

Investigate the Reform of Iraq's Budgeting System with the Approach of Establishing Performance Budgeting and Medium-Term Expenditure Framework.

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Abstract

The purpose of this study is to investigate the requirements and mechanisms for reforming the budgeting system of Iraq with the approach of establishing an performance budgeting system, medium-term expenditure framework and accrual accounting system. The study population is university faculty members, senior managers, financial managers, and financial and budget experts of Iraqi government organizations between 2021 and 2022, which according to the conditions applied, 65 people as a sample. Statistically selected. The data required for the research is collected through library and field methods and through library research and classical answer and questionnaires, Delphi and questionnaires. In order to answer the research questions, using qualitative content analysis, indicators and requirements for reforming the budgeting system of Iraq were identified in the form of three groups of objects, strategies and results and consequences. The classical Delphi questionnaire was designed to validate the theoretical model using the identified indicators, and was agreed upon by the research experts during three stages of distribution. Descriptive statistics analysis was performed using central characteristics and dispersion and measuring the validity and reliability of questionnaires through structural equation modeling by heuristic confirmation factor models and Cronbach's alpha coefficient in order to rank the factors affecting the reform of the Iraqi budget system. Friedman nonparametric test was used. The results of statistical tests confirm the validity and reliability of the research questionnaire and the results of the Friedman test show that the impact of the identified indicators on the reform of the budgeting system in Iraq has the same rank and there is no prioritization between them. The results of the research confirm the use of the program budgeting method in the budget of Iraq and the non-implementation of the operational budgeting system, the medium-term expenditure framework and the accrual accounting system in the government organizations of this country. According to the agreed theoretical model, the implementation of operational budgeting is considered as an integral part of the medium-term expenditure framework and the implementation of the medium-term expenditure framework increases the quality of operational budgeting implementation and the resulting information. Implementation of the operational budgeting system and medium-term expenditure framework is recommended.

Keywords: Medium Term Expenditure Framework, Performance Budgeting, Accrual Based Accounting

Introduction

The general budget is a major performance for achieving economic and social goals on the economic projects of the special economic zones and the general economic development plans of the United Nations (Abdel-Wahhab, 2018).

The political developments in Iraq during the past years provide what is needed in the future. in good condition, (Al-Badri 2019).

The performance budget system and the spending framework can provide an average ability to solve problems and overcome weaknesses in the public financial system in terms of implementation of the decision between points of view, plans, goals, budget, expenditures, and the preparation of financial responses (Holmes, 2003).

Public Relations and Marriage. Studying the requirements of applying the performance budget programs in the Iraqi government units in terms of achieving accountability for public spending, given that this money belongs to the people and future generations, which should be spent effectively and efficiently, and to ensure the optimal use of scarce resources by applying the agency theory.

Previous studies showed that the application of performance budgeting (PB) and medium-term expenditure Framework (MTEF) helps the central government to perform better (Al-Khafaji, 2020; Mohammed, 2019; Al-Badri 2019).

This research has been completed on the basis of what, “For government government institutions as a developmental and applied research, and what are the obstacles that face this reform and in this way, entries and steps in the general budget are just questions to respond to. The performance budget system and the medium-term spending framework can provide an ability to overcome problems and overcome weaknesses in the public finance system in terms of decision-making through communication between policies, points of view, plans, goals, budget resources, expenditures, and the preparation of financial decisions for the government. (Holmes, 2003).

Budget performance and the medium-term expenditure framework were the two main elements of reform and in improving public financial management and reforming budget structures in recent years in the world, especially in developed and developing countries.

The purpose of this research is to study reforming the budget system in Iraq with a performance budgeting approach and a medium -term spending framework.

Theoretical side

2-1 Performance Budgeting

The budget includes the annual financial plan of the government for forecasting resources, revenues, credits, and estimating costs to carry out specific operations to achieve expected goals in a given period.

A performance budget is one that reflects both the input of resources and the output of services for each unit of an organization. The goal is to identify and score relative performance based on goal attainment for specified outcomes. This type of budget is commonly used by government bodies and agencies to show the link between taxpayer funds and the outcome of services provided by federal, state, or local governments (Adam Hayes, 2021).

Budgeting is the process of defining, planning, and expressing government policies and programs in the form of financial figures and allocating limited resources to unlimited needs in the form of a budget document, stating expected revenues and expenditures (Fakih Qaen, 2015).

Typically, in budgetary systems, emphasis is placed on meeting basic needs to ensure compliance with laws,

regulations and annual budget limits, maintain economic stability and increase productivity through improving the effectiveness and efficiency of service delivery . (see Jones, Guthrie, Steane 2001a, b)

One of the priorities of reforming the economic structure of states is reforming the methods of preparing the budget and distributing resources in government institutions. What is known as budgeting in government institutions is a traditional method that does not provide any information about the cost of allocations and the level of efficiency and effectiveness of programs. It has a short-term horizon, and they are unable to keep expenditures in long-term accounts. It leads to a reduction in the authority of the organization's management in achieving goals. Balancing,(Kilian 1999).

Performance-based budgeting is very beneficial because the available resources are very limited. Performance-based budgeting can help decision makers get better value with limited funds so that it can improve government efficiency and effectiveness. Managers can arrange priorities between highly competitive needs and the results of these decisions can be observed directly on the matrix and performance trends (Kilian 1999). Kilian further stated that the performance budget can improve internal management. Leaders and managers know better what to expect because the performance budget communicates the vision of superiors to subordinates .

Performance balancing is an effective method, in addition to separating and tracking resources for tasks and processes in the form of plans, programs and activities, that helps improve and manage organizations' resources by calculating the size and cost of operations (Robinson , 2005).

The performance budget links allocated funds to measurable results and emphasizes accountability for outputs and results (Groning 2001) .

2-1-1-Performance balancing objective

Robinson (2009) believes that performance budgeting aims to improve the efficiency and effectiveness of public spending by linking organizations' financial resources to the results they receive, and therefore the main elements of performance budgeting include measurable goals, strategies, operational plans, performance measurement criteria, resource prioritization and allocation and collecting, monitoring, evaluating and reporting results.

The ultimate goal of performance budgeting is to assist in making operational decisions regarding the allocation and commitment of government resources based on measurable results that reflect the expected results of the organization over time. Through this interpretation, performance balancing seeks to achieve the following specific objectives (Redburn, 2008):

- Providing the correct basis for making decisions about resources .
- Determine the measurable and expected results that can be achieved through the type of specific budget allocations..
- Focusing on the most important decisions related to the issues and challenges facing the organization.
- Finding a logical process for making decisions related to the budget which is directly related to the process of planning, implementation, control, evaluation and performance reports.
- Establishing a relationship between the budget and program performance results.
- Providing measurable information to adjust the progress of programs against the allocated budget.
- Provide the best possible tools based on the results (not only based on data and outputs) to reassure the community that the state's resources are used to meet the basic needs of the community.
- Provide incentives for performance management on the basis of continuous improvement.
- Provide a basis for greater accountability for the use of the country's resources.
- Transforming the budget-setting process from a purely political process to one involving economic,

objective and rational foundations in decision-making.

2-1-2-The benefits of balancing performance

The listed advantages of adjusting the performance balance can be summarized as follows(Zaltsman ,2009) :

- Improving how the program is planned and modified
- The possibility of effective monitoring of the implementation of operations.
- Facilitating the process of reviewing and improving the budget in all its executive phases, especially in the legislative phase.
- Lack of focus in cost estimation.
- Improving the relationship between the government and the people by disseminating clear information on public programmes.
- Raising the quality of public expenditures.

2-2-Medium Term Expenditure Framework

The lack of a communication mechanism for policy-making, planning and budgeting in financial and budget systems is the fundamental problem of budgeting in many developing countries (Kanahi, 2003) .

Budget systems based on public expenditure management emphasize three important results related to efficiency in allocation, fiscal discipline, and spending efficiency. Therefore, performance budgeting and a medium -term expenditure framework were proposed as implementation tools to achieve these goals (Mart, 2018).

The performance budget system and the medium-term spending framework can provide an ability to overcome problems and overcome weaknesses in the public finance system in terms of decision-making through communication between policies, viewpoints, plans, goals, budget resources, expenditures, and the preparation of financial decisions for the government (Holmes, 2003).

Medium-term expenditure frameworks (MTEFs) are typically viewed as instruments to expand budget horizons beyond one year and to limit spending growth over the medium term (usually three to five years) (Raudla et al., 2022).

The medium-term expenditure framework is one of the main elements of reform and improvement of public financial management and reform of budget structures in recent years in the world, especially in developed and developing countries.

In order to implement the performance balancing system, bearing in mind that the achievement of performance indicators requires a time longer than one year, it is necessary to anticipate long-term frameworks or time horizons. These frameworks must be coordinated with the medium and long-term development plans in order to achieve the expected and desired goals. On the other hand, the inflexibility of medium-term plans may create many obstacles in the implementation of annual budgets. To solve this problem in the developed countries of the world and some developing countries, in recent years, medium -term government expenditure frameworks (MTEF) have been used . The time period for these frameworks ranges from two to five years, and the quantitative and qualitative targets used in them are consistent and based on the expected goals in their development plans.

The Medium-Term Expenditure Framework is a framework specifically designed to link medium -term planning to annual budgets. In this way, this framework establishes the linking of budgetary expenditures in a systematic way to desired social outcomes. The main focus of this framework is to allocate budget resources to programmes, activities and projects in a way that can achieve the strategic priorities of the

country. This framework is recognized in developed countries as an important tool for managing public expenditures with fiscal discipline (Benito, 2007). This framework is an effective tool for increasing predictability of budget results and improving resource allocation. The main objectives of this framework are to improve oversight of the aggregate budget, to enable strategic allocation of resources among competing priorities, and to help solve the problem of shared resources of public resources (Francesco, 2015). The Medium-Term Expenditure Framework (MTEF) is the government's medium-term 3- to 5-year plan, in which strategic priorities and primary objectives are determined by the volume and estimated price of services and credit outlook. These programs are almost always prepared independently of the annual budgeting process and include a list of programs and activities that are not usually realized for various reasons, including lack of accurate forecasts and in some cases an idealized view of the programmes. In these countries, the decision-making system is largely separate from the performance of the public sector, and due to the lack of control over expenditures, the majority of the government's financial resources are used to cover current expenditures, which do not have high flexibility, and therefore in these countries, the planning system mostly focuses on investment projects. Policies are generally tailored to current issues and program considerations are not taken into account in the budget. For the following reasons, there is always a gap between these programs and the annual budgets:

- In the annual budget preparation process, the medium-term effects of government spending did not appear in the budget discussions that year. In the medium term, this point will lead to unsustainable expenditures and neutralize the potential positive effects of investment expenditures for the current year's budget.
- The development plan contains the results to be achieved in the medium term. This is despite the fact that the annual budget confirms the data and is not concerned with the results.
- Negotiations between the budget department and the executive branch mostly take place on issues such as the number of employees and the amount of budget required by the executive body, and issues such as the amount of products produced by the body to achieve a certain goal. (Janani, 2010).

the frame spending government Average term he is proces transparent to craft programs and balancing , which From through it reach out board Ministers And the destination responsible About the program and balancing to me understandings legal to customize resources the public According for priorities selected , With considerate Financial discipline .

this is the operation she has Two goals Two years : Determine Objectives Finance and customize resources for priorities The strategy in a Framework Objectives specified . Requires Customize resources for priorities The strategy Specify priorities the public From Before the government and specify priorities sectoral From Before ministries and bodies Executive .

an investigation for transparency , From the necessary Insertion priorities the government in a a group policies Finance and priorities sectoral in a programs sectoral .

Includes proces Specify Objectives Finance two operations more Specifically : first , Preparation the frame financial and economic From Before Administration responsible About the program and budget (budget department) ; And secondly , Specify Objectives Finance From Before government . From okay Transparency , From the necessary to publish consequences the operation The first in a the frame financial and economic and results the operation the second in a a report The strategy Finance Kardabacheh, 2007)).

2- 2- 1 MTEFs as budgeting instruments

In this article we focus on the type of MTEFs that establish multiyear expenditure ceilings. The overarching rationale of an MTEF “resides in laying out a multiannual path for the fiscal policy, with a guiding role for the yearly budgeting process” (Sherwood, 2015, p. 28). The core idea of MTEFs is to

replace the practice of annual reviews of budget requests with a system of multiyear expenditure targets or ceilings (Shiavo?Campo, 2017). MTEFs are viewed as a way to curtail short?sightedness, overspending, and inertia in budgeting (Schiavo?Campo, 2009; Sherwood, 2015; Vlaicu et al., 2014). They are expected to increase transparency, enhance time?consistency, and alleviate the common?pool problems of budgeting (Sherwood, 2015). The common?pool resource (CPR) problem of budgeting means that the claimers of spending (e.g., line ministries) internalize the full benefit of spending but bear only a fraction of the cost: as a result, the sum of the spending demands may exceed the revenue pool (Hallerberg et al., 2009; Weingast et al., 1981). By specifying an aggregate resource constraint, the MTEF can, in principle, offer a focal point for coordinating spending requests that counteract the CPR driven bottom?up pressures on the budget (Filc & Scartascini, 2010; Hallerberg et al., 2009; Sherwood, 2015; Vlaicu et al., 2014).

Importance And necessity search

that method traditional To put budget in a Iraq And for reasons Such as Defects structural , and not Compliance for rights between periods , and impossibility tracking resources and expenses to the community target , and results performance conflict programs With principle personalization optimum for resources . And from okay investigation Objectives provided on her in a Vision and documents introductory and others From Laws and regulations and growth The economist And the politician and social and cultural and twist generations coming , Must Repair System budget Present and jump From budget traditional to me Techniques budget sound update order No escape from him .

in a Domain studies , did not be over there Search Foot model to repair System budget in a Iraq With approach construction Performance budget and frame spending average term and system Accounting On Basis maturity.

He increases This the topic From Importance And necessity Procedure Search to explain the situation Present system budget Iraqi And his flaws , to me side Proposals to apply System budget the performance, and frame spending Average term , and system Accounting On Basis merit to fix the situation Present .

Goals Search and Results Projected

1-4-The goal the main From This search he is review Repair System budget in a Iraq With approach construction System budget performance and frame spending Average range .

4-2- Sub-objectives

Requires Procedure search And achieve his goal the main study Objectives sub Search On syntax the following :

1-2-4-Define and arrange priorities requirements and mechanisms Implementation of System Arbitrage the performance in a Iraq .

4-2-2Define and arrange priorities requirements and mechanism Implementation of Framework spending Average term in a Iraq .

4-2-3-Define and arrange priorities requirements and mechanisms Application System Accounting On Basis merit in a Iraq .

5-results projected Search

Building On foundations the theory and research previous , the construction System Arbitrage the

performance and frame spending Average term and system Accounting On Basis merit Provide establish necessary to repair System budget .

by looking to me that the purpose From This search he is study Repair System budget in a Iraq With approach construction System Arbitrage the performance and frame spending Average term , it is Expected that effect requirements and pointers On Repair System budget in This Country From during curricula mentioned above , And must explained the situation Present To implement System Arbitrage the performance and frame spending Average term and system Accounting On Basis merit in a institutions government Iraqi . And from Expected Also that Provides consequences This search Basically and method to repair System budget in a Iraq With approach construction System Arbitrage the performance, and frame expenditure Average term , and system Accounting On Basis maturity .

Questions Search

From okay investigation Goals search , Complete suggestion Questions search . Questions search Main and secondary she as follows :

6-1- The main Question

– What he is Effect situation Performance balance and framework spending Average term On Repair System budget in a Iraq?

6-2- Secondary Questions

6-2-1-what she Methods budget followed in a Iraq gesticulate she problems attendant she has?

6-2-2-what she requirements the basic to repair System budget Iraqi in a Form Arbitrage performance and framework expenditure Average term gesticulate she Ranking or ranking?

Hypotheses Search

that the purpose From This search Not Generalization consequences his samples On Societies wider , but Aim to to me Specify and arrange priorities requirements necessary to repair System budget in a Country Iraq With approach situation performance budget and medium-term expenditure framework, And therefore the editing the premise is not Same Link , And done the answer On Questions search Only .

Method Search

In a This search , during Application theories Scientific Search basic to solve Problems real , It was completed explained requirements construction System Performance balancing and the medium-term expenditure framework in a institutions government Iraqi , So the method used in a This search she method developmental Applied From Where his nature and its objectives .

Also , With what that researcher Participate Also in a activities that Complete conduct it About Theme search And done Use A questionnaire to collect data required Search , So the method used in a This search she scan descriptive From Where plural data .

Methods and Tools Plural the Information

has been collected Sources in Sections foundations the theory and literature research And definition initial to

problems and needs construction System Performance budget and medium-term expenditure framework for institutions government Iraqi and put budget in a This Country On Form variables research , From Resources Libraries Such as books and research Scientific and theses and studies letters supreme, And from okay the answer On Questions search , It was completed Use method field using questionnaires open And the classic Delphi method as tools to collect and measure information .

Method Analyzing the Information

Complete analyzing data This search On three stages . in a stage The first , From during study Resources related libraries subject and distribution A questionnaire Open and use analyzing Content qualitative , It was completed Design the ingredients and model search initial .

in a stage the second , From okay verification From Health Sample and modify it , It was completed Design A questionnaire Delphi classic using pointers Sample initial and distribute it On experts search and modify it Building On their opinions , And done reach to me consensus experts search .

in a step Third , From okay Measurement Health and reliability questionnaire distributor , Complete Use Power the face Face validity and parameter alpha Cronbach .

Society Statistic and Sample Selected

by looking to me that questionnaire research Aim to to me plural the information From People specific And knowledgeable in a area search , So It was completed Taking members the body teaching at university and senior General managers and managers millions And experts Finance and balancing in a institutions government Iraqi as a group Statistic For this search .

Due for ease Access and commitment with protocols health and restrictions Social resulting About Spread virus corona , Complete Taking samples in a way Targeted include the sample statistic To search 65 individuals From Society statistic Search On syntax the following :

- people from members body teaching at university of whom they On Knowledgeable with a subject search On communication in the directions government .
- people from Senior my boss institutions government of whom They have expertise administrative No less about 5 years And they have Experience Finance And the balance .
- managers millions For destinations government
- experts Financial And an expert in a budget For destinations government of whom They have expertise proces No less about 10 years

Results Search

12-1- results A question search the first

the question the first Search He : any From Techniques budget Uses in a Iraq gesticulate she problems attendant her . the answer On This the question Done From during study Resources Libraries and compare opinions experts search in a A questionnaire the answer With scales Law budget Iraqi .

According For Article (1) of Law Administration Finance for a republic Iraq approved in 2019 , which acknowledge :

A financial plan that expresses the programs and projects that the state intends to undertake. It includes planning tables for estimating revenues and estimating expenditures, both current and investment, for one

fiscal year, to be specified in the Federal General Budget Law.). method used in a Preparation Public budget this is she method The traditional budget (items budget) . In this type of budgets, the specific allocations are spent on the basis of the needs of the Iraqi ministries, without taking into account the strategic plans, the efficiency of allocations, and performance.

According for foundations the theory , And literature the topic and opinion experts search , From between objections On method budget traditional for Iraq , From possible concentration On Tasks ministries and use credits with a goal preservation On the level Present for services and continuing institutions , and not investigation indicators .. and not Existence Link between budget and conditions Economic , Especially in a cases inflation and crises and not consistency between resources budget and expenses and asked supplementary budget addition to me non interest efficiently costs and prejudice instead of From General in a institutions.

12-2- results A question search The second

A question search Second : what she requirements the basic to repair System budget in a Iraq On Form Arbitrage the performance and frame expenditure Average term gesticulate she level or arrangement?

to answer On Section the first From This the question related by specifying requirements the basic to repair System budget in a Iraq in a Form budget operational and frame expenditure Average term , First pointers selected From during A questionnaire Delphi classic to me side the theory the theory Complete explained Model search And from Then Submit proposals Introduction From Before experts search . to answer On Section The second From the question related in order requirements the basic to repair System budget in a Iraq in a Form Arbitrage operational and frame expenditure Average term , It was completed Use a test Friedman to arrange not Normative .

12 – 2 – 1 -Description pointers search and model theoretical

As noticed Previously , in a Domain studies , did not be over there Search Foot model In what Regard repairs System budgeting in a Iraq With approach situation Performance balancing and frame spending average term and system Accounting On Basis maturity . And look for not Existence information enough About Theme search , Complete Use analyzing Content qualitative From okay construction Knowledge the basic necessary About topic .

in a this is method And by return to me data scattered that Done study it , It was completed extraction concepts hidden In which and classified and summarized and coding it , And done Specify concepts and the axes Main related with a subject search , And from during Design Model theoretical ,Then It was completed explained meanings phenomena and expect relations between them .

12-2-2-Results of a question search The second

as evident from the tables, According to an agreement experts search , There are 52 codes On Figure 17 classifications as defects in a System budget Iraqi , and 8 strategies partial (sub) , And two strategies Two operations to create Arbitrage the performance , 11 strategies partial and 4 strategies operational to establish Framework expenditure Average term , 3 components to repair System budget in a Iraq .

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