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THE BUDGET MANAGEMENT BY OBJECTIVES IN TUNISIA

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Abstract:

The case of the Republic of Tunisia may be interesting to conduct this type of analysis, since non classified budgetary data for a relatively long time frame, a decade, is available. Furthermore the metamorphosis that occurred in the region emphasized the role of its Armed Force in performing their role in defending the Territory and maintaining its integrity. Since the Revolution for Dignity of 2011, Tunisia has embarked on a considerable transformation of its State and its administrative organization which is also related to its financial management.

The budgetary management by objectives is part of the establishment of a new mode of management of the State budget based on the principle of good governance which aims to improve efficiency and ensure transparency in the execution of the state budget.

Thus, budget management by objective allows for better spending, improve the efficiency of public action and strength of transparency and optimize the financial management of public expenditure.

For this purpose, this paper is organized as follows: the first chapter highlights the Tunisian management reform while the second chapter presents Budget management by objectives. The third and final chapter depicts Budget management by objectives in the Ministry of national Defense.

Key words: management; budgeting; efficiency; transparency;

1. Introduction

For twenty years, the Tunisian State and administration have undertaken a major step towards financial modernization. To overcome the rigidities of the system of public finance, as early as 1996, a decree authorized ministers to set up management units by objectives with a view to carrying out specific projects. This decree led to the establishment of several units intended for the execution of specific projects, such as the construction of a hospital, a university establishment, a dam, or a highway.

A decree in November 2003 established a unit responsible for preparing budget management by objectives for a period of five years. For its part, the organic law of May 2004, modifying the LOB (Law Organic Budget), went in the direction of introducing the concept of management by objectives, based on the allocation of credits according to programs and missions. This evolution aims for the best overall allocation of available resources, and is not irrelevant to the concern for the profitability of public action. Now Article 11, paragraph 2 of the LOB provides that “the finance law may authorize the allocation of credits according to programs and assignments. It being understood that “the programs include the credits allocated to an action or a set of homogeneous actions charged to each head of administration with a view to achieving specific objectives and results that can be evaluated” and that “the missions include a set of concurrent programs to achieve a strategy of national interest”.

This reform really began to be implemented in 2007. Ministries pilots have been designated and some have done remarkable work in a short time mapping (breakdown of the budget into programs) and definition of objectives with performance indicators. The goals of setting up a true BMBO (Budget Management by Objective) include increasing the effectiveness of public action, sustaining the pace of development projected within the framework of economic and financial



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balances. They also tend to better allocate resources according to the orientations and priorities adopted and improve the performance of public expenditure and the clarity of the objectives of the budget.

The Revolution for Dignity of 2011 has clearly revealed the crisis of the model of development and the fragility of the country's public finance situation.

The Tunisian public administration has reflected user dissatisfaction with the quality of services provided and the rise in unemployment among highly qualified workers, the widening of the deficit in the balance of current payments, the increase in public sector debt, the granting of poor-quality loans by the banking sector and the frequent use of credit checks.

As a result, structural reforms are necessary to create the conditions for inclusive and private sector-led growth, as well as to protect the most vulnerable segments of the population. It is time to clean up, as soon as possible, the financial sector and to strengthen the budgetary frameworks and monetary policies, as well as developing a comprehensive program of structural reforms aimed at increasing productivity and making growth more sustainable and inclusive.

The 2014 constitution responded to popular expectations and aspirations through relation to public administration and reflects the desire to transform it into a modern and efficient administration, “at the service of the citizen and the general interest”, which guarantees the right of fair and access to public services, and which respects the principles of good governance under international standards.

This movement of change in public finances appears to be the concrete of the desire expressed to introduce management by objectives into the country (MBO),

Within this framework, our work is to present an overview of the transformation that Tunisia has undergone from the application of a classic administrative and financial system to the budget management by objectives.

2. Tunisian Armed Forces and budget System

In Tunisia has always deemed the choice to keep a small size military. The total force in 2004 was about 35,000 men. Its land forces had a total of 84 tanks, 149 AIFV's, 268 APC's, and 117 pieces of towed artillery. Its air force possessed 29 combat aircraft and 7 attack helicopters as a defensive military power, the naval forces had 6 missile craft and 13 patrol boats. These small equipment assets make Tunisia an exception to the “militarism” of most North African states.

The armed forces are designed for border defense, internal security, and protection of key economic facilities. Some other missions were assigned to the Tunisian military such as disasters relief, participating in economic development through the management of some National projects and professional training.

The Organization is conventional and under command structure, with a Minister of Defense and an Army Chief of Staff, and an army, navy and air force. Logistic support, supply, maintenance services, administrative and financial affairs, military medical services and social welfare are organized in directorates referring directly to the minister of defense (integration).

The newly ratified Tunisian Constitution provides only a few details about the budget process, mainly focusing on the approval stage (Article 66).The different stages of the budget process are described in detail in the Organic Budget Law (OBL) of 2004, which modernized the budget management and structure. The 2004 organic budget law provides a detailed description of the rules and procedures governing the budget cycle, sets the rules organizing the legislative review and approval of the proposed budget, the execution of the budget, and budget reporting and government discharge.



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The budget is structured around three main categories of expenses, called titles; titles are divided into sections which are also divided into parts:

- Title I or recurrent expenditures and interest on public debt: includes five parts and encompasses recurrent spending (wages, salaries and departments wherewithal) and public debt interest payments. The state’s resources for Title I include ordinary fiscal and non-fiscal revenue.
- Title II or expenditures for investment and public debt Reimbursement: includes five parts related to capital investment expenditure and reimbursement of the public debt. State’s resources for title II are extraordinary revenue and borrowing.
- Title III: includes the treasury funds and the contribution funds that are budgetary resources designated for specific projects performed by designated departments.

Title I : Recurrent expenditure and interest on public debt	Section 1: recurrent expenditures	Part 1: Public remuneration
		Part 2: Current departments wherewithal
		Part 3: Public contribution
		Part 4: Unexpected expenses
	Section 2: Interest on public debt	Part 5: Interest on public debt
Title II : investment and public debt	Section 3: Capital investment expenditure	Part 6: Direct investment
		Part 7: Public financing
		Part 8: unpredicted development expenses
		Part 9: Development expenses from external resources allocated
	Section 4: Reimbursement of principal public debt	Part 10: Reimbursement of principal public debt
Title III : Special Funds	Section 5:	Part 11: Treasury fund
		Part 12: contribution fund

Table: - Structure of the Tunisian Budget System (Expenditures)-



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Budget Management by Objectives in Tunisian army

MBO stands for **Management by Objectives** and is a framework designed to manage businesses based on their needs and goals. MBO goals are tailored to meet the needs of today's fast-growing businesses and fast-paced work environments.

Management by objectives (MBO) is a process in which a manager and an employee agree on specific performance goals and then develop a plan to reach them. It is designed to align objectives throughout an organization and boost employee participation and commitment.

MBO can help department managers determine the results to be achieved in their departments and what funds are needed to achieve those results. Department managers communicate these needs to administrators via decision packages--packages that in turn enable administrators to make budgeting decisions.

Management by objectives (MBO) is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees. According to the theory, having a say in goal setting and action plans encourages participation and commitment among employees, as well as aligning objectives across the organization.

There are five steps: Define objectives, share them with employees, encourage employees to participate, monitor progress, and finally, evaluate performance and reward achievements.

1. Either determine or revise organizational objectives for the entire company. This broad overview should be derived from the firm's mission and vision.
2. Translate the organizational objectives to employees. In 1981, George T. Doran used the acronym SMART (specific, measurable, acceptable, realistic, time-bound) to express the concept.
3. Stimulate the participation of employees in setting individual objectives. After the organization's objectives are shared with employees from the top to the bottom, employees should be encouraged to help set their own objectives to achieve these larger organizational objectives. This gives employees greater motivation since they have greater empowerment.
4. Monitor the progress of employees. In step two, a key component of the objectives was that they are measurable for employees and managers to determine how well they are met.
5. Evaluate and reward employee progress. This step includes honest feedback on what was achieved and not achieved for each employee.

The intent of this study is not to explain the MBO technique in detail but rather to review the basic concept for its relevancy to today's Army management. Nevertheless, it is necessary to briefly discuss the MBO technique in this context. MBO is more than a firm set of rules, procedures or methods for management. It really involves a particular way of thinking about management that adds vitality to the organization by stressing personal involvement throughout the organizational hierarchy. According to Anthony Raia, MBO is one of the better known management techniques to structure a goal setting process in organizations. He posits that MBO is a management philosophy consisting of interdependent and interrelated steps.

Dale McConkey poses a series of questions regarding the organizations to which affirmative answers to some of them might indicate that MBO could be a possible management tool:

1. Does the organization have a mission to perform? Is there a valid reason for it to exist?
2. Does management have assets (money, people, plant and equipment) entrusted to it?
3. Is management accountable to some person or authority for a return on the assets?
4. Can the operation be planned?
5. Can responsibilities of key personnel be pinpointed?
6. Is it possible to evaluate the performance of key personnel?



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7. Is management receptive to improved methods of operation?

The answer to these questions is generally positive in most military organizations. The overall goal of the Army is to maintain combat, combat support and combat service support units and organizations in the highest possible state of combat readiness. To accomplish this each organization has a mission, resources, and a line of authority or chain-of-command where each soldier is accountable to some higher authority. In all cases operations not only can be planned but for the most part depend on a detailed planning process.

The Army has long been in the business of establishing goals to improve the readiness of combat forces and its equipment and supply objectives require management functions similar to those of industry. There are similarities in the type work done by middle and lower managers in the Army and those at comparable levels in other government agencies and in industry.

The annual performance projects (APP) is designed to better reflect the results of the public action, based on a model drawn up by the BMBO unit and the working group on program management based on performance.

The APP contains indicators aimed at monitoring the three dimensions of performance of a program relating to:

- Management efficiency.
- The quality of the services provided to the user.

The ministries drew up the annual performance report at the end of management.

The APP and the APR are presented according to an identical structure in order to facilitate reconciliation of documents. As important as the presentation of the results, the analysis and interpretation of these: explanation of the differences between objectives (or targets) and achievements, weight of the context, new action levers to be mobilized.

In order to prepare the APR, it is important to put in place a method for monitoring and evaluation of APP in the ministries.

Multi-year programming:

Its objectives are:

- ✓ Support the sustainability of public policies by ensuring the compatibility of their future budgetary impact with the financial possibilities of the State.
- ✓ Strengthen the efficiency of the intersectoral allocation of budgetary resources by strengthening the link between sector strategies and the annual budget.
- ✓ Improve operational performance by granting better visibility to managers to manage their programs by providing a medium-term tool for monitoring the performance of public policies.

The new organic budget law is based on medium-term expenditure programming for a period of three years.

The management charter:

The management charter is a document which formalizes the relations between the actors of a program and this by the consultation, the coordination and the engagement which it propels within the chain of responsibility in order to achieve results under the fixed objectives.

Budget calendar:

The finance law must be prepared according to a calendar set by order of the minister responsible for finance. The latter was published on March 15, 2019. It details the different phases of preparation of the finance law.

Management dialogue:



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The new approach to budget management by objectives has just made more precise the different levels of responsibility at the level of the perimeter of each public policy. It creates a new chain of responsibility within the framework of the public administration.

List of information systems:

IS Performance: The head of the mission and The program manager needs to have a dashboard merging the operational results of the structures in charge of the execution of public policies, and giving him the possibility of an instantaneous follow-up of the evolutions relating to the strategic results of the mission and program at which he is accountable.

Enterprise Resources Planning :(ERP):

The ERP aims to standardize the state financial IT system and to comply with the new provisions introduced by the LOB (organic budget law promulgated in February 2019). Concretely, it is a question of simplifying a very heterogeneous existence, grouping several applications by an information system which allows an integrated financial management.

INJEZ: The program manager needs to have instantaneous information about the projects which are inscribed in the (APP). This system can provide an instant report on the financial and physical realization of the projects.

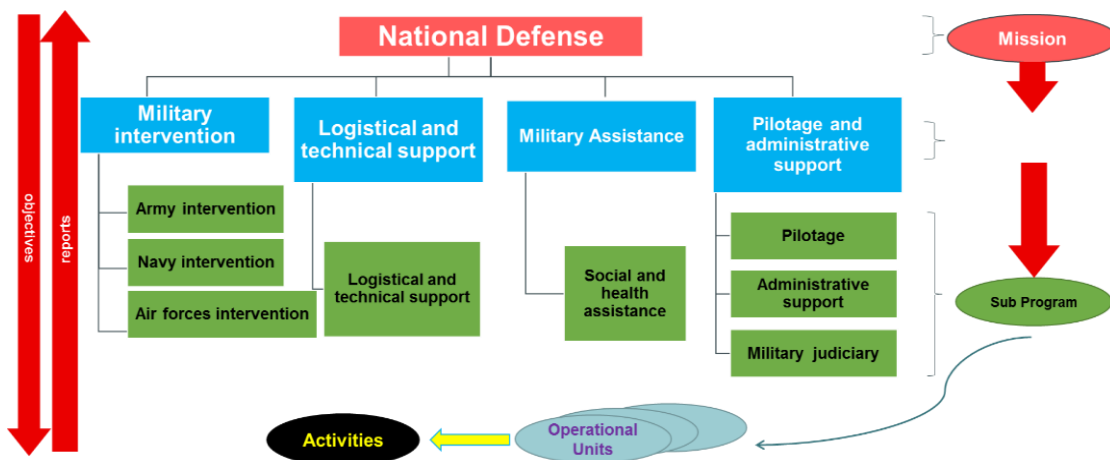
The Programmatic declination and challenges:

The Budget Management According to Objectives Unit was created by Governmental Decree no. 2018-232 dated March 13, 2018, related to the creation of the Objective Management Unit at the Ministry of National Defense to implement a project to develop the management of the state budget and to regulate its organization and methods of operation.

This resulted in a number of tasks assigned during the project completion period, which extend over five years.

1. The Programmatic declination

Since the beginning of its activities, the budget management unit has worked on defining a map of programs that represent public policies that all structures contribute to achieving, including public actors. This process is based on a set of programmatic division rules that set for each program a clear performance framework emanating from the mission strategy and directions for the program in the medium term.



**Fig.1: – The programmatic declination,
Source (Ministry of Defense)**

The vertical dialogue: between the program manager and the operational managers responsible for its implementation



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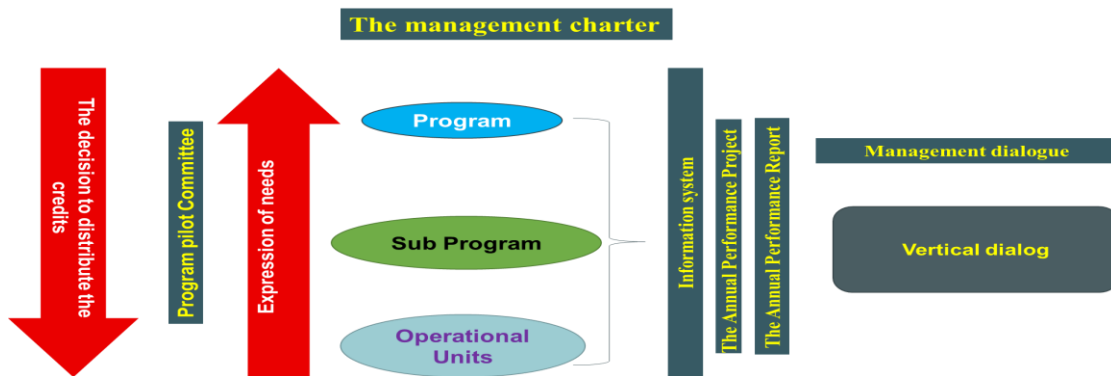


Fig.2: The vertical dialogue,
Source (Ministry of Defense)

The horizontal dialogue: between the program manager and the directors participating in the program or in charge of support services (business financial, human resources, etc.) as well as the authority responsible for monitoring and evaluation.



Fig.4: – The horizontal dialogue,
Source (Ministry of Defense)

The budget management by objectives challenge:

The focus of an internal control system:

It can be defined as the set of procedures and operations adopted by the different levels of responsibility aimed at reducing the risks that present obstacles to the achievement of the objectives set for any organization.

As part of this new approach, program managers are called to put in place an internal control system, the objective of which is to provide reasonable assurance on the objectives set annually as part of the annual performance project.

The focus of the Ministerial management control Unit:

It has for mission to steer the work of the organization, to monitor the progress and quality of operations, and to evaluate the results and performance of the organization and to provide reasonable assurance that management’s objectives are being achieved.

The focus of the internal audit unit:

It’s mission is to examine the management processes to ensure that they allow the production of sincere and transparent information.



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3. Conclusions

MBO is a useful management technique that has been successfully applied in many areas. It has practical application in both the private and public sectors where it has been credited with improving management performance, management attitudes, and organizational planning. There are, however, some very real constraints that limit MBO in practice. To make MBO work, it takes time and dedicated effort on the part of knowledgeable managers at all levels who are willing to give their full support to the program and also assume a degree of personnel risk. Further, there are many pitfalls, most of which are inherent in improper use of the technique that must be carefully considered before MBO is implemented in any organization. The MBO process has many attractive features which are suitable for Army management at almost any level depending upon the particular organization's missions and functions. Before implementation, the MBO process must be assessed in terms of the many distinctly different types of Army organizations and management environments, as well as the different management/ leadership/command styles involved in running the organization. The Army is simply too large and functionally diverse to implement MBO Army-wide as a matter of policy. One final caution is that any management technique used in Army organizations during peacetime must also be functional on the battlefield. If MBO, or any other management technique, fails to meet these criteria, it must be summarily discarded.

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