



The 19th International Scientific Conference
**“DEFENSE RESOURCES MANAGEMENT
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**BUDGET RESOURCES MANAGEMENT: THE TUNISIAN
BUDGET MANAGEMENT APPROACH IN THE DEFENSE
CONTEXT**

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Abstract:

In historical terms, defense management emerged as a topic of interest for the defense sector not too long ago. It has been no more than five decades since some Western nations introduced the concept of managing defense to address issues such as allocating financial or human resources, solving strategic or operational problems in a comprehensive manner, or using business-like tools to govern the defense sector. Such an enterprise requires excellence at all levels and in every department of the defense establishment. One proven way of achieving this is by applying Management by Objectives, which may contribute to maximizing the operational performance of armed forces. The budget 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. This paper provides an overview of different aspects of budget management by objectives in Tunisia, especially in the Ministry of National Defense, to provide a clear feature and develop an understanding of its major trends and issues. For this purpose, the paper is organized as follows: The first chapter presents a general overview of budget management by objectives, while the second chapter explains the concepts and principles of BMO. The third and final chapter highlights the BMO inside the Tunisian Ministry of Defense.

1. Introduction

The originality of the public finance reform in which Tunisia has been engaged since 2004 is that it was initiated by the executive (ADMINISTRATION) and began with a phase of experimentation and design. It was conducted according to a progressive, participatory, and experimental approach that resulted in the definition and implementation of the different components of this new approach even before the vote of the organic budget law (31 January 2019) which legally dedicates the BMO and confirms the will to move forward in this reform.

The direct consequence of this approach is not only an easy transition from experimentation to the effective application of BMO through the implementation of the Budget Organic Law (1 January 2020), but, above all, all the achievements that will allow the various actors to be more engaged and to progress more securely way in this reform.

The urgency of this reform is underscored by the deteriorating financial situation marked by increasing government spending exceeding the Gross Domestic Product (GDP) and a rising public debt.

This initiative is a part of the budget reforms that Tunisia has begun, notably the 2004 changes to the Basic Law. Collaborative efforts with international organizations, including the World Bank, have contributed to the formulation of the Master Plan of June 3, 2010, outlining the development of targeted budgeting in Tunisia.

So, Budget Management by Objectives represents a novel approach centered on tangible results to achieve predefined goals and objectives corresponding to the services provided. The objective is to establish a new form of administration that demands a heightened level of transparency in the country's financial system.



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This approach involves defining budgets created through programs that align with public policy and incorporate performance indicators. It enables the measurement of goal achievement and evaluation of the contribution of program managers, who are accountable not only for resource utilization but also for service outcomes.

The creation of a modern and efficient public administrative system was considered a priority for all the Romanian Governments at the time.

Another option for the old structures could only be a democratic society, based on the rule of law and market economy, on decentralization and local autonomy, the state giving up levers and functions specific to centralism.

2. General overview of budget management by objectives

Budget management by objectives (BMO) is a new approach to managing the State budget. It aims to manage financial and human resources efficiently and effectively to achieve specific objectives and provide greater transparency in the budget execution of public policies, enhance the efficiency of public activities and elevate performance through a focus on results in budget management, and move towards a new mode of management with new requirements in the area of governance and greater transparency.

The origin of this approach is the refocusing and reduction of regulations which set obligations of means for the benefit of management tools which define obligations of results.

The BMO fundamentally reforms the budget and management of the State. It establishes optimized management of State finances through the introduction of objectives and performance indicators. By developing a culture of results, the BMO makes it possible to spend better and improve the effectiveness of public action for the benefit of all. It is a process that serves to better manage public funds by rationalizing public choices, but to guarantee good management of public finances, reliable and exhaustive financial and budgetary information must be accessible and promptly on time.

The BMO aims at a new mode of management that requires a degree of transparency of the financial mechanisms of the State, in the sense that it allows the implementation of a budget established by programs translating the public policies with performance indicators allowing to measure the achievement of the assigned objectives and to appreciate the contribution made by those in charge of the programs, the latter are required to account not only for the use of resources but also for the results of their services. This makes it possible to strengthen the effectiveness of public action and increase performance by directing the budget towards results, such are the aims of this reform.

In BMO mode, the budget will be presented by missions, programs, and sub-programs. When the program structure is established, an effort must be made to transcribe the budget into the program nomenclature, by drawing up a transition table.

BMO: How?

- Orienting public management towards a results-based approach by:
 - Making managers more accountable for objectives with greater freedom (fungibility).
 - For each program: a strategy, objectives, and performance indicators.
 - Measuring the results of performance in order to achieve better use of appropriations.
 - Medium-term forecasts.
- Making public policy understandable and comprehensible to everyone by:
 - Definition of priorities and allocation of resources: presentation of the budget by public policy program.



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- Establishing a link between appropriations and public policy priorities. Moving from a nomenclature by type of expenditure to a nomenclature by purpose or destination of expenditure.
- Improving the transparency of budgetary information and parliamentary control by modernizing of the State's accounts which means moving from cash-based budget accounting for revenue and expenditure to 3-dimensional accounting:
 - Budgetary, General, Cost Analysis.
 - Drawing up the State's financial statements, which will be certified.
 - Accounting in line with international standards.

Budgetary management by objectives implies the construction of a new chain of responsibilities that promotes the mobilization of actors at all levels around the notion of performance. As defined for each program. This chain includes central, decentralized and regional services as well as public establishments.

Under the guidance of the head of the mission, the program manager is the central link in this new chain. He is the national guarantor of the implementation and performance of the program, and he has a managerial responsibility that coexists with his classic hierarchical responsibility. At the operational level, he delegates management to a sub-program manager, either central, regional or inter-regional.

The sub-program manager, after consultation and dialogue with the program manager, commits to operational objectives directly or indirectly related to the strategic objectives of the program. It is responsible for the management of the sub-program and distributes the means at its disposal between the various operational units (OU) which implement the activities defined for the sub-program.

The chain of responsibility goes beyond the public administration perimeter (central and decentralized) to integrate public operators, who in addition to their statutes of public establishments receiving or not receiving subsidies from the State budget, contribute to the achievement of the objectives of the program and their commitment in this context is formalized through performance contracts.

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.

Due to the change brought by this reform, management dialogue has become an essential working technique that helps all those in charge to achieve the level of performance committed and subsequently to concretize the effectiveness of public action.

In fact, the management dialogue is an information exchange and decision-making process led and facilitated by the program manager. It can be established vertically with all stakeholders in the realization of its public policy or horizontally with all other external stakeholders either belonging to the perimeter of the mission or from outside.

The program manager, as part of the operational implementation of his policy, necessarily delegates to the managers of the sub-programs the possibility of also leading management dialogue sessions at their level.

The reform of public finance management through budget management by objectives allows the administrative culture to evolve from a culture based on means to one based on objectives and results, thereby promoting greater accountability among managers.

Budget management by objectives entails several goals, including:

- Making public policies in terms of financial management transparent and understandable to all stakeholders.



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- Emphasizing the importance of transparency in budget information and enhancing control mechanisms.
- Shifting the management approach towards one based on objectives and performance indicators.
- Contributing to the fight against corruption.
- Supporting the responsibility and accountability of managers and program administrators.
- Ensuring budgetary discipline by adhering to budgetary sustainability, including the alignment of budget and expenditure programs with macroeconomic objectives.

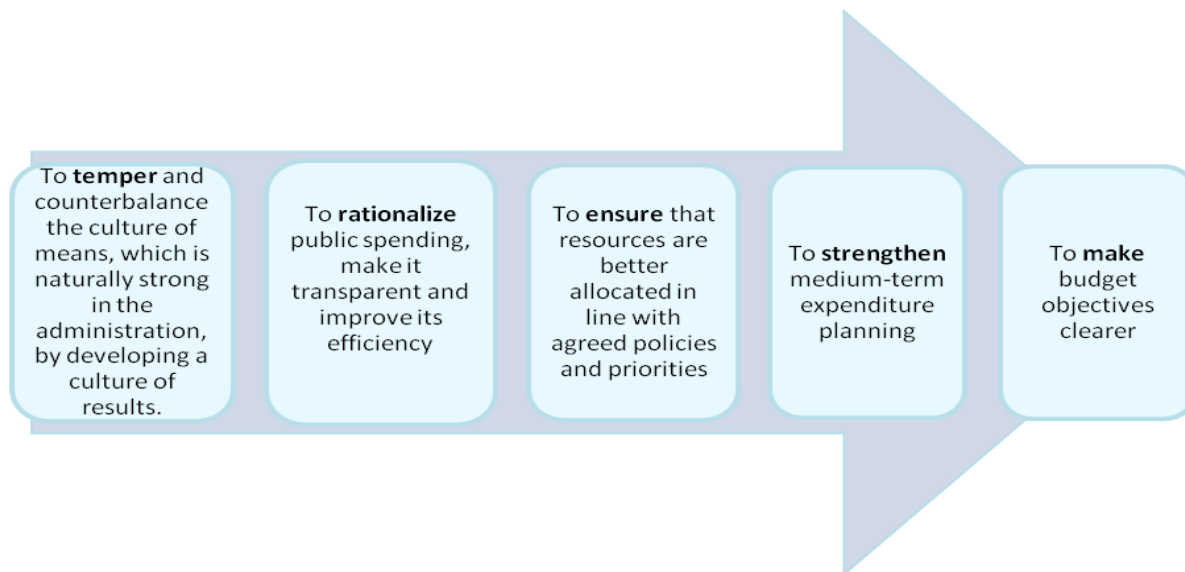


Fig1: Objectives.

Chapter 2: Concepts and principles:

- **The mission:**

It contains a set of programs that contribute to the achievement of specific public policies. It gathers together all the appropriations made available to each head of mission.

- **The program:**

It reflects a specific public policy within the same remit and brings together a homogeneous set of sub-programmes and activities directly contributing to the achievement of the public policy objectives of the program. In the sense of the BMO is more specific than the meaning commonly given to this word. Within the framework of BMO, the “program” is a grouping of appropriations intended to implement a coherent set of activities of a department, pursuing the same purpose and placed under the responsibility of a senior manager, “program manager” with which a "performance dialogue" can be initiated. Each program is associated with specific objectives, indicators and performance targets, the actual achievement of which will be assessed. A program can encompass multiple administrative departments and even multiple branches; it can also be a portion of a service only.

- **The sub-program:**



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Is a variation of the program in some cases, it may correspond to the functional or operational breakdown of the decentralized departments responsible for implementing the program. It includes all the appropriations intended to cover either a specific measure or a specific category of beneficiaries.

- **The Program Manager:**

He is the person responsible for steering the program, he is designated "Program Manager" by the Head of Mission. The program leader shall ensure that the budget is prepared according to objectives and indicators guaranteeing equity and equality of opportunity between men and women and generally between the different social categories, without discrimination, and will be evaluated on this basis.

- **Management dialogue:**

Means the process of exchanges and decisions established between an administrative level and its subordinate levels, concerning the means made available to subordinate entities, the implementation of actions and the objectives assigned to them, and more generally the concept of performance applicable to the public policies considered. We also talk about “management facilitation”. The Program Lead is the custodian and facilitator of the management dialogue, which is both horizontal and vertical.

The management dialogue makes it possible to reform the administrative structure while inserting interactivity and the participation of all departments in administrative action. In addition, a management dialogue serves to concretize the new modes of management, new techniques aimed at reducing public management. But also a reliable and continuous flow of information to the various levels of administrative services; central and decentralized services are the conditions for the success of the management dialogue.

- **Objectives:**

Each program has a number of objectives set in accordance with public policy objectives.

- **The performance indicator:**

It is a quantitative or qualitative measure depending on the case, which makes it possible to assess the degree of achievement of a given objective.

It is a numerical representation that measures the achievement of an objective and makes it possible to assess as objectively as possible the achievement of a performance. The time table for an indicator is used to represent the achievements of past years and the targets that the program is targeting for the current year and for the projection years.

- **The Annual Performance Project (APP):**

It includes the programmatic breakdown adopted for each mission, the strategic orientations and all the objectives and indicators adopted for each program. The performance indicators are grouped into annual performance projects associated with each program and annexed to the draft finance law on which managers undertake to report. In this respect, managers can submit proposals to improve and develop performance for each program. The APP is prepared by each department. The presentation of the APP follows a breakdown of the ministry’s activity by program, with the objectives and performance indicators corresponding to each program.



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- **The Annual Performance Report (APR):**

Highlights the performance achieved compared to the objectives and indicators set out in the annual performance project for the same budget year. The APR is annexed to the Budget Closure Act and presented in the same manner for the presentation of the annual performance project with the aim of comparing the two documents (the report and the annual performance project).

Budget Management by Objectives is based essentially on five major principles which are: Responsibility – Transparency – Stability - Accountability and Performance.

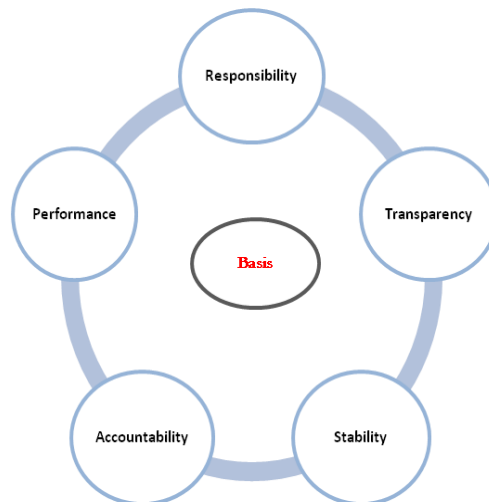


Fig 2: Principles.

Responsibility: Program managers play a crucial role in executing the budget to achieve defined objectives. They are responsible for steering their program, developing strategy and objectives in line with the mission, preparing the draft budget, and ensuring budget preparation based on objectives and indicators promoting equality.

Transparency: The organic budget law emphasizes a clear and exhaustive budget structure in line with international standards. It necessitates clarifying the roles of all involved in public action, providing relevant information for citizen and parliamentary participation.

Stability: Budgets and public debt are aligned with regularly updated medium-term fiscal frame works, ensuring stability in tax rates and evaluation criteria.

Accountability: Program managers are committed to achieving specific goals, accountable to the mission director. They submit status reports every four months and discuss the program's budget and implementation framework with relevant authorities

Performance: Performance is pivotal in objective budgeting, with finance law outlining expected outcomes and evaluations based on principles of economic efficiency.

Chapter 3: BMO inside the Tunisian Ministry of Defense



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Tunisia has adopted an evolutionary approach in installing a new budget management model. Indeed, management by objectives, draws its source from a 1996 decree authorizing the ministers to set up management units by objectives with a view to the realization of well-defined projects. On the basis of this decree several management units by objectives have been created for the execution of well-defined projects.

Then, few years later, the 11th chapter of the 2004 organic budget law introduced for the first time the notion of budget management by objectives. This same article provides that the finance law can authorize the allocation of credits according to programs and missions, where the programs include credits in order to achieve predefined objectives.

It is necessary to specify that at this time, there were some ministers who adopted this management model and especially those called to carry out big projects like ministry of equipment. Finally, it is from 2019 that we can really talk about the reform in terms of budget management by objectives after the Tunisian parliament adopted a new organic budget law on February 13, 2019.

This new organic law has brought many concept that must be followed when preparing the budget. In addition to dividing and clarifying the tasks of each stakeholder, it also devoted the principle of responsibility and accountability in order to further improve transparency and integrity in the management of public funds.

Since then, all administrations have been obliged to follow this approach and a lot of work has been started to install all its components.

The Tunisian armed forces, founded on June 30, 1956, have always been a defensive military power. The military participates in civilian development activities and the fight against natural disasters and in military peacekeeping operations under United Nations control. After the so-called Arab Spring since 2011, new challenges arise which are mainly the fight against terrorism and smuggling. Given the various security challenges that the country has experienced in recent years and to better meet the requirement, the budget allocated to the Ministry of National Defense has more than doubled over the past five years, registering an increase of 106% between 2017 and 2021.

Thus, the defense budget increased from 1.642 million dinars in 2018 to 3.390 million dinars in 2021, as shown in the following table:

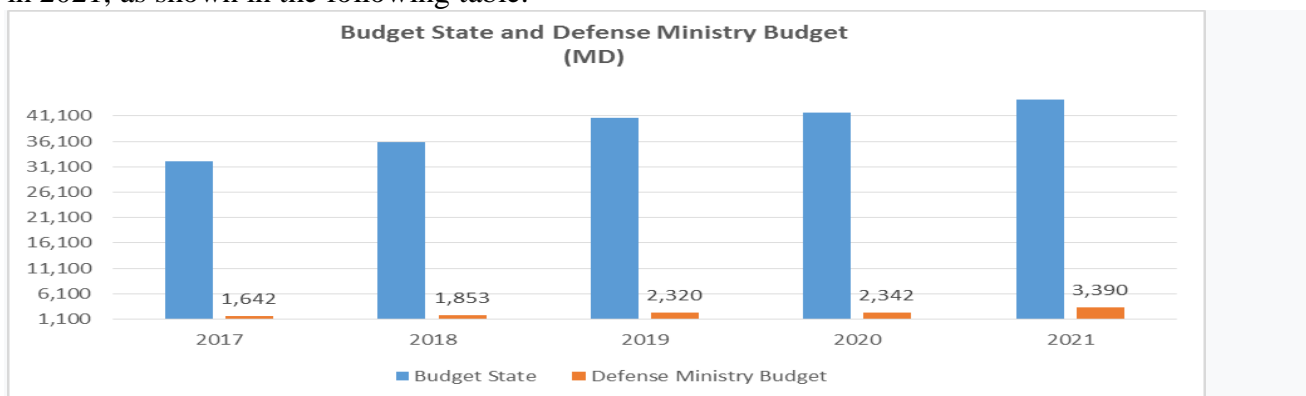


Fig.3: Budget state and defense ministry budget

Budget nomenclature and calendar:

- **Nomenclature:** The budget nomenclature is classified and based on both expenditure destination and economic nature of expenditure:
 - Nomenclature by destination of expenditure: This encompasses expenditures by program, sub-program, operational unit, and activities.



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- Nomenclature by economic nature of expenditure: This adopts a hierarchical structure with parts, paragraphs, and sub-paragraphs. The nomenclature functions as a classification system, adhering to international expense classification standards and integrating into global budget and accounting information systems with diverse classifications.

• **Calendar:** Crucial dates in the budgeting process include:

- March: Development of the medium-term macroeconomic framework by the Ministry of Development.

- Before April 20: Publication of sectoral medium-term expenditure framework projects and annual performance reports from ministries.

- May 15: Review of last year's implementation, update of the current year's budget, and consultations with ministries on sectoral projects of the medium-term expenditure framework.

- May 25: Council of Ministers approves the medium-term budget framework.

- May 31: Notification of approval to ministries.

- September 30: Council of Ministers approves Finance law.

- October 15: The draft Finance Law is submitted to the People's parliament.

- December 10: Deadline for the Finance Law to be passed by the People's Deputies.

As all ministries and administrations, the ministry of National Defense mission is composed of four programs and eight subprograms that contribute to fulfilling the mission's strategic goals.

- The minister of national defense leads the MoD mission.

- The general director of the administration and finance affairs leads the pilotage and support program.

- The general director of the military health leads the military assistance program.

- The general director of ammunition and armaments leads the logistical and technical support program.

- The chief of the cabinet of the MoD leads the military intervention program.

The structure of the Tunisian Ministry of Defense's programs typically reflects its strategic priorities, national security objectives, and resource allocations

- The programmatic division of the mission is presented as follows:



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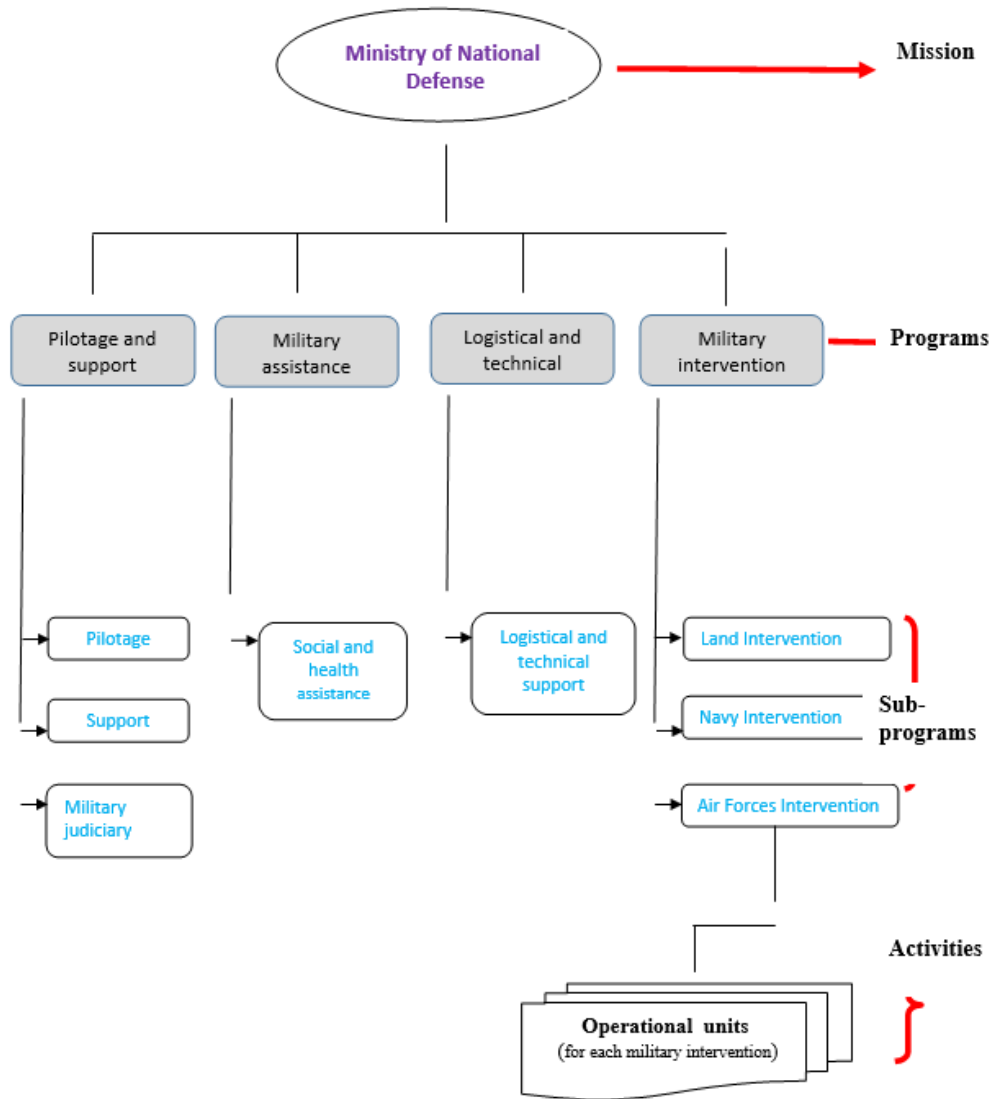


Fig4: Program structure.

- The Missions and programs leaders is presented as follows:

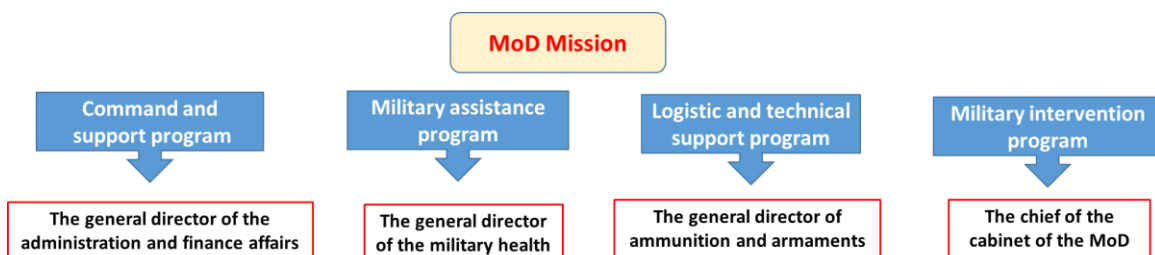


Fig5: Mission and programs leaders.



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3. Conclusions:

The adoption of this approach not only facilitates the seamless transition from experimentation to the effective implementation of Budget Management by Objectives (BMO) with the enactment of the Budget Organic Law on January 1, 2020 but also underscores the array of accomplishments that will empower stakeholders to engage more effectively and advance securely within this reform framework.

This reform represents a significant leap towards modernizing the state, bolstering the efficiency of public administration, and fundamentally reshaping it to enhance the efficacy of public endeavors. While this reform represents a pivotal step in establishing a reinvigorated public administration, the journey is far from over.

Several actions need to be taken to complete the process, including expediting training initiatives for all stakeholders, activating the provisions outlined in Article 27 of the Institutional Budget Law concerning the establishment of the national general account, and amplifying the role of oversight bodies like the Court of Accounts.

Budget Management by Objectives not only introduces a novel approach necessitating new techniques but also entails establishing a new organizational structure and regulatory framework conducive to fostering a new cultural paradigm.

It presents an opportunity to invigorate the modernization of the State and fortify the performance of public management, fundamentally transforming public governance to enhance the efficacy of public endeavors and orient Tunisia's public finances towards a managerial culture that serves development and citizen well-being.

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