



2024

Monitoring Report

**Budget Execution
Monitoring First Half of
2022 Compared to the
First Half of 2023**

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Introduction

The Federal budget reflects the government's priorities and indicates the extent of the government's commitment to implementing its governmental program, especially in areas such as health, security and defense, economic development, environment, education, social care, job creation, and more. Hence, Monitoring budget execution is a form of oversight by governmental or non-governmental institutions.

The general budget is divided into two main sections: expected revenues and expenditures. The difference between them is called the deficit or surplus. Typically, expected expenditures are higher than expected revenues, resulting in a planned deficit that the government seeks to finance to cover all its expenses.

In Iraq, legislation for the budget law faces several challenges, some of which are political, related to political disputes among parliamentary blocs, while others are due to security and health crises, as witnessed in 2014 when terrorist organizations, namely Daesh, entered Iraqi territories, and also in 2020 with the spread of the COVID-19 pandemic and the subsequent drop in global oil prices, which account for approximately 90% of Iraq's total revenues. This led to the failure to pass the budget law in both of these years.

Although the Financial Management Law regulates the timing for preparing, discussing, and passing the budget law before the end of the fiscal year, it is common for it to be delayed. For example, the government submitted the draft budget for 2023 on March 16, 2023, while according to the law, it should have been submitted in October 2022. The Parliament approved the budget law on June 11, 2023, while it should have been passed before the end of the fiscal year on December 31, 2022.

Article (13-First) of the Financial Management Law states that in case of a budget law delay, expenditures will be allocated at a rate of 1/12 of the previous fiscal year. Therefore, the government's financial transactions when the budget is delayed or not approved are legally governed by this law.

This report relies on data from the Federal Ministry of Finance and aims to make a comparison between financial transactions in the first half of 2022 and the first half of 2023 in order to enhance accountability and monitoring the government's financial actions, especially its public spending trends.

Monitoring budget execution by relevant organizations, researchers, and interested parties promotes public accountability for the government's financial actions. This pushes the government to think strategically when allocating resources to various sectors and to address critical and urgent issues such as poverty, healthcare, improving municipal services, and more.

1. Actual Revenues:

The structure of the general budget's revenues in Iraq is divided into two parts: recurring expenditure and capital expenditure.

- **Current Revenues:** These include oil revenues, taxes, fees, the treasury's share of public sector profits, transfer revenues, and more. The total of these revenues reached approximately IQD 54.2 trillion (USD 41 billion) until June 30, 2023.
- **Capital Revenues:** These are revenues generated from government investments, such as loans and facilities provided by Iraq to international and local entities, government stakes in some foreign companies, and others. These revenues represent a small portion of total revenues, reaching only IQD 29 billion (USD 22 million) as of June 30, 2023.

Table (1): Actual Revenues for the Periods January 1 to June 30, 2022, and January 1 to June 30, 2023 (Dollar)

Revenue	2022	2023	Change
Current	57275313811	41120666179	- %28
Capital	27208160.61	22015506.82	- %19
Total	57302521972	41142681686	- %28

The table above shows a decrease in revenues during 2023 by 28%, compared to 2022. This is attributed to two reasons: first, a decrease in the average oil prices, which were \$94.5 per barrel in 2022 compared to \$77.8 per barrel in 2023. Second, the Iraqi government adjusted the exchange rate of the Iraqi Dinar in February 2023, changing it from 1,450 dinars per US dollar to 1,300 dinars per US dollar, resulting in a decrease in revenues in Iraqi dinars.

12. Actual Expenditure:

The total actual expenditures until June 2023 amounted to approximately 36.2 Billion dollar, compared to 37.2 Billion dollar in June 2022, representing a 3% decrease. Expenditures can be categorized into two main types:

- **Expenditures in the Current Budget:** The actual expenditures of the current budget until June 2023 were approximately 31.6 Billion dollar, compared to 34.3 Billion dollar in June 2022, reflecting an 8% decrease. These expenditures include various categories such as employee compensations, service supplies, commodity supplies, asset maintenance, grants, aids, benefits, other expenses, foreign contributions, social care, current capital expenditures, debt servicing, and special programs. They are distributed as follows:

Table (2): Distribution of Actual Expenditures by Economic Classification for the Current Budget for the Period January 1 to June 30, 2023

Expenditure Category	Amount (\$)	Percentage
Employee Compensations	16,363,937,081	52%
Social Care	9,185,660,270	29%
Debt Servicing	2,518,176,220	8%
Grants, Aids, Benefits, and Others	2,398,028,559	8%
Commodity Supplies	788,181,978	2%
Service Supplies	173,722,901	1%
Asset Maintenance	88,561,028	0%
Special Programs	76,635,256	0%
Current Capital Expenditures	38,786,939	0%
Foreign Contributions and Commitments	9,215,952	0%
Total	31,640,906,185	100%

The table above illustrates that during the first quarter of 2023, employee salaries accounted for approximately 52% of the actual current expenditures, totaling around 16.4 Billion dollar. Following that, social care accounted for 29%, amounting to 9.1 Billion dollar. This increase in social care expenses can be attributed to pension payments, which increased by nearly 5.1 Billion dollar, as well as the salaries of those covered by social protection, which increased by approximately 1.4 Billion dollar. Additionally, expenditures related to the food ration card increased by 2.5 Billion dollar, along with other expenses related to displaced persons, refugees, and more. Debt servicing (excluding interest) accounted for 8% of the expenses, increasing by over 2.5 Billion dollar. Grants, benefits, and other expenses accounted for 8%, totaling more than 2.3 Billion dollar. Most of these expenses were concentrated in the Council of Ministers (13%), the Ministry of Finance (26%), the Ministry of Education (11%), and the Ministry of Interior (14%).

The table above shows the most focused ministries in current expenditures for the period from January 1 to June 30, 2023.

Table (3) illustrates the ministries and entities with the highest current expenditures for the periods from January 1 to June 30, 2022, and from January 1 to June 30, 2023. (Dollar)

Entity	2022	2023
Finance Ministry	10,817,826,151	8,239,531,084
Interior Ministry	4,495,196,227	4,488,257,563
Defense	2,576,033,674	2,591,197,547
Council Ministers	2,294,836,500	2,352,868,201
Education Ministry	774,834,102	3,491,870,343
MoLSA	1,540,051,619	1,851,973,586

Table (4) illustrates the ministries and entities with the most minor focus in current expenditures for the periods from January 1 to June 30, 2022, and from January 1 to June 30, 2023. (Dollar)

Entity	2022	2023
Migration & Displacement	18,045,869	21,875,786
Transportation Ministry	16,905,804	16,318,263
Communication Ministry	4,855,653	4,392,699
Council of State	2,265,063,491	2,346,179,356
Federal Supreme Court	1,715,957	1,777,409
Monitoring Federal Allocation	1,712,999	1,779,611

- **Investment Budget Expenditure** Actual investment expenditures until June 2023 amounted to about 4.5 Billion dollars, compared to 2.9 Billion dollar in June 2022, reflecting an increase of 58%. Investment expenditures in 2023 can be categorized into four types:

1. Investment spending within the investment program, which accounted for approximately 2.7 Billion dollars, representing 60% of the total investment expenditure.
2. Investment spending on regional development, totaling around 1.4 Billion dollars and representing 30% of total investment expenditure.
3. Investment spending on the Petrodollar program within oil-producing provinces, which amounted to about 375 million dollars, constituting 8% of total investment expenditure.
4. Investment spending within the poverty alleviation strategy, totaling 32.4 million dollars and accounting for 0.7% of total investment expenditure.

The increase in investment spending in 2023 compared to 2022 can be attributed to the approval of the budget and the initiation of various investment projects, such as school construction projects, which led to an increase in the Council of Ministers' budget from 391 million dollars to 985 million dollars, representing a 140% increase. The investment budget for the Ministry of Transportation also increased from 38.6 million dollars in 2022 to 606 million dollars in 2023. Similar increases were observed in some governorates, such as Mosul, Baghdad, and Anbar, which witnessed the launch of several investment projects. The delay in approving the general budget in 2022 and reliance on the 2021 budget for expenditure resulted in the delay in implementing many investment projects.

Sectorally, investment expenditure is distributed among five major sectors, as shown in the figure below:

Table (5) displays the distribution of actual expenditures by economic classification of the investment budget for the period from January 1 to June 30, 2023.

Sector	Percentage
Infrastructure & Services	45
Transportation	26
Education	12
Industry	11
Agriculture	6

The table above highlights that the Buildings and Services sector is the most focused area in investment expenditures, with approximately 2 Billion dollars. The Council of Ministers was the leading spender in this sector, with around 566.6 million dollars, mainly due to the expenditures of its affiliated entities, such as the Fund for the Reconstruction of Liberated Areas from Terrorism and the Dhi Qar Reconstruction Fund. The Transport and Communications sector came second in terms of spending, with approximately 1.1 Billion dollars. The Ministry of Transport accounted for most of the spending in this sector, with about 606 million dollars, followed by Ninawa Governorate with around 111 million dollars. The Industrial sector ranked third in terms of expenditure, totaling 552 million dollars, followed by the Oil-Dollar Expenditure within oil-producing provinces, amounting to about 375 million dollars, and the Agricultural sector with 289 million dollars.

- **Investment Expenditure in Iraqi Governorates (Excluding Kurdistan Region)** The investment expenditure for the Iraqi governorates, excluding the Kurdistan Region and the provinces of Salah al-Din and Kirkuk, which did not spend any amount from the investment budget, amounted to approximately 1.7 Billion dollars. This constitutes about 38% of the total investment expenditure of 4.5 Billion dollar, compared to the total investment expenditure during the first half of 2022, which amounted to 2.9 Billion dollar, reflecting a 58% increase.

Table (6) illustrates the distribution of investment expenditures for the Iraqi governorates, excluding the Kurdistan Region, Salah al-Din, and Kirkuk, during the first half of 2023. (Dollar)

Province	Allocation	Percentage
Basra	501,708,733	29
Nineveh	219,221,750	13
Karbala	153,495,194	9
Baghdad	149,111,305	9
Anbar	143,441,310	8
Dhi Qar	134,923,902	8
Wasit	102,267,720	6
Najaf	84,612,565	5
Maysan	68,547,027	4
Diyala	59,441,808	3
Muthanna	52,982,556	3
Diwaniyah	38,929,218	2
Babil	23,106,841	1

- **Implementation Ratios:** According to Article 13, first paragraph, of Financial Administration Law No. 6 of 2019, in case of a delay in approving the budget, expenditures are made at a rate of 1/12 or less of the total actual expenditures for the previous year, excluding non-recurring expenditures, on a monthly basis until the budget is approved. Therefore, due to the non-approval of the general budget for 2022, we will rely on the actual expenditures for 2021 as the basis for spending in 2022. Similarly, due to the delay in approving the budget for 2023 during the reporting period, we will use the actual expenditures for 2022 as the basis for spending in 2023.

Firstly, implementation ratios for ministries and entities not affiliated with a ministry are as follows:

Table (7): Budget Implementation for Ministries and Non-Ministry Entities for the periods from January 1 to June 30, 2022, and from January 1 to June 30, 2023 (Dollar)

Entity	2022 Allocation	Expenditure (June 2022)	Execution Rate	2023 Allocation	Expenditure (June 2023)	Execution Rate	Change
Parliament	375,762,295	197,805,700	0.53	627,449,270	202,982,644	0.32	0.03
Presidency	39,316,077	17,702,667	0.45	75,942,169	19,566,242	0.26	0.11
Council Ministers	4,706,512,189	2,685,806,872	0.57	7,810,332,480	3,301,576,945	0.42	0.23
Foreign Affairs	180,557,653	60,577,330	0.34	634,331,952,273	58,015,902,273	0.09	-0.04
Finance Ministry	18,746,341,311	10,818,070,949	0.58	29,700,466,066	8,247,192,839	0.28	-0.24
Interior Ministry	9,170,634,655	4,509,851,253	0.49	10,520,824,213	4,491,144,845	0.43	0.00
MoLSA	3,034,906,199	1,851,973,586	0.61	4,561,055,488	1,540,051,620	0.34	-0.17
Health	2,179,696,272	829,332,864	0.38	7,587,273,362	2,193,951,030	0.29	1.65
Defense	5,234,686,905	2,576,033,674	0.49	7,396,750,473	2,591,197,547	0.35	0.01
Justice	746,102,851	369,220,933	0.49	757,648,831	257,376,220	0.34	-0.30
Education	1,628,300,781	792,308,087	0.49	9,012,396,708	3,548,743,617	0.39	3.48
Youth & Sport	99,566,006	66,605,326	0.67	146,914,633	37,266,029	0.25	-0.44
Trade	3,050,749,431	2,251,286,387	0.74	5,482,564,921	2,563,150,546	0.47	0.14
Culture	98,609,325	42,535,465	0.43	172,570,406	40,070,084	0.23	-0.06
Transportation	449,110,144	56,204,267	0.13	2,147,020,780	622,837,286	0.29	10.08
Housing & Construction	688,248,466	446,253,302	0.65	3,757,773,436	364,667,029	0.10	-0.18
Agriculture	108,007,181	53,288,239	0.49	1,468,280,235	52,615,305	0.04	-0.01
Water Resources	416,528,298	130,726,761	0.31	789,860,817	397,433,035	0.50	2.04
Oil	6,961,663,391	579,464,714	0.08	17,641,864,399	551,905,531	0.03	-0.05

Entity	2022 Allocation	Expenditure (June 2022)	Execution Rate	2023 Allocation	Expenditure (June 2023)	Execution Rate	Change
Planning	48,755,414	17,737,993	0.36	5,583,981,572	21,335,766	0.00	0.20
Industry	885,012,406	340,330,944	0.38	849,065,219	363,727,395	0.43	0.07
MoHESR	1,750,761,386	866,353,052	0.49	2,394,100,052	862,121,826	0.36	0.00
Electricity	4,432,898,008	979,989,980	0.22	11,743,012,057	1,020,444,510	0.09	0.04
Communication	10,429,349	4,855,653	0.47	116,529,071	4,392,699	0.04	-0.10
Migration & Displacement	64,041,224	18,045,869	0.28	270,113,706	21,875,786	0.08	0.21
KRG	759,848,485	303,030,303	0.40	12,498,387,189	0	0.00	-1.00
State Council	4,471,485	1,715,957	0.38	6,415,022	1,777,408	0.28	0.04
Higher Judicial Council	321,793,289	153,147,027	0.48	541,580,566	153,652,030	0.28	0.00
Federal Supreme Court	4,137,685	1,712,998	0.41	11,480,265	1,779,611	0.16	0.04
Monitoring Federal Allocations	1,005,861	142,762,821	141.93	3,401,649	158,273	0.05	-1.00
Total	66,198,454,023	31,164,730,973	0.47	144,309,387,008	33,533,009,600	0.23	0.08

The actual investment expenditure during the first half of 2022 for the ministries and entities mentioned above amounted to approximately 2.9 Billion dollar. The Council of Ministers and its affiliated entities were the highest spenders on the investment budget, with about 452 Million dollars, followed by the Ministry of Construction, Housing, and Municipalities with approximately 353 Million dollars. However, some ministries and entities did not spend any amount on the investment budget, including the Ministry of Defense, Ministry of Communications, Ministry of Displacement and Migration, and others.

During the first half of 2023, the actual investment expenditure for the mentioned ministries and entities reached approximately 4.8 Billion dollar. Once again, the Council of Ministers and its affiliated entities were the highest spenders, with an expenditure of about 909 Million dollars, followed by the Ministry of Transport with 606 Million dollars. Similar to the previous year, some ministries and entities did not spend any amount on the investment budget, including the Ministry of Defense, Ministry of Labor and Social Affairs, Ministry of Communications, and others.

The reason for the decrease in the overall implementation ratio during the first half of 2023 is attributed to the delayed approval of the budget and government institutions relying on spending at a rate of 1/12 of the 2022 expenditures, excluding non-recurring allocations. It is expected that the implementation ratio will increase further during the second half of 2023.

Secondly, regarding implementation ratios in the governorates:

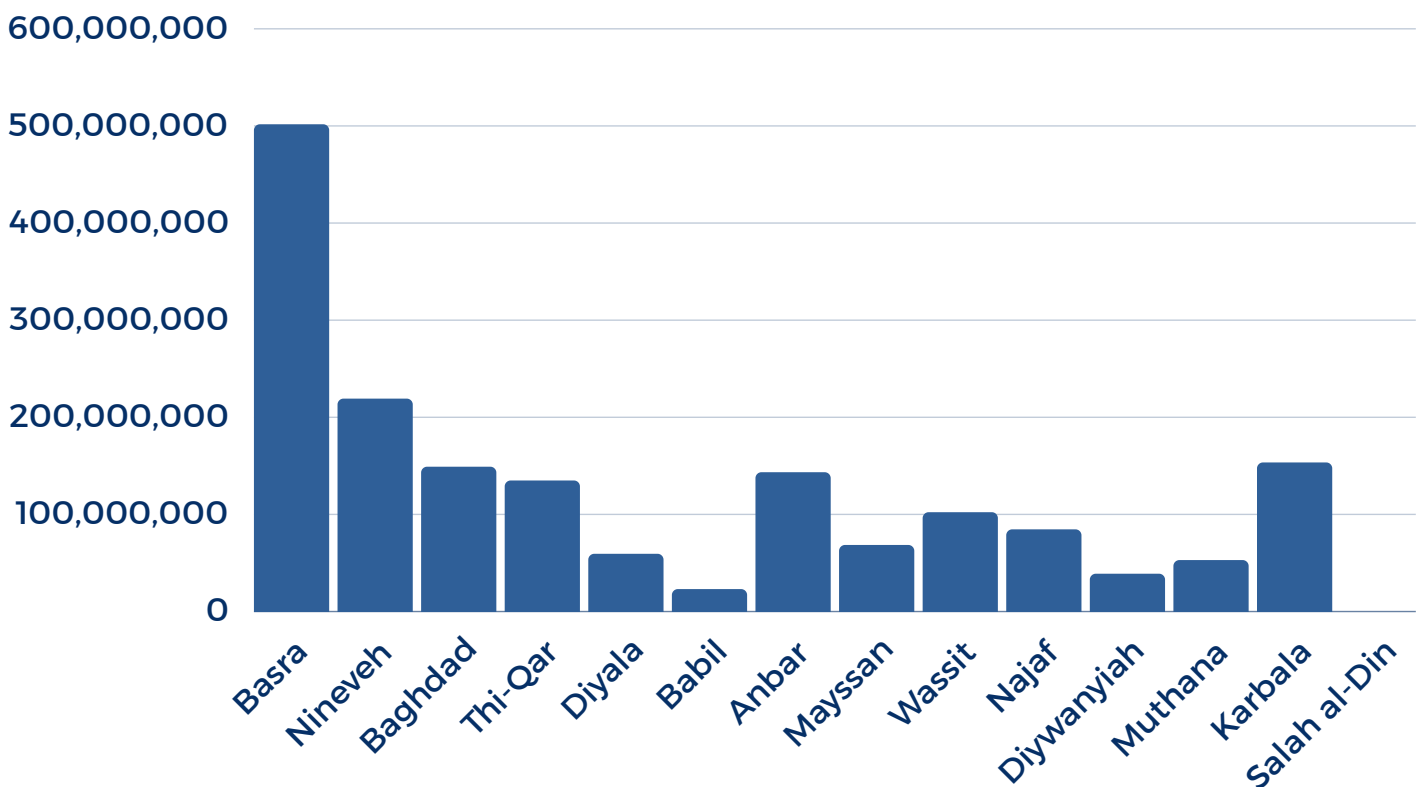
Table (8): Budget Implementation for Governorates for the periods from January 1 to June 30, 2022, and from January 1 to June 30, 2023 (Dollar) (Excluding Kirkuk Governorate)

Province	2022 Allocation	Expenditure (June 2022)	Execution Rate	2023 Allocation	Expenditure (June 2023)	Execution Rate	Change
Basra	1,681,176,661	985,088,191	0.59	1,627,821,042	609,899,623	0.37	-0.38
Nineveh	304,233,849	66,657,900	0.22	457,632,211	281,467,840	0.62	3.22
Baghdad	2,403,473,409	1,190,923,658	0.50	544,806,563	203,080,924	0.37	-0.83
Thi-Qar	965,520,750	451,857,559	0.47	273,351,870	181,848,992	0.67	-0.60
Diyala	790,761,083	382,976,373	0.48	217,190,941	102,978,559	0.47	-0.73
Babil	983,924,965	500,228,850	0.51	362,577,258	86,595,102	0.24	-0.83
Anbar	620,836,712	423,090,357	0.68	330,534,458	244,964,617	0.74	-0.42
Mayssan	436,870,906	223,913,867	0.51	319,155,273	94,743,637	0.30	-0.58
Wassit	615,387,944	341,345,862	0.55	216,378,523	142,186,673	0.66	-0.58
Najaf	699,946,848	339,875,895	0.49	165,021,424	126,262,030	0.77	-0.63
Diywanyiah	673,968,845	363,204,502	0.54	214,266,111	83,461,918	0.39	-0.77
Muthana	344,980,158	181,979,738	0.53	123,451,397	77,855,051	0.63	-0.57
Karbala	603,993,183	351,036,023	0.58	148,387,449	190,705,973	1.29	-0.46
Salah al-Din	187,519,780	28,641,673	0.15	245,198,770	40,360,778	0.16	0.41
Total	11,312,595,095	5,830,820,448	0.52	5,245,773,292	2,466,411,717	0.47	-0.58

Anbar Governorate achieved the highest implementation ratio in 2022 with 68%, followed by Basra Governorate with 59%, while Salah al-Din Governorate had the lowest implementation rate, with only 15%.

Based on the above data provided by the Iraqi Ministry of Finance, Karbala Governorate spent more than its allocation during the first half of 2023, with an implementation ratio of 129%, but the reasons for this are not specified. Najaf Governorate followed with an implementation ratio of 77%, while Salah al-Din Governorate had the lowest implementation rate for the budget at 16%.

Table (9): Illustrates the actual investment expenditure for the governorates during the first half of 2023



The report also mentions that the lack of budget approval in 2022 led to reduced spending, which impacted the first half of 2023, especially in terms of the investment budget. The analysis of the second half of 2023 is expected to provide a clearer picture of the ministries' and governorates' performance due to the approval of the 2023 budget and the initiation of government projects outlined in its priorities.

3. Deficit or Surplus

Deficit occurs when the state's public expenditures exceed its revenues, while surplus occurs when the state's public revenues exceed its expenditures. In the first quarter of 2022, a surplus of 8.6 Billion Dollars was achieved, while in the first quarter of 2023, a surplus of 3.5 Billion Dollars was also achieved, which is 60% less than the first quarter of the previous year.

Table (4): Actual Revenues, Actual Expenditures, Deficit, and Surplus for the periods 1/1 - 31/3/2022 and 1/1 - 31/3/2023 (Dollar)

Actual Revenues until 30/6/2022	Actual Expenditures until 30/6/2022	Deficit or Surplus	Actual Revenues until 30/6/2023	Actual Expenditures until 30/6/2023	Deficit or Surplus
57,302,521,97 2	34,380,787,31 6	22,921,734,65 6	41,142,681,68 5	36,212,592,161	4,930,089,52 4

The surplus in the first half of 2022 and 2023 was achieved due to the increase in oil revenues, especially during 2022. This prompted the government and the parliament to propose and legislate the Emergency Food Security and Development Support Law No. (2) of 2022, which was more like a supplementary budget, as no budget was approved in 2022..

Conclusion

In light of the data and analysis presented in this report, several key findings and observations can be made regarding Iraq's financial landscape in the first half of 2022 and 2023. These findings shed light on the country's fiscal performance, investment expenditures, budget deficits or surpluses, and the overall challenges faced by various government entities and governorates.

- **Investment Expenditure** The report highlights that the investment expenditure in the first half of 2022 amounted to approximately 2.9 Billion Dollar, with the Council of Ministers and its affiliated entities being the highest spenders. However, some ministries and entities did not allocate any funds to their investment budgets. In the first half of 2023, investment expenditure increased significantly to around 4.8 Billion Dollar, with a similar pattern of high spending by the Council of Ministers and the Ministry of Transport. This substantial increase was largely attributed to the delayed approval of the budget and the reliance on a 1/12 spending rate from the 2022 budget, excluding non-recurring allocations.

- **Governorates' Implementation Ratios** Analysis of the governorates' implementation ratios revealed variations in expenditure efficiency. In 2022, Anbar Governorate achieved the highest implementation ratio at 68%, followed by Basra Governorate with 59%, while Salah al-Din Governorate had the lowest rate at only 15%. In the first half of 2023, Karbala Governorate exceeded its allocation with an implementation ratio of 129%, while Najaf Governorate recorded a 77% implementation ratio, and Salah al-Din Governorate remained at the lower end with a 16% implementation rate. These figures underscore the disparities in budget execution and spending efficiency among different governorates.
- **Budget Deficits and Surpluses** The report highlighted that Iraq experienced a budget surplus in the first quarter of both 2022 and 2023, attributed to increased oil revenues, which led to the enactment of a supplementary support law in 2022. However, the surplus in the first quarter of 2023 was significantly lower compared to the previous year, signaling a 60% decrease.
- **The Impact of Budget Delays** One of the critical factors affecting Iraq's fiscal performance was the delay in approving the budget, leading to decreased expenditure and its subsequent impact on the first half of 2023. The delay forced government institutions to rely on a 1/12 spending rate from the 2022 budget, excluding non-recurring allocations. It is anticipated that the implementation ratio will improve in the second half of 2023, as the 2023 budget gets approved and government projects outlined in its priorities commence.

In conclusion, the absence of a budget for 2022 had a cascading effect on the country's fiscal performance in 2023, particularly in terms of investment expenditure. The report also underscores disparities in expenditure efficiency among government entities and governorates. The timely approval of budgets and effective allocation and utilization of resources are essential for addressing these issues and ensuring the efficient implementation of Iraq's financial plans. The analysis of the second half of 2023 is expected to provide further insights into the government's financial performance and its commitment to its development goals.

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