

Budgetary Governance In Light Of The Open Budget Index

(OBI 2017) -Case Study Of Algeria-

حوكمة الموازنة على ضوء مؤشر الموازنة المفتوحة (OBI 2017) -دراسة حالة الجزائر-

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Abstract:

The aim of this study is to define the governance in the field of public budget, based on an important index, which is the Open Budget Index. The embodiment of governance in the financial dimension is only by strengthening the standards of transparency and financial practices. Financial transparency plays an important role in the assessment and management of financial risks. We also try to know the Algeria's classification within the principles of governance in the field of the public budget. And we will analyze the causes of weak governance indicators in Algeria using an analytical approach to the statistics provided by the International Budget Partnership. And then we try to make recommendations to improve the Open Budget Index, whether related to financial transparency, participation, or Oversight mechanisms.

Keywords: Governance; Open Budget; Transparency; Participation; Oversight.

Jel Classification Codes: G30, G38, H61, H72.

ملخص

الهدف من هذه الدراسة هو التعريف بالحوكمة في مجال الموازنة العامة بالاعتماد على مؤشر مهم هو مؤشر الموازنة المفتوحة. فتجسيد الحوكمة في بعدها المالي لا يكون إلا بتقوية معايير الشفافية والممارسات المالية. إذ أن الشفافية المالية تلعب دورا مهما في تقييم المخاطر المالية وإدارتها. كما نحاول معرفة تصنيف الجزائر ضمن مبادئ الحوكمة في مجال الموازنة العامة. وتحليل أسباب ضعف مؤشرات الحوكمة في الجزائر باستخدام منهج تحليلي للإحصائيات المقدمة من طرف الشراكة الدولية للموازنات. ومن ثم نحاول تقديم توصيات تسمح بتحسين مؤشر الموازنة المفتوحة سواء ما تعلق بالشفافية المالية، المشاركة، أو آليات الرقابة.

الكلمات المفتاحية: الحوكمة؛ الموازنة المفتوحة؛ الشفافية؛ المشاركة؛ الرقابة.

تصنيف JEL: G30، G38، H61، H72

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Introduction

The concept of governance has been widely recognized globally and in various fields. However, compliance with governance principles varies from country to country and sector to sector. One of the most important areas covered by governance is public finance.

The concept of governance in its economic dimension allows for a kind of economic and financial stability. As well as formulate future policies more accurately to avoid risks to public finances. The governance in public finance reflects the rational and rational management of the public resources of the state and the efficiency in using them according to certain mechanisms. The governance in public finance is based on fundamental principles: transparency, participation and oversight.

The financial transparency is one of the most important elements of governance in the state budget. The concept of transparency is associated with other principles of governance. Accountability and oversight procedures cannot be neglected as a mechanism related to transparency in the public budget. This allows for the arrangement of responsibilities and penalties for violations. The participation mechanism, on the other hand, is considered as a way to assist in decision-making and legitimizing government actions.

Financial transparency also requires comprehensive and reliable information on past, present and future government activities. The provision of such information will inform and improve the quality of economic policy decisions. It also contributes to highlighting the potential risks of financial prospects. This leads to an early and smoother financial policy response to changing economic conditions. And accordingly reducing the possibility of crises and reducing their severity.

On the basis of international reports, especially the Open Budget Initiative, the public budget process in Algeria runs counter to the principles of governance. Especially in the mechanisms of publishing budget documents, public participation and the effective role of Oversight institutions.

Therefore, in our research we will try to answer the following question:

In light of the open budget index for 2017, Are the principles of governance of the state budget in Algeria achieved?

The research methodology:

To answer the main question, and to treat the subject of this study. The research paper focuses on addressing the main problem of the importance of embodying the principles of governance within the state budget. We will rely on the descriptive method regarding the theoretical aspect of the governance of the state budget, and the pillars of governance in accordance with the general budget depending on the Open Budget Index. Then we try to use the analytical approaches regarding the principles of governance in the public budget and their reality in Algeria, And we explain in detail for Algeria in transparency Index as the most important indicator of the Open Budget Initiative based on the Open Budget Index and official statistics of the International Partnership for Budgeting.

The research objectives:

The aim of this research is to introduce the principles of public budget governance with a focus on financial transparency by explaining the concept of the open budget index and the classification of Algeria within the principles of governance, especially its location of financial transparency based on the Open Budget Index. we try to compare these indicators with Algeria's information to reach a set of results formulated in the conclusion and then presented a set of recommendations to improve the indicators of budgetary governance in Algeria in the report of the Open Budget Index.

The main axes of research:

- The concept of public budget governance.
- Transparency in the Public Budget.
- Overview of the Open Budget Index.
- Evaluation of the Open Budget Index 2017 in Algeria.

The concept of public budget governance

In this section, we will discuss the definition of the public budget in the light of Algerian legislation. Then the definition of governance and the most important principles as well as the foundations of governance in the field of public budget.

Definition of the State Public Budget:

The term budget has been derived from a French word 'bougette' which means a leather bag or purse. The term 'budget' is commonly understood as a document presented by a government containing an estimate of proposed expenditure for a given period and proposed means of financing them for the approval of legislation. (Sri, 2011, p. 79)

Also, the public budget or the Government's budget is an annual financial statement presenting the government's proposed revenues and spending for a financial year. It allocates public funds to specific tasks, such as improving energy and electricity supply, education, health, transport, agriculture and forest conservation, defence or supporting industry and construction.

It was defined in Algerian legislation by Law 84/17 and Law 90_21. According to the article 06 of Law 84/17 of 07 July 1984 on Financial laws "The public budget of the State shall consist of the final revenues and expenditures of the State determined annually by the Law of Finance and distributed in accordance with the applicable legislative and regulatory provisions."

According to the article 3 of Law 90/21 of 15 August 1990 on public accounting states, "the budget is the document which, for the civil year, estimates and authorizes the total revenues and expenditures related to management and investment, including capital processing expenses." It can be said that the state budget as a document approved by the legislature, which sets the expenses and revenues of the state for a specific period. It is also defined as an estimate and authorization of public revenues and expenditures of the State for a future period, usually a year.

The definition of the term "state budget" can vary depending upon the user and the context in which the phrase is used. However, a generally-accepted definition of the state budget is that it is the legislative document that sets the level of authorized state expenditures for a certain period of time and the corresponding level of revenues projected to be available to finance those expenditures. (Lang & Swain, 2015, p. 01)

Definition of Public Budget Governance:

The Governance of the budget means the various processes, rules and procedures through which the budget is prepared, approved, implemented and controlled. It represents the manner in which the Government applies its political, social and administrative philosophy in the management of its financial and economic affairs through the transparency of the public budget process and the extent to which it can participate and contribute to its preparation and discussion for approval, implementation and control.

So, the budgetary governance refers to the processes, laws, structures and institutions in place for ensuring that the budgeting system meets these objectives in a sustainable, enduring manner. (OECD, Public Governance And Territorial Development, 2014, p. 01)

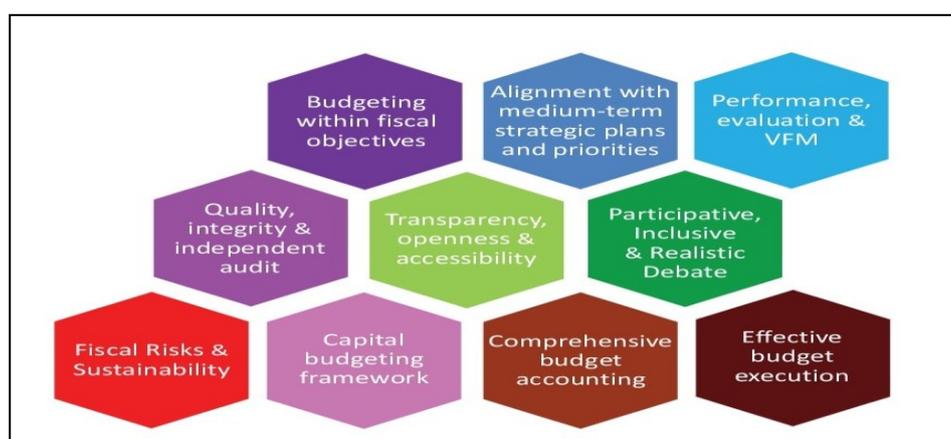
The budgetary governance is a basis for reforming and improving public sector performance, which requires a transparent budget system that allows for participation and accountability.

It means also the good budgeting which characterized by efficiency, effectiveness, integrity, discipline, accessibility or transparency and accountability as well as stability. (Ben Caleb & Godwyns Ade, 2012, p. 51)

Principles of Public Budget Governance:

We will present these principles in the following figure:

Figure (01): OECD Principles of Budgetary Governance



Source: (OECD, Public Governance And Territorial Development, 2014, p. 09)

The OECD Budget Governance Recommendation sets out ten principles that provide a brief overview of good practices across the entire range of budget activity and aim to provide practical guidance to execute and improve budget systems to have a positive impact on citizens' lives. These principles can be mentioned as follows: (OECD, 2019, p. 01)

- Manage budgets within clear, credible and predictable limits for financial policy;
- Closely align budgets with the medium-term strategic priorities of government;
- Design the capital budgeting framework in order to meet national development needs in a cost-effective and coherent manner;
- Ensure that budget documents and data are open, transparent and accessible;
- Provide for an inclusive, participative and realistic debate on budgetary choices;
- Present a comprehensive, accurate and reliable account of the public finances;
- Actively plan, manage and monitor budget execution;
- Ensure that performance, evaluation and value for money are integral to the budget process;
- Identify, assess and manage prudently longer-term sustainability and other financial risks;
- Promote the integrity and quality of budgetary forecasts, financial plans and budgetary implementation through rigorous quality assurance including independent audit.

Public Budget Governance Objectives:

The objectives of governance have been multiplied according to the multiple definitions associated with them. However, the main objectives of public budget governance can be explained as follows:

- Transparency in the various phases of the budget cycle and the strengthening of mechanisms to control public finances;
- Strengthening confidence among members of the community regarding the management of public budget and activating their participation in it;
- optimal and rational management of public resources of the State;
- Combating corruption in all its forms.

Foundations of Public Budget Governance

Public budget governance is based on three pillars: transparency, participation and accountability.

- **Transparency:** Transparency in budget management means the disclosure of information and measuring the extent to which this information is clear, understandable and easily accessible at any time. This information can also include various financial plans for government activity, economic and social policies and financial policy, whether related to the present, past or future. (Heald, 2003, p. 731)

- **Participation:** Participation in the budget means the political responsibility of the individual in determining the trends of public spending and the distribution of public revenues in accordance with the methods of preparing the budget and meeting

the needs of society. All of this requires the provision of legal means for the participation of civil society in the preparation of the budget properly. (Tanaka, 2007, p. 148) The existence of mechanisms of participation and transparency allows to promote social awareness about the state budget. They also fight against all forms of corruption and the optimal use of public resources.

- **Accountability:** Accountability is a citizen's right to power as one of the fundamental guarantees for the promotion of democracy in society. It also means the ability of competent institutions to hold accountable persons who have violated their functions.

Accountability is the result of transparency and participation. Because it expresses the ability to clarify how public funds are allocated, as well as to bear the results of decisions by decision makers at the budget level. (Sharp, 2003, p. 46)

Transparency in the Public Budget

In this section, we will discuss the definition of transparency in public finance and its importance. As well as the most important principles underlying it.

Definition of financial transparency:

The Financial or the budget transparency has been adopted as an important principle by a number of other influential actors, including the World Bank, financial regulators, private-sector investment analysts, the Organization for Economic Cooperation and Development, foreign aid donors and international NGOs. (Carlitz, 2013, p. 550)

Transparency is defined by the United Nations as the free flow of information in its broadest sense. Providing information and working in an open manner allows the persons concerned to obtain the information necessary to safeguard their interests, make appropriate decisions and detect errors.

It is considered as a visible decision making process that is opened to public input, allows the public maximal choice, and is conducted in cooperation with organizations working together for common public purposes. (Ben Caleb & Godwyns Ade, 2012, p. 52) There are those who interpret transparency as having two main aspects:

The first aspect concerns the clarity of the procedures and the validity of the presentation of information and data on private and public political, economic and social units and institutions. Clarity of relations among them in terms of planning, funding and implementation to reach the previously announced objectives.

The second aspect: relates to the relationship of the beneficiaries of services provided by the first side and their right to get the right information and access the truth in a timely manner.

According to the IMF, the financial transparency or transparency in the public budget expresses a commitment to openness with the public about the government's financial activities. As well as on the structure and functions of the government, which determine the financial policies and its consequences. The financial transparency also refers to the clarity, reliability, periodicity, timeliness and importance of public finance in reporting and opening to the public for the government's financial policy-making process. The clarity refers to the ease with which these reports can be understood by users. The reliability refers to the extent to

which these reports reflect the Government's real financial situation. The periodicity means the regularity of the publication of reports. The timing indicates the time delay in the publication of these reports. In terms of importance, it indicates the availability of these reports to users and the information they need to make effective decisions. The openness also reflects the ease with which the public understands, influences and holds governments accountable for their financial policy decisions. (Cottarelli, 2012, p. 05)

According to the Organization for Economic Cooperation and Development, budget transparency reflects the systematic and timely disclosure of all budget information. (OECD, Best Practices for Budget Transparency, 2002, p. 07)

The budget transparency is also defined as the mechanism by which all individuals have access to all information and statistics related to expenditures and revenues. So, the transparency in all phases of the preparation of the public budget is a necessary element that enables parliament and citizens to monitor and hold the government accountable. The level of transparency of the public budget has become one of the most important criteria to judge the good management and soundness of public finances. Providing information is one of the most important steps to be taken as it fosters participation and accountability and thus leads to good governance.

The importance of public budget transparency:

It is necessary to pay more attention to the fundamentals of achieving transparency in preparation of public budget. This has been advocated by many international institutions and organizations and many countries have adopted different mechanisms to achieve transparency within their budget. This is within the framework of the principles of good governance. Among the main objectives of financial transparency are:

- Strengthening the capacity to hold the government accountable and activating the role of oversight institutions on the public budget;
 - Embodying the participatory budget by activating community participation in budget preparation;
 - Achieving financial discipline, rationalizing public spending and improving local and national development;
 - Combating corruption in all its forms.
- The transparency and the accountability are essential for effective and responsive government and for efficient and prosperous economic activity.

The financial information must be dual relevance and reliability. However, the quality of information on the transparency, more appropriate and timely disclosure of information. And with regard to the importance of transparency in the private sector, the most important roles can be mentioned below: (Mohammadi & Nezhad, 2015, pp. 60-61)

- Disclosure to the dissemination of information:
- Transparency is one of the most important factors affecting the company's attractiveness to investors and corporate governance is one of the key elements within the system;
- Measure the quality of reporting, including the size of the assessment, timely and reliability of corporate disclosures;

- Analysis and common tables from the combined investment domestic and commercial activities;
- Measure the quality of the information provided and owned by private or public, including the media (with the aim of informing and engaging in public).

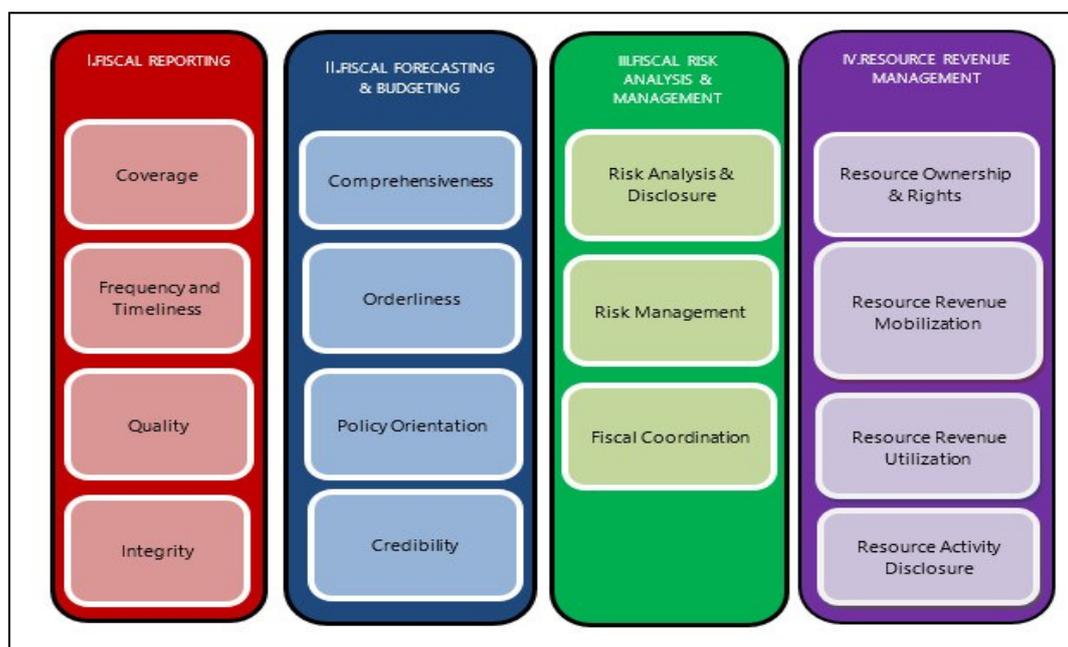
Also, Strengthening the role of business associations and creating a national business agenda.

Regarding for the private sector, business associations play a vital role in encouraging good governance and sound policymaking in industrialized nations. (D.Sullivan, p. 03)

Principles of Public Budget Transparency

The public budget transparency corresponds to the term of fiscal transparency which adopted by the IMF in its interpretation. In the following figure we will show the most important principles or pillars of financial transparency according to the International Monetary Fund

Figure (02): Pillars of the Fiscal Transparency Code



Source: (IMF, 2019, p. 01)

N.B: The first three pillars were finalized and approved by the IMF Executive Board in 2014.

The role of these principles can be explained as follows: (IMF, The Fiscal Transparency Code, 2019, pp. 01-04)

- **Fiscal reporting:** The fiscal reports should include an overview of the government's financial position, characterized by:

- **Coverage:** Fiscal reports should provide a comprehensive overview of the fiscal activities of the public sector and its sub-sectors, according to international standards.

- Coverage of Institutions: Fiscal reports cover all entities engaged in public activity according to international standards
- Coverage of Stocks: Fiscal reports include a balance sheet of public assets, liabilities, and net worth
- Coverage of Flows: Fiscal reports cover all public revenues, expenditures, and financing.
- Coverage of Tax Expenditures: The government regularly discloses and manages revenue loss from tax expenditure
- **Frequency and timeliness:** Fiscal reports should be published in a frequent, regular, and timely manner.
 - Frequency of In-Year Reporting: In-year fiscal reports are published on a frequent and regular basis.
 - Timeliness of Annual Financial Statements: Audited or final annual financial statements are published in a timely manner.
- **Quality:** Information in fiscal reports should be relevant, internationally comparable, and internally and historically consistent.
 - Classification: Fiscal reports classify information in ways that make clear the use of public resources and facilitate international comparisons.
 - Internal Consistency: Fiscal reports are internally consistent and include reconciliations between alternative measures of summary fiscal aggregates.
 - Historical Revisions: Major revisions to historical fiscal statistics are disclosed and explained
- **Integrity:** Fiscal statistics and financial statements should be reliable, subject to external scrutiny, and facilitate accountability.
 - Statistical Integrity: Fiscal statistics are compiled and disseminated in accordance with international standards.
 - External Audit: Annual financial statements are subject to a published audit by an independent supreme audit institution which validates their reliability.
 - Comparability of Fiscal Data: Fiscal forecasts, budgets, and fiscal reports are presented on a comparable basis, with any deviations explained.
- **Fiscal Forecasting and Budgeting**

The budgets and financial forecasts on which they are based should include a clear statement of the government's budget objectives and policy intentions, and expectations on the development of public finance in a comprehensive, modern and reliable manner.

 - **Comprehensiveness:** Fiscal forecasts and budgets should provide a comprehensive overview of fiscal prospects.
 - Budget Unity: Revenues, expenditures, and financing of all central government entities are presented on a gross basis in budget documentation and authorized by the legislature.
 - Macroeconomic Forecasts: The budget projections are based on comprehensive macroeconomic forecasts, which are disclosed and explained.
 - Medium-term Budget Framework: Budget documentation includes outturns and projections of revenues, expenditures, and financing over the medium term on the same basis as the annual budget.

– Investment Projects: The government regularly discloses its financial obligations under multi-annual investment projects, and subjects all major projects to cost-benefit analysis and open and competitive tender

• **Orderliness:** The powers and responsibilities of the executive and legislative branches of government in the budget process should be defined in law, and the budget should be presented, debated, and approved in a timely manner.

– Fiscal Legislation: The legal framework clearly defines the time table for budget preparation and approval, key contents of the budget documentation, and the powers and responsibilities of the executive and legislature in the budget process.

– Timeliness of Budget Documents: The legislature and the public are consistently given adequate time to scrutinize and approve the annual budget.

• **Policy orientation:** Fiscal forecasts and budgets should be presented in a way that facilitates policy analysis and accountability.

– Fiscal Policy Objectives: The government states and reports on clear and measurable objectives for the public finances.

– Performance Information: Budget documentation provides information regarding the objectives and results achieved under each major government policy area.

– Public Participation: The government provides citizens with an accessible summary of the implications of budget policies and an opportunity to participate in budget deliberations.

• **Credibility:** Economic and fiscal forecasts and budgets should be credible.

– Independent Evaluation: The government’s economic and fiscal forecasts and performance are subject to independent evaluation.

– Supplementary Budget: Any material changes to the approved budget are authorized by the legislature.

– Forecast Reconciliation: Budget documentation and any subsequent updates explain any material changes to the government’s previous fiscal forecasts, distinguishing the fiscal impact of new policy measures from the baseline.

- Fiscal risk analysis and management

The Governments should disclose, analyze, and manage risks to the public finances and ensure effective coordination of fiscal decision-making across the public sector.

• **Risk Disclosure and Analysis:** Governments should publish regular summary reports on risks to their fiscal prospects.

– Macroeconomic Risks: The government reports on how fiscal outcomes might differ from baseline forecasts as a result of different macroeconomic assumptions.

– Specific Fiscal Risks: The government provides a regular summary report on the main specific risks to its fiscal forecasts.

– Long-Term Fiscal Sustainability Analysis: The government regularly publishes projections of the evolution of the public finances over the long term.

• **Risk Management:** Specific risks to the public finances should be regularly monitored, disclosed, and managed.

- Budgetary Contingencies: The budget has adequate and transparent allocations for contingencies that arise during budget execution.
- Asset and Liability Management: Risks relating to major assets and liabilities are disclosed and managed.
- Guarantees: The government's guarantee exposure is regularly disclosed and authorized by law.
- Public Private Partnerships: Obligations under public-private partnerships are regularly disclosed and actively managed.
- Financial Sector Exposure: The government's potential fiscal exposure to the financial sector is analyzed, disclosed, and managed.
- Natural Resources: The government's interest in exhaustible natural resource assets and their exploitation is valued, disclosed, and managed.
- Environmental Risks: The potential fiscal exposure to natural disasters and other major environmental risks are analyzed, disclosed, and managed.
- **Fiscal Coordination:** Fiscal relations and performance across the public sector should be analyzed, disclosed, and coordinated.
- Sub-National Governments: Comprehensive information on the financial condition and performance of sub-national governments, individually and as a consolidated sector, are collected and published.
- Public Corporations: The government regularly publishes comprehensive information on the financial performance of public corporations, including any quasi-fiscal activity undertaken by them.

- Resource revenue management:

The newly completed FTC (Fiscal Transparency Code) integrates transparency principles for natural resource revenue management in a unified four-pillar framework. Pillar IV addresses issues specific to resource-rich countries across the entire resource revenue management chain, from the ownership and allocation of resource rights, to resource revenue mobilization, its budgeting and utilization. This structure complements Pillars I-III, which were published in 2014, focusing more generally on fiscal reporting, fiscal forecasting and budgeting, and fiscal risk analysis and management.

The pillar IV aims to reflect both established transparency practices in the extractive industries, and emerging norms such as the publication of resource payments and contracts, and the disclosure of beneficial owners of resource rights. (IMF, Fiscal Transparency Initiative: Integration of Natural Resource Management Issues, 2019, p. 01)

This element is based on the following axes:

- Resource ownership and rights
- Resource revenue mobilization
- Resource revenue utilization
- Resource activity disclosure

Mechanisms to enhance the transparency of the public budget:

For good financial transparency practices, the International Monetary Fund (IMF) has developed core themes within a single charter in 2007. These themes or mechanisms are: (IMF, Manual on Fiscal Transparency , 2007, pp. 04-07)

- Clarity of roles and responsibilities:

- The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed.
- There should be a clear and open legal, regulatory, and administrative framework for financial management.

- Open Budget Processes:

- Budget preparation should follow an established timetable and be guided by well-defined macroeconomic and financial policy objectives.
- There should be clear procedures for budget execution, monitoring, and reporting.

- Public Availability of Information:

- The public should be provided with comprehensive information on past, current, and projected financial activity and on major financial risks.
- Financial information should be presented in a way that facilitates policy analysis and promotes accountability.
- A commitment should be made to the timely publication of financial information.

- Assurances of Integrity:

- Financial data should meet accepted data quality standards.
- Financial activities should be subject to effective internal oversight and safeguards.
- Financial information should be externally scrutinized.

Overview of the Open Budget Index

In this theme, we will focus on the Open Budget Initiative and its main objectives. In addition to the transparency index as the main pillars of the open budget.

Definition of open budget:

The Open Budget Index is a global indicator that measures the transparency of the state budget and assesses the amount of information available to the public regarding the state budget. The open budget is based on the principles adopted by the International Budget Partnership. (IBP, Values Statement, 2019, p. 01)

The Open Budget Index assigns each country a score from 0 to 100 based on the simple average of the numerical value of each of the responses to the 109 questions in the questionnaire that assess the public availability of budget information.

A country's OBI score measures the extent to which it makes the eight key budget documents available to the public on the relevant government website in a timely manner and the comprehensiveness of publicly available budget information.

Objectives of the Open Budget Initiative:

The OBI was Adopted by more than 100 countries, the initiative seeks to achieve the following objectives: (IBP, 2011, p. 01)

- Assessments on transparency and budget sharing at the national and local levels of governments;

- Providing information on public finances by preparing manuals on budget transparency and publishing research studies on budget transparency and its impact;
- Establish alliances and support the adoption of international practices and standards in the preparation of a transparent and participatory public budget.

Open Budget Initiative Transparency Index:

The Open Budget Survey uses internationally accepted standards developed by several international organizations such as the International Monetary Fund, the Organization for Economic Cooperation and Development, the International Organization of Supreme Audit Institutions and the Global Financial Transparency Initiative. It is a research tool designed to easily evaluate observable phenomena.

For the Open Budget Index 2017, which is the latest indicator as it is issued every two years, it evaluated events, activities and developments until 31 December 2016, in order to clarify information regarding financial transparency, public participation and budgetary oversight of the various participating countries.

The Open Budget Survey uses 109 indicators to measure budget transparency, and these indicators are used to assess whether the central government has provided the public with key budget documents in a timely manner. And whether the data contained in those documents comprehensive and useful. Each country is awarded a score of 100. On that basis, the ranking is determined in the Open Budget Index.

Table (1): Ranking of the categories of countries according to the degree of transparency of the open budget index

BUDGET TRANSPARENCY IS SUFFICIENT		BUDGET TRANSPARENCY IS INSUFFICIENT		
Extensive Information Available (81-100)	Substantial Information Available (61-80)	Limited Information Available (41-60)	Minimal Information Available (21-40)	Scant or No Information Available (0-20)

Source: (IBP, 2017, p. 01)

The table shows the description of the state's performance with respect to the Open Budget Index. A country that achieves 0% to 20% means that it has not provided information on its budget. A country that achieves 21% to 40% means that it provides little information on its budget. A country that achieves 41% to 60% means that its government provides some information about its budget to citizens. A country that achieves 61% to 80% means it provides important information to citizens about its budget. A country that achieves 81% to 100% means that the government provides sufficient and substantial information regarding its public finances, a strong indicator of its open budget.

The Open Budget Index survey is based on a range of scores associated with points for public budget documents. These scores are calculated based on survey questions that measure the availability of these documents and information to the public.

The open budget questionnaire usually covers the method by which the budget is distributed. And it is composed of five sections: (IBP, Guide to the Open Budget Questionnaire, 2016, p. 06)

- The first section: Public Availability of Key Budget Documents;
- The second section: Comprehensiveness of the Executive’s Budget Proposal;
- The third section: Comprehensiveness of Other Key Budget Documents;
- The fourth section: Role and Effectiveness of the Oversight Institutions in the Budget Process;
- The fifth section: Public Engagement in the Budget Process.

The following table shows the main documents of the public budget on which the open budget index is calculated.

Table (02) Main Budget Documents for the Open Budget Index

N°	Budget Document	Release Deadlines for “Publicly Available” Documents
01	Pre-Budget Statement	Must be released at least one month before the Executive’s Budget Proposal is submitted to the legislature for consideration
02	Executive’s Budget Proposal and Supporting Documents for the Executive’s Budget Proposal	Must be publicly released while the legislature is still considering it and before it is approved. In no case would a proposal released after the legislature has approved it be considered “publicly available.”
03	Enacted Budget	Must be released no later than three months after the budget is approved by the legislature.
04	Citizens Budget	Must be released within the same timeframe as the underlying Executive’s Budget Proposal or Enacted Budget. For example, a Citizens Budget for the Executive’s Budget Proposal must be released while the legislature is still considering the Executive’s Budget Proposal and before it is approved.
05	In-Year Reports	Must be released no later than three months after the reporting period ends.
06	Mid-Year Review	Must be released no later than three months after the reporting period ends
07	Year-End Report	Must be released no later than 12 months after the end of the financial year (the reporting period).
08	Audit Report	Must be released no later than 18 months after the end of the financial year (the reporting period).

Source: (IBP, Open Budget Survey 2017 Methodology, 2017, p. 02)

N.B: The Open Budget Survey considers a document to be “publicly available” if it is published on the relevant government website within the given timeframe and is available free of charge.

The number of questions raised in the Open Budget Survey reached 149 in 2017, up from 125 at the start of the index in 2006.

Evaluation of the Open Budget Index 2017 in Algeria

The Open Budget Survey uses 109 indicators to measure budget transparency. These indicators are used to evaluate whether the government makes key budget documents available to the public, online and in a timely manner, and whether the data and information contained in these documents are comprehensive and significant. Each country is then given a certain score of 100.

As many countries, Algeria has experienced a marked decline in financial transparency. The open budget survey over the past years showed that Algeria did not exceed 20 degrees, which means that budget documents do not appear to citizens, which is contrary to the principle of financial transparency. It also reflects the weakness of legislation and mechanisms of control and the lack of opportunities for citizen participation. This may contribute to the lack of effectiveness in public funds management.

Table (03): OBI scores from 2006 to 2017

(Degree /100)

Country	OBI 2006	OBI 2008	OBI 2010	OBI 2012	OBI 2015	OBI 2017
Algeria	28	02	01	13	19	03

Source: (IBP, Open Budget Survey 2017, 2018, p. 54)

Algeria scored the highest in 2006 with 28. However, the index fell to one degree in 2010, which indicates the absence of budgetary information and not making it available to citizens. Despite the improvement in the Open Budget Index in 2015 by 19 degrees, it declined again in 2017 to reach only 03 degrees. This score is very low compared to the global average score of 43 degrees, which indicates the absence of the right orientation towards financial transparency. Since 2015, Algeria has reduced the availability of budget information by producing the budget proposal to the executive for internal use only, as well as not producing periodic reports.

Budget transparency and public participation in the budget process and oversight institutions:

The participation of citizens in the public budget, whether through access to budget documents or making their proposals to reflect their needs is an important element in the transparency of the public budget. This participation is among the elements adopted in the classification of countries in terms of financial transparency.

The results of the open budget index regarding participation and oversight are as follows:

Table (4): Open Budget Survey in Algeria 2017

(Degree/100)

Country	Transparency Open Budget Index	Public Participation	Budget Oversight			Independent Financial Institution (Yes or No)
			By Legislature and Supreme Audit Institution	By Legislature	The Supreme Audit Institution	
Algeria	03	0	31	42	11	No

Source: (IBP, Open Budget Survey 2017, 2018, p. 56)

The table shows the absence of public participation in budget preparation. In Algeria, the budget is prepared according to annual estimates, which are based largely on the estimates of the previous year. Public participation in budgets is essential for better management and positive results regarding increased budget transparency.

According to the same table, we find that the control system scores poorly. The verification and internal audit system relies on a certain number of supervisory entities: financial controllers, government accounting officers, in-house auditors, and inspectorates of specific services in the government's financial departments.

Parliamentary censorship in Algeria is a formality by asking oral and written questions to government representatives. The oversight of the Accounting Board does not carry criminal penalties. It limited to issuing annual reports only. The legislature also provides limited oversight during the budget cycle. Legislative oversight scores 62 degrees during the voting and ratification phase and 13 degrees during the implementation phase. This means that the legislature provides adequate supervision during the planning phase of the budget cycle and weak control during the implementation of the budget cycle.

The external auditors are guaranteed independence, but their findings are no longer published. This is why the audit capacity needs to be strengthened.

It can be said that the independent evaluation of financial projections is hampered by the weakness of the data furnished by the different administration.

Publish budget documents to the public:

Making public budget documents available is one of the most important elements of the Open Budget Index and financial transparency in general

Table (05): Open Budget Survey in Algeria (2006-2017)

Documents	Pre-Budget Statement	Executive's Budget Proposal	Enacted Budget	In-Year Reports	Mid-Year Review	Year-End Report	Audit Report	Citizens Budget
2006	●	●	●	●	●	●	●	●
2008	●	●	●	●	●	●	●	●
2010	●	●	●	●	●	●	●	●
2012	●	●	●	●	●	●	●	●
2015	●	●	●	●	●	●	●	●
2017	●	●	●	●	●	●	●	●

Source: (IBP, Open Budget Survey 2017 (SUMMARY), 2018, p. 01)

- Available to the public
- Published Late or Not Published Online or Produced for Internal Use Only
- Not produced.

We note from the previous table that the degrees of availability of budget documents specified in the table varied from one document to another and from year to year. The preliminary statement of the budget has not been published to the public, but is available for internal use, (the government as well as the parliament) for review and discussion. We note that the national budget in common with the budget review law which brings the financial year to a close, must be adopted by both houses of Parliament: the National People's Assembly and the National Council. It is known that this statement shows the main axes of the general policy of the State and specifies estimates and future expectations regarding public expenditure and revenues as well as various economic indicators. And the statements of contingent liabilities are not included in the budget documents presented to Parliament.

Nevertheless, internal government documents on the external public debt include guarantees and identify them separately. Also, the information on gross public debt is partially published, on an annual basis and for a limited audience. Information on financial assets is not published. As for the budget proposed by the government, although it was available according to the 2012 and 2015 index, the 2017 index showed that it was an internal document only. It is a document that shows the sources of revenue and the allocation of appropriations in some detail and the state's financial position. The approved budget is available to all as it is published in the official journal after its approval.

As for the citizens' budget, it was not issued according to the indicators of different years. The various reports are not published to the public, but they are subject to internal use. Recently, however, the publication of the report of the Accounting Council regarding the reconciliation of the 2016 budget has been recorded. It is one of the reports that are supposed to be published in the Official Journal.

Conclusion

The budgetary governance is an important mechanism to avoid many public finances risks. It is based on: transparency, participation and accountability, and effective oversight. Some of the most important results are:

- The budget documents cover most central government financial activities, except for the special Treasury accounts, but do not provide information on fiscal activities for the whole of general government in Algeria;
- The financial rules adopted in Algeria are not spelled out and the information provided in the annual budget law is limited and not widely disseminated;
- The timely public reports on financial developments help to ensure that financial projections are based on an understanding of the latest financial situation to avoid potential risks;
- Financial transparency benefits citizens by giving them the information they need to hold their governments accountable.

Despite Algeria's financial reforms, these reforms have not largely resonated with the fundamental principles of governance. So, we take the following observations:

- Mechanisms for the coordination and management of budgeted and extra budgetary activities are not sufficiently well defined or observed;
- No commitment of the Algerian government to the principles of public finance governance;
- The decline in the transparency index of the public budget in Algeria;
- The reporting of data to Parliament and to the general public is largely inadequate;
- Weakness in oversight of governance in Algeria, leading to widespread administrative and financial corruption. The accounting system would allow for the preparation of reports on the fiscal and financial execution of government operations, based on current classifications, but these statements are not disclosed in most cases. Also, the National Audit Court has great difficulty doing what it is supposed to do. It

has thousands of government accounts to oversee (each public institution is involved) and it lacks the wherewithal for such a task;

- Absence of good governance laws in Algeria.

Recommendations:

In order to improve the Algeria's Open Budget Index and to bring about swift improvement in financial transparency, we suggest adopting these recommendations from the Open Budget Survey for a group of countries:

- Contemplate urgent measures, aimed at increasing communication among the different stakeholders in execution of government financial operations;
- Disseminating data among the public and civil society;
- Publication of the pre-budget prepared by the Government;
- Publication of periodic, semi-annual and annual reports on the implementation of the public budget. In this context, the budget execution data should be published and posted on the website of the Ministry of Finance each month;
- The participation of citizens to exchange views on matters of the public budget and in decision-making;
- Ensure that the budget is examined by the legislature and that periodic reports on budget implementation are published;
- Giving wide powers to parliamentarians to submit budget proposals before their approval and regarding to the budget documents presented to Parliament it must be revised, with a view to making the data easier to understand;
- Strengthening the relationship between the oversight institutions and the judicial authorities in the field of reporting on the commitment to financial transparency in the implementation of the public budget.

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