
Sales vs. Receipts: Understanding Why Iraq's Ministry of Oil and Ministry of Finance Report Oil Revenue Differently

21-05-2026

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Summary : Various reasons have been cited to explain why Iraq's oil and finance ministries publish different reports on the country's oil revenues, including oil sale terms, the timing of revenue transfers, the authority of the Federal Reserve Bank of New York over Iraq's oil revenues, and the inspection, auditing, and review mechanisms governing those revenues. While all of these factors play a role, the primary reason lies in the difference in accounting methods.

Overview

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The ministry of oil records revenue at the moment oil is sold and loaded onto tankers, whereas the ministry of finance records revenue only after the cash physically arrives in government accounts. Under the latter method, revenues typically lag behind expenditures by around two months. As a result, a structural delay of two to three months exists between the revenues reported by the ministry of oil and the amounts actually received and recorded by the ministry of finance.

Over the past two months, particularly since the beginning of the US-Israel war with Iran, concerns have spread that the government might be unable to distribute salaries and could halt funding for investment projects. However, Iraq has so far managed to withstand a major financial shock. The country passed the first quarter of the year with a smaller-than-expected deficit, avoiding a severe fiscal crisis and giving the government an opportunity to review and, if possible, reduce expenditures.

In recent days, the release of Iraq's first-quarter financial [report](#) for 2026 revealed major discrepancies in the oil revenue figures reported for the same months of the year. For instance, the March 2026 revenue recorded by the ministry of finance was nearly three times higher than the official figures published by the ministry of oil.

Consequently, these discrepancies raise serious questions about Iraq's financial system, particularly the gap between what the ministry of oil reports and when the ministry of finance actually receives the revenues. This issue is especially significant given that oil accounts for around 90 percent of Iraq's annual and monthly budget revenues and nearly 99 percent of the country's exports. The situation raises a key question: is this system beneficial, or does it ultimately harm financial transparency and fiscal stability?

Meanwhile, it is true that this mechanism delayed the immediate domestic impact of the US-Israel conflict with Iran and the closure of the Strait of Hormuz to Iraqi oil exports, a loud and dangerous alarm bell has now been rung. The true impacts will manifest this month and next month, as the government will be forced to meet high expenditures with severely diminished revenues.

The basis of differing financial accounting systems: Cash vs. accrual

Rather than utilizing the [Accrual Basis System](#), the Iraqi ministry of finance adheres to the Cash Basis System for revenues and expenditures—even though the International Monetary Fund (IMF) [encourages](#) governments to transition toward an accrual system.

The distinction between these two economic systems is as follows:

The Cash System (Cash Basis): It records only the expenditures and revenues that are physically available to the ministry as cash (whether it is surplus revenue or loans borrowed to cover deficits). It registers money as revenue only when it physically arrives in the government's bank accounts, such as at the Central Bank of Iraq (CBI).

The Accrual System (Accrual Basis): Revenues and expenditures are recorded as figures in the ledgers as soon as they are earned or incurred; it is not a requirement that the money has been physically received or paid via cash or bank check at that moment. Therefore, we can describe it as a complex system.

When the Iraqi ministry of oil publishes the volume of exported oil and its revenue for a given month, it does so in this manner: the moment the oil is sold and loaded, the ministry of oil records the value of the sale as revenue, regardless of whether the money has arrived in the account as cash or not.

Furthermore, due to the terms of oil sales, as well as banking and international financial procedures, the process from the sale of oil to the full return of its proceeds to Iraq can take between 30 and 90 days. The State Organization for Marketing of Oil (SOMO) grants buyers a payment period ranging from one to 60 days from the date of sale to deposit the funds into the ministry of finance's account at the Federal Reserve Bank of New York (FRBNY).

As a result, revenues recorded and published by the ministry of oil in April may only be registered and published as actual cash receipts by the ministry of finance in June.

Today's expenditure is revenue from two months ago

According to the Iraqi ministry of finance's Q1 2026 [report](#), there is a clear discrepancy in monthly oil revenues. For instance, in March, the ministry of finance recorded oil revenue at 8 trillion dinars, whereas the ministry of oil reported it at just 2.5 trillion dinars.

If we compare the ministry of finance's March 2026 revenue with the ministry of oil's January 2026 revenue, we find they are nearly identical (approximately \$6.48 billion or 8.3 trillion dinars). This proves that Iraq's oil revenue lags by two months; in other words, the recorded revenue is two months ahead of expenditures.

This inversion is a major flaw in Iraq's financial system. Because the country operates on an annual budget, the ministry of finance's data never aligns with budget estimates. For example, the Q1 2026 report (and the end-of-year 2025 data) shows a clear monthly and annual mismatch compared to expenditures: The ministry of finance's March revenue is actually January's money. February's revenue is December 2025's money. January 2026's revenue is November 2025's money.

Pros and cons of the financial system implemented in Iraq

From a technical standpoint, the cash basis system is simpler to administer than the accrual system. Most major global economies and corporations have adopted accrual accounting precisely because it more accurately reflects the true financial health of an institution — capturing outstanding obligations and earned revenues that have not yet been settled in cash.

The cash basis system did, however, provide one important advantage in the current crisis: it inadvertently cushioned Iraq from an immediate liquidity shock by allowing the government to spend revenues collected two to three months earlier, buying time to respond to falling oil income. It is important to note, though, that switching to accrual accounting would not change the physical timing of payments — oil revenues would still arrive two to three months after sales are made. The reform would improve transparency and planning accuracy, but not the underlying cash flow reality. That is precisely why cash flow analysis remains essential even for accrual-based entities: payments and expenses are never instantaneous.

The current crisis has made this starkly visible. With monthly expenditures running at approximately \$7 billion against real incoming revenues of roughly \$2 billion, the government has been forced into internal and emergency borrowing simply to meet its operational obligations — salaries, subsidies, and pensions. Borrowing to fund recurrent costs rather than investment generates no economic return and creates a significantly heavier future repayment burden. As of April 2026, internal debt has [reached](#) 96 trillion dinars, while external debt stands at 13 trillion dinars. April's oil revenues were lower than March's, with both months recording less than half of a normal month's income. If this situation continues, Iraq faces an accelerating cycle of shrinking revenues and rising debt.

The burden on the new government, led by Prime Minister Ali al-Zaidi, is enormous. Iraq's revenues remain almost entirely dependent on oil, while its expenditures are highly diversified across salaries, subsidies, pensions, debt servicing, and infrastructure — leaving the country's fiscal stability hostage to global oil prices and regional geopolitics, particularly the state (war or agreement) of relations between Tehran and Washington.

Whether Zaidi can use his four-year term like four decades of his own life to diversify revenue sources, reduce operational borrowing, and build reserves — rather than managing one cash-flow crisis after another — will become clear by 2030.

Ultimately, the core issue is not merely an accounting discrepancy — it is a structural misalignment between two fiscal calendars: the revenue cycle of the ministry of oil and that of the ministry of finance. This means the annual budget is routinely built on revenue figures that do not correspond to the same period as the expenditures they are meant to fund.

The solution is clear and simple: on one hand, align the revenue and expenditure calendars, and on the other, reform the government's implemented financial system. Using the first two months of oil revenue data, which are already available before the budget is finalized, will serve as a concrete baseline for more accurate, organized, and suitable fiscal planning for 2027 and the years to come