

**REPUBLIC OF TURKEY
ISTANBUL GELISIM UNIVERSITY
INSTITUTE OF GRADUATE STUDIES**

Department of Economics and Finance

**THE EFFECT OF REVENUE DIVERSIFICATION ON
THE GENERAL BUDGET IN IRAQ FOR THE PERIOD
(1980 -2022)**

Master Thesis

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Supervisor

Asst. Prof. Dr. Lokman KANTAR

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DECLARATION

I hereby declare that in the preparation of this thesis, scientific ethical rules have been followed, the works of other persons have been referenced in accordance with the scientific norms if used, there is no falsification in the used data, any part of the thesis has not been submitted to this university or any other university as another thesis.

Asmaa LATEEF

/ /2023



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The thesis study of Asmaa Hameed Lateef LATEEF titled as The Effect Of Revenue Diversification On The General Budget In Iraq For The Period (1980-2022) has been accepted as MASTER in the department of Economics and Finance by out jury.

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SUMMARY

The Iraqi economy is characterized by major structural imbalances, including the imbalance of the state's general budget due to unilateral sources of income, as the revenue side of the budget was based almost entirely on one resource in financing the state's general budget, which is crude oil, and they neglected other sources, especially taxes and fees. As the abundance of revenues from the oil sector neglected the importance and role of other revenues, and thus the estimate of the state's general budget became dependent mainly on expected oil, which makes the economy vulnerable to external fluctuations resulting from fluctuations in the oil market as well as internal changes represented in the conditions and quantity of domestic production of crude oil.

The research aimed to measure and analyze the impact of the diversity of public revenues (oil revenues, tax income, tariff revenues) on the efficiency of the work of the public budget in Iraq for the period (1980-2022) using the ARDL model.

The study concluded that there is a positive and significant impact of oil revenues, on the general budget in the long run. Also the study concluded that there is a positive but not significant impact of tax income and tariff revenues on the general budget in the long run in the long run, and that there is a significant and positive impact of the oil revenues , tax income ,and tariff revenues on the general budget in the short term.

Key Words: Diversity of public revenues, oil revenues, tax income, tariff revenues, general budget.

ÖZET

Irak ekonomisi, tek taraflı gelir kaynakları nedeniyle devletin genel bütçesindeki dengesizlik de dahil olmak üzere büyük yapısal dengesizliklerle karakterize edilir, çünkü bütçenin gelir tarafı neredeyse tamamen devletin genel bütçesinin finansmanında tek bir kaynağa, yani ham petrole dayanıyordu. Ve diğer kaynakları, özellikle vergileri ve harçları ihmal ettiler. Petrol sektöründen elde edilen gelirlerin bolluğu, diğer gelirlerin önemini ve rolünü ihmal ettiğinden ve böylece devletin genel bütçesinin tahmini esas olarak beklenen petrole bağlı hale geldi ve bu da ekonomiyi petrol piyasasındaki dalgalanmalardan kaynaklanan dış dalgalanmalara karşı savunmasız hale getirdi. Ham petrolün yerli üretiminin koşullarında ve miktarında temsil edilen iç değişikliklerin yanı sıra.

Araştırma, ARDL modeli kullanılarak Irak'ta dönem (1980-2022) için kamu gelirlerindeki çeşitliliğin (petrol gelirleri, vergi gelirleri, tarife gelirleri) kamu bütçesi çalışmalarının etkinliği üzerindeki etkisini ölçmeyi ve analiz etmeyi amaçlamıştır.

Çalışmanın değişkenleri arasındaki uzun dönemli ve kısa dönemli ilişki analiz edilerek, kamu gelirlerinin (petrol gelirleri, vergi gelirleri, tarifeler) çeşitliliğinin kısa uzun dönemde pozitif ve anlamlı bir etkisinin olduğu sonucuna varılmıştır. Gelirler) Irak'ta genel bütçe çalışmalarının etkinliği üzerine

Anahtar Kelimeler: Kamu gelirlerinin çeşitliliği, petrol gelirleri, vergi gelirleri, tarife gelirleri, genel bütçe.

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INTRODUCTION

The Iraqi economy is characterized by major structural imbalances, including the imbalance of the state's general budget due to unilateral sources of income, as the revenue side of the budget was based almost entirely on one resource in financing the state's general budget, which is crude oil, and they neglected other sources, especially taxes and fees. As the abundance of revenues from the oil sector neglected the importance and role of other revenues, and thus the estimate of the state's general budget became dependent mainly on expected oil, which makes the economy vulnerable to external fluctuations resulting from fluctuations in the oil market as well as internal changes represented in the conditions and quantity of domestic production of crude oil. This means that crude oil has played a fundamental role in the imbalance of the output structure and determining the nature of the imbalance from the internal perspective (the general budget), and therefore it was necessary to consider the impact of taxes and customs duties in addition to oil revenues on the state's general budget (Iqbal, & Mahmood, 2011).

The importance of the study lies in trying to determine how to reach an effective strategy to be adopted with the motive of achieving diversification of revenue sources and achieving economic stability and sustainable development in Iraq. On the one hand, this research and its recommendations will constitute a starting point for other researches in different periods of time in order to generalize the results of this study.

The research aims to measure and analyze the impact of the diversity of public revenues (oil revenues, tax income, tariff revenues) on the efficiency of the work of the public budget in Iraq for the period (1990 -2022) using the ARDL model.

The structure of the thesis will be as follows:

In the first chapter the meaning and concept of the public revenue and revenue diversification, Strategies for Revenue Diversification, and Revenue Diversification In Iraq will be presented. In the second chapter the general budget concept, classification of general budget of state, general budget systems and the Iraq government general budget will be presented.

In the third chapter the methodology and the results of the analysis will be presented. In the fourth chapter the conclusion, discussion and recommendation will be presented.



CHAPTER ONE

REVENUE DIVERSIFICATION

1.1. The Concept of Public Revenue

There are many and varied definitions of public revenue, including the following:

Public Revenues refers to the total income that the state obtains from various sources to cover its public expenditures and achieve economic and social balance (Nashed, 2008). Public revenues represent the backbone of state activity as the state cannot perform its role if public revenues are not provided. (Farhoud, 1996). 3.Public revenues are all in-kind, cash, and real estate funds that come into the public treasury of the state and are necessary to cover public expenditures (Batriq, 1986). In other words, public revenues represent direct and indirect taxes, fees, royalties, and economic returns from state contributions to productive projects. The sources of these revenues may be fines, gifts, movable and immovable sources of funds for some people, and aid, and they may be from internal and external loans, or from cash issuance. New and general expenditures, whether regular or continuous, such as wages, salaries, rent, or capital or investment expenditures, such as spending on roads, bridges, dams, mining, and astrology (Bach, 1971).

The government derives revenues in different ways, as there are many types of public revenues that can be divided into three main sources, state revenues from its properties and economic projects, or what is called the domain, and the other type is sovereign revenues, primarily taxes and fees, and then come other revenues such as credit revenues such as loans the internal and external sources that the state seeks to obtain in the event that other sources are unable to finance the state's public expenditures.

As for the rentier Arab countries, in some countries there is a major source of public revenues, which is oil tax revenues or oil taxes, and the fact that this resource is affected by external factors, its use is among the components of public revenues. It would rearrange the equation from the hypotheses and conclusions under study, as its fluctuations lead to exposure to shocks and adverse results (Barbash, 2018).

1.2. Revenue Diversification Meaning

In the study of higher education, the phrase "income diversification" has been thrown around erratically. Some academics have used term to describe sources of income besides grants and tuition, while others have substituted it for new net income. From study to study and setting to context, the term varies. For example, Pfeffer (1978) described revenue diversification as a strategy for protecting against the loss of a single sizable source of income. "An deliberate endeavour to avoid confusion," they dubbed it. On the other hand, Zider (1995) defined revenue diversification as the process of generating income outside of that provided by the government. This is accomplished through the commercialization of activities, the transfer of technology, consulting, and customized learning, as well as other steps like modifying financial decision-making and management.

While discussing the financial issues higher education institutions are experiencing and suggesting solutions for organizations to deal with economic austerity, scholars have frequently utilized this concept like Coate, & Knight, 2011 and Yan, & Douglas and Carr, 2022. In this study, I describe revenue diversification as a strategy for locating extra or substitute sources of income other than public support, which helps to balance the institution's revenue structure.

1.3. Public Revenue Sources

In order for the state to perform its function, it must obtain sufficient funding to cover its public expenditures, meaning that it must obtain the necessary financial resources to cover its governmental expenditures. In covering the government expenditures necessary for the state to perform its traditional function, the public revenues at the present time seek to achieve economic, political and social goals so

that they have become an important tool for directing the economic and social activity of the state, (Al-Ali, 2011) and it can be said that government revenues are the sources from which the state obtains the necessary funds. To cover its various expenses in order to satisfy the necessary general needs of society. (Taqa and Al-Azzawi, 2006).

The diversity of public revenues can be described according to the classical and modern theory by clarifying the basic function of public finance in that era, where the basic idea of the traditional public finance function was limited to the availability of government revenues for the state to cover government expenditures (which are limited to the necessary needs of members of society), where public resources were It is limited only to deducting part of the wealth and income of individuals in general, such as taxes, and to providing public benefits provided to individuals in particular, such as fees, since the necessary needs of members of society consisted of what the state provided of its functions for external defense, maintaining internal security, and establishing public roads that individuals do not provide. Because it does not generate a profit despite its necessity for the members of society, and this has resulted in the size of the budget with its expenditures being equal to its revenues and within the minimum limits (Al-Kutbi, 2008).

The classical school first appeared and its ideas prevailed in Britain at the end of the eighteenth century. One of the most prominent pioneers of this school is Adam Smith in his book *The Wealth of Nations* in 1776, as well as David Ricardo in his book *The Origins of Political Economy and Taxation* in 1817, as well as John Stuart Mill, Alfred Marshall, Peugeot and Say. Etc., emphasizing that individuals are given freedom embodied in five main aspects: freedom of ownership, freedom of contract, freedom to establish projects, freedom of work and freedom of exchange.

The direction of economic activity was left according to the personal interests and desires of individuals, so the dependence of economic life on the private sector was due to the absence of conflict between individual interests and collective interests, and the most important assumptions on which the classical school relied was the necessity of keeping the state away from interfering in economic activity and leaving individuals free in their economic activities because they are able to engage

in economic activity according to their interests and that there is a hidden hand from Adam Smith's point of view towards the direction of the economy automatically in the interest of society (Al-Birmani, 1987).

Thus, classical thought believed in the principle of neutrality of the state's fiscal policy, which made the effect of the effectiveness of the general budget on the national economy out of the question, and that the explanation for this is that the state is a purely political organization that must not interfere in the economic and social fields, and therefore government spending is limited only to Financing the general needs of the state and the role of the general budget has become to secure a financial balance between government revenues and government expenditures, which called for the traditionalists to reject both the deficit and surplus of the public budget and thus the general budget balance became the ideal principle that should be achieved between public revenues and public expenditures. This principle remained effective to the extent that the traditionalists did not even think about the possibility of a temporary deficit in the general budget for fear of exerting a certain impact on the national economy (Al- Karkhi, 1999).

Classical financial thought also distinguished between ordinary expenditures, exceptional expenditures, ordinary revenues and exceptional revenues, as expenditures were Ordinary revenues are financed by ordinary revenues, such as taxes, fees, and state revenues from its property (domain). As for extraordinary expenses, they are financed by extraordinary revenues, such as loans, if the ordinary revenues are not sufficient to cover them. Government finances were only a tool for financing the state with the funds necessary to cover government expenditures, meaning that its objectives are financial and far from interfering in the economic and social life of individuals. As for the budget that shows some surplus, it is intended to be used to pay off the debt and constitutes an essential item of financial belief. (Schumpeter, 2006)

But since the beginning of the First World War, the state has been forced to intervene in economic and social life, and this intervention was increased by the Great Depression in 1929. The occurrence of the Great Depression and the resulting poverty and great unemployment after it became clear that the great impact of every

financial measure on the economic and social activities of the state leads to a significant increase in government expenditures and consequently an increase in taxes that led to an economic and social imbalance, so the budget specialists took With economic and social justifications as well as financial justifications when preparing them, as the state intervened to find a solution to the recession crisis and eliminate unemployment by opening large projects to build roads and other huge programs for the purpose of employing the unemployed and helping the poor, which led to an increase in government expenditures and an increase in taxes as well as borrowing to finance government spending. On the other hand, they used taxes in quantity and quality to achieve social justice, as well as to encourage some industries and to direct the consumer towards consuming the necessary and useful commodities for the development of society. (Al-Kutbi,2008).

In his famous book, *The General Theory of Employment, Interest and Money*, Keynes showed that the state budget represents a vital sector for it due to its great importance and its profound effects on other sectors included in the budget of the national economy. The levels of government expenditures and revenues and their types can affect the levels of national income and employment, as he showed that the lesson is not the balance of the state budget, but the most important thing is the balance of the national economy, even if this leads to the imbalance of the general budget in the short term at least, and with this logic it has Keynes brought fiscal policy out of its traditional isolation from other sectors of the national economy, and largely eliminated the principle of fiscal policy neutrality and the idea of the need to maintain the balance of the public budget, and thus traditional ideas began to fade and wither and that the state began to interfere in economic life, and this role was not limited to intervention to treat crises, but also extended to include economic and social structures, and this development also created a similar development. In the capitalist state finances, as the general budget represented a picture of the state's economic role and a tool for achieving its economic, social and political goals. (P. Nathan, 2006).

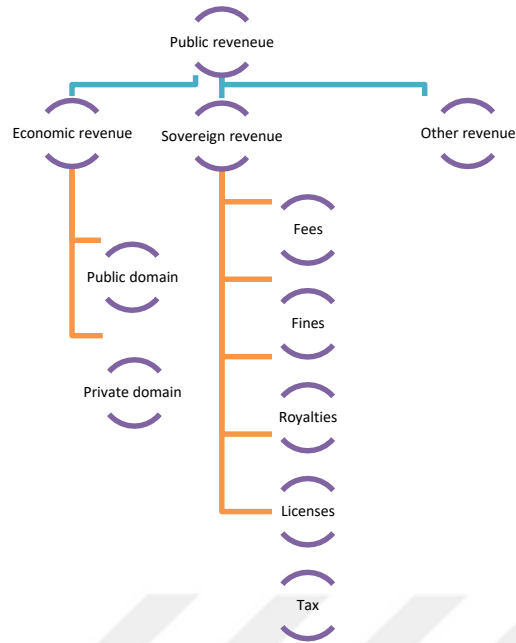


Figure 1. Public revenue
Sources: Prepared by researcher (2022)

1.4. Strategies for Revenue Diversification

Revenue diversification strategies are important In order to provide companies and organizations in general with the resources they need to fulfill their missions, achieve financial stability, and distribute and diversify risks, an increasing number of public institutions of higher education are looking for funding from a variety of alternative sources (Alstete, 2014; Hearn, 2006). Universities work to diversify their sources of income in several ways, for example marketing intellectual property, using alternative pricing strategies, providing complementary and additional basic services, following up on donations and charitable giving, cooperating with other research organizations, and serving the client better. Public research universities may rely on alternative financial sources for a greater or lesser amount depending on the location, demographics of the students served, government assistance programs, and relationships between the schools, community businesses, and organizations. This means that some organizations can perform better than others depending on the environment.

1.4.1. Commercialization of Intellectual Property

Universities can earn revenue by commercializing intellectual property. Via patents, technology transfer, and spinoffs from startups, several American higher education institutions have increased their revenue sources. The US public universities' new and current licensed goods have earned approximately \$28.7 billion in net product sales. In the same year, startups climbed by 12%, there were 12% more patents issued, and 879 new goods were created. Although intellectual property and technology transfer have the potential to bring in more money.

According to Stewart (2008), he applied research in the United States of America and found that although the total revenue from licenses granted to universities was generally large, most universities did not benefit much from it, and it had little effect in terms of risk reduction and policy support. Financial institutions. A comparison of revenue diversification and sustainability in the United States and the United Kingdom also reached this conclusion. It was profitable in certain circumstances but unsuccessful in others. Stewart (2008) said that colleges should be open to a wider range of commercialization, selective in the streams they pursue, and realistic about the possible cash that may be earned.

1.4.2. Pricing Initiatives

The major ways that pricing initiatives raise money outside of the government are through increasing tuition and charging for previously free services (Hearn, 2003, 2006'a). According to a number of studies and literature reviews, raising tuition fees for students has always been a backup plan whenever institutions face financial challenges (Desrochers, 2016; SHEF, 2016; Teixeira, 2013; Webb, 2015). Instead of boosting investment in undergraduate plans, colleges often raise tuition and fees to offset lower government funding and higher operating costs (Mitchell & Leachman, 2014).

Desrochers and Wellman (2011) presented a study of spending patterns in higher education and found that, on average, public research institutions received more tuition money to fund research activities than they spent on basic education. Similarly, a study by Desrochers & Hurlburt (2016) revealed that 47.8% of the revenue collected by colleges came from net tuition fees alone, i.e. the cost was borne primarily by students. The research also revealed that government appropriations, grants and contracts account for about 38% of total revenues in public institutions, indicating that the remaining 21.4% came from a group of non-traditional sources. Public research institutions have received little government assistance.

According to some experts, perhaps more so than research funds, tuition and fees, particularly those from overseas students, have grown to be a key source of income for many higher education institutions (Stewart, 2008). A study by the Institute of International Education (2016) found that overseas students helped the US economy by almost \$36 billion in the years 2014 and 2015. Nevertheless, given the majority of these students are enrolled in joint programs and sponsor nations are now enhancing their own higher education systems, dependence on this funding stream may not be sustainable in the future (Stewart, 2008). According to studies, colleges and universities cannot only rely on net tuition as a source of revenue.

1.4.3. Auxiliary Services

Institutions can increase their revenue in a number of ways, including through auxiliary services including vending, bookshops, dining services, facilities, and real estate. Yet, except in a very small number of instances where athletics revenue surpasses costs, the revenue earned does not typically exceed their cost (Hearn, 2006'a, 2006b) (American Academy of Arts and Sciences, 2016b). Such services are significantly impacted by sociological, economic, policy, and educational issues, as observed by Rullman, Strong, Farley, Keegan, and White (2008), and they seldom provide any sizable income. Furthermore, the majority of these businesses are self-sufficient, with extra income going mostly into running the service. As a result, income from ancillary services is limited.

1.4.4. Endowment and Charitable Giving

In order to raise more funds, public research institutions have increasingly resorted to charity sources of income such as endowments, philanthropy, and alumni gifts. Typically, funding from these sources is constrained, and frequently, the quantity received is negligible in comparison to funding received by private institutions. About 21% of endowment assets, according to Stewart (2008), were accessible for unrestricted uses. Donors designated the remaining 79% for certain initiatives. This form of revenue is desirable since it is produced and managed by the institutions themselves with the intention of raising the caliber of educational initiatives and stabilizing spending (Weisbard & Asch, 2010).

Both the volume of offerings and the total amount of endowment revenue have increased, according to earlier surveys. In 2013, 19 schools reported endowment funds of above \$1 billion; in the 2016 fiscal year, 299 institutions reported the same. Even if endowment returns are modest, expenditure has soared. According to data from 805 American colleges and universities and a report by the National Association of College and University Business Officers, participating schools had an average return on endowments of -1.9% in the 2016 fiscal year. This poor performance came after a poor performance of 2.4% in the 2015 fiscal year. According to this NCSE (2017) analysis, endowment expenditures fell from 6.3% in the 2015 fiscal year to 5.0% during the preceding 10 years.

Endowments have typically provided 10% of schools' operating funding, and decreasing returns have made it more challenging for these colleges to sustain their operations. This conclusion is consistent with those of Stewart (2008) and Jaramillo and Melonio (2011), who found that, despite the apparent size of American endowments, these funds were frequently only a minor portion of yearly operational budgets. Endowments were not a cure-all when it came to institutional financial stability, as Stewart (2008) observed.

Public institutions are increasingly reliant on philanthropy and alumni donations in addition to endowments for support. A study of charity donations to higher education institutions conducted by the Council for Assistance to Education in

2017 found that voluntary funding for education climbed to \$41 billion in 2016, up 1.7% from \$40.3 billion in 2015. Philanthropy contributed on average 7.8% and 8.9% of the operational budgets at public and "very high" research institutions, respectively. The majority of the money went into operations rather than endowments. According to a research by the Council for Assistance to Education, significant support is reliant on the strength of the economy and a select group of affluent contributors. This raises the risk involved with this kind of fundraising, particularly when concerns about sustainable levels of support are present. Furthermore, this supply continues to have issues and will always be scarce, uneven, and slowly expanding.

1.4.5. Collaborating with External Parties

There are several ways to collaborate with outside parties for resources, including teaching, providing services, using the institution's name (Hearn, 2003, 2006b), and internship programs. Contracts for research projects are accepted by universities as a method to diversify their sources of income. Businesses, non-governmental groups, and nonprofits can all serve as sponsors. The majority of these sponsors i.e., industry provide money for research and development carried out in the US. A total of \$297.3 billion, or 65% of the US R&D expenditure, was funded by business in 2013. Yet, during the most recent recession, this financing has varied. About 2% of the corporate sector's financing for R&D went to higher education, according to the National Science Board (2016); the other 98% was used to improve company performance.

This fraction undercuts researchers' contributions and shows that, like other diversification tactics, research contracts are not a reliable source of income. According to Thomas (2001), colleges debating this choice should be aware that not all of them would be able to secure large amounts of support from the private sector. While some funding organizations favor supporting research at institutions with a strong scientific focus, others can favor applied research over more comprehensive studies. The research reveals that, despite an increase in diversification measures, it

is still unclear how these methods' impact on institutional performance and financial stability works.

1.5. Revenue Diversification In Iraq

Iraq is considered a country with an oil economy par excellence, as it depends mainly on oil, as it ranks 120 out of 189 countries in the Human Development Index for the year 2018. In 2018, hydrocarbon resources accounted for 65% of the country's GDP, and more than 100% of its exports, and over 90% of central government income, but only 1% in terms of the total employed workforce.

Bad administration and failure to follow the modern administrative approach, rampant administrative and financial corruption, lack of investment in basic social services, misuse of economic resources, and large internal and societal differences are all factors that impede human and social development in Iraq. In modern times, after the US invasion of Iraq, and despite the achievement of great strides in the direction of national recovery and stability, Iraq still mainly faces economic difficulties due to the fact that more than half of the population is not productive. The youth unemployment rate is 18 percent, compared to the total official unemployment rate of 8.2 percent, and the unemployment rate among women is very high compared to developed countries. Youth and women consistently participate in the labor market at low rates (19 and 26%, respectively, compared to 74% for males) (Haider Al-Ta'ami and Hani Malik Atshan, 2017).

UNDP promotes the expansion of business environmental management and business, especially in high-impact, productive and labour-intensive sectors, in order to foster an enabling social and economic environment, facilitate inclusive and diversified economic growth that benefits all citizens, and move away from a centralized economy based on oil. UNDP supports the Private Sector Development Strategy (PSDS) primarily for the Government of Iraq and aims to:

Improve access to markets and finance through innovative financing options;
Establish small and medium enterprises (SMEs) and start-ups;
Promote skills development and job placement; and
Set up a system for asset grant replacement.

1.5.1. Oil Revenues

What is meant by oil revenues is the net profit achieved by the oil-exporting country, after deducting the cost of shipping, production and distribution. The price of oil is usually determined by the OPEC organization concerned with regulating petroleum matters in the Arab Gulf states.

And oil revenues are considered one of the most important items in the general budget of the petroleum-producing countries, but those countries, led by the United Arab Emirates and the Kingdom of Saudi Arabia, have decided to dispense completely with the idea of relying on petroleum materials, and those countries have begun to improve its income through other projects that achieve a fixed return (Mustafa Al-Abdullah Al-Kafri, 2022).

Oil revenues are of great importance to both developed economies, as well as to the producing or consuming countries. The producing countries obtain them and contribute to financing the general budget and achieving economic and social development directly. As for the consuming countries, they benefit from these revenues, but indirectly, that is, they achieve social economic development, but after using crude oil in the production of goods and services that contribute to achieving that development (Haider Hussein and Hani Malik, 2017).

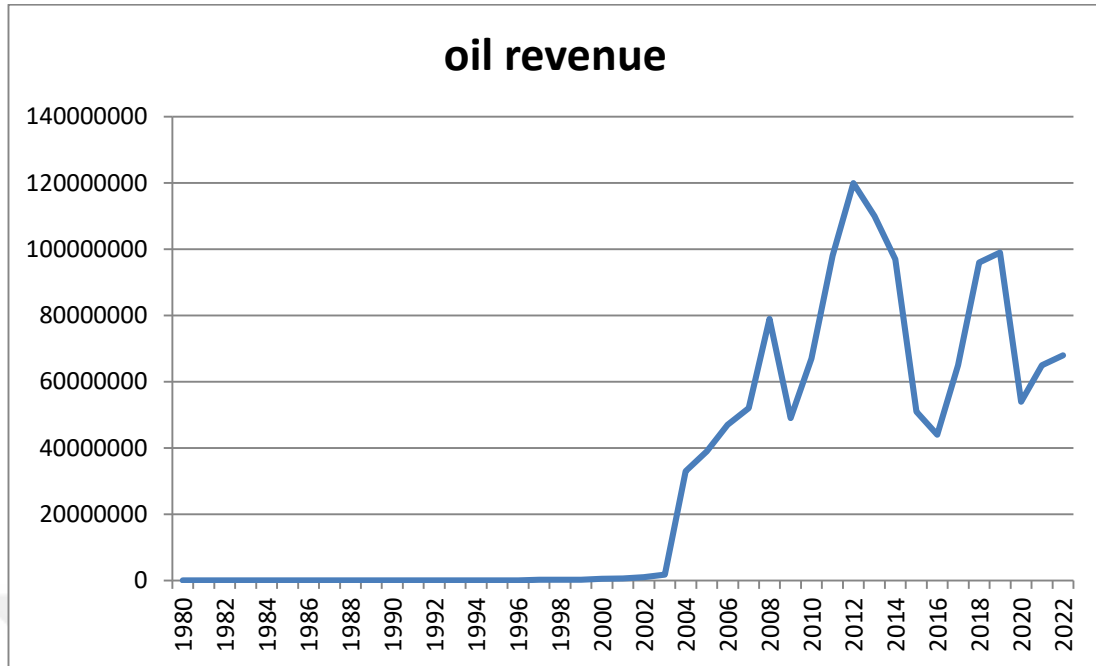


Figure 2. Oil Revenue In Iraq (1980-2022)

Source: Researcher design depending on world bank data 2023

By looking at Figure 2, we note that oil revenues in Iraq continued to rise from 2005 to 2010, then decreased again in 2010 until 2012, and then reached a peak in 2014, when it amounted to about 120 billion dollars, and then decreased to 2018, when it reached 40 billion dollars. Billion dollars and in 2022 it amounted to about 6.7 billion dollars

1.5.2. Tax Income

Taxes are considered one of the most important resources of the state in the modern era, and their importance is not limited to the money they generate in the public treasury, but rather they have an impact on the political, economic and social aspects of the state. Therefore, taxes were one of the basic topics in the science of public finance. Definition of tax: Tax is a compulsory and automatic deduction borne by the taxpayer and paid free of charge according to his ability to contribute to the burdens of the state and thus achieve public benefits. From the previous definition, we find that there are four basic pillars (elements) of the tax: Cash and not in-kind deduction: The prevailing trend in the modern era is that the tax is collected in cash and not in-kind as was prevalent in the past. Public expenditures are in the form of

cash, which makes the tax must be In the form of cash also due to the ease of collection and the low cost of collection (Yan, Wenli, and Douglas ,2022).

A compulsory obligation issued by the discretionary authority of the state: The tax is a compulsory obligation in the sense that those subject to it have no choice in paying it or not, but are obliged to perform it regardless of their satisfaction or dissatisfaction with paying the tax 3 and the state exercises its authority in imposing and collecting the tax, and the state determines the tax base and its price and collection method. The tax is an obligation without a special reward: we find that imposing the tax on the financiers does not require the presence of a special benefit accruing to them from imposing it, so the tax is imposed based on the financing capacity of the individual financier and not based on the benefit that accrues to him, and this does not mean that he does not obtain a benefit from the tax, but rather that he receives a benefit, but as a member, not as a taxpayer.

The purpose of the tax is to achieve general goals: we find that the tax aims to achieve a public benefit, and in the past it was believed that taxes had a financial purpose only, which is to cover public expenditures (Mustafa Al-Abdullah Al-Kafri, 2022).

Types of taxes: Many researchers have taken the burden-bearing criterion to divide taxes into direct and indirect, and what is meant by direct tax is that tax that bears the burden in the end whoever supplies it to the public treasury, and the indirect tax is that who can supply it to the treasury transfer its burden to others, so it is like The mediator. Examples of direct taxes include: income tax, profit tax, and examples of indirect taxes: customs duties, production tax, and consumption tax.

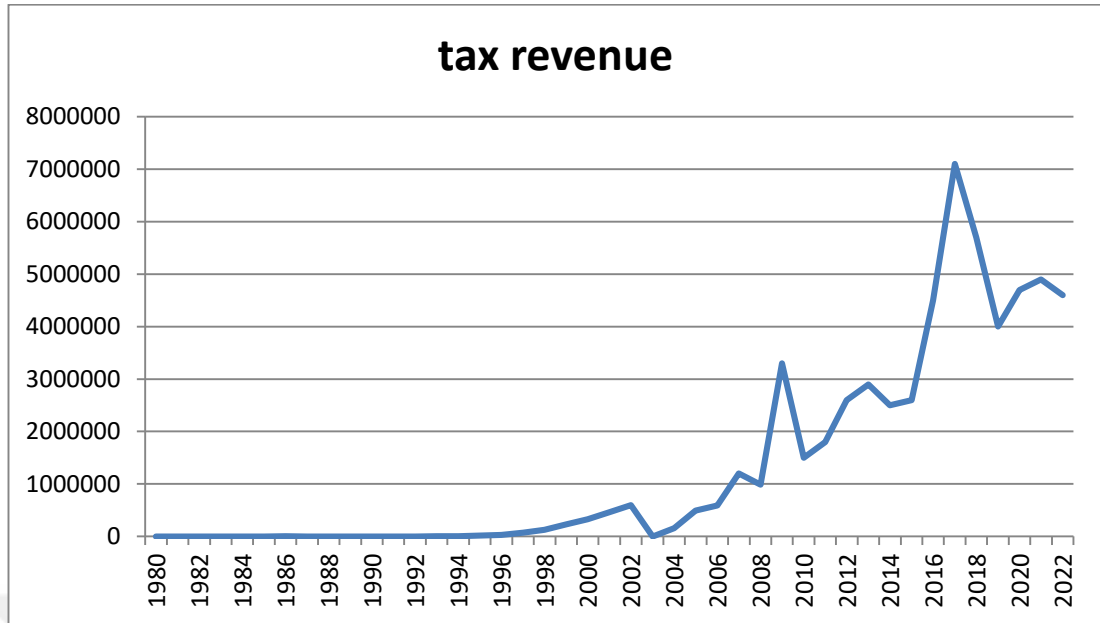


Figure 3. Tax Revenue in Iraq (1980-2022)

Source: Researcher design depending on world bank data 2023

From Figure 3, we note an increase in direct and indirect tax revenues in Iraq in most years (1980-2022), where in 2018 it reached its peak at \$7 billion, then decreased again and reached less than \$4.6 billion in 2022.

1.5.3. Tariff Revenues

Tariff revenue, often known as tariffs, can be defined as taxes levied on a country's imported products to protect domestic businesses from outside competition. A tariff provides protection by making imported goods more expensive when purchased by consumers. As a result, tariffs force customers to pay more for imported goods while encouraging domestic firms to expand and develop production and support competition. Some countries use export tariffs to increase government revenues by imposing more taxes, while some countries use export tariffs to influence or oppose the economic or political policies of some other countries (Al-Zwain, 2006).

Many countries use different methods and methods to determine the amount of tariff or customs fees. Some countries may have trade agreements with other countries for preferential treatment, whereby the lowest standard tariff rates in their country apply to all countries signatories to the joint agreement, including import and

export. To encourage imports from less developed countries, special preferential tariffs may be established; These rates are often lower than the ordinary preferential tariff. The customs union is defined as a group of countries that eliminate tariffs from trade between them and can also set a single tariff for trade with those outside this bloc or union. The common market follows the same tariff policy as the customs union, but allows for more cooperation between market participants. FTA members impose a tariff on trade between them, but each country is allowed to impose any tariff it chooses on third parties (Yan, Wenli, & Douglas, 2020).

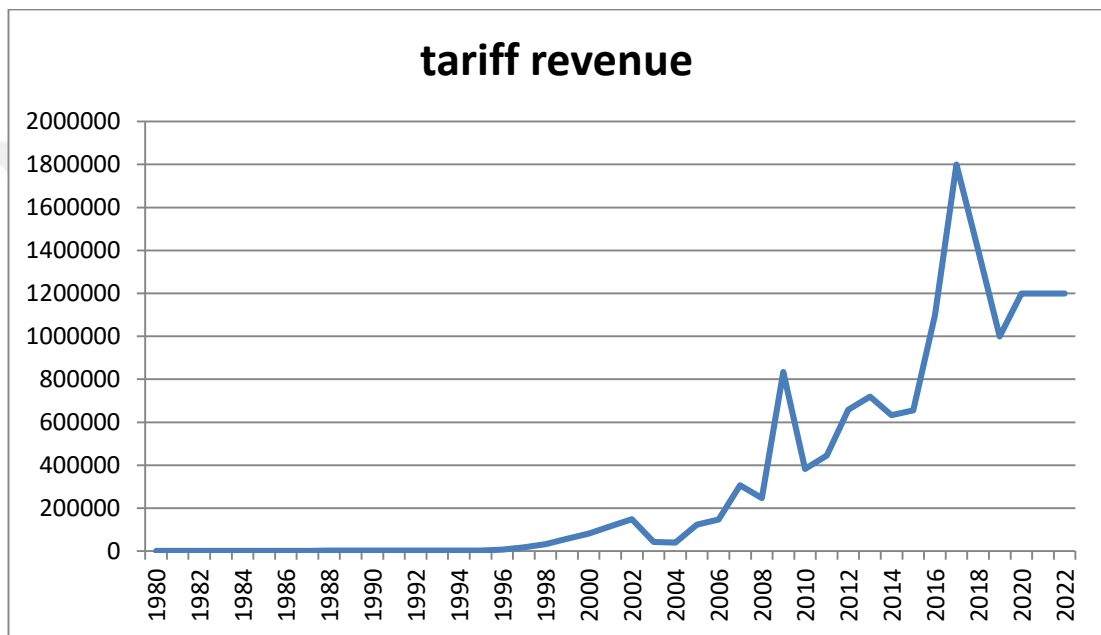


Figure 4. Tariff Revenue in Iraq (1980-2022)

Source: Researcher design depending on world bank data 2023

By looking at Figure 4, we notice an increase in customs tariffs revenues in Iraq (1980-2022), when it reached about 800 million dollars, and in 2013 it decreased to billion million dollars, then it rose again to reach its peak in 2018 at about one and a half billion dollars, and it decreased in 2022 to about a 1.2 billion dollars.

CHAPTER TWO

THE GENERAL BUDGET

2.1. General Budget Concept

The general budget is one of the main tools and methods used by the state to manage spending and income and achieve many economic and social goals, as priorities are set for that. There are many definitions of the state's general budget. These definitions differ based on the different schools of thought and the types of economic policies and philosophies practiced in each country and its economic system. However, most of the definitions seem to differ in the choice of words, yet they all agree on the strategic goals that the state hopes to achieve through the general budget. Here is a review of some of these definitions:

The general budget is defined as a projection of state expenditures and revenues for a future period of time, usually a year, that expresses its economic and financial objectives. (Hashish, 1990)

The general budget is defined as a projection of state expenditures and revenues for a future period of time, usually a year, that expresses its economic and financial objectives. (Al-Kari, 2022)

It is also defined as an organized financial plan that leads to the achievement of goals and strategies to direct them towards the future, and is based on expected results for both public expenditures and revenues during the coming year. (Sweeny and Rechlin, 1981)

It is a detailed and approved estimate of the state's expenditures and revenues for the next year, and it is the main tool for achieving prosperity and economic and social growth for the country. (Al-Anany, 1990)

It is also defined by the US Budget Law as an instrument in which the expenditures for the coming year and its imports are estimated in accordance with the law upon submission. (Taqa and Al-Azzawi, 2007)

The general budget, according to the traditional concept, was of a financial nature and its study was simple, and its function was limited to anticipating public expenditures and distributing the income required to cover them. While the movement of economic activity is left to individuals, and thus economic equilibrium is achieved without state intervention. However, the crisis of the depression period that emerged in the 1930s in Western countries and the subsequent spread of Keynesian ideas, which called for government intervention in the economy to achieve economic balance and limit deterioration instead of fiscal balance through the use of fiscal policy tools (expenditures and taxes), led to the collapse of this The traditional system (Taqa and Al-Azzawi, 2007).

2.2. The Importance Of The General Budget

The general budget is a financial plan for the state that aims to satisfy the general needs on the basis of the economic, social and political differences of a particular society, as it represents the economic activity of the state considering that the authority cannot practice its activity without spending and cannot spend without obtaining the necessary resources for this expenditure, and on this basis is the budget items that reflect the state's activities and state its objectives. (Al-Salloum, 2001) The general budget is affected by the overall economic activity on the grounds that public revenues are quantitatively and qualitatively related to this activity, for example, tax revenues or state property revenues are linked to the economic structure and are affected by the degree of economic growth and the way it is organized (Glenn Curtis ,2012).

The governorates and the budget divisions are set in light of the goals that the state seeks to achieve. On the one hand, it determines the economic activity that the government will undertake, and on the other hand, it determines the means of financing these activities. Therefore, the budget is an important tool of the state's financial policy- as the importance of the budget is that it is a tool for achieving goals, especially redistributing income among the different social groups by directing public expenditures, especially the transformational ones, and at the same time it is

an important way to address unemployment and raise the standard of living for the individual and community (Al-Ali,2003)

2.3. The Historical Development Of The General Budget

The general budget in its modern scientific concept was not established until after a long series of economic and political developments, when the society was living a tribal and primitive life, there was no great need for the general budget. Working with the general budget in order to provide the necessary revenues to cover public expenditures (Al-Zamdani, 2002). The idea of the general budget is not a recent idea, as it dates back to nearly five thousand years, when he prepared the first planning budget for Egypt, our master Yusuf (peace be upon him), which he put in place to balance the production and consumption of wheat during the years of drought and prosperity (Abdullah and Al-Dabbas, 2009).

The state finances in ancient times were not separate from the finances of the king or ruler, as their ownership was mixed with each other, and the king or ruler used to spend on the state as he spends on his family (AL-Wadi, 2010). It is believed that the Romans were the first to resort to organizing state revenues and expenditures through the general budget due to the large area of the Roman Empire, and it is said that the Roman budget was organized every five years. (Abdullah and Al-Dabbas, 2009).

The term general budget was used for the first time in positive economics in the United Kingdom, which meant the leather bag that the Chancellor of the Exchequer carried at the time when he attended the British House of Commons, as the bag contained all the statements and suggestions of the minister relating to revenues and public expenditures, and then thereafter This use of the term has evolved until it denotes statements and suggestions related to public expenditures and revenues (AL-Shayji, 2005). Also, the proposal to prepare a budget for state expenditures and revenues for a future period and in the current form is a recent idea and dates back to 1628 AD in the United Kingdom, when it became necessary to approve revenues and expenditures by the legislative authority and authorize King Charles I to collect taxes from the people to finance public expenditures in France,

the idea of preparing the budget dates back to 1789 AD, after the French Revolution (AL-Wadi, 2002). The development of the idea of the general budget and its concept has been linked to the development of the state and its formation and the development of the systems of government in it. The roots of the budget in England go back to the beginning of the conflict between the ruler and Parliament as a result of the Parliament's increased oversight of the ruler's actions and the determination of his financial powers.

There was a need to take the consent of the people through their representatives when imposing any tax on them. (Abdullah and AL-Dabbas, 2009)

In Iraq, the stages of the system of preparing, approving, implementing and monitoring its constitutionality passed fairly quickly, as the first budget was drawn up in Iraq in 1921, based on the Public Accounting Principles Law issued in 1911 in accordance with the instructions issued by the English Mandate Authority and the Iraqi Interim Government in that period.

2.4. General Budget Characteristics

Through the concepts of the general budget, it is clear that the budget has three basic characteristics:

1. The general budget is a forecast of revenues and public expenditures, as the budget is a future plan that includes probable expectations of expenditures and revenues. Its success and the extent to which it is related to changes in the economic activity of the state, and since these estimates include all state revenues and expenditures, this requires that it be done within a sufficient period of time, so most states specify a year for the preparation, approval and ratification of the state's general budget. (Al-Omari, 1988)

2. The second characteristic is that the general budget is a license from Parliament. This means that one of the most important characteristics of the general budget is its approval by the legislative authority, as the mere document for collecting revenues and disbursing expenses is not considered binding on the executive branch, as this capacity does not have the legitimacy that is achieved only

after the approval of the legislative authority, Otherwise, it will become unenforceable on the ground. (Thunaibat, 2003)

3. The general budget is related to the objectives of the state, where the budget has many economic, social and political effects in the state. The general budget is the general program of the government, which reflects the objectives and performance of the state. The definition of the general budget is not complete simply by saying that it is an estimate of expenditures and revenues, but the effective role of the budget must be confirmed in the performance of the state with its various functions and the implementation of its economic, social and political plans. The budget then reflects the programs of the state and translates the fiscal policy of the authority into numbers. (Thunaibat, 2003)

2.5. General budget principle

2.5.1. The Principle of the Annual Budget

According to this principle, the state must estimate public revenues and expenditures for a future year. The most prominent question that can be asked in this area is: What are the justifications for taking the year as the basis for estimating public revenues and expenditures? The answer is that there are several justifications for this rule and these justifications can be summarized as follows:

a. Preparing the general budget and approving it in its final exciting form requires effort and time, and for this reason it is difficult to repeat it for a period of less than a year, and preparing the general budget for a period of more than one year leads to the difficulty of conducting accurate oversight by the competent authority in the state.

b. The preparation of the general budget is a forecast of public revenues and expenditures for a future period of time. If the general budget was more than a year, this would lead to an inaccuracy in estimating the expected revenues and public expenditures, because the time period between its preparation and approval is long. (Asfour, 2022)

2.5.2. The Principle Of The Generality Of The General Budget

This principle means that the general budget includes estimates of all resources and uses without making a clearing between them, and thus achieve greater effectiveness of the monitoring of implementation. (Al- Jawini, 1967) The advantage of this principle is that it limits the extravagance of public spending because the inclusion of expenses and expenditures, no matter how small, in the budget represents a kind of effective internal control when implementing. (Thunaibat,1989)

2.5.3. The Principle Of Non-Allocation

It means that it is not permissible to allocate certain resources by themselves to meet specific uses by themselves, the public revenues are used to meet the various aspects of spending according to the specific priorities. But there are some exceptions to this rule, including:

Revenue of cleaning fees imposed by local councils at 2% of the value of the monthly achievements of housing, which is allocated to spend on cleaning work. (Al-Jawini, 1967)

2.5.4. The Principle Of Budget Unity

This principle is intended for the state's general budget to include all resources as a single unit and the uses estimated by the various authorities as a unit, with which it is possible to identify the financial conditions of the state, and which facilitates the exercise of political and popular institutions to monitor the implementation of the state's budget. (Al-Jawini, 1967) This principle is based on two justifications, the first is financial and the second is political. From a financial point of view, this principle helps to clarify the financial position of the state by collecting public revenues and expenditures in one document. From a political point of view, this principle facilitates the task of Parliament in approving the budget and controlling its implementation, as it is difficult to implement it. It is if there were multiple and sporadic budgets. (Younes, 1991).

2.5.5. The Principle of Budget Equilibrium

Is the equality of state revenues with its expenditures, or in more clear terms: it is the equality of public revenues (from taxes, fees and state property revenues) with public expenditures (current and investment) without the presence of a deficit or surplus in a way that leads to achieving the desired economic, social and political goals of the state? (Kanaan, 1997).

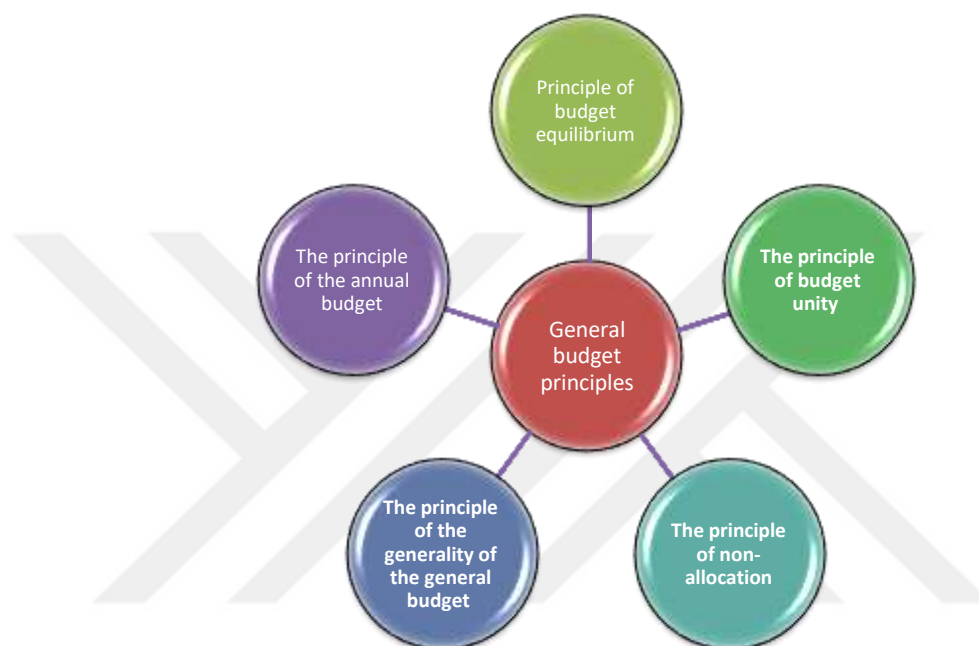


Figure 5. General budget principles
Source: Prepared by researcher (2022)

2.6. Genesis of The General Budget of State

The general budget's origins are as ancient as those of an ancient city, but it is also a system that has connections to contemporary political nations, the development of industrial society, and the organization of political life.

In the first term of the 17th century, particularly in England, when there was conflict between the King and the parliament over taxation and its control when expenses of the state increased and what resulted in an increase in the burdens on the populace with levies, that Budget in its concept did not show humor. The biggest compact, which outlines the requirement to obtain the consent of the House of Commons before imposing any Tax, imposed taxes with effect in 1617.

(Magnacharta) The third King William released The Bill of Rights in 1688, which was determined in accordance with its no Tax without representation, after the subsequent parliament exerted pressure on the state to limit its authority to spend and levy where it wasn't authorized to do so.

General society began exhibiting in the specifics of spends in 1813, following the French Revolution at to be with issued a traced (17) in June 1789 which it was decided to be spent each ministry in the restricted of permitted credits. The inspection of those who are represented in the legislative power has already begun in France. General society began disclosing expenditures information in 1813. In 1815, a covert restriction on including all current-year credits before the start of the financial year was given. This was the first yearly regulation, which is distinguished by its impossibility to perform without authorization (Burkhead, 1959).

The government provided the means and equipment for adjustment, the more successful the government programs in these domains, and assumed responsibility for it since it was interested in raising money for the public services. As a consequence, China's government budget, which was previously unheard of in the old world, reached the pinnacle of progress (Chaffield, 1974).

Under the reign of Ishmael Khedive in Egypt in 1880, Gordon in 1952, Kuwait in 1960, and Bahrain in 1970, Arab countries released their first budgets. And this is the idea of the entire budget that was developed in other countries as a result of the rules, thoughts, and ideas from earlier years (Shukri, 1981).

2.7. The Development Stages Of The General Budget

The state's general budget is developed according to the following:

Aspects that are planned and selected for their preparation or initial stages are identified and are the essential element of the budget processes.

Paying attention to achieving priorities, setting a budget for it, and deciding on it.

Establishing a government accounting system that gives analytical data and information on spending, total and net income, allowing the ability to assume the implementation of certain units, programs and activities.

Developing the form of the budget and defining the content in a simple, easy to modify, understandable and timely manner (Azuini, 2006).

The following are the stages of development in preparing the state's general budget:

Appropriations budget: This budget is sometimes referred to as the line items budget rather than the running appropriations. It is also one of the oldest budgets and is still prevalent in the majority of countries in the world today, including the budgets for Iraq. This budget has been prepared on the assumption that each item represents a specific category of expenditure. These expenses then helped raise levels of execution and made items more affordable. Since its goal is to impose central control on public spending, revenues and expenditures are assumed according to that budget, and these assumptions must be achieved by implementing budgets, and declaring and showing cases of waste in the budget. This budget is also known as (budget control). Hence, the units take the necessary precautions to avoid asking for larger and increasing amounts of expenditure, and to conduct a revenue reflexive process, and to manage (Mohammed, 2006).

The budget should be prepared as an administrative directive so that it is controlled, starting with paying attention to the work that government departments do rather than the products or services that they purchase, i.e. focusing on investments. This approach results in the budget being carefully classified according to the initiatives and programs that the various administrative units have decided to implement, rather than according to expenditures (Moses, 1987).

Program budget: This type of budget can be determined, and it is a plan that expresses the objectives of the direction of the units in a limited number of projects and programs. According to the programs that have been classified in the budget and within the framework of the basic business of the units, the tiered programs are

identified under each work and one department can carry out more than one program or activity, and implementation may be limited (Koshak, 1995).

Planning and program budget: By reducing the program budget, and completing tasks in a shorter period of time, as programs are evaluated to determine which programs are better, this system came to address the program budget that may result in unexpected or incorrect results. Nor did it link the branch budgets of the administrative units to the general objectives of the state (Preston, 1985).

The main objective of budget planning and programming is to provide information and statistics regarding the costs and revenues of various alternatives to reach the desired goals, as well as monitoring the results to make these goals easier, more cost-effective and thus achievable (Rathnam and Raju, 1994).

Zero budget: Where this type of budget is considered as a working administrative tool to bear the goal of expenditures again, and the course of this budget has been modified in order to finance from low initial programs to high ones that lead to improved efficiency and effectiveness, and decreasing financial expenditures confirmed (Al-Karkhi, 1999).

According to Katujambola (1977), economic budgets rarely need much creative vision because assuming programs leads to a zero equilibrium in terms of revenue and expenditure, which is all (zero) work, and this rule ignores historical trends and levels of expenditure as a consequence, every process must be shown of each amount regardless of its value and the determination of its expenditure, which is usually defined as an inefficient process (Katugambola, 1977).

Zero budget approach In addition to analyzing activities, personnel and programs in small parts, it can be used to reduce government spending significantly in developed countries. This is in line with analyzing the concept of systems and making use of tools such as sums analysis and program budgets (El Morsy, 1987).

The contractual budget: The concept of the contractual budget was built on the basis of a balance between the implementation agencies and government departments, so that it is considered a work agreement reached through the implementation of deferred tasks capable of measuring the limited funds available to the government. It can be considered that the contractual budget is the last direction for preserving and developing the state's general budget and implementing its priorities.

As a result, it is a system of contracting deals between the executive and the legislature and it is a relationship between government administration and finance. According to this concept, the government determines its future projects, and the intended contracting companies implement these projects and programs at a lower cost and less time, provided that these initiatives and programs that were planned are implemented.

The contractual budget helped provide solutions to a variety of issues faced by government departments in the modern era, and work to improve methods of preparing the general budget in a way that helped link the budget with the state development plans and contribute to linking the desired results for people with reducing and controlling expenses (Koshak, 1995).

2.8. Classification of General Budget Of State

Classification with the intention of coordinating usages and revenues to demonstrate government conditions, achieve goals, make budgeting and management easier, and support analysis operations (Al Sayegh, 1976).

Aside from the kindly classification in the economic budget for the use of items, the basic of classification according to the type of budget reveals that the kindly classification is the basic in the budget for programs, but that the classification according to results and doing is the basic in the spending plan of bills. It should be highlighted that while complete, the classification of various budgets is not swapped. Perfect and proper classification enables the accomplishment of the following objectives (Hammad and Al Bahr, 1990):

Appropriate for and accurately displaying governmental activity.

Achieving the goals of various management and financial controls.

Assist in the work of preparing and carrying out the overall budget and control.

Organization responsible for the documentation and book systems used in government accounting.

In order to analyze economic and financial interests for political the state, reporters were circulated to particular departments throughout the preparation and final counting on the state.

These aims are difficult to accomplish in a single class, but the subject requires the use of more than one classification method to achieve a number of objectives, so different classification methods that aren't substitutes but are bases used by others to others are necessary (Al Sultan, 2003).

This can be expressed when examining several classifications:

The Organization's Management Classification: The managerial classification process involves assuming expenses and revenues in accordance with the managerial framework and the various state sectors, while keeping in mind that some expenses cannot be connected to the limited managerial sector and require special preparation, such as general debt, support debt, and emergency debt expenses (Al Sabri, 1996).

The following factors are the most significant in this classification:

The capability of creating budget assumptions based on the services or items that a governmental unit introduces, as well as creating budget reporters that relate to creating budget assumptions for each management unit.

It served as the focal point of responsibility by linking the assumption of the budget and the control over the operation of the small management unit. Comparison of the cost components of a small management unit during several financial periods (Hammad and Al Bahr, 1990).

Particular Subjective Classification: It entails categorizing expenditures from the budget in accordance with the type of good or service the government introduces

or the purpose of the expense, and then categorizing expenditures into doors, groups, items, and kinds. In a separate clause, categorizing expenditures is done in accordance with various types of accounting, and the general revenues are divided in accordance with the nature and type of revenues.

Clarify and streamline the budget's creation and implementation, and then control over it. Comparing the agreement items from one financial period to the next can help you understand the costs associated with the different periods. Natural Classification of Economics: This categorization aims to assume the financial information necessary for analyzing the effects of government spending on the state's overall economic situation (Al Sabri, 1996).

The advantage of knowing the value of utilizing revenues towards commercial expenditures that they spent immediately or for a period of time shorter than a year is that this categorization may differentiate between commercial expenses and revenues, capital revenues and expenses.

It can also distinguish between capital expenses, which are represented by firm assets, and services needs, such as traveling, delegating, and traveling, as well as the good needs for stationary and material (Al Omari, 1988).

The following are the distinctions made by this categorization (Hammad and Al Bahr, 1990):

Delivering helpful information, aiding state sectors in the formulation of economic and financial policies.

Supplying information, assisting in the nature of the cost, influencing state politics, particularly in lowering the cost for a sound foundation and the state's capacity to continue providing services in the future.

By using comparative economics and capital expenditure, Sowing was interested in the state's interest in raising the producing and economic levels. It maintained the original processes and took care to integrate the budget with environmental objectives for a long period.

Geographical Classification of Territories: This classification is significant because it demonstrates an independent method of revenues and expenses for each central government unit, determines how much each province or town contributes to the total costs for the country as well as expenditures. The governorates of Iraq represent an example of a regional distribution that takes into account the financial plans and budget items set by the government, the establishment of the environmental plan for the country, the distribution of projects among the governorates to stand and develop in balance, and the compensation of public revenues through investment programs (Al-Omari, 1988).

Job Classification: According to this classification, revenues and expenditures are divided into groups, where each group focuses on carrying out a specific task for a job determined by state administrations, such as agriculture, energy industry, provision of materials, housing and defense (Abdullah, 2001). Many countries have varying numbers of jobs depending on their expenditures, as one country distributes costs to activities and costs

Varyingly (Al-Omari, 1988).

Administrative classification: This classification is one of the classifications used in Iraq, where one task is carried out by many ministries, so the appropriations plan for this role and service must add the sum of the approved appropriations with the different ministries, for example in health care programs such as there must be Cooperation and coordination in all ministries. For example, health care services are provided in a branched way by the Ministry of Defense, the Ministry of Interior and Education, in addition to health, and in cooperation with each other. This means that the administrative classification is a subset of functions, which are implemented by a number of ministries or intersecting administrative bodies with the aim of reaching the general goals of the state and providing service in an impartial manner (Al-Sultan, 2003).

The following are the distinctions made by this classification (Hammad and Al Bahr, 1990):

Evidence of credentials information that has been approved for each of the jobs offered by the state.

A capacity study of spending trends when similar functions are performed by different agencies over time.

Determine the value importance of government duties and operations, as well as the effectiveness of how government uses its financial resources.

Comparing the reality of each activity that is implemented in each sub-unit of the local administration or sub-division to distribute the total appropriations to the sub-units (Sultan, 2003).

Classification of programs and plans: This classification is related to the administrative classification within the framework of specific expenditures for programs that provide an ideal service within the scope of the main objective of the state or that may serve a small segment of society members, where this program is an important part of the basic function, which is associated with the final procedure and is one of the basic elements to plan. For example, the function of education is divided through two main programmes, one is learning for boys and the other is education for girls. Branch programs include exploratory, elementary, middle, and general secondary education. In this classification, a budget is organized according to these educational programs (Sultan, 2003).

The following characteristics are included in this classification (Hammad and Al Bahr, 1990):

Setting programs and objectives and collecting and defining the necessary data for that.

Activating the oversight role in the implementation of the units while developing the link between the state jobs (functional classification) and other special activities that give each sector its identity.

Giving planners the information they need to accurately determine how public funds are used and distributed according to priorities and benefits.

As a result, it requires more time, research, money, administrative expertise, cooperation between government agencies, the compatibility of new programs with the administrative framework of the state, as well as challenges related to the classification of limited programs that are implemented by the multiplicity of government departments (Al-Karkhi, 1999).

Classification of activities: This classification is related to the functional classification so that the activities are identified and then the costs of the activities implemented by the units and governments are determined, where the financial appropriations are divided into main programs, each main program into sub-programs that are divided into a group of activities such as a tree, and by defining the activities the final procedure is completed. For the program, the general secondary education program can be completed through a number of activities including educational work, administrative work, health, sports work, nutrition, housing work and defining communication and distribution of powers and administrative and executive responsibilities. It makes the government the smallest government institution that finishes achieving a program with one goal. Or more. As a result, competition for private activities exists at the government level in order to implement programs among different institutions. However, these activities are limited to a small geographic area rather than at the state level, and thus the government unit only completes part of the program rather than the entire program (Sultan, 2003).

This classification was divided into the classification of public services according to activities (authority and complete affairs, agricultural affairs and services, industrial offers and services, etc.).

Intersectional classifications: It is necessary to use multiple classifications in one point of view as a unified basis for presenting state expenditures in accordance with and in proportion to the size of budget expenditures, the diversity of its objectives, and the expenditures it contains with activities (Shukry, 1990).

2.9. General Budget Policy

Budget policy can be expressed as the adjustment of the amount and composition of the expenditures and revenues of the budget, and accordingly the budget deficit or surplus, in order to achieve certain economic targets (Ataç, 2002, p. 39). As it can be understood from the definition, the budgets prepared in accordance with the determined targets for the success of the budget policies are of great importance in achieving the desired results (Tügen, 1999, 199).

There are some differences in the definitions of budget policy. In some definitions, budget policy is defined as a part of fiscal policy, while in some definitions, definitions are made to include fiscal policy (Avcı, 1988, 4). However, considering that fiscal policy is mainly carried out with the state budget, it can be said that budget policies cover a narrower area compared to fiscal policies, since the budget does not reflect all of the changes in the economy (Ataç, 2002, 39).

Over time, there have been changes in the aims desired to be achieved with fiscal policy. For example, while the primary goal was to create employment with the effect of the economic depression in the 1930s, the problem of unemployment lost its importance with the start of the Second World War, and the question of how to finance the financial burden caused by the war gained importance. The fight against inflation, which emerged in economic life, has been another target. With the end of the war, the elimination of the destruction created during the war and development for the underdeveloped countries were among the priority objectives. Today, however, inflation, the phenomenon of stagflation, in which inflation and unemployment are seen together, has gained importance. For this reason, it has been constantly debated which fiscal or monetary policy will yield results in order to ensure economic stability³ (Ataç, 2002, 4,5).

Budget policy is evaluated differently in terms of various economic approaches. Among these economic approaches, the views of the classics, keynesians, monetarists, supply-side economics and public choice approach on budget policy are discussed below.

2.9.1. Budget Policy in Classical Economic Approach

1- The classical approach is based on basic assumptions such as the existence of perfect competition conditions in all markets, the fact that each supply creates its own demand, the flexibility of wages, interest and prices, and the validity of the quantity theory. As a result of these assumptions.

2- According to Law No. 1050, the state budget is obtained by consolidating the general and annexed budgets, and the special budget covering local governments, the autonomous budgets covering the budgets of State Economic Enterprises in general were not included in the consolidated budget. In addition to these, considering the size of the funds in the period when the law was in force, it will be seen that the scope of the budget policy is narrower than the fiscal policy.

3- Ensuring economic stability is expressed as ensuring price stability and full employment at the same time.

In this case, the disruptions in the economy are temporary and these disruptions can be eliminated by the market without state intervention (Ataç, 2002, p. 6). In case of intervention in the economy, it is possible to achieve some results in the short term, but there is a possibility of the economy returning to its former state in the long term (Pinar, 2006, 13). There are some basic principles adopted by classical economists in financial matters. These; the volume of public expenditures is small, the state budget is balanced, and the expenditures are covered by indirect taxes.

According to the classical approach, since the use of economic resources by the state will lead to inefficiency and waste, the state should be content with fulfilling its basic functions such as security, justice and diplomacy, and should not intervene in the economy other than these basic functions. Due to the fact that borrowing is seen as an extraordinary public income, as public expenditures increase in amount, there will be more intervention in the market through taxes. Permanent budget deficits will cause exceptional borrowing revenues to be perceived as normal income and public finances will fall into a difficult situation (Taban and Kara, 2006, 12).

Classical economists think that in order to spend from the budget, income must first be found and the budget balance must be maintained. He thinks that the most

socially necessary expenses will be realized as a result of the efforts made to maintain the budget balance (Türk, 1997, 2-3). The fact that the budget deficit creates additional demand in the market and the budget surplus reduces the demand is presented as another reason supporting the necessity of a balanced budget.

If expenditures exceed the normal revenues collected, the government may choose to borrow or increase the money supply. If borrowing is preferred, total expenses will increase due to increased interest expenses for the following years. If the monetary base is expanded without an increase in the amount of goods and services, prices will increase the general level because the economy is in equilibrium.

Your budget

In case of a surplus, the resources that can be used more effectively by the market will be collected by the state (Türk, 2006, 350-352).

As another principle, classical economists argued that expenditures should be met with taxes that interfere with economic and social life the least. Providing the income-expenditure balance by borrowing is only accepted for exceptional cases. Since direct taxes on income and wealth will interfere more with economic life compared to indirect taxes on expenditures, the classics prefer the use of indirect taxes in taxes.

According to this view, since there is a natural order in economic and social life, no change should be created in the economy through public revenues and expenditures. According to this view, which is called impartial finance, any economic decision taken by the state should not affect the decisions taken by individuals and companies (Ataç, 2002, 6).

According to classical economists, the real sector and the monetary sector are independent of each other. According to this distinction, called classical dichotomy, changes in the real and monetary economy do not affect each other. While investment, savings, production and consumption take place in the real sector, money supply and demand and price level are included in the monetary sector. According to the classics, interest rates are used to explain the balance in the real sector, and the quantity theory is used to explain the balance in the monetary sector. According to

the quantity theory, there is a linear relationship between the general level of prices and the money supply (Tügen, 1999, 202).

Classical economists see monetary policy as the most effective economic policy tool. According to the classics, if public expenditures are tried to be financed by increasing taxes or by government borrowing, the expenditures of individuals will decrease and the total amount will be spent by the government. In other words, in terms of economy, the spender changes, the amount spent remains the same. If the increase in public expenditures is really expected to increase the total demand, the money supply will also need to be increased (Ataç, 2002, 7). Therefore, if the budget policy of classical economists is summarized; It is important that the budget is balanced and indirect taxes should be preferred in revenues. The market will automatically stabilize, but for some reason.

2.9.2. Budgetary Policy in the Keynesian Economic Approach

After the Great Depression in 1929, the views of the classics that the market would stabilize without state intervention were seriously shaken. Developments in the economic and social structure over time have revealed the idea that it would not be correct to base the functioning of the market economy on the assumptions of the classics. One of the views put forward in order to eliminate the problems caused by the crisis, J.M. Keynes in his work "The General Theory of Employment, Interest and Money" in 1936 were generally adopted (Tügen, 1999, 204).

According to the Keynesian economic view, the employment problem in industrialized countries arose due to the inadequacy in total demand (Taban and Kara, 2006, p. 13). For this reason, public expenditures and public revenues, which affect the total demand, are emphasized. Because, according to Keynes, production and employment depend on the total demand and fluctuations in the factors that make up the total demand cause economic instability (Ataç, 2002, p. 8). According to Keynes, if the aggregate demand is insufficient, economic activities will slow down, production will decrease and eventually the unemployment rate will increase. Therefore, the state needs to use fiscal policy and even the budget, which is the most

important tool of fiscal policy, to get out of the crisis. With the implementation of expansionary fiscal policy by reducing taxes and/or increasing expenditures, the budget will give a deficit. The increase in total demand due to the open budget will also increase the total supply⁴ (Tügen, 1999, 204).

Contrary to the classics, according to the Keynesian approach; Since monetary variables and real variables affect each other, it would be wrong to evaluate the economy as real and monetary segments independently of each other. A relationship is established between the interest rate and the real and monetary segments. However, due to the speculative demand for money⁵, a certain interest rate

4 At this point, the views of the classics that supply will create its own demand have been criticized (Tügen, 1999, 204).

5 According to the classics, while it is accepted that the demand for money depends on the transaction and precautionary motive, Keynes stated that money can be demanded for speculation (Dinler, 2006, 438).

An increase in the money supply will have no effect on the interest rate. In this situation, which is called the liquidity trap, where the interest rate elasticity of money demand is infinite, monetary policy will not yield results, so total demand will need to be increased with budgetary policy (Tügen, 1999, 205).

The effects of public expenditures and taxes as public revenue on aggregate demand are different from each other. Moreover, the effects of public expenditures on the purchase of goods and services and transfer expenditures on aggregate demand are different from each other. Due to the difference in the multiplier coefficients, the change made in each expenditure or income item has a different effect on the national income. It is necessary to pay attention to these differences in the determination of the fiscal policy to be applied (Ataç, 2002, 39).

2.9.3. Budgetary Policy in Monetarist Economic Approach

After the Great Depression in 1929, with the implementation of Keynesian fiscal policies, the unemployment rate initially decreased and production increased. However, due to the constant injection of money into the economy, rapid increases

were observed in the inflation rate. Since the Keynesian approach was insufficient to solve the problem of inflation and unemployment starting from the 1960s, the monetarist approach criticizing the Keynesian approach came to the fore under the leadership of Milton Friedman (Tügen, 1999, 218).

According to this approach, the main reason for economic instability is the irregularities in the money supply. By increasing the money supply, an increase in production will be achieved in the short term, but an increase in the general level of prices will be observed depending on the increase in the money supply in the long term. The money supply, which has been reduced in order to prevent inflation, will this time create stagnation (Ataç, 2002, 12).

While Keynesian economists accept that consumption is a function of disposable income, monetarists accept that consumption is determined by permanent income, which is explained as future income estimates. In this case, it is thought that the expected result from a fiscal policy, such as increasing tax rates, cannot be achieved (Tügen, 1999, 219).

The monetarists, who propose monetary policy instead of fiscal policy to ensure economic stability, suggest increasing the money supply at a rate equivalent to the growth rate of the economy as a solution proposal (Ataç, 2002, p. 16).

2.9.4. The New Classical Economic Approach and Budget Policy

According to what Taban and Kara (2006, 15) quoted from Lucas and Sargent, the inflation and unemployment problems that started in the 1960s and continuously increased their impact, formed the basis of the criticisms of the new classical economists to the Keynesian view. According to the new classical economists, the reason for these problems in the economy is the budget deficits, which undertake to increase real growth and employment, despite the risk of creating inflation.

This approach has two important assumptions. The first of these assumptions is the rational expectations assumption⁶, and the second is the market clearing or equilibrium prices assumption. According to the rational expectations theory, expectations about the future are the main factor that determines the present behavior

of individuals. Accordingly, rational individuals follow the market indicators closely and take their decisions for the future. According to this assumption, individuals do not make mistakes systematically. In case of mistakes, it is expected that the mistake will not be repeated for a long time if there is sufficient information. According to the second assumption, there is perfect competition in the markets. Depending on the flexibility of wages and prices, the market is cleared by ensuring the balance. In other words, since individuals take real factors into account while making economic decisions such as investment and consumption, markets are always clean and in balance (Islatince, 2002, p. 17). In case the government announces the policies to be implemented, the policies will have no effect in the short and long run since individuals are rational. If the policies are not announced beforehand, while a result may be obtained in the short term, the policies implemented will have no effect in the long term.

The monetary and fiscal policies to be implemented will have no effect in the long run, and if taxes are increased to finance the increased public expenditures due to the fiscal policy, production and employment will also be adversely affected. In the case of financing with debt, production and employment will be excluded since private investments will be excluded.

2.9.5. New Keynesian Economic Approach and Budgetary Policy

As a result of the search for answers to the criticisms of the new classics towards the Keynesian view, the economic view called the new Keynesian has emerged. The most important task of the New Keynesians is to remove the theoretical flaws and inconsistencies of the Keynesian view. For this purpose, they aimed to create the aggregate supply curve in which wage and price rigidity is rationalized (Snowdon and Vane, 2005, 361).

Unlike the new classics, New Keynesians argue that due to the inflexibility of prices and wages, perfect competition will not be valid in the markets, and therefore the markets are not constantly cleaned. They cited menu costs⁷ as the reason for the inflexibility of prices. Accordingly, if the prices change, some direct and indirect costs are encountered. If these costs are not high enough, price stickiness occurs. The

reason for the rigidity in wages is the contracts signed to cover a long period⁸ and the insiders' outsiders model⁹ (Froyen, 2008²⁵⁸⁻²⁶³).

Although the New Keynesians evaluate the fiscal policy more effectively in the conditions of imperfect competition than the classical, monetarists and new classics.

Menu costs refer to costs such as printing and announcing prices that arise due to changing nominal prices. As an example, the costs that arise when a restaurant prepares a new menu due to price changes.

Due to these contracts, the economy is not affected by instant shocks. At the same time, the rigidity in nominal wages prevents the determination of real wages in accordance with the conjuncture (Gartner, 2006, p. 447).

According to this model, it is explained through union members who can negotiate real wages and outsiders who do not have such a right and want a job. Accordingly, some of the insiders will become outsiders during the recession. However, with the increase in the wages of those who stay inside after the recession, there will be no decrease in unemployment, it will become permanent (Froyen, 2008, 261).

2.10. Budgeting Systems

Due to the expansion of the state's activities over time, its expenditures tend to increase continuously. Due to the inability of the collected income to adapt to the increasing expenditures, the need to establish a tighter control over public resources and to use the available resources more efficiently has arisen. For this reason, budgeting systems have shown a continuous development (Edizdogan, 1989, 136). In this sub-title, budgeting systems developed over time and preferred in our country in certain periods; traditional budget, performance budget, program budget, planning-programming-budgeting and performance-based budgeting systems have been tried to be examined respectively.

2.10.1. Traditional Budget System

The first of the budget systems is the traditional budget system. In this budget system, it is essential to provide the resources needed for the fulfillment of public services (Tügen, 1999, 68).

In the traditional budget system, the proposed expenditures for each ministry or department are listed item by item. It does not matter what benefit these expenditure items will provide or what business they will be used for. The important thing is the amount of expenditures and the proper accounting records. In other words, inputs are given importance instead of expenditures made in the traditional budget system (Edizdoğan, 1989, 137).

In this budget system, supervision is in the form of checking only whether the expenditures are made in an approved manner by the legislature (Özen, 2008, p. 9). For this reason, it can be said that although this type of budget allows for compliance with the law, it does not allow performance audit¹⁰ (Mutluer et al., 2005, p. 102). Since the objectives of the spending institutions are not clearly stated in the system, the outputs to be obtained at the end of the year are not specified. For this reason, at the end of the year, it is only possible to make an assessment of how much of the allowance has been spent. In addition, it is among the negative features of the system that it does not provide the opportunity to evaluate among alternatives that aim for the same purpose, due to the fact that the objectives are not clearly stated (Falay, 1987, 62).

Since the necessary importance is not given to both the budget and the programs, the budget-plan relationship cannot be established with the traditional budget system, and this results in the inability to make long-term planning (Edizdoğan, 1989, 142). In this budget system, it is not possible to make investment planning for investments lasting more than one year due to the annual allocation of appropriations (Mutluer et al., 2005, 102).

In this budget system, the spending units keep their appropriation demands unnecessarily high while they are preparing their budgets because it is known that the upper unit will usually make cuts. For this reason, ensuring efficiency in resource

allocation cannot be considered because the main purpose of economic activities is not clearly stated. As a result of the ineffectiveness in resource allocation, the problem of meeting the increasing needs of the society with scarce resources, which is a failing aspect of the budget system, has occurred (Özen, 2008, p. 9).

The subject of the legal compliance audit is to examine whether the transactions and activities comply with the legislation (Barçın, 2011, p. 25). Performance auditing, on the other hand, can be defined as the auditing of resource use by evaluating activities, outputs and results, performance targets and realizations within the scope of accountability.

In addition to these negative features, the fact that it is easy to prepare and control due to the lack of analysis before expenditure can be shown as the positive features of this budget system. With the beginning of many activities in the economy by public institutions, various studies have been carried out to improve the budgeting system in order to eliminate the problems seen in the traditional budget system that only performs the audit function of the budget. The performance budget system and subsequent budgeting systems were created as a result of these studies (Edizdoğan, 1989, 144).

2.10.2. Performance Budget System

After the deficiencies in the traditional budget system were observed, efforts to improve the budget system began. In the performance budget system, activities or works that serve the same purpose are classified under certain programs by costing them, and the achievements at the end of the year are measured. In other words, while the traditional budget system focused on the materials purchased, the performance budget system focused on how the purchased materials were used. The performance budget system is located between the traditional budget system and the program budget system in terms of development (Edizdoğan and Çetinkaya, 2010, 157-159).

Since in this budgeting system, evaluation is made on unit cost prices, the time and costs to be covered by alternative solution methods should also be specified. This system; It is necessary to determine the objectives and various programs that

can achieve these objectives, to measure the cost of the program selected among the alternatives and the successes achieved as a result of the program. As can be expected, since this budget system is expected to provide information to the top manager about the costs and the financial results of the applications, a cost accounting system suitable for the system is required (Falay, 1987, 55).

The most important element in terms of the functionality of the system is to take measurable and numeric values as a basis, as it envisages a cost-benefit analysis. The proportional value between the inputs used and the outputs obtained determines the performance of the public institution.

Another weak point of the system is that the evaluations made are misleading because the goods produced are not homogeneous. In this system, for example, a kilometer road built on a flat plain and the same length road built in a mountainous area will be evaluated in the same way, although their costs are different (İnce, 1980, 63).

Performance budget is a type of budget that shows what is done with the appropriations allocated to the spending institutions. Another feature of the performance budget system that has been criticized is; It is not useful in terms of planning for the future due to the evaluation of past years' practices (Kara, 1982, 15).

2.10.3. Program Budget System

It is seen that the concept of program budget is used in both senses as it is an extension of the performance budget and the preparer of the planning programming budgeting system. In addition to the studies that deal with the program budget system as a performance budget and planning programming budgeting system, there are also studies that deal with these systems as completely different systems. But these systems are not different from each other. Program budget is wider than performance budget and narrower than planning programming budgeting system. In this system, a program may contain several performances. Essentially, the program budget makes a classification for public purposes needed by the general public. This point is one of the differences between them and the performance budget. While the performance budget is related to the activities of public institutions, the program budget classifies

all public basic service functions offered for public purposes as activities and projects (Edizdođan and etinkaya, 2010, 162-165).

With the diversification of state activities, the transition from performance budget to program budget has become mandatory. Since the program budget has a wider scope compared to the performance budget, there are slight differences between them. For example, while future-oriented programs are made in the program budget, since unit costs and benefits are calculated in the performance budget, previous years' transactions are taken into account (Özen, 2008, 12-13).

In general, the program budget is a budget system that is based on service in classifying the services that the state is obliged to perform, in the distribution of resources and in the execution of activities. This classification stage is the first stage of the budget system. It is important to determine the priorities of the services to be provided and the expenditures to be made for these services. In other words, the system determines the main services with the deduction technique and then, item by item, how these services will be realized (Özen, 2008, 13).

The services provided by the state are in order of priority in this system; It is classified on the basis of programs, sub-programs and activity/project. Then, sub-programs are included in order to realize the determined programs, and finally, sub-programs are associated with activities and projects (Tüđen, 1999, 79).

2.10.4. Planning-Programming-Budgeting System

In the Planning-Programming-Budgeting system, as in the program budget, services are transformed into programs, and programs into sub-programs, activities and projects. However, the Planning-Programming-Budgeting System (PPBS) is different from the program budget system. In the PPBS, the objectives to be achieved in the long term are specified at the planning stage, and the activities are determined in accordance with the objectives in the programming stage. The budget consists of many programs that have been found successful in various assessments. The purpose of the program budget is to enlarge the difference between outputs and inputs (Türk, 1997, 369).

The program budget is an implementation tool of PPBS. After the planning and programming phases are completed in PPBS, the budgeting phase takes place with the program budget. Therefore, when it comes to budgeting, program budget and PPBS are used in the same sense.

With this system, it was planned to get answers to the questions of what was done for what, what are the goals to be achieved, and on the contrary, the answers to the questions of what can be obtained from the traditional budget system and how much was paid for them were obtained. In the system, the objectives are not given importance and the budget preparation techniques have not been developed. Appropriation amounts have been tried to be determined retrospectively, taking into account the previous year's appropriations (Özen, 2008, 207).

Despite all its shortcomings, the traditional budget system continued to be used until 1973. However, developments in budget techniques have led to a search for the application of modern budget techniques in Turkey (Tügen, 1999, 72).

2.10.5. Performance Based Budgeting System

The failure to achieve the desired results from the PPBS and the continuation of the traditional budget approach have brought the problem of inefficiency in the use of public resources to serious dimensions. However, in parallel with the technological developments and the developments in the education level of the society, the public service demand of the society continued to increase. This situation led to the initiation of reform studies to ensure efficiency in public service provision (Özen, 2008, 213-214). In general terms, performance-based budgeting is a budgeting system that provides information about what the institutions are doing or what they hope to do with the given resource, and in a narrower sense, it connects every increase in resources to output or another result.

One of the most important changes in public financial management is the distribution of resources based on centralized management and the traditional budgeting approach based on input, financial management and output-result-oriented performance-based budgeting approach, which is based on the distribution of authority and responsibility and the local management of resources.

With performance-based budgeting, objectives such as ensuring the accountability of managers according to outputs and results, strengthening the provision of public services, making resource allocation according to strategic priorities and ensuring transparency in public financial management have been determined. In order to achieve these goals, three different sub-models have been developed, namely the performance-based budget system and the models based on the strategic plan, based on the performance contract and transformed into the budget format under this system (Özen, 2008, 47).

In the strategic plan-based model, strategic plans with long-term goals are first prepared by each institution and these plans are announced. Then, the long-term goals in the annual performance plans and strategic plans are converted into annual performance targets. These plans also include information on how much should be spent to meet performance targets. At the end of the financial year, the targets and realizations in the annual performance plans are compared with the annual performance reports, and if a target cannot be achieved, the reasons for this and the steps required to achieve the target are included in these reports (Erüz, 2005, 63).

The performance contract-based model can be characterized as an agreement between the government and the public based on the provision of services. For example, in England, while a three-year public service contract is prepared by larger government departments, service delivery contracts are made with smaller units by taking into account the objectives in this contract. The leading practitioners of this system, in which success is evaluated by comparing the targets in the contracts with the realizations, are New Zealand and England. Canada and Australia are other countries that prefer to apply this model (Özen, 2008, 117,130).

Finally, the model that has been converted to a budget format includes performance information as well as appropriation information in the budget. So any performance apart from budget document is not prepared. The Netherlands can be cited as an example of a country that implements this model (Erüz, 2005, 63).

In indirect performance budgeting, performance information is taken into account in the budget preparation period, but there is no direct relationship between

appropriations and performance, and performance appropriations are not the only factor determining them. In determining the appropriations, besides the performance information, documents reflecting the government priorities are also used. As a result, it is not directly obtained that more resources will be allocated to high-performing activities. For this, it should be among the political priorities of the country (Yenice, 2006, 64).

As the name suggests, there is a direct relationship between appropriations and performance in performance budgeting. Allowances are allocated based on actual or targeted performance. Since it is difficult to establish the relationship between appropriations and performance, indirect performance budgeting is generally preferred (Özen, 2008, 50).

Performance-based budgeting is carried out in three stages. The first of these stages is the classification of budgets according to the work to be done. The second stage is to determine the costs of the work to be done and the last stage is to measure the outputs and results and to determine the success or failure (Mutluer et al., 2005, 108).

Strategic plan according to article 9 of Law No. 5018; Within the framework of development plans, programs, relevant legislation and the basic principles adopted by public administrations, creating the reasons for existence (mission), medium and long-term goals (vision), determining strategic goals and measurable targets, measuring their performance in line with predetermined indicators and monitoring this process It is the plan they have prepared with participatory methods in order to evaluate and evaluate them.

Since each activity in the strategic plans has a certain cost, the operability of the strategic plans depends on the preparation of the budgets in accordance with the strategic plans. Since strategic plans are guiding documents in the distribution of public resources according to strategic priorities, the priorities of governments are seen in these plans. Since institutions will prepare performance programs in line with the goals and objectives they have determined in their strategic plans, these plans are

of great importance in terms of revealing the roadmap of the institution (Özen, 2008, 234).

The performance program, on the other hand, is the document that includes the activities that the institution should carry out in a year in line with the strategic plan, the resources required for these activities, and the performance targets and indicators, and forms the basis for the budget and annual report (Mutluer et al., 2005, p. 147). Since it is not possible to reach the desired targets in public expenditures covering long periods in a short period of one year, long periods are taken as a basis in performance budget implementation. However, since annual budgets based on strategic plans include intermediate stages in achieving general goals, annual budgets are in a very important position (Özyıldız, 2000, 82).

2.11. Iraq Government General Budget

The Ministries of Finance, Planning and Development Cooperation, in addition to the Central Bank of Iraq, participate in the preparation of economic and financial indicators for the next fiscal year. In light of this, the Ministry of Finance prepares directives for the preparation of the general budget. Starting from June of each year, these directives are circulated to the ministries to prepare their proposals for the upper limits of financial budgets for all ministries. Among the most important general principles and foundations of the 2007 federal budget are: (Hvidt, Mart'in, 2013).

1- Giving priority to the security aspect and providing requirements for the success of security plans that would support national reconciliation.

2- Building the self-capacities of the ministries, authorities and public companies of the state to enable them to provide basic services to citizens by building capacities and acquiring skills for all levels of employees of state departments.

3- Developing plans and procedures for preparing the general budget and defining the necessary priorities to activate the state's role in stimulating economic activity within the financial resources available for the general budget.

4- Work on formulating an appropriate mechanism to improve the executive capabilities of the ministries in a way that secures access to a budget with high flexibility in order to achieve the goals envisioned for the budget.

5- Seeking to achieve a balance between revenues and expenditures in a way that ensures the relative reduction of the public budget deficit and the reduction of the burden of public debt.

6- Distributing allocations between operating expenses and capital project expenditures in order to achieve the required balance between providing public services and achieving an appropriate economic growth rate with an increase in the volume of investment expenditures in order to expand the process of reconstruction, reconstruction and infrastructure development to provide the appropriate structure to attract investments.

7- In order to reach the aspired goals, priorities and estimations for the year 2007 have been identified by focusing on improving capabilities in the areas of national security and defense, oil sector projects, electric power, various services, basic and basic infrastructure, work on capacity-building and job-absorption through job-absorption activities, as well as work on ensuring the absorption of unemployment and activities. Human rights. Second: Divisions of the general budget: The division of the general budget is intended to classify it according to the types of expenditures and revenues, and arrange them in sequential categories, through which a system for the budget is put in place. The classification of the budget aims to provide the financial information needed by the different levels of government, and the classification must be consistent with the purposes to be achieved and is linked to the need to develop a system that provides management at its various levels with coding information that facilitates the processing of financial transactions by accounting and a clear indication of control. On financial operations (Salloum, 2001, p. 35).

In balancing programs and performance, it is noted that the different classification bases are not alternative, but rather complementary in the sense that besides the basic classification, other classifications are used. Thus (Hamad and Al-

Bahr, 1990, 87) administrative and economic classifications are also used. Here we review the most important divisions that countries resort to in the manner of presenting their expenditures and revenues within the general budget. 1- Administrative division: According to this division, which is used for public spending only, public expenditures are distributed according to the ministries and administrative units of the state, so that the allocations allocated to each unit appear according to the organizational structure of the state, noting that some expenditures cannot be linked to a specific department and are therefore left as expenditures Public debt, emergencies, subsidies, and others within the appropriations of the Ministry of Finance, the administrative division is often characterized by the following:

- 1- The possibility of preparing budget estimates on the basis of services and commodities provided by the government unit, and preparing reports related to the organization of spending for each unit.

- 2- The possibility of linking budget estimates and following up on their implementation with a specific unit that represents a responsibility center. 3- The possibility of comparing elements of expenditures in a specific unit over different financial periods (Hamad and Al-Bahr, previous source, p. 89). *Journal of Management and Economics*

- 3- Qualitative division: It is intended to classify expenditures and revenues according to the types and nature of expenditures that the government unit deals with, Taxes, oil revenues, fees and so on. This division is characterized by:

- 1- Ease and clarity in the preparation and implementation of the budget.

- 2- It is easy to make comparisons between different periods and growth rates.

- 3- It facilitates the principle of commitment to allocation and control over appropriations.

- 4- Functional division: According to this division, public expenditures are distributed according to the main functions of the state, such as security, defense, health, education, cultural and foreign affairs. Etc. Of jobs, where each job includes a

set of activities that lead to achieving a major goal of the state's goals (Iqbal, & Mahmood, 2011)

5- Regional (geographical) division: according to which public spending and revenues are distributed according to the regions and regions of the state, and the share of each region in the volume of spending is indicated according to the functions performed by the state, with an indication of the contribution of each region and its various regions or regions to the general volume.

6- The division of expenditures depends on defining the relationship between the work of the state, according to the programs, activities, and projects that it aims to carry out during the coming period, and the cost of these projects, and not only on what the state spends on the purchase of goods and services, according to which the state's goals are distributed to a number of programs and activities and determine The cost of each program or activity in light of the appropriate measurement criteria.

Oil revenues constitute more than 90% of the sources of financing the budget, and since these revenues are unstable and affected by several factors, the main of which is the change in international oil prices, in addition to the fact that the security situation in Iraq is not stable, which changes the amount of production according to the export capabilities and the continuous stops as a result of sabotage and smuggling operations. This makes the general budget as a non-planning tool that loses its importance in planning and is subject to variables that are very difficult to calculate and cannot be estimated and predicted in light of the current conditions, whether global or local (Hsiang Liao, 2017).

2.13. The Relationship Between the Diversity Of Revenue Sources And The General Budget

2.13.1. Oil Revenue and The General Budget

The general budget consists of public revenues and expenditures, and the relationship between public revenues and public expenditures stems from the debate between economic schools about the role of the state in economic activity. On the provision of some basic public services and the maintenance of law, order and security, so the traditional thought was associated mainly with the concept of the guardian state, where its expenditures are characterized by being few, meaning that public expenditures are restricted in the narrowest limits and strive to achieve equality of both sides of public revenues and expenditures, as well as the neutrality of the general agreement in the sense It does not affect the economic and social structure of the state. (Abdullah, 2009)

As for the Keynesian school, spending is one of the main and important financial tools that the state uses to influence the total output and its distribution to achieve the state's economic, social and political goals, by pushing the national economy towards full employment of its productive capabilities by increasing government spending and reducing taxes in times of depression (Kanaan, 2009) and since oil prices directly affect public revenues and public expenditures, this means that the general budget in most oil-producing countries is linked to the changes recorded by oil prices internationally. Any change that occurs to oil revenues or oil prices, will be reflected in the general budget automatically and directly by the occurrence of a surplus or a deficit in it (Al-Dulaimi, Al-Dulaymi, 2018), and that there is a direct relationship between crude oil prices and public spending, whether directly through an increase in oil revenues or indirectly by increasing incomes and investments, this means that economic decisions in the oil countries are closely related to the fluctuations in the economy crude oil share. (Al-Tumaa, 2017).

Based on the theoretical part this hypothesis could be presented:

H1: There is a positive and significant impact of the the oil revenues on the general budget

2.13.2. Tax Revenue And General Budget

Tax represents an essential pillar of public revenue for most countries of the world, and it is one of the important sources that are relied upon in the provision of public services (General Authority for Taxes, 2009).

The main objective of the tax is to finance public expenditures, as it is considered the main resource for financing the state's general budget before any other resource of the state, on which the state temporarily depends to finance the general budget, such as public loans, or those that depend on it permanently, such as state public properties, contributions returns and revenues loans. (KRUGER, 2000) The tax began as neutral, aiming only to obtain resources for the public treasury with the intent of covering state expenditures, because it was economically and socially useless. The impact of tax on economic and social life is considered impossible, as the traditional theory in the science of public finance believed that the tax that is used as a tool to achieve economic goals or non-financial purposes weakens its outcome and reduces the performance of its financial function, but it has been scientifically proven that this thought is incorrect and that the tax can Using it to achieve many non-financial goals without losing its main role in financing the general budget. Taxes are of great importance as they are an important indicator of achieving the objectives of fiscal policy and thus financing the state's general budget. (Ali and Ali, 2018)

Based on the theoretical part this hypothesis could be presented:

H2: There is a positive and significant impact of the tax income on the general budget.

2.13.3. Customs Taxes And The General Budget

Customs taxes are one of the important financial tools owned by the state and that can be used to achieve many goals, and the main goal that the state seeks to achieve is the financial goal that includes increasing customs revenues and thus financing public expenditures and influencing the public budget, (AL-Khayat, 2022)

the system tax in any country on the basis of combining direct taxes and indirect taxes, and customs taxes are considered indirect taxes (Abed and Al-Fattal, 1985)

Customs revenues are one of the most important resources for the budgets of different countries, especially in developing countries, and the main objective of imposing these taxes is to obtain revenue for the government that enables it to reduce the deficit or increase the surplus in the state's general budget (achieving the balance of the general budget), where we note that when the state imposes revenues As a tax to increase its revenues, it imposes it on goods whose elasticity of demand is very low, as well as if the elasticity of its supply is also low, as it depends on the elasticity of imports in relation to the tax rate. The imports are high, which leads to a decrease in the government's revenue. The lower the elasticity of supply and demand, the higher the tax rate leads to an increase in government revenues, and when the elasticity of supply and demand is high, the increase in the tax rate leads to a decrease in government revenue. (Al-Shayji, 2005).

Based on the theoretical part this hypothesis could be presented:

H3: There is a positive and significant impact of the tariff revenues on the general budget.

CHAPTER THREE

METHODOLOGY

This chapter deals with the applied study and the use of statistical methods to study the characteristics of the study variables. The researcher in this chapter will estimate the proposed standard model and perform statistical, and standard tests on it. Where the proposed model deals of the general budget as a dependent variable, and diversification of revenues (oil revenues, tax income, tariff revenues) as an independent variable.

2.14. Data Specification

This thesis uses ARDL model bound testing approach proposed by Pesaran, Shin and Smith (2001) for the goal of analyzing the short and the long-run relationship between the diversity of revenues and the general budget, annual data for the period 1980 -2022 and the use of the EViews statistical program were used. In the first stage, the theoretical framework of the standard model used (ARDL model) will be presented, and then in the second stage, the standard results of analyzing the economic effectiveness of the diversity of revenue sources in the general budget structure will be presented. The data in this thesis gathered from the World Bank and the IRAQI ministry of finance and the Central Bank of IRAQ, for the period between 1980 -2022

2.15. Analysis

In this section, the results of the statistical analyzes of the study will be presented, as the study relied on the following variables:

Table 1. Variables Type

Variables	Type
General budget (GD)	Dependent
Oil revenues (OR)	Independent
Tax income (TI)	Independent
Tariff revenues (TR)	Independent

2.15.1. Unit root Test

Testing the stability of the time series and determining the optimal deceleration period. This requirement includes the definition of stability and a study of the stability of the study variables, determining the optimal slowing periods.

Definition of stability: Performing any standard treatment requires ensuring the stability of the studied variables, and Since many of the time series associated with macroeconomic changes are characterized by instability, the initiation takes place To study the stability of the series, by conducting stability tests (presence of a unit root or compound direction) depending on a specific test, as there are many tests that study stability, the most important of which is Dickie Fuller, Philip and Byron

2.15.1.1. Dickey Fuller (ADF) Unit Root Test

ADF unit root test, which is one of the methods used to measure the stationarity of the series, is widely used to measure at what degree the variables become stationary. Ignoring the error term autocorrelation limits the use of the Dickey–Fuller (Dickey and Fuller, 1979) test for error terms with autocorrelation problems. In case of autocorrelation in error terms, the stationarity of the series is measured with the Extended Dickey–Fuller (Augmented DickeyFuller) test, in which the lagged values are also taken into account (Yıldırım, 2013).

The t value calculated in the ADF test, where the series can regress with their lagged values and differences, gives the test value of the tested series for ADF analysis. The calculated t value for the variables is compared with the ADF t value. If the t value obtained from the variables is less than the ADF t value, it is accepted and it is decided that the series do not provide stability (Yetiz, 2008).

The formula of the most commonly used ADF test in generally accepted time series analysis is shown below.

$$\Delta Z_t = \delta + \lambda t + \theta Z_{t-1} + \varphi_1 \Delta Z_{t-1} \dots + \varphi_{p-1} \Delta Z_{t-p+1} + \varepsilon_t \quad (1)$$

Z is the dependent variable, ε is the constant term and p is a coefficient in the time trend.

H1: $\theta = 0$ means that the Z series is not stationary.

H2: $\theta \neq 0$ means that the Z series is a stationary series.

2.15.1.2. Phillips and Perron Unit Root Test

The Dickey–Fuller test is based on the assumption that the distribution of error terms has statistically independent and constant variances. Therefore, it is necessary to ensure that these assumptions are met and then the test should be performed. Phillips and Perron (1988) instead developed a more flexible non-parametric test for the assumptions of the distribution of error terms. This test is based on correcting the t statistic of the relevant parameter in the proposed equation by the Newey–West (Newey and West, 1987, 1994) estimator, instead of the ADF test, which expresses the addition of the lagged values of the dependent variable to the model in order to eliminate the autocorrelation in the error terms (İçen, 2018).

2.16. Cointegration Test

The long-term relationship between the variables can be examined with cointegration tests. Long- and short-term relationships are discussed. Traditional cointegration tests require variables to be integrated to the same degree. This situation, which creates negativities for cointegration tests, has been resolved by the ARDL approach put forward by Pesaran et al. (1996), which allows I(0) and I(1) variables to be included in the analysis with their main values even if they do not provide the same level of stability (Bahmani–Oskooee and Chi Wing). , 2002: 150). In this approach, which allows the series to be tested without attributing them to being stationary at the same degree, it is possible to examine the cointegration relationship if the variables are stationary at the level or at the first difference (Çağlayan, 2006).

When the F statistical value obtained as a result of the boundary test is greater than the upper value of the limit values (calculated by Pesaren et al. (2001), the hypothesis $H1$ will be accepted. The hypothesis $H0$ will be rejected, and the existence of cointegration between the variables is accepted. It is not possible to comment on the values within the lower and upper limit ranges. This range of values is considered as an unstable region. If the F statistic is in the unstable region, no

comment can be made about the presence or absence of cointegration. After determining a long-term equilibrium relationship between the variables with the F test, the long-term relationship will be tested. The model to be created will both give long-term values and give an idea about the statistical significance of the relationship.

2.17. Model Of The Study

The main aim of this thesis is to configure the relationship between revenue diversification (oil revenues, tax income, tariff revenues) and the general budget. In other words following Jawaid and Raza (2015), this thesis also considers general budget (GD) as a function of oil revenues (OR), tax income (TI), and tariff revenues (TR). The production function can be written as follows:

$$\text{First equation: } GD_t = f(OR, TI, TR)$$

In equation 1, general budget represented by GDP, oil revenues by OR, tax income represented by TI and tariff revenues represented by TR. Equation 1 can be converted into regression model as follows:

$$\text{Second equation: } GD_t = \alpha_0 + \alpha_1 OR_t + \alpha_2 TI_t + \alpha_3 TR_t + \varepsilon_t$$

where GD is the log of general budget, and ε_t is error term.

The expected sign of coefficient α_1 oil revenues and α_2 tax income is expected to be positive while expected sign of coefficient α_3 tariff revenues (TOT) is to be obtained from the results.

Equation 3 represents the long-run ARDL model while equation 4 represents the short-run ARDL model to analyze relationship between general budget and revenue diversification (oil revenues, tax income, tariff revenues).

ARDL Long-Run Equation

$$\text{Equation 3: } \Delta GD_t = \xi_0 + \xi_1 GD_{t-i} + \xi_2 OR_{t-i} + \xi_3 TI_{t-i} + \xi_4 TR_{t-i} + \varepsilon_t$$

The used parameters in equation three are ξ_1 , ξ_2 , ξ_3 and ξ_4 , and they represent long-run coefficients, while long-run coefficients.

ARDL Short-Run Equation

$$\text{Equation 4: } GD = \gamma_0 + \gamma_i \sum \Delta GD_{t-i} + \gamma_j \sum \Delta OR_{t-j} + \gamma_k \sum \Delta TI_{t-k} + \gamma_l \sum \Delta TR_{t-l} + \phi EC_{t-i} + \varepsilon_t$$

The four coefficients ξ represent long-run coefficients, while The four coefficients γ represent short-run coefficients. Φ represents the coefficient of error correction terms and ε_t is disturbance term.

2.18. Results

2.18.1. Unit Root Test Results

In this section, unit root tests were applied to determine the stability levels of the series used (1980-2022) . In order to avoid the false regression condition encountered in non-stationary time series, the unit root test was applied to the series.

In this study, before starting the unit root tests, the series with seasonal effects were adjusted and then the logarithms of the variables general budget (GD), oil revenue (OR), tax income (TI), and tariff revenue (TR) were taken. In the study, the ADF root unit tests were performed to determine the stability of the relevant variables.

Table 2: ADF Unit Root Tests

ADF	Level		First Difference	
	T statistics	P value	T statistics	P value
General Budget (GD)	0.530	0.88	8.340	0.00
Oil Revenues (OR)	0.880	0.79	7.272	0.00
Tax Income (TI)	1.261	0.64	5.921	0.00
Tariff Revenues (TR)	0.847	0.80	7.503	0.00

Notes: * indicates that the statistic is significant at the 1% significance level. ** Indicates that the statistic is significant at least at the 5% significance level.

In the ADF test, if the probability value is less than 5%, hypothesis 0 is rejected at the 5% significance level, and if it is greater than 5%, hypothesis 0 cannot be rejected and the series is considered non-static.

The ADF unit root test applied in this study and the results are shown in Table 2. In the results of the ADF test presented in the above table, it is noted that all

variables are not stationary at I (0) but they are stationary at I (1). Based on the results obtained, the ARDL test can be applied.

2.18.2. Cointegration analysis

Cointegration analysis is used to analyze the long-run relationship between variables. Cointegration analysis comes to the fore, especially in studies using macroeconomic variables. Basically, time series that do not appear stationary on their own can become stationary with linear combinations at some level of integration. Therefore, there may be a cointegration relationship between the variables. In short, the long-term relationship between non-constant series is examined in the cointegration analysis

The existence of a cointegral relationship in the series means that the deviations in the equation are not permanent. In other words, if there is a cointegration relationship between the variables, in case of deviation from equilibrium, the equilibrium state will be restored. Time series that have a unit root and are integrated with each other and related variables have a common trend. In short, it is stated that the variables in the model in which the cointegration is discovered act together.

After applying the unit root tests, the string cointegration relationship was examined. The ARDL analysis method was used in this study. Often, ARDL cointegration technique is preferable when dealing with variables that are integrated of different order, I(0), I(1) or combination of the both like our study. In the ARDL method, the cointegration relation is treated with bounds testing. In this method of analysis, the F-test is applied to the first period lags of the variables under analysis to determine if there is a cointegration relationship. If a cointegration relationship is detected in the series, ARDL models are generated to find long and short range relationships. After estimating the regression equation, the found F statistic was compared with the asymptotic significance levels in the study of Peseran et al. When a long-term relationship between the series is determined in a bounds-testing approach, the long-run modulus is estimated

When the ADF unit root test results are evaluated, it is seen that the series is stable at first difference. Therefore the cointegration relationship can be checked using the bounds test approach.

In order to analyze the presence of cointegration, first, a bounds test is applied to the model. The result of this test is interpreted according to whether the obtained F statistic is between the lower and upper limit values. Acceptance or rejection of the “H0: no cointegration relationship between variables” hypothesis is determined as follows. If the F statistic is greater than the upper bound, H0 will be rejected. If the F statistic is less than the lower bound, H0 is accepted. In addition, if the F statistic lies between the lower and upper limits, it cannot be determined about cointegration. Based on this, other cointegration tests are used.

Table 3: ARDL Model (1,0,0,0) Results

Significance level Lower limit Upper limit	Lower limit	Upper limit
%10	2.09	4.25
%5	2.35	3.87
%1	1.56	4.46
Calculated F value	7.32	

Through the table, upon examination, it was found that the value of F calculated in the ARDL model is 7.32, since the statistical value of F was higher than the upper limit at the level of significance of 5% (3.87) %. An appropriate model estimation must be estimated from the existence of a cointegration relationship and then the parameters that reflect the short- and long-term relationship between the variables. The results of the estimate or the computed coefficients are displayed as a result of the ARDL model.

2.18.3. Lag Selection test

Table 4: Lag Selection

Lag	LR	AIC	SC	HQ
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0	NA	125.17	125.333	125.17
1	191.1	121.469	122.289	121.772
2	80.699	120.337	121.811	120.881
3	42	120.104	122.234	120.89
4	173.75*	116.808*	119.593*	117.835*

Before using the ARDL model to test the long and short associations between the variables of the study, an appropriate lag value is determined. Using the Schwartz criterion, this study determined the best delay value. The results of the appropriate delay measures are presented in Table 4, where the best delay value is lag 4.

2.18.4. Long -run relationships in the ARDL model

After conducting the unit root test and in order to find the appropriate value of the lag in order to study the long-term and short-term correlations using the ARDL model. The results shown in the table above show that lag 1 is the best lag number for testing long- and short-run relationships in the ARDL model of this study.

Estimated short and long term statistical values and results for the cointegration relationship are given in table 5 and table 6.

Table 5. Long-run ARDL Results

Variable	coefficient	Standard error	t-statistics	Prob.
Tax revenue (TI)	-10.576	20.914	-0.51	0.616
Oil Revenues (OR)	0.708	0.0415	17.05	0.000**
Tariff Revenues (TR)	67.145	83.273	0.81	0.424
C	357692.7	133900	0.27	0.791

Notes: Dependent variable = GD. ***, **, and * represent significance at 1%, 5%, and 10%, respectively.

We can conclude from Table 5 above that there is a positive and significant impact of oil revenues (OR), on the general budget in the long run. We can also notice that there is a positive but not significant impact of tax income and tariff revenues on the general budget in the long run in the long run. Based on the obtained results we can notice that an increase in oil revenues of 1% , increases general budget by 0.708.

2.18.5. Short-run relationships in the ARDL model

The ARDL short-run equation results are reported in Table below.

Table 6: Short -run ARDL Results

Variable	coefficient	Standard error	t-statistics	Prob.
Δ GD	-0.829	0.077	-10.72	0.000**
Δ TI	-14,45	5.483	-2.64	0.015**
Δ OR	0.515	0.019	26.77	0.000**
Δ TR	73.466	21.892	3.36	0.003**
ECT(-1)	-0.692	0.071	-9.746	0.000**
Dependent variable = Δ GD				
R2			0.9996	
Durbin Watson			1.6376	

Source: researcher design

According to the results presented in the above table 6, it was noted that there is a significant and positive impact of the oil revenues , tax income ,and tariff revenues on the general budget in the short term.

Looking at the ECT error correction term (-1), we note that the error correction index is negative, significant and the coefficient was -0.692, between 0-1, as expected. Accordingly, it is seen that 69% of the short-term deviations are corrected in the next period and reach equilibrium within a maximum of two years.

CONCLUSION AND RECOMMENDATIONS

- **Conclusion**

The Iraqi economy suffers greatly from its dependence mainly on oil by a large percentage of up to 90%, as there is an imbalance in the state's general budget due to unilateral sources of income, as the revenue side of the budget was based almost entirely on crude oil revenues. Successive governments neglected revenues from other sources, especially taxes and fees. As the abundance of revenues from the oil sector neglected the importance and role of other revenues, and the Iraqi economy and the general budget became highly vulnerable to fluctuations as a result of its dependence mainly on oil revenues and its association with its prices, and this means that crude oil has played a fundamental role in the disruption of the production structure and determining the nature of the imbalance from an internal perspective (The general budget), and therefore it was necessary to consider the impact of taxes and customs duties in addition to oil revenues on the state budget.

The research aims to measure and analyze the impact of the diversity of public revenues (oil revenues, tax income, tariff revenues) on the efficiency of the work of the general budget in Iraq for the period (1980-2022) using the ARDL model. The importance of the study lies in trying to determine how to reach an effective strategy to be adopted with the motive of achieving diversification of revenue sources and achieving economic stability and sustainable development in Iraq. On the other hand, this research and its recommendations will constitute a starting point for other research in different time periods in order to generalize the results of this study.

This thesis uses the testing approach associated with the ARDL model proposed by Pesaran, Shin and Smith (2001) with the aim of analyzing the short- and long-term relationship between the diversification of revenues, the general budget, and the annual data for the period 1980-2022, and the stata statistical program was used to analyze the relationship between the study variables. The study focused only on Iraq only between 1980 and 2022, where the variables of oil revenues, tax income, tariff revenues, and the general budget were taken as variables for the study.

The researcher collected data from the World Bank, the Iraqi Ministry of Finance, and the Central Bank of Iraq, for the period between 1980-2020.

The study concluded by analyzing the long-term and short-term relationship between the variables of the study that there is a positive and significant impact of oil revenues, on the general budget in the long run. We can also notice that there is a positive but not significant impact of tax income and tariff revenues on the general budget in the long run in the long run, and that there is a significant and positive impact of the oil revenues , tax income ,and tariff revenues on the general budget in the short term.

This means that Iraq must exploit oil revenues in investment projects as an economic tool for the development of agricultural, industrial and commercial work, which creates added value for projects and enables the government to collect a higher tax value. Also, on the other hand, the expansion of government investment spending and support for agricultural development will prompt the government to import basic raw materials and enable it to export finished goods, which allows obtaining large revenues from customs tariffs that contribute to supporting and stabilizing the budget.

- **Recommendations**

Through the findings, the researcher recommends the following:

Preparing more economic studies on the issue of revenue diversification and its impact on achieving stability and efficiency of the general budget in Iraq and other countries, taking different time periods, in a way that contributes to achieving the possibility of generalizing the results.

Work on building balanced economic policies in a way that contributes to supporting investment operations in various fields, achieving self-sufficiency, and reducing the importance of oil in the budget, in a way that contributes to its stability.

Supporting the agricultural and rural development strategy, and improving the investment climate in a way that contributes to improving export value and, accordingly, customs duties.

Promoting growth through diversification of the activities of the banking economy; Especially for small and medium enterprises, modernizing the financial sectors in a way that contributes to supporting investment activities and providing financing that enables projects to grow and continue.

Promote sustainable development, reduce spatial disparities and government programs, and help preserve desert ecosystems.

Providing technical support to enhance the planning and monitoring of the work of economic planning, monitoring and evaluation institutions.

Relying on qualified human expertise in managing factors of production and the economy and providing simple and effective tax systems that can be applied successfully.

Combating corruption in various state institutions, especially financial institutions, in a way that contributes to the state benefiting from customs collections and not losing them.

Supporting oil refining and strengthening the oil and extractive industry in a way that enables Iraq to provide foreign exchange allocated for importing refined oil and supports the budget.

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APPENDIXES

. dfuller generalexpendences

Dickey-Fuller test for unit root Number of obs = 42

Test Statistic	Interpolated Dickey-Fuller		
	1% Critical Value	5% Critical Value	10% Critical Value
Z(t)	-0.530	-3.634	-2.952

MacKinnon approximate p-value for Z(t) = 0.8860

Dickey-Fuller test for unit root Number of obs = 42

Test Statistic	Interpolated Dickey-Fuller		
	1% Critical Value	5% Critical Value	10% Critical Value
Z(t)	-0.880	-3.634	-2.952

MacKinnon approximate p-value for Z(t) = 0.7943

. dfuller oilrevenue

Dickey-Fuller test for unit root Number of obs = 42

Test Statistic	Interpolated Dickey-Fuller		
	1% Critical Value	5% Critical Value	10% Critical Value
Z(t)	-1.261	-3.634	-2.952

MacKinnon approximate p-value for Z(t) = 0.6466

. dfuller tariffrevenue

Dickey-Fuller test for unit root Number of obs = 42

Test Statistic	Interpolated Dickey-Fuller		
	1% Critical Value	5% Critical Value	10% Critical Value
Z(t)	-0.847	-3.634	-2.952

MacKinnon approximate p-value for Z(t) = 0.8048


```
. tsset year, yearly
      time variable: year, 1976 to 2022
            delta: 1 year
```

```
. varsoc generalexpences taxrevenue oilrevenue tariffrevenue , maxlag(4)
```

Selection-order criteria

Sample: 1980 - 2022

Number of obs

=

43

lag	LL	LR	df	p	FPE	AIC	HQIC	SBIC
0	-2687.15				2.7e+49	125.17	125.23	125.333
1	-2591.59	191.1	16	0.000	6.7e+47	121.469	121.772	122.289
2	-2551.24	80.699	16	0.000	2.2e+47	120.337	120.881	121.811
3	-2530.24	42	16	0.000	1.8e+47	120.104	120.89	122.234
4	-2443.37	173.75*	16	0.000	7.6e+45*	116.808*	117.835*	119.593*

Endogenous: generalexpences taxrevenue oilrevenue tariffrevenue

Exogenous: _cons

. ardl generalexpences taxrevenue oilrevenue tariffrevenue

ARDL(4,4,4,4) regression

Sample: 1980 - 2022

Number of obs = 43
 F(19, 23) = 3103.30
 Prob > F = 0.0000
 R-squared = 0.9996
 Adj R-squared = 0.9993
 Root MSE = 1.015e+06

Log likelihood = -642.2636

generalexpences	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
generalexpences						
L1.	-.8290713	.0773285	-10.72	0.000	-.9890376	-.669105
L2.	.1196976	.1111825	1.08	0.293	-.1103009	.3496962
L3.	.7361772	.0887398	8.30	0.000	.552605	.9197494
L4.	.4155893	.061543	6.75	0.000	.2882779	.5429007
taxrevenue						
--.	-14.45797	5.483008	-2.64	0.015	-25.80044	-3.115502
L1.	-71.65626	6.79241	-10.55	0.000	-85.70743	-57.60509
L2.	-90.37278	8.894485	-10.16	0.000	-108.7724	-71.97314
L3.	-10.96985	12.55192	-0.87	0.391	-36.93547	14.99577
L4.	78.23478	12.05209	6.49	0.000	53.30314	103.1664
oilrevenue						
--.	.5152681	.0192499	26.77	0.000	.4754466	.5550895
L1.	.4147522	.0500691	8.28	0.000	.3111764	.518328
L2.	.309076	.0574865	5.38	0.000	.1901562	.4279959
L3.	-.183084	.0788463	-2.32	0.029	-.3461898	-.0199781
L4.	-.6156625	.0682414	-9.02	0.000	-.7568305	-.4744945
tariffrevenue						
--.	73.46603	21.89201	3.36	0.003	28.17895	118.7531
L1.	296.7837	27.33452	10.86	0.000	240.2379	353.3294
L2.	360.1304	36.61938	9.83	0.000	284.3774	435.8833
L3.	36.69758	51.75474	0.71	0.485	-70.36527	143.7604
L4.	-312.5807	49.57722	-6.30	0.000	-415.139	-210.0224
_cons	-557199.1	286548.3	-1.94	0.064	-1149969	35571.35
ECT(-1)	-.692565 .533	.07144554	-9.746	0.0000	.83984938	.137483.34

. regress generalexpences taxrevenue oilrevenue tariffrevenue

Source	SS	df	MS	Number of obs	=	47
Model	6.2050e+16	3	2.0683e+16	F(3, 43)	=	400.83
Residual	2.2188e+15	43	5.1601e+13	Prob > F	=	0.0000
Total	6.4269e+16	46	1.3972e+15	R-squared	=	0.9655
				Adj R-squared	=	0.9631
				Root MSE	=	7.2e+06

generalexpe~s	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
taxrevenue	-10.57687	20.914	-0.51	0.616	-52.75397	31.60024
oilrevenue	.7080443	.0415201	17.05	0.000	.6243112	.7917775
tariffrevenue	67.14561	83.27329	0.81	0.424	-100.791	235.0822
_cons	357692.7	1339002	0.27	0.791	-2342662	3058047