BUDGET PROCESS AND TRANSPARENCY: ALGERIA

Zine M. Barka
Professor of Public Finance
University of Tlemcen
• The annual budget is one of the most important legal documents of a country

• And its adoption is one of the most significant functions of the state.

• The budget is a financial plan prepared to estimate the revenue and expenditures required to achieve a large number of programs.

• It serves as an important management tool

• The budget also provides an important tool for the control and evaluation of resources.
Finally, the budget is evaluated, after the close of the year, for its effectiveness in attaining goals and objectives.

Evaluation typically involves an examination of how funds were expended, what outcomes resulted from the expenditure of these funds, and to what degree the outcomes achieved the objectives stated during the planning phase.

This evaluation phase is important in determining the following year's budgetary allocations.
THE 4 STAGES OF THE BUDGET PROCESS

1. Budget Formulation:
The executive formulates the draft budget.

2. Budget Approval:
The legislature reviews and amends the budget – and then enacts it into law.

3. Budget Execution:
The executive collects revenue and spends money as per the allocations made in the budget law.

4. Budget Oversight:
The budget accounts are audited and audit findings are reviewed by the legislature, which requires action to be taken by the executive to correct audit findings.

Key Budget Documents:
- Audit reports;
- Legislative Audit Committee reports;
- Executive's budget proposal;
- Supporting budget reports;
- In-year reports;
- Mid-year report;
- Year-end reports;
- Supplementary budgets;
- Budget law;
- Reports of legislative budget committees.
• Modeling of the economy (macroeconomic forecast: GDP, growth, inflation, deficit, unemployment, etc.)
  • Estimation of revenue (tax & non-tax, grants & loans, etc.)
  • Determining expenditure ceilings for ministries
  • Release of the Pre-Budget Statement (parameters of upcoming budget proposal – budget priorities & policies)
  • Formulation & negotiation of ministry expenditure budgets
  • Cabinet approval.
STEPS IN THE APPROVAL STAGE

• Budget tabled in national & state legislatures by Minister of Finance
  • Committees review and scrutinize budget & revenue proposals and report to the full legislature
  • Amendments made (in countries where legislatures have amendment power)
  • Budget voted into law by legislature
STEPS IN THE BUDGET EXECUTION STAGE

• Funds transferred to spending agencies, e.g., the Ministry of Health
  • Delivery of goods and services as per budget
  • Ministries produce in-year reports on spending of allocated funds
  • Ministries produce year-end reports on spending of allocated funds
STEPS IN OVERSIGHT STAGE

• Year-end reports submitted to the Supreme Audit Institution (SAI)
  • SAI conducts audits of spending agencies
  • SAI prepares audit reports and submits reports to legislature
  • National legislatures submit reports to the Public Accounts Committee (PAC)
    • PAC makes recommendations to the full legislature about the SAI’s findings
IMPORTANT DOCUMENTS FOR BUDGET MONITORING

• **Enacted Budget (law):** reflects what government is legally obliged to spend its funds on during budget year

• **In-Year Reports:** produced on monthly, quarterly, or mid-year basis; compare actual spending with approved budget

• **Supplementary Budgets:** allows government to revise original budget due to unexpected circumstances; important to monitor how these are used

• **Year-End Reports:** consolidates information on actual expenses, and revenue collection and debts
THE OVERSIGHT PROCESS

Year-end accounts are prepared by each agency and submitted to the Supreme Audit Institution (SAI) for audit

SAI staff perform audits on the accounting records of executive agencies

Based on the findings of the audits, the SAI issues an audit opinion to the audited agency and submits its report to the Legislative Committee responsible for oversight

The Legislature adopts a resolution(s) requiring corrective action from audited agencies

The Legislative Committee submits its recommendations to the full legislature regarding corrective action to be taken by executive agencies

The Legislative Committee convenes hearings to discuss audit report findings
OPEN BUDGET SURVEY 2017

ALGERIA

TRANSPARENCY

3 OUT OF 100

OPEN BUDGET INDEX

Algeria provides the public with scant budget information.

PUBLIC PARTICIPATION

0 OUT OF 100

Algeria provides the public with no opportunities to engage in the budget process.

BUDGET OVERSIGHT

31 OUT OF 100

BY LEGISLATURE & AUDIT

The legislature and supreme audit institution in Algeria provide weak oversight of the budget.
Key Budget Documents

**Pre-Budget Statement**: discloses the broad parameters of fiscal policies in advance of the Executive's Budget Proposal; outlines the government's economic forecast, anticipated revenue, expenditures, and debt.

**Executive’s Budget Proposal**: submitted by the executive to the legislature for approval; details the sources of revenue, the allocations to ministries, proposed policy changes, and other information important for understanding the country’s fiscal situation.

**Enacted Budget**: the budget that has been approved by the legislature.

**Citizens Budget**: a simpler and less technical version of the government's Executive's Budget Proposal or Enacted Budget, designed to convey key information to the public.
**In-Year Reports:** include information on actual revenues collected, actual expenditures made, and debt incurred at different intervals; issued quarterly or monthly.

**Mid-Year Review:** contains a comprehensive update on the implementation of the budget as of the middle of the fiscal year; includes a review of economic assumptions and an updated forecast of budget outcomes.

**Year-End Report:** describes the situation of the government's accounts at the end of the fiscal year and, ideally, an evaluation of the progress made toward achieving the budget's policy goals.

**Audit Report:** Issued by the supreme audit institution, this document examines the soundness and completeness of the government's year-end accounts.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Budget Statement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive’s Budget Proposal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enacted Budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens Budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In-Year Reports</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-Year Review</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year-End Report</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit Report</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Available to the Public
- Not Produced
- Published Late, or Not Published Online, or Produced for Internal Use Only
How has the OBI score for Algeria changed over time?

<table>
<thead>
<tr>
<th>Year</th>
<th>Extensive</th>
<th>Substantial</th>
<th>Limited</th>
<th>Minimal</th>
<th>Scant or None</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>2010</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>2012</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td>19</td>
</tr>
<tr>
<td>2015</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>2017</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>
How does budget transparency in Algeria compare to others?

Algeria’s score of 3 out of 100 is substantially lower than the global average score of 42.