



2024

Monitoring Report

**Monitoring the
implementation of
Federal budget for the
first and second halves
of the year 2023**

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Introduction

After the government's inability to present a Federal budget to the parliament in 2022 due to mostly political disputes, the Iraqi Parliament approved the Federal budget (2023-2025) after lengthy discussions. The most significant part of these parliamentary and popular discussions focused on three axes. The first axis was the size of the expenditure allocations, which amounted to about (150.7) Billion Dollars, the highest figure for spending since the establishment of the Iraqi state. The second axis focused on whether approving a budget for three years was the correct decision to support the government voted in October 2022 to exercise its full financial and administrative powers for most of its ministerial term, which would likely end in early 2026. The third axis of the discussions focused on the political gains that the blocs within the parliament would obtain from this budget. With the approval of the budget before the provincial council elections held on December 18 last year, the political blocs and parties under them were thinking a lot about the size of the gains and what spending trends would lead to achieving high public satisfaction to ensure participation and voting or re-voting for some personalities and blocs. Therefore, some expenditures were directed towards increasing the number of those covered by social welfare and approving the appointment of many holders of higher degrees and top graduates from universities, as well as appointing thousands of elements in various security forces. Contrary to expectations, the current Prime Minister and his movement (Al-Furatayn) did not participate in the provincial council elections, preferring to postpone his participation to the upcoming parliamentary elections after the appearance of some government achievements, the most important of which is the project to alleviate traffic congestion in Baghdad province and other projects included in its government program, which was allocated a total of about (985) Million Dollars.

Amid these discussions, the parliament approved the budget in June of 2023, with revenues estimated at about (101.5) Billion Dollars, representing oil revenues, the largest proportion of which is about (87%), based on an average price of (\$70) per barrel and an export rate of (3.5) million barrels per day, including (400) thousand barrels per day from the Kurdistan Region, at an exchange rate of (1300) dinars per Dollars. Non-oil revenues accounted for (13%) and varied between taxes, fees, the Treasury's share of public sector profits, transfer profits, and others. This was followed by a new phase of spending, the highest being about (150.7) Billion Dollars, with a planned deficit of about (48.5) Billion Dollars.

This report relies on data issued by the Federal Ministry of Finance and seeks to make a comparison between financial transactions in the first and second halves of the year 2023, enhancing accountability and monitoring of the state's financial transactions, especially public spending trends, after studying and monitoring spending between the first half of the year 2022 and the first half of the year 2023 in a previous report.

Furthermore, the continued monitoring of budget implementation by relevant organizations, researchers, and interested parties enhances public accountability for government financial actions, especially when this spending relates to the future of the country and its citizens, in addition to the enormity of this expenditure and its focus on services and trends that concern most of the population.

1- Actual Revenues

The structure of the Federal budget revenues in Iraq is divided into two parts: current revenues, which are the most important and represent the majority and capital revenues.

- **Current Revenues:** These include oil revenues, taxes, fees, the Treasury's share of public sector profits, transfer revenues, and others. The total of these revenues until June 30, 2023, amounted to (41) Billion Dollars, while during the period from July 1 to December 31, 2023, it amounted to (60.8) Billion Dollars.
- **Capital Revenues:** These are revenues generated from government investments such as loans and facilities granted by Iraq to international and local entities, government shares in some foreign companies, and others. They represent a small portion of revenues, totaling (22) Millions Dollars as of June 30, 2023, while during the period from July 1 to December 31, 2023, it amounted to (96.6) Millions Dollars.

Table (1) Actual Revenues for the First and Second Halves of the Year (Dollars)

Revenues	1/1 to 30/6/2023	1/7 to 31/12/2023	Total	Total Change Percentage%
Current Revenues	41,120,666,179	61,543,040,033	102,663,706,211	50
Capital Revenues	22,015,507	103,116,311	125,131,817	368
Total	41,142,681,686	61,646,156,343	102,788,838,029	50

The table above shows an increase in revenues during the second half of 2023 by (50%) compared to the first half. This is attributed to the rise in the average oil prices during the second half of 2023 compared to the first half. Additionally, there is a convergence between actual revenues and the estimated revenues in the budget, indicating the accuracy of the government's decision in estimating the oil barrel price in the budget at (\$75) per barrel.

2- Actual Expenditures

Total actual expenditures until June 2023 amounted to approximately (36.2) Billion Dollars compared to (71.6) Billion Dollars at the end of December 2023, with an increase percentage of (98%) due to increased expenditures after the budget approval, particularly capital expenditures, debt service, and special programs. Expenditures are divided into two main types:

A. Expenditures in the current budget: A. Actual expenses for the budget until June 2023 amounted to approximately (31.6) Billion Dollars compared to (58) Billion Dollars in the second half of 2023, with an increase percentage of (83%). These expenses include the amounts spent by ministries and governorates on various expenditure categories, including employee compensation, service supplies, commodity supplies, asset maintenance, grants, subsidies, benefits, other expenses, external commitments and contributions, social welfare, current capital expenditures, debt service, and special programs, are distributed as follows:

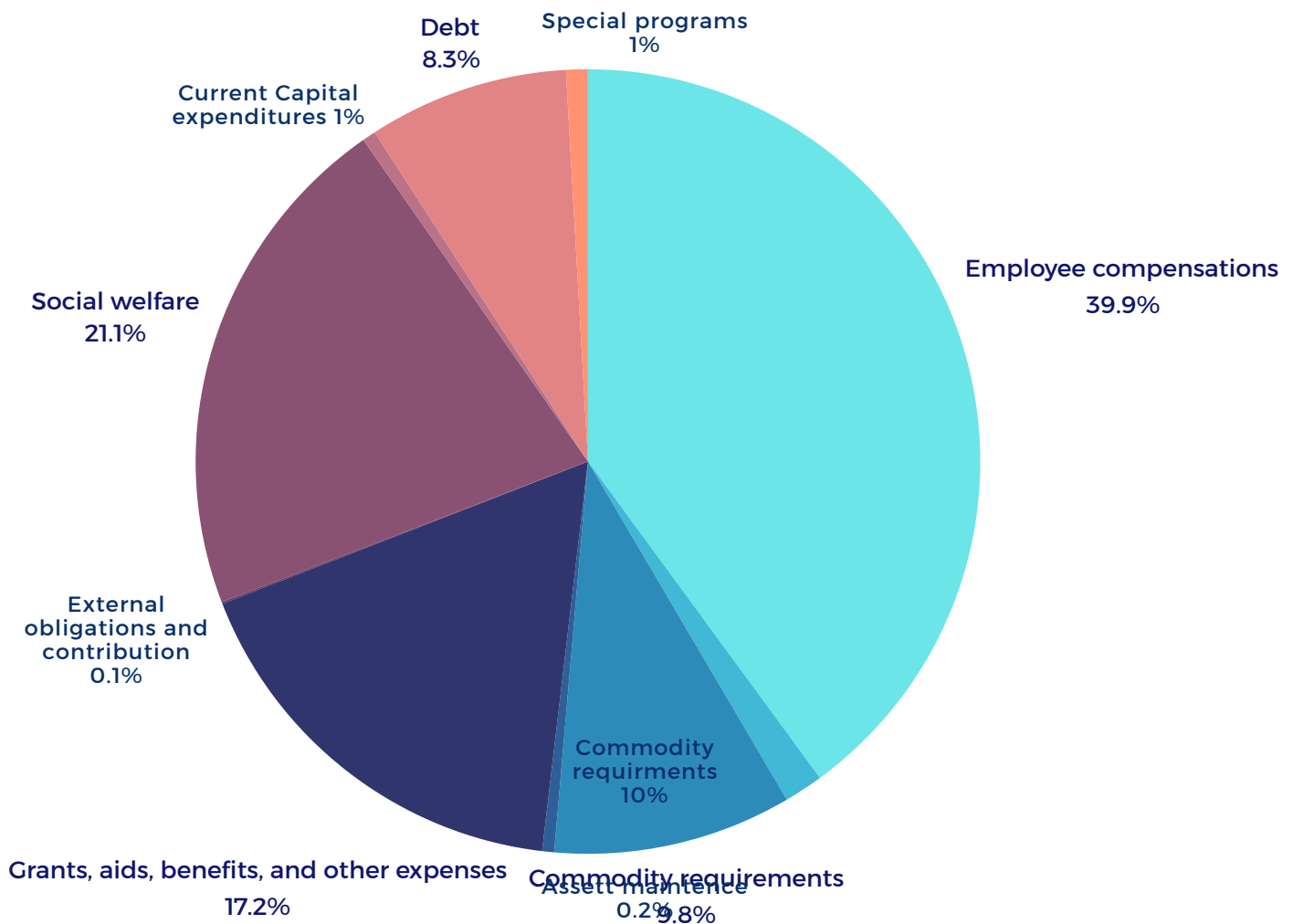
The table below reflects the impact of approving the Federal budget on the state's expenditures as a whole. Expenditures increased during the second half of 2023 in most budget categories at significant rates, except for social welfare allocations, which did not see a notable increase during the second half of the year. The most significant increases in expenditures were in current capital expenditures, which increased by 1060%, followed by commodity supplies by 918%, and special programs by 849%.

Table No. (2): Distribution of Actual Expenditures by Economic Classification of the Current Budget During the Year 2023 (Dollars)

Expenditures	First half	Second half	Total for the year	The change percentage
Employee Compensation	16,363,937,081	19,406,335,285	35,770,272,366	19
Service Supplies	173,722,901	1,265,364,032	1,439,086,933	628
Commodity Supplies	788,181,978	8,022,581,422	8,810,763,400	918
Asset Maintenance	88,561,028	352,727,883	441,288,911	298
Grants, Subsidies, Benefits, and Other Expenses	2,398,028,559	13,033,660,696	15,431,689,254	444
External Commitments and Contributions	9,215,952	54,179,693	63,395,645	488
Social Welfare	9,185,660,270	9,744,926,185	18,930,586,455	6
Current Capital Expenditures	16,363,937,081	449,811,717	488,598,656	1060
Debt Service	2,518,176,220	4,880,395,674	7,398,571,894	94
Special Programs	76,635,256	726,972,931	803,608,187	849
Total	31,640,906,185	57,936,955,516	89,577,861,701	83

Employee compensation, the most relatively important expenditure category, increased by 19%, equivalent to (3) Billion Dollars, due to appointments in the public sector for holders of higher degrees and top graduates, contract regularization, wage increases, and other factors. This indicates an annual increase in employee compensation in the budget of about (5.3) Billion Dollars, which constitutes a governing expenditure that lacks flexibility and is difficult to reduce in the future in case of any financial fluctuations, unlike some expenditure categories that can be streamlined to fit the state's financial situation.

Figure (1): Distribution of State Expenditures by Economic Classification of the Current Budget During the Year 2023

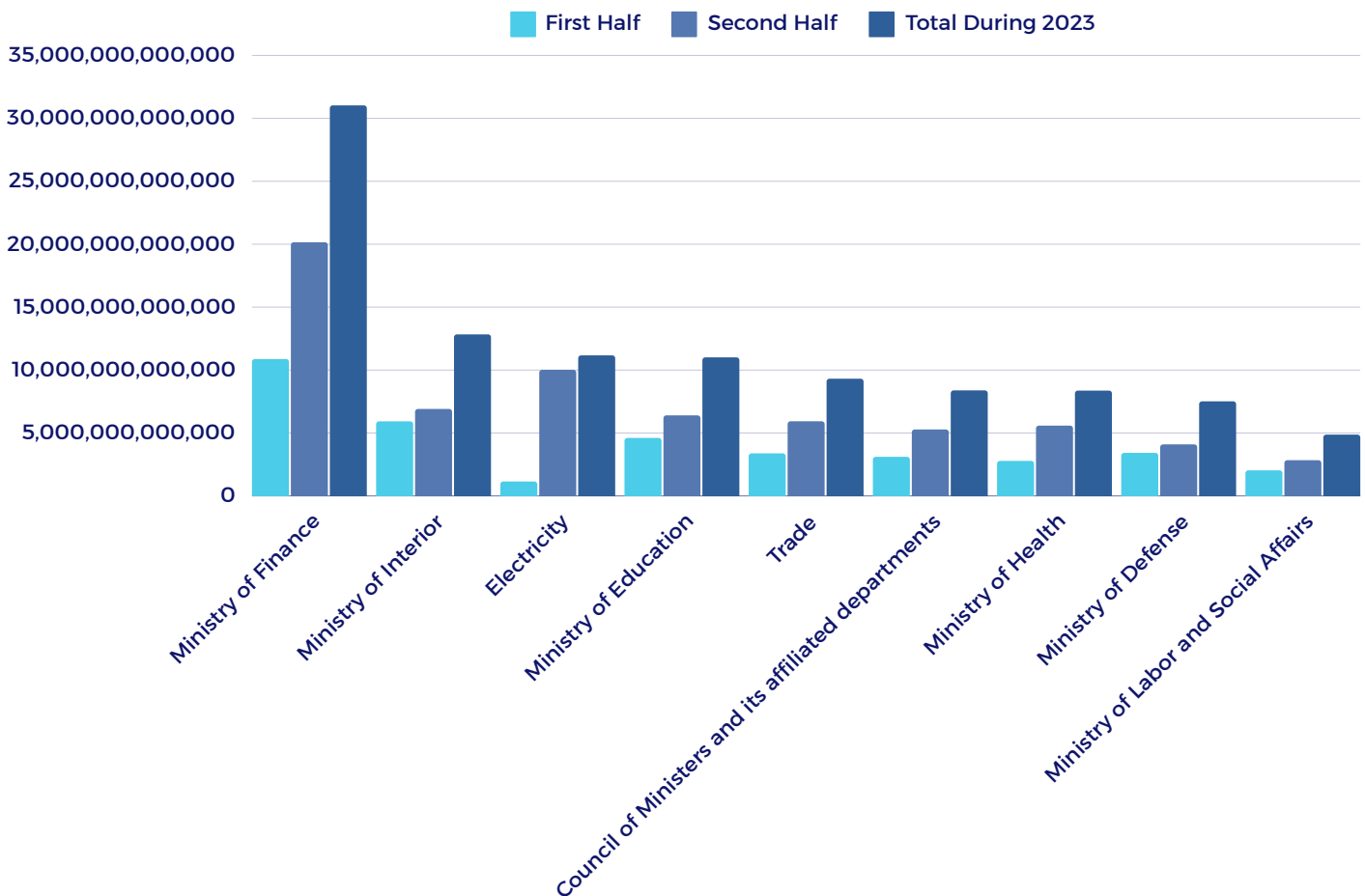


From the table and figure above, it is observed that employee salaries during 2023 accounted for (40%) of the actual expenditures, totaling approximately (35.6) Billion Dollars, followed by social welfare at (21%) with an amount of (18.9) Billion Dollars. Grants, subsidies, benefits, and other expenses accounted for (17%) with (15) Billion Dollars, while commodity supplies accounted for (10%) with (9.1) Billion Dollars. Debt (excluding interest) accounted for (8%) with an amount exceeding (7.6) Billion Dollars approximately.

Table (3): The Most Focused Ministries on Current Expenditures for the First and Second Halves of 2023. (Dollars)

ministries	First half	Second half	Total of 2023
Ministry of Finance	8,239,531,084	15,269,498,623	23,509,029,707
Ministry of Interior	4,488,257,563	5,235,885,331	9,724,142,894
Electricity Ministry	867,937,429	7,592,746,678	8,460,684,107
Ministry of Education	3,491,870,343	4,849,059,869	8,340,930,212
Ministry of Trade	2,562,828,943	4,492,889,714	7,055,718,657
Cabinet and its departments	2,352,868,201	4,000,361,422	6,353,229,623
Ministry of Health	2,108,155,374	4,231,419,967	6,339,575,341
Ministry of Defense	2,591,197,547	3,102,810,551	5,694,008,098
Ministry of Labor and Social Affairs	1,540,051,619	2,150,054,110	3,690,105,729

Figure (2): Ministries with the Highest Concentration of Current Expenditures for the First and Second Halves of 2023



From the table and figure above, it is observed that the Ministry of Finance had the highest expenditure during 2023, totaling approximately (23.5) Billion Dollars. This is due to increased spending on three main areas: social welfare, which includes pensions, grants, subsidies, and benefits, followed by the Ministry of Interior with a total expenditure of (9.7) Billion Dollars. The majority of this expenditure, around (8.3) Billion Dollars, was focused on employee compensation for salaries. The Ministry of Electricity and the Ministry of Education followed with total expenditures of (9.7) Billion Dollars each. It is worth noting that the Ministry of Electricity focused its spending on commodity supplies, including fuel for power stations. The Ministry of Trade had a total expenditure of (6.8) Billion Dollars, with approximately (4.5) Billion Dollars allocated to social welfare, particularly related to the food ration card program, and around (2.5) Billion Dollars allocated to grants, subsidies, and benefits.

The remaining ministries and entities, such as the Cabinet, the Ministry of Health, and the Ministry of Defense, mostly concentrated their expenses within the category of employee compensation (salaries), except for the Ministry of Labor and Social Affairs, which focused most of its expenses within the category of social welfare, particularly related to salaries for those covered by the social protection network.

B. Investment Budget Expenditure

Actual investment expenditures during the first half of 2023 amounted to approximately (4.5) Billion Dollars, compared to (13.6) Billion Dollars in the second half of the year, representing an increase of 201%.

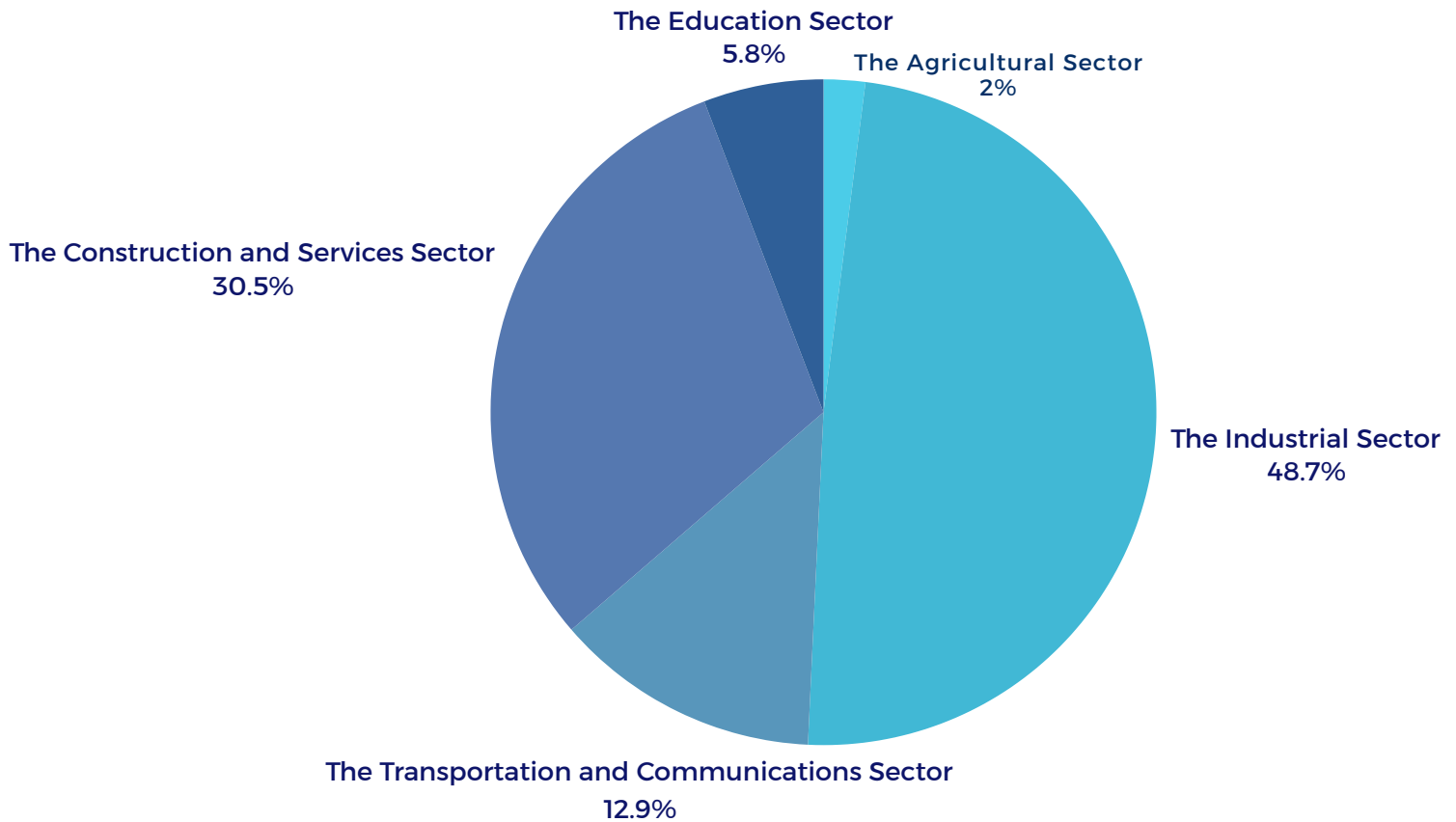
The reason for the increase in investment expenditure during the second half of 2023 compared to the first half is attributed to the initiation of investment projects outlined in the investment plan, as well as projects included in the government program, such as traffic congestion relief projects in Baghdad. Additionally, there was continued spending on ongoing investment projects from previous years.

Table (4): Investment Expenditure during the First and Second Half of 2023

First Half	Second Half	Total	Change percentage %
4,571,685,976	13,756,237,397	18,327,923,373	201

As for the sectors, the investment expenditure is distributed among five main sectors as shown in the following figure:

Figure (3): Distribution of Actual Expenditure by Economic Classification for the Investment Budget for the Year 2023



We notice from the figure above that the industrial sector is the most concentrated in investment expenditures during the year 2023, accounting for (49%) due to the increase in oil investment expenditure for the Ministry of Oil, which amounted to (8.3) Billion Dollars. The investment expenditure on the construction and services sector came in second in terms of expenditure volume at (30%) due to spending in this sector by the provinces, especially Basra Governorate, which spent more than (758) Million Dollars in this sector, in addition to the Ministry of Construction and Housing with approximately (567) Million Dollars. Following that is the transportation and communications sector at (13%) due to the increased expenditure in this sector by the Ministry of Transportation with an amount of (640) Million Dollars and the Ministry of Construction and Housing with (589) Million Dollars, followed by the education sector at (6%) where spending is concentrated in the Council of Ministers with an amount of (645) Million Dollars, which is expenditure related to the expenditure on the school construction project. The agricultural sector is the least spent at (2%).

C. Implementation Ratios

Implementation ratios represent the actual expenditures incurred by ministries and non-ministerial entities as a percentage of the total allocations allocated to these ministries and entities. They also reflect the extent of the various government institutions' ability and seriousness in implementing their annual financial plans approved within the general budget.

First, the implementation ratios in ministries and non-ministerial entities:

Table (5): Implementation of the current and investment budgets for ministries and non-ministerial entities for the first and second halves (dollar).

Ministry or Entity	Total Allocation for 2023 (dollar)	Expenditure in the First Half (dollar)	Expenditure in the Second Half (dollar)	Total Expenditure	Execution Rate	Change Rate
Parliament	627,449,270	202,982,644	238,027,702	441,010,345	70	17
Presidency of the Republic	75,942,169	19,566,242	34,947,666	54,513,908	72	79
Council of Ministers	8,898,724,612	3,301,576,945	5,121,591,642	8,423,168,586	95	55
Ministry of Foreign Affairs	634,331,952	58,015,902	93,359,830	151,375,732	24	61
Ministry of Finance	29,700,466,066	8,247,192,839	15,346,050,289	23,593,243,129	79	86
Ministry of Interior	10,520,824,213	4,491,144,845	5,463,590,860	9,954,735,705	95	22
Ministry of Labor and Social Affairs	4,561,055,488	1,540,051,620	2,150,054,109	3,690,105,729	81	40
Ministry of Health and Environment	7,502,407,767	2,193,951,030	4,297,016,370	6,490,967,400	87	96
Ministry of Defense	7,396,750,473	2,591,197,547	3,102,810,564	5,694,008,111	77	20
Ministry of Justice	757,648,831	257,376,220	392,532,023	649,908,243	86	53
Ministry of Education	9,012,396,708	3,548,743,617	4,897,312,466	8,446,056,083	94	38
Ministry of Youth and Sports	146,914,633	37,266,029	91,045,314	128,311,343	87	144
Ministry of Trade	5,482,564,921	2,563,150,546	4,492,890,330	7,056,040,877	129	75
Ministry of Culture	172,570,406	40,070,084	78,882,494	118,952,578	69	97
Ministry of Transportation	627,449,270	622,837,286	100,419,993	723,257,279	34	-84
Ministry of Reconstruction, Housing, and Municipalities	3,757,773,436	364,667,029	1,168,794,953	1,533,461,982	41	221
Ministry of Agriculture	1,468,280,235	52,615,305	1,078,374,887	1,130,990,192	77	1950
Ministry of Water Resources	789,860,817	397,433,035	247,007,856	644,440,891	82	-38
Ministry of Oil	17,641,864,399	551,905,531	9,266,295,508	9,818,201,039	56	1579
Ministry of Planning	5,583,981,572	21,335,766	42,048,651	63,384,417	1	97

Ministry or Entity	Total Allocation for 2023 (Thousands of Dinars)	Expenditure in the First Half (Thousands of Dinars)	Expenditure in the Second Half (Thousands of Dinars)	Total Expenditure	Execution Rate	Change Rate
Ministry of Industry and Minerals	849,065,219	363,727,395	375,581,481	739,308,876	87	3
Ministry of Higher Education and Scientific Research	627,449,270	202,982,644	1,264,170,303	2,126,292,129	89	47
Ministry of Electricity	11,743,012,057	1,020,444,510	7,873,089,389	8,893,533,898	76	672
Ministry of Communications	116,529,071	4,392,699	238,027,702	86,241,137	74	1763
Ministry of Environment	84,865,595	16,384,183	24,417,964	40,802,147	48	49
Ministry of Displacement and Migration	270,113,706	21,875,786	139,698,148	161,573,933	60	539
Kurdistan Regional Government	12,498,387,189	0	0	0	0	0
Local Councils in the Provinces	46,101,804	0	238,027,702	0	0	0
State Council	6,415,022	1,777,408	2,173,082	3,950,490	62	22
Supreme Judicial Council	541,580,566	153,652,030	189,212,746	342,864,777	63	23
Federal Supreme Court	11,480,265	1,779,611	5,907,711	7,687,323	67	232
Committee for Monitoring Import Allocations	3,401,649	158,273	1,378,211	1,536,484	45	771
Total	145,443,880,943	33,549,393,783	67,660,530,980	101,209,924,763	70	102

From the table above, we notice an increase in spending in the second half of 2023 compared to the first half, with a rate of 102%, except for the Ministries of Transportation and Water Resources, where spending decreased by 38% and 84% respectively. Meanwhile, there was a significant increase in spending rates, particularly in the Ministries of Agriculture, Oil, Communications, Electricity, and others. This indicates the impact of budget approval on expenditure across most ministries, especially in terms of investment budget and the release of service and commodity expenditures, as well as salary raises and bonuses for employees.

As for implementation, the overall budget execution rate reached 70%, with the highest execution and expenditure rate seen in the Ministry of Commerce at 129%, exceeding its allocated budget by 29%. This contravenes the Financial Administration Law No. 6 of 2019, attributed to the reallocation of some appropriations from previous years and their consolidation as Expenditures during the year 2023, followed by the Ministry of Commerce, the Council of Ministers, and the Ministry of Interior with execution rates of 94%, 95%, and 95% respectively. Meanwhile, the weakest-performing ministries in terms of execution were the Ministry of Planning at 1% followed by the Ministry of Transportation at 34%. Additionally, no expenditure was confirmed for the Kurdistan Region due to political disputes, with funds being transferred to the region in the form of loans rather than actual spending from the budget. Similarly, no expenditure was confirmed for the provincial councils during the year 2023 due to their failure to start their activities during the year.

Secondly, percentages of implementation in the provinces:

Table (6): Implementation of the current and investment budgets for the provinces for the first and second halves (dollar).

Province	Total Allocation for 2023 (Thousands of Dinars)	Expenditure in the First Half (Thousands of Dinars)	Expenditure in the Second Half (Thousands of Dinars)	Total Expenditure	Execution Rate	Change Rate
Basrah	1,627,821,042	609,899,623	742,763,772	1,352,663,395	83	22
Nineveh	457,632,211	281,467,840	479,302,917	760,770,757	166	70
Baghdad	544,806,563	203,080,924	304,996,832	508,077,756	93	50
Thi Qar	273,351,870	181,848,992	262,713,789	444,562,781	163	44
Diyala	217,190,941	102,978,559	286,539,973	389,518,532	179	178
Babil	362,577,258	86,595,102	204,317,690	290,912,792	80	136
Anbar	330,534,458	244,964,617	399,604,593	644,569,210	195	63
Maysan	319,155,273	94,743,637	239,648,408	334,392,045	105	153
Wasit	216,378,523	142,186,673	212,805,975	354,992,648	164	50
Najaf	165,021,424	126,262,030	226,856,417	353,118,446	214	80
Al-Diwaniyah	214,266,111	83,461,918	117,836,655	201,298,573	94	41
Muthanna	123,451,397	77,855,051	181,872,422	259,727,473	210	134
Karbala	148,387,449	190,705,973	201,556,990	392,262,963	264	6
Salah Al-Din	245,198,770	40,360,778	368,632,160	408,992,938	167	813
Total	5,245,773,292	2,466,411,717	4,229,448,593	6,695,860,310	128	71

From the table above, it's evident that most governorates exceeded their allocated budgets in 2023, which is contrary to Financial Administration Law No. (6) of 2019. This is attributed to the reallocation of some allocations from previous years. Karbala Governorate achieved the highest implementation rate at 264%, followed by Najaf Governorate at 214%, then Muthanna Governorate at 210%, and Anbar Governorate at 195%. The least implemented governorates were Babil at 80%, Basra at 83%, Baghdad at 93%, and Diwaniyah at 94%. Although these percentages aren't weak, the spending in these governorates didn't match that of others that exceeded their allocations.

Regarding the percentage change, spending increased in all governorates during the second half of the year compared to the first half. This is attributed to the allocation of budget funds and the initiation of investment projects in all governorates.

3-Deficit or Surplus:

A deficit occurs when public expenditures exceed state revenues, while a surplus occurs when state revenues exceed expenditures. In 2023, there was a deficit of 6.7 trillion dinars. This deficit resulted from a significant increase in spending during the second half of 2023 by 102% in ministries and 71% in governorates, compared to a revenue increase of only 50%.

Table (7) shows the actual revenues and expenditures for the first and second halves of 2023 (in dollar).

The actual revenues to 2023/12/31	The actual expenditures to 2023/12/31	Deficit or surplus
102,788,838,029	107,905,785,074	(5,116,947,045)

Conclusion:

The report highlights a significant increase in expenditure following the budget approval, with a rate of 102% in ministries and unaffiliated departments and 71% in governorates. However, there seems to be an exaggeration in allocating funds in the budget for some ministries and entities. Despite the high spending and exceeding some allocations, the implementation rate reached only 70%, and only (107.6) Billion Dollars out of the allocated (150.8) Billion Dollars were spent.

The state incurred a deficit of (5.1) Billion Dollars, which is subject to increase due to outstanding loans of (3.3) Billion Dollars at the end of the fiscal year, indicating an actual deficit of about (8.4) Billion Dollars, despite the revenue increase of 50% in the second half compared to the first half.

With this evident rise in expenditure, expected to increase further in 2024, serious and diligent monitoring by various oversight institutions, as well as civil society, is required. This is to pressure the government to pursue genuine reform steps in reconstruction, service provision, and to capitalize on the opportunity of stable oil prices to drive real development and accumulate capital away from consumptive spending. The aim is to transition towards a strong economy rather than the current oil-dependent economy, which mainly fuels economic activity.

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