

IMPLEMENTING FISCAL RULES TO ACHIEVE FISCAL DISCIPLINE IN ALGERIA DURING THE PERIOD 1999-2019

Guefaifia Nadjette¹, Hadjer Benattou²

¹University of Tebessa (Algeria), Environmental Studies and Sustainable Development Laboratory, nadjette.guefaifia@univ-tebessa.dz

²University of Tipaza (Algeria), benattou.hadjer@cu-tipaza.dz

Received: 02/2024, Published: 03/2024

Abstract:

In the context of talking about financing the public treasury deficit and the difficulties it faces in finding sources of financing, thinking is focused on how to avoid falling into deficit by limiting irrational spending by following strict rules, urged by governments' financial legislation, which is what the concept of fiscal discipline devotes by following fiscal rules.

This study aims to address the application of fiscal discipline in Algeria through fiscal rules. The research concluded that the term fiscal rules in Algerian financial legislation was not used. However, it was used a number of times by implication. But fiscal discipline was not achieved either through fiscal measures or by following unfinished fiscal rules.

keyword: fiscal discipline; Fiscal rules; fiscal policy.

تطبيق القواعد المالية لتحقيق الانضباط المالي في الجزائر خلال الفترة 1999-2019

ملخص:

في إطار الحديث عن تمويل عجز الخزينة العمومية وما يواجهه من صعوبات في إيجاد مصادر تمويل، ينصرف التفكير إلى كيفية تجنب الوقوع في العجز عن طريق الحد من الانفاق غير العقلاني وذلك باتباع قواعد صارمة، تحث عليها التشريعات المالية للحكومات وهو ما يقود إليه مفهوم الانضباط المالي عن طريق اتباع القواعد المالية.

وتهدف هذه الدراسة إلى التطرق إلى مدى تطبيق الانضباط المالي في الجزائر عن طريق القواعد المالية. وخلص البحث إلى أن القواعد المالية في التشريعات المالية الجزائرية استخدمت عددا من المرات ضمنا. لكن الانضباط المالي لم يتحقق سواء عن طريق الاجراءات الجبائية أو عن طريق اتباع قواعد مالية غير مكتملة الأركان.

الكلمات المفتاحية: الانضباط المالي؛ القواعد المالية؛ السياسة المالية؛

1. Introduction:

The increasing public expenditures and budget deficits have driven countries to search for permanent solutions. This need has become more pronounced with the stagflation crisis and the crises directed towards budget deficits. The theory of fiscal rules emerged and started to be implemented in many countries where fiscal policies were not sufficient to solve this problem, which led to the rediscovery of fiscal rules.

Many countries have implemented fiscal rules similar to those of Switzerland and Germany, as well as monetary unions such as the European Union, according to specific criteria and conditions that have proven their effectiveness.

Since the oil shock in mid-2014, Algeria has sought to address the treasury deficit in several ways, which raises questions about the extent to which it uses fiscal rules to avoid the deficit and achieve fiscal discipline.

Accordingly, the following main question can be raised:

Has Algeria achieved fiscal discipline by following fiscal rules during the period 1999-2019?

The following sub-questions can be formulated:

- What is meant by fiscal rules and fiscal discipline?
- Why are fiscal rules implemented?
- What are the fiscal rules that Algeria has implemented during the period 1999-2019?
- Have the fiscal rules followed in Algeria achieved fiscal discipline?

The following hypothesis can be formulated:

The fiscal rules followed by Algeria did not achieve the desired fiscal discipline.

Importance of the research:

This research derives its importance from the current economic situation in Algeria and the extent to which it is affected by the followed fiscal policies that depend primarily on public spending, which often needs to be adjusted and rationalized. Hence, the search for appropriate solutions by tracking the gaps and their causes.

Research objectives:

This research aims to identify fiscal rules and their extent of contribution to controlling fiscal policies to avoid the negative effects resulting from the shortage of resources and their development and finding sustainable resources.

Research methodology:

The descriptive method was adopted by addressing the theoretical framework of fiscal rules and fiscal discipline, analyzing the causes of the treasury deficit problem, and deducing the implicit fiscal rules followed by Algeria and identifying their shortcomings and reasons for failure.

Previous Studies:

1. Study by Dr. Imad Muhammad Ali and Muhammad Shahab Ahmed entitled "Fiscal Rules between Discipline Requirements and Financial Reality in Iraq for the Period (2004-2016)"

This study aims to determine the nature of fiscal rules and the possibility of employing them to achieve fiscal discipline in Iraq. The researcher concluded that the application of fiscal rules would correct the course of fiscal policy and then the possibility of employing them to address the challenges facing fiscal policy.

2. Study by Dr. Mahmoud Muhammad Dagher and M./ Shaker Hammoud Salal entitled "The Impact of Fiscal Policy Rules on the Effectiveness of Monetary Policy in Iraq for the Period 1990-2015"

This study aimed to find the relationship between fiscal discipline, expressed through fiscal policy rules, and the effectiveness of monetary policy, expressed through money supply, exchange rate, and inflation rate. The study concluded that financial instability in Iraq had a major impact on the effectiveness of monetary policy for the period under study.

2. Theoretical Framework of Fiscal Discipline

1.2. Definition of Fiscal Discipline:

Fiscal discipline is defined as the government's ability to maintain smooth implementation of financial operations and ensure long-term financial security and prosperity. (Imad & Mohamed, 2018, p. 103). It is a multi-year perspective on budgeting and maintaining a financial position as a measure of the ability of fiscal policy to curb excessive spending and hence deficits. This means that the government must cover its current expenditures from current revenues, or that the fiscal deficit should not exceed a certain percentage of GDP. Public spending should be estimated in light

of available financial resources, not according to the financial needs put forward by the various administrative units and bodies. This requires paying more attention to current and future needs and correcting the wrong tendency to maintain fiscal discipline. (Nagham, 2020)

1.2.1. Importance of Fiscal Discipline:

The importance of fiscal discipline is manifested in promoting long-term growth, as reducing the deficit and achieving a budget surplus is a form of saving. With its increase, assets increase and national income rises in the future (Ali, 2015, p. 325). Fiscal discipline requires creating the necessary foundations for a stable and predictable economic environment. However, excessive government spending leads to deficits and hence resorting to borrowing, which has high costs on the economy that exceed its ability to achieve the required surplus to meet the increasing pace of debt and its servicing. Hence, the need arises for fiscal discipline to curb the bias in fiscal policy behavior that leaves high costs on the economy. (Imad & Mohamed, 2018, p. 105)

1.3. Limits of Fiscal Discipline:

Fiscal discipline should be seen as a necessity, not a choice. For discipline to have its full effect, many necessary conditions must be met (GOLIB, 2013):

- An effective treasury system with a single treasury account;
- Minimizing intermediaries between payers and recipients;
- Strong oversight and accountability for misuse of budget funds (criminal acts);
- Strong laws to combat corruption and the need for their enforcement;
- Incentivizing public employees, with additional benefits (social security, reasonable wages... to give an idea of what they might lose if they misbehave);
- Clear, simple, and coherent rules for budget execution;
- Timely reporting of operations and results (and outputs);
- Transparency and civil society, participation of non-governmental organizations in the use of funds;
- Risk management and process dynamics.

At the macro level, discipline also involves prioritizing budget allocations. The flexibility and liquidity of budget allocations can lead to spending outside of allocated programs and projects that do not align with community priorities or national strategies. The budget system should incentivize reallocation from lower to higher priorities and from less to more effective programs.

3. Effectiveness of Fiscal Rules

3.1. Fiscal Rules for Achieving Fiscal Discipline

Achieving fiscal discipline requires the use of appropriate tools, and fiscal rules are considered the most important of these tools.

3.1.1. Definition of Fiscal Rules

Fiscal rules can be defined as "practices that closely constrain and regulate fiscal policies that impose some quantitative restrictions on the size of the budget and the stock of public debt" (BURAK, 2017, p. 4)

They are also defined as "a legal or constitutional constraint on fiscal policy that sets a specific limit on a fiscal indicator such as the budget balance, debt, spending, or taxes" (BURAK, 2017, p. 4).

The International Monetary Fund's Fiscal Affairs Department (2017) defines fiscal rules as follows:

"A fiscal rule imposes a long-term constraint on fiscal policy through numerical limits on broad budget aggregates. Fiscal rules typically aim to correct distorted incentives and contain pressures for overspending, especially in good times, to ensure fiscal sustainability and debt affordability." (IMF Fiscal affairs department, 2017).

All these definitions include the following characteristics:

- Fiscal rules are a type of legal restriction on fiscal indicators such as government debt, government spending, or budget balance.
- In this context, fiscal rules are one of the main elements used to ensure fiscal discipline.
- They also aim to achieve financial sustainability, predictability, and macroeconomic stability.

3.1.2. Foundations of Fiscal Rules

Fiscal rules are based on three pillars (BURAK, 2017, p. 4):

- Identifying and defining the targets or variables, and specifying their numerical values or limits (For example, the target ratio of debt stock to GDP is set at 60% in the euro area).
- Clarifying the penalties in case policymakers fail to implement requests to achieve the specified goals.
- Effective monitoring and implementation

For the successful application of fiscal rules, first and foremost, there must be an appropriate economic and political environment. They should also be simple, flexible, and growth-oriented.

Financial Rules Objectives:

Countries adopt financial rules to achieve a set of (SCHAECHTER, TIDIANE, BUDINA, & WEBER, 2012, pp. 5-6):

- ✓ **Containment or elimination of deficit bias in fiscal policy management:** This includes correcting distorted incentives, containing pressures for excessive expenditures, especially during times of prosperity, to ensure fiscal responsibility and debt sustainability. Surpluses can be used to address cyclical fluctuations during recessionary years.
- ✓ **In monetary unions, financial rules aim to:**
 - Accommodate regional costs of fiscal discipline.
 - Establish a framework for coordination to achieve the best mix of monetary and fiscal policy.
- ✓ **Ensuring economic stability:** This is the primary goal of financial rules.
- ✓ **Containing the size of government and supporting intergenerational equity:** This means not burdening future generations with the current expenditures.

However, financial rules also have drawbacks:

- **Lack of flexibility can be a problem when facing major shocks,** such as the global financial crisis. If rules are waived during shocks, they lose credibility.
- **Unless there is strong political commitment to the rule, efforts will be made to circumvent it:** This can be done through off-budget spending, accounting gimmicks, and reduced transparency (Mahmoud & Chaker, 2017).

It is clear that financial rules are not a magic bullet: Other elements are more important, such as political will and a set of institutional arrangements (such as independent fiscal councils). However, experience generally indicates that financial rules have been a factor in correcting public financial situations.

3. Types of Fiscal Rules:

Fiscal rules can be divided into three categories (Imad & Mohamed, 2018, pp. 108-109):

✓ **Budget Balance Rule:**

- Aims to reduce the general budget deficit to a specific level by rationalizing and improving the efficiency of public spending.
- According to the Maastricht Treaty of the European Union, the deficit should not exceed 3% of GDP, which is a key objective for achieving financial sustainability.
- High deficits can negate the impact of public spending or tax cuts on aggregate demand, especially since they require large amounts of money to cover them, which crowds out the private sector and limits the effectiveness of fiscal policy in achieving stability.
- On the other hand, reducing the deficit as a percentage of GDP leads to an increase in the average per capita GDP growth by around (0.25-0.5%).

✓ **Debt Rule:**

- Aims to set a safe limit for the total public debt that society can bear without negative effects on stability and economic growth.
- IMF experts believe that the public debt/GDP ratio should not exceed 60%. However, this ratio cannot be relied upon to determine an ideal level of public debt, as it varies from country to country depending on various factors and variables.

✓ **Expenditure Rule:**

- Sets a limit on total or current expenditure in terms of absolute value, growth rates, or as a percentage of GDP, with a time frame that usually ranges between (3-5 years).
- This can be used to influence public debt, especially when combined with a debt rule or budget balance rule. It serves as an implementation tool for achieving fiscal discipline that is consistent with debt sustainability.

✓ **Revenue Rule:**

- Sets upper and lower limits on expected revenues to limit excessive tax burdens and improve the collection of actual revenues as a percentage of GDP.
- Since its cyclical nature follows the economic cycle of booms and recessions, it may be difficult to impose restrictions on its growth.
- In order to find the appropriate fiscal rule for application in resource-rich countries, the IMF has called for the establishment of funds into which financial assets are deposited in years of financial surpluses, for use in subsequent unfavorable years.

✓ **Golden Rule:**

- Allows for borrowing during the economic cycle only for the purpose of financing public investment, which can boost infrastructure and stimulate economic growth.

- In addition, private investment depends not only on the amount and type of labor and capital employed, but also on the quality of the environment in which it operates and the availability of essential services, which in turn improves overall productivity.

4. Fiscal Discipline Methods in Algeria:

4.1. Tax Measures:

- Algeria did not adopt fiscal discipline in terms of expenditures during the period of financial abundance (1999-2014). Instead, it relied on expanding expenditures to achieve economic and social goals.
- With the national economy experiencing a severe financial shock in mid-2014, the authorities took new measures that focused on significantly reducing expenditures and opening the door to any measure that could support public revenues, including imposing new taxes and fees and increasing existing ones.
- The goal of these measures was to address the fundamental imbalance in the general budget, which was the accumulation of deficits to the point of becoming a source of economic instability amid the decline in oil prices.
- The 2015 Finance Law and the supplementary finance law for the same year included many measures to contain the country's dire financial situation. These included:
 - Emphasizing the simplification of tax and fee payment procedures.
 - Continuing to combat tax evasion and fraud to enable the treasury to collect its economic dues.
 - The decision to repeal Article 87 bis of the Labor Law and to close and merge some special allocation accounts.
- Given the decline in oil prices, it was necessary to double the efforts made in the field of tax collection and find appropriate measures to reduce tax debts and oblige taxpayers to pay within the legal deadlines.
- In addition, tax incentives were activated to stimulate industrial investments in order to expand the tax base (Ministry of Finance, 2015).
- The 2015 supplementary finance law included a new measure to support treasury revenues, namely the Voluntary Tax Compliance Program (Ministry of Finance, 2015). This program aimed to absorb money outside the banking channels for a flat fee of 7%, in addition to increasing some taxes and customs duties.
- In 2016, the government launched a package of measures to address the decline in public revenues on the one hand and control the budget deficit on the other hand (Ministry of Finance, 2015).
- This included a selective reduction in expenditures to adapt them to the level of public revenues, in addition to other tax measures, the most important of which were:
 - Increasing the car tax.
 - Raising the stamp duty on passports.
- This year was exceptional during the period 2014-2018, as the government launched a program to raise fuel prices with the aim of liberalizing prices in the medium term.

- A tax was imposed on petroleum products, which resulted in an increase in fuel prices by: 35.47%, 36.6%, 37.2%, and 36.26% for regular, premium, unleaded gasoline, and diesel, respectively.
- The government continued its measures regarding investigation, auditing, and prosecution of tax evaders and defaulters, in addition to enacting punitive measures for anyone found to be in violation of customs procedures (imprisonment, fines, confiscation of goods).
- In 2017, which was not different from the previous year in terms of oil price improvement, the government continued its measures to improve its revenues to compensate for the decline in oil tax revenues on the one hand and its inability to reduce expenditures in a way that affects the social aspect.
- It is worth noting that starting from this year, and as stipulated in Article 50 of the 2015 supplementary finance law, the preparation of the state's general budget will be within a multi-year framework through a medium-term budget framework for the period 2017-2019.
- There were measures to rationalize expenditures and facilitate tax procedures. On the other hand, some activities were subjected to the value-added tax during this year, and the rate of this tax was raised by two points (Ministry of Finance, 2016).
- This year also saw continued increases in the prices of different types of fuel as follows:
 - Regular gasoline: 14.9%
 - Premium gasoline: 13.6%
 - Unleaded gasoline: 13.89%
 - Diesel: 8.84%

In addition to closing the special allocation accounts allocated to the management of public investment operations.

During this year, three tax amendments were made, which clearly reflect the depth of the economic crisis and that the government no longer has options for managing the critical stage:

- The first measure was to amend the reference price of oil in the state budget by raising it from \$37 per barrel to \$50 per barrel.
- The second measure was to cap public expenditures for the period 2017-2019 at 6800 billion dinars.
- The third measure was to abandon the minimum revenue of the Revenue Stabilization Fund; this allows the government to dispose of all the resources of the fund.

In 2018, in order to address the challenges of financing budget expenditures, as well as the decline in customs and oil tax revenues, the main objective was to prioritize the horizontal approach by:

- Expanding the tax base (Ministry of Finance, 2018).
- Rationalizing tax exemptions.
- Improving tax collection.
- Combating tax evasion and the parallel economy.

These measures were supported by vertical measures such as:

- Updating old rates.
- Increasing fines.
- Raising fees on certain goods and activities.

It is worth noting that despite these measures, revenues remained stable. This indicates that the tax system is at its maximum limit due to the lack of production diversity, the absence of strictness, and the widespread phenomenon of the parallel economy and tax evasion.

4.2 Simulating Fiscal Rules in Algeria during 1999-2019:

The Algerian economy experienced two different circumstances due to oil prices. The government's response to each circumstance varied through the implementation of fiscal rules to achieve fiscal balance. During periods of financial surpluses, the government focused on the revenue side by establishing the Revenue Stabilization Fund. In periods of financial deficit, the government focused on a policy of rationalizing public spending and capping expenditures.

1. Revenue Rule:

The Revenue Stabilization Fund (RSF) is an implementation of the revenue rule, responding to the IMF's call for establishing funds to deposit financial surpluses during boom years for use in unfavorable circumstances. The Algerian RSF was established by the 2000 supplementary finance law, Article 10 of which states: "A special allocation account number 103-302 entitled (Resource Adjustment Fund) shall be opened in the Treasury books" (Ministry of Finance, 2000)

The aforementioned article clarifies that the RSF is one of the Treasury's special accounts that belong to the special allocation accounts. These accounts are opened by creating branches of sub-account number 302, which are used to allocate specific revenue proceeds to finance specific expenditures through these accounts with the authorization of the finance law. This makes them an exception to the comprehensiveness rule in preparing the general budget.

The revenue side of this account includes:

- Tax surpluses resulting from a higher level of hydrocarbon prices than those expected in the finance law;
- All other revenues related to the operation of the fund.

The expenditure side includes:

- Adjusting expenditures and balancing the budget as determined by the annual finance law;
- Reducing public debt.

The 2004 finance law added amendments to important aspects of the fund's resources in Article 66, including the addition of Bank of Algeria advances to the fund's resources (Ministry of Finance, 2003). This addition was due to the improved financial situation of the Bank of Algeria, resulting from the continuous increase in its foreign currency reserves.

The expenditure side, according to the same article (Ministry of Finance, 2003), includes:

- Compensating for the deficit resulting from a level of oil tax revenues that is lower than the estimates of the finance law;
- Reducing public debt.

The Minister of Finance is the authorized signatory for this account.

The 2006 supplementary finance law added in Article 25: "Financing the Treasury deficit without the fund's balance falling below 740 billion dinars" (Ministry of finance, 2006).

By considering both Article 10 of Law 02-2000 and Article 25 of Order 06-04 of the 2006 Supplementary Finance Law, the following can be concluded:

- This fund is mainly financed by the surpluses resulting from the difference between the oil price used in the preparation of the state's general budget and the real oil price on the world markets;
- The main objective of the Revenue Stabilization Fund is to finance the deficit of the general treasury, after it was previously limited to compensating for the deficit between the estimated oil tax revenue in the Finance Law and the oil tax revenue collected by the state resulting from the decline in oil tax revenue to levels lower than the estimates of the Finance Law. It should be noted that the latter includes the operations of the general budget as well as the operations of other special accounts;
- This fund is used to reduce the public debt;
- The management of this fund is entrusted to the Ministry of Finance, where the Minister of Finance is the authorizing officer;
- The Revenue Stabilization Fund is not subject to parliamentary control.

The 2017 Finance Law abolished, by virtue of Article 121, the condition that previously existed which stipulated that the fund finances the deficit but without its balance falling below 740 billion dinars (Ministry of Finance, 2016).

Following the collapse of oil prices and the decline in the resources of the Revenue Stabilization Fund, the government focused on the expenditure side by capping public expenditures for the period 2017-2019 at 6,800 billion dinars, according to Article 100 of the 2017 Finance Law (Ministry of Finance, 2016). In the same context, it was decided to cap operating expenditures at 4,500 billion dinars and equipment expenditures at 2,300 billion dinars (Ministry of Finance, 2016). This measure falls under the concept of one of the fiscal rules, the expenditure rule, since it was included in a legislative text (the Finance Law) and specified in absolute value and for a period of three years. It aims to contain the pressures of extravagance.

The government's implementation of this rule was accompanied by a set of measures aimed at controlling and rationalizing public expenditures during this period (Ministry of Finance, 2018):

- Conducting a national survey of household income in 2018, in preparation for rationalizing the public subsidy policy;
- Gradually starting from 2019, a new approach to direct and indirect subsidies from the state to households;
- Increasing rationalization of the public employment policy and implementation of the retirement legislation in the coming years;
- Adapting future public equipment programs to the progress achieved in each sector, with greater economic efficiency and within the state's financial capabilities;
- Starting in early 2018, reforming the public contribution to housing policy, especially by reducing the pace of urban population concentration on the one hand and increasing participation in private real estate development on the other hand;
- Any public investment expenditure exceeding 10 billion dinars must be approved by the National Equipment Fund for Development.

In order to restore the balance of the state treasury, it was decided (Ministry of Finance, 2018):

- To strengthen the state's public expenditure estimation and management capabilities and to modernize all systems used in preparing and executing the budget. This will be done through:
 - Adopting a method of managing public finances by delegating powers to local authorities and public institutions that provide services to the treasury;
 - Including a medium-term expenditure framework (2019-2021) in the 2019 Finance Law;
 - Establishing an integrated budget management system that allows for rationalization of budget paths and acceleration of the processing of expenditure-related activities.

It is noteworthy that this rule was not adhered to, as confirmed by the public expenditures recorded for the years in question, which exceeded the specified limits. Public expenditures were estimated at 7,282.6 billion dinars in 2017, 7,732 billion dinars in 2018, and 7,725.4 billion dinars in 2019. This can be attributed to the following:

- The measures taken during this period have delayed results, and therefore will not appear within the specified period;
- The lack of complete elements of the fiscal rule, which should be accompanied by a set of conditions that were not met. These conditions include:
 - The rule was not accompanied by a legislative text clarifying the penalty for non-compliance, which makes it far from serious monitoring and application.
 - It was not accompanied by strict measures on the expenditure side, as most of the measures taken focus on revenue collection.
- In the first targeted year, non-traditional financing was adopted, and large amounts were injected to clear public debt, finance the treasury deficit, and finance some programs. This contributed to the increase in public spending and its departure from the limits set.
- The social aspect of the general budget, where user expenses and current transfers together account for more than 80% of operating expenses, which cannot be compressed due to the severe social consequences they would cause.

Algeria has not been successful in achieving fiscal discipline despite its many efforts, which raises the question of the reasons for this failure

Limits of Fiscal Discipline in Algeria:

To assess the extent to which fiscal discipline has been achieved in Algeria, it is necessary to present the enabling conditions and the extent to which they have been implemented:

- The budget is implemented by the Ministry of Finance represented by the General Treasury according to clear rules. The General Treasury has two accounts with the Bank of Algeria: the current account and the Revenue Stabilization Fund account. The latter is one of the special allocation accounts and is not subject to parliamentary control, which has contributed to irrational spending.
- The function of ex-post control of public funds (public expenditures, public revenues, material resources, and public funds) is entrusted to the Court of Auditors, which submits an annual report to the relevant authorities (the parliament and the presidency of the republic). The report includes a summary of the results of its control of public funds, in order to address errors, correct them, and hold all entities subject to control accountable. This

process begins after the end of the fiscal year (AZZA, 2012). Although the Court of Auditors is an independent oversight body, accountability remains the responsibility of the judiciary. The legislative branch also has limited time and capacity, which reduces the possibility of reviewing the draft budget and monitoring its implementation.

- The Algerian legislator has organized corruption offenses in the Penal Code, then in a special law 06-01 issued on 21 Muharram 1427 H corresponding to February 20, 2006, concerning the prevention and fight against corruption. The legislator has tightened the penalty according to the status of the perpetrator. This law aims to promote integrity, accountability, and transparency in the management of the public and private sectors, as stipulated in Article 1 of this law. The implementation of these laws remains dependent on the independence of the judiciary.
- Most corruption offenses share a common element, which is the status of a public official. A public official is defined as any person who holds an executive position or an administrative position such as an employee. It is noted in Algeria that corruption is not widespread among employees in the narrow sense despite the absence of an incentive system, while corruption is widespread among high-ranking officials despite the incentives they enjoy, which have been misused. This has contributed to the spread of financial corruption. The public spending extravagance index recorded weak values of 3.2 (2017/2018), indicating the government's inefficiency in using public funds to provide basic necessities despite the large sums directed to improving public service.
- To ensure fiscal discipline, civil society must be involved in the use of funds. Algeria is classified among countries that provide scarce information according to the Open Budget Index (it did not exceed 19/100 in 2015 and fell to 2/100 in 2019) (Open Budget Survey 2019 :ALGERIA). This means that the Algerian public does not enjoy the right to access comprehensive and timely information necessary to participate effectively in the budget process and the complete absence of transparency, which encourages corrupt and inappropriate spending. This is confirmed by the Corruption Perception Index, which has not improved and has not exceeded 36 at best (falling to 35/100 in 2019))Transparency international(. This explains the severity of the corruption phenomenon in Algeria.

6. Conclusion:

The policy of fiscal discipline, whether through tax measures or fiscal rules in Algeria, has not been successful. This is due to the following reasons:

- The limited tax measures taken during the period of the treasury's financial deficit, as they were designed to compensate for the decline in oil tax revenues rather than to create sustainable resources.
- The failure of the Revenue Stabilization Fund to achieve the objectives of the fiscal rule, due to the lack of complete conditions of the fiscal rule, the most important of which is supervision coupled with punishment.
- Despite the strict tax measures that have been described as austerity policies, they have not had a significant impact on achieving fiscal discipline.

- The capping of expenditures was accompanied by the creation of new resources that contributed to the increase in public expenditures. These resources are not subject to strict control, and even if they are, the necessary legal measures are not taken.
- The lack of control over public funds and the laxity in applying deterrent laws, despite their existence, have contributed to the severity of the corruption phenomenon.

Therefore, the main problem that caused all these disturbances is financial corruption.

Based on this, the following proposals are put forward:

- Reforming the administrative system is necessary to reduce corruption.
- Focusing on supporting the independence of the judiciary and anti-corruption bodies.
- Strengthening the deterrent aspect in financial laws and regulations.
- Activating the role of public finance control bodies and granting them the greatest possible independence.

References

1. Ali, A. A. (2015). *Monetary Economics:facts and Theories* (1 ed.). Lebanon: Book house.
2. AZZA, A. (2012, December). The specialization of the council of auditors lies in exercising disciplinary control in the field of budget and financial management in Algeria. *El-tawassol journal for humanities and social sciences*(32).
3. BURAK, P. (2017, December). A comparative analysis of fiscal rules and independent fiscal agencies. *journal of economics and administrative sciences*, 19(2).
4. GOLIB, K. (2013, dec 16). *The role of the fiscal discipline in public finance management in developing countries*. Retrieved 9 9, 2020, 9 from <https://papers.ssrn.com/sol3/Delivery.cfm?abstractid=2368123>.
5. Imad, M. A., & Mohamed, C. A. (2018). Financial rules between discipline requirements and financial reality in Iraq (2004-2016). *AL-Mostansiriyah journal for arab and international studies*, 14(62).
6. IMF Fiscal affairs department. (2017, March). *Fiscal rules dataset 1985-2015*. Retrieved from <https://www.imf.org/external/datamapper/fiscalrules/map/map.htm>.
7. Mahmoud, M. D., & Chaker, H. S. (2017). Impact of Fiscal policy rules on the effectiveness of monetary policy in Iraq 1990-2015. *AL-Anbar University journal of Economic and Administration Sciences*, 9(18).
8. Ministry of Finance. (2016, December 29). The official Gazette. *Law N°. 14-16 includes the finance Law 2017(77)*.
9. Ministry of Finance. (2000, Juin 27). official Gazette. *law N° 02-2000 includes the supplementary finance law, article 10(37)*.
10. Ministry of Finance. (2003, December 28). The official Gazette. *law N° 22-03 includes supplementary finance law 2004(83)*.
11. Ministry of finance. (2006, July 15). The official Gazette. *Decree N°.06-04 includes supplementary Finance law*.
12. Ministry of Finance 30) .December, 2014 .(The official Gazette .*Law N°.14-10 includes the supplementary Finance law 2015.(3)*

13. Ministry of Finance. (2015, July 23). The official Gazette. *Decree N°. 15-01 includes the supplementary finance Law 2015(40)*.
14. Ministry of Finance. (2018, March 7). The official Gazette. *Executive Decree N°. 18-86 (15)*.
15. Nagham, H. A. (2020). *The role of Financial Discipline in maximizing state resources and confronting the impacts of the coronavirus pandemic*. Retrieved 9 7, 2020, from <https://portal.arid.my/ar-LY/Posts/Details/1010b0d0-09ae-487b-b532-b96d70f0f455>.
16. *Open Budget Survey 2019 :ALGERIA*. (n.d.). Retrieved 12 5, 2020, from <https://www.internationalbudget.org/open-budget-survey/country-results/2019/algeria>
17. SCHAECHTER, A., TIDIANE, K., BUDINA, N., & WEBER, A. (2012). IMF working paper. *Fiscal rules in response to crisis toward the "next-generation" rules*. International monetary fund.
18. Transparency international. (n.d.). Retrieved 12 5, 2020, from <https://www.transparency.org/en/countries/algeria>.