



REPUBLIC OF IRAQ

TECHNICAL ASSISTANCE REPORT ON GOVERNMENT FINANCE STATISTICS MISSION (DECEMBER 5–19, 2021)

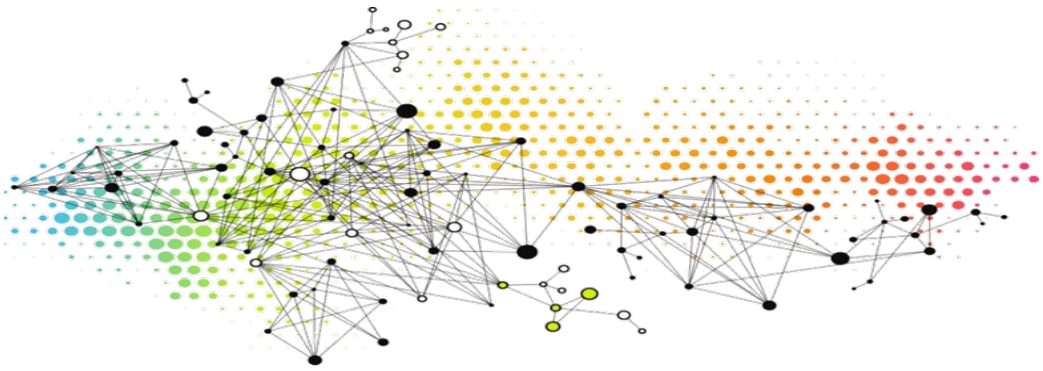
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REPUBLIC OF IRAQ

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REPORT ON GOVERNMENT FINANCE STATISTICS MISSION (DECEMBER 5–19, 2021)

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Glossary

BCG	Budgetary Central Government
CBI	Central Bank of Iraq
COA	Chart of Accounts
COFOG	Classification of the Functions of Government
CEF	IMF's Middle East Center for Economic and Finance
GG	General Government
EBU	Extrabudgetary unit
FY	Fiscal year
GFS	Government Finance Statistics
GFSY	Government Finance Statistics Yearbook
<i>GFSM 2014</i>	<i>Government Finance Statistics Manual 2014</i>
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
METAC	The Middle East Regional Technical Assistance Center
LG	Local Governments
MOF	Ministry of Finance
PSDS	Public Sector Debt Statistics
<i>PSDSG 2011</i>	<i>Public Sector Debt Statistics Guide for Compilers and Users 2011</i>
PSIT	Public Sector Institutional Table
SSF	Social Security Fund
STA	Statistics Department of the IMF
TA	Technical assistance
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

1. **In response to a request from the Ministry of Finance (MOF) a Government Finance Statistics (GFS) Technical Assistance (TA) and Training mission took place remotely, during December 5–16, 2021 with the primary objective to support the authorities in the implementation of the national budget reform project.** The mission led by Nadine Aboukhaled (STA) and comprised of Mr. Yousef Daqa (GFS expert) and Mr. Tareg Abdelgader (AMF) is part of the collaboration between STA and the Arab Monetary Fund (AMF) in the context the Arab Statistics Initiative “ArabStat”.
2. **The mission would like to express appreciation to the staff of the Budget, Public Accounting and Debt Departments, for the open discussion and for sharing their knowledge.** It is especially grateful to Ms. Taif Same, the Deputy Minister of Finance and Head of the Budget Directorate, for chairing the meetings, and Ms. Iktifaa Fleih for her support throughout the mission.
3. **The MOF has started the implementation of the national budget reform project which is one of the several reform projects prepared in the context of the broader economic reform strategy “the white paper” launched in October 2020.** The mission’s objectives were to specifically support the Budget, Public Accounting and Debt Departments in implementing the tasks related to the strategic target on enhancing budget preparation and reporting in line with the *Government Finance Statistics Manual 2014 (GFSM 2014)* framework and its integration in the Integrated Financial Management Information System (IFMIS).¹
4. **In that respect the mission’s activities focused on integrating the GFSM 2014 framework into the IFMIS and building capacity in the production and dissemination of fiscal statistics.** The mission undertook the following tasks: (i) complete the mapping of the new chart of accounts (COA) with the *Government Finance Statistics Manual 2014 (GFSM 2014)* classifications; (ii) initiate the compilation of the expenditures data based on the Classification of Functions of Government (COFOG) and provide hands-on training on the compilation technique; (iii) review GFS for budgetary central government (BCG) for fiscal year (FY) 2020; and (iv) initiate steps for expanding the institutional coverage.
5. **The mission completed the mapping of the new COA to the GFSM 2014 framework in a comprehensive manner for its integration in the IFMIS.** In preparation for the IFMIS implementation, a new comprehensive COA has been developed based on the *GFSM 2001/2014* classification to some extent. The current version of the COA is disaggregated into several accounts that includes a mix of revenue and expense accounts that could be easily mapped to the

¹ Source: Ministry of Finance: The National Budget Reform Project (NBR Project no1) strategic target (1-1) related to the development of systems and rules related to expenditures and investment projects focusing on the production and dissemination of comprehensive and regular budget reporting in line with the *GFSM 2014*.

GFSM 2014, while other accounts related to the transactions in assets and liabilities are not based on the *GFSM 2014* presentation. The complete list of the accounts at the item level (Table 1) has been mapped to the *GFSM 2014* economic classification. It comprises of the accounts of the current budget (revenues and expenditures including special programs), the investment budget, and the transactions in financial assets and liabilities.

6. As a critical step to improve the budget classification, the mission supported the MoF in developing a first comprehensive mapping of outlays to COFOG. GFS uses the framework of the COFOG which is a detailed classification of the functions, or socio-economic objectives, that governments aim to achieve through various kinds of expenditures. In 2014, a first attempt was made to introduce COFOG as part of the budget classification with support from the IMF's Middle East Technical Assistance Center (METAC). The mission reviewed the available source for expenditures data, from the current and investment budgets execution reports and provided a detailed mapping of the COFOG using a combination of administrative and economic classification.

7. The mission delivered a workshop on the compilation of COFOG data and completed the COFOG table for FY2020. The mission delivered a presentation on COFOG concepts, main uses, and common areas of challenges. It also presented examples of other countries' experiences in compiling COFOG data and walked the workshop participants through the compilation technique and the production of Table 7 of the IMF's annual GFS questionnaire for FY2020.

8. Public sector debt reporting in Iraq requires improvement and alignment with the Public Sector Debt Statistics Guide for Compilers and Users (PSDSG) 2011. Currently the MoF compiles debt reporting for internal dissemination and for surveillance. The mission reviewed and updated the public sector debt data for FY 2019 and FY 2020 for inclusion in reporting of annual GFS. Current internal debt reports are a mixture of holder and instrument with no reporting on maturities and no systematic integration of stocks and flows. It would be of utmost importance to improve the quality of debt reporting and start disseminating quarterly debt reports for greater transparency.

9. The MoF needs to establish an inter-departmental taskforce in charge of GFS compilation. Such a taskforce, would be in charge of coordinating among the different departments the sharing of the data sources, ensure proper recording in the excel based tool and the GFS submission. It should avoid delays and omissions of data that are gathered from outside the public accounting department.

10. Furthermore, the MoF should initiate a phased approach for expanding institutional coverage of GFS beyond BCG. Iraq has about 113 public corporations comprised of financial and nonfinancial public corporations. A thorough review of the list of public entities is needed to ensure they are properly classified as public corporations versus extrabudgetary government units in line with the *GFSM 2014* guidelines. This review will represent a critical first step in a phased approach for expanding the coverage beyond BCG.

Table 1. Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
April 2022 ²	Enhance annual GFS data for FY 2019 and FY 2020 submission by filling missing public sector debt data and reducing statistical discrepancies	MoF, Public accounting, Budget and Debt Departments
June 2022	Include the COFOG table in annual GFS reporting for FY2020 and produce COFOG table for FY2017–2019	MoF, Public accounting, Budget and Debt Departments
June 2022	Produce and disseminate on a regular basis comprehensive budget execution reports based on the <i>GFSM 2014</i> classification	MoF, Public accounting, Budget and Debt departments
In progress	The mapping of the chart of account to the <i>GFSM 2014</i> is used to compile budget execution reports as well as budget preparation reports. This should improve financial analysis as well as the preparation of medium-term forecast during the budget preparation cycle	MoF, Public accounting and Budget departments
In progress	Apply the functional, economic and administrative classification as well as the program classification and a harmonized data methodology during budget preparation stage for both current and investment budgets.	MoF, Public accounting and Budget departments
September 2022	Enhance annual GFS data FY 2021 to include Investment budget and special programmes by economic classification	MoF, Public accounting and Budget departments
TBD	Building staff capacity in COFOG in a more detailed focus	MoF, Public accounting and Budget departments
October 2022	Building staff capacity in the compilation of public sector debt statistics (PSDS)	MoF, Public accounting, Budget and Debt departments
TBD	Compile and disseminate PSDS for BCG on a monthly, quarterly and annual basis in line with the <i>PSDSG 2011</i>	MoF, Budget, Public accounting and Debt departments
June 2022	Establish a GFS interdepartmental taskforce	MoF, Public accounting, Budget and Debt departments

² Annual GFS data for FY 2019 and FY 2020 were revised and sent to the public accounting department for final approval and re-submission to the fund.

11. Further details on the priority recommendations and the related actions and milestones can be found in the action plan under *Detailed Technical Assessment and Recommendations*.

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

Priority	Action/Milestone	Target Completion Date
<i>Outcome 1. Improved periodicity, timeliness, and consistency of data</i>		
H	Enhance annual GFS data FY 2019–FY 2020 submission by filling missing public sector debt data and reducing statistical discrepancies.	April 2022 ³
H	Include the functional classification (COFOG) table in the annual GFS data FY 2020 submission and produce COFOG tables for FY 2017–2019.	June 2022
H	Produce and disseminate on a regular basis comprehensive budget execution reports based on the <i>GFSM 2014</i> classification	June 2022
M	Submit high frequency data to the IFS database.	TBD
M	The mapping of the chart of account to the GFSM 2014 is used to compile budget execution reports as well as budget preparation reports. This should improve financial analysis as well as the preparation of medium-term forecast during the budget preparation cycle	In progress
M	Apply the functional, economic and administrative classification as well as the program classification and a harmonized data methodology during budget preparation stage for both current and investment budgets.	In progress
<i>Outcome 2. Methodological basis for the statistics follows internationally accepted standards, guidelines, or good practices</i>		

³ Annual GFS data for FY 2019 and FY 2020 were revised and sent to the public accounting department for final approval and re-submission to the fund

Priority	Action/Milestone	Target Completion Date
H	Build the capacity of MoF staff in the compilation of PSDS.	October 2022
H	Compile and disseminate public sector debt statistics (PSDS) for the BCG on a regular basis in line with the PSDS guide.	TBD
M	Disclose arrears in a transparent manner and record the accumulation and payment of these arrears transparently as claims on the government	December 2022
M	Include the COFOG template in the budget documentation.	June 2022
H	Build the capacity of MOF staff in COFOG in a more detailed focus	TBD
H	Enhance annual GFS data FY 2021 compilation to include Investment budget and special programmes by economic classification.	June 2022
M	Review and update the Institutional Table for the Sectorization of the public sector entities.	March 2022
L	Expand the coverage of the GFS annual data to include the Extrabudgetary Units (EBUs), and the Social Security Funds.	June 2023
Outcome 3. Legal and institutional environment are adequate for the compilation and dissemination of statistics		
H	Establish a GFS interdepartmental taskforce	June 2022
M	Maintain the mapping of the chart of account as a living document to be updated as the new COA and the public accounting guide is being rolled out.	ongoing

A. Mapping of the New Chart of Accounts to the GFSM 2014

12. The Ministry of Finance (MOF) is preparing for the integration of the GFSM 2014 framework as part of the implementation of an Integrated Financial Management Information System (IFMIS) project that has been delayed for several reasons. In February 2021, the Council of Ministers approved a comprehensive reform plan called *the White Paper* that included, among other reforms, the implementation of an Integrated Financial Management Information System (IFMIS) by the MOF. In 2016, following previous failed attempt

to implement an IFMIS project in Iraq, a new World Bank project⁴ that supports the modernization of Public Financial Management (PFM) systems covered among other things the design and the preparation of the terms of reference of the IFMIS project. However, following the request for proposal, no contract was awarded due to a failed bidding process, leading the authorities to review the scope of the project and prepare for the next round of bidding likely in 2022.

13. In preparation for the IFMIS implementation a new comprehensive COA has been developed based on the GFSM 2001/2014 classification to some extent. The current version of the COA is disaggregated into several accounts that includes a mix of revenue and expense accounts that could be easily mapped to the *GFSM 2014*, while other accounts related to the transactions in assets and liabilities are not based on the 2001/2014 presentation. For instance, the sale of fixed assets is reflected as part of the revenue accounts and the disposal of fixed assets as part of the expenditure accounts. Also, refunded revenues and refunded expenses are treated as revenues and expenditures respectively, rather than negative revenues and negative expenses as in *GFSM 2014*. Other specific accounts, such as the deficit financing, are assigned codes as budget line items, rather than derived from the above and below the line accounts, and debt amortization is accounted for as expenditure. Moreover, several accounts that are a legacy from old COA versions were reiterated in the current version, providing redundancy in the list of accounts. According to the authorities, these accounts were kept where the need to resort to using them again arise, while acknowledging that it has provided a layer of complexity when mapping it to the *GFSM 2014* framework

14. The mission completed the mapping of the new COA to the GFSM 2014 framework in a comprehensive manner for its integration in the IFMIS. The complete list of the accounts at the item level (Table 2) has been mapped to the *GFSM 2014* economic classification. It comprises of the accounts of the current budget (which includes revenues and expenditures including special programmes), the investment budget, and the transactions in financial assets and liabilities. The investment budget has a different classification (by sector and type) but allows for a GFS corresponding classification at the item level (table 2). The special programmes, which are a subset of the current budget, are classified according to the nature of the program and broken down by economic classification, and hence did not necessitate a special treatment in the mapping exercise. The mapping list includes the code and description of both the COA accounts and their corresponding GFS classification (Appendix 1).

Table 2. National Economic Classification- Coding Structure

Nature of transaction	Sub-nature transaction	Chapter	Item	Sub-Item	Sub-detail
1 Revenues	1 Current revenues	O2 Taxes on income and wealth	O1 Taxes on Income	O1 Taxes on salaries for the public sector	Specific item if any

⁴ Modernization of PFM Systems project – Project # P151357 [effective date = Dec 28, 2016 – Closing date = Nov 30, 2021]

2 Expenditures	O1 current expenditures	O2 Compensation of employees	O1 Wages and salaries	O1 Salaries	Specific transaction if any: basic salaries
2 Investment	O2 capital expenditures	O1 Agriculture sector	OO1 Dams, reservoirs and control facilities projects	OO1 Dams and reservoirs	Specific project

Source: Authorities

15. The mapping of the COA to the GFSM 2014 should be used for preparing comprehensive budget execution reports for sound fiscal analysis. In the context of the national budget reform project, the MOF will use going forward the mapping of the COA to the GFSM 2014 to implement the strategic target⁵ for improving and regularly publishing budget execution reports based on the GFSM 2014 classification. The GFSM 2014 presentation should be considered for the purpose of fiscal policy analysis and medium-term projections and should be used as the main analytical tool during the budget preparation.

Recommended Actions:

- *Maintain the mapping of the chart of account as a living document to be updated as the new COA and the public accounting guide is being rolled out.*
- *The mapping of the chart of account to the GFSM 2014 is used to compile budget execution reports as well as budget preparation reports. This should improve financial analysis as well as the preparation of medium-term forecast during the budget preparation cycle*
- *Produce and disseminate on a regular basis comprehensive budget execution reports based on the GFSM 2014 classification.*
- *Apply the functional, economic and administrative classification as well as the program classification and a harmonized data methodology during budget preparation stage for both current and investment budgets*

B. Introducing the Classification of the Functions of the Government (COFOG)

16. The MoF is keen to introduce the functional classification of expenditures as a critical step to improve the budget classification. GFS uses the framework of the Functions of Government (COFOG) from the UN, which is a detailed classification of the functions, or socio-economic objectives, that governments aim to achieve through various kinds of expenditures. In 2014, a first attempt was made to introduce COFOG as part of the budget classification with support from the IMF's Metac. Since then, no progress was made. *As per the GFSM 2014 standards, the ideal practice for COFOG is to classify each transaction on its own.*

⁵ Source: Ministry of Finance: The National Budget Reform Project (NBR Project no1) strategic target (1-1) related to the development of systems and rules related to expenditures and investment projects focusing on the production and dissemination of comprehensive and regular budget reporting in line with the GFSM 2014.

However, countries' experiences have shown that the administrative classification represent a starting point if provided with details at the department or agency levels. In the case of program budgets, (such as in the UAE) functional classification is derived at the programmes level.

17. To this end, the mission completed an initial comprehensive mapping for the COFOG derived from a mix of economic, programme and administrative classifications. The mission reviewed the available source for expenditures data, from the current and investment budgets execution reports. The administrative classification (table 3) is divided by ministry, department, and divisions. When cross tabulated with the economic classification, it includes a breakdown of the special programs by nature. In order to derive the COFOG the mission undertook the mapping of: (i) all organizational units; (ii) all special programmes assigned to organizational units; (iii) cross tabulation of economic classification and organizational units; (iv) the investment expenditures divided by the sector and item/project *refer to table 2*. The detailed mapping was necessary to align with COFOG especially for the classification of public sector debt transactions given the current treatment of debt principal repayments as expenses rather than financing (refer to section A).

18. The mission delivered a workshop on the compilation of COFOG data and completed the COFOG table for FY 2020. The mission delivered a presentation on COFOG, concepts, main uses, and common problematic areas. It also presented example of countries' experiences in compiling COFOG and walked the participants through the compilation technique and the production of Table 7 of annual GFS for FY2020.

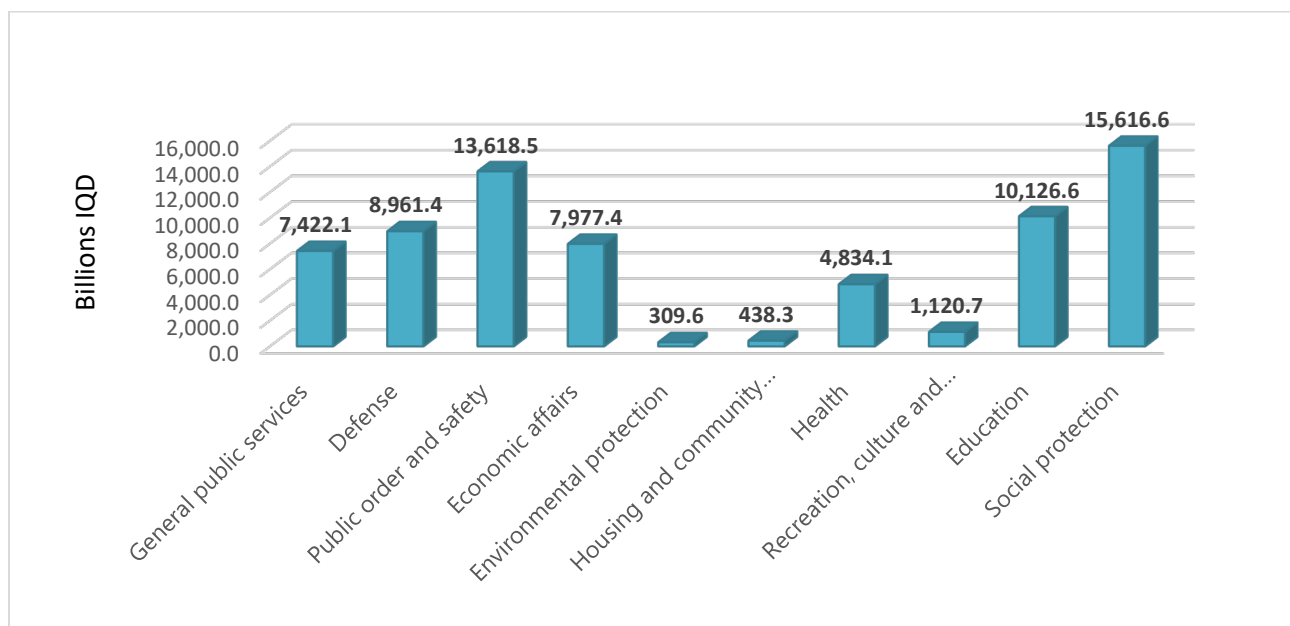
19. The mission used the latest budget execution reports provided by the authorities to produce the COFOG data for FY 2020. Further updates to the GFS expenditure data for FY 2020 were made to align with the latest expenditures figure derived from COFOG.

Table 3. National Administrative Classification - Coding Structure

Chapter	Sub-chapter (Budget Units)	Section (Used in accounting)
Ministry	Ministry HQ Government agencies/departments (Budget funded SOEs if any)	Administrative unit (accounting- cost center)
O5 Ministry of Finance	O1 MoF HQ O2 General Directorate of pensions	OO1 Kirkuk retirement Directorate

Source: Authorities

Figure 1. Iraq COFOG Data FY 2020



Source: The mission team.

Recommended Actions:

- Include the functional classification (COFOG) as part of the budget document presentation.
- Include COFOG table in reporting of annual GFS for FY2020, and produce and disseminate COFOG table for FY2017-2019
- Build the capacity of MOF staff in COFOG in a more detailed focus

C. Improving GFS Compilation and Dissemination

20. The mission discussed with the staff of the public accounting department the high increase in account payable (Table 3) in FY 2020. The increase in account payables is caused by the recording in the guarantee accounts (treated as liabilities (3318), accounts) of around 8 trillion IQD in November 2020, reflecting a series of infra-annual investment expenditure committed by various ministries to third parties. Due to delays in the finalization of the closure of accounts, these were not yet offset by the recording of investment expenditures. For instance, the ministry of defense has around 1.2 IQD trillion of committed investment expenditures not yet regularized. It is expected that these are regularized during the year. In addition, the mission reviewed and adjusted some misclassification issues.

21. The MoF has so far reported only annual data to the IMF's annual GFS database. The data are produced using an Excel-based tool that compiles monthly, quarterly and annual GFS data. With minimal efforts, the MoF could start disseminating high frequency data through the IFS database and publish on the national website monthly statement of operations for BCG in line

with the *GFSM 2014* template. The mission encourages the MoF to improve their dissemination practices for greater transparency.

22. Public sector debt data for FY 2019 and FY 2020 were reviewed by the mission for inclusion in the reporting of annual GFS year, and recommendations were provided to reduce statistical discrepancies. The source debt data sheet used for the GFS data submission has been updated with the information provided by the authorities. During FY 2020, several domestic debt transactions took place that are to be reflected in the data sheet. The T-bills (or transfer for deficit financing) held by banks and oil companies were converted into long term loans, after being discounted by the central banks of Iraq (CBI). By the end of December 2020, the total gross domestic debt reached IQD 65.5 trillion of which CBI holds IQD 42 trillion worth of discounted T-bills, and the outstanding domestic loans amounted to IQD 18 trillion. External Debt data were updated by information on new loans that were not previously included. External debt amounted to IQD 28.3 trillion as of end December 2020 (Appendix IV). The inclusion of the public sector debt data in the GFS annual data FY 2019 was behind the correction of previous mistakes in the calculation of the change in financial assets accounts namely “the currency and deposits” (in the FY 2017–2020 time series) also reducing the statistical discrepancies in the statement of operations (table 3). For FY 2020, the mission adjusted the statistical discrepancies by reflecting the issuance of T-bills (worth of IQD 12 trillion) occurring in the last quarter of FY 2020, which were not adequately captured in the authorities’ classification assistant. A further review and integration of liabilities’ stocks and flows data in the “classification Assistant file” should take place during the next mission.

23. To avoid submitting incomplete GFS data, the MoF should establish an inter-departmental taskforce in charge of GFS compilation. Such a taskforce, would be in charge of coordinating among the different departments the sharing of the data sources, ensure proper recording in the excel based tool and the GFS submissions. It should avoid delays and omissions of data that are gathered from outside the public accounting department.

24. Public sector debt reporting in Iraq needs improvement and alignment with the PSDSG 2011. Currently the MoF compiles debt reporting for internal dissemination and for surveillance. Source data although produced on a monthly basis, is not automated and can be lengthy to produce, notably for domestic debt. Also, not all information related to debt is readily available. Current internal debt reports are a mixture of holder and instrument with no reporting on maturities. It would be of utmost importance to improve the quality of debt reporting and start disseminating quarterly debt reports for greater transparency. Indeed, no public sector debt statistics report is being currently published in Iraq, with the last quarterly debt report published on the website date back to 2016.

25. As a start, the mission highly recommends that staff of the Budget, Public accounting and Debt departments attend the upcoming course on PSDS compilation. The course is scheduled to take place in October 2022 at the IMF’s Middle East Center for Economic and Finance (CEF) and could highly benefit the compilers of domestic and external debt on the best practices in compiling and disseminating public sector debt data.

26. Another caveat of the current public sector debt data compilation is the lack of consistent and comprehensive coverage of arrears. Currently, arrears are not included in the GFS data nor in the debt tables. However, back in 2017 the authorities have made a first step towards filling some of the data gaps, by conducting surveys to collect information on arrears from all the spending units (SU). Arrears to contractors amounted to around IQD 6 trillion by end of 2017. Subsequently, they have tracked the payment of the accumulated arrears and monitored the commitments. These arrears were cleared over the past three years: (i) 40 percent were paid against T-bills (and are included in the domestic debt); (ii) 30 percent of the amount was paid in cash in 2018; and (iii) another 30 percent was paid in cash in FY 2019. Currently, the MoF plans to include in the 2021 budget an allocation for the clearance of cross-arrears for electricity bills payments. A more comprehensive and systematic approach should be followed by the GFS compilers for the recording of arrears (Box 1). They should collect information on arrears from their creation, that is, at the time when payment due are not made until they are extinguished, such as when arrears are paid, rescheduled, or forgiven by the creditor.

Recommended Actions:

- *Enhance annual GFS for FY 2019–2020 by filling missing public sector debt data and reducing statistical discrepancies*
- *Build the capacity of MoF staff of the Budget, Public Accounting and Debt departments in the compilation of PSDS, by attending the PSDS course scheduled for October 2022 at the IMF Middle East Center for Economic and Finance (CEF) in Kuwait*
- *Compile and disseminate public sector debt statistics (PSDS) for the BCG on a regular basis in line with the PSDS guide should be the main objective of next mission*
- *Establish a GFS inter-departmental taskforce for improving coordination*
- *Disclose arrears in a transparent manner and record the accumulation and payment of these arrears transparently as claims on the government*
- *Submit high frequency data to the IFS database*

D. The Institutional Coverage

27. Currently the GFS report covers budgetary central government. All activities that currently occur within the budget are reflected in the fiscal report. Gradually the independent entities can be added to the coverage so that the reports cover all central government spending reflecting the impact of the government’s activities on the economy. Eventually the coverage can be extended to include the accounts of subnational government to cover the whole of the general government.

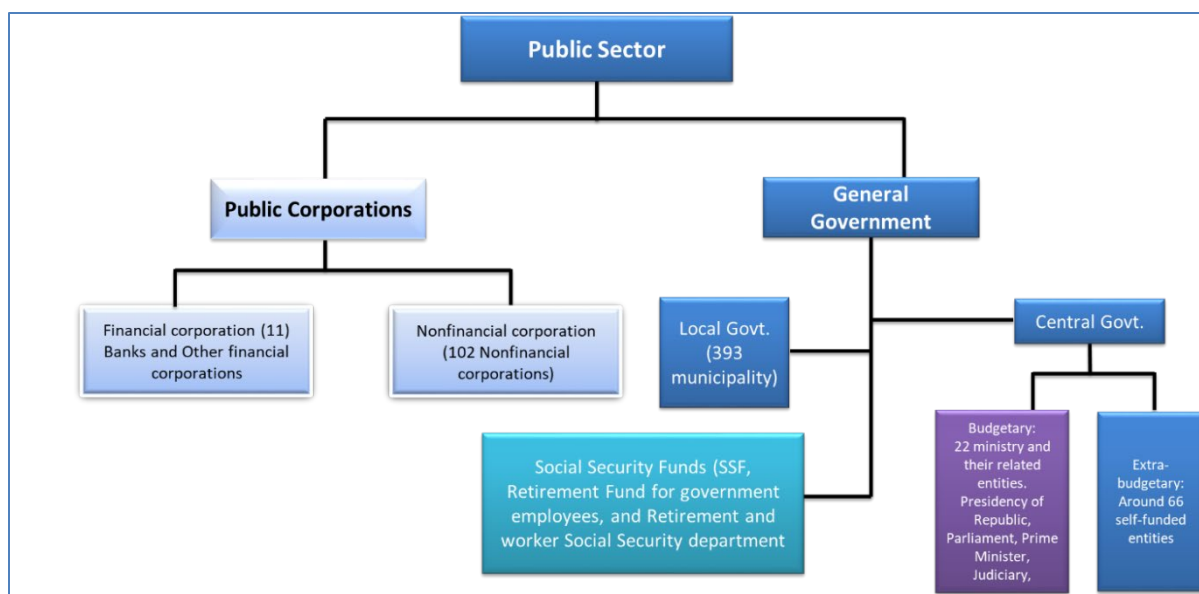
28. In Iraq, the general government sector comprises several institutional units. These are the central government (comprising the presidency of the republic, the parliament, the prime minister office, the judiciary, ministries, departments and agencies operating at a central government level), and local governments that comprise of many municipalities (around 393 distributed in 19 governorate), (such as Saladin, Babil, Al Anbar, Kirkuk ...).

The central government of Iraq is divided into three sub-sectors:

- **Budgetary Central Government (BCG):** include entities such as, presidency of the republic, the parliament, the prime minister office, the judiciary, 22 ministries and entities included in the Iraqi annual budget.
- **Extrabudgetary Units (EBUs):** includes around 66 independent government's units that perform their functions with primarily the financial support of the BCG budget and from their own generated revenue. As there is not enough information about their nature and activities, the mission initially classified the list of self-funded entities that include 180 entities to their proper sector (EBUs, SSFs, Public financial and non-financial corporations) (Appendix V)
- **Social Security Fund:** The social security sub-sector comprises of the Social Security Fund which covers private and public employees and the Retirement Fund for government employees.

29. Iraq has about 113 public corporations comprised of financial and nonfinancial public corporations (Appendix V). These entities provide goods and services at economically significant prices, regulate the market to solely buy, hold, and sell goods and services at market prices, or regulate the financial sector. They also can incur large losses. For instance, large arrears incurred by energy companies for the supply of fuel for electricity doesn't feature in GFS. A thorough review of the list of public entities is needed to ensure they are properly classified as public corporations versus EBUs in line with the *GFSM 2014* guidelines. This review will represent a critical first step in a phased approach for expanding the coverage beyond the BCG.

Figure 2. The Composition of the Public Sector in the Republic of Iraq



Source: The mission team.

Recommended Actions:

- Review and update the Institutional Table for the Sectorization of the public sector entities.
- Expand the coverage of the GFS annual data to include the Extra-Budgetary Units (EBUs), and the Social Security Funds.

E. Officials Met During the Mission

Name	Institution
Ms. Taif Sami Mohammed/Undersecretary of the Ministry of Finance/DG of Budget Department	Ministry of Finance/Budget Department
Ms. Iktifaa Flaih Hassan	Ministry of Finance/Budget Department
Ms. Mayyasa Kadem Jandar	Ministry of Finance/Budget Department
Ms. Israa Walid Khalifa	Ministry of Finance/Budget Department
Ms. Afaq Najim Abdallah	Ministry of Finance/Budget Department
Mr. Zaid Moayyed Abdel Razzak	Ministry of Finance/Budget Department
Mr. Ali Hachem Rohaymeh	Ministry of Finance/Budget Department
Mr. Bassam Saeb Flayh	Ministry of Finance/Budget Department
Ms. Rana Jassim Hammoud	Ministry of Finance/Budget Department
Mr. Mostafa Jawhar	Ministry of Finance/Budget department
Ms. Leila Chelal Mosa	Ministry of Finance/Accounting Department
Ms. Ban Hussein Said	Ministry of Finance/Accounting Department

Ms. Zainab Jwad	Ministry of Finance/Accounting Department
Mr. Hani Hekmat Elias	Ministry of Finance/Accounting Department
Ms. Eftikhar Hussein Ali	Ministry of Finance/Accounting Department
Mr. Ali Abbas	Ministry of Finance/Budget Department
Ms. Roaa Wilaa Sobhi	Ministry of Finance/Debt Department
Mr. Yakzan Aqeel Hassan	Ministry of Finance/Debt Department
Ms. Awael Abdel Sattar	Ministry of Finance/Debt Department
Ms. Sawsan Jomaa Mohamad	Ministry of Finance/Accounting Department

Appendix I. The List of Excel Files Provided to the Authorities

The list of excel files provided to the authorities during the mission can be accessed on the following link:

https://intlmonetaryfund-my.sharepoint.com/:f/r/personal/naboukhaledyazbeck_imf_org/Documents/Iraq%20GFS%20Mission%20December%202021?csf=1&web=1&e=Zqt8TN

- I- The mapping of the Chart of Account (COA) based on the *GFSM 2014* Classification**
- II- The mapping of the functional classification compilation tool based on expenditure data for FY 2020**
- III- A bridge table between the administrative classification and the functional classification**

Appendix II. COFOG Table 7 of the IMF's Annual GFS Questionnaire (FY 2020)

TABLE 7 EXPENDITURE BY FUNCTIONS OF GOVERNMENT (COFOG)		In Million of IQD /Year 2020				Memorandum: Central Govt. (incl. SSF of central level)
		Central Government (excluding social security funds)				
		Budgetary	Extrabud getary	Consolidati on Column	Central Government	
7	EXPENDITURE [=2M]	70,425.2			70,425.2	
701	General public services	7,422.1			7,422.1	
7011	Executive and legislative organs, financial and fiscal affairs, external	1,874.0			1,874.0	
7012	Foreign economic aid					
7013	General services	176.6			176.6	
7014	Basic research					
7015	R & D General public services					
7016	General public services not elsewhere classified	543.6			543.6	
7017	Public debt transactions	2,085.1			2,085.1	
7018	Transfers of general character between levels of government	2,742.8			2,742.8	
702	Defense	8,961.4			8,961.4	
7021	Military defense	2,312.1			2,312.1	
7022	Civil defense					
7023	Foreign military aid					
7024	R & D Defense					
7025	Defense not elsewhere classified	6,649.2			6,649.2	
703	Public order and safety	13,618.5			13,618.5	
7031	Police services	9,900.9			9,900.9	
7032	Fire protection services	267.4			267.4	
7033	Law courts	483.3			483.3	
7034	Prisons	541.5			541.5	
7035	R & D Public order and safety					
7036	Public order and safety not elsewhere classified	2,425.4			2,425.4	
704	Economic affairs	7,977.4			7,977.4	
7041	General economic, commercial, and labor affairs	689.9			689.9	
7042	Agriculture, forestry, fishing, and hunting	697.4			697.4	
7043	Fuel and energy	3,782.7			3,782.7	
7044	Mining, manufacturing, and construction	1,811.5			1,811.5	
7045	Transport	908.8			908.8	
7046	Communication	15.1			15.1	
7047	Other industries	51.0			51.0	
7048	R & D Economic affairs	20.9			20.9	
7049	Economic affairs not elsewhere classified					
705	Environmental protection	309.6			309.6	
7051	Waste management	11.5			11.5	
7052	Waste water management	295.7			295.7	
7053	Pollution abatement	2.4			2.4	
7054	Protection of biodiversity and landscape					
7055	R & D Environmental protection					
7056	Environmental protection not elsewhere classified					

706	Housing and community amenities	438.3		438.3
7061	Housing development	167.6		167.6
7062	Community development	2.9		2.9
7063	Water supply	244.2		244.2
7064	Street lighting			
7065	R & D Housing and community amenities			
7066	Housing and community amenities not elsewhere classified	23.6		23.6
707	Health	4,834.1		4,834.1
7071	Medical products, appliances, and equipment			
7072	Outpatient services	0.0		0.0
7073	Hospital services	152.0		152.0
7074	Public health services	8.4		8.4
7075	R & D Health			
7076	Health not elsewhere classified	4,673.6		4,673.6
708	Recreation, culture and religion	1,120.7		1,120.7
7081	Recreational and sporting services	159.5		159.5
7082	Cultural services	103.9		103.9
7083	Broadcasting and publishing services	109.0		109.0
7084	Religious and other community services	748.3		748.3
7085	R & D Recreation, culture, and religion			
7086	Recreation, culture, and religion not elsewhere classified			
709	Education	10,126.6		10,126.6
7091	Pre-primary and primary education	144.1		144.1
7092	Secondary education	51.7		51.7
7093	Postsecondary nontertiary education	53.4		53.4
7094	Tertiary education	2,240.3		2,240.3
7095	Education not definable by level	0.9		0.9
7096	Subsidiary services to education	0.0		0.0
7097	R & D Education	39.0		39.0
7098	Education not elsewhere classified	7,597.2		7,597.2
710	Social protection	15,616.6		15,616.6
7101	Sickness and disability	241.7		241.7
7102	Old age	12,628.8		12,628.8
7103	Survivors	53.5		53.5
7104	Family and children	2,530.5		2,530.5
7105	Unemployment			
7106	Housing			
7107	Social exclusion not elsewhere classified	144.1		144.1
7108	R & D Social protection			
7109	Social protection not elsewhere classified	18.1		18.1

Appendix III. Public Sector Debt Data for Budgetary Central Government for FY 2019/2020

In billion IQD

	2019	2020Q1	2020Q2	2020Q3	2020Q4
Domestic Debt	40,410.1	39,893.3	40,697.3	54,024.8	65,494.9
T-bills to finance deficit (legal provisions)	3,324.3	3,324.4	3,324.4	3,324.4	3,324.3
T-bills to finance deficit (held by Banks and oil companies)	6,530.5	6,530.5	1,771.2	503.5	503.5
T-bills to finance deficit (discounted by CBI)	14,125.0	14,125.0	18,884.3	28,452.0	40,452.0
Loans	12,528.8	12,028.8	13,028.8	18,046.3	18,046.3
Old debt to CBI	1,755.5	1,755.5	1,555.5	1,555.5	1,555.5
Contractor Bonds	2,146.0	2,129.1	2,133.1	2,143.1	1,613.3
Eternal Debt	31,053.2	30,028.5	30,032.1	28,685.7	28,454.6
Debt securities	5,616.7	5,616.7	5,616.7	5,410.6	5,410.6
Paris Club/Non- Paris Club Loans	7,274.5	6,825.4	6,824.7	6,406.0	6,406.0
Loans	18,162.0	17,586.4	17,590.7	16,869.1	16,638.0
Total Gross Debt	71,463.2	69,921.7	70,729.4	82,710.5	93,949.5
<i>Memorandum Item</i>					
<i>Exchange rate IQD/USD</i>	1182	1182	1182	1182	1182
Interest Payment					
Domestic Debt	1,343.94	489.82	28.65	46.10	509.41
External Debt	1,100.29	451.53	76.04	431.04	49.88

Appendix IV. List of Public Entities – Preliminary Classification

Ministry no.	Entity	Classification
3	Department of Shiite Holy Sites	Independent entity
3	High Commission for Hajj and Umrah	Independent entity
5	Iraqi Fund for External Development	Independent entity
5	Insurance Bureau	Independent entity
9	Department of People's Medical Clinics	Independent entity
12	Open Education College	Independent entity
14	Export Support Fund Committee	Independent entity
15	General House of Cultural Affairs	Independent entity
15	Department of Plastic Arts	Independent entity
15	Department of Cinema and Theatre	Independent entity
15	Tourism Authority	Independent entity
18	Building Research Center	Independent entity
18	Housing Fund Department	Independent entity
18	General Directorate of Water	Independent entity
18	General Directorate of Sewage	Independent entity
18	Municipal institutions	Independent entity
21	Guest House	Independent entity
43	Mayorality of Baghdad	Independent entity
43	Iraqi Media Network	Independent entity
43	Communications and Media Commission	Independent entity
43	Baghdad Sewage Department	Independent entity
43	Baghdad Water Department	Independent entity
47	Directorate of Water, Basra Governorate	Independent entity
47	Directorate of Sewage, Basra Governorate	Independent entity
47	Municipal institutions, Basra Governorate	Independent entity
48	Directorate of Water, Nineveh Governorate	Independent entity
48	Directorate of Sewage, Nineveh Governorate	Independent entity
48	Municipal institutions, Nineveh Governorate	Independent entity
49	Directorate of Water, Baghdad Governorate	Independent entity
49	Directorate of Sewage, Baghdad Governorate	Independent entity
49	Municipal institutions, Baghdad Governorate	Independent entity
50	Directorate of Water, Dhi Qar Governorate	Independent entity
50	Directorate of Sewage, Dhi Qar Governorate	Independent entity
50	Municipal institutions, Dhi Qar Governorate	Independent entity
51	Directorate of Water, Diyala Governorate	Independent entity
51	Directorate of Sewage, Diyala Governorate	Independent entity
51	Municipal institutions, Diyala Governorate	Independent entity
52	Autonomously-funded local administration, Babil Governorate	Independent entity
52	Directorate of Water, Babil Governorate	Independent entity
52	Directorate of Sewage, Babil Governorate	Independent entity
52	Municipal institutions, Babil Governorate	Independent entity

53	Directorate of Water, Anbar Governorate	Independent entity
53	Directorate of Sewage, Anbar Governorate	Independent entity
53	Municipal institutions, Anbar Governorate	Independent entity
54	Directorate of Water, Maysan Governorate	Independent entity
54	Directorate of Sewage, Maysan Governorate	Independent entity
54	Municipal institutions, Maysan Governorate	Independent entity
55	Autonomously-funded local administration, Wasit Governorate	Independent entity
55	Directorate of Water, Wasit Governorate	Independent entity
55	Directorate of Sewage, Wasit Governorate	Independent entity
55	Municipal institutions, Wasit Governorate	Independent entity
57	Directorate of Water, Najaf Governorate	Independent entity
57	Directorate of Sewage, Najaf Governorate	Independent entity
57	Municipal institutions, Najaf Governorate	Independent entity
58	Directorate of Water, Diwaniyah Governorate	Independent entity
58	Directorate of Sewage, Diwaniyah Governorate	Independent entity
58	Municipal institutions, Diwaniyah Governorate	Independent entity
59	Directorate of Water, Muthanna Governorate	Independent entity
59	Directorate of Sewage, Muthanna Governorate	Independent entity
59	Municipal institutions, Muthanna Governorate	Independent entity
60	Directorate of Water, Karbala Governorate	Independent entity
60	Directorate of Sewage, Karbala Governorate	Independent entity
60	Municipal institutions, Karbala Governorate	Independent entity
61	Directorate of Water, Saladin Governorate	Independent entity
61	Directorate of Sewage, Saladin Governorate	Independent entity
61	Municipal institutions, Saladin Governorate	Independent entity
5	General Authority for Free Zones	Non-financial public corporation
9	General Corporation for the Marketing of Medicines and Medical Supplies	Non-financial public corporation
12	Nahrain General Corporation for Printing and Production of Educational Supplies	Non-financial public corporation
14	General Construction Materials Trading Corporation	Non-financial public corporation
14	General Foodstuff Trading Corporation	Non-financial public corporation
14	General Central Markets Corporation	Non-financial public corporation
14	General Grain Trading Corporation	Non-financial public corporation
14	General Automobile and Machinery Trading Corporation	Non-financial public corporation
14	General Grain Processing Corporation	Non-financial public corporation
14	State Corporation for Iraqi Fairs and Commercial Services	Non-financial public corporation

15	General Corporation for Habbaniya Tourist City	Non-financial public corporation
16	State Corporation for Land Transportation	Non-financial public corporation
16	General Corporation for Implementation of Transport Projects	Non-financial public corporation
16	General Corporation for Passenger and Group Transport	Non-financial public corporation
16	State Corporation for Marine Transportation	Non-financial public corporation
16	General Corporation for Ports of Iraq	Non-financial public corporation
16	General Corporation for Iraqi Railways	Non-financial public corporation
16	General Corporation for Iraqi Airlines	Non-financial public corporation
16	General Corporation for the Management of Private Transport	Non-financial public corporation
16	General Corporation for Air Navigation Services	Non-financial public corporation
18	Farouq General Corporation for Construction Contracting	Non-financial public corporation
18	Mansour General Corporation for Construction Contracting	Non-financial public corporation
18	Rashid General Corporation for Construction Contracting	Non-financial public corporation
18	Mutasim General Corporation for Construction Contracting	Non-financial public corporation
18	Hammurabi Construction Corporation	Non-financial public corporation
18	Ashour General Corporation for Engineering Contracting	Non-financial public corporation
18	Fao General Engineering Corporation	Non-financial public corporation
18	Saad General Corporation	Non-financial public corporation
19	Mesopotamia State Corporation for Seeds	Non-financial public corporation
19	General Agricultural Equipment Corporation	Non-financial public corporation
20	Rafidain General Dam Implementation Corporation	Non-financial public corporation
20	Fao General Corporation for Implementation of Irrigation Projects	Non-financial public corporation
20	Iraqi General Corporation for the Implementation of Irrigation Projects	Non-financial public corporation
21	Midland Refineries Corporation (public corporation)	Non-financial public corporation

21	Iraq North Refineries Corporation (public corporation)	Non-financial public corporation
21	North Gas Corporation (public corporation)	Non-financial public corporation
21	South Refineries Corporation (public corporation)	Non-financial public corporation
21	Oil Pipelines Corporation (public corporation)	Non-financial public corporation
21	Gas Filling Corporation (public corporation)	Non-financial public corporation
21	General Corporation for Heavy Engineering Equipment	Non-financial public corporation
21	Oil Projects Corporation (public corporation)	Non-financial public corporation
21	Oil Products Distribution Corporation (public corporation)	Non-financial public corporation
21	Iraqi Drilling Corporation (public corporation)	Non-financial public corporation
21	Basra Oil Corporation (public corporation)	Non-financial public corporation
21	Midland Oil Corporation (public corporation)	Non-financial public corporation
21	State Oil Marketing Organization (SOMO)	Non-financial public corporation
21	North Oil Corporation (public corporation)	Non-financial public corporation
21	Oil Exploration Corporation	Non-financial public corporation
21	Iraqi Oil Tankers Corporation (public corporation)	Non-financial public corporation
21	South Gas Corporation (public corporation)	Non-financial public corporation
21	Maysan Oil Corporation (public corporation)	Non-financial public corporation
21	Dhi Qar Oil Corporation (public corporation)	Non-financial public corporation
23	General Iron and Steel Corporation	Non-financial public corporation
23	General Corporation for Engineering Support	Non-financial public corporation
23	General Phosphates Corporation	Non-financial public corporation
23	Faris General Corporation	Non-financial public corporation
23	State Fertilizer Corporation (southern region)	Non-financial public corporation
23	Bin Majid General Corporation	Non-financial public corporation

23	General Corporation for Construction Industries	Non-financial public corporation
23	General Corporation for Project Design and Implementation	Non-financial public corporation
23	General Directorate for Industrial Development	Non-financial public corporation
23	Zawra General Corporation	Non-financial public corporation
23	State Fertilizer Corporation (northern region)	Non-financial public corporation
23	State Corporation for Mining	Non-financial public corporation
23	Aur General Corporation	Non-financial public corporation
23	General Petrochemical Industries Corporation	Non-financial public corporation
23	Mishraq State Sulphur Corporation	Non-financial public corporation
23	General Corporation for Engineering Inspection and Rehabilitation	Non-financial public corporation
23	General Military Industries Corporation	Non-financial public corporation
23	General Corporation for the Manufacture of Medicines and Medical Supplies SDI	Non-financial public corporation
23	General Corporation for Copper and Mechanical Industries	Non-financial public corporation
23	General Corporation for Steel Industries	Non-financial public corporation
23	State Corporation for Automotive and Equipment Manufacture	Non-financial public corporation
23	State Corporation for Textiles and Leather	Non-financial public corporation
23	Furat State Corporation for Chemicals and Pesticides	Non-financial public corporation
23	General Corporation for Food Products	Non-financial public corporation
23	General Corporation for Electronic Systems	Non-financial public corporation
23	General Corporation for Communications Equipment and Power	Non-financial public corporation
23	General Corporation for Hydraulic Industries	Non-financial public corporation
23	State Corporation for Electrical and Electronic Industries	Non-financial public corporation
23	State Corporation for Glass and Ceramics	Non-financial public corporation

23	Diyala General Corporation	Non-financial public corporation
23	State Corporation for Rubber Industries and Tires	Non-financial public corporation
23	Iraqi Cement Corporation	Non-financial public corporation
29	General Corporation for the Production of Electrical Power (central region)	Non-financial public corporation
29	General Corporation for the Production of Electrical Power (northern region)	Non-financial public corporation
29	General Corporation for the Production of Electrical Power (middle Euphrates)	Non-financial public corporation
29	General Corporation for the Transmission of Electrical Power (southern region)	Non-financial public corporation
29	Southern Electricity Distribution Corporation	Non-financial public corporation
29	General Corporation for the Transmission of Electrical Power (central region)	Non-financial public corporation
29	Baghdad Electricity Distribution Corporation	Non-financial public corporation
29	General Corporation for the Transmission of Electrical Power (northern region)	Non-financial public corporation
29	Northern Electricity Distribution Corporation	Non-financial public corporation
29	General Corporation for the Inspection and Rehabilitation of Electronic Systems	Non-financial public corporation
29	General Corporation for the Transmission of Electrical Power (middle Euphrates)	Non-financial public corporation
29	Central Electricity Distribution Corporation	Non-financial public corporation
31	Salam General Corporation	Non-financial public corporation
31	General Telecommunications and Informatics Corporation	Non-financial public corporation
31	General Post and Savings Corporation	Non-financial public corporation
43	Central Bank of Iraq	Non-financial public corporation
43	Ibn Rushd General Corporation	Non-financial public corporation
5	Rafidain Bank (public corporation)	Financial public corporation
5	Agricultural Bank (public corporation)	Financial public corporation
5	Industrial Bank (public corporation)	Financial public corporation
5	Real Estate Bank (public corporation)	Financial public corporation
5	Rasheed Bank (public corporation)	Financial public corporation
5	Iraqi Insurance Corporation	Financial public corporation
5	National Insurance Corporation	Financial public corporation

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5	Iraqi Reinsurance Corporation	Financial public corporation
5	Iraqi Banking Services Corporation	Financial public corporation
5	Trade Bank of Iraq	Financial public corporation
5	Alnahrain Islamic Bank	Financial public corporation
8	Department of Employee Pensions and Social Security	Social Security Fund