
Comparative Analysis of the Size of Actual Spending - Current and Investment - and The Federal General Budget for The Year 2023 According to Public Spending Indicators - A Case Study of Iraq

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Abstract

This study aims to analyze the differences between actual and planned spending in the sectors of the Iraqi state and its various institutions for the fiscal year ending 12/31/2023, and to shed light on the reasons that led to these differences, their economic and social impacts, and the most important recommendations to improve financial planning and implementation.

The study relied on the descriptive analytical approach to achieve its objectives by referring to secondary data issued by the Iraqi Ministry of Finance, and based on spending indicators within the budget reliability axis within the framework of the Spending and Financial Accountability Guide issued by the General Secretariat of Spending and Accountability of the United States, to evaluate the performance of financial management.

The study reached a number of conclusions, the most important of which are: (The minimum requirements for the ordinal classification scores for the spending index were not achieved, which indicates a deviation of the total expenditure proceeds from the ordinal classification scores for the index).

A number of recommendations were formulated, the most important of which are: (The expenditures of the federal general budget should be estimated objectively and in accordance with the requirements of the ordinal classification scores for the spending index).

Keywords: State general budget, current spending, investment spending, performance evaluation.

1. Introduction

Many countries, including Iraq, depend heavily on crude oil in their trade exchanges, with weakness in the field of manufacturing industries or agriculture. Despite the large financial revenues from exporting crude oil that Iraq obtains, it has not invested those revenues in the field of economic development and revitalizing the Iraqi economy, as current expenditures occupy the largest proportion in the federal general budgets.

Those in charge of managing financial and economic policy in Iraq have relied, for a long time, on the traditional budget in planning public revenues and expenditures, as it often begins with a planned deficit - as a result of inflating expenditures and reducing revenues - and ends with an actual surplus that is not reflected in subsequent budgets. In addition, the management of public finances with its current policy in planning and implementing the federal general budget

has caused a clear failure in achieving the objectives of financial policy and thus the structural imbalance in the Iraqi economy.

1-1. Study Problem: The study problem can be formulated as the weakness of methodology and realism in preparing the federal general budget and the lack of accountability have contributed to the waste of public money and the failure to achieve sustainable development.

1-2. Study Objectives:

This study aims to achieve a primary objective represented in evaluating the financial performance of Iraqi state institutions based on achieving the sub- objectives of the study, which are:

- A. Analyzing the differences between actual and planned spending in the sectors of the Iraqi state and its various institutions for the fiscal year ending 12/31/2023.
- B. Evaluating the performance of government institutions according to public spending performance indicators

1-3. Importance of the study:

The importance of the study stems from the importance of achieving real economic development by formulating policies and preparing strategic programs in balanced general budgets within a systematic and scientific framework, away from the randomness of personal effort in estimating state revenues and expenditures.

1-4. Study hypotheses:

The following hypotheses were adopted to provide an initial solution to the study problem:

- A. The federal general budget was prepared realistically, away from deviation from the ordinal classification degrees.
- B. The general budget was prepared and implemented in a way that reflects the ability of administrative bodies in Iraq to spend resources according to government plans.
- C. Revenues were forecasted objectively in the federal general budget.

1-5. Study methodology:

The study relies on the inductive approach in writing the theoretical aspect, and the analytical approach in the applied aspect, as the data resulting from comparing actual and planned spending in the sectors of the Iraqi state and its various institutions for the fiscal year ending on 12/31/2023 were analyzed, and then the implications resulting from that were deduced. 1-6. Temporal and spatial boundaries of the study: The study dealt with a comparative analysis of the size of actual spending (current and investment) and the federal general budget in Iraq for the year 2023.

Theoretical Framework of the Study

2. The General Budget:

2.1. The concept of the general budget:

The general budget (Public Budgeting) is the tool for drawing up the financial, economic, social, and political policy of the country, according to a financial program for the plan that the

state works on for the next fiscal year in order to achieve specific goals within the framework of the general development plan, in addition to being a planning and monitoring tool (Hels: 2005).

2.2. Definition of the general budget:

The budget was defined in the amended Iraqi General Accounting Principles Law - Paragraph (1) of Article Two - as: "The tables that include the estimation of revenues and expenditures for one fiscal year specified in the budget law" (Ministry of Finance: 1940).

The budget was also defined in the Government Accounting Manual issued by the United Nations Regional Conference held in Beirut in 1969 as: "An annual process that focuses on planning, coordination and monitoring the use of funds to achieve the required purposes efficiently. It is essentially a decision-making process in a way that can be carried out by official employees at various administrative levels by planning and implementing program operations in a planned manner to obtain the best results through the most effective distribution and use of available materials" (Al-Sayegh: 1976). The researcher believes that the general budget - as it represents in reality as a tool for planning, monitoring, and drawing up economic and social policies - reflects the political orientations of governments.

2.3 Fundamentals of budget preparation:

There are four main foundations that are relied upon in preparing the general budget, represented by (Al-Rajbi: 2004):

- A. Determining long- and short-term goals, as long-term goals are the basis for determining short-term goals, and these goals in turn govern the budget preparation process.
- B. Linking the possibility of achieving goals to available capabilities and resources.
- C. Preparing implementation programs to achieve the short- and long-term goals that were determined before the budget was officially approved.
- D. Actual implementation of the plan and inventorying actual costs and revenues to compare them with the planning budget figures to reveal the deviation between them, and taking the necessary measures to correct the deviations.

2.4. The Federal General Budget:

Iraq relies on the oldest type of planning budgets, which is the traditional budget (item budget or appropriations budget), as the preparation of this budget is based on estimating each of:

- A. Revenues according to the quantities of crude oil planned to be exported and the average expected selling price, in addition to the planned non-oil revenues.

While oil revenues constitute the largest percentage of total revenues, whether planned or actual, the process of planning revenues in the federal general budget is based on two types of errors (Imbeau Couture: 2009):

First. Intentional errors: These are one of the errors made by governments, as they fall under the influence of strategic behaviors to achieve a specific goal.

Second. Unintentional errors: These are unintended errors resulting from a lack of data necessary to interpret past events and extrapolate the future.

B. Expenditures according to items, each of which represents a type of spending. Both (IVANOVA & others: 2019) believe that under the traditional budget, it is impossible to evaluate the goals achieved and the social and economic impacts that will be obtained from spending according to the items of the traditional budget. Therefore, the traditional budget is deficient for the following reasons (Hamad: 1990:(

- It focuses on the financial and legal aspects only in the field of control.
- It does not provide the information necessary to make planning decisions.
- It is not compatible with the unstable economic conditions of the country.
- It focuses on inputs without outputs, which makes it difficult to measure the efficiency of resource use.
- The distribution of resources and uses is not based on programs and activities.

3. Public Spending Performance Indicators:

The Public Spending and Financial Accountability Guide Framework issued by the General Secretariat for Public Spending and Financial Accountability (USA-SPFA) in December 2018, identified 31 performance indicators, each of which includes a number of dimensions - enabling the evaluation of the performance of government institutions - in seven main axes, which are:

- A. Budget reliability.
- B. Public finance transparency.
- C. Asset and liability management.
- D. Budgeting and financial strategy based on policies.
- E. Predictability and control in budget implementation.
- F. H. Accounting and reporting.
- G. G. External examination and review.

The following is a table of the formation of the axes, indicators and dimensions of public spending and financial accountability:

| Axes | Indicators | Dimensions |
|---------------------------|-------------------------------------|---|
| Budget Reliability | 1. Total expenditure | Total expenditure |
| | 2. Structure of expenditures | Structure of expenditures by functional classification |
| | | Structure of expenditures by economic |
| | | Type Spending from emergency plan reserves |
| | 3. Revenue Outputs | Total Revenue Output |

| | |
|--|--|
| | Total Revenue Combination |
| 4. Budget Classification | Budget Classification |
| 5. Budget Documentation | Budget Documentation |
| 6. Central Government Operations Outside | Spending outside financial reporting |
| | Revenues outside financial reporting |
| | Financial reporting of off-budget units |
| 7. Transfers to local governments | Transfer allocation system |
| | Timeliness of transfer information |
| 8. Performance information on service delivery | Performance plans on service delivery |
| | Performance achieved in service delivery |
| | Resources received by service delivery units |
| | Performance evaluation in service delivery |
| 9. Public access to information on public finance | Public access to information on public finance |
| 10. Reporting on Public Finance Risks | Monitoring Public Institutions |
| | Monitoring Local Governments |
| | Contingent Liabilities and Other Public Finance Risks |
| 11. Public Investment Management | Economic Analysis of Investment Proposals |

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|--|---|
| | Selection of Investment Projects |
| | Cost Calculation of Investment Projects |
| | Monitoring Investment Projects |
| 12. Public Asset Management | Financial Asset Monitoring |
| | Non-Financial Asset Monitoring |
| | Transparency of Asset Disposal |
| 13. Debt Management | Recording and Reporting Debts and Guarantees |
| | Approval of Debts and Guarantees |
| | Debt Management Strategy |
| 14. Forecasting the public finances and the macroeconomic situation | Macroeconomic forecasts |
| | Public finance forecasts |
| | Analysis of the sensitivity of the public finances |
| 15. Public Finance Strategy | Public Finance Impact of Policy Proposals |
| | Adoption of Public Finance Strategy |
| 16. Medium-Term Expenditure Budget | System Medium-Term Expenditure Estimates |
| | Medium-Term Expenditure Ceilings |

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| | Alignment of Strategic Plans and Medium-Term Budgets |
| | Budgets Consistent with Last Year's Estimates |
| 17. Budget Preparation Process | Budget Timeline |
| | Budget Preparation Guidelines |
| | Budget Presentation to Legislature |
| 18. Legislative Budget Review | Scope of Budget Review |
| | Legislative Procedures for Budget Review |
| | Timing of Budget Approval |
| | Rules for Introducing Budget Amendments by the Executive Authority |
| 19. Revenue management | Rights and obligations associated with revenue measurements |
| | Revenue risk management |
| | Revenue investigation and review |
| | Monitoring revenue arrears |
| 20. revenue accounting | Revenue Collection Information |
| | Transferring collected revenue |
| | Reconciliation of revenue accounts |
| 21. Predictability of how resources | Consolidation of cash balances |

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| will be allocated during the fiscal year | |
| | Monitoring and predictability of cash position |
| | Information on commitment ceilings |
| | Importance of budget adjustments during the fiscal year |
| 22. Spending Arrears | Spending Arrears Monitoring |
| 23. Payroll Controls | Integration of payroll, wages and employee records |
| | Managing changes in payroll and wages |
| | Internal control of payroll and wages |
| | Reviewing payroll and wages |
| 24. Procurement | Procurement monitoring |
| | Procurement methods |
| | Public access to procurement information |
| | Procurement complaints management |
| 25. Internal controls over expenditures | Segregation of duties |
| | Effectiveness of expenditure compliance controls |
| | Compliance with payment rules and procedures |
| 26. Internal audit | Internal audit coverage |

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|--|---|
| | Nature of audits and applicable standards |
| | Execution of internal audits and reporting |
| | Responding to internal audits |
| | Internal audit coverage |
| 27. Financial Statement Integrity | Reconciliation of bank accounts |
| | Suspense accounts |
| | Imp rest accounts |
| | Data integrity processes |
| 28. Budget reports issued during the year | Report coverage and comparability |
| | Timeliness of budget reports issued during the fiscal year |
| | Accuracy of budget reports issued during the fiscal year |
| 29. Annual Financial Reports | Completeness of annual financial reports |
| | Submission of reports for external audit |
| | Accounting standards |
| 30. External audit | Audit coverage and standards |
| | Submitting audit reports to the legislature |
| | External audit follow-up |

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|---|---|
| | Independence of the Supreme Audit Institution |
| 31. Legislative examination of audit reports | Timing of audit report scrutiny |
| | Holding hearings to discuss the results of the audit |
| | Legislature's recommendations on the audit process |
| | Transparency of the legislative examination of audit reports |

Table (1) Formation of axes, indicators and dimensions of public spending and financial accountability.

A. Budget Reliability Axis:

This axis (with its indicators and dimensions) evaluates the extent to which the federal general budget is realistic and implemented as planned, by comparing actual revenues and expenditures with revenues and expenditures according to the general budget data, as the realism and reliability of the general budget constitute the basis for good public financial management and long-term public financial sustainability (US Spending and Accountability Secretariat: 2018).

First indicator: Total expenditure:

This indicator measures the minimum requirements for the ranking scores below, as deviation from the ranking scores is restricted by:

- Public finance discipline.
- The government's ability to control the total general budget.
- The government's ability to manage risks.
- The government's ability to allocate resources effectively according to strategic priorities.
- The efficiency of service delivery.

The calculation of the ranking of government performance is done by comparing the ratios of actual spending to estimated spending with the ratios indicated in Table (2).

| Grade | Minimum of the ordinal classification grades |
|-------|---|
| A | Total expenditure between 95% and 105% of total approved budget expenditure |
| B | Total expenditure between 90% and 110% of total approved budget expenditure |

| | |
|---|---|
| C | Total expenditure between 85% and 115% of total approved budget expenditure |
| D | Performance is below grade C. |

Table (2) Ranking scores for the spending index.

The second indicator: The composition of the expenditure proceeds: This indicator measures the impact of reallocating the most important budget items during their implementation, depending on the composition of expenditure, which reflects the inability to spend resources according to the government's plans. The greater the deviations in the composition of expenditure, the greater the effects on the efficiency of allocation and service provision. As for calculating the variance in the composition of government expenditure, it is done by comparing it to the percentages indicated in Table (3).

| Grade | Minimum variation in spending structure |
|-------|---|
| A | Variation in spending structure is less than 5%. |
| B | Variation in spending structure is less than 10%. |
| C | Variation in spending structure is less than 15%. |
| D | Variation is more than in degree T. |

Third indicator: Revenue outcomes:

This indicator measures the change in revenues between what is estimated in the budget and what is actual after the budget is implemented, as the objectivity of revenue forecasting is one of the main inputs for preparing a credible budget. As for calculating the ranking scores for the revenue indicator, it is done by comparing it with the percentages indicated in Table (4).

| Grade | Minimum Ranking Score |
|-------|--|
| A | Actual revenues between 97% and 106% of approved budget revenues |
| B | Actual revenues between 94% and 112% of approved budget revenues |
| C | Actual revenues between 92% and 116% of approved budget revenues |
| D | Performance below grade C. |

Table (4) Ranking scores for the revenue index.

The practical aspect of the study

1. Presentation and analysis of actual spending (current and investment) compared to the 2023 budget:

The expenditures of the federal general budget for the year 2023 were estimated at more than 197 trillion Iraqi dinars, for the first time since the establishment of the Iraqi state until now, and in light of the administrative and financial corruption rampant in all Iraqi state institutions,

to clarify whether the draft budget law for 2023 was prepared with premeditation to open other doors to corruption, or there is ignorance mixed with the inaccuracy of the data prepared by the Ministry of Finance, or those provided to it. In both cases, the matter needs to be corrected.

1-1. Estimated and actual (operational and capital) expenditures:

The following is a table comparing the estimated and actual expenditures for the 2023 budget according to the administrative classification: *

| Administrative Authority | Actual Operating Expenditures 23 | Total Operating Expenditures in Budget 23 | Achievement Rate | Actual Investment Expenditure 23 | Total Investment Expenditure in Budget 23 | Achievement Rate |
|--|----------------------------------|---|------------------|----------------------------------|---|------------------|
| House of Representatives | 517 billion dinars | 737.6 billion dinars | 70% | 317 billion dinars | 90.5 billion dinars | 350% |
| Presidency of the Republic | 55 billion dinars | 88.2 billion dinars | 62% | Zero | 12 billion dinars | 0% |
| Presidency of the Council of Ministers | 6.5 trillion dinars | 7.9 trillion dinars | 82% | 1.9 trillion dinars | 3.8 trillion dinars | 50% |
| Foreign Affairs | 151.7 billion dinars | 792.6 billion dinars | 19% | 42 thousand dinars | 44.6 billion dinars | 0009% |
| Finance | 26.7 trillion dinars | 38.7 trillion dinars | 69% | 40.4 billion dinars | 6.415 billion dinars | 9% |
| Interior | 11.3 trillion dinars | 12.9 trillion dinars | 87% | 94.4 billion dinars | 935 billion dinars | 10% |
| Labor | 3.9 trillion dinars | 6 trillion dinars | 65% | Zero | 17.6 billion dinars | 0% |
| Health | 5.5 trillion dinars | 7.9 trillion dinars | 69% | 186.7 billion dinars | 1.9 trillion dinars | 9% |

| | | | | | | |
|------------------|----------------------|----------------------|------|----------------------|----------------------|-------|
| Defense | 6.6 trillion dinars | 7.8 trillion dinars | 84% | 18000 dinars | 1.9 trillion dinars | 0% |
| Justice | 667.5 billion dinars | 868.7 billion dinars | 76% | 16 billion dinars | 131 billion dinars | 12% |
| Education | 1.99 trillion dinars | 11.5 trillion dinars | 17% | 138.6 billion dinars | 259.9 billion dinars | 53% |
| Youth | 113 billion dinars | 116.9 billion dinars | 96% | 158 billion dinars | 76,9 billion dinars | 205% |
| Trade | 9.3 trillion dinars | 7.2 trillion dinars | 129% | 425 million dinars | 17.5% billion dinars | 2% |
| Culture | 108.5 billion dinars | 172.5 billion dinars | 62% | 1.9 billion dinars | 55 billion dinars | 3% |
| Transportation | 100 billion dinars | 79.6 billion dinars | 126% | 838 billion dinars | 2.7 trillion dinars | 31% |
| Construction | 367.7 billion dinars | 575.7 billion dinars | 63% | 1.4 trillion dinars | 4.3 trillion dinars | 32% |
| Agriculture | 470 billion dinars | 1.4 trillion dinars | 33% | 344 million dinars | 505 billion dinars | 0006% |
| Water Resources | 317 billion dinars | 452 billion dinars | 70% | 446 billion dinars | 590 billion dinars | 75% |
| Oil | 1.6 trillion dinars | 7.4 trillion dinars | 21% | 626.4 billion dinars | 15.8 trillion dinars | 4% |
| Planning | 51.9 billion dinars | 73.6 billion dinars | 70% | 19.4 billion dinars | 7.2 trillion dinars | 002% |
| Industry | 784.5 billion dinars | 937 billion dinars | 83% | 80 billion dinars | 183.5 billion dinars | 43% |
| Higher Education | 2.3 trillion dinars | 2.8 trillion dinars | 82% | 29.9 billion dinars | 287.4 billion dinars | 10% |
| Electricity | 6.8 trillion dinars | 11.6 trillion dinars | 58% | 447.6 billion dinars | 3.8 trillion dinars | 11% |

| | | | | | | |
|-----------------------|----------------------|----------------------|------|----------------------|-----------------------|------|
| Communications | 11 billion dinars | 151 billion dinars | 7% | Zero | 2.5 billion dinars | 0% |
| Environment | 45.5 billion dinars | 51 billion dinars | 89% | Zero | 60.5 billion dinars | 0% |
| Displaced Persons | 99.8 billion dinars | 201 billion dinars | 49% | Zero | 155 billion dinars | 0% |
| Kurdistan Region | 333 billion dinars | 13.4 trillion dinars | 2% | 468 billion dinars | 3.069 trillion dinars | 12% |
| Basra Governorate | 273 billion dinars | 481.9 billion dinars | 56% | 1.4 trillion dinars | 1.6 trillion dinars | 86% |
| Nineveh Governorate | 201 billion dinars | 175 billion dinars | 114% | 679 billion dinars | 428.8 billion dinars | 158% |
| Baghdad Governorate | 147 billion dinars | 163 billion dinars | 90% | 432.9 billion dinars | 556 billion dinars | 77% |
| Dhi Qar Governorate | 112 billion dinars | 114 billion dinars | 98% | 401 billion dinars | 246 billion dinars | 163% |
| Diyala Governorate | 128.9 billion dinars | 139.8 billion dinars | 92% | 221 billion dinars | 147 billion dinars | 150% |
| Babylon Governorate | 153 billion dinars | 178 billion dinars | 85% | 163 billion dinars | 300 billion dinars | 54% |
| Anbar Governorate | 323.9 billion dinars | 198 billion dinars | 163% | 351.8 billion dinars | 267.8 billion dinars | 131% |
| Maysan Governorate | 73 billion dinars | 110 billion dinars | 66% | 302 billion dinars | 310.7 billion dinars | 97% |
| Wasit Governorate | 102 billion dinars | 118.9 billion dinars | 85% | 300.6 billion dinars | 166.6 billion dinars | 180% |
| Najaf Governorate | 107 billion dinars | 114 billion dinars | 93% | 276.6 billion dinars | 103 billion dinars | 268% |
| Diwaniyah Governorate | 110.5 billion dinars | 155.7 billion dinars | 70% | 105.7 billion dinars | 127 billion dinars | 83% |

| | | | | | | |
|--------------------------|----------------------|-----------------------|------|----------------------|----------------------|------|
| Muthanna Governorate | 84 billion dinars | 74 billion dinars | 113% | 208 billion dinars | 88.5 billion dinars | 235% |
| Karbala Governorate | 117 billion dinars | 116 billion dinars | 100% | 362.6 billion dinars | 79.7 billion dinars | 454% |
| Salah al-Din Governorate | 191.9 billion dinars | 98 billion dinars | 195% | 289.6 billion dinars | 225.6 billion dinars | 128% |
| Council of State | 4.5 billion dinars | 6.9 billion dinars | 65% | Zero | 1.5 billion dinars | 0% |
| Supreme Judicial Council | 400.8 billion dinars | 692.6 billion dinars | 57% | 623 million dinars | 22 billion dinars | 2% |
| Federal Supreme Court | 9 billion dinars | 14 billion dinars | 64% | Zero | 837 million dinars | 0% |
| Total | 97.3 trillion dinars | 149.5 trillion dinars | 65% | 12.3 trillion dinars | 49.3 trillion dinars | 25% |

Table (5) Comparison of estimated and actual expenditures for the 2023 budget

<https://mof.gov.iq/pages/MainMOF.aspx> *

It is clear from the above table:

- A. The Ministry of Finance estimated operating expenses in the 2023 budget at around (149.5 trillion dinars), while the actual operating expenses were around (97.3 trillion dinars), meaning that the ratio of actual operating expenses to estimated operating expenses is equal to 65%, while capital expenses were estimated at around (49.3 trillion dinars), while the actual capital expenses were around (12.3 trillion dinars), meaning that the ratio of actual capital expenses to estimated capital expenses is equal to 25%.
- B. After excluding the Kurdistan Region (due to the ambiguity of the agreements between it and the central government), it became clear that the rates of achievement in the operating expenses of the remaining administrative bodies ranged between (7% in the Ministry of Trade) and (163% in Anbar Governorate), while the rates of achievement in capital expenditures ranged between (0% in each of the Presidency of the Republic, the Ministry of Labor, the Ministry of Defense, the Ministry of Communications, the Ministry of Environment, the Ministry of Displaced Persons, the State Council, and the Federal Supreme Court) and (454% in Karbala Governorate).
- C. There is a re-allocation of operating and capital allocations for a number of administrative bodies, as shown below:

| Administrative Authority | Operational Reallocation Ratio | Capital Reallocation Ratio |
|----------------------------|--------------------------------|----------------------------|
| Ministry of Commerce | 29% | |
| Ministry of Transport | 26% | |
| Nineveh Governorate | 14% | 58% |
| Anbar Governorate | 63% | 31% |
| Muthanna Governorate | 13% | 135% |
| Salah al-Din Governorate | 95% | 128% |
| Council of Representatives | | 250% |
| Ministry of Youth | | 105% |
| Dhi Qar Governorate | | 63% |
| Diyala Governorate | | 50% |
| Wasit Governorate | | 80% |
| Najaf Governorate | | 168% |
| Administrative Authority | Operational Reallocation Ratio | Capital Reallocation Ratio |
| Ministry of Commerce | 29% | |

| | | |
|----------------------------|-----|------|
| Ministry of Transport | 26% | |
| Nineveh Governorate | 14% | 58% |
| Anbar Governorate | 63% | 31% |
| Muthanna Governorate | 13% | 135% |
| Salah al-Din Governorate | 95% | 128% |
| Council of Representatives | | 250% |
| Ministry of Youth | | 105% |
| Dhi Qar Governorate | | 63% |
| Diyala Governorate | | 50% |
| Wasit Governorate | | 80% |
| Najaf Governorate | | 168% |

Table (6) Reallocation ratios on the operational and capital sides.

1-2. Actual and Estimated Revenues: The following is a table comparing the estimated and actual revenues for the 2023 budget.

A. Oil Revenues*

| Actual Revenue | Estimated Revenue | Difference Percentage |
|----------------|-------------------|-----------------------|
| 97573485658\$ | 86251903150\$ | 113% |

Table (7) Actual and estimated oil revenues *<https://somoil.gov.iq/annual-summary-chart>

It is clear that the actual oil revenues are approximately equivalent to (126,844 trillion dinars) one hundred and twenty-six trillion, eight hundred and forty-four billion Iraqi dinars, which is more than the estimated oil revenues, which are approximately equivalent to (112,127 trillion dinars) one hundred and thirteen trillion, eight hundred and fifty-two billion dinars, i.e. an increase in actual revenues over the estimated ones by 13%.

B. Non-oil revenues*

| Actual revenue | Estimated revenue | Difference percentage |
|--------------------------|---------------------------|-----------------------|
| 9,799,047,964,670 dinars | 17,300,419,063,000 dinars | 44% |

$$9,799,047,964,670 \text{ dinars} \quad 17,300,419,063,000 \text{ dinars} \quad 44\% =$$

Table (8) Actual and estimated non-oil revenue
<https://www.mof.gov.iq/pages/MainMOF.aspx>*

It is clear that the actual non-oil revenues are approximately equivalent to (9,799 trillion dinars) nine trillion seven hundred and ninety-nine billion dinars and eight hundred and forty-four billion Iraqi dinars, which is less than the estimated non-oil revenues, which are approximately equivalent to (17,300 trillion dinars) seventeen trillion three hundred billion dinars, i.e. a decrease in the actual revenues from the estimated by 44%.

C. Total Revenues

| Actual revenue | Estimated revenue | Difference percentage |
|----------------|-------------------|-----------------------|
| \$105111214861 | 99559917813.8 \$ | 105% |

Table (9) Total revenues (oil and non-oil) actual and estimated.

2. Testing the Study Hypotheses:

2-1. Testing the First Hypothesis:

Ho: The federal general budget was not prepared realistically away from deviations from the ranking scores.

Ha: The federal general budget was prepared realistically away from deviations from the ranking scores.

The method for calculating the ranking scores for the spending index below was adopted in testing the first hypothesis of the study.

| Degree | Minimum Ranking Classification Scores |
|--------|---|
| A | The total spending is between 95% and 105% of the total approved budget expenditure |
| B | The total spending is between 90% and 110% of the total approved budget expenditure |

| | |
|---|---|
| C | The total spending is between 85% and 115% of the total approved budget expenditure |
| D | The performance is lower than that in degree C. |

Since the total actual expenditure amounts to (109.6 trillion dinars) and the estimated expenditure in the 2023 budget amounts to (198.8 trillion dinars), the percentage of actual expenditure achievement to that estimated in the federal general budget represents 55%. Therefore, the null hypothesis is accepted, which states: The federal general budget was not prepared realistically, deviating from the classification rating levels. This indicates weakness:

- A. Public finance discipline.
- B. The government's ability to control the overall public budget.
- C. The government's ability to manage risks.
- D. The government's ability to effectively allocate resources according to strategic priorities.
- E. Efficiency in service delivery.

2-2. Hypothesis Test Two:

Ho: The public budget was not prepared and implemented in a way that reflects the ability of administrative bodies in Iraq to spend resources according to government plans.

Ha: The public budget was prepared and implemented in a way that reflects the ability of administrative bodies in Iraq to spend resources according to government plans.

The variance calculation method was adopted in the expenditure composition for the second hypothesis test of the study.

| | |
|--------|--|
| Degree | The maximum allowable variation in the expenditure composition |
| A | The variation in the expenditure composition is less than 5%. |
| B | The variation in the expenditure composition is less than 10% |
| C | The variation in the expenditure composition is less than 15%. |
| D | The variation is greater than that in grade T. |

It is clear from Table (6) that the rates of reallocation on both the operational and capital sides for many administrative entities were very high compared to the upper limits of variation indicated in the expenditure

composition. Therefore, the null hypothesis was accepted, which states: the general budget was not prepared and implemented in a way that reflects the ability of administrative entities in Iraq to spend resources in accordance with government plans.

2-3. Testing the Third Hypothesis:

Ho: Revenues were not objectively forecasted in the federal budget. Ha: Revenues were objectively forecasted in the federal budget.

The method of calculating ranking scores for the revenue index was adopted in testing the third hypothesis of the study.

| Degree | Minimum classification rating grades |
|--------|--|
| A | Actual revenues between 97% and 106% of approved budget revenues |
| B | Actual revenues between 94% and 112% of approved budget revenues |
| C | Actual revenues between 92% and 116% of approved budget revenues |
| D | Performance is lower than in degree T. |

It is evident from Tables (7 and 8) that the actual oil revenue ratio to the estimated amount of (113%) is classified at grade (T), which is at the minimum level of the ranking classification. Additionally, the actual non-oil revenue ratio to the estimated amount of (44%) is classified at grade (C), which is the lowest grade in the mentioned scale. Therefore, the null hypothesis stating that: revenues were not objectively forecasted in the federal general budget was accepted.

3. Conclusions:

- A. The minimum requirements of the ranking classification degrees for the spending index have not been met, indicating a deviation of the total spending outcome from the ranking classification degrees of the index.
- B. The repeated reallocation of the main budget items during its implementation reflects an inability to spend resources according to government plans.
- C. The lack of objectivity in revenue forecasting reflects the weak credibility of the federal budget.
- D. The significant disparity between the total allocations of the federal budget in its operational and capital sides and the total actual execution—where the actual execution rate to the allocation reached 65% in the operational side and 25% in the capital side—indicates weak planning, weak execution, or both.
- E. There is a clear and alarming discrepancy in the achievement rates of some executive bodies and institutions, as the operational achievement rates were (7% in the Ministry of Trade) and (163% in Anbar Province), while the achievement rates in capital expenditures were (0% in the Presidency, Ministry of Labor, Ministry of Defense, Ministry of Communications, Ministry of Environment, Ministry of Displaced Persons, Council of State, and the Federal Supreme Court) and (454% in Karbala Province).
- F. The government's weak capacity to manage risks.
- G. The government's weak capacity to effectively allocate resources according to strategic priorities.
- H. The weak efficiency in delivering services.

4. Recommendations:

- A. The expenditures of the federal public budget should be estimated objectively and in accordance with the requirements of the classification levels of the expenditure indicator.

- B. Reallocation of budget items during implementation should be very limited and only in exceptional cases.
- C. Credibility and objectivity in estimating revenues in the federal public budget. The entity who's operational or investment implementation rate falls below 80% of what was planned by it bears legal responsibility.
- D. It is necessary to subject those responsible for preparing the federal public budget to training courses in risk management.
- E. The government should prioritize strategic objectives for achieving sustainable development when estimating allocations in the federal public budget.
- F. Establish short, medium, and long-term plans for service projects and determine the necessary allocations for their implementation in the federal public budgets in accordance with the scope of each plan.

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