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The Budget of the Province: A Case Study of the Khenchela Budget.

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ABSTRACT: Adopting an administrative decentralisation approach managed by local communities reflects an effective reality in which tasks are distributed between the central authority and local entities. Financial resources are considered one of the most effective components through which local communities can achieve substantial development in various fields. This article aims to analyse the budget of Khenchela Province to gain insight into its financial situation. The budget is divided into sections for revenues and expenditures. In order to achieve financial balance, the province relies more on revenues to determine expenditure. Therefore, this research examines the evolution of both expenditure and revenue from 2019 to 2023.

Keywords: Provincial budget, provincial structure, evolution of revenues and expenditure, Khenchela Province.

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Introduction

Local communities (the provinces) have legal status and financial autonomy, which makes them independent of state finances. In Algeria, the province is considered the basic unit of administrative decentralisation policy, and its significance is highlighted by its access to a crucial resource: the financial means to realise effective and genuine decentralisation. In order for local communities to fulfil their substantial responsibilities effectively, they must have access to substantial financial resources, which can be derived from both internal and external sources.

Conversely, the financial resources allocated to regional communities (the provincial budget) are subject to a control process to ensure this budget is spent correctly and appropriately. This oversight accompanies all stages of the budget, encompassing both internal and external controls exercised by officials designated by law to implement and monitor regional community budgets.

Thus, the following question arises: To what extent has financial oversight contributed to the proper execution of the provincial budget?

Section One: General Presentation of Khenchela Province

Khenchela Province was formed through the administrative division of 1984, as set out in Law No. 84-09 of 4 February 1984 regarding the regional organisation of the country, as amended. This section provides a historical overview of the province in the first subsection and discusses the local administration in the second.

1. Location and organisational structure of Khenchela Province

Khenchela Province is part of the Eastern Highlands region of Algeria. This section will therefore address both its geographical location and its organisational structure.

1.1 Location of the Province

The province is located in the northeast of the country and the southeast of the Constantine plain. It is situated in the Aurès Mountains and covers a total area of approximately 9,715 km^2, representing about 0.4% of the national territory. The province's significant strategic location on the plateau and highlands gives it an agricultural, pastoral and desert character.

Khenchela Province comprises 21 municipalities organised into eight districts[1], ranking 40th among the country's 58 provinces. The province's current population is approximately 514,900.

1.2 Natural surroundings of the province

The province's topography is divided into four major geographical groups: mountains, plateaus, plains and steppe passages[2].

Resources:

1.2.1 Natural and Agricultural Resources

These include considerable forest cover accounting for 19.3% of the province's area; the northern steppes covering 15%; mountainous areas covering 36%; and desert lands in the south covering 40%.

1.2.2 Tourism and traditional industries

This includes historical sites and landscapes, as well as traditional crafts such as wool products (e.g. Babaar carpets) and wooden crafts. Mineral baths also represent an additional development factor[3].

2. The organisational structure of Khenchela Province

The province's organisational structure includes two bodies: the Provincial People's Council and the Governor[4]. The latter exercises their powers with the assistance of public administration bodies defined by Executive Decree No. 94-215.

Executive Decree No. 215-94, dated 23 July 1994, outlines the public administration bodies of the province and its structures. The governor represents the government at the provincial level, and the Provincial People's Council is another body within this structure. This section therefore addresses the administrative organisational structure of the province, including the governor and his office, the general secretariat, the provincial inspectorate, and the Provincial People's Council.

2.1 The Governor and His Office

The governor is considered the state's representative at provincial level and is appointed by the government, as stated in Article 110 of Law No. 12-07 concerning provinces. The governor presides over and represents the province in the implementation of decisions issued by the higher authority, acting as the state representative at the provincial level.

The governor exercises administrative authority in protecting the fundamental freedoms of citizens and is primarily responsible for maintaining public order, security and tranquillity[5].

The governor's office serves as his direct support body, preparing his activities and strengthening relationships with civil society organisations, citizens and the press. The office is also responsible for

[1]- Directorate of Programming and Budget Monitoring for Khenchela Province.
[2]- Algeria Atlas for the year 1982-1983.
[3]- Directorate of Tourism and Traditional Industries for Khenchela Province.
[4]- See Article 02 of Law No. 12-07 dated February 21, 2012, concerning Provincial Law, Official Gazette of the Algerian Republic, No. (12) dated 29/02/2012.
[5]- Alaeddin Ashi: Governor of the Province in the Algerian Administrative Organization, Dar Al-Huda for Printing, Publishing, and Distribution, Ain Melila, Algeria, 2006, p. 116.

ensuring the governor's instructions are applied and executed. The office includes a chief of staff, who is appointed by presidential decree, and assistants[6].

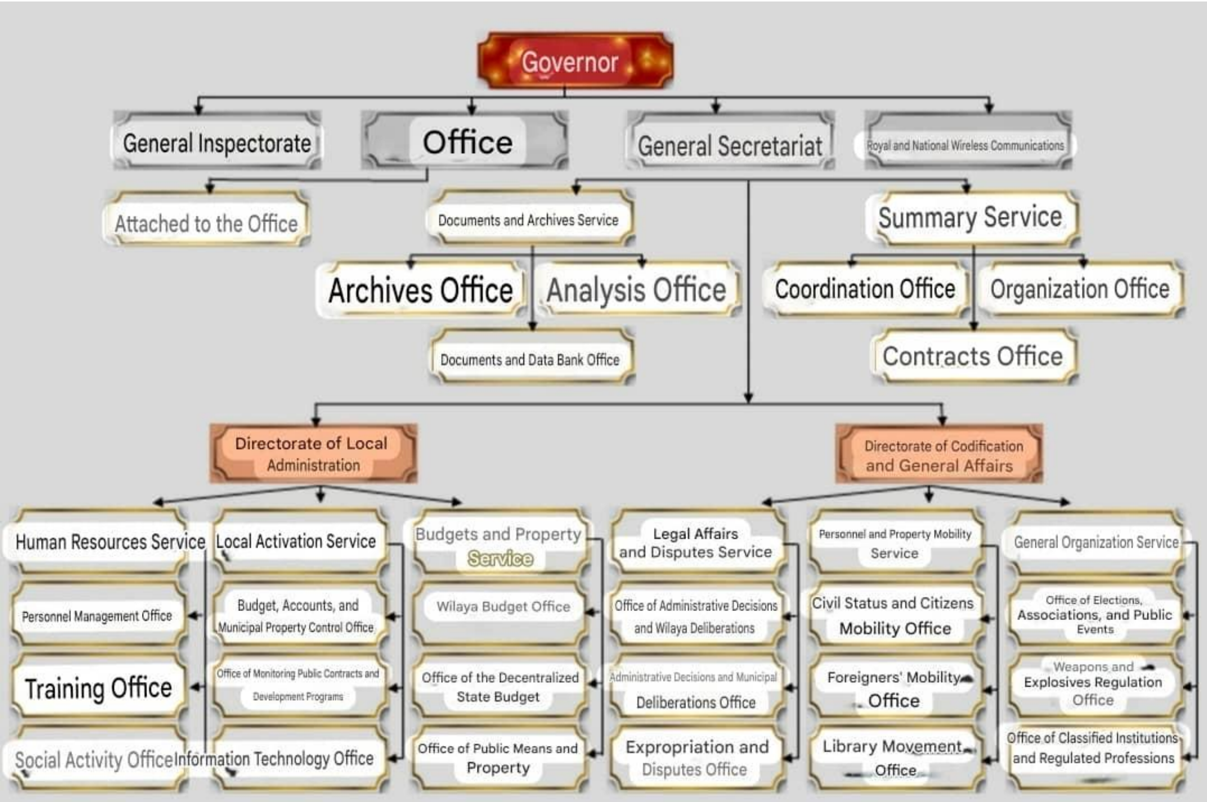
2.2 The General Secretariat

The General Secretariat is an authority that oversees the local development process at the provincial level, from project conception to implementation by the summarisation department. It is responsible for mobilising and monitoring development under the governor's authority[7].

The general secretariat's tasks are carried out by a group of services located within it. According to the ministerial circular dated 24 December 2020, the structural organisation of the General Secretariat of Khenchela Province defines its organisation into services and offices, with two services, each comprising three offices[8].

2.3 The General Inspection of the Province

The General Inspection of the Province is considered a supportive body for the Governor and is responsible for evaluating the activities of decentralised and non-centralised bodies, structures and institutions on an ongoing basis. The General Inspection operates based on an annual programme determined by the Governor, who manages it under his authority. The provincial general inspector is appointed by executive decree based on a proposal from the minister responsible for local communities[9].



Prepared by the researcher based on the available information and in accordance with the ministerial decision specifying the organization of the Directorate of Legalization, Public Affairs, and Local Administration

[6]- Joint ministerial decision dated June 22, 2021, specifying the number of assistants in the office for each province, Official Gazette No. 54.

[7]- https://www.wilaya-tlemcen.dz

[8]- See the joint ministerial decision dated June 22, 2021, amending and supplementing the joint ministerial decision dated 01/12/2020, which specifies the internal organization of the Directorate of Legislation and General Affairs and the Directorate of Local Administration in the province into departments and offices.

[9]- See Article 5 bis of Executive Decree No. 23-64 dated February 5, 2023, which supplements Executive Decree No. 94-216 dated July 23, 1994, concerning the General Inspection in the province.

2.4 The Provincial People's Council

The Provincial People's Council is a deliberative body elected for a fixed term of five years through universal suffrage. Its role includes fostering local development, investment and equipment, as well as approving the budget. It holds regular sessions throughout the year, specifically four sessions in March, June, September and December, each lasting a maximum of 15 days. There is also the possibility of holding extraordinary sessions[10].

The Provincial People's Council is also assisted by an office composed of three to five members, who are appointed based on a proposal from the president of the Provincial People's Council.

Second: The budget of Khenchela Province

The province's budget is considered the cornerstone due to its significant importance. Therefore, allocating a specific budget to Khenchela Province enables it to manage its public affairs independently. First, we will address the concept of the provincial budget, and then we will discuss the oversight of Khenchela Province's budget.

1. Nature of the Provincial Budget

As a crucial and fundamental document, the budget primarily aims to estimate necessary expenditure to meet public needs, and to provide for this expenditure. This section will elaborate on the nature of the provincial budget in the first subsection, discuss its sections in the second, and dedicate the third to the stages of preparing it.

1.1 Definition of the Provincial Budget

The provincial budget is defined by provincial law as follows: 'a table of estimates for revenues and regular expenditures specific to the province[11]'. It also serves as a contract for authorisation and management, allowing the province to operate and implement its programmes for equipment and investment.

The budget of Khenchela Province is divided into two sections: one for revenues and one for expenditure.

1.2 Sections of the Khenchela Province Budget

Like other provinces, the budget of Khenchela Province cannot be precisely determined. This is due to inaccuracies and variability in estimates, which prevent Khenchela Province from relying on a single budget. Thus, an initial budget is first established, which is considered tentative, and this budget is amended through an additional budget. At the end of the financial year, an administrative account is prepared to reflect the actual situation.

- Initial budget: This is an annual estimated and projected statement that includes total expenditure and revenue based on documents prepared during the fiscal year. The initial budget comprises several pages addressing the approval decision, a general index of the provincial budget and the balancing of interests and programmes.

- Additional budget: This budget allows for adjustments to be made to expenditure and revenue during the financial year. It serves as a document for correcting and balancing expenditure and revenue due to discrepancies arising during implementation of the initial budget, based on the results of the previous financial year.

The additional budget document includes two sections: an operational section and an equipment and investment section. Its structure is as follows:[12]

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[10]- Articles 12-14 of Law No. 12-07 concerning Provincial Law.

[11]- Article 157 of Law No. 12/07 concerning the province.

[12]- Based on the initial budget and supplementary budget documents provided by the officer responsible for preparing the budget for Khenchela Province at the level of the Directorate of Local Administration.

Operational section: This comprises several headings, including:

- Column One: This includes the appropriations and allocations designated for the approved initial budget.

- Column Two: This includes the balance of interests and programmes, with two specific headings for proposals and approvals, subdivided into expenditure and revenue.

- Column Three: This is divided into several headings. The first is titled 'Initial Budget', and the second is titled 'Adjustments'. The 'Adjustments' heading includes two sub-headings: one for increases and one for reductions. The third heading contains new proposals and the final heading, titled 'Approval', encompasses the allocations approved by the relevant authority.

Equipment and Investment Section: Like the operational section, this section follows the principle of annual budgeting. However, its implementation extends to 20 February of the following year for commitments[13] and 31 March for payments. It includes several columns summarised as follows:

- Column One: Under the title 'Initial Budget', it includes the appropriations and allocations of the approved initial budget.

- Columns Two and Three: Under the title 'Adjustments', it includes two headings: one for increases and one for reductions relating to the allocations recorded in Column One of the initial budget.

- Column Four: Under the title 'New Proposals', it includes new allocations proposed for the aforementioned headings.

- Column Five: Under the title 'Approval', it includes allocations approved by the relevant authority.

- Administrative Account: This represents the final budget, which is based on the initial and additional budgets and the specific authorisations that follow the additional budget. The extent of the projects committed by Khenchela Province is verified through the administrative account. This occurs at the end of the fiscal year on 31 March, and the governor is responsible for preparing and submitting it to the Provincial People's Council for approval.

2. The budget oversight process in Khenchela Province

The budget oversight process in Khenchela Province takes several forms and is carried out by different bodies and agencies. Additionally, budget operations encompass two aspects: expenditure execution and revenue collection. We will address these aspects as follows:

2.1 Individuals Responsible for Implementing the Provincial Budget

The oversight and implementation of the provincial budget are conducted by legally qualified personnel, including the budget inspector, the authorising officer and the public accountant. We will detail these roles below:

- Budget Inspector: The Budget Inspector is a Ministry of Finance representative responsible for the prior oversight of public expenditure. They are appointed by the Minister of Finance. Their role involves receiving a copy of the provincial budget (whether initial or additional), endorsing it and issuing commitment cards for operational or equipment expenditure. Provided these are compliant with regulations and laws, he approves the expenditure within legal limits. Commitment cards and payment orders are then issued and sent to the public accountant[14].

Authorising Officers: According to Article 23 of Public Accounting Law No. 90/21, an authorising officer is defined as 'any person authorised to execute budget operations relating to verification, clearance and

[13]- Joint ministerial instruction W2.W1 No. 6513 dated 11/11/1984 concerning financial operations of the provinces.

[14]- Interview with the officer responsible for budget monitoring at the Financial Control of Khenchela Province.

issuing the collection order for revenues, as well as carrying out commitment, clearance and payment procedures, or issuing payment orders relating to expenditure'[15].

Law No. 23-07 on public accounting and financial management defines an authorising officer as 'any appointed, elected or designated person authorised to carry out budgetary and financial operations for the legal entities mentioned in Article 1 of this law'[16].

For legal entities authorised to execute their budget operations, this includes the state, local communities and any public institution or administration[17]. In the case of the provincial budget, the governor acts as the authorising officer, representing the state and government at provincial level.

- Public Accountant: Unlike the authorising officer, who may be appointed or elected, the public accountant is a public servant authorised by law to carry out the operations mentioned in Article 24 of this Law. These operations include collecting revenues or disbursing expenditure, safeguarding and maintaining funds and securities, managing accounts, and keeping public accounts based on the principles of established rights and obligations. They also include recording non-fixed values and preparing financial statements[18].

For the province, the chief accountant is the provincial treasury official whose main duties include maintaining the accounts of local communities. The provincial accountant records budget operations, as well as operations outside the budget executed for the province, and prepares management accounts at the end of the financial year, covering the budget execution period up to 31 March of the following year[19].

2.2 Operations Related to the Execution of Expenditure and Collection of Revenue for the Provincial Budget

The execution of public expenditure and the collection of revenues for Khenchela Province are carried out through a series of operations, summarised in the following diagram.

Diagram illustrating the stages of public expenditure execution procedures for the provincial budget.

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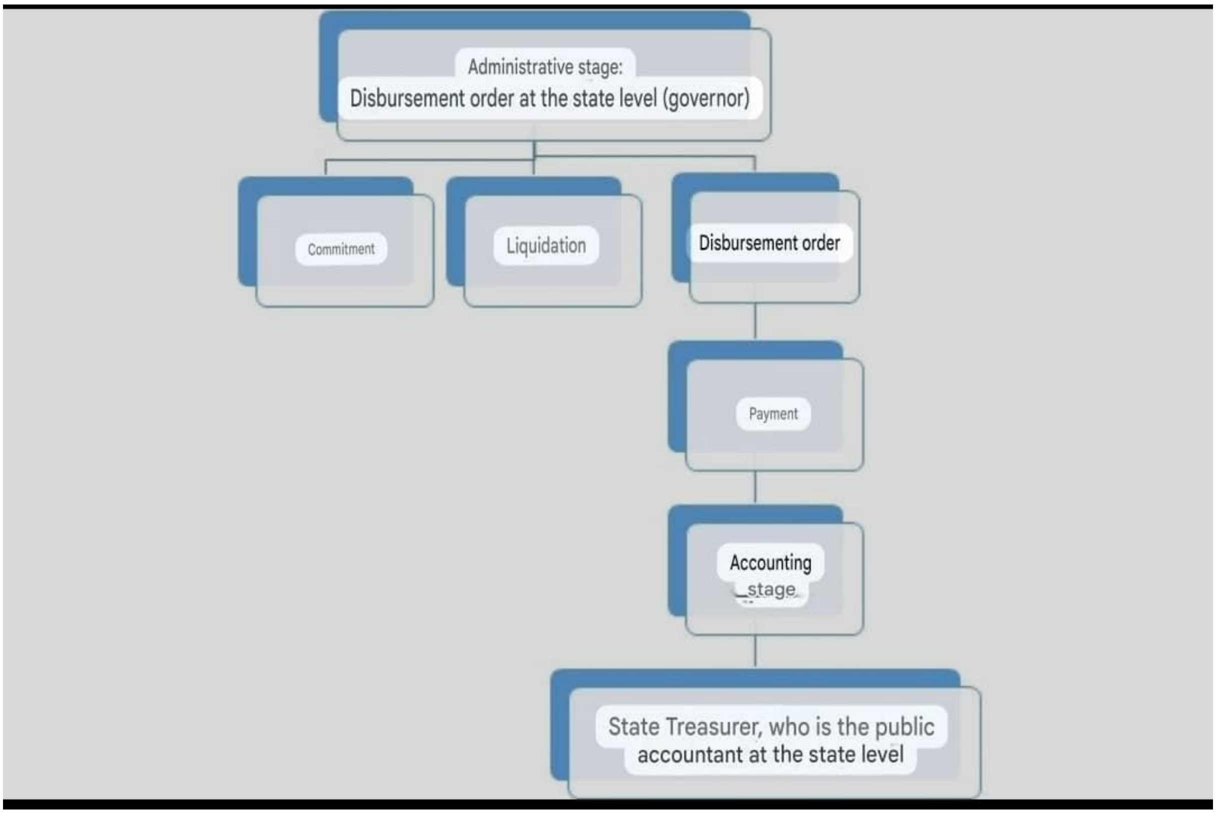
[15]- See Article 23 of Law No. 90-21 concerning the rules of public accounting.

[16]- Article 04 of Law No. 23-07 dated 3 Dhul-Hijjah 1444, corresponding to June 21, 2023, concerning the rules of public accounting and financial management, Official Gazette No. 42.

[17]- Article one of Law No. 23-07, the previous reference states: "This law aims to define the rules of public accounting and financial management applicable to budgets and financial operations: - the state, - local communities, - public administrative institutions and public health institutions, - other legal persons charged with executing all or part of the state program......".

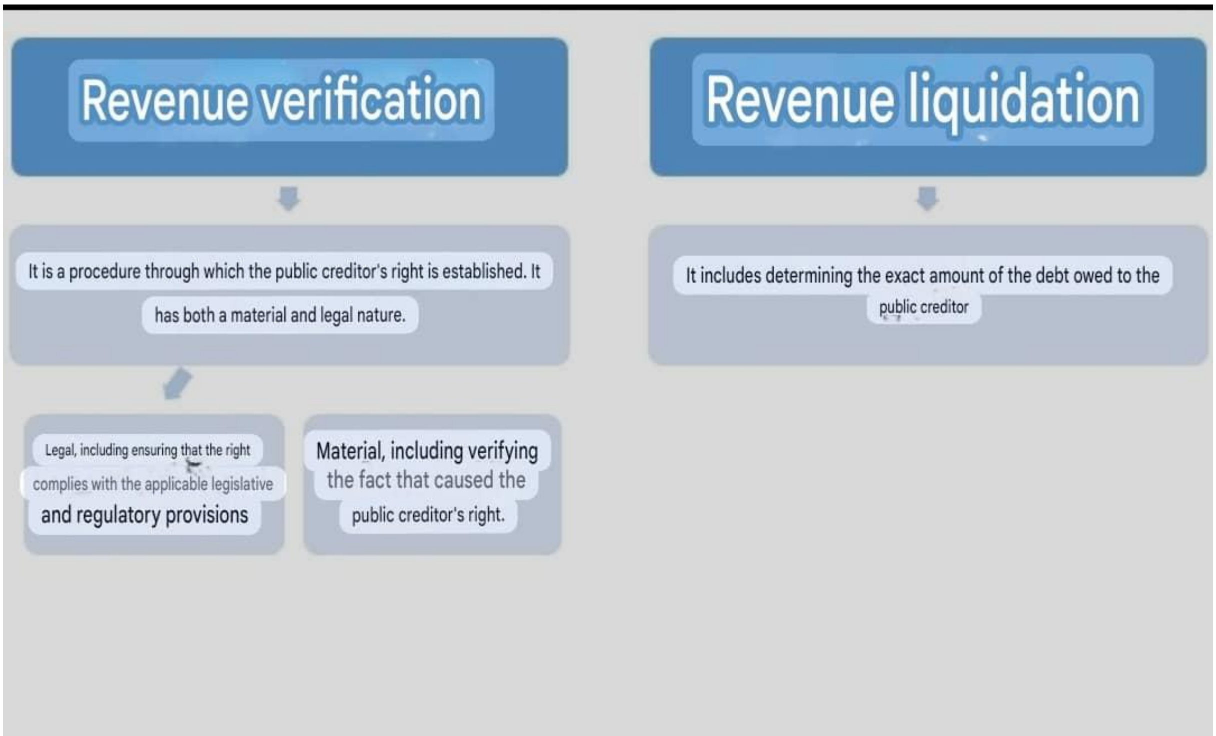
[18]- See Articles 15-24 of Law No. 23-07, the same reference.

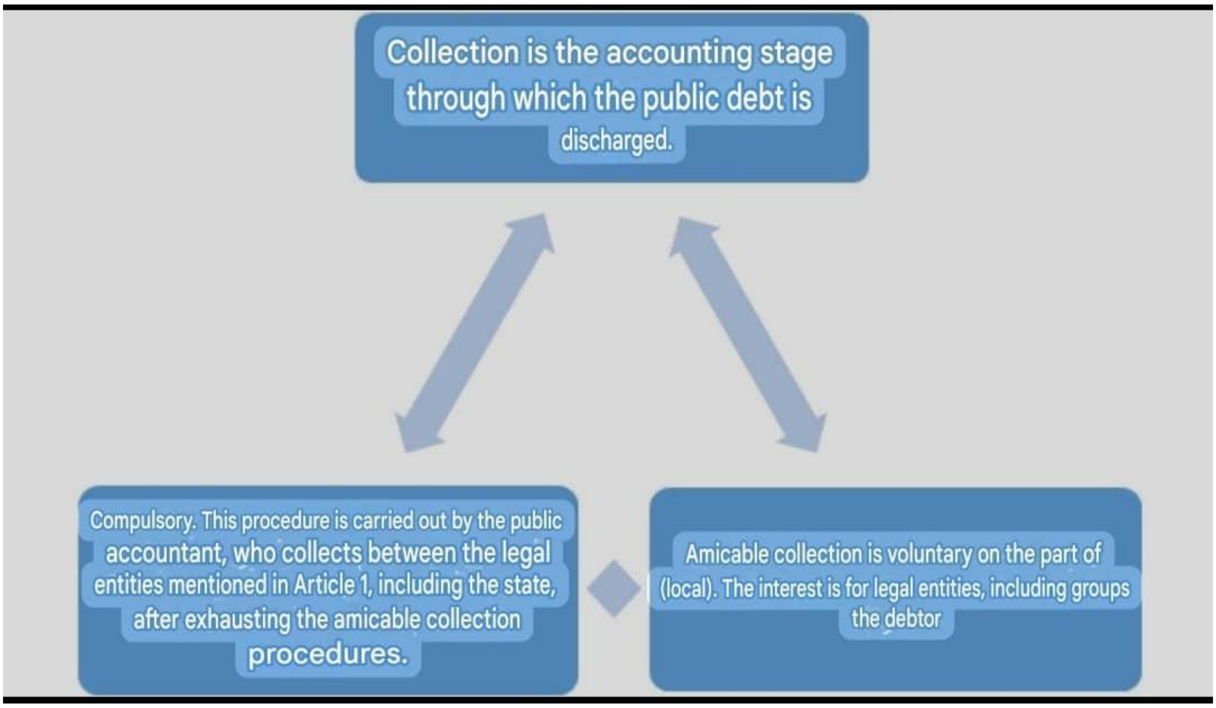
[19]- Abd El-Karim Kheitass's guide, Administrative Accounting for Local Communities, Administrative Guide and Financial Manager in Algeria, p. 11.



(Prepared by the researcher based on Law No. 23-07 regarding public accounting and financial management).

Diagram illustrating the stages of public revenue collection procedures for the provincial budget





(Prepared by the researcher based on available information according to Law No. 23-07 regarding public accounting and financial management).

Section Two: The budget of Khenchela Province from 2019 to 2023.

The budget is divided into sections for revenues and expenditures. In order to achieve financial balance, the budget relies more on revenues to determine expenditure. Therefore, this section will discuss the evolution of revenues and expenditures in the Khenchela Province budget.

First: The Evolution of Revenues in the Budget of Khenchela Province

Table No. 03 shows the initial and additional budget revenues for Khenchela Province from 2019 to 2023.

Years / Revenues	2019	2020	2021	2022	2023
Initial Budget Revenues	571.770.199.59	559.469.636.08	572.383.135.27	556.306.099.44	616.505.132.58
Supplementary Budget Revenues	19.795.153.025.87	22.608.346.877.07	20.298.165.435.48	18.535.982.258.96	19.100.605.711 84.
Total	20.366.923.225.46	23.167.816.540.15	20.870.548.570.75	19.092.288.358.40	19.717.110.844 42.

Source: Prepared by the researcher based on documents provided by the Directorate of Local Administration.

Based on the above table and an analysis of initial and additional budget revenues for the five most recent years under study, it is clear that these revenues fluctuate. This is sometimes due to limited or absent state revenues or subsidies, as well as external factors related to donations and bequests, which are less readily available at provincial level than at municipal level. It should be noted that the province’s budget revenues for 2023 were higher than in previous years, as shown in the table.

During this phase, the specific needs of Khenchela Province are determined within the province's capabilities and potential limits. This is achieved through a meeting including members of the Finance Committee of the Provincial People's Council, the Director of Local Administration, a delegate from the governor responsible for managing Khenchela Province's budget, and some executive directors acting as delegates from the governor responsible for managing the equipment section's budget.

Table 4: Summary of key revenues from 2019 to 2023.

Years	2019	2020	2021	2022	2023
Professional Activity Tax	225.653.050.20	234.986.660.20	217.680.391.20	211.314.920.20	187.889.989.00
Grants and Contributions	776.299.521.00	2.376.051.090.86	3.452.440.206.39	3.896.895.497.63	5.664.533.388.32
Contribution of Local Communities	336.000.000.00	336.879.500.00	318.412.000.00	341.599.000.00	533.000.000.00
Provincial Assets	16.276.627.68	16.276.627.68	16.431.298.08	16.431.298.08	16.431.298.08

Source: Prepared by the researcher based on documents provided by the Directorate of Local Administration.

Regarding the summary of revenues for Khenchela Province's budget during the period from 2019 to 2023, as indicated in the above table, it is evident that:

- Professional Activity Tax: There was no significant development in this tax over the first four years. In 2020, there was a slight increase compared to the previous year, followed by slight declines in 2021 and 2022. In 2023, professional activity tax was lower than in any previous year. This can be attributed to several factors, including individuals operating without commercial registrations and engaging in informal activities, which exempts them from oversight and consequently from the professional activity tax.

- Contributions from local communities: The table shows a notable increase in these contributions during 2022 and 2023. This increase is attributed to the President's special programme (the Complementary Development Programme), which aimed to promote local development, alleviate isolation and create favourable conditions. A roadmap was established for implementing this programme.

- Provincial Properties: Revenue from provincial properties remained stable from 2019 to 2020. However, there was a relative increase in revenues during the last three years (2021–2023). This increase is due to the utilisation of certain provincial properties that had previously been unoccupied.

Table No. 05 shows the percentage increase in the budget of Khenchela Province from 2019 to 2023.

Years	2019	2020	2021	2022	2023
Annual Revenues	25.669.976.826.05	23.684.248.333.44	21.185.078.161.82	20.442.372.862.66	/

Rate of Increase	/	8.38%	11.79%	3.63%	/

Source: Prepared by the researcher based on documents provided by the Directorate of Local Administration.

As can be seen from the table showing the percentage increase in Khenchela Province's budget, the increase was estimated at 8.38% in 2020, rising to 11.79% in 2021. This increase during this period can be attributed to the assistance provided by the Common Fund for Local Communities (FCCL), which plays a significant role in covering deficits in regional community budgets. However, the percentage increase in the budget declined significantly in 2022, dropping to 3.63%.

Thus, we can conclude that the budget of Khenchela Province experienced an average increase of approximately 7.93%.

Second: increasing expenditures in the budget of Khenchela Province.

Expenditure estimates are based on financial allocations available to the province and the needs and requirements of various departments.

Table No. 06 shows the expenditures of the initial and additional budgets of Khenchela Province for the years 2019 to 2023.

Years / Expenditures	2019	2020	2021	2022	2023
Initial Budget Expenditures	571.770.199.59	559.469.636.08	572.383.135.27	556.306.099.44	616.505.132.58
Supplementary Budget Expenditures	19.795.153.025.87	22.608.346.877.07	20.298.165.435.48	18.535.982.258.96	19.100.605.711.84
Total	20.366.923.225.46	23.167.816.540.15	20.870.548.570.75	19.092.288.358.40	19.717.110.844.42

Source: prepared by the researcher based on documents provided by the Directorate of Local Administration.

The table above shows that the initial budget expenditures for Khenchela Province experienced a clear increase during the years under study. Initial budget expenditure for 2019 was DZD 571,770,199.59, decreasing to DZD 238,500,498.20 in 2020. However, there was a notable increase in 2021 and 2022, reaching DZD 616,505,123.58 in 2023. This increase is due to several factors, including increased public spending, particularly in 2022 and 2023. This is evident in the increase in employee salaries, the raising of the school grant to DZD 3,000, and the professional and social integration of degree holders. All of these factors contributed to an increase in public expenditure, particularly during the period under study, from 2019 to 2023.

In 2024, the initial budget was approved with total revenues and expenditures of 633 million DZD, which is an 11% increase compared to 2023. This was allocated as 424.63 million DZD for operations and 72.783 million DZD for equipment.

The province has also benefited from a supplementary development programme, receiving DZD 95.62 billion in funding to implement 59 development projects.

Table No. 07: Operational and Equipment Expenditure from 2019 to 2023

Years / Expenditures	2019	2020	2021	2022	2023
Operating Expenditures	1.798.113.669.62	3.772.199.189.79	4.225.983.867.74	5.578.646.988.85	
Equipment Expenditures	18.703.933.933.66	3.414.381.960.43	2.856.054.032.74	3.663.676.097.77	
Total	20.502.047.603.28	7.186.581.150.22	7.082.037.840.48	9.242.323.086.62	

The above table indicates that operational and equipment expenditure has been steadily increasing over the last three years. This is because such expenditure plays a crucial role in service delivery, aiming to achieve the public good by meeting various needs. Consequently, a significant proportion of public expenditure has been allocated to the operational section. In contrast, equipment expenditure is lower than operational expenditure, even though it represents various investments (economic, social and administrative) and is essential for achieving comprehensive development.

In conclusion, we can state that:

The province is managed by the governor and has a deliberative body known as the Provincial People's Council. As a regional community, the province enjoys financial independence, granting it the authority to prepare initial financial estimates. These are recorded in a document called the initial budget, which includes sections for revenues and projected expenditures for the upcoming fiscal year. The initial budget is prepared in September, followed by an additional budget in June to complement the initial budget due to the emergence of new needs. The administrative account document reflects the province's actual budget, serving as an effective tool for identifying subsequent errors.

The budget of regional communities is divided into two sections: operational and equipment.

Although regional communities have autonomy in preparing their budgets, they are subject to various oversight mechanisms, including by the budget inspector, public accountant and authorising officer. These oversight processes effectively contribute to the implementation of the provincial budget by ensuring that funds are spent according to a systematic plan that rationalises costs and verifies the legality of expenditure in accordance with applicable legislation.

Regional communities face numerous obstacles, with financial issues being the most significant, particularly with regard to tax revenues due to their suboptimal exploitation. This has led regional communities to seek financing from various internal sources, such as fees and taxes, as well as from external sources, including loans and grants, particularly from the Solidarity and Guarantee Fund for regional communities.

Regarding the case study of Khenchela Province's budget, the following conclusions can be drawn:

- There has been an increase in provincial expenditure, particularly operational expenditure, for various reasons including the recent recruitment of workers for professional and social integration, salary increases for employees, and telephone bill increases.

- The provincial budget is a table of estimates for both expenditure and revenue, based on the general principle that revenues and expenditure must be balanced.

Despite the natural and tourism diversity of Khenchela Province, there is a noticeable lack of optimal exploitation of local resources, particularly the significant agricultural and farming resources represented by the substantial forest cover accounting for 19.3% of the province's area.

Based on our study of local finance, we propose the following recommendations for the budget of Khenchela Province:

The province should strive to rationalise its expenditure by eliminating unnecessary expenses.

- There must be a focus on local resources by encouraging investment in them.

Efforts should be made to reform local finance by rationalising expenditure, including improving the performance of administrative bodies and allocating resources more effectively.

References:

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