



Ref No. 297
Date: December 14 2003

FOR: Iraqi Ministers
FROM: Mr. Kamil Mubdir al-Gailani, Minister of Finance
SUBJECT: End of the year budget considerations

Dear Colleague,

Under the current budget laws, the Iraqi budget operates on a cash basis. Spending approval for amounts allocated for a budget year are not automatically transferred to the next year if not spent by December 31. Unspent balances will remain in your Ministry's bank account and can be drawn down without interruption, but the law requires that these balances be deducted from your 2004 allocations.

One exception provided by existing budget law is made under the accruals basis amendment. This allows a Ministry to accrue budget balances for capital projects on which work has been completed but paperwork processing remains unfinished at year's end. Evidence of this project status, which will be reviewed by the Board of Supreme Audit, will be required so that these capital balances are exempt from deduction from the 2004 allocation.

The law also allows me in certain circumstances to provide additional allocations in the next year's budget where a Ministry was unable to spend it all in the budget year.

In a normal year, such exceptions would be limited, however, we all know that 2003 has been an extraordinary year. In this context, I plan to approve most requests to increase funding in 2004 that is unspent in 2003.

To do this in accordance with the law, I require your assistance. In particular, I would be grateful if your Ministry's finance department could prepare an initial trial balance and statement accounting for 2003 budget expenditures and forecast of remaining balances, as well as a brief statement on why it was not expended in 2003. I have directed my staff to help their counterparts in your Ministry in any way they can to accomplish this task.

With close cooperation we can ensure that the rebuilding of Iraq continues uninterrupted.

Sincerely,

Mr. Kamil Mubdir al-Gailani
Minister of Finance

P.P. F.J. Rabia

14-12-2003

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