

Iraq

Technical Assistance in Fiscal Year 2020

Banking Supervision (September 2-6, January 26-30)

METAC trained a delegation of eight employees of the Central Bank of Iraq on Basel II/III capital adequacy requirements (Pillar 1 of the Basel framework). The training covered the following topics: (i) latest developments in Basel, (ii) capital requirements, (iii) credit risk standardized approach, (iv) market risk standardized approach, (v) operational risk standardized approach. The METAC team also held extensive discussions with central bank's management to: (i) identify the main implementation challenges of the Basel framework; (ii) provide practical guidance and advice on its implementation, taking into account country-specific limitations; and (iii) identify and prioritize future METAC TA needs.

METAC provided capacity building to inspectors and supervisors of the Central Bank of Iraq (CBI). The objectives were: assist them in finalizing the draft capital adequacy regulation and integrate the comments provided by the banking sector; further align the regulation with the Basel framework; integrate the implications of the International Financial Reporting Standard 9; and develop the related prudential reporting. The capital adequacy regulation requires banks to have strong capital and liquidity positions reflecting their risk profile, and to apply sound policies and processes to identify, measure, monitor and control their financial risks.

Public Financial Management (June 24-27)

Iraq is substantially exposed to fiscal risks related to the State's guarantees. The framework to control guarantees issuance has been strengthened by a decision of the council of Ministers in 2017, setting rules for the approval of guarantees. In addition, the recently adopted General Financial Management Law includes provisions aiming at improving budgeting and reporting related to these contingent liabilities. The stock of guarantees accumulated over the last 10 years remain significant and could further expand under the pressure of line ministries looking for alternative sources to spend. In this context, METAC worked with representatives of key directorates involved in the management of guarantees to identify a set of actions to improve the control and monitoring of guarantees, and define an implementation roadmap. In addition, METAC coproduced with the authorities the structure of a guarantee registry to ascertain their magnitude.

Revenue Administration (July 28-August 1, April 12-20)

A METAC expert visit followed up on the progress in establishing a functionally integrated Large Taxpayer Department in the General Commission for Taxes, and advised on the implementation of a compliance risk management function, and on setting performance indicators and standards for timely filing and payment compliance. A time-bound work plan was developed for further actions needed. Training was provided on identification, assessment and ranking of compliance risks, and on the development of a compliance risk register.

METAC advised the General Commission of Taxes (GCT) of Iraq on its planned IT modernization. The advice covered the management arrangements and implementation of a new IT system to support GCT's main business processes. The progress made in the project for this implementation was reviewed and governance needs were addressed, including the reorganization of the IT department and the main elements of future information technology strategy plan that need to be in place. In addition, the CD identified the key elements and success factors for the implementation of the new tax IT system.

Statistics (July 7-16, September 22-October 4, February 9-13)

METAC organized a follow-up technical assistance mission on price statistics to the Central Organization of Statistics and Information Technologies (COSIT) of Iraq, in coordination with the IMF's fragile states module of the Enhanced Data Dissemination Initiative funded by the United Kingdom's Department for International Development. The mission provided guidance, using COSIT data, in the compilation and methodological aspects for CPI and PPI to bring them further in line with international practice. The mission also provided training in using big data sources (web scraping and in scanner data) for price statistics.

METAC conducted a mission on external sector statistics to the Central Bank of Iraq. The mission assessed and made recommendations to improve the compilation system of these statistics, and provided hands-on training in this regard to central Bank staff. The mission also provided assistance with the establishment of a balance of payments committee to meet regularly; improving the international transactions reporting system; and strengthening cooperation between users and providers of data with the government.

This activity reviewed current data holdings and developed a plan for compiling the sequence of accounts by institutional sector. The staff was introduced to key concepts through lectures and practical exercises.