

Iraq

Technical Assistance in Fiscal Year 2022

Banking Supervision (February 21-March 3; June 6-July 23)

METAC contributed to a five-day virtual IMF headquarter-led training on strengthening banking supervision. Twenty-one officials from the Central Bank of Iraq (CBI) participated in the training. The program was guided by international regulatory and supervisory standards with a focus on their implementation. It was specifically designed to meet the capacity building needs of the CBI. It also included a session on “Banking Regulation and Supervision in Iraq: Key Issues and the Way Forward” with a view to identify and analyze the challenges impeding effective supervision and outline practical measures to strengthen the supervisory system. This enabled the IMF to design further engagements with the authorities for capacity building and technical assistance. Additionally, a case study on “Regulation and Supervision of Public Banks” was included in the training to address challenges arising from public bank ownership.

METAC continued assisting the Central Bank of Iraq strengthening its regulatory framework, in particular to finalize its draft comprehensive risk management regulation, considering the comments received from Iraqi banks during the banking sector consultation process. Once implemented and enforced the comprehensive risk management regulation will improve the adequacy and effectiveness of the risk management framework of Iraqi banks and constitute a key building block of Central Bank of Iraq risk-based supervision framework.

Public Financial Management (April 11-28; January 31-February 18; September 8-30)

As a follow-up to assistance on cash forecasting, METAC supported the building of an annual cash forecast in a step-by-step approach. Attainable steps were identified to expand the forecasting horizon and factor in updated information on revenues and in key expenditure areas. Updated cashflow forecasts are a critical tool to inform fiscal policy decisions and assess risks to budget implementation.

A two-day workshop (February 8-9, 2022) provided opportunity for a peer exchange among the Ministry of Finance (MoF) and the Ministry of Planning to discuss the role of program and performance budgeting in Iraq. The workshop underscored the demanding nature of program and performance budgeting in the PFM context of Iraq, where fungibility of resources at the program level would need to be ensured while safeguarding transparency in the use of resources.

A remote mission supported the Ministry of Finance’s efforts to strengthen expenditure control. Expenditure arrears are a recurrent challenge in Iraq. In the decentralized expenditure control system, the Accounting Department has weak oversight over commitments incurred by Ministries, Departments and Agencies and upcoming payments. The mission elaborated a roadmap to put in place a commitment control system. Achieving oversight over commitments and linking them closer to available cash would prevent expenditure arrears accumulation while also contributing to budget credibility.

Revenue Administration (July 26-August 4)

METAC advised the Large Taxpayer Department (LTD) at the General Commission for Taxes on audit and verification. This included presentations provided to the LTD on risk assessment and case selection, international risks in large taxpayers, planning audit programs, and oversight and governance. A form of self-assessment is only applied to taxpayers in two of the six sectors covered by the LTD. The Ministry of Finance has not yet approved the comprehensive adoption of self-assessment, nor the increased staffing needed to implement it. METAC developed a list of priority recommendations to be implemented, including putting in place a compliance risk register and a process for capturing data on risks of misreporting identified during the review of tax returns and financial statements. It also recommended that LTD develop a structured process for planning

audit programs and creating headroom by removing cases that do not meet the criteria for inclusion in its caseload. The successful implementation of these recommendations depends on allocation of additional resources to the LTD.

Statistics (March 6-17; June 13-24)

The Central Statistics Organization of Iraq is aiming to compile a new producer price index (PPI) that covers all large companies, with weights and sample from data from the 2018 industrial survey. The authorities aim to release the new PPI in May 2022. A METAC mission reviewed the calculation files to confirm the methodology and recommend improvements. These improvements included the use of the short-term index calculation approach, data quality checks, imputations, replacements, product descriptions and sampling of varieties and production units.

METAC provided technical assistance to the Central Statistics Organization of Iraq to progress towards the compilation of supply and use tables for reference year 2018. The supply-use classification framework was refined, and the source data was organized to facilitate compilation. Initial estimates for several industries and final use categories were generated and a roadmap was developed to compile supply and use tables by the second quarter of 2022.