

Original Article

Program and Performance Balance: Theory and Practice in the Iraqi Budget -An Applied Study

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Abstract: Research aims to understand the concept of program and performance budgeting in the Iraqi environment by exploring its philosophical and theoretical aspects on the one hand and its application in the Iraqi budget on the other. The research problem emerged in identifying the challenges faced in implementing program and performance budgeting in Iraqi government economic units. To prove the research hypothesis, a sample was taken from the economic units funded by the Iraqi government and included in the gradual transition to program and performance budgeting. The researcher reached a set of conclusions, the most important of which is the weakness in the gradual transition that the Iraqi government seeks from item budgeting to modern methods represented by program and performance budgeting, in addition to the absence of suitable transformation conditions in the Iraqi environment Which help improve performance, transparency, and accountability, while the most important recommendations were to provide the appropriate environment required by program and performance budgeting, represented by dividing work into programs, dividing programs into activities, and monitoring the implementation of those programs to identify deviations and correct them, and creating a principle of transparency and disclosure about the implementation processes of those programs.

Keywords: Program And Performance Budgeting, Line-Item Budgeting, The Iraqi Environment.

I. INTRODUCTION

The financial system of the public state is considered one of the special accounting systems that govern the financial activities of public economic units, or what is known as the public services sector, represented by units that provide services free of charge (non-profit units) or for a nominal fee supported by governments, such as health, education, security, defense, judicial facilities, and other services that are not performed and provided by the private sector (Al-Obaidi, 2011: 30).

The state budget is considered an effective tool of the financial system and one of the most important tools of financial planning due to its role in setting goals, government policies, and programs aimed at utilizing its resources to the fullest extent possible, distributing them, and achieving maximum benefit. The importance of the budget, apart from its economic aspect, stems from two significant perspectives: political and social. Politically, it represents the government's work program over a specified period, as outlined in the numerical policy granted by the legislative authority to the executive authority. Socially, it is reflected in the redistribution of national income among different social classes, the availability of labor, the mobilization of idle economic forces, the improvement of living standards, and the achievement of societal welfare.

The state budget has undergone significant development over the past century, progressing through several phases linked to economic and social changes, as well as the expanding role of governments and advancements in administrative, financial, behavioural, and quantitative sciences, which have had a profound impact on this development.

One type of these budgets is the program and performance budget, which was implemented in the Iraqi environment and included in the federal government's budget. It has become an integral part of the application, despite facing various implementation challenges. The aim of adopting this type of budget came as a result of several reasons, including the gradual shift from itemized budgets and the accompanying problems of measuring efficiency in public economic units and understanding the results of activities funded by the state's budget items. The program and performance budget rely on the outputs and results achieved by government units, focusing on activities and evaluating strategic performance through continuous review and annual development of program evaluation.

II. RESEARCH METHODOLOGY

A) Research Problem:

We can summarize the research problem by stating that the Republic of Iraq still relies on line-item budgeting in the public sector, which does not meet the aspirations of successive governments in formulating financial policies. This has led to



the implementation of another type of budgeting, namely performance-based budgeting, which has faced many challenges in application. Hence, the research problem arises in the fundamental question:

What are the challenges faced in implementing program and performance budgeting in Iraqi government economic units?

B) Importance of the Research:

The importance of the research lies in its focus on the gradual transition from the type of budget used in government-funded economic units (line-item budgeting) to performance-based budgeting, as well as the significant role of this budget as a fundamental tool through which the state's financial policies are formulated and its desired goals are implemented. It also aims to identify the problems encountered in applying this type of budgeting in order to address them.

C) Research Objectives:

The objectives of the research can be summarized in the following points:

- Highlighting the current financial reality used in centrally funded government units, represented by the application of itemized budgeting.
- Identifying and analyzing the problems that faced the implementation of program and performance budgeting in the Iraqi government sector through the research sample unit.
- Finding solutions that help achieve a smooth and successful transition from line-item budgeting to program and performance budgeting.

D) Research Hypotheses:

The research is based on a main hypothesis which states:

(There are no challenges facing the implementation of program and performance budgeting in units funded by the Iraqi government.)

E) Research Methodology:

The research is based on the descriptive-analytical method, which involves describing the gradual shift from item-based budgeting to program and performance budgeting. This is achieved through studying the research that has addressed this topic, leading to the extraction of a set of results that could serve as a fundamental resource for future research. Additionally, the financial analysis method is employed to test or refute the research hypothesis in a practical context.

F) Research Community and Sample:

The research sample consists of one public sector department funded by the Iraqi Ministry of Finance, which implemented program and performance budgeting in parallel with line-item budgeting.

G) Research Tools:

To enrich both the theoretical and practical aspects of the research with the necessary information, the following tools will be relied upon:

- Theoretical tools: To enrich the theoretical aspect, reliance was placed on Arabic and foreign books, magazines, theses, research papers, and scientific studies related to the research topic, available in libraries and published on the internet, as well as unpublished.
- Tools for the practical aspect: Actual financial and non-financial data from the research sample were relied upon, which were analyzed to prove the research hypothesis.

III. THEORETICAL ASPECT

A) The Historical Development of Budgets:

In England, the modern rules for public budgets were established as a result of a conflict between the king and Parliament over the imposition and control of taxes, particularly when state expenditures increased and accompanied a heavier burden on the people through tax collection. This led King William III in 1688 to issue the Bill of Rights, which stipulated the imposition of taxes (Al-Azmi, 2007: 37). As for France, public oversight, represented by the legislative authority, began with the issuance of the decree on June 17, 1789, which stipulated that the expenditures of each ministry should be within the allocated budgets. The General Assembly began reviewing expenditure allocations in 1813, and in 1815, an annual report was issued before the start of the fiscal year (Jesse, 1959: 155). In China, the government budget reached its peak of development in the late 1970s of the last century, with the government's focus on directing funds to public services. This period was marked by the preparation of means and tools to evaluate the quality of government programs in these areas and by holding them accountable. As for Iraq, the first general budget was issued in 1921, as the constitution at that time stipulated the right to discuss and approve the budget. With the issuance of the Financial Authority System No. 715 for the year 1924, matters related

to the budget became based on this system. The General Accounting Principles Law, No. 28 of 1940, was enacted to regulate the preparation, execution, and oversight of the state budget (Al-Janabi, 2007: 102).

The historical development of the state budget has been closely tied to the evolution of political systems. The state's performance has not been limited to its traditional role in public unit expenditures; it has evolved to address various social and economic aspects. The state budget is now viewed in light of the goals the state seeks to achieve. There are local budgets that rely on self-generated revenues, transfers, and subsidies from the central finance, as seen in the Canadian state budget, and the South Korean budget, which features a diverse financial system ready to adapt its mechanisms and experiment with new methods, represented by the implementation of a national financial management plan that functions as a financial performance evaluation system similar to auditing and financial control (Abrihi, 2016: 126). Ibn Khaldun believes that as the role of the state evolves, its need for money and the imposition of taxes increase, which must be alleviated for citizens to boost their willingness to work and the volume of economic activities, ultimately reflecting in an increase in tax revenue. Thus, the state's need for money, balancing this need with the citizens' ability to meet it, led to the development of the budget and its emergence in its contemporary form (Al-Nawas, 2017: 21).

The itemized budget, which emerged in the eighteenth century, is considered one of the oldest systems of public budgeting. Its use dates back to the accounts of the Ottoman Empire, and that period was characterized by the weakness of the economic and social structures of most countries in the world. This objective was highly compatible with many governments whose work was focused on performing sovereign functions represented by security, defense, and judiciary (Kask, 2001: 13). The other type is called program and performance budgeting, which was implemented in the U.S. federal budget in 1956.

Program and Performance Budgeting: Between Origin and Development
Program and performance budgeting emerged as a result of several developments in the United States at the beginning of the twentieth century. A committee called the Economy and Efficiency Committee was formed, commonly referred to as the "Taft Committee." The first attempt to implement it was in New York between 1913 and 1935. During the 1930s, state intervention in the economy increased to address the effects of the global depression, which created a need to enhance the efficiency of government performance. This indirectly contributed to the emergence of program and performance budgeting (Al-Shawabka, 2000:54). It was implemented in 1951, following a report prepared by the Hoover Commission in 1949. David Novick provided a detailed explanation of how it was implemented in the U.S. Department of Defense, and the use of this type of budgeting in the United States ceased in 1965. However, the reapplication and emphasis on performance-based budgeting were reaffirmed in 1992. Al-Shawabkeh, 2000:55).

In Britain, the focus of the financial reform introduced in 1982, known as "Financial Management Initiatives," was based on the premise that the budget serves as a "performance contract," in which departments commit to achieving set objectives in exchange for agreed-upon financial resources (Greasat, 1995: 39).

Developing countries implemented this type of budgeting after gaining independence from the 1950s to the 1970s. In light of their limited economic resources, the need for development, and the underdeveloped role of the private sector, the state became the primary driver of economic and social development efforts. Which, in turn, sought funding sources represented in high-cost borrowing. This requires a connection between the purpose of the expenditure and the returns achieved, which was not met by the itemized budget. Among the countries that implement this type of budgeting are the Philippines, Tanzania, Bolivia, Kenya, India, Venezuela, Egypt, Jordan, and recently Iraq (Al-Shawabka, 2013, p. 56).

The program and performance budget is defined as a set of methods through which program managers can focus on the precise implementation of objectives within their responsibility, and the implementation of these objectives is measured according to time and working hours (Mohammad et al., 2017:3).

Based on the above, the researcher sees the possibility of defining this type of budgeting as a plan that outlines the objectives of the unit to be implemented in the form of specific programs, which include all the costs required to achieve them. Accordingly, the budget is categorized, with indicators set to monitor the implementation rates, identify deviations, and address them.

B) The Planning, Programming, and Budgeting Approach:

This method in preparing the state budget represents a stage in the evolution of budgeting, as it focuses on planning in an attempt to provide characteristics not found in other types of budgets. This means that the financial decisions made were considered after comparing the available programs to achieve the goals of public policy, and the quality of the expected results for each of these alternatives used was measured by the same standards and considerations over a specified period of time exceeding one year. While programming is explained as the estimation of the cost of human resources and materials required for implementation, as well as the cost of other necessary needs to achieve the program's goal that aligns with the state's objectives

(Jreisat, 1995: 26). The stages of preparing the program and performance budget can be identified as follows: (Al-Jadri, 2024: 52)

- a. Planning phase: This phase involves determining the objectives that the economic unit expects to achieve and accomplish during the fiscal year, whether related to project completion or service provision.
- b. Cost Estimation Phase: This phase involves determining the units of measurement used in the nature of operations in each department of the activity, the results of which can lead to improving the level of service and reducing its cost.
- c. Review Stage: The process of control or follow-up aims to study the results of implementing the previous two stages, in order to verify whether the objectives set for each economic unit align with the general objectives established in the state's overall plan.
- d. Implementation Monitoring Stage: After the approval of the general budget in light of the studies conducted in the previous three stages, it becomes a work program that defines the objectives of the units that make up the administrative apparatus, and measures each of these objectives quantitatively.

C) Determinants Of Implementing Performance-Based Budgeting:

The choice to implement program and performance budgeting requires governments to take the following steps:

- Working on dividing government work into a number of programs to achieve the desired objectives.
- Dividing the programs into a number of activities.
- Estimating the annual costs required for each program in order to provide them from the responsible authorities.
- The general objective for each program is determined separately.
- Advantages of implementing program and performance budgeting
- Establish a system for monitoring and analyzing the results of activity implementation for all programs.
- The performance of each activity must be measured accurately.
- The Iraqi government partially implemented some targeted programs within the state budget for government economic units from 2019 to 2023, which was a timid application that did not achieve the real transformation from item-based budgeting to this type of budgeting.
- Advantages of implementing program and performance budgeting

In light of the implementation of program and performance budgeting, management responsibility expands at all levels, including oversight of the activities encompassed by government programs, which achieve numerous advantages, the most important of which are:

- The connection between program and performance budgeting and planning: It identifies the projects and programs of government agencies for several upcoming years and determines the expected expenses for them, not just for one year, unlike itemized budgeting, which shows the expenses for one fiscal year and is often not linked to long-term planning (Mataroud, 2009: 140).
- The program and performance budget focuses on detailing the projects and programs that government agencies will implement, as it includes a description of the government programs that the state will execute, the desired objectives of their implementation, the costs of these programs and projects, and performance units (Hamada, 2001: 61).
- Rationalizing the decision-making process in government agencies, as different alternatives are identified to achieve the general objectives of these agencies. Subsequently, in-depth analytical studies are conducted on these alternatives to determine the costs and benefits of each, and decisions are made based on the results of the comparison between the alternative methods (Mohammed, 2016: 3).

The practical aspect: Justifications for selecting the sample and applying the program and performance budget in it: The research sample was chosen as it is one of the departments funded by the Iraqi government, represented by one of the Iraqi universities that enjoys financial and administrative independence and is included in the decentralized funding by the Iraqi Ministry of Finance. It has been included in the program and performance budget from 2021 to 2023. The focus was on this governmental economic unit to identify the reasons for the problems it faced during the implementation of this type of budget, as well as the achievement rate for each program annually. Additionally, a comparison was made between the years in which this type of budget was implemented. Table No. (1) shows the total amounts of the program and performance budget allocated by the Iraqi Ministry of Finance to the economic unit under study:

Table No. 1 Program and performance budget and itemized budget from the year (2021 to 2024)

	year	Total amounts of the program and performance budget	Total amount of the item budget
1	2021	171.712.010	32,193,816,170
2	2022	162.444.000	31.709,270,103
3	2023	162.444.000	42.415.723.449

Source: Prepared by the researcher based on actual data.

It is evident from the above table that the program and performance budget amounts were small compared to the itemized budget allocated to the economic unit in the research sample. The program budget constituted 0.0053% of the itemized budget in 2021, which is the highest percentage among the selected years in the research and is a very small percentage, indicating the timid steps toward transitioning to this type of budget. In 2022, the percentage was 0.0051%, while in 2023, it constituted 0.0038%.

Table 2 shows the percentage of amounts spent from the funds allocated by the government as a program and performance budget, which reflects the available material and human resources in the unit under study:

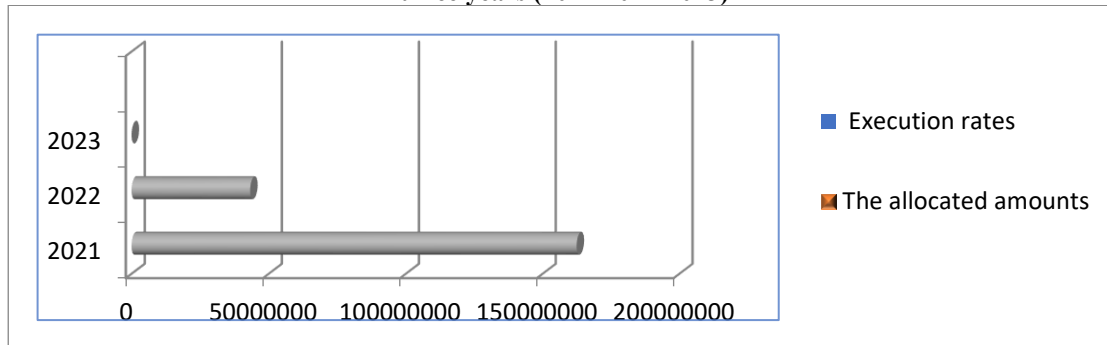
Table No. 2 The amounts disbursed for the program and performance budget

year	Allocated amount	Amount spent	Expenditure ratio
2021	171.712.010	162,444,000	0.95 %
2022	162.444.000	43,244,000	0.27%
2023	162.444.000	0	0%

Source: Prepared by the researcher based on actual data.

Through Table (2), we notice that the actual implementation rate of the allocations in the program and performance budget has been gradually decreasing until it reached a complete non-implementation rate in the year (2023), where the expenditure rate from the allocation was (zero). This is attributed to the Ministry of Finance not funding those allocations, which indicates that the seriousness of the application and transition to the program and performance budget is weak, according to the application results in the research sample.

Figure 1 illustrates the execution rates of the allocated amounts for the program and performance budget for the three years (2021-2022-2023)



And here it becomes clear to us that the philosophy of program and performance budgeting exists in the preparation of the Iraqi budget. Still, its implementation stages are weak and ineffective. This can be attributed to several reasons, including:

- Weakness in preparing real programs that help rearrange allocations according to the actual expenditure needs.
- There is no real division of the objectives that the programs are formed from, which in turn form the main objective, despite the existence of that division in a superficial manner.
- The lack of qualification of human expertise and competencies, as they are a fundamental element for the successful implementation of program and performance budgeting.
- Weakness in developing the accounting system that aligns with program and performance budgeting, focusing on recording expenses specific to each program activity while maintaining the current documentation group

D) Proving the Research Hypothesis:

The research hypothesis, which states that "there are no challenges facing the implementation of program and performance budgeting in units funded by the Iraqi government," can be proven through the challenges faced by the economic unit, which can be highlighted according to the following points:

- The lack of a serious, gradual transition by the government on one hand, and the weak and nonexistent funding for the amounts allocated to the economic units in the research sample on the other hand.

- The low percentage of funds allocated to the programs and performance budget compared to the item budget and the gradual transition policy of the state's general budget, as it constituted less than 1% of the item budget for the economic unit under study.

IV. CONCLUSIONS AND RECOMMENDATIONS:

A) Conclusions:

- a. Weakness in the gradual transition that the Iraqi government seeks from the line-item budgeting approach to modern methods, represented by program and performance budgeting.
- b. The low percentage of funds allocated to the program and performance budget compared to the itemized budget, in addition to the lack of funding in some years.
- c. The absence of conducive transformation conditions in the Iraqi environment, which help improve performance, transparency, and accountability based on results in the implementation of the program and performance budget.
- d. Weakness in the preparation and qualification of human resources, which are fundamental to the success of implementing the program and performance budget.
- e. The need to develop the accounting system in line with the requirements of the program and performance budget, focusing on tracking expenses specific to each program activity to improve oversight and increase transparency.
- f. The absence of additional accounting records specifically for recording expenditures on the sub-activities of the programs related to performance-based budgeting.

B) Recommendations:

- a. Full alignment with the serious, gradual shift in the budget issued by the Iraqi government from an item-based budget to a program and performance-based budget, which focuses on monitoring and measuring expenses against the achieved objectives that constitute the programs the government seeks to implement.
- b. Increasing the amounts allocated in the program and performance budget compared to the itemized budget as it was in previous years, to create seriousness in the gradual transition.
- c. Providing the appropriate environment required by the program and performance budgeting, represented by dividing work into programs, dividing programs into activities, and monitoring the implementation of those programs to identify deviations and correct them, and creating a principle of transparency and disclosure regarding the implementation of those programs.
- d. Developing and qualifying human resources through the establishment of courses, seminars, and workshops that clarify the fundamentals of the transition from line-item budgeting to program and performance budgeting, and enhancing those resources with academic and professional expertise.
- e. Developing the current accounting system in line with the transition to the new budget type to achieve effective control over the implementation of those programs.
- f. Maintaining the current accounting cycle and keeping an additional record specifically for recording expenditures on the sub-activities of the programs under the performance-based budget.

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