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## **THE BUDGET MANAGEMENT BY OBJECTIVES IN TUNISIA**

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### **Abstract:**

*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 not only allows for better spending but also improve the efficiency of public action. We can therefore say that the main objectives of this new system are the strengthening of transparency and the optimization of the financial management of public expenditure.*

*For this purpose, This paper explores the concept, nomenclature, and implementation of Budget Management by Objectives in Tunisia, highlighting its role in enhancing fiscal responsibility, optimizing public resources, and fostering economic development and the final chapter depicts the functioning of budget management by objective within Tunisian armed forces.*

**Keywords:** *management by objectives; budget; governance; public resources; optimization.*

### **Introduction**

Public financial management is a cornerstone of effective governance, ensuring that resources are allocated efficiently to meet national development goals. In Tunisia, the Budget Management by Objectives (BMO) was introduced as a key reform to enhance transparency, accountability, and performance in public expenditure. This approach shifts the traditional line-item budgeting system towards a program-based model, where financial allocations are linked to specific objectives and measurable outcomes.

The adoption of BMO aligns with Tunisia's broader efforts to modernize its public administration and improve service delivery. By integrating strategic planning, performance indicators, and monitoring mechanisms, the system ensures that government spending is results-driven rather than merely expenditure-focused. Moreover, it grants public institutions greater managerial autonomy while maintaining rigorous oversight to prevent inefficiencies and misallocation of resources.

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.

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.



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## **1. Concept of budget management by objectives:**

### **1.1 History:**

The history of Budget Management by Objectives (BMO) in Tunisia is intertwined with the country's broader efforts to reform public financial management, improve transparency, and ensure more efficient allocation of government resources. The concept of performance-based budgeting, including BMO, was introduced gradually and was influenced by both global trends and Tunisia's domestic needs.

After the 2011 Revolution, Tunisia's commitment to reforming its governance and public financial management systems intensified. The post-revolution period marked a significant shift toward greater transparency, accountability, and citizen participation in the budgeting process. As part of this new governance model, the government continued to expand and refine its use of Budget Management by Objectives.

The 2014 Tunisian Constitution emphasized the importance of good governance and transparency, providing a legal foundation for further reforms in public financial management, including performance-based budgeting. In this period, there was also a strong push to involve civil society in the budget process, fostering broader participation and monitoring of the budget's execution.

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.

### **2. Definition:**

The Organic Budget Law (OBL) of 2019 in Tunisia introduced the Budget Management by Objectives (BMO) framework, aiming to enhance public financial management through a performance-based budgeting system. This approach focuses on aligning financial resources with specific policy objectives and measurable outcomes.

So 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.

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



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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.

### **3. Objectives:**

Budget management by objectives (GBO) in Tunisia, established by the Organic Budget Law (LOB) No. 2019-15 of February 13, 2019, aims to modernize the management of public finances by emphasizing the performance and efficiency of public spending and the most important objectives are:

#### **3.1. Improving the effectiveness and efficiency of public spending via:**

- Direct resources towards concrete and measurable results.
- Avoid waste and optimize the use of public funds.

#### **3.1. 2. Strengthening transparency and accountability via:**

- Ensure better readability of the budget for citizens and stakeholders.
- Define performance indicators for each budget program.
- Hold public managers accountable based on the results obtained.

#### **3.1.3. Moving from a logic of means to a logic of results:**

- Instead of simply allocating funds, evaluate the real impact of public policies.
- Implement management focused on achieving precise and quantifiable objectives.

#### **3.1.4. Strengthen the control and evaluation of public policies by:**

- Establishing a mechanism for regular evaluation of budgetary programs.
- Allow Parliament and control institutions to have a clear vision of state performance.

#### **3.1.5. Increase budgetary flexibility and adaptability by:**

- Introducing asymmetric fungibility, allowing managers to reallocate credits within a program (except for staff costs).
- Adapt budgetary policies to real needs and socio-economic developments.

#### **3.1. 6. Strengthen medium-term budget planning via:**

- Adopting a multi-year approach (3 years) to guarantee the coherence and sustainability of public policies.
- Improving budgetary predictability and avoid ineffective annual arbitrations.

In summary, the GBO aims for more transparent, more efficient and more results-oriented management, in order to improve the quality of public services and ensure optimal use of state resources.

### **3.2. Budget management by objectives, Principles and implementations:**

#### **Section1. New nomenclature and Principle:**

##### **3.2.1. New nomenclature:**

###### **❖ Classification:**

The Organic Budget Law introduced a new budget nomenclature in Tunisia, based on budget management by objective (GBO), it's a new classification based on several criteria to improve transparency and budget management.



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\* Classification by economic nature: It distinguishes between revenues and expenditures according to their economic nature:

- A. State budget revenues:
- Tax revenue (direct and indirect taxes).
  - Non-tax revenues.
  - Donations and external aid.
- B. State budget expenditure: Expenses are divided into six categories:
- Remuneration expenditures (public personnel salaries and benefits).
  - Management expenditure (operation of administrations).
  - Intervention expenditure (subsidies, social assistance).
  - Investment expenditure (infrastructure, equipment).
  - Financial operations expenses (debt repayment).
  - Unexpected expenditure.

\* Classification by destination (budgeting by programs):

- The budget is structured into missions (major state objectives).
- Each mission is divided into programs (specific public policies).
- Each program includes subprograms.
- Each subprograms includes operational unit and activities.

\* Classification by source of financing:

- General State budget (State's own resources)
- Ancillary budgets (services financed by specific revenues)
- Special Treasury accounts (funds allocated to specific missions)

The 2019 budget nomenclature provides a more detailed and functional classification, promoting better management and more rigorous monitoring of public finances in Tunisia.

❖ **The difference between old and new nomenclature:**

The budgetary reform introduced by the Organic Budget Law (LOB) of 2019 in Tunisia modified the budgetary nomenclature by establishing an approach by missions and programs, unlike the old nomenclature which was mainly based on an economic and administrative classification. Here are the main differences:

**3.2.2. Approach by objectives (New nomenclature) vs. Administrative approach (Old nomenclature):**

• Old nomenclature:

- Budget presented by ministries and by chapter (e.g.: personnel expenditure chapter, material expenditure chapter, etc.).
- Accounting and administrative vision without direct link to expected results.

• New nomenclature:

- Budget organized by missions and programs, each ministry being responsible for several programs linked to its strategic objectives.
- Performance-based approach, with results indicators to assess the effectiveness of spending.

**A more detailed and functional classification:**

- Old nomenclature: Classification into titles and chapters, not very flexible and rigid.
- New nomenclature: Distribution of expenditure into programs, sub-programs and actions. Each program has a budget and must achieve specific objectives.

**Expenditures presented in a more readable manner:**



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- Old nomenclature: Expenditures grouped into general sections without clear distinction of the purposes of the funds.
- New nomenclature: Expenses are divided into six principal categories:
  - Remuneration expenditures (public personnel salaries and benefits).
  - Management expenditure (operation of administrations).
  - Intervention expenditure (subsidies, social assistance).
  - Investment expenditure (infrastructure, equipment).
  - Financial operations expenses (debt repayment).
  - Unexpected expenditure.

#### **4. Introduction of a multiannual budgetary framework:**

- Old approach: Budget voted each year without long-term vision.
- New approach: Introduction of a medium-term budgetary framework which allows planning over 3 years, ensuring better predictability of public spending.

##### **More transparency and control:**

The new nomenclature requires ministries to justify the impact of their expenditure and to monitor performance indicators and this allows for better evaluation of public policies and strengthens the accountability of public managers.

#### **4.1. Principles:**

The principles of budgetary management by objectives (BMO) in Tunisia, as addressed by the new nomenclature of the Organic Budget Law, focuses on aligning public spending with specific outcomes, rather than simply categorizing expenditures.

Key Elements of Budgetary Management by Objectives:

- 1. Focus on Results:** The central goal of this type of management is to make public administration more efficient by focusing on achieving specific, measurable, and assessable objectives, rather than on financial inputs alone.
- 2. New Types of Budget Credits:** According to the new nomenclature, budget credits are now allocated based on performance objectives. These credits are divided into three categories:
  - Operating credits: for financing the activities necessary to manage public services.
  - Investment credits: for funding key projects aimed at improving public infrastructure.
  - Intervention credits: for supporting specific programs such as social aid or subsidies.
- 3. Clear Identification of Objectives:** For each program, there must be clear and specific objectives, accompanied by performance indicators that allow tracking progress and evaluating the effectiveness of public fund usage. This ensures more transparent and accountable management.
- 4. Accountability and Evaluation:** Each unit or program within public administration is responsible for the results it must achieve. A rigorous follow-up and evaluation of the outcomes are implemented to assess the efficiency of the allocated funds.
- 5. Reduced Rigidity:** Unlike traditional budget management, where credits are often fixed for specific expenditure items (such as salaries, equipment, etc.), BMO allows for greater flexibility in adjusting funds based on the results achieved.
- 6. Alignment with Strategic Planning:** BMO is part of a long-term planning process that aligns with the country's economic and social development goals. It fits into the medium- and long-term projects of ministries and public organizations.



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**7. Control and Transparency:** There is a strong emphasis on strict control and increased transparency of public expenditures, ensuring that funds are used justifiably and allowing for corrections when necessary

So, the principle of budgetary management by objectives, as outlined in the new nomenclature of the Organic Budget Law in Tunisia, aims to make public administration more efficient, transparent, and accountable for the use of public funds, based on measurable performance criteria

## **4.2. Implementation of the BMO:**

### **4.2.1: keys:**

The implementation of budget management by objectives in Tunisia, according to the Organic Budget Law of 2019 follows these key:

#### **1. Program-Based Budgeting:**

- The budget is structured into programs, sub-programs, and activities, replacing the traditional administrative budget structure.
- Each ministry or public entity defines strategic objectives for its programs.
- Each program is linked to specific policy goals and measured by performance indicators.

#### **2. Multi-Year Budgeting (Medium-Term Budget Framework - MTBF):**

- The budgeting process follows a three-year framework, ensuring greater predictability and sustainability in public spending.
- Annual budgets must align with the medium-term financial planning to maintain coherence and fiscal discipline.

#### **3. Performance Measurement and Accountability:**

- Each program includes quantifiable performance indicators to evaluate efficiency, effectiveness, and impact.
- Program managers (Responsible de Programme - RPROG) are accountable for achieving the objectives assigned to their programs.
- An Annual Performance Report (Rapport Annual de Performance - RAP) is submitted to Parliament to assess the achievement of targets.

#### **4. Strengthened Role of Parliament and Transparency:**

- The Parliament approves the budget based on program objectives and expected performance, not just expenditures.
- A Citizen Budget is published to enhance public access to budget information and foster transparency.
- The Parliament plays a more active role in monitoring performance and ensuring public accountability.

#### **5. Flexibility in Resource Management:**

- Program managers have greater autonomy in managing resources within their programs, allowing for better adaptability to real needs.
- Funds can be reallocated within a program, provided the changes do not compromise the program's objectives.
- Emphasis is placed on optimizing resource use rather than just controlling expenditures.

#### **6. Strengthened Control, Audit, and Evaluation Mechanisms:**



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- Internal and external audits ensure compliance with budgetary rules and evaluate program effectiveness.
- The Court of Auditors plays a key role in assessing performance and accountability.
- A performance-based evaluation determines future budget allocations, ensuring that underperforming programs are reviewed and adjusted.

### **3.2.2: calendar:**

The implementation of budget management by objectives in Tunisia, according to the Organic Budget Law of 2019 does not prescribe a specific calendar for the budget process, it outlines key stages and timelines that guide the preparation, presentation, and execution of the state budget.

Key Stages of the Budget Process:

#### 1. Preparation:

- Initiation: The Ministry of Finance begins the budget preparation process by issuing guidelines to ministries and public institutions.
- Submission: Each ministry submits its proposed budget, structured around programs and missions, to the Ministry of Finance.

#### 2. Review and Approval:

- Examination: The Ministry of Finance reviews the submitted budgets, ensuring alignment with national priorities and fiscal constraints.
- Presentation: The draft budget is presented to the Council of Ministers for approval.
- Parliamentary Review: The approved draft is submitted to the Assembly of People's Representatives (ARP) for discussion, amendment, and ratification. Parliament has a two-month period to discuss, amend, and ratify the budget.

#### 3. Execution:

- Implementation: Once ratified, the budget is implemented by the respective ministries and public institutions.
- Monitoring: The Ministry of Finance monitors budget execution, ensuring adherence to approved allocations and performance targets.

#### 4. Reporting:

- Reporting: Regular reports on budget execution are prepared and submitted to the ARP and the Court of Auditors.
- Audit: The Court of Auditors conducts audits to assess the legality and efficiency of budget execution.

#### 5. Annual Timeline:

##### January:

- Issuance of budget preparation guidelines by the Ministry of Finance.
- Submission of proposed budgets by ministries.

##### February to April:

- Review and consolidation of submitted budgets by the Ministry of Finance.
- Preparation of the draft budget for Council of Ministers' approval.

##### May:



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- Presentation of the draft budget to the Council of Ministers.

June to July:

- Submission of the approved draft budget to the ARP.
- Parliamentary discussions and amendments.

August:

- Ratification of the budget by the ARP.

September to December:

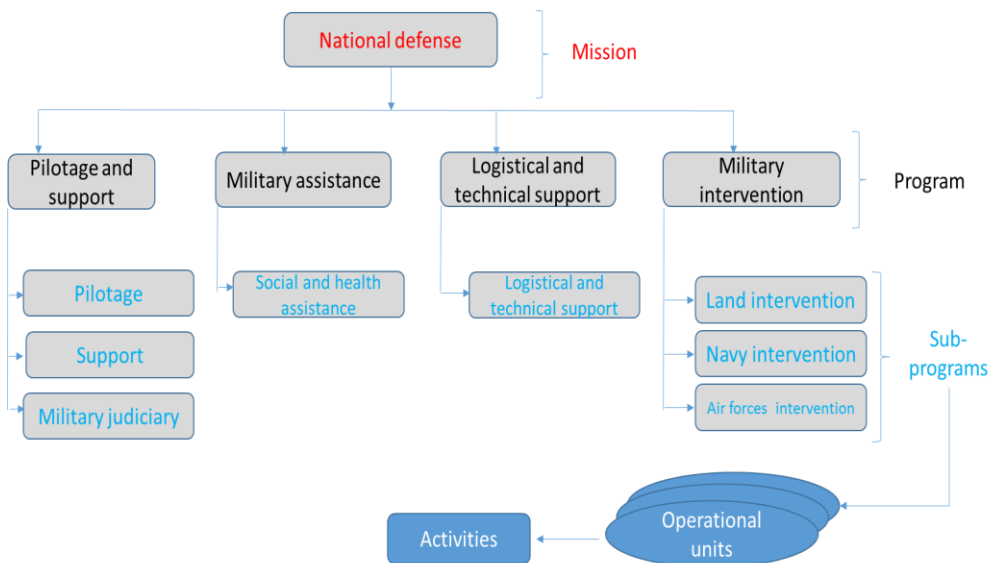
- Implementation of the budget by ministries and public institutions.
- Monitoring and reporting on budget execution.

#### **4. Budget management by objectives in Tunisia Armed Forces:**

##### **4.1. Structure:**

Like all ministries and administrations, the ministry of national defence as a mission is divided into four programs and eight sub-programs which contribute to the achievement of the strategic objectives of the mission.

Thus the programmatic division of the mission is presented as follows:



- The minister of national defence 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 Defence’s programs typically reflects its strategic priorities, national security objectives, and resource allocations.



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#### **4.2. Information System:**

Until today there are three information systems used within the Minister of National Defense for better budget management. In fact, we have a budget preparation system, a project monitoring system and the performance information system.

##### **4.2.1 Budget preparation system:**

The budget preparation system is a tool that allows managers and responsible at all levels to better manage the budget in a very clear way. Indeed, this system allows to:

- Plan the budget at the level of each program, for a period of three years, deem necessary for the execution of the various activities attached to the operational units belonging to the sub-programs.
- Thus, after the approval of the finance law, this system allows the distribution of credits allocated vertically: from the program to the sub-programs and operational units.

##### **4.2.2 Project monitoring system**

This system is very useful, budget management by objectives, since it allows those in charge of the programs, sub-programs and operational units to monitor in a very relevant way the status of the registered projects.

It gives a very clear vision of the progress of the program projects. In fact, in this system all the projects programmed and validated by the program manager are entered with clear information and detail such as the project cost, the duration of the execution in number of days and the steps to follow from the beginning of the project study until its execution. It, also, permits to follow the execution rate of projects as a percentage of credit consumption and physical progress.

##### **4.2.3 Performance information system:**

The performance information system is a digital solution designed to meet the needs of actors involved in the chain of responsibility of a public policy:

- The head of the mission needs to have a dashboard consolidating the operational results of the structures responsible for the implementation of public policies, and giving him the possibility of instantaneous monitoring of developments relating to the strategic results of the mission to which he is accountable to parliament.
- The program manager needs a tool to facilitate the management of his program through the use of an organized and structured management dialogue which will lead to the collection and aggregation of indicators. Thus, it will be able to transfer timely information available on the public policy to which it is accountable in front of users and citizens.
- The various actors in the chain of responsibility need to have a tool allowing the operational management of data related to performance measurement and really formalizing the organization of the management of the program and its operational variation. Each operational actor participates in setting values on the forecast of the indicator for which he is responsible. He has the necessary levers to direct all the means he controls towards achieving his target.

#### **Conclusion:**

Budget Management by Objectives (BMO) in Tunisia, as outlined in the Organic Budget Law (LOB) of 2019, represents a significant shift in the way the government manages public finances. The core principles of BMO—focusing on results, enhancing accountability, and improving efficiency—are designed to address the country’s public financial management challenges, promote transparency, and ensure that public resources are allocated effectively to meet



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the country's strategic goals. Through the introduction of a program-based budget, clear performance indicators, and multi-year planning, Tunisia's budgetary reforms aim to move away from a rigid system based solely on expenditures, towards a more dynamic, results-oriented approach.

The reform is ambitious, with efforts to improve governance, foster citizen participation, and ensure that public funds are used optimally. The inclusion of new information systems for budget preparation, project monitoring, and performance management adds further value by ensuring that all actors in the process can monitor progress in real time and make data-driven decisions. These innovations, combined with increased accountability through parliamentary oversight and audits, promise to strengthen the public sector's capacity to deliver services efficiently, but despite its promising outlook, the implementation of BMO in Tunisia faces several challenges like for example the Data Collection and Quality because to be effective, accurate and timely data is essential. However, the quality and availability of performance data across all sectors may vary, making it difficult to assess results and make informed decisions, so establishing robust data collection systems is crucial for the success of the reform, and also effective monitoring and evaluation mechanisms are vital for assessing whether the set objectives are being met. Ensuring that these mechanisms are not only in place but also robust and well-executed will be a challenge, particularly in the context of the limited resources available for audits and evaluations.

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