

An Analytical Study of the Budget Implementation Process in the Decentralized State Services in Light of the Transition from Line-Item Budgeting to Program and Performance Budgeting in Algeria

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Abstract :

This study seeks to analyze and clarify the process of budget implementation within the decentralized state services in light of the budgetary transition introduced by the Organic Law on Finance Laws (LOLF). Through this reform, Algeria has shifted from a traditional line-item budgeting system—based on inputs and financial means—to a program and performance budgeting approach that emphasizes future programs, measurable outcomes, and achieved results.

The findings indicate that the previously adopted line-item budgeting framework no longer meets the requirements of modern public resource management, particularly in the context of digital transformation. This system relies on conventional procedures that fail to ensure the efficient and transparent management of state resources and capacities. Consequently, Algeria has adopted program and performance budgeting as a strategic alternative, marking the first step toward the modernization of its budgetary and accounting framework. Furthermore, the study concludes that the effective implementation of this new budgeting model and the attainment of its intended objectives require a thorough understanding of the reforms introduced under the LOLF and their practical implications for decentralized financial governance.

Keywords: Budgetary resources; Program and Performance Budgeting; Organic Law on Finance Laws (LOLF).

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Introduction

The public budget of any country is considered a reflection of the government and serves as a legal document through which officials are evaluated and held accountable for its execution. However, it is the adopted budgeting system that determines the evaluation criteria and performance indicators for executive bodies. The line-item budgeting system applied in Algeria until December 31, 2022, lacked the necessary foundations for this purpose. Accounting outputs, which constitute the most important criteria for evaluation and performance assessment, were limited to financial amounts distributed across various accounts and funds, with little detailed information accessible to the officials responsible for budget execution.

In light of this, Algeria was compelled to adopt a new budgetary approach that ensures the effectiveness of public spending while enabling performance evaluation and accountability of executive bodies. This objective is achieved through the adoption of program and performance budgeting, which links financial allocations to measurable objectives and outcomes.

1. Research Question :

Based on the above, the research question can be formulated as follows:

How is the budget implemented in decentralized state services in light of the transition from line-item budgeting to program and performance budgeting?

2. Sub-Questions :

To gain a comprehensive understanding of the topic under study, the following sub-questions are proposed:

- Does the line-item budget achieve the overall objectives of public expenditure, and is it suitable for managing the state's general budget ?
- Can program and performance budgeting be considered the optimal alternative to the line-item budget ?
- Does assigning a program portfolio to each ministry and unifying the operating and capital budgets enable the evaluation of each ministry's performance and facilitate the automated exchange of accounting information between the central and decentralized levels?

3. Hypotheses :

Based on the above sub-questions, the following hypotheses are formulated:

- The line-item budget does not achieve the overall objectives of public expenditure and is no longer suitable for managing the state's general budget.
- Program and performance budgeting represents the optimal alternative to line-item budgeting, as it is program-based and results-oriented.

- Assigning a program portfolio to each ministry and unifying the operating and capital budgets enables the evaluation of each ministry's performance and facilitates the automated exchange of accounting information between the central and decentralized levels.

4. Study Objectives

- Clarify the concepts introduced by Organic Law No. 18-15, dated September 2, 2018, concerning finance laws.
- Identify the key stakeholders involved in the implementation of the general budget.
- Highlight the main components and principles underlying program and performance budgeting.
- Present the accounting treatment of various operations within the decentralized state services.

5. Study Methodology

To achieve the objectives of the study, a descriptive approach was employed to present the theoretical aspects of the topic, while an analytical approach was used to process and examine the information collected during the study.

6. Study Tools

- Relevant laws and regulations available on the official websites of the concerned government departments.
- Interviews conducted with officials and personnel involved in budget execution, through which data were collected to address the research questions and hypotheses.

7. Study Structure

To answer the research questions and test the hypotheses, the study is organized into the following sections:

- The General State Budget
- The Transition from Line-Item Budgeting to Program and Performance Budgeting
- Program and Performance Budgeting under the LOLF Framework

I. The general state budget

The general state budget represents the accounting component of the state's annual finance law. It serves as the legal framework through which the state's revenues and expenditures are estimated. Although multiple definitions exist for the term "*general state budget*", they all converge on the idea that it

pertains to non-profit activities aimed primarily at implementing the state's public policies. (Raid Mahmoud 'Abd Rabbuh, 2016, p.167)

1. Definition of the State Budget

The state budget is defined as a detailed statement presenting estimates of the state's revenues and expenditures in monetary terms, reflecting the government's planned financial strategy for the forthcoming fiscal year. This statement is approved by the legislative authority. (Ismail Khalil Ismail, 2018, p.129)

From an accounting perspective, the state budget constitutes an estimate of revenues and expenditures for the upcoming fiscal year, formalized through the state's general budget law. (Law No. 84-17 of 7 July 1984)

In the Algerian context, the budget is defined under Law No. 84-17 on Finance Laws as encompassing the state's final revenues and expenditures, which are determined annually by the finance law and allocated in accordance with the applicable legislative and regulatory provision.

Article 3 of Law No. 90-21 of 15 August 1990 on Public Accounting stipulates that the state budget is a document prepared for the calendar year, authorizing all operating and investment revenues and expenditures, including expenditures on public equipment and capital projects.

Organic Law No. 18-15 (LOLF) of 2 September 2018, in Article 4, defines it as follows:

“The resources and obligations of the state budget shall be estimated and presented in the budget in the form of revenues and expenditures. These resources and obligations are determined and authorized annually through the Finance Act and allocated in accordance with the provisions of this law. The total revenues and expenditures are recorded in a single account constituting the general state budget.”

Based on these definitions, the general state budget can be described as a single legal and estimated document, approved by the legislative authority for a fiscal year, encompassing public revenues and expenditures exclusively related to governmental activities and the implementation of the state's public policies.

2. Characteristics of the State Budget

The state budget is characterized by several key features, which can be summarized as follows:

- It is a financial statement that presents the state's revenues and expenditures.
- It is an estimated budget, rather than an account of actual revenues and expenditures.

- It covers a specific fiscal period, typically one calendar year, during which the budget is executed.
- It is a legal document, referred to as the Finance Act, which must be approved by the legislative authority.

3. Importance of the State Budget

The general state budget is of significant importance to the executive and legislative authorities, as well as to citizens, because the data provided by the accounting system during and after budget execution, along with the results of public expenditure, serve as indicators for evaluating government performance. Therefore, the budget is not merely a record of revenues and expenditures; its importance can be summarized as follows: (Ammar G. I., 2014, p. 10-11)

•Political Importance: The state budget serves as a work plan for ministries and government agencies that constitute the executive branch for the upcoming fiscal year. It is a tool for the government to implement its public policies in economic and social domains. Moreover, it promotes structured and systematic planning in place of arbitrary or uncoordinated approaches. The budget also functions as a mechanism for governmental oversight, as it must be submitted to parliament for approval before implementation, granting the legislative authority the right to request explanations regarding the overall outcomes of government activities.

•Economic Importance: The budget is a tool for guiding economic policy toward achieving the strategic objectives of the state. This can be accomplished by promoting specific sectors through incentives or restricting certain activities via taxes and fees. Additionally, the budget can be used to address economic challenges such as recessions, inflation, and high unemployment.

•Social Importance: The state budget reflects the government's **social and economic policies** for the fiscal year, as it includes the distribution of income and subsidies among citizens, as well as access to various **public services**, such as social welfare and healthcare. Additionally, the budget is of particular importance to **civil servants and government employees**, as it specifies wages, salaries, and allowances.

4. Principles of the General State Budget

The general state budget is based on several fundamental principles, which can be summarized as follows: (Mansour, 1991, p.84)

•Principle of Annuality : This principle stipulates that the budget is enacted by parliament for a one-year period, and all items included in the budget are implemented within that fiscal year.

•**Principle of Unity** : According to this principle, all state revenues and expenditures must be consolidated into a single document, in order to present the state's financial position by comparing its resources with its expenditures.

•**Principle of Universality** : The budget must include all state revenues and expenditures, regardless of their nature or size, classified sector by sector according to a coherent system. This principle also incorporates the non-earmarking rule, meaning that no specific revenue is allocated exclusively to cover a specific expenditure.

•**Principle of Balance** : This principle requires that revenue estimates are approximately equal to expenditure estimates, in order to avoid budget deficits on the one hand and ensure the optimal use of available resources on the other.

5. Methods of Public Budgeting

Several types of budgets have been used in the management of state resources and expenditures, the most notable of which are:

•**Itemized Budgeting** : Also referred to as control budgeting or appropriations budgeting, this approach organizes expenditures by specific items or categories and primarily serves as a tool for financial control.

•**Program and Performance Budgeting** : Also known as results-based budgeting, objectives-based budgeting, or goal-oriented management, this method links resource allocation to the achievement of specific objectives and evaluates performance based on outcomes. (Saud, 2020, p.115)

•**Planning and Programming Budget** : This type of budget emerged from the government's need to align its programs with budgetary allocations. It aims to connect appropriations with planned objectives and serves as a decision-making tool, particularly for prioritizing among alternative programs to achieve specific goals. In this approach, the planning function takes precedence over both budgetary control and the management of government activities through programs, thereby integrating the three key dimensions of budgeting: planning, implementation, and control.

•**Zero-based budgeting**: This type of budgeting was first applied in the government sector in the US state of Georgia in 1983. It is defined as a method of setting budget estimates for any expenditure item starting from zero, without regard to previous public spending estimates. Instead, estimates are made based on what they should be after studying the scope of the required activity, the method of its implementation, and the expected costs, so that all programmes and projects are viewed as new in order to measure the effectiveness of each amount spent. On this basis, a decision is made on whether to continue the activity or not. In this budget, a distinction should be made between the planning

process and the budgeting process, and the relationship between these two variables should be clarified. (Ali Dahman, 2019, p.75)

•**Contractual budgeting:** The latest wave of reform and development of the state's general budgets requires that the relationship between the government and the executive bodies be a contractual one, for the implementation of specific, quantifiable tasks, in exchange for sums paid by the government before, after and during the implementation of what has been agreed upon. (Atiya, 2020, p.423)

II. Transition from Item-Based Budgeting to Program and Performance-Based Budgeting

1. Item-Based budgeting

In this section, we examine the concept and characteristics of item-based budgeting, its form under Law 84-17 of 7 July 1984 on finance laws, as well as its advantages and disadvantages.

1.1 Concept of itemized budgeting

Itemized budgets (also referred to as appropriations or line-item budgets) are among the oldest types of budgets. They first emerged in the United Kingdom in the early 18th century. Their primary purpose was to control public expenditure, ensuring that spending was used strictly for its intended purposes, without waste, negligence, or manipulation. (Al-Fasfus, 2009, p.64)

Itemized budgeting is defined as the presentation of expenditures in the form of line items, according to the purpose of each expenditure. It provides a numerical breakdown of the various items necessary for the operation of an administrative unit. (Hammad, 2009, p. 55)

Itemized budgets are classified according to two criteria:

• **Administrative classification:** based on the government units responsible for implementation.

• **Functional classification:** based on the type and purpose of expenditure, where expenditures of the same nature are grouped together and further subdivided into specific items.

1.2 Characteristics of Itemized Budgeting

• **Emphasis on control:** Focus is placed on financial appropriations and on ensuring compliance with applicable legal regulations during budget execution.

• The focus is primarily on expenditures and their categories, rather than on the objectives of the spending itself, making it difficult to verify whether the expenditures have actually achieved their intended purpose, or whether they were simply disbursed without producing measurable results.

1.3 Itemized Budgeting under Law 84-17 of 7 July 1984 on Finance Laws

• **Structure of the General State Budget:** The general state budget consists of three schedules representing the state's total revenues and expenditures. These schedules are:

- **Schedule “A”:** Final revenues applicable to the state budget.
- **Schedule “B”:** Distribution of appropriations allocated for the **operating budget** by ministerial department.
- **Schedule “C”:** Distribution of final expenditures by sector (**capital/equipment budget**).

The following table summarizes the various components of these schedules.

Table No. 01: Components of the general state budget

Public revenue:	Public expenditure:
Tax revenue: <ul style="list-style-type: none"> ➢ Direct taxes ➢ Registrations and stamps ➢ Various taxes on businesses ➢ Indirect taxes ➢ Customs duties 	Operating expenditure: <ul style="list-style-type: none"> ➢ Public authority allocations ➢ Expenditure on means of transport ➢ Public interventions
Ordinary revenue: <ul style="list-style-type: none"> ➢ Income from state property ➢ Miscellaneous budget revenue ➢ Statutory revenue 	Equipment expenditure: <ul style="list-style-type: none"> ➢ Investments made by the state ➢ Investment subsidies granted by the state ➢ Other capital expenditure
Other revenue	

Source : Prepared by the researcher.

• **Implementation of the General State Budget**

The state budget is implemented through three main stages :

➢ **Administrative stage :** Also known as commitment accounting, this stage encompasses all operations carried out by the authorizing officers, from commitment to liquidation and the issuance of expenditure orders. This stage includes pre-expenditure budgetary control, which is conducted by the financial controller.

➢ **Accounting stage :** This stage represents the final settlement of public debt, during which the public accountant disburses funds based on the payment orders prepared and transmitted by the authorizing officers.

1.4 Advantages of Itemized Budgeting

Itemized budgeting has several advantages, the most significant of which include: (Meftah, 2011, p. 39)

- Ease of control over public fund disbursement.

- Facilitates the classification of expenditures into current and capital expenditures for each project unit.
- Simplicity in budget preparation, allowing for accurate estimation of the needs of each government agency.
- Ease of comparison and the creation of time series between the previous year and the following year.
- Clarity and simplicity in the allocation of appropriations among line items, as they are limited and well-defined.

1.5 Disadvantages of Itemized Budgeting

Despite its advantages, itemized budgeting has several drawbacks that often outweigh its benefits, the most notable of which include:

- **Shortcomings of the Budgetary System**
 - **Reliance on itemized budgets:** Itemized budgets are based on two classifications: administrative and economic. This distinction separates current expenditures, relating to employee costs and the operational expenses of each ministry, from capital expenditures, related to public projects and various equipment operations (sectoral projects). This classification explains the lack of planning, absence of scientific measurement, and absence of cost accounting in itemized budgets, as reflected in Schedules B and C of the state budget. (Lahoul Kamal, 2023, p. 18-20)
 - **Absence of a multi-year budgetary framework:** Except for the capital budget, which allows multi-year program authorizations and the transfer of remaining appropriations between years, the operating budget is entirely constrained by the annuity principle.
 - **Budget duality:** The operating budget and the capital (equipment) budget are presented in two separate schedules (Schedules B and C) and are managed differently.
 - **Input-oriented management:** The focus is on resources and means of expenditure, rather than on the objectives of spending.
 - **Difficulty in interpreting budget documents:** Budget documents are not easy to read or analyse.
 - **Ex-ante control focused on legality:** Pre-expenditure control emphasizes compliance with laws and regulations, assessing appropriateness and legality of spending, without evaluating whether the intended objectives of expenditures are achieved.
 - **Ex-post oversight with no impact on internal management:** Reports issued by various ex-post public finance oversight bodies and their

recommendations are non-binding, except in cases involving fines or the assignment of legal responsibility.

- **Lack of fairness in accountability:** When errors occur during budget execution, the public accountant bears personal responsibility alone, without sharing accountability with other budget implementation staff.

➤ Shortcomings of the Accounting and Information Systems

Accounting system shortcomings:

- The current accounting system is not aligned with international public sector accounting standards (IPSAS).
- Cash-based accounting supports the principles of itemized budgeting by recording cash flows, but it is less precise than accrual-based accounting.
- Neglect of the state's financial assets and liabilities: Reliance on fund accounting focuses solely on collected revenues and expenditures, ignoring the state's movable and immovable assets, receivables, and debts.
- Rigid account numbering: The chart of accounts uses a linear coding system that lacks flexibility, particularly for sub-accounts, which no longer correspond to the state's modern operations.
- Difficulty in consolidating accounting operations: The multiplicity of accounting entries, delays in recording financial transactions, and weak management result in delayed decision-making and public policy guidance for expenditure rationalization.

➤ Information system shortcomings:

- Absence of an integrated information system to facilitate the transfer of accounting data between accountants and between accountants and officials.
- Manual recording and monitoring of accounting transactions, which is time-consuming and labor-intensive.
- Limited implementation of digital systems: Although the Ministry of Finance has begun deploying an information system (ORACLE), it currently only covers secondary accountants and is not yet linked to disbursement authorisers.

Programme and Performance Budgeting:

- The approach adopted by Algeria in reforming the state budget led to the adoption of programme and performance budgeting as a new system for the state budget, following the example of many other countries.
- The shortcomings of itemised budgeting, combined with the urgent need for a more sophisticated system that ensures optimal management of state resources, enables performance evaluation against set targets, and reflects advances in administrative sciences, have prompted the emergence of alternatives to traditional item-based budgeting.

• Among these alternatives is programme and performance budgeting, which first appeared in the United States in the mid-20th century, beginning with the first Hoover Commission report in 1949, followed by the Planning-Programming-Budgeting System (PPBS) in 1960, Management by Objectives (MBO) in the early 1970s, and Zero-Based Budgeting (ZBB) in the late 1970s. Initially applied in business management, it was later adopted in the public sector. (Sabine ,2018, p. 127)

• **1. Concept of Programme and Performance Budgeting**

Programme and performance budgeting is a modern method of classifying budget data that emphasizes government programmes and activities rather than the goods and services purchased. In other words, it focuses on the objective itself rather than the means of achieving it.

It is also defined as a system that presents the purposes and objectives for which funds are allocated, the costs of associated programmes and activities, the plans proposed to achieve those objectives, and the outputs produced within each programme. (Hassanain, 2013, p. 170)

• **2. Reasons for Adopting Programme and Performance Budgeting**

Beyond the need to reform Algeria's budgetary system due to the deficiencies of the resource-based approach, there are additional drivers for reform, notably the demonstrated success of programme- and results-based budgeting in numerous countries.

In the **United Kingdom**, the emergence of New Public Management in the government sector during the 1990s was largely driven by a significant budget deficit. This prompted a reorientation of government priorities toward **programme and performance budgeting**, which proved effective in delivering public services more efficiently. The reforms introduced included: (Gérard, 2010, p. 31)

- **A multi-year budget (three years):** Facilitating the completion of longer-term initiatives.
- **A new resource and budget accounting system:** Based on accrual accounting, which analyses expenditures by department and by objectives.
- **Public Service Agreements (PSAs):** Each department sets strategic objectives and associated targets.

In **France**, the reforms yielded positive outcomes across multiple dimensions, including: (Abdous, 2019, p. 24)

- A qualitative improvement in government financial reporting.

- The capacity to produce medium-term comparative information and present changes in appendices via the general state account.
- Enhanced parliamentary ability to evaluate programme costs, assess implemented policies, and determine the achievement of planned results.
- Improved clarity and accuracy of budgetary documents.
- Faithful representation of governmental transactions and events, providing true and fair state accounts with full transparency, thereby facilitating effective evaluation of programmes and policies.

III. Programme and Performance Budgeting under the LOLF

1. The Organic Law (LOLF) and Mechanisms for Implementing Programme and Performance Budgeting

1.1 Organic Law (LOLF):

Organic Law 18-15 on finance laws, dated 2 September 2018, as amended and supplemented by Organic Law 19-09 of 11 December 2019, establishes the legal framework for the management of public finances. It governs the preparation, content, presentation, and parliamentary approval of finance laws. It also defines the principles and rules of public finance and state accounts, as well as the implementation and oversight of finance laws.

The LOLF is structured into six chapters, encompassing a series of reforms and introducing several new concepts, the most significant of which include:

- **Organic status of finance law:** For the first time, finance laws are regulated by an organic law, whereas Law 84-17 of 7 July 1984 lacked this status.
- **Programme-based, results-oriented budgeting:** Emphasis on performance and outcomes rather than merely inputs.
- **Multi-year budgetary framework:** Enabling medium-term planning and continuity of initiatives.
- **Revised budget implementation procedures:** Streamlining the execution and monitoring of expenditures.
- **New classifications of public expenditure:** Improving transparency and accountability.
- **Adoption of the responsible manager principle:** Holding budget managers accountable for performance.
- **New budgetary cycle:** Integrating planning, execution, and evaluation.
- **Revision of the State Budget Code:** Updating legal and regulatory frameworks.
- **Unification of the operating and capital budgets:** Harmonising financial management and reporting.

- **Comprehensive information system:** Facilitating data collection, processing, and reporting.
- **Enhanced parliamentary oversight:** Strengthening legislative control over the general budget.
- **Contractual framework:** Formalising agreements between ministries and the state for performance accountability.
- **Reduction of special-purpose funds:** Simplifying budget structure and increasing efficiency.

1.2 Mechanisms for Implementing Programme and Performance Budgeting:

To implement the reforms introduced by the LOLF, a set of measures was necessary to facilitate the optimal application of the reform project.

• **Executive Decrees:** Following the enactment of the LOLF, it was essential for the legislative authority to issue executive decrees to clarify its application, as the law constitutes the legal framework. At the same time, the implementation of the state budget requires a clear understanding of financial and accounting regulations to achieve the reform objectives effectively.

Twelve executive decrees were issued, as follows:

- **Executive Decree 20-335** of 22 November 2020: Specifies the procedures for designing and preparing the medium-term budgetary framework.
- **Executive Decree 20-353** of 30 November 2020: Defines the components of the classification of state revenues.
- **Executive Decree 20-354** of 30 November 2020: Defines the components of the classification of state budget expenditures.
- **Executive Decree 20-382** of 19 December 2020: Defines the conditions for the reuse of cancelled appropriations.
- **Executive Decree 20-383** of 19 December 2020: Specifies the conditions and procedures for the transfer of financial appropriations and their implementation.
- **Executive Decree 20-384** of 19 December 2020: Sets out the conditions and procedures for implementing payment appropriations available during the supplementary period.
- **Executive Decree 20-385** of 19 December 2020: Specifies the procedures for recording and using funds allocated to contributions under programmes included in the state budget.
- **Executive Decree 20-386** of 19 December 2020: Specifies the conditions for recovering financial appropriations.

➤ **Executive Decree 20-387** of 19 December 2020: Specifies the procedures for preparing the inventory table attached to the draft finance law for the fiscal year.

➤ **Executive Decree 20-403** dated 29/12/2020: Defines the conditions for programme maturity and registration.

➤ **Executive Decree 20-404** dated 29 December 2020 specifies the procedures for managing and delegating financial appropriations.

➤ **Executive Decree 21-62** dated 8 February 2021 defines the appropriate budgetary and accounting management procedures for public administrative institutions and other public bodies and institutions receiving allocations from the state budget.

Together, these decrees form the accounting framework for implementing programme- and performance-based budgeting. They provide detailed guidance on both budgetary and accounting matters and serve as a roadmap for understanding and properly executing the reforms introduced by the LOLF Organic Law.

•**Instructions and Circulars:** To resolve issues arising during budget implementation, the Ministry of Finance, through the Directorate General of the Budget, issues instructions regarding the working procedures for all actors involved in the budget process (authorising officers, programme managers, budget controllers, programme and budget monitoring directors, treasury officers, etc.) via memoranda, circulars, decisions, and joint directives.

•**Guidance Notes:** The Ministry of Finance issued guidance notes to programme managers and activity managers at the decentralised level to clarify the general methodology for working with programme and performance budgets.

•**Training Courses:** The Ministry of Finance organised training courses through regional directorates across the country to explain the main aspects of budgetary reform and its implementation. Initially, these courses targeted finance sector employees, such as budget controllers and regional financial auditors. The training was later extended to all sectors involved in budgetary reform to present the overall methodology of results-based programme budgeting and its implementation.

2. Key Elements of the Programme Portfolio under GAR:

The budgetary framework introduced by the Organic Law on Finance Laws (LOLF) marked a significant shift in the principles governing the general state budget. It instituted a programme-based, results-oriented budgeting system (Gestion Axée sur les Résultats – GAR) alongside a multi-year budgetary framework (Cadre Budgétaire à Moyen Terme – CBMT). It also restructured the

classification of public expenditure and integrated the operating budget with the capital (or investment) budget, thereby streamlining the public finance architecture. (Mohamed, 2020, p. 74)

1. Programme-Based and Results-Oriented Budget Management (GAR)

The results-based management approach seeks to enhance the efficiency and effectiveness of public resource utilization by ensuring that predetermined objectives are achieved at the lowest possible cost.

This approach is structured around a programme portfolio, whereby each public institution or ministerial department is assigned a portfolio comprising a set of programmes. These programmes serve as units of accountability, each encompassing a coherent set of activities.

Each programme must be explicitly linked to specific objectives; no programme can exist without strategic objectives, and conversely, no objective is valid without justifiable, quantifiable, and measurable performance indicators. To clarify this framework, the following elements must be defined:

➤ **Objectives:** These are established in advance and reflect the overarching policy orientations of each sector. They embody the strategic choices and policy guidelines adopted, and must be formulated with precision. Objectives should be limited in number, clearly defined, and interrelated, ensuring coherence with the corresponding performance indicators. Moreover, they should go beyond operational or secondary goals to reflect strategic intent.

➤ **Performance Indicators:** These are quantitative or qualitative measures (numbers, percentages, status changes, etc.) that enable an objective assessment of the extent to which an objective has been achieved. Performance indicators are tracked using a timeline that allows previous results to be evaluated and compared with the target values. Indicators should meet the following criteria:

- Directly linked to the objective.
- Simple, understandable, and measurable.
- Limited in number to allow effective monitoring.
- Realistic and credible.
- Stable over a period of more than four years.

2. Multi-year Budgetary Framework (CBMT):

This framework reflects the programme-oriented dimension of the budget. A medium-term plan, referred to as the “five-year plan,” is adopted, covering the two years preceding the budget year and the two years following it. This ensures continuity of programme funding, facilitates monitoring of the national

economy's development, and guides public finances in a way that supports the state's major balances and strategic objectives over the medium term.

Algeria has adopted a three-year financial programming approach for revenues and expenditures, the state budget balance, and, where applicable, public debt. This tool is implemented through the Medium-Term Expenditure Framework (CDMT) and the Expenditure Commitment Plan.

➤ **Medium-Term Expenditure Framework (CDMT):** This is a rolling programming tool covering three years for major aggregates. It is presented as a document reflecting the current year and the following two years, including estimates of revenues and expenditures, the state budget balance, and, where applicable, public debt, in accordance with the macroeconomic framework and the treasury's financial situation.

The objectives of the medium-term budgetary framework are to :

- Promote macroeconomic balance and budgetary discipline.
- Improve the allocation of potential resources according to expenditure priorities based on the government's strategic choices.
- Strengthen budgetary forecasting.
- Rationalise public expenditure.
- Ensure sustainable financial coverage and assess budgetary prospects.

The budget is programmed over a three-year period, and this framework is reviewed annually during the preparation of the preliminary draft of the finance law. A guidance note is issued to programme managers in various ministries and public institutions. This note contains a set of tables into which data on budget programming for activities at the decentralised level are entered. These data are then consolidated at the central level to form the medium-term budgetary framework for each programme portfolio.

➤ **Expenditure Commitment Plan :** This document is used to assess the budgetary expenditures for a single fiscal year, reflecting the typical level of expenditure commitments during the implementation of the state budget.

The plan is prepared periodically by programme managers either monthly or quarterly and includes the level of commitment for each programme and its sub-sections.

When preparing the plan, the following factors are taken into account:

- The level and pace of implementation observed in the most recently completed fiscal year.
- The levels approved within the framework of the relevant document (Volume 2), in compliance with the expenditure ceiling.
- Mandatory and non-reducible expenditures.
- The prioritisation of expenditures.

The proposed commitment levels are submitted to all authorising officers, who in turn prepare a practical commitment plan that is then submitted to the qualified budget controller.

Expenditure commitment plans may be revised in duly justified exceptional cases, subject to the approval of the Minister of Finance, particularly taking into account the payment capacity of the public treasury.

At the end of the supplementary commitment period, commitment plans for suspended expenditures are consolidated by the Minister of Finance to reconcile the aggregated commitment plan with the State Treasury plan.

3. Classification of Public Expenditure under the LOLF:

State expenditures are classified according to the following criteria:

- **By activity:** This classification is based on the programme and its subdivisions.
- **By economic nature of expenditure:** This classification comprises expenditure headings and subheadings.
- **By major state functions:** This classification identifies the sectors responsible for achieving objectives according to their respective functions.
- **Implementation of Programme and Performance Budgeting**

To understand the process of implementing the programme and performance budget, it is essential to define the programme portfolio, the new budgetary documents, and the various actors involved in budget management.

1. Programme Portfolio: Under the programme budget, the financial appropriations allocated in the Finance Act for the fiscal year are distributed across the programme portfolios of each ministry in accordance with decrees on the allocation of payment appropriations and commitment authorisations. Each ministry or public institution maintains a programme portfolio, which consists of:

- The main budget programme.
- Sub-programmes, where applicable.
- Activities and sub-activities, where applicable.

➤ **Budget Programming Documents:**

The programme- and performance-based budgeting system has generated a set of budgetary documents, which include:

- Preliminary programming document for financial appropriations and job positions.

- Extract from the preliminary programming document for appropriations and job positions.
- Programming document for appropriations related to activities broken down into sub-activities.
- Extract from the programming document for appropriations related to activities broken down into sub-activities.
- Programming document for appropriations related to activities that are either not broken down or broken down into sub-activities.
- Documents related to Investment Expenditure.

3. Implementers of Financial Appropriations:

Responsible Managers (Authorising Officers): Under the LOLF, new concepts, designations, and roles were introduced for officials overseeing the administrative implementation of the budget. Article 2 of Executive Decree No. 20-404 of 29 December 2022 stipulates that operations related to the management and authorisation of financial appropriations fall under the responsibility of authorising officers. Accordingly, authorising officers are tasked with programming, allocating, and placing financial appropriations at disposal, committing expenditures, liquidating them, issuing payment orders, and releasing transfers.

Budget Controller (Ex Ante Control): The budget controller corresponds to the financial controller under public accounting law. In line with the requirements of programme- and performance-based budgeting, the title and responsibilities have been updated. The budget controller (CB) is responsible for the ex ante control of public expenditures.

Public Accountant: Payment is the procedure by which public debt is discharged, a task performed exclusively by the public accountant. This role follows the procedures outlined in Law 90-21 of 15 August 1990 on public accounting, pending the enactment of the new accounting law. Changes in budget programming have also led to modifications in the format of accounting documents used for the settlement of expenditures.

Conclusion

At the beginning of 2023, Algeria began implementing the state budget under a new results-based budgeting system, in contrast to the previous means-based system. Programme and performance budgeting was adopted as an alternative to the traditional itemised budget.

The implementation of the state budget according to the programme and performance-based approach introduced by the aforementioned law has been the primary concern of all officials responsible for preparing and executing this year's budget. The novelty of the experience, limited expertise, and lack of

guidance have made it essential for all parties to redouble their efforts—both to understand the overall framework of programme and performance budgeting and to ensure proper implementation of the state budget.

Through our study, we focused on the implementation of the budget within decentralised state departments to examine the programme and performance budget, its key components, and the main principles it relies upon.

1. Study findings:

We also explored the potential challenges that may arise during the implementation phase and ways to overcome them. The main conclusions are as follows:

- The itemised budget is no longer suitable for managing the state's general budget, and its replacement represents a qualitative leap in public budget management.
- Adhering to the deadlines for budget implementation under the LOLF is a crucial step toward achieving reforms in the management of the state's general budget.
- The establishment of a multi-year budgetary framework allows for the setting of medium-term public policy objectives and ensures permanent coverage of general budget expenditures linked to pre-defined objectives.
- A results- and objectives-based budget gives public expenditure economic significance, unlike an itemised budget based primarily on resources.
- Setting predefined objectives, coupled with subsequent accountability, helps limit waste and negligence in the management of public funds.
- Implementing the principle of responsible management makes the administration of the state's general budget more flexible.
- Ministries and public institutions are not yet fully familiar with the content of the reforms, making capacity-building essential to improve performance.
- Although the Organic Law was enacted in 2018, its implementing decrees were delayed until 2020.
- Ministries, public institutions, and their affiliated agencies were not adequately prepared to implement a programme-based, results-oriented budget.

2. Testing the hypotheses:

Based on our study and the results obtained, the hypotheses can be addressed as follows:

- **First hypothesis:** The itemised budget does not achieve the overall objective of expenditure and is no longer suitable for managing the state's

general budget. A review of the shortcomings and imbalances that have appeared in the state budget over previous years confirms the validity of this hypothesis.

➤ **Second hypothesis:** Programme and performance budgeting is considered the optimal alternative to itemised budgeting, as it is programme-based and results-oriented. Based on our review of the experiences of countries that have already implemented programme and performance budgeting, as well as an analysis of its advantages, it is evident that this approach is a suitable replacement for itemised budgeting. It prioritises the objectives of expenditure rather than merely the amount spent, which aligns with Algeria's goal of curbing the drain on the state's public finances.

➤ **Third hypothesis:** Assigning a programme portfolio to each ministerial department and unifying the operating and capital budgets allows for the assessment of each ministry's performance and facilitates the automatic exchange of accounting information between the central and decentralised levels.

This hypothesis is confirmed, as adopting a programme- and results-oriented budget supports the approach of assigning a programme portfolio to each sector. The freedom granted in setting objectives and programming financial appropriations is accompanied by accountability for the results achieved relative to the pre-defined objectives, which enables the measurement of the efficiency and effectiveness of management in each sector.

Budget programming also allows for determining the level of appropriations allocated to each programme and their status at the activity level, facilitating the exchange of accounting information between the programming and implementation stages.

Moreover, budget consolidation enables the compilation of accounting data into a single document, enhancing both transparency and credibility.

3. Recommendations:

➤ To improve the performance of actors involved in budget implementation and to address the various challenges that may hinder the optimal execution of programme- and performance-based budgeting, we propose the following recommendations:

➤ Organise focused, closed training sessions for personnel involved in budget preparation and implementation, rather than relying on broad, large-scale training courses.

➤ Review and adapt the organisational structures of ministries and public institutions to align with the requirements of programme- and performance-based budgeting.

- Address problems that arise during budget management within the legal framework, avoiding ad hoc instructions or temporary decisions whenever possible.
- Establish permanent channels of dialogue between the programming level and the operational level to enable continuous performance evaluation, information exchange, and correction of imbalances.
- Accelerate the deployment of the integrated budget management system (SIGB).
- Enact the new public accounting law promptly to reinforce budgetary reforms with corresponding accounting improvements.
- Implement reforms in a coordinated manner to prevent deadlocks whenever new measures are introduced.
- Define and adapt the performance indicators stipulated by the LOLF according to the specific nature of each activity.
- Transition to accrual accounting instead of cash accounting to fully leverage its benefits.
- Adhere strictly to the laws and rules underlying programme- and performance-based budgeting to prevent a return to lax public fund management.

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