



How Public Money Can Be Efficiently Managed in the Maghreb Countries

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ABSTRACT

Through budgets governments allocate resources to provide goods and services needed for the citizen of the country. These are the output of the economy and are usually measured by the Gross Domestic Product which is an indicator of the wealth of the country. It is crucial for a government to mobilize the maximum local resources to allocate them into productive activities which in turn will help the economy to grow and provide jobs and services for the population. Public money well spent can enhance development and make the population better off. Hence, the importance to look closely at the budget how it allocates public money and how it mobilizes resources through taxation. The budget is the most important document produced by the Executive which shows the socio-economic priorities set for the next fiscal year and sometimes beyond (medium term).

The main objective of the paper is to look at the budget document with a special focus on the three Maghreb countries namely: Algeria, Morocco and Tunisia. We will ask some questions about how is perceived the budget process. Are budgets transparent? Are citizens given a chance to participate in the budget process? Does the Executive provide enough information and data to citizens and also to Parliament to discuss the project? and finally does the Audit court produce and publish an audit review of the budget. These questions are very important to address the issue of managing money and rationalizing public spending particularly.

The first part of the paper will look at some important considerations on how public money can be efficiently managed in order to increase budget transparency and comply with international standards on public money management. The second part considers the good practices agreed internationally on budget transparency and the third part of the paper presents the results of an international survey which assesses budget transparency as a tool of good public governance of the budget in Algeria, Morocco and Tunisia. A conclusion will be offered at the end.

Keywords: good budgeting, budget transparency, accountability, public participation, budget oversight, budget documents, Audit report, budget process, Maghreb countries.

المخلص

من خلال الميزانيات تخصص الحكومات الموارد اللازمة لتوفير السلع والخدمات اللازمة للمواطن في البلد. وهذه هي ناتج الاقتصاد وعادة ما تقاس من الناتج المحلي الإجمالي الذي هو مؤشر على ثروة البلد. ومن الأهمية بمكان أن تقوم الحكومة بتعبئة أقصى قدر من الموارد المحلية لتخصيصها في أنشطة إنتاجية تساعد بدورها الاقتصاد على النمو وتوفير فرص العمل والخدمات للسكان. ويمكن أن يؤدي إنفاق الأموال العامة بشكل جيد إلى تعزيز التنمية وجعل السكان أفضل حالاً. ومن ثم، فإن أهمية النظر عن كثب في الميزانية كيف تخصص الأموال العامة وكيف تحشد الموارد من خلال الضرائب. والميزانية هي أهم وثيقة تصدرها السلطة التنفيذية والتي تبين الأولويات الاجتماعية والاقتصادية المحددة للسنة المالية المقبلة وأحياناً بعدها (الأجل المتوسط).

والهدف الرئيسي للورقة هو النظر في وثيقة الميزانية مع التركيز بشكل خاص على البلدان المغاربية الثلاثة وهي: تونس والجزائر والمغرب. سنطرح بعض الأسئلة حول كيفية النظر إلى عملية الميزانية. هل الميزانيات شفافة؟ هل يمنح المواطنون فرصة للمشاركة في عملية الموازنة؟ هل تقدم السلطة التنفيذية معلومات وبيانات كافية للمواطنين وأيضاً للبرلمان لمناقشة المشروع؟ وأخيراً لا محكمة التدقيق إنتاج ونشر مراجعة مراجعة الميزانية. هذه الأسئلة مهمة جداً لمعالجة مسألة إدارة الأموال وترشيد الإنفاق العام بشكل خاص

وسينظر الجزء الأول من الورقة في بعض الاعتبارات الهامة بشأن كيفية إدارة الأموال العامة بكفاءة من أجل زيادة شفافية الميزانية والامتثال للمعايير الدولية المتعلقة بإدارة الأموال العامة. أما الجزء الثاني فينظر إلى الممارسات الجيدة المتفق عليها دولياً بشأن شفافية الميزانية، ويقدم الجزء الثالث من الورقة نتائج دراسة استقصائية دولية تعتبر شفافية الميزانية أداة للإدارة العامة الجيدة للميزانية في الجزائر والمغرب وتونس. وسيتم تقديم استنتاج في نهاية المطاف الكلمات المفتاحية: الموازنة الجيدة، شفافية الميزانية، المساءلة، المشاركة العامة، الرقابة على الميزانية، تقرير التدقيق، عملية الميزانية.



Introduction

It is the most important function of the budget to allocate resources in the economy to produce goods and services needed for the population. But not only, the main target of the budget is to stimulate the economy with more investment, fighting poverty among other features which are set usually in the medium – term plan. To reach this goal, the budgetary process, according to the international recommendations set by the International Monetary Fund and the Organization for Economic Co-operation and Development, should follow strictly a methodology based on transparency, accountability and budget discipline.

I. The Core Elements of an Efficient Policy in Spending Public Money

A public budget in particular, is a forecast of governmental expenditures and revenues for the ensuing fiscal year which reflects the policy of the government towards the economy (Hogye, 2002). It is considered as the most important document produced by the government in any fiscal year. Therefore, it is very important for good management of the economy to have some rules and guidance when it comes to budgeting for any fiscal year.

Allen (2004) defines good budgeting in terms of the following criteria:

- The budget should establish a stable, sustainable fiscal position for the medium term and beyond.
- The budget should facilitate the shift of resources to more effective, higher priority uses.
- The budget should encourage spending units to operate efficiently.
- The budget should be accessible to citizens and responsive to their interests.
- The budget (in tandem with other financial management practices) should assure accountability in the expenditure of public money. (Allen, 2004:94)

Good budgeting is also based on some other aspects such as: the highest standard of financial control, independent audit and greater focus on delivery of outcomes based on programme design and evaluation.

If we summarize the features for good budgeting, we can mention the following characteristics: efficiency, effectiveness, integrity, discipline, accessibility or transparency and accountability. These aspects will be explained briefly below.

I.1. Budget Efficiency: Efficiency in the management of resources connotes the extent to which inputs are minimised and outputs maximised (Ulrike, Adriaan and Fabienne. 2008). According to this thinking, efficiency is fundamentally the difference between inputs and outputs.

I.2. Budget Effectiveness: Effectiveness is simply the extent to which objectives are achieved (Weilhrich & Koontz, 2003).

I.3. Discipline. A budget deficit for instance (especially unplanned deficit) is a manifestation of budget indiscipline, and have been found to have a strong positive association with corruption (Kaufman, 2010). This implies that the more disciplined a nation is the less the tendencies to be corrupt. In other words, budget discipline in one of the antidote of corruption.

I.4. Transparency. According to IMF Fiscal Transparency Code 1998, transparency has four general principles namely; Clarity of Roles and Responsibilities; Public Availability of Information; Open Budget Preparation, Execution and Reporting and Independent Assurances of Integrity.

I.5. Accountability in Budgeting. It means the budget holder gives a vivid account of how budgetary allocation were utilised. That means actual spending must be tracked and compared with the budget and goods and services purchased must be in line with spending plans.



This requires sound institutions governing the allocation of funds, budget execution system that operate within the rule of law, accounting systems that have integrity and audit systems that provide assurance on the quality of financial information and systems (Folscher, 2010).

II. The Open Budget and Good Fiscal Management

This part relies mainly on the concepts implemented by the Open Budget Survey in its ranking on fiscal transparency. There a number of documents which should be produced by the Executive and particularly by the Ministry of Finance for a country to be seen as transparent when it comes to budget management (Open Budget Survey).

II.1. The Key Documents:

Some key budget documents should be made available to the public, according to international good practice. These documents are: Pre-Budget Statement, Executive's Budget Proposal (EBP) and Supporting EBP Documents, Citizens Budget, Enacted Budget, In-Year Reports, Mid-Year Review, Year-End Report, and Audit Report.

1. Pre-Budget Statement (PBS)

The PBS presents the executive's economic and fiscal policy plans for the forthcoming budget year. Its purpose is to encourage debates on the budget ahead of the presentation of the more detailed Executive's Budget Proposal. The Pre-Budget Statement reflects the policy goals of the Executive with the resources available under the budget's fiscal framework — the total amount of expenditure, revenue, and debt for the upcoming budget year. This process establishes the parameters of the budget proposal before detailed program funding decisions are made. Best practice recommends that the Pre-Budget Statement include: macroeconomic forecasts upon which the budget will be based; major revenue and expenditure policies and priorities that will guide the development of detailed estimates for the upcoming budget; and multi-year revenue and expenditure projections.

2. Executive's Budget Proposal (EBP) and its Supporting Documents

The Executive's Budget Proposal document includes detailed revenue, expenditure, and debt estimates; macroeconomic assumptions, historical and multi-year budget data; and public policy information. The EBP is one of the most important policy documents that a country issues each year, for it is through the budget that governments translate many of their key policy goals into action. It is important that the Executive's Budget Proposal is transparent because its proposals determine revenues (how much citizens pay in taxes), expenditures (how government resources are distributed among citizens), and debt (how much of the cost of government is borne by current or future generations). To allow for an informed public and legislative discussion on the budget, best practice calls for the executive to provide a full explanation of its taxation, spending, and borrowing plans well in advance of its enactment.

3. Enacted Budget (EB)

The Enacted Budget is a document (a budget or appropriation) that is typically approved by the legislature, after debating the executive's proposed budget. The Enacted Budget provides the baseline information for any analyses conducted during the fiscal year. In other words, it is the starting point for monitoring the execution phase of the budget. The Enacted Budget grows in importance when it differs significantly from the budget proposal. The Enacted Budget allows one to compare what was proposed by the executive to what the legislature enacted into law.

4. Citizens Budget (CB)

A Citizens Budget is a nontechnical presentation of an Executive's Budget Proposal or an Enacted Budget. It can take many forms, but its distinguishing feature is that it is designed to reach and be understood by as large a segment of the population as possible. It is designed to present key public finance information to a general audience. It is typically written in accessible language and incorporates visual elements to help non-specialist readers understand the



information. While each key document in the budget cycle can and should be presented in a way that the public can understand, a Citizens Budget refers specifically to a citizens version of the Executive Budget Proposal and the Enacted Budget.

5. In-Year Report (IYRs)

In-Year Reports are issued during the year as the budget is being executed. They are intended to show the executive's progress in implementing the budget. They typically show actual expenditure by administrative unit (ministries), to ensure that they are held accountable for their expenditure.

6. Mid-Year Review (MYR)

The Mid-Year Review provides a detailed explanation of the state of the budget six months into the budget year.

In order to ensure that programs are being implemented effectively and to identify any emerging problems, the government should conduct a comprehensive mid-year review of the budget's implementation about six months into the budget year. This review should assess the state of the economy relative to the initial macroeconomic forecast and update the economic projections for the remainder of the year. The MYR should also provide updated estimates of expenditure, revenue, and debt, reflecting the impact of actual experience to date and revised projections for the full fiscal year. Revised estimates in the MYR should reflect both economic and technical changes as well as new policy proposals, including the reallocation of funds between administrative units, with a comprehensive explanation of any estimate adjustments. Issues such as cost increases due to inflation or any unexpected events should be identified and appropriate counter measures should be proposed. The public release of a Mid-Year Review is intended to promote accountability and sound management.

7. Year-End Report (YER)

This is a key accountability document produced by the executive after the end of the fiscal year that reports extensively on the government's financial activities and its performance on implementing the budget during the entire fiscal year. In many countries, the executive issues one Year-End Report that consolidates information on revenue collections, debt, and expenditures for administrative units.

8. Audit Report (AR)

At the end of each fiscal year, a country's Supreme Audit Institution (SAI) performs an annual audit of the final accounts. The Audit Report is a document produced by the SAI as a result of its audit activities, and evaluates the completeness and accuracy of the information included in final accounts, and the adherence of the government's financial management and accounting to existing laws and procedures. The SAI plays a vital role in holding the executive accountable to the legislature and the public. In its oversight role of the executive's stewardship of public funds, the SAI in many countries performs **financial**, **compliance**, and/or **performance** audits. The Lima Declaration of Guidelines on Auditing Precepts (Chapter VI, Section 16 (1)) (<http://www.internationalbudget.org/wp-content/uploads/LimaDeclaration.pdf>) makes it clear that the auditor's annual report should be published and made available to the public. According to OECD best practices, the SAI should complete these audits within six months of the end of the budget year for the ministries.

III. The Results of the Open Budget Survey for the Maghreb Countries in 2019

We start with Algeria and move to Tunisia before finishing with Morocco.

The OBS measures public access to information on how the central government raises and spends public resources. It assesses the online availability, timeliness, and comprehensiveness of eight key budget documents using 109 equally weighted indicators and scores each country



on a scale of 0 to 100. A transparency score of 61 or above indicates a country is likely publishing enough material to support informed public debate on the budget.

Algeria

Overview



Transparency:

2 /100

(Open Budget Index score)



Public Participation:

0 /100



Budget Oversight:

35 /100

Overview



Transparency:

35 /100

(Open Budget Index score)



Public Participation:

17 /100



Budget Oversight:

45 /100

Morocco

Overview



Transparency:

43 /100

(Open Budget Index score)



Public Participation:

6 /100



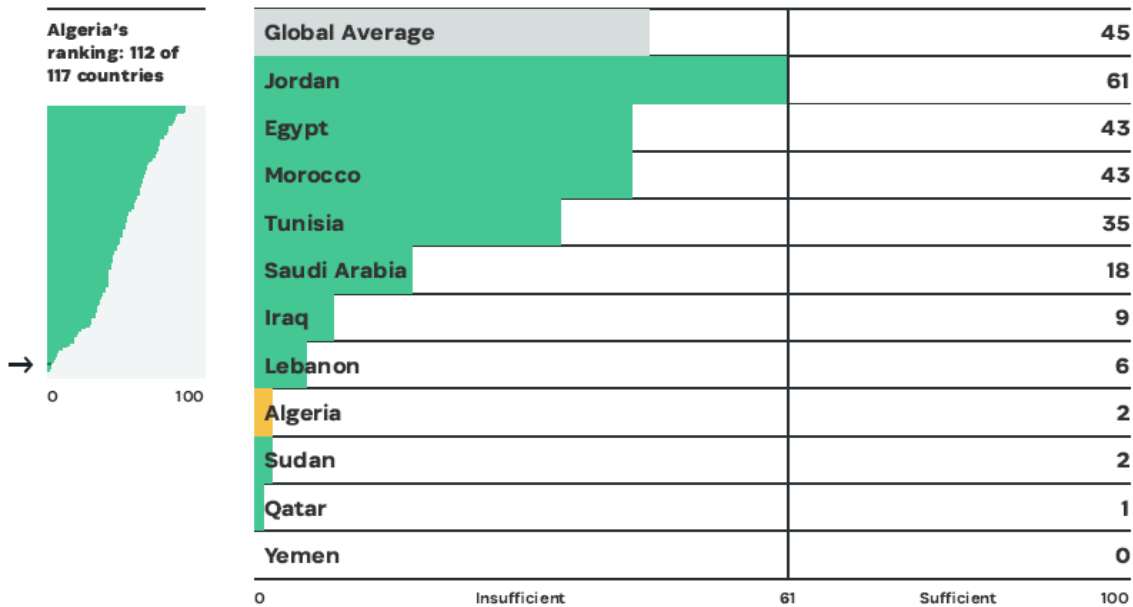
Budget Oversight:

44 /100

Tunisia

III.1. Transparency in Algeria – 2019: A transparency score of 2 (out of 100).

Transparency in Algeria compared to others



Source: OBS, 2019, <https://www.internationalbudget.org/sites/default/files/country-surveys-pdfs/2019/open-budget-survey-algeria-2019-en.pdf>



How comprehensive is the content of the key budget documents that Algeria makes available to the public?

Key budget document	Document purpose and contents	Fiscal year assessed	Document content score
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.	2019	Not Produced
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.	2019	Internal Use
Enacted Budget	The budget that has been approved by the legislature.	2019	39
Citizens Budget	A simpler and less technical version of the government's Executive's Budget Proposal or the Enacted Budget, designed to convey key information to the public.	2019	Not Produced
In-Year Reports	Include information on actual revenues collected, actual expenditures made, and debt incurred at different intervals; issued quarterly or monthly.	2017 & 2018	Internal Use
Mid-Year Review	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.	2018	Internal Use
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.	2017	Not Produced
Audit Report	Issued by the supreme audit institution, this document examines the soundness and completeness of the government's year-end accounts.	2016	Internal Use

Source: OBS, 2019, <https://www.internationalbudget.org/sites/default/files/country-surveys-pdfs/2019/open-budget-survey-algeria-2019-en.pdf>



Legislative oversight



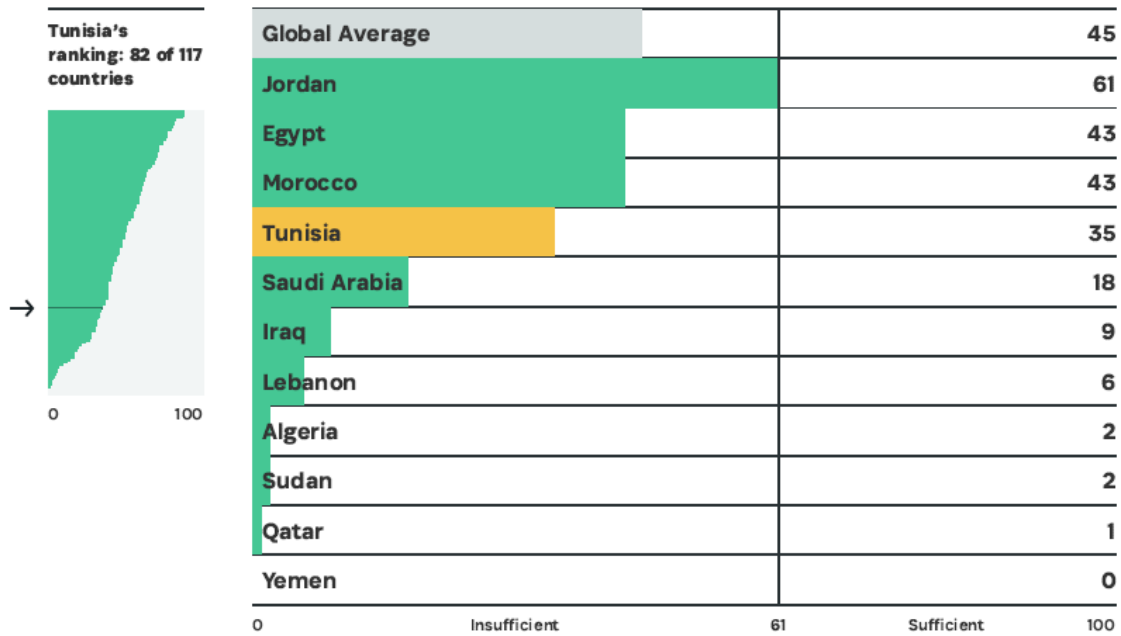
Audit oversight



weak: 0 - 40; limited: 41 - 60; adequate: 61 - 100

III.2. Budget Transparency in Tunisia: A score of 35 (out of 100)

Transparency in Tunisia compared to others



Source: OBS, 2019, <https://www.internationalbudget.org/sites/default/files/country-surveys-pdfs/2019/open-budget-survey-tunisia-2019-en.pdf>



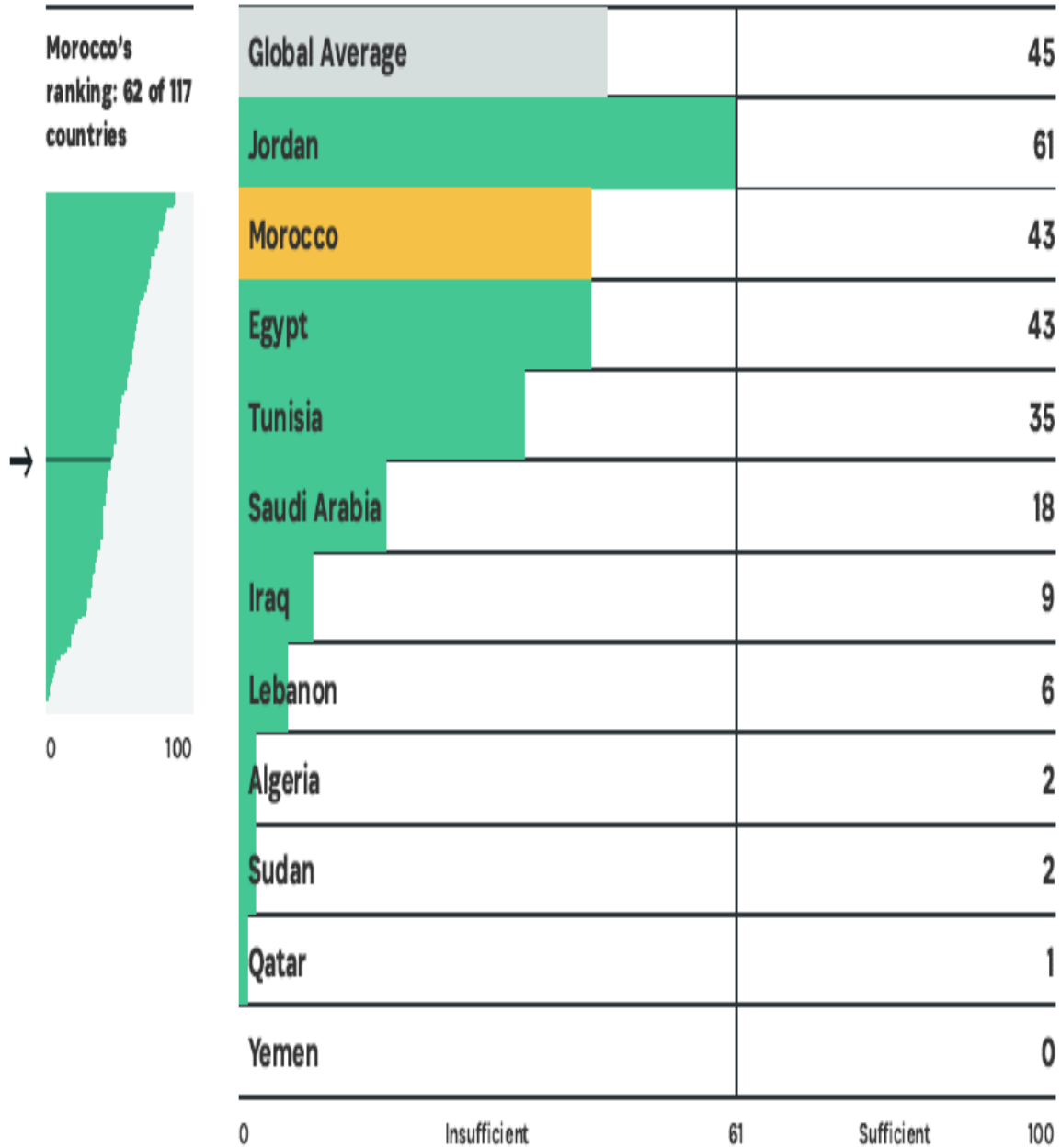
How comprehensive is the content of the key budget documents that Tunisia makes available to the public?

Key budget document	Document purpose and contents	Fiscal year assessed	Document content score
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.	2019	Not Produced
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.	2019	39
Enacted Budget	The budget that has been approved by the legislature.	2018	72
Citizens Budget	A simpler and less technical version of the government's Executive's Budget Proposal or the Enacted Budget, designed to convey key information to the public.	2018	42
In-Year Reports	Include information on actual revenues collected, actual expenditures made, and debt incurred at different intervals; issued quarterly or monthly.	2018	67
Mid-Year Review	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.	2018	Not Produced
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.	2017	36
Audit Report	Issued by the supreme audit institution, this document examines the soundness and completeness of the government's year-end accounts.	2016	Published Late

source: OBS, 2019, <https://www.internationalbudget.org/sites/default/files/country-surveys-pdfs/2019/open-budget-survey-tunisia-2019-en.pdf>



Transparency in Morocco compared to others



Source: OBS, 2019, <https://www.internationalbudget.org/sites/default/files/country-surveys-pdfs/2019/open-budget-survey-morocco-2019-en.pdf>

How comprehensive is the content of the key budget documents that Morocco makes available to the public?



Key budget document	Document purpose and contents	Fiscal year assessed	Document content score
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.	2019	Published Late
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.	2019	49
Enacted Budget	The budget that has been approved by the legislature.	2019	95
Citizens Budget	A simpler and less technical version of the government's Executive's Budget Proposal or the Enacted Budget, designed to convey key information to the public.	2019	84
In-Year Reports	Include information on actual revenues collected, actual expenditures made, and debt incurred at different intervals; issued quarterly or monthly.	2018	74
Mid-Year Review	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.	2018	Not Produced
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.	2017	Internal Use
Audit Report	Issued by the supreme audit institution, this document examines the soundness and completeness of the government's year-end accounts.	2017	67

Source: OBS, 2019, <https://www.internationalbudget.org/sites/default/files/country-surveys-pdfs/2019/open-budget-survey-morocco-2019-en.pdf>

Public Participation

Morocco has a public participation score of 6 (out of 100)



From the results of the International Budget Survey carried out in 2019 we conclude that in all the three Maghreb countries budget transparency varies significantly from one country to the other. In Algeria, it is very low and lot of efforts need to be made to reach the average standard of 61 or above which is the threshold of a country likely publishing enough material to support informed public debate on the budget. Tunisia comes second after Algeria with a score of 35 out of 100. The same can be said about this country as well.

And lastly, Morocco is ranked as the leader in the Maghreb countries with a score of 43 out of 100 still below average of 61 out of 100 set on the survey.

The three countries share the same main remark which is important in terms of adopting the good practices on budget transparency: public participation and budget oversight are low which is an indication of the secrecy surrounding the management of the public money.

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