	Survey MoF and Proposed Pilot Line Ministries	Survey Recommendations Presented; 3-5 Pilot Ministries Selected			Ministry Survey Complete; Pilot ministries selected	Ministry surveys complete. Submitted to project management /USAID for consideration.				
	Stage 2: Pilot Budgets and Budget Process Development 1) Development of Performance Indicators 2) Design of Indicative performance budgeting structures 3) Development and mapping of current organizational structure to indicative performance budgeting structures		Introductory Training of Pilot Ministries and 2 Provinces on performance budgeting concepts	Intermediate training of pilot ministries and 2 provinces on performance budgeting concepts	Draft of indicative performance budgeting structures and performance indicators for 3-5 ministries and 2 provinces; Current organizational structure (and, indicative budget) mapped to programs	3-5 Line Ministry indicative performance budgeting structures submitted; 2 provincial performance budgets submitted	MoMPW, MOH, MOED have started with basic training. Tarabot will include MOF, MOP and MoA starting in May 2013.				
	Stage 3: Evaluation and Review of Reform Agenda				Evaluation and Review of Reform Agenda	Review of indicative pilot performance budgeting	Awaiting completion of basic training and				

PEFA Framework		2013 Q1	2013 Q2	2013 Q3	2013 Q4	Output / and or Outcome	Current Status	2014 H1	2014 H2	2015 H1	2015 H2
						structures complete. Recommendations submitted to MoF	completion of basic program/MT BF structures.				
	Stage 4: Phased Introduction						TBD	TBD	TBD	TBD	TBD
	Stage 5: Full Implementation						TBD	TBD	TBD	TBD	TBD
	C (ii) Predictability and Control in Budget Execution										
	C (iii) Accounting, Recording and Reporting										
	Improving Fiscal Reporting and IFMIS										
PEFA 2008 PI – 17 Recording and Management of cash balances, debt and guarantees (C) PI – 18 Effectiveness of Payroll Controls (D +) PI – 20 Effectiveness of internal controls for non-salary expenditure (D +) PI – 22 Timeliness and regularity of accounts reconciliation (C +) PI- 23 Availability of information on resources received by service delivery units (D)	Review IFMIS Schedule with MOF	Review IFMIS suggested roll-out and implementation schedule as provided by MOF		Provide draft recommendations suggestions to include performance budgeting (and reporting structures)	Review and revise draft recommendations with MOF/ComSec	Performance budgeting management roadmap coordinated with IFMIS roll-out	Tarabot Recommendations that all IFMIS related work be left to WB/IMF TBD				
	Fiscal Reporting Framework (and, performance Budgeting Reporting Framework)	Review current fiscal reporting framework		Provide draft recommendation for fiscal reporting framework	Review and revise draft recommendations with MoF/ComSec	Fiscal reporting framework discussed and reviewed with MOF/ComSec	TBD				

PEFA Framework		2013 Q1	2013 Q2	2013 Q3	2013 Q4	Output / and or Outcome	Current Status	2014 H1	2014 H2	2015 H1	2015 H2
PI – 24 Quality and timeliness of in-year budget reports (D+)											
PI-25 Quality and timeliness of annual financial statements (D +)											
	Development of performance budgeting reporting structures		Design draft performance budgeting reporting structures	Review draft performance budgeting reporting structures with MOF/ComSec	Submit draft performance budgeting reporting structure recommendations to MOF	Performance Budgeting Reporting structures submitted	TBD				
C (iv) External Scrutiny And Audit											
Legal Framework for Public Financial Management											
PEFA (2008) PI-27 Legislative Scrutiny of the annual budget law (D) PI – 28 Legislative Scrutiny of external audit reports (D)	Review Current Public Financial Management Legal Infrastructure	Review current public financial management laws/regulation infrastructure		Review of Legal Infrastructure Framework Completed, Draft submitted to ComSec/MOF	Presentation on recommendations and road map forward	Roadmap and recommendations for developing integrated budget framework completed	First level Gap Analysis complete. 2 nd level detailed gap analysis and recommendations in progress.				
	ComSec Development of Revised Public Financial Management Act					TBD	TBD	TBD	TBD	TBD	TBD

Figure 1: Sequencing PFM Reforms

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B.	KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency									
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	Implementation of Revised Coding Block Structure						TBD	TBD	TBD	TBD
	Accounting Modalities									
	Review of current cash basis accounting structure (gap analysis)	Review IPSAS Guidelines and Map Versus Current Status in Iraq	Review IPSAS Guidelines and Map Versus Current Status in Iraq	Presentation of a) Gap Analysis of Current Cash Basis Accounting; B) Roadmap for Developing Accrual (Modified Accrual basis accounting)	Draft Roadmap on Cash Versus Accrual Accounting	Roadmap and Recommendations on Cash Basis Accounting (Strategy of Future Accrual Accounting)				
	Training									
Training		Design of GFS/CoFoG and IPSAS Cash Basis Training Modules	MOF - Training in GFS/CoFOG and IPSAS Cash Basis Accounting	Pilot ministry training in GFS/CoFOG and IPSAS Cash Basis Accounting	3-5 Ministries Trained on GFS/CoFOG and IPSAS Cash Basis Accounting					
C.	Budget Cycle									
	C (i) Policy-Based Budgeting									
PEFA (2008) PI-11 Orderliness and Participation in the Annual Budget Process (C)	Assist in Revising Pilot Ministry Strategic Planning Framework (Where Necessary)	Review pilot ministry strategies	Provide recommendations for pilot ministry strategies	Revised ministry strategies presented		3-5 Line ministry strategies reviewed /modified				
	Multi-year perspective in fiscal planning, expenditure policy and budgeting									

PEFA Framework		2013 Q1	2013 Q2	2013 Q3	2013 Q4	Output / and or Outcome	2014 H1	2014 H2	2015 H1	2015 H2
PI – 12 Multi-year perspective in fiscal planning, expenditure policy and budgeting (D +)	Review / modify current medium term budget framework process	Review current medium term framework; Draft MTBF Manual	Arabic/English manual completed; Introductory training 3-5 pilot ministries (2 provinces)		X (3-5 Line Ministry Processes Reviewed and Modified)					
	Pilot Ministry Training on Developing an Effective Medium Term Budget		3-5 Ministries / Provinces selected; Introductory Training	Intermediate training for 3-5 ministries/ provinces	Hands-on assistance to develop 3-5 Indicative (High-level) ministerial MTBFs	3-5 Indicative (High-level) ministerial MTBF's completed				
	Review, Provide Recommendations, and Revise Medium Term Budgeting Formats and Calendar (Where Necessary)	Review budget calendar and formats for Medium Term Budgets		Draft Recommendations presented to MOF/ComSec	Revise Recommendations based on ComSec/MOF review	Budget Formats Reviewed/ Suggestions for Revised Calendar Presented				
Development of Performance Budgeting Structures										
	Stage 1: Pilot Ministry Selection and Concept Note	Survey MoF and Proposed Pilot Line Ministries	Survey Recommendations Presented; 3-5 Pilot Ministries Selected			Ministry Survey Complete; Pilot ministries selected				
	Stage 2: Pilot Budgets and Budget Process Development 1) Development of Performance Indicators 2) Design of Indicative performance budgeting structures		Introductory Training of Pilot Ministries and 2 Provinces on performance budgeting concepts	Intermediate training of pilot ministries and 2 provinces on performance budgeting concepts	Draft of indicative performance budgeting structures and performance indicators for 3-5 ministries and 2 provinces; Current	3-5 Line Ministry indicative performance budgeting structures submitted; 2 provincial performance budgets submitted				

PEFA Framework		2013 Q1	2013 Q2	2013 Q3	2013 Q4	Output / and or Outcome	2014 H1	2014 H2	2015 H1	2015 H2
	3) Development and mapping of current organizational structure to indicative performance budgeting structures				organizational structure (and, indicative budget) mapped to programs					
	Stage 3: Evaluation and Review of Reform Agenda				Evaluation and Review of Reform Agenda	Review of indicative pilot performance budgeting structures complete. Recommendations submitted to MoF				
	Stage 4: Phased Introduction						TBD	TBD	TBD	TBD
	Stage 5: Full Implementation						TBD	TBD	TBD	TBD
C (ii) Predictability and Control in Budget Execution										
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	Fiscal Reporting Framework (and, performance Budgeting Reporting Framework)	Review current fiscal reporting framework		Provide draft recommendation for fiscal reporting framework	Review and revise draft recommendations with MoF/ComSec	Fiscal reporting framework discussed and reviewed with MOF/ComSec				

PEFA Framework		2013 Q1	2013 Q2	2013 Q3	2013 Q4	Output / and or Outcome	2014 H1	2014 H2	2015 H1	2015 H2
(D +) PI – 22 Timeliness and regularity of accounts reconciliation (C +) PI- 23 Availability of information on resources received by service delivery units (D) PI – 24 Quality and timeliness of in-year budget reports (D+) PI-25 Quality and timeliness of annual financial statements (D +)										
	Development of performance budgeting reporting structures		Design draft performance budgeting reporting structures	Review draft performance budgeting reporting structures with MOF/ComSec	Submit draft performance budgeting reporting structure recommendations to MOF	Performance Budgeting Reporting structures submitted				
C (iv) External Scrutiny And Audit										
Legal Framework for Public Financial Management										
PEFA (2008) PI-27 Legislative Scrutiny of the annual budget law (D) PI – 28 Legislative Scrutiny of external	Review Current Public Financial Management Legal Infrastructure	Review current public financial management laws/regulation infrastructure		Review of Legal Infrastructure Framework Completed, Draft submitted to ComSec/MOF	Presentation on recommendations and roadmap forward	Roadmap and recommendations for developing integrated budget framework completed				

PEFA Framework		2013 Q1	2013 Q2	2013 Q3	2013 Q4	Output / and or Outcome	2014 H1	2014 H2	2015 H1	2015 H2
audit reports (D)	ComSec Development of Revised Public Financial Management Act					TBD	TBD	TBD	TBD	TBD