



# 2024 Reflection Report Federal Budget (2023- 2023) and Its Reflection of the Government Program

# Federal Budget (2023-2023) and Its Reflection of the Government Program

## Introduction

The Federal Budget represents the annual estimates of revenues and expenditures. As the responsibility for preparing these estimates lies with the government, particularly the Ministry of Finance, it provides a clear projection of what the government intends to implement in the upcoming year. The preparation and approval of a three-year budget, often referred to as the "triennial budget," should align with the government's directives and the priorities set out in its government program. The budget, encompassing revenues and expenditures, serves as the key to realizing all of the government's objectives and priorities. If the budget is disrupted or does not align with the program, it signifies the government's failure to execute the projects and priorities it has set for itself. When preparing the budget, the government focuses on specific aspects and areas. This focus should align with the government program it aims to implement during its tenure. The government program includes numerous areas where the government seeks to make improvements. Some areas aim to introduce administrative and institutional reforms, such as digital transformation, while others are related to providing services to citizens and supporting various segments of society. Hence, monitoring the government's execution of the budget and the impact of its expenditures is a form of oversight, whether conducted by governmental or non-governmental institutions. It helps promote popular accountability by monitoring government adherence to its government program in terms of allocating funds and effectively addressing pressing needs.

## Challenges of Approving Federal Budget

The budget is the most crucial tool for a state's financial policy, revealing the government's spending priorities and the sectors it aims to develop. Therefore, the national budget reflects the government's priorities, offering an indicator of its commitment to implementing its governance program across various areas such as health, security and defense, economic development, environment, education, social care, job creation, and more. Monitoring budget execution serves as a form of governance over the government, whether by governmental or non-governmental institutions.

Despite its importance, annually passing the budget law in Iraq is a highly challenging task, facing various political disputes among blocs, as well as security, health, and procedural challenges. In 2014, the control of Daesh of large swath of Iraqi territories and, in 2020, the spread of the COVID-19 pandemic, coupled with the subsequent decline in global oil prices, resulted in financial crises.

During the budget approval process and its procedural steps, the budget undergoes numerous changes and discussions, often marked by politicized processes that aim to achieve political consensus and popular satisfaction, more than realizing the financial goals of the state. This is necessary in the Iraqi context to maintain political stability and counter waves of public discontent, as witnessed in October 2019.

The budget passes through two main stages: the preparation stage by the executive authority and the discussion and approval stage by the legislative authority, as illustrated in Figures (1) and (2) below:

Figure (1): Stages of Preparation of the General Budget in Iraq

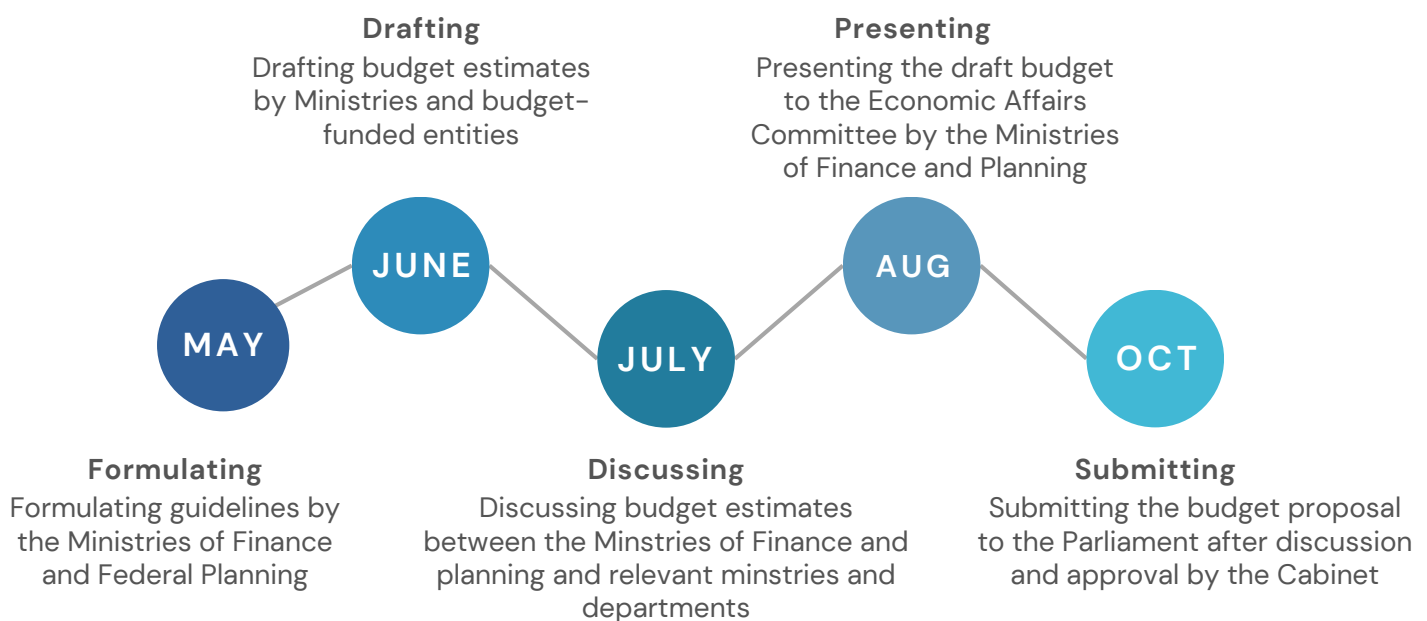
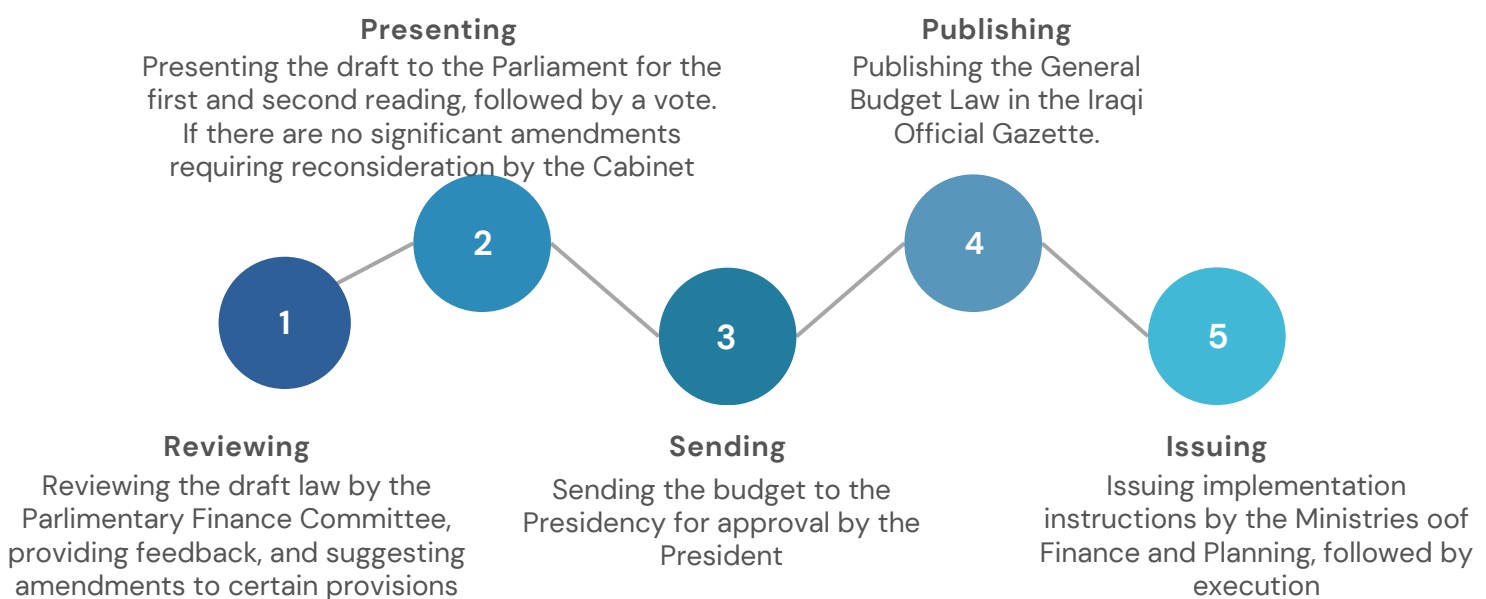


Figure (2): Stages of Approval of the General Budget in Iraq



## Part I: An Analysis of the 2023 - 2025 Federal Budget

### Revenues and Federal Expenditures (2008-2023)

Fiscal policy is one of the most influential factors in the Iraqi economy. It is expected that the fluctuations in the economy, revenues, and expenditures, along with the persistence of crises, will lead successive governments to take into consideration the risks associated with the decrease in revenues due to rising expenditures. The most significant challenge the government faces during these revenue decreases is how to finance its governing and sustainable expenditures through unstable revenues.

The consideration of how to finance these expenditures is followed by various administrative and financial fluctuations and international pressures, which may lead to surprising decisions affecting significant segments. For example, the exchange rate change at the end of 2020, while appearing to stimulate various economic sectors, was actually a financial engineering move to finance the accumulated budget deficit, including the costs of public salaries, retirees, social welfare beneficiaries, and energy imports.

The table below presents the changes in revenues and the resulting fluctuations in expenditures based on fluctuations in oil prices for the years 2008-2023:

Table (1) Changes in Revenues and Expenditures for the Years (2008-2023)

Year	General Revenues	Change in Revenues	General Expenditures	Change in Expenditures
2008	80,252	-	59,403	-
2009	55,209	-0.31	55,590	-0.06
2010	69,521	0.26	70,134	0.26
2011	99,999	0.44	78,758	0.12
2012	119,466	0.19	105,139	0.33
2013	113,767	-0.05	119,128	0.13
2014	105,387	-0.07	125,322	0.05
2015	66,470	-0.37	84,693	-0.32
2016	54,409	-0.18	67,067	-0.21
2017	77,336	0.42	75,490	0.13
2018	106,570	0.38	80,873	0.07
2019	107,567	0.01	111,723	0.38
2020	63,200	-0.41	76,082	-0.32
2021	109,081	0.73	102,850	0.35
2022	161,697	0.48	104,028	0.01
2023	134,552	-0.17	198,910	0.91

Source: Central Bank of Iraq - Statistical Website

The table above shows that Iraq's highest revenues were achieved in 2022, with an increase of 48% from 2021. However, in 2023, revenues decreased by 17% due to the exchange rate change from 1,450 to 1,300 Iraqi dinars per US dollar.

The table also illustrates the significant increase in estimated general expenditures for the year 2023, which rose to 151 Billion dollars, an increase of 91%. This marks the highest percentage increase during the years covered in this report and the highest estimated general expenditures in the financial history of Iraq.

## Federal Budget (2023 - 2025)

The federal budgets previously and still rely heavily on oil revenues, which accounted for approximately 87% of the total revenues, amounting to approximately 102 Billion dollars in the 2023 budget. This means that the direct execution of the budget is threatened by the decline in global oil prices. The estimates of the budget with this distortion in the revenue structure may imply an imprudent decision.

The Financial Administration Law No. 6 of 2019, which regulates the budget preparation process, stipulates that the Council of Ministers approves the draft budget and sends it to the Council of Representatives in October of the year preceding the budget year. However, as usual, the draft budget for 2023 was sent to the Council of Representatives after a delay of about 6 months, sent on 16/3/2023.

The 2023 budget came with the largest revenue and expenditure estimates in Iraq's history. General revenues were estimated at around 102 Billion dollar, while general expenditures were estimated at around 151 Billion dollar. The planned deficit was approximately 49 Billion dollar, as seen in the following chart.

Table (2) Overall view of the Federal Budget (2023 - 2025), (Billion dollars)

Revenue	Expenditure	Deficit
102	151	49

## Revenues

Revenue sources in the budget diversified between oil revenues, representing the majority at 87%, based on an average price of \$70 per barrel and an export rate of 3.5 million barrels per day, including 400,000 barrels per day from the Kurdistan region, at an exchange rate of 1,300 Iraqi dinars per US dollar. Non-oil revenues accounted for 13%, sourced from taxes, fees, the Treasury's share of public sector profits, conversion profits, and others, as seen in the following table.

Table (3) Categories of Non-Oil Revenues of the Federal Budget (2023 - 2025), (Billion dollar)

Category	Wealth Tax	Sales Tax	Fees	Public profits	Trans. Revenue	Other Revenue	Capital Revenue
Amount	4.8	2	1.4	2.5	0.66	1.6	0.06

The non-oil revenues in the federal general budget for the year are estimated at more than 17 trillion dinars, compared to over 116 trillion for oil revenues. However, the government continues to face challenges in efficiently collecting non-oil revenues, with a collection rate not exceeding 50% of the planned annual collection. This increases the burden of the projected deficit significantly, in addition to benefiting other entities.

Numerous reports indicate substantial waste in some non-oil revenues, with an estimated loss of more than three trillion dinars annually from tax evasion. The electricity sector, a major expense in the general budget, contributes to the budget's challenges. However, the recovery from these expenditures does not exceed 10% due to weak collection and billing practices, as well as the low selling price of electricity units.

The budget's share of profits from state-owned companies does not align with the number of state-owned companies, mainly because of the low activity of some companies and the losses incurred by others. The state incurs additional funds by covering some expenses of losing companies through annual grants from the budget.

## Expenditures

The total allocation for expenditures in the 2023 budget amounted to approximately 151 Billion dollar, distributed between the current and capital budgets. The current budget allocations were approximately 109 Billion dollar, representing 72% of the total budget, while the capital budget allocations were around 42 Billion dollar, representing 28% of the total budget.

The current budget includes both the operational budget, which covers employee salaries, commodity and service expenses, as well as expenditures on programs and debt obligations, as seen in the following table:

Table ( 4) Categories of Recurring Expenditure, Billion dollars

Operational expenditure	Special Programs	Debts
96.5	2.7	9.7



The 2023 budget introduced a new classification for capital expenditures, dividing them into three categories: current capital budget, investment capital budget, and government program investment capital budget, as seen in the following table.

Table (5) Categories of Capital Spending, Billion dollars

Current Investment	Capital Investment	Government Program's Investment
0.8	38.6	2.5

## Deficit

The deficit in the 2023 budget reached approximately 49 Billion dollar. Its financing sources varied, including a carryover surplus from 2022 of 17,4 billion dollars, a deduction from the Treasury at the Central Bank of 17.7 Billion dollar, and internal and external loans totaling 13.6 Billion dollar.

## Expenditure Categories

Expenditure categories in the budget are diversified into various classifications:

### 1- Expenditure by Major Accounts

#### A. Recurring Budget:

- **Operational Expenditures:** The total allocations for operational expenditures in the 2023 budget were approximately 100.8 Billion dollar. These expenditures are categorized into main expense items, including employee compensations, commodity and service supplies, maintenance of centrally funded public assets, grants, subsidies, interest on loans, and other expenses except for debts, obligations, contributions, external aid, and social care, as seen in the following table.

Table (6) Categories of Operational Budget, Billion dollars

Operational Categories	Employees' Salary	Services	Goods	Maintenance	Grants	Foreign obligations contribution	Social welfare
Allocations	44.8	3.7	9.3	0.9	18.5	0.4	18.7
Percentage of total operational budget	46	4	10	1	19	1	19

- **Debt Obligations:** Debt obligations, excluding interest, in the 2023 budget amounted to approximately 9.7 Billion dollars, including a special debt related to the Kurdistan region, which is paid from the general budget. Allocations for categorized debt obligations under the Ministry of Finance were approximately 9.4 Billion dollars.
- **Programs:** The program account in the 2023 budget had allocations of approximately 2.6 Billion dollars, divided into two categories: special programs with allocations of around 1.6 Billion dollars and the government program with an allocation of around 1 Billion dollars.

## B. Capital Expenditures

The total capital budget allocations in the 2023 budget were approximately 42 Billion dollars, categorized into three sub-budgets:

- Current Capital Budget (0.02%)
- Investment Capital Budget (91%)
- Government Program Investment Capital Budget (0.07%)

## 2-Expenditure by Economic Sectors

Expenditures in the budget are categorized by economic sectors, including security and defense, education, energy, healthcare, social services, and more. The energy sector had the highest allocation at 21%, followed by central and local government administrations at 17%, social services at 15%, and security and defense at 15%. The following table present a detailed breakdown and analysis of the most significant sectors and their allocations, the information above provides an overview of Iraq's 2023 budget and its expenditure categories.

Table (7) Allocations by Sectors in the 2023 Budget

Sector	Allocation	Percentage
Energy	7,195,713,967	17
Security & Defense	22,747,990,970	15
Education	11,624,259,419	8
Social Welfare	22,810,688,402	15
Health	7,195,713,967	5
Transportation & Communication	2,665,460,777	2
Agriculture	2,566,559,486	2
Industry	1,436,622,094	1
Housing & Construction	3,123,971,028	2
Youth & Culture	2,480,805,781	2
Federal and Local Administration	32,386,437,640	21
Foreign & Domestic Borrowing	15,086,307,814	10
Water, Sanitation, and Swage	503,235,878	0



## Allocation for the Kurdistan Region in the 2023 Budget

The allocation for the Kurdistan Region in the 2023 budget amounted to approximately 12,6 billion dollars, representing 12.7% of the total budget, after considering sovereign expenditures, governorate expenditures, regional development allocations, oil-producing province project allocations, and investments funded by domestic and foreign loans. It also includes allocations for regional development, the region's share of loan-funded projects, and the costs of crude oil transportation through the region, as detailed in the table below:

Table (8) Kurdistan Region Allocations in the 2023 Budget

Statement	Amount (dollars)
Total Expenditures	151,447,229,992
Deduct Sovereign Expenditures	44,161,806,839
Remaining	106,527,847,395
Deduct Governorate Expenditures	7,907,869,834
Remaining	98,619,977,561
Deduct Regional Development Allocations and Reconstruction of Provinces, including the Region	1,893,939,393
Remaining	96,726,038,167
Deduct Allocations for Oil-Producing Provincial Projects (Excluding the Region)	1,515,515,515
Remaining	95,210,886,652
Deduct Allocations for Projects Funded by Domestic and Foreign Loans, Including the Region	6,942,541,666
Remaining	88,268,344,985
Region's Share (12.7% of Remaining)	11,210,079,812
Add Region's Share of Regional Development	209,507,576
Add Region's Share of Projects Funded by Domestic and Foreign Loans	47,272,727
Add Costs of Crude Oil Transportation Sourced via the Region	1,082,003,787
Total Region's Share	12,548,863,903

## Highlights of Some Important Accounts in the 2023 Budget

Within the 2023 budget, certain critical accounts received significant allocations, which warrant closer examination. These important accounts include:

- **Support for Salaries of State-Owned Enterprises (SOEs):** The allocations for supporting public company salaries amounted to approximately 2.7 Billion dollars. This includes expenses related to salaries of employees in certain companies within ministries such as electricity, commerce, education, transportation, reconstruction, and housing. These companies do not generate profits to fund their expenses, and instead, they place an additional burden on the budget, which could have been allocated elsewhere.
- **Social Welfare:** The total allocations earmarked for social care amounted to nearly 19.7 Billion dollars. These expenses cover various areas, including non-funded retirement salaries, expenses for refugees, the ration card, social care salaries, salaries for disabled individuals, accumulated martyr's salaries, and salaries for the central treasury of the Ministry of Finance.

Table (9) Allocations of Social welfare categories in the 2023 Budget

Category	Amount
Pension	11,756,060,606
Migration relief	113,636,364
Ration Card	3,531,870,428
Social Welfare Stipend	3,573,744,673
Disabled salaries	556,240,864
Martyrs' Salaries	37,878,788
Finance Ministry - Main Headquarter	72,216,586

- **Debt and Interest Payments:** The total allocation for external and internal debt, including 303 Million dollars for the Kurdistan Region, was approximately 9.7 Billion dollars. This amount represents the installments that must be repaid. However, these allocations do not include the interest on this debt or the debt service, bringing the total expenditure to around 14.7 billion dollars.

Table (10) Allocations to debts in the 2023 Budget

Debts' Installments	Debts' Interests
9.7	5

- **Grants:** The total allocations earmarked for grants amounted to approximately 8.6 billion dollars. These expenses include the budgets of specific ministries and entities, such as the Abbasid, Hussainiyah, and Alawite shrines, the military shrine, and other revered religious sites. This category also encompasses various grants for sports clubs and contract salaries in different provinces, including Anbar, Basra, Nineveh, Kirkuk, and others. Furthermore, it includes transportation fees for the Gulf 25 channel, totaling around 3.8 billion dollars.
- **Sovereign Expenditures:** The total allocation for this expenditure was 7.9 billion dollars. These are expenses related to the ration card, medicines, wheat purchase support, energy imports, general population census, province council elections, and property dispute expenses. Governorate expenditures represent approximately 5% of the total expenditures.

Table (11) Allocations to Sovereign Expenditures categories in the 2023 Budget

Category	(billion dollars)
Ration Card	3,5
Contested Properties	0,37
Medicine	1,3
Marketing corps	1,9
Importing Energy	0,27
National Census	0,26
Provincial Elections	0,26

## Funds in the 2023 Budget

The 2023 budget included provisions for the continuation of existing funds and the establishment of new specialized funds related to specific areas or regions. Here are the mentioned funds:

- **Iraq Development Fund:** Article 45 of the 2023 budget stipulated the establishment of the Iraq Development Fund to improve the investment environment, promote sustainable economic and social development with a capital of 0.75 billion dollars. This fund is linked to the Council of Ministers, possesses legal, financial, and administrative independence, and it can create subsidiary funds. The structure and tasks of these subsidiary funds are regulated by a system issued by the Council of Ministers.
- **Dhi Qar Province Reconstruction Fund:** Article 46 of the 2023 budget mentioned the continued operation of the Dhi Qar Province Reconstruction Fund, established under the provisions of Article 47 of Federal Budget Law No. 23 of 2021.
- **Sinjar and Ninawa Plains Reconstruction Fund:** Article 49 of the 2023 budget indicated the establishment of the Sinjar and Ninawa Plains Reconstruction Fund with a capital of 37,9 million dollars. This fund is linked to the Council of Ministers, has legal, financial, and administrative independence, and its structure and tasks are regulated by a system issued by the Council of Ministers.
- **Fund for the Poorest Governorates:** Article 57 of the 2023 budget introduced the establishment of a fund named the Fund for the Poorest Governorates to improve services with a capital of 378,8 million dollars. This fund is linked to the Council of Ministers, enjoys legal, financial, and administrative independence, and its structure and tasks are regulated by a system issued by the Council of Ministers.
- **Reconstruction Fund for Areas Affected by Terrorist Operations:** Article 58 of the 2023 budget mentioned the continuation of the Reconstruction Fund for Areas Affected by Terrorist Operations, exercising its tasks according to its existing system. It's worth noting that this fund was established in accordance with Article 28 of the Federal Budget Law for 2015.
- **Internal Security Forces Development and Support Fund:** Article 59 of the 2023 budget introduced the establishment of a fund within the Ministry of Interior called the Internal Security Forces Development and Support Fund. This fund has legal, financial, and administrative independence and generates revenues from various sources, including a percentage of total service fees collected by the Directorate of Traffic, Civil Status, Passports, and Residence. Additionally, it includes a share of the profits from contracts made by the Police Martyrs and Police Disabled Fund, salaries deducted from all Ministry of Interior personnel, a portion of fees and fines collected from private security companies according to the Private Security Companies Law No. 52 of 2017. The tasks and structure of this fund, as well as its expenditure mechanisms, are regulated by a system issued by the Council of Ministers, upon the proposal of the Minister of Interior.

It's important to mention that the International Monetary Fund (IMF) expressed concerns regarding the establishment of new funds outside the budget framework in its statement issued on May 31, 2023, regarding Iraq. The IMF emphasized the need for caution in establishing new funds and recommended that all government expenditures should be within the budget framework. The IMF also strongly recommended full implementation of the Government Guarantees Management Framework, including obtaining prior parliamentary approval for the annual ceiling and the list of government guarantees as part of the budget law. Furthermore, there's a need to accelerate efforts aimed at establishing the Unified Treasury Single Account to enhance public financial management.

## Part II: Reflections of the Government Program in the Federal Budget (2023-2025)

To measure the seriousness of the government in implementing reforms and adopting the priorities outlined in the government program, it's crucial to examine how the government's program has influenced the State General Budget. Specifically, this analysis will focus on five priority areas: poverty, healthcare, unemployment, municipal services, and corruption.

### 1- Poverty

According to the Iraqi Ministry of Planning, the poverty rate was 25% in 2022 and decreased to 22% in the first quarter of 2023. The issue of poverty transformed from a social problem to a phenomenon, exacerbated by the spread of COVID-19, lockdowns, economic disruptions, and the collapse of oil prices. The government, led by Prime Minister Mohammed Shia Al-Sudani, has made reducing poverty a top priority in its government program.

Government Program Priorities	Reflection in the Budget
Improving the management and efficiency of the social protection network, increasing cash assistance, and expanding coverage to eligible families to address poverty.	The allocations for social care in the Ministry of Labor and Social Affairs budget were 4.2 billion dollars in 2021, while in the 2023 budget, it is allocated 4,2 billion dollars. Article 52 stipulates the disbursement of monthly financial grants to students and pupils from families covered by the social protection network.
Supporting the Social Development Fund within a joint project with the World Bank to adopt projects aimed at improving the conditions of the most impoverished areas.	\$70 million has been allocated to the Ministry of Planning (Social Development Fund project) through a loan from the World Bank.
Reforming and improving the ration card system and ensuring its accessibility to vulnerable groups within society.	The Ministry of Commerce is currently updating the data of those covered by social care. However, the philosophy of the ration card allows access to both vulnerable and non-vulnerable groups. The allocation for the ration card within the 2021 budget was 602 million dollar, while it was allocated 2.8 billion dollars in 2023, reflecting a 465% increase.
Caring for vulnerable groups and individuals with disabilities through special programs, especially widows and the elderly, including activities for their rehabilitation and empowerment to improve their conditions with dignity and respect.	There are no specific allocations or programs mentioned in the budget for these initiatives. It might be part of the budgets and programs of the Ministries of Labor and Social Affairs and Justice.
Immediate distribution of 500,000 housing plots to eligible beneficiaries as a first phase in newly established cities across all provinces and providing low-interest loans to citizens for building these housing plots.	No land plots have been distributed in the newly established cities. The budget law does not specify land distribution or financing for infrastructure services. Article 2, paragraph 6 grants authority to governors to contract with developers under the effective Investment Law to equip the land with all services and sell it to citizens for an unspecified amount. Regarding low-interest loans, the Central Bank, according to letter No. (H S/10/5113) dated 15/8/2023, increased the annual interest rate it collects from housing initiative loans to 2%. In addition, the Housing Bank imposes a 2% interest rate annually for its benefit, making the total interest 4%, excluding insurance fees paid monthly for the loan to the insurance company, meaning additional costs for borrowers.



The numbers and actions mentioned reflect the government's intention to combat poverty, especially concerning the ration card system and the development of services to improve the living conditions of the poor. However, there has been a decrease in social care allocations by approximately 76 million dollars. The Ministry of Labor and Social Affairs has not provided clear information on changes in the number of beneficiaries from one year to another, making it difficult to assess the impact of these allocations on the increase or decrease in beneficiaries.

To address poverty in Iraq, previous governments have adopted two poverty alleviation strategies: the first from 2014 to 2020 and the second from 2022 to 2018. The current government is in the process of formulating a third strategy. These strategies aim to increase the income of the poor, improve education, enhance healthcare services, provide housing, and social protection.

The poverty alleviation process in Iraq has faced various challenges, including security, economic, and health challenges. Security issues have forced many families to flee their homes, impacting economic activities and job opportunities. The security situation, particularly after the invasion by terrorist organizations in 2014 and subsequent drops in global oil prices, led to a financial crisis due to Iraq's heavy reliance on oil revenues.

As oil prices began to recover in 2017, the COVID-19 pandemic and subsequent global oil price collapses worsened the issue of poverty. The previous poverty alleviation strategies introduced several solutions and implementation mechanisms, but the overall challenges have made their impact less evident, and poverty rates have remained high.

Therefore, budget allocations only help “inheriting” poverty, as they help poor families to survive rather than escape the poverty trap. Therefore, poverty rates inflate with any financial crisis. Hence, it is necessary to revisit the philosophy of poverty alleviation and create an integrated support system for the poor, including social care, ration cards, and health insurance, which could reduce bureaucracy and corruption while improving service quality.

## **2- Health:**

The health sector is one of the most critical areas in Iraq, both in general and in the budget specifically. Government programs and electoral campaigns focus on healthcare because of the large number of beneficiaries who rely on various healthcare services. In 2021 alone, there were 5.9 million visits to government hospitals and healthcare institutions distributed across Iraq, including the Kurdistan Region.

The allocations for the health sector in the 2023 budget account for 5% of total expenditures, distributed between operational and investment budgets. These funds support various healthcare services in hospitals, healthcare centers, and the purchase of medicines. However, this spending does not adequately meet people's healthcare needs.

The World Health Organization states that Iraq spent only \$154 per capita on healthcare in 2015, compared to \$366 in Iran and \$257 in Jordan.

The government program has laid out health sector priorities to expand the coverage of healthcare services, enhance their quality, and address the following:

- 1.Improving health service quality.
- 2.Expanding healthcare coverage.
- 3.Strengthening the supply of healthcare centers.
- 4.Promoting health awareness and prevention.

These measures reflect the government's commitment to addressing healthcare challenges and improving the well-being of the population.

Government Program Priorities	Budget Reflection
Direct operation of completed large hospitals in several provinces	The total allocation for the Ministry of Health in the 2023 budget amounts to 7,5 billion dollars, including around 1,4 billion dollars for capital projects and special programs, while the remaining amount represents an operational budget for the salaries of approximately 489,000 employees. It also covers other commodity and service expenses necessary for operating hospitals and other healthcare institutions. In contrast, the ministry's allocations in 2021 were approximately 5,7 billion dollars, including about 536 million dollars for capital budgets and special programs. Total spending on medications in 2021 was 1 Billion USD and in 2023 become 1.3. Article 73 of the Federal Budget enshrined the construction of a specialized cancer and radiation hospital in Baghdad, financed by the Iraqi-Chinese agreement.
Support for specialized centers across Iraq	
Finalize ongoing projects and healthcare centers in all provinces and districts	
Expansion of primary and secondary healthcare services	
Implementation of the Health Insurance Law	The Health Insurance Law, Law No. 22 of 2020, was approved but came into effect at the beginning of 2023. The government has plans to expand its implementation, a matter not directly related to the budget, as health insurance is governed by a separate law.

The healthcare system in Iraq faces various challenges and issues, some of which are external to the system, while others are derived from it. Among the prominent challenges are:

- **Population Growth:** The population of Iraq has increased from 29.5 million in 2007 to over 43 million in 2023.
- **Increased Poverty:** There has been a significant increase in poverty rates, with the poverty rate reaching 25% in 2023. Poverty is multi-dimensional and affects various aspects of life.
- **Forced Displacement:** The forced displacement, particularly in provinces like Nineveh, Anbar, and Salah al-Din, due to the entry of terrorist organizations, has negatively impacted healthcare. Around 60% of the population in these areas lost their income, affecting their health negatively.
- **Disabilities:** There has been an increase in disabilities, with around 4% of the population affected, which has had a negative impact on health.
- **Infrastructure Decay:** The healthcare sector in Iraq has been affected by the deterioration of its infrastructure, given the reduced budget allocations for the sector.

Despite these substantial challenges, Iraq has opportunities to enhance its ability to provide sufficient healthcare. Some key areas for improvement include:

- **Full Implementation of the Health Insurance Law:** This includes activating the deduction of salaries from employees and senior ranks. This aspect has not been fully implemented as of the time of this report.
- **Increased Investment in Healthcare:** Iraq can enhance its healthcare sector by allocating domestic funding and seeking international aid to support hospitals through updating major medical equipment to better meet patient demands and increase capacity.
- **Investment in Training and Medical Education:** Iraq should implement investments in additional medical training and education to meet urgent and temporary needs. This can be achieved through partnerships with other countries and international governmental and non-governmental organizations.
- **Review of Current Health Awareness Campaigns:** A comprehensive review of existing health awareness campaigns is essential for public health.
- **Ensuring Fair Compensation for Healthcare Workers:** Iraq should provide fair compensation for healthcare workers in public hospitals.
- **Improved Accountability Mechanisms:** The full implementation of the Iraqi Patient Protection Law is crucial to ensure transparency, accountability, and compensation for patients and their families if they receive inadequate or inappropriate care leading to severe injury or death.
- **Comprehensive Ethics Training:** All healthcare professionals should undergo comprehensive ethics training.

Hence, the lack of sufficient allocation to the health sector, only 5% of the budget, mostly salaries and other recurring spending, does not match the prerequisite of developing this important sector.

### 3- Unemployment

In 2023, Iraq's population exceeds 43 million, with a reported unemployment rate of approximately 16.5%, equating to around 10.3 million people out of the total workforce. Unemployment has multiple causes, including the economic inactivity of some provinces due to the COVID-19 pandemic and the aftermath of liberating Iraqi territories from terrorist organizations. The employment of foreign labor, totaling around one million foreign workers, has contributed to increasing unemployment rates among Iraqis.

The government program of Prime Minister Al-Sudani, along with the state's general budget, aims to reduce unemployment rates through various measures related to stimulating economic sectors and providing job opportunities within the public sector, even though they may have negative impacts in the medium or long term.

Priorities of the Government Program	Reflection in the Budget
Inclusion of the Reconstruction and Development Fund for the Poorest Provinces in the 2023 budget	Article (55) of the 2023 budget mentions the establishment of the Reconstruction Fund for the Poorest Provinces with a capital of 379 million dollars (not yet operational).
Expanding the role of the private industrial sector, giving it the primary role, and providing financial support for advanced value-added industries to create employment opportunities and combat unemployment	1. Article (30/Second) specifies that all state institutions must purchase their requirements of local industry products in the public, private, and mixed sectors, provided that the manufacturing added value is not less than 30%. 2. Article (2/Second/B/5) states that ministries, governorates, and non-ministerial entities can open doors for investment and partnership with the private sector within their jurisdiction. A high committee shall be established for this purpose, preparing special instructions and granting exceptions from relevant laws issued by the Council of Ministers. 3. Article (65/Second) mentions that university councils can contract with the private sector for educational hospital construction, investment laboratories, scientific production factories, agricultural and animal investments serving undergraduate, postgraduate studies, and the community.
Creating job opportunities for young people in both the public and private sectors to address unemployment, promote small businesses, provide easy loans, and offer advice and expertise to ensure their success and operation.	1. The budget does not explicitly specify the means for providing job opportunities in the private sector. However, an increase in economic activity through investment and development projects will enhance employment prospects in the private sector. 2. The government did not create employment opportunities in the public sector, except for those related to graduates and top university students. However, the Parliament added new provisions to provide job opportunities in the public sector, as follows: Article (66) of the Budget Law introduces new job grades and contracts as exceptions to Article (14) of the law, including: a. New job grades totaling 7,027 job grades. b. New contracts totaling 201,150 contracts.

These measures and legal provisions, if implemented, have the potential to reduce unemployment rates in Iraq, considering that the number of unemployed individuals, according to the Ministry of Planning, reached 1.7 million out of the total workforce.

The issue of unemployment faces several challenges, some of which are shared with other issues, including:

1. **Rapid Population Growth:** Accelerated population growth is a major source of unemployment, as the current economic activity cannot provide sufficient job opportunities.
2. **Market Saturation Policy:** The practice of market saturation by neighboring countries, along with the resultant halt in labor-intensive industries, contributes to unemployment.
3. **Economic Identity Crisis:** The absence of a clear economic identity, influenced by factors such as revenue dependence and the prevailing security and political conditions, exacerbates the problem.
4. **Private Sector Weakness:** The private sector's weakness and capital flight due to security challenges and overall instability negatively impact employment prospects.
5. **Inability to Attract Foreign Investment:** The economic instability and the lack of confidence and transparency in Iraq's business environment reduce the country's ability to attract foreign investments.

Raising awareness about the risks of rapid population growth can help alleviate the increase in unemployment and job seekers. Additionally, stimulating the economy, particularly the private sector, and attracting foreign investments with a focus on labor-intensive projects can reduce and mitigate unemployment. Furthermore, adopting a mutually agreed-upon trade policy among neighboring countries to prevent market saturation can boost the domestic economy.

The government program has highlighted priorities to improve municipal services in various provinces. While the budget includes allocations for some of these priorities, it should be noted that it's challenging to provide a detailed breakdown of the amounts allocated to municipal services in each institution due to the distribution of responsibilities among various government bodies. Specifically:

- The budget allocated approximately 503 million dollars to the water, sewage, and sanitation sector.
- The construction and housing sector received around 3 billion dollars.

These allocations encompass more than just the direct expenses for municipal services; they also include administrative expenses for the institutions providing these services. The government program emphasizes addressing these priorities to enhance municipal services throughout the provinces

These measures and legal provisions, if implemented, have the potential to reduce unemployment rates in Iraq, considering that the number of unemployed individuals, according to the Ministry of Planning, reached 1.7 million out of the total workforce. The issue of unemployment faces several challenges, some of which are shared with other issues, including:

Government Program Priorities	Reflecting Priorities in the Budget
<p>Direct implementation of completing the seawater desalination project in Basra Province and electricity generation.</p>	<p>Paragraph (1) in the third axis/new loans refers to borrowing from foreign banks or international export guarantee institutions in the amount of \$3.4 billion, including \$3 billion for financing the water desalination project in Basra Province.</p>
<p>Completion of stalled projects (investment plan projects for ministries and governorates) with completion rates ranging from (70%) upwards, especially water, sanitation, hospital, and school projects.</p>	<p>1. Article (2/first/4) specifies allocating 1,9 billion dollars for the reconstruction and development of projects in all governorates, distributed based on the population, with the governor responsible for preparing the province's reconstruction plan, including districts and areas, while considering the most affected regions.</p>
<p>2. Many legal provisions highlight the continued financing of service projects for ministries, the Ministry of Construction and Housing through ongoing and new loans. These include borrowing \$120 million for the Ministry of Construction and Housing, borrowing €500 million from the German Development Bank for reconstruction projects in areas affected by terrorist operations, distributed among ministries according to their specialties. It also includes borrowing \$418 million from the World Bank, including \$100 million for the Ministry of Construction and Housing and General Municipalities. Additionally, 76 million dollars are allocated for Baghdad Municipality to implement service projects in addition to Karkh, among other project allocations.</p>	<p>Direct implementation of a plan to improve essential services for citizens in the health, municipal, water, and sanitation sectors.</p>

The government of PM Sudani prioritized municipal services and for the first time established a “Service and Engineering Team” that is linked to PM Sudani and directly implements projects in neglected areas. Sudani also assessed the “performance” of senior officials and fired many officials who failed to perform well, including from his political coalition (ex. Airport administration). While the pace and number of completed municipal services increased a lot, the gap is still huge and only a change of approach could mitigate it, such as having the private sector offer some of these services and obligating citizens to pay fees for these services.



## 4- Corruption

Suspensions of corruption are an inherent characteristic of the public budget process, being part of a more extensive corruption issue that has plagued successive governments in Iraq. This has led to several decisions aimed at combating corruption. In 2007, the Joint Council to Combat Corruption was established. In 2015, following anti-corruption protests and calls for holding wrongdoers accountable, the Joint Council was reconstituted as the Higher Council for Combating Corruption. Furthermore, in 2020, during the tenure of former Prime Minister Mustafa Al-Kadhimi, a committee known as the "Special Committee for Corruption and Important Cases," commonly referred to as the "Abu Raghif Committee," was established. On November 16, 2022, the current Prime Minister, Mohammed Shia' Al-Sudani, established the "Higher Anti-Corruption Authority" to support the efforts of the Federal Integrity Commission.

The government program of Mr. Al-Sudani includes measures across various ministries to combat corruption, but the budget does not explicitly contain the executive procedures reflecting this part of the government program. This is because this part does not have an independent financial allocation but rather is part of the work of state institutions. Nevertheless, the Budget Law included some provisions aimed at enhancing financial control. For example:

1. The Federal Financial Control Bureau's audit of settlements related to 5% of the crude oil revenues for the producing governorates.
2. The Federal Financial Control Bureau's submission of a quarterly report to the Council of Representatives, including the expenditure details from the emergency reserve, if any.
3. The Federal Financial Control Bureau's audit of financial obligations between the federal government and the Kurdistan Regional Government.
4. The Federal Financial Control Bureau, in coordination with the Financial Control Bureau in the Kurdistan Region, to audit the financial data for non-oil revenues.
5. The Federal Financial Control Bureau's audit of the clearance of government advances for previous years until December 31, 2023.

The fight against corruption in Iraq faces several challenges, including:

1. Weak state authority due to the influence of powerful entities within the country deeply rooted in state institutions, which makes combating corruption exceptionally challenging.
2. Inadequate electronic governance and reliance on traditional methods within government institutions, combined with corrupt officials within these institutions, contribute to corruption, bribery, and extortion.
3. Lagging supportive sectoral systems, such as outdated banking systems and lack of financial transparency, contribute to corruption and unjust enrichment at the state's expense.
4. Shortage of competent human resources capable of detecting cases of corruption and fraud. Effective anti-corruption efforts require skilled personnel.

The establishment of a supervisory entity with the authority of the Prime Minister's office is vital for effective anti-corruption measures. Accelerating the adoption of electronic systems and training employees in oversight institutions are also crucial to combating corruption.

In conclusion, budgetary allocations are a significant part of anti-corruption efforts, but efficient spending on projects and services designated for this purpose is equally important. Past budgets saw a considerable portion of these allocations going unutilized due to various challenges. Iraq's progress in tackling corruption necessitates a comprehensive approach involving budget commitments and effective implementation.

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## Contact

Platform Center for Sustainable  
Development  
929, 25, 10 Karada, Baghdad, Iraq  
+9647731551117

[www.psdiraq.org](http://www.psdiraq.org)  
[info@psdiraq.org](mailto:info@psdiraq.org)  
[@psdiraq](https://www.instagram.com/psdiraq)