

Iraq

Capacity Development Activities in Fiscal Year 2023

Banking Supervision (July 29-August 2; April 26-30)

METAC continued to assist the Central Bank of Iraq (CBI) in strengthening its regulatory framework. The mission was conducted offsite in Jordan to assist the CBI in revising and finalizing the draft capital adequacy framework for Islamic banks and the related regulatory templates in line with Basel and IFSB guidelines. It provided comprehensive training to a group of CBI supervisors on the various regulation components (eligible regulatory capital; credit, operational, and market risk; risk-weighting calculation and methodology), to ensure sound understanding and effective implementation of the revised regulation and related templates.

METAC conducted an offsite mission in Jordan to assist the supervisors of the Central Bank of Iraq (CBI) in (i) revising the Financial Position & Profit or Loss Statements of commercial banks (including the State-Owned Banks) reported to the CBI; (ii) amending the above statements to ensure their compatibility with the International Financial Reporting Standards IFRS (including IFRS 9); (iii) developing reporting guidelines related to the material items of the above statements; and (iv) reviewing the key selected prudential reports (asset quality, loan classification, loan provisioning, related parties, concentration risk, maturity ladder, currency mismatch) to ensure their coherence with the revised statements. The mission aimed at the development of a well-structured reporting, which helps in building a coherent database. Such a database is an essential element for enhancing risk-based supervision and understanding banks' risk profiles.

Central Bank Operations (March 5-9)

At the request of the Central Bank of Iraq (CBI), METAC delivered technical assistance (TA) to support the implementation of central bank liquidity instruments, which would allow for a better control over the domestic monetary conditions in support of the exchange rate peg. The mission was held off-site in Amman, Jordan, with CBI staff from the Investment (FX reserves management) directorate and the Financial Investment directorate. The mission raised awareness on the necessity to complete the monetary policy framework under an exchange rate peg by introducing an active domestic liquidity management. The mission provided a set of focused recommendations to address the short-term challenges to the sustainability of the exchange rate peg. Follow-up TA is envisaged to build a full instrument set supported by liquidity monitoring and forecasting.

Revenue Administration (August 21-29)

METAC provided assistance to Iraq's General Commission of Taxes (GCT) on good practice in organizational design to modernize the organizational structure of GCT headquarter and regional offices. The current organizational structure has deficiencies that constrain GCT in its core business activities and reform implementation. Major structural reform is contingent upon improved automated and networked systems, the ability to have greater flexibility and autonomy in administrative operations and improved policy support. Advice on good practices in organizational design was

provided, and an option for structural improvement was developed, including an action plan for implementation.

Statistics

Supply and Use Tables (June 12-23; February 26-March 9)

The mission assisted the Central Statistics Organization of Iraq in compiling supply and use tables for reference year 2018. SUTs provide a benchmark for rebasing the national accounts, thereby improving the GDP compilation process, and leading to more accurate measures of GDP. The mission assisted with the generation of initial estimates for several industries in preparation for the integration of the estimates into a central file.

Following up on the June 2022 mission, METAC assisted the Central Statistics Organization (CSO) of Iraq to progress significantly in the production of 2018 supply and use tables (SUTs). The February 2023 mission helped generate all initial estimates and integrate them into a manual balancing tool, in addition to setting up the IMF's SUT Automated Balancing Tool. The compilation process of SUTs is now in the third phase—the balancing of the supply and use of products

Residential Property Price Index (June 12-23; October 23-27; March 12-16)

METAC assisted the Central Statistics Organization of Iraq to develop a residential property price index. Training was provided on all steps of the compilation process, including coding the regression model in R. Support was also provided on data analysis, interpretation of results, and dissemination. The mission also provided additional guidance on aggregation and publication of the producer price Index.

METAC conducted a virtual mission to assess the CPI currently produced by the Iraqi Central Statistics Organization (CSO) to identify opportunities to improve the accuracy of the data, and to help with implementing these improvements. Topics addressed included imputing missing prices, updating expenditure weights, and implementing expenditure weights for higher-level index aggregation.

In March 2023, METAC assisted the Iraqi Central Statistics Organization (CSO) with implementing improvements to the consumer price index (CPI) in areas identified as shortcomings during the October 2022 mission. This included working with the authorities to create an experimental compilation system based on chained short-term relatives and geometric means in Excel. This new compilation system is planned to be introduced by July 2023.