Iraq

Fiscal Year 2026

Capacity Development Activities

Central Bank Operations

Central Bank Liquidity Monitoring

In October, METAC remotely supported the establishment of a daily central bank liquidity monitoring process. This included hands-on support for the conversion matrix between the accounting balance sheet to analytical balance sheet and ultimately the autonomous factors representation of the daily liquidity table. The results will be used directly for the liquidity forecasting mission planned for the second half of FY26. This mission is part of a project aimed at achieving effective domestic liquidity management under an exchange rate peg.

Iraq Central Bank Liquidity Forecasting (November 30–December 3)

The Central Bank of Iraq is advancing its efforts to establish comprehensive domestic liquidity management within a pegged exchange rate framework. The mission assessed the current practices and outcomes of the CBI's liquidity absorption measures, offering recommendations for implementing an interest rate corridor. Additionally, technical assistance commenced regarding central bank liquidity forecasting to support effective open market operations.

Financial Supervision and Regulation

SRP Project: ICAAP regulation and risk matrix development (May 24-28)

METAC collaborated with the Central Bank of Iraq (CBI) team to finalize new guidelines about the Internal Capital Adequacy Assessment Process (ICAAP) regulation, a critical component in sustaining the financial soundness of the banking sector. This initiative was part of a broader effort to enhance the banking supervision practices of the CBI. Emphasis was placed on improving the evaluation of risks and effective monitoring of banks, both off-site and on-site. The overarching objective is to ensure banks are better equipped to manage their financial risks.

SRP Project (Supervisory Manual Development) (November 23–27)

METAC continued its support to the Central Bank of Iraq (CBI) in advancing the implementation of the Basel Framework's Pillar 2 Supervisory Review Process (SRP). The mission delivered concrete progress in strengthening the new risk assessment framework, which was refined following initial testing and internal feedback from the CBI. These enhancements reinforce the framework's central role in supporting risk-based supervision and improve supervisors' ability to consistently apply SRP tools. Clear next steps and an action plan were established to finalize the preparation phase and transition toward full SRP testing. The mission also confirmed the successful enforcement of the ICAAP regulation in November 2025, marking the completion of METAC's ICAAP-related deliverables and positioning the CBI for the next stage of implementation.

SRP Project: Supervisory Manual Development (April 1-16)

Central Bank of Iraq's transitioned toward a risk-based and forward-looking supervisory framework consistent with Basel Pillar 2. METAC engagement helped consolidate progress in developing and operationalizing the Supervisory Review Process (SPR) and the Internal Capital Adequacy Assessment Process (ICAAP) by supporting supervisors in testing and refining the SRP risk matrix and assessing early implementation results. The assistance enhanced supervisory capacity to evaluate bank-specific and system-wide risks, strengthened the practical application of ICAAP requirements, and supported the integration of risk-based practices into off-site and on-site supervision.

Government Finance Statistics and Public Sector Debt

Expand GFS and PSDS statistics coverage (February 1-5)

Iraq's capacity strengthened to compile, disseminate, and use government finance statistics (GFS) and public sector debt statistics (PSDS) for informed fiscal decision-making. METAC technical assistance helped consolidate progress in fiscal reporting and advanced the alignment of Iraq's statistics with international standards. The engagement enhanced the authorities' ability to compile monthly GFS in line with GFSM 2014, expand institutional coverage, and validate historical data for regular submission to the IMF. It also supported progress in automating functional classification (COFOG) and strengthened PSDS compilation through the development of quarterly debt time series and accompanying metadata. Overall, the support improved data quality, consistency, and sustainability, reinforcing the foundations for transparent and timely fiscal statistics.

Public Debt Management

Strengthening debt portfolio management capacity (June 15-19)

A virtual mission trained debt managers on the best practices in public debt management and financial analysis of public debt portfolios and debt instruments. The training focused on presenting financial mathematic concepts commonly used in public debt management, presented issues related to debt portfolio risk management, discussed the relationship between debt portfolio risk management and debt management strategy and covered some issues related to domestic debt market development, i.e., essential characteristics of government securities, auction methods, key players, and prerequisites for developing the government securities market.

Developing the Domestic Market for Government Securities

In September, METAC assisted the Ministry of Finance and the Central Bank of Iraq in assessing current practices and frameworks of the domestic government securities market and supported the authorities in drafting an action plan for further development. The recommended reform plan provides a medium-term framework for market development. METAC will continue to offer support for the implementation of the approved reform plan to facilitate the establishment of an effective primary market, with issuance conducted through market-based mechanisms.

Public Financial Management

Treasury Single Account Implementation

This follow-up workshop in September on Treasury Single Account (TSA) implementation with the Ministry of Finance of Iraq included stakeholders from the Ministry of Finance, Central Bank of Iraq, and seven State-owned banks. The main objectives were to: (i) review progress made since the last TSA workshop;

(ii) update the TSA roadmap, and (iii) update the TSA concept note. Participants discussed the progress of the bank account inventory, the roll-out of the core-banking system in state-owned banks, the TSA design options and coverage, review of the draft TSA concept note, coordination and procedural arrangements for banking services, cashflow forecasting, and training for spending units. The authorities requested a follow-up workshop in early 2026 to include regional peer-learning component and share experiences in implementing TSA reform.

Follow-up TSA workshop (February 1-5)

METAC support contributed to tangible progress in advancing Treasury Single Account (TSA) implementation in Iraq and strengthening coordination across key fiscal and banking institutions. METAC brought together the Ministry of Finance, the Central Bank of Iraq, and state-owned banks to reinforce a shared understanding of the TSA reform agenda and accelerate implementation. The engagement supported concrete advances in cash consolidation and transparency, including progress on the bank account census, expanded monitoring of government bank accounts through digital portals, and steps toward introducing zero-balance accounts with credit ceilings. Peer learning with the Egyptian authorities further reinforced the importance of a clear reform vision and strong political commitment. Overall, the support enhanced institutional coordination, data transparency, and technical readiness for the next phase of TSA reform under the authorities' roadmap.

Workshop on Budget Preparation (April 12-16)

METAC supported the Ministry of Finance of Iraq on the top-down budget preparation while providing an overview of the budgeting process and of setting budget ceilings as its key tool. The mission supported the development of a sequenced plan to support the implementation of top-down budgeting features and delivered recommendations for strengthening the top-down budget preparation process.

Real Sector Statistics

Supply and Use Tables (January 11-22)

The mission supported the Central Statistical Organization in advancing the preparation of the 2023 Supply and Use Tables (SUTs) by reviewing data sources, developing initial components of the tables, and outlining key methodologies for compiling SUTs at basic prices to underpin future input-output analysis. Building on earlier work from 2018, it clarified the substantial resource requirements and established a realistic timeline toward completion by 2028. The mission also provided strategic guidance on using the 2023 SUTs as a new benchmark for rebasing national accounts.

Revenue Administration

Thematic support for Iraq customs continues (July)

The sixth in a series of hybrid capacity development workshops commenced with remote drafting of supporting instructions for the implementation of customs guarantees. The draft has been shared with Iraq customs for their initial review and will be validated and finalized during an in-person workshop in August.

Strengthening Audit Capacity in Iraq's Tax Administration (July)

The mission supported the General Commission for Taxes (GCT) in Iraq through a five-day training program designed to enhance the audit capabilities of approximately twenty tax officers. The mission built foundational knowledge and practical skills in auditing companies for compliance with Iraqi tax laws. Through interactive sessions and practical exercises, the mission team introduced participants to key audit principles, including case selection, planning, evidence gathering, and audit finalization. The training was based on good international practices such as VITARA and TADAT and tailored to address the diverse experience levels of participants. The training helps adopting modern audit techniques and strengthening the overall effectiveness of Iraq's tax administration.

Enhancing Audit Practices

In October, METAC supported the General Commission for Taxes (GCT) in developing a comprehensive draft tax audit manual to ensure consistency, transparency, and quality in tax audits, supporting the GCT's modernization efforts and the effective implementation of the SA system. The manual details the audit case selection process, the various types of audits and highlights the importance of respecting taxpayers' rights, maintaining segregation of duties, and thoroughly documenting each step of the audit process.

Building Risk Management Capacity

A four-day interactive workshop in Jordan brought together tax officials from Iraq and Libya to introduce the foundational principles and strategic importance of the Compliance Risk Management (CRM) framework. Fourteen participants engaged in practical exercises and group work, applying CRM concepts to real-world scenarios and learning to identify, assess, and prioritize compliance risks using international good practices such as VITARA and TADAT.

Support to legislative framework (April 6-30)

Iraq's customs administration, with METAC support, modernized the legal framework underpinning contemporary customs operations. Building on a sequenced reform agenda, the engagement supported the General Authority of Customs in further developing secondary customs legislation, with a focus on regulating e-commerce importations in line with evolving trade practices. The assistance helped consolidate a coherent and risk-based legal framework that enhances customs controls while supporting trade facilitation, complementing earlier reforms in areas such as risk management, post-clearance audit, valuation, transit, and guarantees.

Tax Policy

Income Tax Law (June 19-July 25)

A remote joint METAC and IMF HQ mission reviewed the draft Income Tax Law (ITL) before submission to parliament. The mission recommended legislative changes and policy design options to strengthen revenue yields, equity, and the efficiency of Iraq's income tax legislation. The mission worked primarily with the General Commission for Taxation and the Supreme Committee for the Implementation of Tax Reform.