Kurdistan Regional Government
Council of Ministers
Department of Media and Information

News Service

# "Erbil and Baghdad: The Facts on Finance and Oil (2023-2025)"

5 January, 2026

## Summary By the Numbers:

- KRG Reveals Scale of "Financial Gap" and Confirms: We Received Only 41% of Entitlements and Zero for Investment Projects
- Recent official data has revealed the significant disparity between the constitutional entitlements of the Kurdistan Region and what was actually funded by the Federal Government over the past three years, describing the situation as an "Investment Blockade" and a "Massive Funding Gap".
- Figures indicate that the total entitlement of the Region amounted to 58.3 trillion dinars, yet actual receipts did not exceed 24.3 trillion dinars. This constitutes only 41% of financial rights and a meager 3.9% of Iraq's total budget, reflecting a clear injustice against the citizens of the Region.
- In a dangerous precedent regarding the "Investment Blockade," the data clarified that despite the Federal Government allocating 165 trillion dinars for investment expenditures, the Region's share was (Zero Dinars), leading to the halting of vital infrastructure projects.
- Regarding the Oil file, the data indicated that the suspension of oil exports caused a $25 billion loss to the Iraqi economy. Since the resumption of exports in late 2025, the KRG has demonstrated good faith by pumping 19.5 million barrels through "SOMO."
- On the issue of salaries, the Federal Government did not fund a full year's salaries (12 months) in any of the three years (2023-2025), leaving months of unpaid dues accumulating as debt.
- This comes at a time when the KRG has shown high financial commitment, transferring 919 billion dinars in non-oil revenues to the federal treasury during 2025, a move that underscores unilateral commitment in the face of continued procrastination in sending entitlements.

## Kurdistan Region’s Share of the Iraqi Federal Budget

Following the approval of Iraq’s Federal Budget Law on 21 June 2023 -covering the three fiscal years 2023, 2024, and 2025- the Kurdistan Region’s financial entitlement was determined after prolonged negotiations and mutual understandings between the Kurdistan Regional Government (KRG) and the Federal Government of Iraq.

Under the provisions of the Budget Law, the Kurdistan Region’s allocation is made conditional upon two principal requirements: the transfer of non-oil revenues to the federal treasury in accordance with the Financial Management Law, and the delivery of the Region’s oil production to the Iraqi State Oil Marketing Organization (SOMO) or the Federal Ministry of Oil.

In return, the Federal Government is legally obligated to disburse the Kurdistan Region’s budgetary share in full and in accordance with the Federal Budget Law. However, despite the clarity of these legal provisions, the federal authorities have not transferred the full amounts stipulated in the law to the Kurdistan Region (see Table 1).

Over the past three fiscal years, Iraq’s total federal budget amounted to IQD 622,632,967,000,000 of which the Kurdistan Region’s legally allocated share was IQD 58,368,697,000,000. In practice, only IQD 24,324,514,000,000 was disbursed to the Kurdistan Region. This represents just 41.6% of the Region’s allocated share and approximately 3.9% of the total federal budget over the same period, highlighting a persistent and significant shortfall in federal transfers.

**Table 1: Federal Budget Allocations, Kurdistan Region's Share, and Operating Expenditures**

| Year | Iraq Federal Year Budget (IQD) | Kurdistan Region's Share (IQD) | The budget transfer rate to the Region |
|---|---|---|---|
| 2023 | 198,910,343,590,000 | 16,497,871,089,000 | %8.2 |
| 2024 | 211,861,312,504,000 | 20,910,463,950,000 | %9.8 |
| 2025 | 211,861,312,504,000 | 20,910,463,950,000 | %9.8 |

## Investment Budget

While the Federal Budget Law defines the Kurdistan Region's share of operating expenditures, it also stipulates that the Region is entitled to a proportional share of Iraq's national investment budget. However, despite these explicit legal provisions, the Kurdistan Region has not received any allocation from the investment budget.

Across the fiscal years 2023–2025, a total of approximately IQD 12.5 trillion was allocated at the federal level for investment expenditures. To date, not a single dinar from this allocation has been transferred to the Kurdistan Region (see Table 2), underscoring a complete absence of investment funding despite the Region's legally established entitlement.

**Table 2: Investment Budget in Iraq and the Kurdistan Region's Share**

| Year | Iraq Investment Budget (IQD) | Kurdistan Region's Share (IQD) | Investment Budget Disbursed to the Kurdistan Region (IQD) |
|---|---|---|---|
| 2023 | 55,409,624,383,000 | 4,954,582,342,000 | 0 |
| 2024 | 55,017,815,725,000 | 4,954,582,342,000 | 0 |
| 2025 | 55,017,815,725,000 | 4,954,582,342,000 | 0 |

## Details of Funds Sent by the Federal Government to the KRG

- **2023**

Following the approval of the Federal Budget Law, the Kurdistan Region's legally allocated share for 2023 amounted to IQD 16,497,871,089,000. Despite this allocation, The Federal Government transferred only IQD 4,698,000,000,000 to the Kurdistan Regional Government, most of which was classified as loans rather than direct budgetary transfers.

The funds provided by the federal government were sufficient to cover the salaries of public sector employees for only five months. Through a combination of federal transfers, domestic revenues, and oil revenues generated during the first quarter of 2023, the KRG was able to distribute a total of nine monthly salaries to public employees.

Consequently, the financial allocations corresponding to three months of public sector salaries for 2023 remain outstanding and have not been transferred by the Federal Government, despite the Kurdistan Region's fulfillment of its obligations under the Federal Budget Law.

- **2024**

For the fiscal year 2024, the Kurdistan Region's legally defined share under the Federal Budget Law amounted to IQD 20,910,463,950,000. Of this allocation, the total amount available for salary payments was IQD 10,709,736,357,000. This consisted of IQD 10,026,445,000,000 transferred by the Federal Government and an additional IQD 683,291,000,000 drawn from the KRG's domestic revenues to supplement salary expenditures.

The federal transfers covered the equivalent of ten months of public sector salaries. One additional month's salary was financed through domestic KRG revenues, leaving one month of salaries for 2024 unpaid and remaining with the Federal Government.

Following an agreement between Erbil and Baghdad concerning the federal treasury's share of the Kurdistan Region's non-oil revenues, an amount of IQD 399,168,961,500 was deposited mid-year into the Federal Ministry of Finance account at the Erbil branch of the Central Bank of Iraq, covering a five-month period.

- **2025**

In 2025, the Federal Government of Iraq transferred a total of IQD 9.6 trillion to the Kurdistan Regional Government, all of which was used for the payment of public sector salaries. This transfer was made despite the Kurdistan Region's legally allocated share of the 2025 federal budget amounting to IQD 20.91 trillion, meaning that less than half of the Region's entitlement was disbursed.

In total, the federal government disbursed IQD 10,403,232,701,342 to the Kurdistan Region. After deductions amounting to IQD 814,486,145,690—covering pension contributions, salary income tax, stamp duties, civil service biometric fees, and repayments of 3% pension loans—the net amount available for salary payments was IQD 9,599,971,607,631.

According to the agreement reached between federal and KRG delegations, total salary allocations for the Kurdistan Region in 2025 were set at IQD 13,334,587,000,000. However, only IQD 9.6 trillion was ultimately provided by the Federal Government. Under the Federal Budget Law, the Kurdistan Region's total share for 2025 was IQD 20,910,463,950,000, of which approximately 45% was transferred.

As a result, the Federal Government funded only ten out of the twelve months of public sector salaries for the Kurdistan Region in 2025 (see Table 3).

**Table 3: Funds Received by the KRG from the Federal Government of Iraq**

*(after pension and tax deductions)*

| Month | Amount Received (IQD) |
|---|---|
| January | 958,012,332,759 |
| February | 957,925,862,078 |
| March | 954,880,507,780 |
| April | 959,514,309,106 |
| May | 974,813,045,475 |
| June | 1,007,352,199,128 |
| July | 956,936,732,490 |
| August | 945,817,430,551 |
| September | 941,874,188,271 |
| October | 942,845,000,000 |
| November | 0 |
| December | 0 |
| Total | 9,599,971,607,631 |

### Transfer of Non-Oil Revenue by the KRG to the Federal Government in 2025

Under the Federal Budget Law and in accordance with the Financial Management Law, the Kurdistan Region is required to transfer 50% of its non-oil revenues to the federal treasury. This obligation constitutes one of the core fiscal provisions governing federal–regional financial relations (see Table 4).

**Table 4: Transfer of Non-Oil Revenue from the KRG to the Federal Government (2025)**

| Month | Amount Sent (IQD) |
|---|---|
| January | 51,895,457,877 |
| February | 48,722,239,000 |
| March | 48,205,765,000 |
| April | 50,522,750,000 |
| May | 120,000,000,000 |
| June | 120,000,000,000 |
| July | 120,000,000,000 |
| August | 120,000,000,000 |
| September | 120,000,000,000 |
| October | 120,000,000,000 |
| November | 0 |
| December | 0 |
| Total | 919,346,211,877 |

## Federal Government Excuses for Delaying the Transfer of the Kurdistan Region's Share

Despite the approval of the Federal Budget Law and the formal agreements reached between Erbil and Baghdad regarding the resumption of oil exports and the transfer of the Kurdistan Region's financial entitlements, the Federal Government—primarily through the Federal Ministry of Finance—continued to delay the disbursement of funds. These delays created significant financial and administrative obstacles for the Kurdistan Regional Government and directly affected the timely payment of public sector salaries.

The Federal Government cited a series of administrative, technical, and procedural justifications for withholding transfers. In response, the KRG undertook corrective measures to address each of the stated concerns. The principal justifications raised by the Federal Government, along with the corresponding actions taken by the KRG, are outlined below.

- **Payroll Documentation and Formatting Requirements**

In 2024, the Federal Government raised a series of objections concerning the format and content of the Kurdistan Region's payroll submissions. Initially, the Federal Ministry of Finance required that payroll data be submitted in Arabic. Subsequently, it requested the inclusion of employees' full four-part names, including their mothers' names, as an additional condition for salary disbursement.

The KRG Ministry of Finance addressed all of these requirements in full, resolving the issues raised by the federal authorities and enabling the temporary release of salary payments.

**• Unique Personal Number (UPN) and Biometric Verification Requirements**

Following the resolution of payroll documentation issues, the Federal Government introduced further conditions related to the submission of Unique Personal Number (UPN) codes and biometric data for public employees as a prerequisite for salary payments.

In response, the KRG Ministry of Finance provided UPN codes and biometric data for all public employees in several phases. At present, approximately 600 employees have not completed the required UPN and biometric registration procedures, and their salaries remain suspended pending compliance.

**• Submission of the Revised Trial Balance Financial Report**

Following the resolution of payroll documentation and UPN-related issues, the Federal Ministry of Finance requested the regular submission of the monthly Revised Trial Balance financial report as an additional condition for salary disbursement. Since 2023, the Kurdistan Regional Government has complied with this requirement by submitting the report on a monthly basis, providing detailed accounts of all revenues and expenditures.

In parallel, joint audit teams from the Supreme Audit Boards of Iraq and the Kurdistan Region have conducted quarterly field audits to verify the accuracy and completeness of the submitted financial data.

**• Deployment of Federal Financial Audit and Monitoring Teams**

Subsequent to these measures, the Federal Government deployed audit and monitoring teams from the Supreme Audit Board to Erbil to examine the Revised Trial Balance reports in detail. The KRG facilitated this process by granting full access to relevant records and providing the necessary administrative and logistical support, with the objective of resolving outstanding salary payment issues.

**• Salary Allocation and Funding Delays**
Despite the Kurdistan Regional Government having addressed all requirements and conditions imposed by Baghdad, the Federal Ministry of Finance introduced further delays in the allocation of salary funding during the final three months of 2024. As a result, the KRG was able to distribute only eleven monthly salaries over the course of the year, with one of these payments financed from domestic revenues rather than federal transfers.

**The Year 2025**

Following the resolution of all previously raised federal government requirements in 2024, the Kurdistan Regional Government Ministry of Finance formally requested, at the beginning of 2025, that the Federal Ministry of Finance ensure the full allocation of salary funding for KRG public employees within the federal budget tables. In response, an amount of IQD 13,334,587,000,000 was allocated for salary expenditures.

According to a memorandum of understanding between the Federal Ministry of Finance and representatives of the Kurdistan Regional Government—approved by the Federal Minister of Finance and the Prime Minister on 1 February 2025—the funding of salaries for all twelve months of 2025 was formally confirmed. Despite this agreement, the Federal Government subsequently introduced a new series of conditions and administrative obstacles, as outlined below.

**• Implementation of the Unified Pension Act**
In early 2025, the Federal Ministry of Finance mandated the immediate implementation of the Unified Pension Act as a condition affecting salary administration in the Kurdistan Region. This decision required the simultaneous retirement of approximately 30,000 public employees born between 1962 and 1964, generating significant administrative, payroll, and institutional challenges for the KRG.

**• Suspension of Salary Increments, Transfers, and Hiring**

Despite the absence of new public sector recruitment in the Kurdistan Region since 2013, the Federal Government has continued to hire hundreds of thousands of employees in other parts of Iraq over the past twelve years. In early 2025, the Federal Ministry of Finance imposed a comprehensive suspension on salary increments, employee transfers, and new appointments within the Kurdistan Region. These measures were justified by the Federal Government as necessary to contain financial obligations pending the approval of the 2026 Federal Budget Law.

**• Financial allocation issues**

In May 2025, salary payments to public employees in the Kurdistan Region were again delayed, with the Federal Government citing issues related to oil revenues and the exhaustion of federal financial allocations. Although this disruption was later resolved through a formal agreement between Erbil and Baghdad, the episode further contributed to instability in salary disbursement and financial planning.

**• Non-Oil Revenues**

After the Kurdistan Regional Government had addressed all previously raised objections from the Federal Ministry of Finance, the Federal Government once again raised the issue of domestic (non-oil) revenues. Baghdad demanded the transfer of 100% of the Kurdistan Region's non-oil revenues as a precondition for releasing public sector salaries, despite the absence of a legal basis for such a demand. In 2024, the KRG had already complied with the Financial Management Law by depositing the federal government's legally defined share of non-oil revenues into the Federal Ministry of Finance's account.

Following the suspension of salary payments in mid-2025, the Federal Government again cited non-oil revenues as a condition for disbursement. In order to ensure the timely payment of public employees' salaries and prevent further disruption, the KRG agreed to transfer IQD 120 billion per month from its non-oil revenues to the federal treasury.

This arrangement, however, has placed substantial strain on the KRG's operating budget, constrained project financing, and adversely affected service delivery across public institutions.

**• Oil exports**

Subsequent to the agreement on domestic revenues, the Federal Government required that all oil produced in the Kurdistan Region be handed over to the Federal Ministry of Oil. Following a tripartite agreement between the Kurdistan Regional Government, the Federal Government, and regional oil companies, oil exports from the Kurdistan Region resumed after a suspension lasting nearly two years, with sales conducted through the Iraqi State Oil Marketing Organization (SOMO).

**• Banking of KRG Employee Salaries**

Another issue raised by the Federal Government concerned the mechanism used for banking public employee salaries in the Kurdistan Region. The Kurdistan Regional Government had already implemented the "My Account" (Hazhmary Mn) salary banking project prior to the federal objection.

Following technical briefings and demonstrations provided by the KRG to federal officials, it was established that the "My Account" system delivers more advanced services at significantly lower monthly costs compared to the federal "Tawtin" system. As a result, this issue was resolved. Currently, more than 90% of KRG public employees are registered in the "My Account" system, which has entered its final phase of implementation.

## The Oil Dispute Between Erbil and Baghdad

On 25 March 2023, the Federal Government of Iraq filed a case before the International Court of Arbitration in Paris, which resulted in the suspension of oil exports from the Kurdistan Region. After one year of halted exports, negotiations between Erbil and Baghdad resumed. In April 2024, the two sides reached an agreement to resume oil exports from the Kurdistan Region.

However, despite this agreement, exports did not restart due to disputes related to the cost of producing and transporting each barrel of oil, as well as the outstanding financial entitlements of oil-producing companies operating in the Region.

The amounts allocated for the production and transportation of Kurdistan Region oil were not commensurate with the actual costs involved. Acting in good faith and with the intention of resolving the outstanding issues, the Kurdistan Regional Government delivered more than 11 million barrels of oil to the Federal Government. Nevertheless, the KRG did not receive anything in return, which prevented it from meeting even the minimum financial obligations owed to oil-producing companies.

The issue of unpaid financial entitlements to oil-producing companies constituted a major obstacle to the resumption of exports. However, following extensive discussions between the KRG, the Iraqi Government, and the oil producing companies, an agreement was ultimately reached. At 7:00 a.m. on Saturday, 27 September 2025, oil exports from the Kurdistan Region successfully resumed, with 190,000 barrels exported through the pipeline to the port of Ceyhan in Türkiye.

During the period in which oil exports from the Kurdistan Region were suspended, the Iraqi economy and the Kurdistan Region's economy incurred combined losses exceeding USD 25 billion. Since the resumption of exports, more than 19.5 million barrels of oil from the Kurdistan Region have been exported through the national oil marketing company SOMO (see Table 5).

**Table 5: Volume of Oil Exported via SOMO in 2025 (Barrels)**

| Export Period | Volume Exported (Barrels) |
|---|---|
| 27 – 30 Sept 2025 | 814,491 |
| 1 – 31 Oct 2025 | 6,030,574 |
| 1 – 30 Nov 2025 | 6,542,088 |
| 1 – 31 Dec 2025 | 6,207,718 |
| Total | 19,594,871 |

As shown in the table above, during the final 95 days of 2025, the Kurdistan Region exported an average of over 206,000 barrels of oil per day through SOMO.

******This report was prepared with the assistance of the technical teams of the KRG Ministry of Finance and Economy.*

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