International Monetary Fund

Iraq and the IMF

Press Release:
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March 18, 2011

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Iraq: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

March 3, 2011

IRAQ: LETTER OF INTENT

March 3, 2011

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

The Stand-By Arrangement (SBA) for Iraq that was approved in February 2010 by the Executive Board of the International Monetary Fund (IMF) has continued to provide us with a valuable anchor for our economic policies during a period of political transition and considerable uncertainty with regard to the global economic outlook. The key objectives of the SBA remain the preservation of macroeconomic stability, and the adoption of policies and measures to ensure sustainable growth and poverty reduction. In this regard, the program offers a framework for our structural reform agenda, as we still face many challenges in the rebuilding of key economic institutions. Our reform efforts are particularly geared towards improving public financial management, including the management of our hydrocarbon resources, and developing a financial sector that can support private sector activity. Last but not least, the SBA provides us access to financial assistance to support the economic stability and reconstruction of Iraq in challenging times.

We remain committed to implementing the policies described in our Letter of Intent dated February 8, 2010 and the Memorandum of Economic and Financial Policies attached to that letter, as well as to the policies described in our supplementary Letter of Intent of September 18, 2010. The attached Memorandum of Economic and Financial Policies provides information on our recent efforts and achievements, and outlines our economic program for 2011, the second year of the SBA. The policies and measures described in the attached Memorandum will continue to aim at maintaining macroeconomic stability, in particular by ensuring fiscal sustainability, and moving ahead with the implementation of our structural reform agenda.

While we believe our fiscal and monetary policies were on track in 2010, fiscal end-year data are not yet available. We therefore request waivers of applicability for the end-December 2010 performance criteria for the central government fiscal deficit and the central government current spending bill, for which data are not yet available and for which there is no evidence that these were not observed. All other end-2010 performance criteria were met. As we reported at the time of the first review under the SBA, we met all the performance criteria for end-June 2010, with the exception of the floor under the Central Bank of Iraq's (CBI) net international reserves. We also met the end-June 2010 performance criterion related to the central government current spending bill for which data had not yet been available at the time of the completion of the first review.

Furthermore, we request an extension of the SBA by five months, through July 24, 2012. This would allow time for an additional review based on end-December 2011 performance criteria, which underscores our commitment to the fiscal and monetary policies outlined in the attached MEFP, and also allow for more time for the implementation of the structural reform measures under the program. Linked to this, and as our financing needs have shifted to 2011, we request a rephasing of the remaining disbursements under the SBA, with two equal disbursements of SDR 297.10 million, equivalent to 25 percent of quota each, following the completion of the second and third reviews, a disbursement of SDR 891.30 million, equivalent to 75 percent of quota, following the fourth review, and a final disbursement of SDR 118.84 million, equivalent to 10 percent of quota, following the new fifth review in 2012. We understand that the SBA will continue to be subject to semi-annual reviews, semi-annual performance criteria, and structural benchmarks, as set out in the attached Tables 1 and 2, and described in more detail in the attached Technical Memorandum of Understanding (TMU). In this regard, we understand that the completion of the third review under the SBA—expected to take place on or after May 31, 2011—will require observance of the quantitative performance criteria for end-December 2010 specified in Table 1, that completion of the fourth review—expected to take place on or after October 30, 2011—will require observance of the quantitative performance criteria for end-June 2011, and that the completion of the fifth review—expected to take place on or after May 31, 2012—will require observance of the quantitative performance criteria for end-December 2011.

We remain firmly committed to maintaining the independence of the CBI, as well as to ensuring that all of Iraq's oil exports are in accordance with international agreements and that all oil export revenues accrue to the central government. Given the large uncertainties and the high volatility of international oil prices, we continue to base our projections and the government's budget for 2011 on conservative assumptions for oil export volumes (2.2 million barrel per day on average) and oil prices (an average price of $76.50 per barrel for Iraqi oil). As we also remain firmly committed to containing current government spending, in the event that by end-June 2011 our oil export revenues turn out to be higher than our projection of $30.5 billion, we plan to save half of the additional revenues to rebuild our financial buffers, while using the other half (up to a limit of $5 billion) to finance additional investment to improve the delivery of basic public services. Moreover, if by the time of the fourth program review we see that our oil export revenues in the first three quarters of 2011 have exceeded our projection of $46 billion for that period by more than $3 billion, we intend to treat the SBA as precautionary. Vice versa, should oil export receipts fall below our assumptions, we will reduce spending by half of the revenue shortfall and cover the remaining gap by further using our financial buffers and seeking additional external support, including from the IMF. If the revenue shortfall turns out to be sizable, or if the reserve position of the

CBI weakens below program targets in between test dates, we will consult on the policy response with IMF staff. Similarly, we also intend to treat the SBA as precautionary if by the time of consideration of the fourth review it is expected that the rate of execution of the government's capital budget in 2011 will be less than 90 percent.

Overall, our economic program continues to be on track and we believe that the policies set forth in the attached Memorandum of Economic and Financial Policies are adequate to achieve our objectives. In support of our policies, we request the Executive Board of the IMF to complete the second review and approve the third disbursement under the SBA of SDR 297.10 million. We remain fully aware of the many challenges ahead and we are prepared to take additional measures if necessary. We will consult with the IMF on the adoption of these measures and in advance of any revision to the policies contained in our economic program, in accordance with IMF policies on such consultation. The Iraqi government and the CBI will continue to provide the IMF with the necessary information for assessing progress in implementing our program, as specified in the attached TMU, and will maintain a close policy dialogue with IMF staff. We authorize the IMF to publish this Letter of Intent and its attachments, as well as the related staff report, on the IMF's website following consideration of our request by the IMF's Executive Board.

Sincerely yours,

/s/ /s/

Dr. Rafe Al-Essawi
Minister of Finance of Iraq

Dr. Sinan Al-Shabibi
Governor of the Central Bank of Iraq

IRAQ: MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES FOR 2011

March 3, 2011

I. INTRODUCTION

1. During 2010, and despite the political uncertainty following the long delay in reaching an agreement on the formation of a new government after the successful elections of March 7, 2010, the incumbent government continued to implement sound economic policies that were anchored by the Stand-By Arrangement (SBA) with the International Monetary Fund (IMF). Macroeconomic stability has been maintained and structural reforms have progressed, albeit with some difficulty and some delays, reflecting the many challenges we face.

2. This memorandum supplements the Memorandum of Economic and Financial Policies for 2010–11 (MEFP), annexed to our Letter of Intent of February 8, 2010, and our Letter of Intent of September 18, 2010. It outlines our progress under the program, and describes the objectives and policies agreed in the context of the Second Review under the SBA for 2011.

II. RECENT ECONOMIC DEVELOPMENTS

3. Overall macroeconomic performance in 2010 has been strong. The Central Bank of Iraq (CBI) has been successful in keeping inflation under control, by managing the exchange rate and by keeping the policy interest rate positive in real terms. Headline inflation and core inflation (excluding fuel and transportation) have remained in the low single digits. The CBI's policy interest rate, which has been gradually reduced, is currently at 6 percent and positive in real terms. With low inflation, the exchange rate has been stable since the beginning of 2009. The CBI's international reserves increased to $50 billion at end-December 2010, from $44 billion at end-2009.

4. Fiscal policy during 2010 has been tighter than we had planned, mainly reflecting the political uncertainties that caused delays in the execution of our capital budget. While the volumes of oil production and exports in 2010 have been lower than we had planned, mainly due to adverse weather conditions, attacks on pipelines, and political constraints that prevented an increase in exports from our northern fields, this was more than offset by higher-than-budgeted oil prices. Oil production averaged 2.35 million barrels per day (mbpd) in 2010, exports averaged 1.85 mbpd, and prices averaged about $74 per barrel. Thus, aided by higher-than-budgeted oil revenues and with a lower rate of execution of the capital budget, we expect that the government budget deficit in 2010 remained limited to about ID 10 trillion (IMF presentation), equivalent to about 11 percent of GDP.

5. With the lower level of oil production, we expect that overall real GDP growth in 2010 remained below 1 percent, although there are indications that the non-oil sector continues to recover, reflecting the improved security situation.

III. Economic and Financial Policies in 2011

6. In 2011, we plan to build upon the successes of our economic policies of the past few years and to accelerate the reconstruction and rehabilitation process. Most notably, the agreements we have reached in the past one-and-a-half years with the international oil companies to assist us in the development of Iraq's oil fields will start to bear fruit, although the pace of increase in production will be slower than we originally expected, given the scope of auxiliary investment still needed in the sector. We expect that oil production will increase to an average level of 2.75 mbpd in 2011 and that oil exports will average 2.2 mbpd. Oil production and exports will continue to accelerate in the following years, although we recognize that this will need to be accompanied by large investments in our oil infrastructure, to address bottlenecks and ensure that the incremental production can reach international markets.

7. The increase in oil exports will allow us to limit our government budget deficit in 2011, while making additional room for investment. We continue to follow a cautious approach in budgeting oil revenues, as the volatility in international oil prices remains high and uncertainties are many, and we have therefore based our 2011 budget on an average export price for Iraqi oil of $76.50 per barrel. In addition, reflecting our commitment to transparent government finances, we have reflected in our budget the estimated payments to the international oil companies for cost recovery and remuneration, which we expect the companies to request to be paid in-kind. The 2011 government budget aims to limit the deficit to ID 15.7 trillion (Ministry of Finance as well as IMF presentation), or about 13½ percent of GDP. To achieve this, we are strictly containing current spending to ID 66.7 trillion (Ministry of Finance presentation; ID 64 trillion in IMF presentation), a level only somewhat higher than the expected outcome of 2010, to make room for a substantial increase in capital spending. We will use part of the financing resources we planned to use in 2010 to help finance the 2011 deficit. In case oil exports or prices in 2011 turn out higher than budgeted, we will use half of the additional revenues to further increase investment, while the other half will be used to rebuild our financial buffers. As the levels of oil production and exports will increase further in 2012 and the years thereafter, we will aim to gradually reduce the budget deficit further in 2012 and return to a surplus position in the following years, with a view to place government finances on a sustainable footing and rebuild the government's financial buffers. To ensure integrity in our payment and budget systems, we will refrain from accumulating domestic expenditure arrears. In addition, the Ministry of Finance will refrain from issuing guarantees on any loans extended by domestic banks.

8. The CBI will continue to be independent in the pursuit of its policy objectives. The CBI's monetary and exchange rate policies will continue to be aimed at keeping inflation in the low single digits and safeguarding international reserves. We believe that the policy of maintaining a stable exchange rate continues to be appropriate, as it provides a solid anchor for the public's expectations in an otherwise uncertain environment and in an economy with a still very low level of financial intermediation. The policy interest rate will be kept positive in

real terms (measured against core inflation) to signal the CBI's firm commitment to maintain a low rate of inflation.

9. As a result of the increases in oil production in 2011, we expect real GDP growth to pick up to 12 percent in 2011. With oil production continuing to rise in the following years and with a steady further increase in security, economic growth will remain strong over the medium term.

IV. Structural Reforms

Public Financial Management

10. In the past few years, we have embarked on a program to transform and modernize our public financial management (PFM) system. While we faced serious obstacles, including due to repeated attacks on the Ministry of Finance, we have made important progress in 2010 and we will continue in 2011 with our efforts to improve the allocation, execution, transparency, and accountability of the mobilization and use of public resources:

- We convened a medium-term budget strategy workshop in the spring of 2010, with the help of the World Bank, where all the major ministries were represented. These ministries identified their priorities and their sectoral strategies to achieve them. In discussions with the Ministry of Finance, budget ceilings for both current and capital spending were established for the line ministries for the preparation of the 2011 budget. These ceilings helped with the formulation of the 2011 budget. We will work with the World Bank to further improve upon this process in 2011 for the formulation of the 2012 budget.

- We prepared a new accounting manual and will circulate it to all spending units as soon as comments by the Board of Supreme Audit (BSA) have been addressed (a structural benchmark for end-December 2010). This manual will for the first time provide the spending units with a comprehensive set of accounting and reporting instructions, which will improve implementation of the new Chart of Accounts and fiscal reporting.

- To strengthen reporting and cash management, we have also been enforcing the requirement that spending units submit reports on all spending including investment, advances, and letters of credit no later than two months after the end of each month, and we will reconcile these amounts with the cash balances at the beginning and end of the reporting period. In this context, we have issued a circular to spending units to submit additional information on advances and letters of credits. Cash releases will be approved only after the Ministry of Finance has reviewed the report from three months before, reducing the idle balances in spending units' accounts to the minimum required to ensure the continuity of government operations.

- We conducted a review of all the bank accounts that were classified as belonging to the central government (a benchmark that had originally been envisaged for end-March 2010). Due to the very large number of accounts involved, this review took much longer than we had anticipated. We have nearly completed the review, which has enabled us to reclassify about ID3.2 dinar in accounts mistakenly classified as belonging to self-funded agencies as central government investment accounts. The bulk of the accounts, however, were found not to belong to the central government. Of the ID 29.1 trillion reported as of end-June 2010 as belonging to the public sector, only ID 11 trillion was found to belong to the central government and reconciled with Treasury records. Of the ID 16.1 trillion that were classified as public sector deposits, ID 3.4 trillion belonged to the pension fund; ID 6.1 trillion belonged to state-owned enterprises, and the remainder belonged to other public agencies and institutions that operate outside the central government. We will continue to investigate the largest accounts of enterprises and self-funded agencies to determine whether these may include outstanding advances extended by spending units that should be closed and recovered.

- At the same time, we are compiling an inventory of the outstanding stock of advances (part of a delayed benchmark for end-September). We aim to submit the complete inventory report to the BSA by end-May 2011, which will work with the line ministries to identify those advances that should be settled. In doing so, the BSA will assess which advances are recoverable and set a timetable for their recovery. Advances deemed irrecoverable will need to be written off once authorized by the BSA, and the BSA and line ministries will inform the Ministry of Finance accordingly. The Ministry of Finance will continue to provide the BSA with quarterly updates on the stock of outstanding advances. We expect that the BSA will complete an initial review of the stock of advances by end-September 2011 (a new deadline for the full completion of this structural benchmark originally envisaged for end-September 2010).

- The review of the public sector deposits and advances made it clear that large improvements in cash management and fiscal controls and reporting can be made with the eventual introduction of a Single Treasury Account (STA). While we are committed to introduce a STA, this will be a challenging process that will take several years to complete. As an important intermediate step, we are aiming to establish a Financial Management and Information System (FMIS). Despite considerable efforts, the assistance we have received in this area has not resulted yet in the introduction of such a system. Therefore, we will develop, in close consultation with the IMF and the World Bank, a set of core functional requirements for a financial management and information system that is consistent with internationally accepted good practice in this area, including the ability to produce regular comprehensive reports; the inclusion of a commitment control system; and a decision on the envisaged payments system and associated banking arrangement (a new structural benchmark for end-May 2011).

Following this, we will assess whether Freebalance is able to at least provide the indentified core functionalities, which would allow us to introduce a financial management and information system more quickly and set the stage for migrating to a more comprehensive system at a later stage as the business processes are further reviewed to support planned reforms and maximize the potential workflow efficiencies in a computerized environment.

- In the meantime, also as part of a move towards a Single Treasury Account, we will rationalize the arrangements for funding spending units' (SUs) accounts with a view toward consolidating government cash balances by: (i) having the CBI act as the clearing house for government payments; and (ii) restricting pre-funding (i.e., transferring cash in advance) of SUs' bank accounts at the commercial banks (Rasheed and Rafidain) to the bare minimum. Only a small cash balance (required for day-to-day petty cash needs) will be allowed to be retained at the SUs' bank accounts, while for all other transactions the timing of movement of cash from the Ministry of Finance's main account at the CBI will be aligned with the timing of actual payment by the SUs. This will be achieved in two steps: (i) for salary payments, cash transfer from the Ministry of Finance's main account at the CBI to the SUs' bank accounts will be made on fixed dates (2–3 days before the date for salary payments) on a monthly basis based on payroll details received from SUs by the Ministry of Finance; and (ii) cash transfer for high value payments related to capital expenditures and goods and services expenditures by SUs will be made only at the payment stage, i.e., at the stage when the payment order has already been prepared by the respective SU on receipt of invoices/claims from the supplier. The ministries/SUs will maintain sub-accounts (which would essentially be ledger accounts to be maintained by the CBI in its internal system) of the Ministry of Finance's main account at the CBI. The MoF will set cash limits for each SU (equivalent to the amount of cash authorized by the Ministry of Finance for transfer to the SUs' commercial bank accounts) against its respective sub-account, which would be enforced by the CBI through its SU-specific ledger system. Thus, the Ministry of Finance's main account at the CBI will be supplemented by subsidiary ledger accounts to record and control payments attributable to individual SUs. Each of these SU-specific sub-accounts of the Ministry of Finance's main account will not hold cash (the total available government cash balance will be shown against the Ministry of Finance's main account only), but will act as an individual ledger account for the respective SU in the CBI's internal ledger system. When a payment is to be made by a SU, it will issue the respective payment order (after verifying that the payment is within the authorized cash limit issued by the Ministry of Finance) to its banker (either Rasheed or Rafidain), which then makes the payment after clearing it from the CBI. As part of the process of clearing the payment, the CBI will enforce the authorized cash limit against the respective SU (through its SU-specific ledger system) and make the equivalent amount of cash available to the respective commercial bank (either Rasheed or Rafidain) for onward payment to the supplier (a new structural benchmark for end-June 2011).

- We plan to submit shortly to the BSA (and for information to the Council of Representatives) the final fiscal accounts for 2009 (a benchmark for end-September 2010). Publication of the completed audit of the final accounts of the federal budget for 2005–07 is pending parliamentary consideration, and the BSA is currently reviewing the 2008 accounts.

- As our investment needs will continue to be large, we need to ensure the quality of our investment spending. We will proceed with a review of the largest investment projects financed with 2008 budget allocations. This review will be conducted by the BSA with the assistance of the World Bank. However, to be consistent with the BSA's mandate, this review will be limited to assess the implementation and effectiveness of the projects, with a view to distill lessons on how to enhance the quality of investment projects in the future. This review by the BSA will be completed by end-October, 2011 (a new deadline for this benchmark originally envisaged for end-September 2010).

- The census of civil service employees continued to be plagued by difficulties in obtaining information from some line ministries. With the installation of the new government, we plan to bring this project to a completion by mid-2011. Following the completion of the census, we plan to develop a computerized human resource database and a computerized payroll system. In parallel to the census, the BSA continues to verify the personnel records in the line ministries in order to clean up the existing payroll.

- We will continue to improve our scope to mobilize domestic financing through the Treasury bill market. To that end, we will conduct regular auctions, and refrain from cancellations, while allowing interest rates to be fully determined by the market. This will have additional benefits by determining a benchmark interest rate, while the development of a secondary market for treasury bills will allow banks to improve their liquidity management. The CBI will no longer limit the amounts state-owned banks can invest in Treasury bills and the pension fund and other large financial institutions will be allowed to participate directly in the primary market.

Oil Sector

11. With the hydrocarbon sector representing Iraq's main economic asset, we remain committed to ensuring transparency and accountability of the utilization of this important resource. To this effect:

- Iraq became a candidate member in the Extractive Industries Transparency Initiative (EITI) in February 2010. We plan to publish the EITI report which would include reconciled oil flows and payments for the oil sector by end-2011, in advance of February 2012, which is the deadline for us to become EITI compliant.

- We remain committed to establishing a successor framework for the Development Fund for Iraq (DFI) that would come into effect once the current arrangement ends. The successor arrangement will include a single account for all oil export proceeds that will adhere to the same strict transparency and accountability principles that currently govern the DFI. Thus, the successor arrangement will be subject to an independent external audit, and to the oversight of the Committee of Financial Experts (COFE).

- We will agree the modalities for in-kind payments to the international oil companies with the International Advisory and Monitoring Board (IAMB) to ensure full compliance with UN Security Council Resolution 1483.

- In cooperation with the IMF, we will produce medium- and long-term projections of flows to and from the government budget, and including auxiliary investments, stemming from the service agreements signed with the international oil companies. These projections will feed into our Medium-Term Budget Framework.

- We are in the final stages of completing the export metering projects and the certification of the export metering systems. Considerable progress has also been made in completing the installation of a comprehensive domestic custody-transfer metering system and almost 50 percent of the envisaged metering points have been installed. We expect the entire project to be completed by end-2011 (a new date for this structural benchmark initially envisaged for end-December 2010). These systems will also allow us to move ahead with the planned full review of the domestic oil sector to reconcile the flows of oil and oil products with the financial flows between the state-owned oil companies and the budget (a structural benchmark for end-June 2011). In this connection, we also plan to conduct a streamlined Public Expenditure Review of the oil ministry, together with the ministries of health, education, and public works, with the assistance of the World Bank.

- We will continue to ensure that no direct subsidy is placed on any fuel products in Iraq. To eliminate hidden subsidies, we will ensure that all ministries, governmental agencies, and public enterprises will pay domestic market prices for fuel purchases starting in 2011.

Financial Sector

12. Financial intermediation is at a very low level in Iraq. A functioning banking sector is essential for the development of a strong private sector. We have begun to embark on our banking sector reform strategy:

- A critical step will be to complete the financial restructuring of the two largest state-owned banks, Rafidain and Rasheed, based on their completed financial and operational audits. In this regard, we formed a Bank Reconciliation Unit that comprises technical level staff from the banks, the CBI and the Ministry of Finance, and with the assistance of Ernst and Young (who were the agents of the Ministry of Finance in the external debt restructuring process) to: (i) deal with all legacy external liabilities taking into account the government's actions in the context of Iraq's external debt restructuring (ii) indentify and propose to write-off non-performing loans to defunct state-owned enterprises; (iii) propose a course of action for other remaining unreconciled accounts; and (iv) after the balance sheets have been cleaned up, revalue the remaining foreign currency denominated balance sheet items. The BRU will work under the supervision of the Restructuring Oversight Committee (ROC), consisting of the Minister of Finance, the Governor of the CBI, and the Chairman of the BSA. The BRU will send its recommendations for final approval to the respective boards of the two banks. Through this process, we aim to complete the restructuring of the balance sheets of Rafidain and Rasheed by end-June 2011 (a structural benchmark).

- Meanwhile, the Ministry of Finance will continue to work closely with the World Bank under its banking sector project to modernize these banks by moving ahead with the plans for their operational restructuring. These banks will operate on a fully commercial basis, on market terms, and the government will refrain from directing any lending. Decisions on the recapitalization of Rafidain and Rasheed will not be made until the restructuring of their balance sheets has been completed and adequate progress has been made in their operational restructuring, especially by establishing an appropriate governance structure and strengthening risk management and control functions. More generally, given the vulnerabilities these (and other) banks face due to operational risks, the CBI will continue to improve its oversight systems and monitor closely the activities of the banks, particularly during the transition process.

- The new set of prudential regulations for commercial banks, including those related to minimum capital requirements, liquidity risk, and anti-money laundering, are being implemented. Work on the relevant reporting tables for the banks will be completed soon in consultation with the IMF and other technical assistance providers. Under the auspices of the World Bank banking sector project, we have conducted a full assessment of the banking supervision department, and this report will form the basis of improving this department.

- The CBI will continue to strengthen the management of its international reserves in line with the adopted reserves management guidelines. The CBI will follow the guidelines to diversify currency composition and establish an appropriate duration and credit risk profile, and build capacity for risk analysis. We will continue to provide monthly reports to the CBI board (and to the IMF) based on the investment criteria established in the guidelines.

V. Program safeguards and Monitoring, debt and data issues

13. As we did for the program approval and first review disbursements, we intend to continue to use the domestic counterpart of IMF resources for budget support. As before, the CBI—which is the fiscal agent—will request the IMF to disburse the resources directly into a government account at the CBI. To buttress program safeguards risks we have already taken or will take the following measures:

- The CBI appointed an external auditor to conduct special audits of its net international reserves and net domestic assets as of end-June 2010 and this work was completed by mid-January 2011 (a benchmark for end-October 2010). We have also already appointed an international audit firm to conduct the audit of the 2010 CBI financial accounts. In addition, we will request the auditor to also complete special audits of the CBI's net international reserves and net domestic assets as of December 31, 2010 (a new benchmark for end-May 2011); and provide staff with the draft 2010 audited CBI financial statements and draft management letter (also a new benchmark for end-May 2011).

- The recently completed safeguards assessment update made a few recommendations that we will implement: (i) we took a decision and have changed the composition of the CBI's internal audit committee to have a majority non-executive membership and to operate with a terms of reference in line with Fund recommendations (a benchmark for end-October 2010); (ii) we have appointed an external audit expert to help us assess our internal audit needs; and (iii) we are in the process of selecting a reputable accounting firm to conduct an internal audit of the CBI and to provide assistance to strengthen the CBI's internal audit function (a benchmark for end-December 2010).

- We have amended the Memorandum of Understanding between the CBI and the Ministry of Finance to provide the CBI with the authority to appoint its external auditors and to include a provision that requires the Ministry of Finance to issue promissory notes payable on demand to the Fund promptly following each disbursement under the SBA and to deposit these promissory notes in the IMF securities account with the CBI.

14. Progress has been made in moving toward accepting the obligations of Article VIII, Sections 2(a), 3, and 4, of the IMF's Articles of Agreement. We have worked with IMF staff to complete the review of exchange laws and regulations and are considering measures to remove the identified exchange restrictions on current international transactions. We remain

committed to avoid imposing any restrictions on the making of payments and transfers for current international transactions or introducing any multiple currency practices.

15. We will continue our efforts to resolve outstanding external claims under terms that are consistent with the 2004 Paris Club agreement. Bilateral agreements with thirteen non-Paris Club official creditors have already been signed and are being implemented. Regarding private creditors, most of the commercial debt has been restructured and is serviced as agreed. We also are close to finalizing an agreement with the United States government to settle claims of private US citizens and the Oil-for-Food program has been brought to a close. We expect that the proceeds of the liquidation of the London branch of Rafidain bank will be distributed shortly.

16. Recognizing that the Ministry of Finance and the Central Bank of Iraq have exclusive responsibility for settling Saddam era claims against Iraqi public sector obligors, the Ministry of Finance and the CBI shall appoint a reputable international law firm to perform the following tasks including: monitor the filing of lawsuits in foreign courts against Iraqi defendants seeking recovery of Saddam era claims or the enforcement against Iraqi assets of outstanding court judgments or arbitral awards rendered in respect of such claims; recommend the appointment of competent local counsel to defend such actions in the relevant jurisdictions; coordinate and supervise the activities of such local counsel; act as a central source for information on litigation defenses and strategies in these cases and make this information available to local counsel defending the actions; report regularly to the Ministry of Finance and the CBI on the status of these matters.

17. We will also continue our efforts to improve Iraq’s statistical database. We have recently updated the weights used for calculating the consumer price index using more recent household survey data. Efforts for further improvement will focus especially on government finance statistics, balance of payments statistics, and the sectoral classification in the monetary statistics.

18. Performance under the program will be monitored through twice-yearly reviews, with macroeconomic policy performance monitored through semi-annual quantitative performance criteria (Table 1). Progress in structural reforms will be monitored through benchmarks (Table 2).

Table1. Iraq: Quantitative Performance Criteria Under the Stand-By Arrangement, 2009–11 1/

(In billions of Iraqi dinars, unless otherwise indicated)

	Amount at 12/31/09	3/31/10	6/30/10			12/31/10			6/30/11	12/31/11
		Est.	Program	Adjusted	Est.	Program	Adjusted	Est.	Program	Program
Stock of net international reserves of the CBI (floor; eop stock, in millions of U.S. dollars)	44,337	43,895	44,178	44,178	41,388	44,019	44,019	50,632	50,580	50,529
Net domestic assets of the CBI 2/ (ceiling; eop stock)	-1,243	-4,117	38	38	-1,085	1,320	1,320	582	1,554	2,527
Development Fund for Iraq balances (DFI) (floor; eop stock; in billions of U.S. dollars, excl. FMS)	9.9	11.9	4.5	6.0	9.8	2.6	3.7	7.4	5.2	2.9
Cumulative flow from beginning of calendar year										
Central government fiscal deficit (CGFD, ceiling) 3/ 4/ 5/	…	-3,584	9,149	7,378	-2,575	17,939	16,670	…	7,855	15,711
Central government current spending bill (ceiling) 3/ 5/	…	4,854	14,926	14,926	9,964	27,138	27,138	…	14,991	29,981
Direct government subsidies to the fuel sector 6/	…	0	0	0	0	0	0	0	0	0
New medium-and long-term nonconcessional external debt (with original maturities of one year or more) contracted or guaranteed by the government (in millions of U.S. dollars; ceiling) 6/ 7/	…	0	2,000	2,000	0	2,000	2,000	500	2,000	2,000
External arrears on existing/rescheduled debt and new borrowing (in millions of U.S. dollars; ceiling) 6/	…	0	0	0	0	0	0	0	0	0

1/ The Technical Memorandum of Understanding (TMU) provides for precise definitions of all performance variables.

2/ Excluding other items net.

3/ End-March, end-June, and end-December performance criteria are cumulative from January 1.

4/ The fiscal balance will be measured via the sources of financing. See TMU for details.

5/ The current spending bill includes wages (excluding ministries of defense and interior), public distribution system, and transfers to state owned-enterprises. See TMU for details.

6/ To be monitored on a continuous basis.

7/ Concessionality is defined as loans with a grant element of 35 percent or higher. See TMU for details.

Table 2. Iraq: Structural Benchmarks Under the Stand-By Arrangement

	Date	Status
Program Safeguards and Central Banking		
1. Completion by an external auditor of the audit of the CBI 2008 financial statements in accordance with International Standards on Auditing.	March 31, 2010	Met
2. Prepare and submit to the Governor of the CBI monthly reports on the status of the CBI's investment portfolio, in light of the investment criteria established in the reserve management guidelines.	March 31, 2010	Met
3. Provide to IMF staff: (i) the completed special audit data as of December 31, 2009, including on the CBI's net international reserves and net domestic assets, and (ii) the draft 2009 audited financial statements and draft management letter.	March 31, 2010	Largely met
4. Completion by an external auditor of special audits of the CBI's net international reserves and net domestic assets as of June 30, 2010	October 30,2010	Met
5. Put into effect the changes to the CBI Internal Audit Committee, including majority non-executive membership and a terms of reference establishing mandate and independence	October 30, 2010	Met
6. Contract an external audit firm to assist the CBI with strengthening its internal audit function	December 31, 2010	Underway
7. Completion by an external auditor of special audits of the CBI's net international reserves and net domestic assets as of December 31, 2010	May 31, 2011	
8. Provide to IMF staff the draft audited CBI 2010 financial statements and draft management letter.	May 31, 2011	
9. The Ministry of Finance and the CBI to retain reputable legal counsel to: monitor the filing of lawsuits in foreign courts against Iraqi defendants seeking recovery of Saddam era claims or the enforcement against Iraqi assets of outstanding court judgments or arbitral awards rendered in respect of such claims; recommend the appointment of competent local counsel to defend such actions in the relevant jurisdictions; coordinate and supervise the activities of such local counsel; act as a central source for information on litigation defenses and strategies in these cases and make this information available to local counsel defending the actions; report regularly to the Ministry of Finance and the CBI on the status of these matters.	Continuous as of May 1, 2011	
Bank Restructuring		
10. Completion of the restructuring of the balance sheets of Rasheed and Rafidain banks.	June 30, 2011	Underway
Public Financial Management		
11. Complete review of all accounts in the banking system that are classified as central government accounts and reconcile them with Treasury records, returning any idle balances received from the budget to the central Treasury.	March 31, 2010	Partially met
12. Submit		
• to the Board of Supreme Audit and to the Council of Representatives the final accounts of the Federal Budget for the year ending December 31, 2008;	March 31, 2010	Met
• to the Council of Representatives and publish the audited accounts of the Federal Budget for the years ending December 31, 2005 and December 31, 2006; and	March 31, 2010	Largely met
• to the Board of Supreme Audit and to the Council of Representatives the final accounts of the Federal Budget for the year ending December 31, 2009.	September 30, 2010	Underway
13. To strengthen reporting and cash management: (i) start receiving monthly reports from spending units on spending, including investment, advances, and letters of credit, no later than two months after the end of each month and reconcile these amounts with the cash balances at the beginning and end of the reporting period; and (ii) approve cash releases only after the Ministry of Finance has	Continuous from April 30, 2010	Partially met

reviewed the report from three months before.		
14. To improve budget preparation for 2011, set ceilings in the budget circular for current and investment spending, in line with a sustainable medium term budget strategy.	June 30, 2010	Largely met
15. Prepare a detailed report documenting a review of the outstanding stock of advances to identify those that are recoverable; on the basis of the review, classify the debts as recoverable or irrecoverable; set a time schedule for their recovery, and for writing off irrecoverable advances based on appropriate authorization at a high level. Once actions have been taken to recover doubtful amounts, recommend that they be written-off.	September 30, 2010 (full inventory by May 31, 2011, review by September 30, 2011)	Partially met
16. Complete an audited review of the largest investment projects initiated in 2008. The review, conducted by the BSA, should discuss the criteria used for approving the projects; the procurement process and the project management process.	September 30, 2010 (October 31, 2011)	Not met
17. Completion of census of all central government employees (excluding those employed in the security area).	September 30, 2010	Not met
18. Complete and distribute to all spending units a new, comprehensive accounting manual.	December 31, 2010	Underway
19. Develop, in consultation with the IMF and World Bank, a set of core functional requirements for a financial management system that is consistent with international good practice, including the ability to produce regular comprehensive reports; the inclusion of a commitment control system; and a decision on the envisaged payments system and associated banking arrangement.	May 31, 2011	
20. Rationalize the arrangements for spending units’ accounts with a view toward consolidating government cash balances.	June 30, 2011	
Oil Sector		
21. Complete the process of becoming a candidate for membership in the EITI.	March 31, 2010	Met
22. Complete the installation of all domestic metering systems to allow accurate measurement of domestic oil flows.	December 31, 2010 (December 31, 2011)	Partially met
23. Conduct an audited review of the domestic oil sector to reconcile the flows of oil and oil products at key points in the national system with the financial flows between the various state-owned companies and the budget.	June 30, 2011	
24. Maintain a single account for oil export proceeds, subject to the strict transparency and accountability rules that govern the DFI, including an independent external audit, and the oversight of the Committee of Financial Experts (COFE).	Continuous	Met

IRAQ: TECHNICAL MEMORANDUM OF UNDERSTANDING

March 3, 2011

1. This memorandum describes the quantitative and structural performance criteria, benchmarks, and indicators for the third Stand-By Arrangement (SBA) with the International Monetary Fund (IMF). It also specifies the periodicity and deadlines for transmission of data to the staff of the IMF for program monitoring purposes.

I. QUANTITATIVE PERFORMANCE CRITERIA AND INDICATORS

2. The quantitative performance criteria are the following:

(i) a floor on net international reserves of the Central Bank of Iraq (CBI);

(ii) a ceiling on net domestic assets of the CBI;

(iii) a ceiling on the central government fiscal deficit;

(iv) a ceiling on the central government current spending bill;

(v) a floor under the balance in the Development Fund for Iraq (DFI);

(vi) a ceiling on direct government subsidies to the fuel sector;

(vii) a ceiling on contracting and guaranteeing of new medium- and long-term non-concessional external debt contracted or guaranteed by the central government and/or the CBI; and

(viii) a ceiling on external payments arrears on any rescheduled and new debt of the central government and/or the CBI.

II. DEFINITIONS

3. For purposes of monitoring under the program, a **program exchange rate** will be used. This program exchange rate will be set at ID 1,170 per U.S. dollar. The program exchange rate will be used to convert into Iraqi dinars the U.S. dollar value of all CBI foreign assets and liabilities denominated in U.S. dollars, as required. For CBI assets and liabilities denominated in SDRs and in foreign currencies other than the U.S. dollar, they will be converted in U.S. dollars at their respective SDR-exchange rates prevailing as of December 31, 2010, as published on the IMF's website.

4. For the purpose of this program, the **international or world oil price** is understood to be the Average Petroleum Spot Price (APSP) used in the IMF's World Economic Outlook

(WEO), which is the simple average of UK Brent, Dubai Fateh, and West Texas Intermediate spot prices reflecting world exports of light, medium, and heavy crude oil. The **projected international or world price** for a particular year is the latest WEO price projection for that year as released by the IMF's Research Department to IMF staff. IMF staff will provide these oil price projections to the Iraqi authorities. For purposes of making projections, the **projected Iraqi oil price** will be calculated as the difference between the relevant projected international or world price (as defined above) and the average differential between the international price and the actual price at which Iraqi crude has been sold in the preceding 18-tmonth period.

5. For the purpose of assessing whether the SBA will be treated as precautionary, the **relevant revenue variable** will be the actual monthly revenues as reported by the Central Bank of Iraq when the payments for oil are deposited into the Development Fund for Iraq.

6. For program purposes, **central government** is defined to include the central administration, the Kurdish government, as well as agencies included under Section 6 (the local boards, Iraqi media network, Iraqi national Olympic committee, Bait-Al-Hikma, Ammant Baghdad, Municipality institutions, as well as the General directorates of sewerage and water).

7. **Net international reserves (NIR)** are defined as gross usable reserves minus reserve-related liabilities of the CBI. Gross usable reserves of the CBI are claims of the CBI on non-residents that are controlled by the CBI, denominated in foreign convertible currencies, and are immediately and unconditionally available to the CBI for meeting balance of payments needs or for intervention in foreign exchange markets, and are not earmarked by the CBI for meeting specific payments. They include CBI holdings of monetary gold, SDRs, Iraq's reserve position in the IMF, foreign currency cash, and deposits abroad, except for the resources of the DFI but including the CBI DFI sub-account. Excluded from reserve assets are any assets that are pledged, collateralized, or otherwise encumbered; claims on residents; precious metals other than monetary gold; assets in non-convertible currencies; illiquid assets; and claims on foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forwards, swaps, and options). Reserve-related liabilities shall be defined as foreign currency denominated liabilities of the CBI to non-residents with original maturity of one year or less, and all liabilities to the Fund, but excluding the liabilities represented by SDR allocations. They include: foreign currency reserves of commercial banks held at the CBI; commitments to sell foreign currency arising from derivatives (such as futures, forwards, swaps, and options); and all arrears on principal or interest payments to commercial banks, suppliers, or official export credit agencies. As of December 31, 2009, (net) international reserves amounted to US$44.34 billion, all comprising of reserve assets. The program floors on the net international reserves of the CBI are reported in Table 1.

8. **Net domestic assets of the CBI** include (i) net claims on the general government, comprising of gross claims on the general government minus general government domestic

and foreign currency deposits at the CBI; (ii) gross claims on commercial banks; (iii) monetary policy instruments, including dinar and foreign currency denominated term deposits and CBI bills; and (iv) gross claims on non-bank, non-government entities. For the purpose of this arrangement, net domestic assets of the CBI excludes other items net, comprising of net fixed and other assets, minus revaluation accounts and capital and reserve accounts. As of end-December 2009, net claims on the general government amounted to ID 2,740 billion; gross claims on commercial banks stood at ID 4 billion; monetary policy instruments amounted to ID -3,988 billion; and gross claims on non-bank, non-government entities were nil, resulting in a stock of the CBI's net domestic assets of ID -1,243 billion. As of end-December 2009, OIN amounted to ID -1,040 billion. The program ceilings of the net domestic assets of the CBI are reported in Table 1.

9. The **central government fiscal deficit** will be calculated as the sum of domestic and external financing of the central government balance, adjusted for any deviations in the amounts of (i) donor financing for projects and (ii) "other financing" in excess of program projections. Domestic financing includes any form of resident financing of the consolidated budget from (i) the central bank; (ii) commercial banks; (iii) non-bank financial institutions; (iv) non-financial enterprises; (v) privatization proceeds; (vi) changes in arrears; (vii) households; and (viii) all other domestic financing not elsewhere classified. External financing includes financing from (i) the Development Fund for Iraq, (ii) donor financing for projects, (iii) other financing not elsewhere classified, and net of (iv) the amortization of external debt. The ceilings for end-June 2011, and end-December 2011 will be measured on a cumulative basis from January 1, 2011. The program ceilings of the central government fiscal deficit are reported in Table 1.

10. The **central government current spending bill** includes the wage and pension bill, the in-kind transfers under the Public Distribution System (PDS), and transfers to state-owned enterprises (SOEs). The **wage and pension bill** includes all wage and pension payments made by the central government, excluding wage payments made by the ministries of defense and interior. Specifically, with reference to the 2009 budget classification, it includes expenditures under Section 1 (except those for the ministries of defense and interior) and Section 6, sub-section 1, items 2(1), 3(1, 3, 5, and 7), 4(1), 5(1), 7(1), 8(1), 9(1), 10(1), 11(1), 12(1), and 13(1). The **Public Distribution System** bill includes the spending reported under Section 7, sub-section 2, item 1(1). The **transfers to the SOEs bill** covers expenditures covered in Section 5, net items covered under subsection 2, items 1(1 to 6). The ceilings on the government current spending bill for end-June 2011, and end-December 2011 will be measured on a cumulative basis from January 1, 2011. The program ceilings of the central government current spending bill are reported in Table 1.

11. The **balance in the DFI** consists of: (i) the main account held at the Federal Reserve Bank of New York that consolidates all receipts from export sales of petroleum and petroleum products; proceeds from frozen assets in foreign countries; balances related to the United Nations Oil for Food Program; interest or other revenue accrued from income investments

(i.e., overnight deposits and repos, interests derived from the PCO, FMS and TBI balances) and T-bills; returned Letters of Credit; and other deposits and revenue covered under the UNSCR 1483 (2003) resolution; and (ii) the balance in the PCO account. For program purposes, the balance in the FMS account is excluded from the balance in the DFI. The program floors on the balance in the DFI are reported in Table 1.

12. **Direct government subsidies to the fuel sector** shall comprise of any financial assistance rendered by the Ministry of Finance to fuel-related enterprises. The ceilings for end-June 2011, and end-December 2011 will be measured on a cumulative basis from January 1, 2011. The program ceilings of the direct government subsidies to the fuel sector are reported in Table 1.

13. A continuous ceiling applies to the non-accumulation of **external payments arrears** on rescheduled debt and new external debt contracted or guaranteed by the central government and/or the CBI. External payment arrears consist of external debt service obligations (principal and interest) falling due after December 31, 2009 and that have not been paid at the time they are due, as specified in the contractual agreements. The program ceilings of the external payments arrears are reported in Table 1.

14. As set forth in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Decision No. 12274-(00/85), August 24, 2000), the term "**debt**" will be understood to mean a current liability (i.e., not contingent), created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being: (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits), and temporary exchanges of assets that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments that cover the operation, repair or maintenance of the property. Arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an

obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

15. For purposes of the program, the **guarantee of a debt** arises from any explicit legal obligation of the government or CBI or any other agency acting on behalf of the government to service such a debt in the event of non-payment by the recipient (involving payments in cash or in kind), or indirectly through any other obligation of the government or CBI to cover a shortfall incurred by the loan recipient.

16. The limits on **medium- and long-term external debt** apply to the contracting or guaranteeing by the government and/or the CBI of new, non-concessional external debt with an original maturity of more than one year. This limit applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt in Fund Arrangements (Decision No. 6230-(79/140), August 3, 1979, as amended by Decision Nos. 11096-(95/100), October 25, 1995, and 12274-(00/85), August 24, 2000), but also to commitments contracted or guaranteed for which value has not been received. External debt will be considered to have been contracted at the point the loan agreement or guarantee is ratified by the Iraqi parliament. Excluded from this limit are leases of real property by Iraqi embassies or other foreign representations. External debts will be expressed in U.S. dollar terms, with debts in currencies other than the U.S. dollar converted into U.S. dollars at the market rates of the respective currencies prevailing on December 31, 2010, as published on the IMF's website. The program ceilings of the contracting or guaranteeing of medium- and long-term external debt are reported in Table 1. These limits are applied on a continuous basis to the contracting and guaranteeing of external debt on or after January 1, 2010 and the limit during the period preceding each test date will be the ceiling set for that particular test date.

17. **Concessionality** will be based on currency-specific discount rates based on the Organization for Economic Co-operation Development (OECD) commercial interest reference rates (CIRRs). For loans of an original maturity of at least 15 years, the average of CIRRs over the last 10 years will be used as the discount rate for assessing the concessionality of these loans, while the average of CIRRs of the preceding six-month period will be used to assess the concessionality of loans with original maturities of less than 15 years. To the ten-year and six-month averages of CIRRs, the following margins will be added: 0.75 percent for repayment periods of less than 15 years; 1 percent for 15–19 years; 1.15 percent for 20–30 years; and 1.25 percent for over 29 years. Under this definition of concessionality, only loans with grant element equivalent to 35 percent or more will be excluded from the debt limits. The debt limits also will not apply to loans contracted for debt rescheduling or refinancing (including the deferral of interest in commercial debt), and credits extended by the IMF and the World Bank.

VI. Program Adjustors

18. If oil revenues exceed the amounts projected under the program ($30.5 billion in the first half of 2011; and $61 billion for the entire year 2011), half of the additional revenues up to a maximum of $5 billion can be used to finance additional capital spending. In this case, the **ceilings on the central government fiscal deficit** for end-June 2011, and end-December 2011 will be adjusted *downwards* by half of the excess as compared to the respective projected amounts, multiplied by the program exchange rate.

19. If oil revenues fall short of the amounts projected under the program (as in paragraph 17), spending will be reduced by half of the shortfall, while the remaining gap of revenues will be financed by drawing down financial buffers built up in the DFI or government deposits in the CBI or commercial banks. In this case, the ceilings on the central government fiscal deficit will be adjusted upwards by half of the shortfall.

20. The **floors under the balance in the DFI** for end-June 2011, and end-December 2011 will be adjusted upwards/downwards by half of the excess/shortfall in oil revenues as compared to the projected amounts as described in paragraph 17.

VII. Provision of Information to the Fund Staff

A. Data

21. To monitor developments under the SBA, the authorities agree to provide the Fund, the information specified below after SBA approval. The program is designed with semester quantitative performance criteria and the actual outcome should be provided within eight weeks following the end of the semester. However, in order to facilitate regular monitoring, many of the indicators should be provided with higher frequencies, as indicated below.

- CBI gross foreign exchange reserves (weekly) and balances of the DFI held at the FRBNY. This should be reported no longer than 2 weeks after the end of the reference week.

- The monthly balance sheet of the CBI, with a month lag.

- The monthly consolidated balance sheet of the other depository corporations (commercial banks), with an eight week lag.

- The depository corporations (monetary) survey of all commercial banks and the CBI (quarterly), with an eight weeks lag.

- Weekly preliminary monetary and financial aggregates as in “Key Financial Indicators”, including exchange rate data (daily), currency in circulation, transferable and other deposits held at commercial banks, balances on government accounts at the CBI, interest rates on loans and on deposits at commercial banks, holdings of government securities, and credit outstanding to the public and private sectors. The data, excluding exchange rates, should be reported no longer than three weeks after the end of the reference period.

- Consumer price index (CPI), including indices for main cities (monthly). These should be reported no longer than a month after the end of the relevant month.

- Detailed revenues, operating and capital expenditure, and financing items of consolidated fiscal and oil operations, and overall fiscal balance. These data should include the execution of the Iraqi budget, operations and deposits of the oil-related state-owned enterprises, disbursements of external assistance and loans, execution of letters of credit financed under the UN oil-for-food program, all operations of the DFI and its sub-accounts, balances of all government accounts held at the CBI and the commercial banks, and outstanding stock of government securities (including treasury bills). These data should be reported on a monthly basis and no later than eight weeks after the end of the reference month.

- Amount of total imports of petroleum products financed from the budget on a quarterly basis starting with the first quarter of 2009. These data should be reported no later than eight weeks after the end of the reference quarter.

- Indicators of oil activity on crude oil and gas production and use, production and sales (export and domestic) of refined petroleum products, including heavy residuals (monthly). These data should be reported no longer than eight weeks after the end of the reference quarter.

- Indicators of non-oil real economic activity (quarterly), including production of cement, fertilizers, and electricity, reported no longer than eight weeks after the end of the reference quarter.

- Detailed data on disbursement of external assistance (both project and budget financing) from the U.S. and other donors, including by recipient sector; foreign debt amortization and interest payments made; and total outstanding domestic and external debt. These data should be reported on a monthly basis no more than eight weeks after the end of the reference month.

- List of short, medium, and long-term government or government-guaranteed external loans contracted during each quarter, identifying for each loan: the creditor, the borrower (ultimate obligor), the amount and currency, the maturity and grace period, repayment terms, and interest rate arrangements (monthly).

- Details on new debt rescheduling and debt relief agreements with bilateral, multilateral, and commercial creditors, including new outstanding amount and currency, schedule of payments (principal and interest), terms of agreement, repayment terms, and interest rate arrangements.

- Foreign trade statistics (imports, exports, re-exports) (quarterly). This should be reported no longer than eight weeks after the end of the reference quarter.

- The balance sheet of the Trade Bank of Iraq (TBI) as well as data on issued, implemented and outstanding Letters of Credit, with no more than an eight weeks lag.

- The amount and terms of concessional loans contracted and their grant element, on a quarterly basis, with no more than eight weeks lag.

B. Structural Reforms

22. The authorities will prepare and send to the IMF reports, with appropriate documentation, indicating progress achieved, explaining any deviations relative to the initial planning, and specifying expected revised completion dates.

C. Other Information

23. Other details on major economic and social measures taken by the government that are expected to have an impact on program sequencing (such as changes in legislation, regulations, or any other pertinent document) will be sent in a timely manner to IMF staff, for consultation or information.