The New Public Sector Accounting System and Its Contribution to Reducing (Financial and Administrative Corruption: A Focus on Algeria (2018–2022)

نظام المحاسبة الجديد في القطاع العام ومساهمته في تقليل الفساد المالي والإداري: التركيز على الجزائر(2018–2022)

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Abstract:

This paper focuses on exploring the role of the new public sector accounting system in Algeria and its impact on reducing financial and administrative corruption. The study explores the key concepts related to the new accounting system, along with how it contributes at promoting transparency and accountability. To achieve the research objectives, the Corruption Perceptions Index (CPI) published by Transparency International and the Worldwide Governance Indicators (WGI) of the World Bank are analyzed. It was determined through the study that the new accounting system contributes significantly at improving the quality of financial statements by adopting international standards and accrual-based accounting, ultimately enhancing public governance and reducing corruption.

Keywords : public sector accounting system, transparency, accountability, corruption
Jel Classification Codes :H83, H11, M41, D73, K42.

ملخص :

تركّز هذه الورقة على دراسة دور نظام المحاسبة الجديد في القطاع العام في الجزائر، وتأثيره على الحد من الفساد المالي والإداري. تتناول الدراسة المفاهيم الأساسية المرتبطة بهذا النظام المحاسبي الجديد، إضافةً إلى كيفية مساهمته في تعزيز الشفافية والمساءلة.

ولتحقيق أهداف البحث، تم تحليل مؤشر مدركات الفساد (CPI) الصادر عن منظمة الشفافية الدولية، ومؤشرات الحوكمة العالمية (WGI) الصادرة عن البنك الدولي. وتبيّن من خلال الدراسة أن النظام المحاسبي الجديد يُسهم بشكل كبير في تحسين جودة البيانات المالية من خلال تبنّي المعايير الدولية والمحاسبة على أساس الاستحقاق، مما يعزّز الحوكمة العامة ويساهم في الحد من الفساد.

كلمات مفتاحية: نظام المحاسبة في القطاع العام – الشفافية – المساءلة - الفساد
تصنيف JEL: H83, H11, M41, D73, K42

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INTRODUCTION

Countries around the world have undergone various reforms in their public sector accounting systems to promote development and stay up to datewith global progress. Algeria is making serious effort to adapt to the requirements of the global market. In 2018, a significant step was taken with the issuance of Organic Law No. 18-15 on Finance Laws, dated on December 2nd, 2018. This law leads to a positive move toward accounting harmonization and international openness.

As a result, Algeria implemented a new accounting system for the public sector aimed primarily at regulating the country's financial policy. It establishes principles of transparency and accountability in managing financial and human resources. This shift illustrates Algeria's desire to improve the investment climate and enhance public administration performance to align with international standards.

Modern approaches to public sector management play a crucial role in controlling corruption—one of the main barriers to development that negatively affects public administration performance. The new public accounting system in Algeria aligns with internationally accepted public sector accounting standards, known for improving financial statement transparency and reliability. This gives Algeria an opportunity to control financial and administrative corruption with effectiveness.

Particularly, the new system allows a better monitoring and evaluation of public revenues and expenditures, helping to regulate financial operations and prevent fraud and manipulation. Eventually, the system supports financial and economic balance and promotes good governance and quality improvement in the public sector.

Considering that, the paper seeks to answer the following question:

To what extent does the new public sector accounting system in Algeria contribute to reduce financial and administrative corruption?

To answer this fundamental question, the following hypotheses are proposed:

1. The new public sector accounting system in Algeria enhances transparency and accountability.
2. It serves as a mechanism for reducing and controlling corruption.
3. Accrual accounting contributes at improving the quality of public sector financial statements.

This research paper focuses on the role of the new public accounting system in reducing financial and administrative corruption. It also aims to present relevant legal frameworks in Algeria, also it describes the system's organization, and use the Corruption Perceptions Index (CPI) and the Worldwide Governance Indicators (WGI) to assess governance quality and corruption levels in the public sector.

To address the main question and provide answers the sub-questions, the study is divided into three sections:

1. International public sector accounting.
2. The new public sector accounting system in Algeria.
3. Financial and administrative corruption and mechanisms to combat it.

1. International Public Sector Accounting

1.1 Accounting Harmonization in the Public Sector

Christiaens et al. (2010) define accounting harmonization in the public sector as a political process aimed at reducing differences in accounting practices. Benito et al. (2007) argue that accounting convergence is less vital in the public sector than in the private sector, which is due to the absence of financial markets requiring such information. However, financial

institutions and international organizations need public sector financial data to assess countries' compliance with international treaties, such as the European Union Treaty and the Maastricht Treaty (Brusca & Martínez, 2016; Benito et al., 2007). Caperchione et al. (2017) also noted that globalization and commercial exchange prompted accounting harmonization efforts to enhance the quality, comprehensibility, and comparability of public sector financial statements.

1.2 Public Sector Accounting Standards (IPSAS) as a Model for Harmonization

The International Public Sector Accounting Standards (IPSAS) are a set of rules and guidelines used by public sector entities worldwide to prepare financial statements. These standards are provided by the International Public Sector Accounting Standards Board (IPSASB) with the objective of developing public sector accounting globally and providing an accurate and transparent view of a country's financial situation, both locally and internationally (Enofe, Afiangbe, & Agha, 2017; Iman, 2018).

Due to their broad international acceptance, institutions like the International Monetary Fund (IMF), the World Bank, and the OECD encourage developing countries to adopt IPSAS. These standards are often included in recommendations which aimed at promoting transparency and enhancing accountability (Brusca & Martínez, 2016).

To align with global developments, Algeria undertook efforts to modernize and update its public accounting system in accordance with IPSAS. This reform was adapted to Algeria's economic and political realities to align national accounting practices with international standards (Iman, 2018).

2. The New Public Sector Accounting System in Algeria

2.1 Accounting Reform and Main Legal Regulations

Governments aim to improve the quality of services provided in the public sector through the development and modernization of financial and administrative management. These initiatives are referred to as structural reforms of public administration. These include improvements in accounting techniques and the development of financial policies (Perreault, 2019).Janovac et al. (2023) define reform as a strategic action plan to enhance public administration by adopting specific policies and providing the necessary capacities and resources for implementation and oversight. According to Perreault (2019), accounting reform is seen both as a technical and managerial change, aiming to harmonize all components of public administration. This requires changes in the accounting and budgeting systems, including the modernization and reorganization of existing laws (Surianti&Dalimunthe, 2015).

In democratic systems, accounting plays a constitutional role by ensuring government transparency and fair taxation (Pallot, 1991). Guthrie (1999) states that the accounting system reflects a country's financial policy, and any change in it represents a significant reform in the public sector.

In Algeria, the modernization project of the budgetary system began in 2005 when the Ministry of Finance signed a contract with the Canadian investment firm CRC-SOGEMA to develop a comprehensive framework for public finance reform. In 2007, the French firm GIP-ADTETEF was engaged to improve budget efficiency and flexibility (Amal, 2014). This led to the issuance of Organic Law No. 18-15 on Financial Laws dated September 2nd,

2018, replacing the ordinary law No. 84-17 from July 7th, 1984,this reform aimed to shift from a management-by-means culture to one based on results and performance evaluation (Babenette&Saraoui, 2020).

As a result, a new accounting system was introduced in the public sector, incorporating accrual and analytical accounting in addition to cash accounting, as stated in Article 65 of Law 18-15 (Cheurfa, 2022). This enables the government to provide accurate and understandable information for effective decision-making and continuous performance improvement. Furthermore, Article 5 of the same law introduced a medium-term budgetary framework, reinforced by Executive Decree No. 20-355 of November 22, 2020, to support macroeconomic balance and sustainability (Imad, 2021).

2.2 From Input-Based to Performance-Based Budgeting

Performance-based budgeting is a key tool in public financial management and strategic planning. It aims to enhance transparency and improve public sector performance by using official performance data in order to make informed decisions (Mauro et al., 2017). Shifting from input-based budgeting to performance-based budgeting represents a significant step to development in public financial management. It allows optimal allocation of financial and human resources to serve public policies (Haddad, 2006).One of its main benefits is the promotion of accountability. Institutions are required to submit detailed reports on goal achievement and resource utilization, helping oversight bodies and the public understand how public funds are managed (Oudai, 2022).

3. Financial and Administrative Corruption and Mechanisms to Combat It

3.1 Administrative Corruption in the Public Sector:

Corruption has many different definitions, the most important is the definition provided by the World Bank (World Bank Group, 1997), which defines it as the misuse of public power for private gain. Corruption particularly includes public administration employees, such as receiving bribes or professional privileges or employing relatives while implementing public policies.

Despite of the complexity in determining the reasons for the spread of corruption between developed and developing countries, is due to various factors, there is an approach that combines the opinions of most researchers. This approach points out several reasons, including social, economic, and political aspects. Firstly,the social reasons consider the societal environment and its characteristics as one of the most important factors influencing the spread of corruption, such as social acceptance of bribery. Secondary, the economic reasons involve state control over the economy and its monopoly of economic institutions. And finally, among the political reasons are the absence of democracy in public institutions and lack of oversight and media (Werner, 1983).

Corruption considerably affects the economic development of countries, reducing their opportunities for progress and improving the quality of life of their citizens. Therefore, countries rely on a set of mechanisms and international experiences to limit this phenomenon, such as reform and restructuring of financial and legislative systems (Mugellini et al., 2021). In light of the above, countries choose to sign agreements with organizations opposing this phenomenon, as the convention of the United Nations Convention and the OECD, in which

they promote transparency and contribute to creating a sound investment environment in the public sector.

In order to fight the corruption, the Algerian government has taken many measures and mechanisms, settling Law 06-01 which is related to combating against corruption and expand the legal scope,fight against bribery and its influence peddling in the public sector. In addition, it sets up oversight bodies designed at monitoring and limiting this phenomenon, such as: the National Central Office for the Suppression of Corruption, the National Anti-Corruption Authority, the Court of Accounts, the General Inspectorate of Finance, and the High Authority for Transparency and Prevention of Corruption. Furthermore, a new body was established in 2020 called "Where Did You Get This?" All this bodiesare linked to achieve one goal which is promoting accountability and awareness culture. On the other hand, It aims at encouraging citizens to actively participate and report corruption cases (Mohamed Lahaouassi, 2023).

3.2 The Impact of the New Public Sector Accounting System on Reducing Corruption:

The public sector accounting system plays a significant role in combating corruption, promoting transparency and integrity in the management of public funds. Law No. 18-15 related to financial laws represents an important legal framework that defines the foundations and principles for organizing financial policy and methods for preparing the public sector budget in Algeria. Below, here are some points that show how it contributes to reducing financial and administrative corruption:

- **Providing accurate financial information:** The public sector accounting system can provide accurate and comprehensive financial information, including costs, revenues, and government obligations. This helps in understanding the financial situation and making better decisions (Ali, 2014).
- **Enhancing oversight and transparency:** By including performance indicators, efficiency, and accrual accounting, the accounting system can contribute to improving the efficiency and effectiveness of financial and administrative oversight. This supports providing independent performance evaluation and better addressing any violations (Harrouche, 2019).
- **Independent performance measurement:** Using accrual accounting and analytical accounting, the accounting system can measure performance independently of the previous fiscal year, helping to identify progress and performance improvements (Ali, 2014).
- **Improving cash flow:** With the cash basis and accrual basis, the accounting system can build more accurate and realistic cash flow reports, contributing to a better understanding of cash movement and economic planning (Ali, 2014).
- **Providing a sound financial environment:** By applying integrity, transparency, and anti-corruption principles, the new accounting system can contribute to create a sound financial environment attractive to investment and public sector development.

3. Methodology and Data Collection:

The main goal of this research paper is to study and analyse the contribution of the public sector accounting system in Algeria in order to reduce financial and administrative corruption.

This objective was achieved by using and analysingseveral data and information, focusing on specific indicators related to corruption and governance.

The tools used in the study include:

Corruption Perceptions Index (CPI): Provided by Transparency International, this index measures the perceived level of corruption in a given country. It lines countries according to their perceived corruption levels based on different scores.

Worldwide Governance Indicators (WGI): Provided by the World Bank, these indicators assess governance in countries. They include several aspects such as transparency, corruption control, and public administration. These indicators measure the quality and efficiency of government and public sector performance to achieve results. To reach the results of this research, three worldwide governance indicators were used according to the researcher (Al-Bassam, 2014), who defined the worldwide governance indicators as follows:

Voice and Accountability Indicator: Measures the degree to which citizens can participate in elections to form the government, in addition to the freedom of expression and creating associations. In other words, it measures the government's participation in making decisions and settling plans related to the country's destiny.

Government Effectiveness Indicator: Helps measure the quality of services in the public sector and the degree of government independence from political pressures.

Control of Corruption Indicator: Measures all types of corruption (political, economic, and administrative). It also helps determine citizens' ability to hold government officials accountable for their violations and monitor government performance.

Regulatory Quality Indicator: Measures the government's ability to formulate and implement laws.

Political Stability and Absence of Violence Indicator: This is an important indicator among the worldwide governance indicators related to the government effectiveness indicator. It measures the probability of destabilizing the country or any violence or civil war.

Rule of Law Indicator: Measures the confidence of stakeholders in the law by the government equally among members of society and organizations.

The information was organized in tables, and this data and indicators were analysed to achieve the research paper's objectives.

3.1 Study Results:

Table 01: Represents Algeria's Corruption Perceptions Index from 2018-2022

Year	2018	2019	2020	2021	2022
Rank	105	106	104	117	116
Score	35	35	36	33	33

Source: Transparency International

Table 02: Voice and Accountability Indicator

Year	Percentile Rank Among World Countries (0-100)	GovernanceEstimate (+2.5 to -2.5)
2018	21.26	-1.00

Year	Percentile Rank Among World Countries (0-100)	GovernanceEstimate (+2.5 to -2.5)
2019	19.81	-1.05
2020	19.35	-1.09
2021	20.77	-1.01

Source: World Bank (2023)

Table 03: GovernmentEffectiveness Indicator

Year	Percentile Rank Among World Countries (0-100)	GovernanceEstimate (+2.5 to -2.5)
2018	36.54	-0.46
2019	33.65	-0.54
2020	31.25	-0.34
2021	29.81	-0.62

Source: World Bank (2023)

Table 04: Control of Corruption Indicator

Year	Percentile Rank Among World Countries (0-100)	GovernanceEstimate (+2.5 to -2.5)
2018	28.85	-0.64
2019	28.37	-0.64
2020	27.88	-0.65
2021	29.81	-0.61

Source: World Bank (2023)

Table 05: Rule of Law Indicator

Year	Percentile Rank Among World Countries (0-100)	GovernanceEstimate (+2.5 to -2.5)
2018	22.12	-0.79
2019	19.71	-0.85
2020	22.12	-0.79
2021	22.60	-0.82

Source: World Bank (2023)

Table 06: Political Stability and Absence of Violence Indicator

Year	Percentile Rank Among World Countries (0-100)	GovernanceEstimate (+2.5 to -2.5)
2018	17.92	-0.84
2019	13.21	-1.04
2020	17.92	-0.84
2021	19.92	-0.88

Source: World Bank (2023)

Table 07: RegulatoryQuality Indicator

Year	Percentile Rank Among World Countries (0-100)	GovernanceEstimate (+2.5 to -2.5)
2018	8.17	-1.33
2019	7.21	-1.37
2020	8.65	-1.34
2021	10.10	-1.17

Source: World Bank (2023)

3.2. Discussion of StudyResults:

Table 01:

Shows information concerning the evolution of the Corruption Perceptions Index in Algeria during the study period from 2018 to 2022. In the first years of the study (2018 and 2019), Algeria recorded a corruption perception level of 35, ranking 105th and 106th among 180 countries evaluated. A slight increase in the corruption perception level was recorded in 2020, reaching 36. However, a decrease in the corruption perception level was observed in the following two years (2021 and 2022), dropping to 33 and 32, with Algeria ranking 117th and 116th in the global corruption perception ranking.

This data shows fluctuations in the corruption perception level in Algeria during the study period. This appears to be a slight increase in the corruption perception level at the beginning, followed by a decline in subsequent years. This indicates fluctuations in the corruption level over the studied period, which could result from changes in policies, reforms, and measures taken by the government to combat corruption, such as the issuance of Organic Law 18-15 in 2018, which is considered as an accounting reform, although it has not yet entered into force. Its implementation was scheduled for 2023.

Table 02:

Shows the available data on the evolution of the Voice and Accountability Indicator in Algeria from 2018 to 2021. Despite of aslight fluctuation in ranking, there is relative stability in performance on this indicator. The period started with the highest ranking in the Voice and Accountability Indicator, reaching 21.26 in 2018, then saw slight declines over the years,

reaching the lowest ranking of 19.32 in 2021. This indicates minor fluctuations in Algeria's performance on voice and accountability.

Regarding the governance quality estimate based on the Voice and Accountability Indicator, there appears to be positive variation in government performance during the study period. In 2018, the governance quality estimate for this indicator was -1.00, while the lowest governance quality estimate was -1.09 in 2021. This positive variation shows relative improvement in government performance in voice and accountability during the mentioned period.

Table 03:

Shows the available data on the evolution of the Government Effectiveness Indicator in Algeria during the study period from 2018 to 2021. During this period, changes were recorded in Algeria's ranking and government performance. In 2018, the highest ranking in the Government Effectiveness Indicator was recorded at 36.54, which is the highest ranking recorded over the study years. A slight decline in ranking was then observed in subsequent years, reaching the lowest ranking in 2021 at 29.81.

Regarding the governance quality estimate based on the Government Effectiveness Indicator, there is no significant evolution in overall performance ratios. The differences between years appear minor, with the highest governance quality estimate recorded in 2020 at -0.34, while the lowest estimate was recorded in 2021 at -0.62. Overall, the evolution of the Government Effectiveness Indicator in Algeria shows minor fluctuations in ranking level over the studied years. On the other hand, the governance quality estimate does not show significant changes.

Table 04:

Shows the evolution of the Control of Corruption Indicator in Algeria according to World Bank reports from 2018 to 2021. The table shows no significant evolution in Algeria's ranking among world countries, with study ratios remaining below 30%. The highest ranking ratio was recorded in 2021 at 29.81, while the lowest ranking ratio was in 2020 at 27.88. These results show that no major change occurred in Algeria's ranking during the studied period.

Regarding governance quality based on the Control of Corruption Indicator, the data shows variation in performance over the years. In 2020, the highest governance quality estimate was -0.65, which is negative performance. In contrast, the lowest governance quality estimate was recorded in 2021 at -0.61, which is positive performance. This variation indicates changes in government performance in controlling corruption over the years.

Table 05:

Shows the analysis of the evolution of the Rule of Law Indicator in Algeria according to World Bank reports from 2018 to 2021. There appears to be no significant change in the country's ranking among world countries. The highest ranking ratio was recorded in 2021 at 22.60, while the lowest ranking ratio was in 2019 at 19.71. This shows no fundamental change in Algeria's position during the studied period.

Regarding governance quality based on the Rule of Law Indicator, the data indicates variation in performance over the years. In 2019, governance quality estimates showed negative performance at -0.85, while positive performance was recorded in 2018 and 2019 at -0.79.

Table 06:

Shows information on the evolution of the Political Stability and Absence of Violence Indicator in Algeria according to World Bank reports from 2018 to 2021. There appears to be

no significant change in the country's ranking among world countries. The highest ranking ratio was recorded in 2021 at 19.22, while the lowest ranking ratio was in 2019 at 13.21.
Regarding governance quality based on the Rule of Law Indicator, the data indicates variation in performance over the years. In 2019, governance quality estimates showed negative performance at -1.04, while positive performance was recorded in 2018 and 2020 at -0.84.

Table 07:

Shows data from World Bank reports on the evolution of the Regulatory Quality Indicator in Algeria from 2018 to 2021. There appears to be no significant change in the country's ranking among world countries. Algeria's ranking ratios remain below 20%, with the highest ranking ratio recorded in 2021 at 10.10, while the lowest ranking ratio was in 2019 at 7.21. This shows no fundamental change in Algeria's ranking during the studied period regarding regulatory quality and applications.
Regarding governance quality based on the Regulatory Quality Indicator, the data indicates variation in performance over the years. In 2020, governance quality estimates showed negative performance at -1.34, while positive performance was recorded in 2021 at -1.17.
The study resulted from 2018-2022 highlights the new public sector accounting system in Algeria and its role in reducing financial and administrative corruption, as well as the Algerian government's efforts to develop public finance management and public administrations to achieve specific objectives. A set of measures and mechanisms were followed to improve government performance and enhance transparency, accountability, and public integrity in public administrations. These efforts also aim to address financial and administrative corruption.
Among the measures taken by the Algerian government is reforming the public sector accounting system. The concepts of integrity, transparency, and results-based culture were adopted through the issuance of Organic Law 18-15 related to financial laws dated September 2nd, 2018. This law encourages the adoption of accrual accounting and the preparation of the general budget according to programs and results, which improves the quality of financial information and the degree of disclosure in the public sector, meets international accounting standards, and improves the performance of public administrations.
In 2020, the High Authority for Transparency, a regulatory body, revealed a new anti-corruption strategy that includes appointing representatives from civil society to report corruption cases through anti-corruption associations. This measure reflects the government's interaction with citizens to combat corruption, which is a positive indicator.

Conclusion:

The research paper addressed to the potential role of the public sector accounting system in Algeria in reducing the level of financial and administrative corruption, considering it a mechanism to limit corruption in public administrations to achieve transparency and protect financial resources.

In this context, researchers such as Cuadrado-Ballesteros et al. (2020) focused on public sector reforms, particularly in accounting rules and systems, and saw that they increase the transparency of this sector and have a positive impact in reducing the level of financial and administrative corruption through the influence of International Public Sector Accounting Standards (IPSAS) and the adoption of accrual accounting, which contributes to improving the quality of financial information and enhancing public integrity. Our study also reached similar results, showing that the new public sector accounting system in Algeria significantly contributes to enhancing transparency, which helps reduce corruption levels and has an international orientation toward International Public Sector Accounting Standards.

Furthermore, researcher Al-Bassam (2014) emphasized the importance of giving the government full powers and support and financial and administrative independence to regulatory bodies, as this contributes to increasing government effectiveness and efficiency. Our study results showed the same idea, as Algeria in early 2020 made several amendments to the tasks of regulatory bodies, translating into granting powers and constitutional strength to these bodies while establishing a new body in 2022 called "Where Did You Get This?" to combat corruption, proving government efficiency, effectiveness, and determination to control corruption.

In this context, the study comes with important results, showing the importance of compliance with international accounting standards in achieving financial transparency and enhancing confidence in government financial systems. These international accounting standards contribute to providing information about government funding sources, helping to understand the country's financial situation and evaluate its financial performance. On the other hand, accrual accounting ensures the accuracy and credibility of financial reports, which impacts limiting corruption and enhancing the transparency of financial operations. Additionally, performance and results-based budgeting helps measure public sector performance and develop strategies to achieve financial and general objectives, ensuring effective follow-up of planned programs, monitoring their performance, and ensuring efficient implementation. In conclusion, we recommend the necessity of providing good training for concerned parties (public accountants, financial controllers, etc.) on applying this accounting system with training that corresponds to technological requirements.

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