



1. Project Data

Project ID P151357	Project Name IQ: Modernization of PFM Systems		
Country Iraq	Practice Area(Lead) Governance		
L/C/TF Number(s) IBRD-86830	Closing Date (Original) 30-Nov-2021	Total Project Cost (USD) 4,506,960.20	
Bank Approval Date 20-Dec-2016	Closing Date (Actual) 30-Nov-2024		
	IBRD/IDA (USD)	Grants (USD)	
Original Commitment	41,500,000.00	0.00	
Revised Commitment	5,176,795.47	0.00	
Actual	4,675,820.68	0.00	
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2. Project Objectives and Components

a. Objectives

According to the Loan Agreement (page 5) and the Project Appraisal Document (page 6), the project development objective of the Republic of Iraq Modernization of Public Financial Management Systems Project was “to improve financial information management and transparency, cash management, public investment management, and public procurement modernization at selected federal and governorate agencies.”



Split Evaluation. Two restructurings, in May 2021 and January 2024, reduced the project's scope and ambition, thereby requiring a split evaluation under World Bank (WB) Operations and IEG guidelines.

This ICR Review will evaluate the performance of this project before and after restructuring using the following objectives:

Objective 1 - To improve financial information management and cash management at selected federal and governorate agencies;

Objective 2 - To improve transparency at selected federal and governorate agencies;

Objective 3 - To improve public investment management at selected federal and governorate agencies;

Objective 4 - To modernize public procurement at selected federal and governorate agencies.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

Yes

d. Components

The project had three components.

Component 1. Public Financial Management (Approved US\$29.70 million; Actual US\$2.61 million) was to support strengthening Iraq's financial management practices by: (a) developing and implementing an Integrated Financial Management Information System (IFMIS) – this activity was dropped at the second restructuring; (b) building the capacity for Public Financial Management (PFM) – this activity was dropped at the first restructuring; (c) modernizing the internal audit function within the Federal Ministry of Finance (MOF) – this activity was dropped at the first restructuring; and (d) strengthening PFM systems at the subnational level – this activity was dropped at the first restructuring.

Component 2. Public Investment Management (PIM) and Public Procurement at the Federal Level (Approved US\$4.00 million; Actual US\$0.03 million) was to support improving the efficiency and effectiveness of public investment management and procurement processes at the federal level by: (a) strengthening the Public Investment Management System (PIMS); and (b) modernizing public procurement. This component was dropped at the first restructuring.

Component 3. Public Investment Management and Public Procurement at the Kurdistan Regional Government (KRG) Level (Approved US\$4.20 million; Actual, US\$2.43 million) was to support enhancing public investment management and procurement processes within the KRG by: (a) developing and implementing a regional PIMS; and (b) modernizing regional procurement practices. The level of financing for each of these activities was reduced at the second restructuring.



e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost and Financing. The project was estimated to cost US\$41.5 million at appraisal and was financed by a US\$41.5 million loan from the International Bank for Reconstruction and Development (IBRD) to the Republic of Iraq. The second restructuring in January 2024 canceled US\$36.3 million of the loan, as a result of a decision to drop the development and implementation of IFMIS from the project. This reduced project financing to US\$5.2 million, of which US\$4.5 million was disbursed by project closing.

Dates. The project was approved on December 20, 2016, became effective December 28, 2016, and closed on November 30, 2024, three years after the original closing date of November 30, 2021.

Restructuring. The project was restructured twice.

The first restructuring on May 24, 2021, with US\$3.9 million disbursed (86.3 percent of the final project financing), revised:

- a. **project components** – dropped capacity building for PFM, the modernization of the internal audit function within MOF, the strengthening of PFM systems at the subnational level, the strengthening of PIMS at the federal level, and the strengthening of procurement at the federal level;
- b. **the funding allocation among the project components** – increased the funding for the IFMIS development and implementation by US\$13.9 million, but eliminated the funding for PFM capacity development, internal audit modernization, and for PFM system development at the subnational level;
- c. **the results framework** – replaced the original outcome indicator IFMIS end users proficient in IFMIS operations in pilot sites with Sites preparing financial statements on new chart of account /budget classification using IFMIS; restated the outcome indicator Use of KRG e-government procurement (GP) system for public tenders and contract awards as Use of KRG e-GP system for public tenders and contract awards for goods and small works. One output indicator was dropped: Citizens budget feedback mechanism operational and five new output indicators were added: 1) IFMIS contract awarded, 2) Annual budget prepared on new chart of accounts/budget classification using IFMIS, 3) Annual financial statements on International Public Sector Accounting Standards (IPSAS) Cash Standard published on the MOF website, with citizen feedback mechanism, 4) Share of KRG public investment projects registered in the developed Kurdistan Development Management System (KDMS), and 5) Use of standard bidding document (SBDs) prepared with new procurement regulations at the KRG level; and
- d. **the project duration** – extended the closing date by three years from November 30, 2021, to November 30, 2024.

The second restructuring on January 19, 2024, with US\$4.4 million disbursed (97.6 percent of the final project financing), revised: **(a) the project components** – dropped the IFMIS implementation altogether; and **(b) the funding allocation among the project components** – reduced the funding for the IFMIS by US\$33.3 million, reform coordination by US\$1.3 million, and PIM and public procurement at the KRG level by US\$1.8 million, resulting in the cancellation of US\$36.3 million of the IBRD loan.

3. Relevance of Objectives



Rationale

Context.

At approval, Iraq faced major funding needs arising from the post-Islamic State and Syria (ISIS) reconstruction and a sharp fall in oil prices in 2014-16, resulting in a recession and a fiscal and balance of payments crisis. In response, the WB scaled up and reoriented its program to support reconstruction, stabilization, reinforce institutional building and restore basic services. The WB financed rapid reconstruction in areas under government control, and the restoration of public services in municipal areas, with a focus on rebuilding state institutions. The WB complementarily used Development Policy Financing to support expenditure management, energy sustainability and SOE transparency reforms. Overall, the program aimed to set a foundation for medium-term structural reforms in a high-risk FCV (Fragility, Conflict and Violence) context.

Through this project, the WB sought to strengthen public financial management (PFM) in Iraq. PFM was weak across many dimensions, particularly fiscal transparency around oil revenues, in subnational PFMs and public access audit effectiveness was limited. Furthermore, the PFM legal framework was outdated, cash management and controls were weak and an IFMIS had not been rolled out. The 2017 Public Expenditure and Financial Accountability (PEFA), covering performance in 2013-2015, found that most aspects of the PFM system were barely at satisfactory level, making it difficult for the Government to achieve its fiscal and budgetary objectives.

This WB operation would help to strengthen public financial management by improving financial information management and cash management, budget transparency, public investment management, and government procurement at the federal and governorate levels (at the Kurdistan Regional Government, which administers the governorates of Erbil, Sulaymaniyah, Duhok, and Halabja in the semi-autonomous Kurdistan Region).

Binding Constraints to Development. The four PFM reform areas focused on addressing the binding constraints posed by a weak PFM system to Iraq's recovery plan and developmental aspirations. Citing relevant studies, the *Iraq Systematic Country Diagnostic (WB, 2017)* identified these constraints.

PFM processes and systems in Iraq were fragile: (a) line ministries and affiliated agencies lacked reliable data on the availability of funds and did not timely commit expenditures; (b) cash management was weak, and the government often had insufficient cash available to meet its financial obligations as they fell due; (c) while procedures for authorizing government purchase orders were designed to help to control arrears, they were not effective in the absence of a sound commitment control system; and (d) general weaknesses in the PFM system – Iraq obtained the lowest score (D) for 20 of 31 PFM performance indicators – increased the risk of waste, abuse, and corruption (WB, 2008, *Republic of Iraq Public Expenditure and Financial Accountability (PEFA) Assessment - Public Financial Management Report*).

The country ranked at the bottom of international indices on budget transparency, as compiled by the Open Budget Partnership (the global network of civil society organizations, academic institutions, and government bodies dedicated to improving budget transparency, public participation, and oversight worldwide): (a) many budget documents were prepared for internal use only, and few were published; (b) some were not produced at all, or prepared late, including the In-Year Report for 2015 and the Mid-Year Reviews of 2015; and (c) Iraq did not prepare Citizens' Budgets.



The government lacked an effective PIM framework: (a) the government was unable to prepare appropriate project feasibility studies, credible project cost analyses, or realistic project appraisals; (b) the selection of projects was inefficient; (c) projects suffered repeated cost overruns and delays; (d) completed outputs were substandard; and (e) the levels of project execution were low (in the 50 to 60 percent range). There were bottlenecks in the PIM process, posing impediments to the efficient and cost-effective implementation of Iraq's substantial long-term reconstruction needs, as well as to the short-term requirement to prioritize capital spending efficiently given the necessity of fiscal consolidation (WB, 2014, *Republic of Iraq Public Expenditure Review: Toward More Efficient Spending for Better Service Delivery*).

Procurement processes were deficient: (a) public procurement was a major component of the national economy (25 percent of GDP in 2013); (b) governments at the federal, regional, and local levels were unable to spend their procurement budgets (nationally, less than 64 percent of capital expenditures on average were executed), with deficient procurement being a major bottleneck in budget execution; (c) corruption in public contracting contributed to a weak business climate (WB, 2012, *Investment Climate Assessment 2012*); and (d) gradual institution building was needed (WB, 2013, *Public Procurement Reform in Iraq: A Long and Difficult Road*).

Country Development Priorities. The project objectives were consistent with the government's development priorities. To achieve an annual economic growth rate of 9.4 percent over five years, Iraq's *National Development Plan 2010–2014* (NDP) proposed an investment program totaling Iraqi (IQD) 218 trillion (US\$186 billion), with IQD 117 trillion (US\$100 billion) to be financed through the federal budget. The reform and modernization of PFM systems were top priorities on the Government of Iraq and the Kurdistan Regional Government agenda and deemed crucial to efficient and effective execution of the investment program and the achievement of the goals of the NDP.

World Bank Group Country Strategy. The project objectives were aligned with the country strategy for Iraq at appraisal and closing. The project objectives were aligned with the first results area of the *Country Partnership Strategy for the Republic of Iraq for FY13-FY17* (CPS), specifically with the CPS Outcome "Improved transparency and efficiency of oil revenue management and public spending. The project objectives were also aligned with the *Country Partnership Framework for the Republic of Iraq for FY2022-FY2026* (CPF) and its first pillar, specifically with CPF "Objective 1.1 - More Effective, Transparent, and Accountable Government"; CPF "Objective 1.2 - Improved Service Delivery, Recovery and Reconstruction"; and CPF "Objective 1.3: More Diversified Economy through Increased Private Sector Participation."

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective



To improve financial information management and cash management at selected federal and governorate agencies (original indicators/targets)

Rationale

Theory of Change. This project advanced four interventions to modernize the PFM system by focusing on the foundational elements of the system led by the information and data infrastructure for budgeting, cash management, accounting, financial reporting, and auditing: (a) the development and implementation of an IFMIS; (b) the adoption of a Treasury Single Account (TSA); (c) the modernization of the internal audit function at the MOF; and (d) strengthening PFM systems at the subnational level. Improvements in financial information management and cash management at the federal and governorate levels would be evidenced, at the output and intermediate levels, by the adoption of the IFMIS by two central ministries (MOF and the Ministry of Planning, MOP), two line ministries (the Ministry of Interior, MOI, and the Ministry of Construction, Housing, Municipalities and Public Works, MOCHGM), and two governorates (Baghdad and Babil), with expenditure transactions being fully processed through IFMIS, and the implementation of the three-year audit plan of the MOF based on risks and the subsequent conduct of audits; and at the outcome level, by the number of IFMIS end users proficient in IFMIS operations in the pilot federal ministries and governorates, and the share of the federal budget executed through the TSA.

The results chain had causal links between the interventions and the objective supported by the literature. First, an IFMIS – the computerized system used by governments to support the planning and execution of the budget and to manage public finances in a comprehensive and integrated manner – strengthens control, improves efficiency, and enhances transparency (Diamond and Khemani, 2005, *Introducing Financial Management Information Systems in Developing Countries*, IMF Working Paper WP/05/196). "Properly functioning IFMISs lay the basis for transparency and accountability of budget management, fundamental prerequisites for strong public finance and debt management, by ensuring that countries' spending priorities are funded as planned, deficits do not exceed projections, and critical services are not compromised by an unexpected lack of resources," according to the WB, which examined IFMIS operations in International Development Association (IDA) countries over FY08-17 (IEG, 2021, *WB Support for Public Financial and Debt Management in IDA-Eligible Countries*). Second, a Treasury Single Account (TSA) – the unified structure of government bank accounts that gives a consolidated view of government cash resources – ensures effective aggregate control over government cash balances, facilitates government cash management, and minimizes borrowing costs (Pattanayak and Fainboim, *Treasury Single Account: Concept, Design, and Implementation Issues*, IMF Working Paper WP/10/143). "The TSA infrastructure is usually implemented as a part of the Financial Management Information System solutions," according to the WB (WB, 2017, *Treasury Single Account Rapid Assessment Toolkit*). Third, the internal audit function is an important component of PFM and serves as a tool for improving the performance of government. It ensures proper use of public funds, manages risks, improves systems, and builds trust. While weak internal audit raises fundamental concerns about trust and integrity in public institutions, an effective one instills confidence in finance ministries, citizens, and development partners (Diamond, 2002, *The Role of Internal Audit in Government Financial Management: An International Perspective*, IMF Working Paper WP/02/94). And fourth, transparent public financial management at the subnational level requires institutions and processes that mirror those needed at the central government level to generate better accountability, ensure good governance, and promote efficiency (Ahmad et. al., 2005, *Subnational Public Financial Management: Institutions and Macroeconomic Considerations*, IMF Working Paper WP/05/108).

The original results framework was incomplete, lacking output or intermediate results indicators (IRIs) for the TSA and subnational PFM and outcome indicators for internal audit and subnational PFM.



Outputs and intermediate results

- **IRI 1.1:** Adoption of IFMIS (ministries). Baseline (2017): No ministries processing expenditure transactions through IFMIS. Target (2021): Four pilot ministries (the MOF, MOP, MOI, and MOCHGM) process their expenditure transactions through IFMIS. Actual (2024): No ministries processed expenditure transactions through IFMIS. The IFMIS was not established. The first bidding for the IFMIS of October 2018 failed, and the procurement process was terminated. The bids submitted were deemed non-compliant, as the bidders submitted only "marketing materials" and did not address the technical requirements of the tender. **(IRI 1.1: Not achieved)**
- **IRI 1.2:** Adoption of IFMIS (governorates). Baseline (2017): No governorates processing expenditure transactions through IFMIS. Target (2021): Two pilot governorates (Baghdad and Babil) process their expenditure transactions through IFMIS. Actual (2024): No governorates processed expenditure transactions through IFMIS. The IFMIS was not established. **(IRI 1.2: Not achieved)**
- **IRI 1.3:** Implementation of the three-year audit plan of the MOF. Baseline (2017): No audit plan. Target (2021): Three-year audit plan of the MOF, based on risks, developed, and four audits conducted. Actual (2024): The three-year audit plan and the subsequent conduct of audits were not implemented, failing to meet the target of four audits. **(IRI 1.3: Not achieved)**

Outcomes

- **PDO Indicator 1:** IFMIS end users proficient in IFMIS operations in pilot federal ministries and governorates (to be disaggregated by percent female). Baseline (2017): Zero end users. Target (2021): 600 end users. Actual (2024): Zero end users. The IFMIS was not established. **(PDO Indicator 1: Not achieved)**
- **PDO Indicator 2:** Share of federal government bank account balances consolidated under the new TSA. Baseline (2017): Zero. Target (2021): 25 percent. Actual (2024): Zero. The IFMIS, which would have served as the infrastructure for the TSA, was not established. **(PDO Indicator 2: Not achieved)**

Rating

Negligible

OBJECTIVE 1 REVISION 1

Revised Objective

To improve financial information management and cash management at selected federal and governorate agencies (indicators/targets as of the first restructuring)

Revised Rationale

Theory of Change. With the cancellation of two project activities at the first restructuring – the internal audit modernization at the MOF and subnational PFM – the theory of change articulated for this objective applied only to the IFMIS (see Section 4 - Objective 1). With the singular focus on the IFMIS, the results framework was modified to add two new output/intermediate indicators – IFMIS contract awarded and annual budget prepared using a new chart of accounts/budget classification – and two new outcome indicators – Share of



the federal budget executed through the TSA and Number of sites preparing financial statements based on the new chart of accounts/budget classification using the IFMS.

Outputs and intermediate results

- **IRI 1.1:** Adoption of IFMIS (ministries). Baseline (2017): No ministries processing expenditure transactions through IFMIS. Target (2021): Four pilot ministries (the MOF, MOP, MOI, and MOCHGM) process their expenditure transactions through IFMIS. Results (2024): No ministries processed expenditure transactions through IFMIS. The IFMIS was not established. The first bidding for the IFMIS of October 2018 failed, and the procurement process was terminated. The bids submitted were deemed non-compliant, as the bidders submitted only “marketing materials” and did not address the technical requirements of the tender. (*IRI 1.1: Not achieved*)
- **IRI 1.2:** Adoption of IFMIS (governorates). Baseline (2017): No governorates processing expenditure transactions through IFMIS. Target (2021): Two pilot governorates (Baghdad and Babil) process their expenditure transactions through IFMIS. Results (2024): No governorates processed expenditure transactions through IFMIS. The IFMIS was not established. (**IRI 1.2: Not achieved**)
- **IRI 1.4:** Awarding of the IFMIS contract. Baseline (2020): No. Target (2024): Yes. Results (2024): No. The Bank and the government considered several restructuring options after the failed bid of October 2018: a turnkey traditional IFMIS, a turnkey cloud-based IFMIS, a traditional IFMIS with separate contracting (separate contracts for the system and the hardware), a cloud-based IFMIS (with the system purchased from an established supplier while the Bank supported the hardware), and a two-stage turnkey IFMIS (with the first stage confined to established system providers). With the government choosing to adopt cloud computing and use a two-stage bidding process for a turnkey contract, the first restructuring added US\$13.9 million to the IFMIS while canceling the other first component activities (see Section 2.E). However, the IFMIS was never established. (**IRI 1.4: Not achieved**)
- **IRI 1.5:** Annual Budget prepared using a new chart of accounts/budget classification. Baseline (2020): No. Target (2024): Yes. Results (2024): No. The Middle East Regional Technical Assistance Center (METAC) at the IMF provided technical assistance (TA) for the preparation of a new chart of accounts/budget classification. The TA designed an action plan implementing a new chart of accounts/budget classification, considering the requirements of the IFMIS. No further progress was made. (**IRI 1.5: Not achieved**)

Outcomes

- **PDO Indicator 3:** Share of the federal budget executed through the TSA. Baseline (2020): Zero. Target (2024): 25 percent. Results (2024) Zero. The METAC at the IMF conducted a workshop that drafted a roadmap for TSA implementation. The MOF formed two committees to initiate the TSA process, enabling the Council of Ministers to open a TSA for salaries and a TSA for operations at the Central Bank. Efforts were started to close inactive petty cash accounts and withdraw balances from mobile accounts. TSA Divisions were established in the Accounting Department and in other ministries and governorates. No further progress was made. (**PDO Indicator 3: Not achieved**)
- **PDO Indicator 4:** Number of sites preparing financial statements on the new chart of accounts/budget classification using the IFMIS. Baseline (2020): Zero. Target (2024): 600 sites. Results (2024): Zero sites. Some 67 pending units were designated as pilot sites. No further progress was made. (**PDO Indicator 4: Not achieved**)



Revised Rating

Negligible

OBJECTIVE 1 REVISION 2

Revised Objective

To improve financial information management and cash management at selected federal and governorate agencies (indicators/targets as of the second restructuring)

Revised Rationale

Theory of Change. With the cancellation of the IFMIS, the results chain was no longer relevant.

Outputs and intermediate results. The output indicators and targets were no longer applicable.

The Bank and the government agreed to cancel the IFMIS at the second restructuring (the cost of the IFMIS – revised upward to US\$122 million (to cover 1,582 spending units), and the implementation period, revised upward to six years (three years for the pilot, and another three years for the nationwide rollout) – lay outside the scope of the project). The second procurement, initiated in February 2023, was cancelled.

Outcomes. The outcome indicators and targets were no longer applicable.

There was no progress toward achievement of the objective.

Revised Rating

Negligible

OBJECTIVE 2

Objective

To improve transparency at selected federal and governorate agencies (original indicators/targets)

Rationale

Theory of Change. The same set of interventions directed at improving financial information management and cash management at selected federal and governorate agencies was expected to improve transparency. Improved transparency would be evidenced, at the output and intermediate levels, by the operationalization of the Citizens' Budget feedback mechanism, and at the outcome level, by the publication by the MOF of Citizens' Budgets.

A Citizens' Budget – the simplified version of the official budget designed for the general public – helps to make public finance information accessible, transparent, and credible to the general population. The Citizens' Budget is a “critical entryway for citizen engagement” in government budgeting and public finance, according to an IMF training program (*Fostering Budget Transparency and Enabling Citizen Participation*).



The indicators were relevant measures of the transparency initiative. The operationalization of the Citizens' Budget mechanism and the publication of Citizens' Budgets would align with the milestone articulated in the Project Appraisal Document (PAD, page 9) to "significantly increase" Iraq's score on the Open Budget Index – a measure of the public availability, timeliness, and comprehensiveness of key budget documents, reported by the International Budget Partnership – from 2019 onward.

Outputs and intermediate results

- **IRI 2.1:** Citizens' Budget feedback mechanism operationalized. Baseline (2017): No. Target (2021): Yes. Results (2024): No. (**IRI 2.1: Not achieved**)

Outcomes

- **PDO Indicator 5:** Citizens' Budgets posted on the MOF website. Baseline (2017): Zero. Target (2021): Two Citizens' Budgets posted on MOF website. Actual (2024): One Citizens' Budget posted on MOF website. The MOF published Iraq's first Citizens' Budget in 2018 and also prepared a draft Citizens' Budget for 2019 but did not finalize or publish the document. Similarly, the MOF prepared a draft Citizens' Budget for 2020, but Parliament did not enact the Annual Public Budget Law. (**PDO Indicator 5: Partially achieved**)
- Although not part of results framework, Iraq's transparency score, which was 3 of 100 in 2015 and 2017, improved slightly to 8 of 100 by 2023 (113th of 125 countries), albeit still below the "sufficiency" threshold of 61 of 100, according to the ICR, citing the International Budget Partnership.

Rating
Modest

OBJECTIVE 2 REVISION 1

Revised Objective

To improve transparency at selected federal and governorate agencies (indicators/targets as of the first restructuring)

Revised Rationale

Theory of Change. The theory of change remained unchanged (from Objective 2). To clarify and improve the results framework, the original output indicator – the Citizens' Budget feedback mechanism operationalized – was replaced by a new output indicator: Annual Financial Statements based on the IPSAS Cash Standard published on the MOF website, with a citizens' feedback mechanism.

Outputs and intermediate results

- **IRI 2.2:** Annual Financial Statements prepared based on the IPSAS Cash Standard and published on MOF website, with citizen feedback mechanism. Baseline (2020): No. Target (2024): Yes. Results (2024): No. The IPSAS Cash Standard (formally, the IPSAS "Financial Reporting Under the Cash Basis of Accounting") departs from accrual accounting and requires public sector entities to recognize revenues and expenses only when cash is received or paid and to present financial information based



on actual cash flows. Annual Financial Statements were not prepared based on this standard, and a Citizens' Budget feedback mechanism was not made available. (**IRI 2.2: Not achieved**)

Outcomes

- The outcome remained unchanged (from Objective 2, original indicators/targets).

Revised Rating

Modest

OBJECTIVE 2 REVISION 2

Revised Objective

To improve transparency at selected federal and governorate agencies (indicators/targets as of the second restructuring)

Revised Rationale

Theory of Change. The theory of change remained unchanged (from Objective 2 - Revision 1).

Outputs and intermediate results

- The output remained unchanged (from Objective 2 - Revision 1).

Outcomes

- The outcome remained unchanged (from Objective 2 - Revision 1).

Revised Rating

Modest

OBJECTIVE 3

Objective

To improve public investment management at selected federal and governorate agencies (original indicators/targets)

Rationale

Theory of Change. This project aimed to modernize and strengthen the PIM system at the federal level by updating the PIM legal and regulatory framework; developing a PIM system/Iraq Development Management System (IDMS) interface within the IFMIS; improving project appraisal methodologies and guidelines; developing an integrated bank of projects (IBP); developing an ex-post project evaluation framework; creating a specialized PIM unit at the MOP; assessing the capacity needs of the MOP; and building PIM capacity at the MOP and other agencies. At the KRG level, the project aimed to modernize and strengthen the PIM



system by improving project appraisal methodologies and guidelines; developing an IBP; conducting a functional review of the General Directorate of Capital Investment Budget; and building PIM capacity at the KRG. An expected improved PIM would be evidenced, at the output and intermediate levels, by the share of federal public investment projects registered in the IBP of the IDMS and the share of KRG public investment projects registered in the IBP of the KDMS, and at the outcome level, by the share of public investment projects in pilot line ministries at the federal level that were subject to new appraisal and selection mechanisms and registered in the IDMS.

There was a logical results chain: A sound PIMS system – the structured framework used by governments to plan, appraise, approve, implement, and monitor public investment projects – helps ensure that public resources are used efficiently and effectively to deliver infrastructure and services that support national development objectives. PIM is crucial to improving infrastructure outcomes and spurring economic development. Analysis has shown that improvements in the systems, processes, and procedures supporting public investment can significantly increase its quality and efficiency (WB, 2020, *Public Investment Management Reference Guide*).

The results framework was appropriate, except that it lacked an outcome indicator at the KRG level.

Outputs and intermediate results

- **IRI 3.1:** Share of federal public investment projects registered in the IBP of the IDMS. Baseline (2017): Zero. Target (2021): 30 percent. Results (2024): Not measured. **(IRI 3.1: Not monitored/not achieved)**
- **IRI 3.2:** Share of KRG public investment projects registered in the IBP of the KDMS. Baseline (2017): Zero. Target (2021): 30 percent. Results (2024): 100 percent. All completed and ongoing investment projects (that started in 2022) for the three pilot line ministries – Agriculture, Education, and Health – were registered in the KDMS. **(IRI 3.2: Exceeded)**

Outcomes

- **PDO Indicator 6:** Share of public investment projects in pilot line ministries at the federal level that are subject to new appraisal and selection mechanisms and registered in the IDMS. Baseline (2017): 0. Target (2021): 20 percent. Results (2024): Not measured. **(PDO Indicator 6: Not monitored/not achieved)**

Rating
Negligible

OBJECTIVE 3 REVISION 1

Revised Objective

To improve public investment management at selected federal and governorate agencies (indicators/targets as of the first restructuring)

Revised Rationale



Theory of Change. With the cancellation of the second project component, the theory of change applied only to PIM reform at the KRG. The original output/intermediate indicator – the share of KRG public investment projects registered in the IBP of the KDMS – was clarified and restated as the share of KRG public investment projects registered in the developed KDMS. An outcome indicator, missing in the original results framework (see Section 4 - Objective 3), was added: the share of public investment projects in pilot line ministries at the KRG that were subject to new appraisal and selection mechanisms and registered in the KDMS.

Outputs and intermediate results

- **IRI 3.2 (modified):** Share of KRG public investment projects registered in the KDMS. Baseline (2020): Zero. Target (2024): 30 percent. Results (2024): 100 percent. All completed and ongoing investment projects (that started in 2022) for the three pilot line ministries – Agriculture, Education, and Health – were registered in the KDMS. (**IRI 3.2 (modified): Exceeded**)

Outcomes

- **PDO Indicator 7:** Share of public investment projects in pilot line ministries at the KRG that were subject to new project appraisal and selection mechanisms and registered in the KDMS. Baseline (2020): Zero. Target (2024): 20 percent. Results: Zero. While all completed and ongoing investment projects (that started in 2022) for the three pilot line ministries – Agriculture, Education, and Health – were registered in the KDMS and approved with the budget, none followed the new project appraisal and selection mechanisms adopted under this project. (**PDO Indicator 7: Not achieved**)

Revised Rating

Negligible

OBJECTIVE 3 REVISION 2

Revised Objective

To improve public investment management at selected federal and governorate agencies (indicators/targets as of the second restructuring).

Revised Rationale

Theory of Change. The results chain remained unchanged (from Objective 3 - Revision 1).

Outputs and intermediate results

- The outputs remained unchanged (from Objective 3 - Revision 1).

Outcomes

- The outcome remained unchanged (from Objective 3 - Revision 1).



Revised Rating

Negligible

OBJECTIVE 4

Objective

To modernize public procurement at selected federal and governorate agencies (original indicators/targets)

Rationale

Theory of Change. This project aimed to modernize procurement in three areas. At the federal level, the project would support the use of SBDs and framework agreements by implementing agencies (general and sector SBDs were developed, piloted, and issued under a prior Bank operation); create a federal electronic procurement (e-GP) portal; and professionalize the public sector procurement workforce. At the governorate level, the project would support the implementation of KRG's procurement regulations; develop and roll out SBDs and framework agreements; create a KRG e-GP portal; and build capacity among the public sector procurement workforce and private sector stakeholders. The degree of achievement of the objective would be evidenced, at the output and intermediate levels, by the percentage use of SBDs, prepared under new procurement regulations, at pilot agencies at both the federal and KRG levels, and at the outcome level, by the percentage share of tenders and awards publicly available through the federal e-GP portal and the KRG e-GP portal.

The results chain was credible. Procurement reform is a crucial component of PFM reform as it improves efficiency, transparency, and accountability for how governments purchase goods and services. Among procurement reforms, SBDs – the pre-prepared templates consisting of instructions to bidders, technical and financial qualification criteria, scope of work, contract conditions, bid forms, and compliance requirements – streamline and standardize the bidding process for goods, works, and services. They simplify the procurement process and aim to make procurement more efficient (World Bank IEG, 2024, *Making Procurement Work Better*). Meanwhile, e-procurement – the procurement of goods, works, and services through internet-based information technologies – can drastically reduce costs, facilitate information accessibility, increase competition, and reduce opportunities for corruption (World Bank, 2011, *e-Procurement Reference Guide*). Separately, procurement human resource support, including through training programs, would strengthen the country-level capacity to address procurement-related barriers to effective and efficient capital spending (World Bank IEG, 2024, *Making Procurement Work Better*).

The indicators were relevant for measuring the impact of project activities on the objective of modernizing public procurement at selected federal and governorate agencies.

Outputs and intermediate results

- **IRI 4.1:** Use of SBDs, prepared under new procurement regulations, at pilot agencies at the federal level. Baseline (2017): Zero. Target (2021): 70 percent. Results (2024): Not measured. (**IRI 4.1: Not monitored/not achieved**)
- **IRI 4.2:** Use of SBDs, prepared under new procurement regulations, at pilot agencies at the KRG level. Baseline (2017): Zero. Target (2021): 70 percent. Results (2024): 90 percent. The KRG prepared nine SBDs and used eight (one – the framework agreement for health – was not used because there was no related procurement activity). The eight SBDs were for the procurement of works, build-and-design works, goods, and non-consulting services, request for quotations for goods,



request for proposals for consulting services, evaluation report for works and goods, and evaluation report for consulting services. (**IRI 4.2: Exceeded**)

Outcomes

- **PDO Indicator 8:** Share of tenders and awards publicly available through [using] the federal e-GP portal. Baseline (2017): Zero. Target (2021): 75 percent. Results (2024): Not measured. (**PDO Indicator 8: Not monitored/not achieved**)
- **PDO Indicator 9:** Share of tenders and awards publicly available through [using] the KRG e-GP portal. Baseline (2017): Zero. Target (2021): 75 percent. Results (2024): Not measured. (**PDO Indicator 9: Not monitored/not achieved**)

Rating

Negligible

OBJECTIVE 4 REVISION 1

Revised Objective

To modernize public procurement at selected federal and governorate agencies (indicators/targets as of the first restructuring)

Revised Rationale

Theory of Change. With the cancellation of the second project component, the theory of change applied only to public procurement modernization at KRG. The target for the intermediate indicator at the KRG level was increased, and the original outcome indicator – the percentage of tenders and contract awards that use the KRG e-GP system – was modified to "the percentage of tenders and contract awards for goods and small works that use the KRG e-GP system."

Outputs and intermediate results

- **IRI 4.2 (target modified):** Use of SBDs, prepared under new procurement regulations, at pilot agencies at the KRG level. Baseline (2017): Zero. Target (2021): 90 percent. Results (2024): 90 percent. The KRG prepared nine SBDs and used eight (one – the framework agreement for health – was not used because there was no related procurement activity). The eight SBDs were for the procurement of works, build-and-design works, goods, and non-consulting services, request for quotations for goods, request for proposals for consulting services, evaluation report for works and goods, and evaluation report for consulting services. (**IRI 4.2: Achieved**)

Outcomes

- **PDO Indicator 10:** Percentage of tenders and awards for goods and small works that used the KRG e-GP system. Baseline (2020): Zero. Target (2024): 50 percent. Actual (2024): Zero. The KRG advertised five tenders for goods and small works on the pilot KRG e-GP system (the KRG Minister of Planning had recommended the parallel use of a pilot e-GP alongside the paper-based process from March to May 2023). However, there was no capacity to fully implement the e-GP



(developed with the support of the Korea International Cooperation Agency). According to the ICR, this finding was confirmed in WB discussions with the Contract Department at the KRG Ministry of Municipalities. **(PDO Indicator 10: Not achieved)**

Revised Rating
 Negligible

OBJECTIVE 4 REVISION 2

Revised Objective

To modernize public procurement at selected federal and governorate agencies (indicators/targets as of the second restructuring)

Revised Rationale

Theory of Change. The theory of change remained unchanged (from Objective 4 - Revision 1)

Outputs and intermediate results

- The outputs remained unchanged (from Objective 4 - Revision 1)

Outcomes

- The outcomes remained unchanged (from Objective 4 - Revision 1)

Revised Rating
 Negligible

OVERALL EFFICACY

Rationale

Overall efficacy under the original outcome indicators and targets is rated Negligible.

Overall Efficacy Rating
 Negligible

Primary Reason
 Low achievement

OVERALL EFFICACY REVISION 1
Overall Efficacy Revision 1 Rationale



Overall efficacy under the first revised outcome indicators and targets is rated Negligible.

Overall Efficacy Revision 1 Rating
 Negligible

Primary Reason
 Low achievement

OVERALL EFFICACY REVISION 2

Overall Efficacy Revision 2 Rationale

Overall efficacy under the second revised outcome indicators and targets is rated Negligible.

Overall Efficacy Revision 2 Rating
 Negligible

Primary Reason
 Low achievement

5. Efficiency

Economic Efficiency. Neither the PAD nor the ICR conducted a formal economic analysis of the project. The PAD claimed only that the economic justification for the project rested on expectations of a better functioning economic governance and public service delivery system, with benefits accruing from "improved budget and cash management, better quality financial information for decision making, stronger controls and oversight over use of funds, public investment project decisions based on cost-benefit analysis, and savings through more efficient and transparent procurement." With several parts of the first project component and the entire second component cancelled (at the first restructuring), and with only segments of the third component implemented, and partially so, the ICR did not conduct a formal economic analysis.

Operational Efficiency. Only US\$4.5 million (10.8 percent) of the original US\$41.5 million project financing was disbursed. The project duration was extended by three years (the closing date from November 30, 2021, to November 30, 2024).

The efficiency of the project is rated Negligible.

Efficiency Rating

Negligible

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable



ICR Estimate	0	0 <input type="checkbox"/> Not Applicable
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* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

	Original	Revision 1	Revision 2
Relevance of Objectives	High		
Efficacy	Negligible	Negligible	Negligible
Objective 1 - To improve financial information management and cash management at selected federal and governorate agencies	Negligible	Negligible	Negligible
Objective 2 - To improve transparency at selected federal and governorate agencies	Modest	Modest	Modest
Objective 3 - To improve public investment management at selected federal and governorate agencies	Negligible	Negligible	Negligible
Objective 4 -To modernize public procurement at selected federal and governorate agencies.	Negligible	Negligible	Negligible
Efficiency	Negligible		
Outcome Rating	Highly Unsatisfactory	Highly Unsatisfactory	Highly Unsatisfactory
Amount Disbursed, US\$ million, cumulative	3.89	4.4	4.51
Amount Committed, US\$, cumulative	4.51		
Disbursement, percent	86.3	97.6	100
Weight Value	$1 \times 0.86 = 0.86$	$1 \times 0.12 = 0.12$	$1 \times 0.02 = 0.2$
Total Weights	1		
Outcome Rating	Highly Unsatisfactory		

- a. **Outcome Rating**
 Highly Unsatisfactory

7. Risk to Development Outcome



Development initiatives in Iraq face significant risks, including political and governance, macroeconomic, institutional capacity, fiduciary, environmental and social, and conflict and violence, according to the *CPF for FY2022-FY2026*, which continues to rate these risks as High in the medium term. The KRG made some progress in implementing the KDMS (see Section 4 - Objective 3), adopting SBDs, and piloting an e-GP platform (see Section 4 - Objective 4), offering a basis for sustained improvements in the areas of public investment planning and procurement transparency in the region. However, these outcomes face high sustainability risks, requiring continued support from development partners and institutional capacity-building to prevent backsliding. PFM reform – a working IFMIS, improved cash management with a TSA, budget transparency, a credible PIM system, and efficient and transparent procurement – remains critical for Iraq's development agenda (IMF, 2025, *Staff Report for the 2025 Article IV Consultation*). The WB is offering continued support and engagement in this area, which integrates Objective 1.1. of the current CPF (FY2022-26).

8. Assessment of Bank Performance

a. Quality-at-Entry

Analytical Underpinning. The project design was informed by analytical work produced by the WB and the IMF (see Sections 3 and 4).

Links to Related Operations at Appraisal. This project followed up on PFM reform measures supported by two prior WB development policy operations. The project objectives were a logical continuation of these two operations. *The CPF for FY2022-FY2026* lists this project and the preceding operations as part of the WB's continuing effort in supporting difficult but important reforms (like PFM) through the ongoing portfolio.

- The Iraq Fiscal Sustainability Development Policy Loan (US\$250 million, 2010-11) aimed to mitigate the impact of the current fiscal crisis on Iraq's economy and to support its medium-term economic reform program, improving fiscal sustainability and reducing fiscal and socio-economic vulnerability to sudden drops in oil revenues. Of four policy areas, the second – built on the government's Public Finance Management Action Plan – focused on budget design and preparation (adopting a medium-term framework for the budget), public procurement (creating a Public Procurement Regulatory Authority, establishing a Government Contracting Directorate, preparing and issuing SBDs, designating Contracting Offices at ministries, and designing an IFMIS to be approved by the Federal Board of Supreme Audit), cash management, and control and accounting.
- The Iraq Emergency Fiscal Stabilization, Energy Sustainability, and State-Owned Enterprise Transparency Development Policy Financing (US\$1.2 billion, 2015-16) aimed to "improve expenditure management, the sustainability of energy supply, and the transparency of state-owned enterprises." Of three policy areas, the first – Improving Expenditure Management – focused on reforming public wages, improving public investment (by developing a PIM system dedicated to better investment planning and execution), strengthening public debt management, and updating the public pension system.



Coordination with Other Development Partners. The WB collaborated with other development partners to modernize Iraq's PFM system:

- The IMF approved a Stand-By Arrangement (SBA) for 2016-19 which required PFM reforms, in addition to fiscal adjustment. Under the SBA, the government committed to enact a new Financial Management Law, introduce comprehensive fiscal and debt reporting, establish commitment controls, adopt a TSA, design and implement an IFMIS (with the assistance of the WB), and implement PIM reforms (with the assistance of the WB) (IMF, 2016, *First Review of the Three-Year Stand-By Arrangement and Financing Assurances Review*).
- The United States Agency for International Development provided technical assistance and advisory services to the MOF for improving the chart of accounts.
- The United Kingdom Department for International Development provided funding for TA activities implemented by the WB for related PFM activities, including the new PEFA assessment, the MOF PFM Capacity Needs Assessment, the IFMIS Request for Proposals preparation, an MOF online information and transparency initiative, and audit reporting capacity upgrading at the Federal Board of Supreme Audit.
- The Japan International Cooperation Agency provided budget support to Iraq (through parallel financing with WB development policy financing) to support PIM reform and public debt management.

Implementation Arrangements. The WB provided for adequate institutional and operational arrangements to implement the project.

- A Project Steering Committee would provide strategic guidance and coordination. The MOF, MOP, and KRG MOP would organize Project Management Teams (PMTs), headed by directors and staffed with technical, procurement, and finance officers, including an IFMIS manager at the MOP, to implement the project.
- The government would prepare a Project Operations Manual, in a form acceptable to the WB, to govern project implementation and would cause the KRG to follow the Manual.

Operational Risk and Mitigation Measures. The WB assessed political, governance, macroeconomic, and security risks as high and proposed adaptive responses.

- **Political and Governance Risk:** PFM reform could be undermined by insecurity, social unrest (e.g., if basic public services were disrupted), any discord between the federal government and the KRG (which could escalate into a deadlock), and capture by vested interests. To help manage the risk, the WB would closely monitor the political situation to assess any impact on project implementation.
- **Macroeconomic Risk:** The adjustment and financing needs might be greater than anticipated, especially if the ISIS insurgency escalated or if global oil prices declined further. The shocks would strain the budget and the state's capacity to finance any additional deficit. The SBA with the IMF, development policy operations with the WB, and budget support from other development partners would help mitigate the risk. As with political risk, the WB would closely monitor macroeconomic developments to assess any impact on project implementation.
- **Fiduciary Risk:** Low institutional capacity and corruption pose fiduciary risk. The Loan Agreement required adherence to the WB's *Guidelines on Preventing and Combating Anti-Corruption in*



Projects Financed by IBRD Loans and IDA Credits and Grants. The Project Operations Manual would apply WB standards to procurement, financial management, and project reporting.

Weaknesses with Project Design. The PDO, while ambitious in addressing four distinct areas, appropriately reflected the project's intent and included time-bound measurable indicators. However, there were gaps in project design, stemming from the complexity of the project under the context of weak political institutions, and low public sector capacity. As a result, only very few activities across the three components were implemented throughout the project lifecycle, despite the three-year extension of the original closing date. Of the original loan of US\$41.5 million, only US\$4.5 million was disbursed.

- A political economy analysis at appraisal could have exposed the gap between declared reform intentions and the preference for the status quo. In Iraq, fragile institutions and shifting political agendas demand adaptive, risk-aware reform strategies grounded in realistic assessments of political will and institutional readiness. Frequent leadership changes and evolving priorities within the Ministry of Finance subsequently hindered the implementation of key activities.
- Implementation readiness could have been improved through better sequencing of reforms and realistic milestones set and aligned with Iraq's fragile context. Foundational PFM reforms were prerequisites for a functioning IFMIS – the 2017 PEFA report could have informed the sequencing of the PFM reforms needed for the IFMIS. The long-term nature of PFM reforms, especially those requiring a functional IFMIS, which often span a decade or more in fragile contexts, was not adequately reflected in the project's design and timeline. The IFMIS -the necessary data infrastructure for PFM – was never installed and brought into operation.
- The WB could have paid early attention to persistent capacity gaps in Iraq in procurement and IT. The project faced major delays due to procurement setbacks – protracted clearance processes, repeated bidding document revisions, and weak coordination on key procurement packages (the IFMIS tender). Yet, an implementation capacity consultant (ICC) to support the MOF in the bidding process was hired only after the Mid-Term Review.

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

Supervision. The WB supervised the project regularly and fielded 15 supervision missions, for which an equal number of Implementation Status and Results Reports (ISRs) were filed (about two a year, the average for WB investment project financing operations). The ISR assessments were candid, downgrading Implementation Performance from Moderately Satisfactory (ISR 4) to Moderately Unsatisfactory (ISR 9), and from Moderately Unsatisfactory (ISR 12) to Highly Unsatisfactory (ISR 14), as progress stalled across the board. The WB also prepared five *Aides-Mémoires* covering eight implementation support missions. The *Aides-Mémoires* meticulously documented developments in all the project activities, including procurement, and presented detailed corrective action plans considered by the WB and the government. The ICR reports that the WB actively followed up on fiduciary compliance, resulting in the timely submission of Interim Financial Reports and audited Financial Statements.



Implementation Support. The WB worked with the MOF on various support activities, including: (a) hands-on implementation support for the IFMIS procurement; (b) various preparatory work for the IFMIS; (c) a technical note on the TSA; and (d) technical assistance for the development of a budgeting and accounting manual.

Adaptation. The WB restructured the project twice, in response to shifting government stances, changed conditions, and the results of project execution. The first restructuring essentially focused the first project component on developing and implementing an IFMIS (see Sections 2.D, 2.E, and 4 - Objective 1) and confined PIM and procurement reform to the KRG (see Sections 2.D, 2.E, and 4 - Objectives 3 and 4). The second restructuring dropped the IFMIS altogether (see Sections 2.D, 2.E, and 4 - Objective 1).

Weaknesses with Project Supervision and Adaptation

The M&E framework, although technically sound, proved insufficient to capture early warning signs or inform timely course correction. In particular, the project underestimated the impact on implementation resulting from the inexistence of M&E structures and reporting mechanisms at the federal level. As a result, the operation failed to make progress consolidating government accounts into a TSA, improving cash management practices, or adopting a new chart of accounts for budgeting and financial reporting. A second weakness relates with the lack of intermediate results indicators, which undermined assessing progress (for example, there was no Intermediate Result Indicator for the Payroll system to measure the progress toward implementing the system, no indicator was set to measure the achievement of the outcome related to Component 3 on Improved effectiveness in the implementation of economic governance reforms. There were also no indicators for the Bank Executed (BE) activities on behalf of the client. Finally, there were no specific indicators to distinguish Federal from KRG level results.

The operation suffered from weak institutional capacity across a wide range of functions. The PMTs were not working properly from the outset, lacking a clear definition of roles, staff, and office space. The IFMIS adviser, the TSA expert, and the information technology procurement specialist had not been hired by March 2023, according to the *Aide-Mémoire* of March 2023, a year-and-a-half before the rescheduled closing date in November 2024. Procurement processes were also faulty (e.g., the initial selection document for the IFMIS was not issued on time). Designated accounts were opened late. Payments to the IFMIS International Capacity Consultant were constantly overdue. The WB should have restated the project objectives at the time of restructuring to reflect the reduction in the scope and ambition of the project. With the cancellation of the second project component during the first restructuring, the improvement of public investment management and the modernization of public procurement at the federal level (i.e., at selected federal agencies) were no longer applicable. Following the cancellation of the last remaining activity (the development and implementation of the IFMIS) under the first project component during the second restructuring, Objective 1 was no longer applicable.

Quality of Supervision Rating

Moderately Unsatisfactory

Overall Bank Performance Rating

Moderately Unsatisfactory



9. M&E Design, Implementation, & Utilization

a. M&E Design

The WB designed a results framework at appraisal consisting of nine output indicators (intermediate results) and five outcome indicators (PDO-level) to evidence the achievement of the project objectives. The original results indicators were relevant to measuring the impact of the project activities on the objectives (see Section 4).

The M&E plan called for the assignment of the M&E function to the three PMTs, the inclusion of M&E requirements in the Project Operations Manual, and the preparation and submission by the government and the KRG of quarterly Project Reports to the WB within 45 days from the end of each quarter. The ICR notes that the M&E plan underestimated the institutional challenges faced by the government in undertaking the M&E function.

b. M&E Implementation

The WB revised the results framework during project implementation and restructuring (see Sections 2.E and 4) to reflect changes to the project components and activities.

The ICR reports that the PMTs faced considerable difficulties with data collection and regular report production due to staffing constraints and delays with project implementation and fund disbursement. The WB collaborated with the MOF to overcome the M&E difficulties, and the Implementation Capacity Consultant also helped in the M&E process. However, the assistance was insufficient to completely overcome the government's limitations, particularly in the absence of an M&E specialist.

Overall, M&E remained only partially functional, with the WB compensating for data compilation and reporting deficiencies with active data collection during supervision missions, tripartite meetings with the government and consultants, and detailed mission reports.

At the same time, the WB's response has not always been timely. For example, in-country missions requested by the government for August and September 2023 were postponed, adding to delays in procurement processes, which required WB presence and guidance.

c. M&E Utilization

The M&E data were useful for decision-making by the government and the WB, especially for the restructuring of the project, according to the ICR.

M&E Quality Rating

Modest

10. Other Issues



a. Safeguards

Environmental Safeguards. The project was classified as an Environmental Assessment Category "C" project at appraisal ("No environmental review is required") and did not trigger any WB environmental and social safeguards policies. The ICR states that "no environmental or social issues were encountered during implementation." The ISRs did not rate overall safeguards.

b. Fiduciary Compliance

Procurement. The failure of the first procurement for the IFMIS in 2018 and the termination of the second procurement process in 2023 led to the non-achievement of the first project objective, which had been allocated the largest portion of project funding after the first restructuring. The KRG performed better with procurement activities. There were no cases of misprocurement under this project at either the federal or the KRG level.

Procurement was rated Unsatisfactory in the last ISR.

Financial Management. The government faced moderate challenges with financial management. The disbursement rate was low because of poor project implementation, and due to significant delays in processing payments. The external audit reports for the federal government were delayed, but those for the KRG were submitted on time. All auditor opinions were unqualified and of acceptable quality.

Financial management was rated Moderately Unsatisfactory in the last ISR.

c. Unintended impacts (Positive or Negative)

None reported.

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Highly Unsatisfactory	Highly Unsatisfactory	
Bank Performance	Unsatisfactory	Moderately Unsatisfactory	Project performance hinged on many factors outside of the WB control
Quality of M&E	Modest	Modest	



Quality of ICR	---	Substantial
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12. Lessons

One lesson is drawn from the ICR, with some adaptation:

Weak institutional capacity, especially in fragile and conflict-affected settings, calls for a carefully sequenced and phased approach that prioritizes a limited set of reforms at each stage. Attempting to implement multiple, interconnected reforms simultaneously—such as consolidating government accounts into a Treasury Single Account (TSA), improving cash management, and adopting a new chart of accounts—without first establishing the foundational data infrastructure (like the IFMIS) can hinder progress. A more effective approach would have been to prioritize the development and operationalization of the IFMIS before introducing further innovations in budgeting, cash management, and financial reporting.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR followed WB guidelines. The document provided a comprehensive account of the project as it underwent major restructurings. The discussion of efficacy was comprehensive and analytic. The document was candid in its assessment of the key factors affecting preparation and implementation. The ICR offered valuable lessons about government ownership, institutional capacity building, and reform implementation. The overall quality of the ICR is Substantial.

a. Quality of ICR Rating

Substantial