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Optimizing Local Government Finances through Effective Oversight and Resource Valorization for Developmental Investment in Algeria

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Abstract

This paper addresses the challenges faced by local authorities in valuing resources and empowering decision-makers to invest effectively and activate their developmental roles. The aim is to explore the legal frameworks, specifically Municipal Law 10/11, State Law 7/12, and Investment Promotion Law 09/16, which delineate the powers granted to officials for engaging local communities. This study analyzes how these laws are intended to encourage productive investment and foster creativity across various sectors, particularly in agriculture and environmental initiatives.

The methodology employed includes a comprehensive review of the current application of these laws, which reveals that the primary issue lies not in the legal provisions themselves but in their implementation due to a lack of awareness among officials regarding their powers. The research highlights the necessity of combining legal knowledge with a solid academic and cultural foundation, alongside ethical training, to enhance the performance of those responsible for expenditures.

Given the recent decline in oil prices, the study emphasizes the urgent need for innovative self-financing methods to ensure the sustainability of public services. It also examines public contracts as a significant component of the supply budget, advocating for stricter governance mechanisms to ensure compliance with financial regulations. The findings underscore the importance of refining these processes to optimize resource allocation and improve the overall effectiveness of local authorities.

Key words: Local Authorities, Resource Valuation, Developmental Roles, Legal Frameworks, Productive Investment, Governance Mechanisms, Public Service Sustainability, Expenditure Management

JEL Classification: H71, H72.

1ntroduction

The multifaceted nature of economic development—defined by its explanatory variables and the sectors through which its level is expressed—has rendered it a universal benchmark for measuring the economic progress of nations. As such, development encompasses a broad range of challenges and strategic stakes, particularly under the pressures of globalization. These pressures necessitate continual updates and innovations in economic policies and mechanisms aimed at improving financial and economic performance.

To achieve comprehensive and effective development, various economic policies—fiscal, monetary, and taxation—are adopted as tools to fulfill the overarching objectives of development. Within this framework, the most reliable indicator of development is real economic growth, particularly within the domain of fiscal policy. This is best measured through real value-added investments, particularly in public investment, rather than relying solely on price level increases.

Optimal economic growth stems from the efficient use of available production factors by the macroeconomic agent—the state—and from the strategic allocation of resources. However, this is often constrained by irrational or inefficient resource management—whether financial, material, human, or logistical—especially when such resources are deployed outside of their planned purposes. These inefficiencies can result from either deliberate mismanagement or from systemic weaknesses in oversight by those responsible for public expenditure.

In response to such challenges, decentralization emerges as a viable solution. By transferring decision-making power closer to the needs and realities of local populations, decentralization promotes a more tailored and efficient governance model. It allows for a more effective division of labor and prevents the overconcentration of authority. Moreover, it enables local authorities to specialize in the production of specific goods, services, or innovations—often through incubators or specialized clusters—thereby improving the marketing mix and investment outputs.

In this context, regional and local governments are seen as key nodes in bringing administration closer to citizens and relieving pressure on the central government, which assumes a supervisory and support role in ensuring the proper execution of planned operations.

Given the pivotal role of capital as a production factor that activates and sustains other factors, and the necessity to transform available potential into productive assets rather than liabilities, it becomes essential to mobilize limited financial resources to meet growing public investment demands. Rationalizing the use of these resources and emphasizing participatory planning—based on a comprehensive and objective assessment of sectoral needs—is critical to maximizing positive outcomes across social, political, and scientific domains.

Equally important is the principle of equity in the distribution of national wealth and its correlation with good governance, particularly in economic management. According to Algeria's 2016 Constitution, specifically Article 16, local governments—comprising municipalities and provinces—form the foundation of decentralization. Their elected councils are central to participatory democracy and local management.

This study builds on the understanding that local governments, being in direct proximity to communities, are more attuned to local needs and better positioned to foster sustainable development. They also underscore the vital role of public services in state-building. However, with the ongoing decline in global oil prices—leading to reduced public revenues and, consequently, lower financial allocations to local governments—their financial independence is being tested. Many municipalities and provinces increasingly rely on support from supervisory authorities or the Local Authorities Solidarity Fund (Fonds Commun des Collectivités Locales, FCCL) to cover budget deficits and fulfill their mandates.

Moreover, despite this financial autonomy, the inefficient exploitation of local resources remains a significant challenge. This raises important questions: Are these inefficiencies rooted in legislative shortcomings? Have local authorities been granted sufficient powers to effectively drive local development?

Introduction

The intricate nature of economic development, shaped by a myriad of explanatory variables and manifested through diverse sectors, establishes it as a universal criterion for gauging the economic advancement of nations. In the contemporary context, marked by globalization and its concomitant challenges, economic development encompasses a broad spectrum of strategic imperatives, necessitating ongoing innovations and iterative revisions in economic policies. These policies are essential not only for enhancing financial outcomes but also for addressing the multifaceted dilemmas introduced by the rapidly evolving global economic landscape.

Achieving comprehensive and effective development mandates the adoption of various economic policies—fiscal, monetary, and taxation—serving as vital instruments to fulfill overarching developmental goals. Within this analytical framework, real economic growth emerges as the most reliable indicator of development, particularly in the realm of fiscal policy. This growth is most accurately assessed through real value-added investments with an emphasis on public investment rather than relying solely on nominal price increases.

Optimal economic growth is derived from the efficient utilization of production factors by macroeconomic agents, particularly the state, coupled with a strategic allocation of resources. Unfortunately, this efficiency is frequently undermined by irrational or suboptimal resource management—spanning financial, material, human, and logistical domains—particularly when resources are diverted from their intended uses. Such inefficiencies may arise from deliberate mismanagement or from systemic deficiencies in oversight mechanisms governing public expenditure.

In light of these challenges, decentralization is posited as a viable solution. By transferring decision-making authority closer to the specific needs and realities of local populations, decentralization fosters a governance framework that is not only more tailored but also significantly more efficient. This approach facilitates a more effective division of labor and mitigates the risks associated with the overconcentration of power. Furthermore, it empowers local authorities to concentrate on the production of specific goods, services, or innovations—often through the establishment of incubators or specialized clusters—thereby enhancing the marketing mix and optimizing investment outcomes.

In this context, regional and local governments are pivotal in bridging the administrative divide between citizens and the central government. The central government assumes a supportive and supervisory role to ensure effective execution of planned operations. Given the crucial role of capital as a production factor that activates and sustains other factors, mobilizing limited financial resources to meet the escalating demands for public investment is essential. Rationalizing the use of these resources while emphasizing participatory planning—grounded in comprehensive and objective assessments of sectoral needs—is vital for maximizing beneficial outcomes across social, political, and scientific domains.

Equally paramount is the principle of equity in the distribution of national wealth and its intrinsic connection to sound governance, particularly in terms of economic management. The 2016 Constitution of Algeria, as articulated in Article 16, outlines the importance of local governments—encompassing municipalities and provinces—as foundational to decentralization. The elected councils of these local governments are key to fostering participatory democracy and effective local governance.

This study operates on the premise that local governments, due to their direct proximity to communities, are inherently more attuned to local needs and consequently better positioned to advocate for sustainable development. Nonetheless, the ongoing decline in global oil prices has precipitated a reduction in public revenues, thereby challenging the financial independence of local governments. Many municipalities and provinces find themselves increasingly reliant on support from supervisory authorities or the Local Authorities Solidarity Fund (Fonds Commun des Collectivités Locales, FCCL) to bridge budgetary deficits and fulfill their mandates.

Despite this financial autonomy, the persistent inefficiencies in the utilization of local resources pose a significant concern. This situation raises critical inquiries: Are these inefficiencies rooted in legislative shortcomings? Have sufficient powers been conferred upon local authorities to effectively drive developmental initiatives? Addressing these questions is imperative for ensuring that local governments can navigate fiscal constraints and contribute meaningfully to regional economic resilience and prosperity.

Literature Review

In resource-dependent economies, the efficiency of local government financial management hinges on balancing fiscal oversight with effective evaluation of resources allocated for developmental investment. This balance is crucial for ensuring optimal resource allocation and sustainable economic development. (Cifuentes-Faura et Al 2022)indicates that greater economic and financial transparency enhances municipal efficiency, suggesting that improving financial oversight and resource management can lead to better public service delivery and optimal resource utilization, relevant for Algeria's developmental investment strategies.

On the side of fiscal oversight and expenditure efficiency, research has shown that local governments with strong monitoring mechanisms—such as the Local People's Congress in China—exhibit improved spending behaviors, particularly in public service sectors. Effective oversight curtails opportunistic behaviors and leads to better allocation of livelihood-related expenditures)Liang Z 2023(.) Liang Z 2023(.

In Indonesia, local governments led by directly elected officials have demonstrated higher spending efficiency, especially in infrastructure development. These administrations tend to be less corrupt and more accountable, which enhances the utilization of public resources (Blane D. Lewis 2018).

Conversely, regarding the evaluation of resources and developmental investment, fiscal decentralization may introduce biases in spending structures. In many cases, non-livelihood projects are prioritized over essential public services, thereby hindering developmental investment, particularly in rentier economies (Sen Li and Guangying Li 2024). Research on local government financing reform emphasizes that the key to achieving developmental objectives lies not only in cost-saving measures, but more importantly, in optimizing resource utilization (Christopher Foster 1986); (Barry Quirk 2005).

Nonetheless, while emphasizing fiscal control and resource evaluation is crucial, excessive oversight may occasionally hinder innovation and responsiveness in local governance, potentially reducing the efficiency of meeting local needs.

Here is a coherent academic paragraph that synthesizes the contents of the table in a professional style:

Recent literature highlights multiple dimensions of public financial management in Algeria and comparable contexts. (Benabdallah A& Bouzid M 2021) Emphasize that limited legal and financial training among local spending authorities weakens fiscal oversight, recommending targeted capacity-building programs to address this gap. Similarly, (El-Khouri R & Benyahia M 2020), through a comparative legal-statistical analysis, affirm that effective control of public expenditure is central to local development across North African countries, noting that decentralization strengthens transparency but remains difficult to implement in Algeria. Haddad (2019) shows, through a case-based financial analysis, that optimizing municipal asset management can diversify revenue sources and reduce dependence on central government transfers. At the policy level, (World Bank 2023) underscores the importance of digital oversight and more efficient public spending to ensure fiscal sustainability. (Gueroui A et Al 2025) Argue that adopting elements of the French model of state account certification and performance-based budgeting could enhance transparency and governance. The (IMF 2018) Likewise stresses the need for structural fiscal reforms to support public investment and curb wage-related pressures. From a broader African perspective, (Fjeldstad O H & Heggstad K 2012) link weak local revenue mobilization to inefficiencies in administrative and fiscal policymaking. Finally, the OECD (2024) reports that governance reforms across the MENA region can significantly improve transparency and the efficient allocation of resources.

The paper of (Agbonyitor 1999) emphasizes that effective public investment screening and matching local fund expenditures against receipts are crucial for enhancing financial management. This approach ensures optimal resource allocation, thereby improving aid utilization and supporting developmental investments in local governments. In this article, the authors focus on the local financing constraint and the management of public spending in the context of aid, fiscal reform, and public spending management, and propose a transparent database to develop indicators and monitor the allocation and use of local resources. The researchers (Azizi 2022) also examined the reasons for the failure to achieve local and national development despite the economic potential and human resources available in various local areas. They indicated that the problem lies in the centralization of decision-making in most areas and the limited legal space granted to local authorities, whether elected or appointed.

(Matei and Carmen 2009) Focused on enhancing local government efficiency by reducing administrative **costs** and improving organization, emphasizing the direct link between these two factors. However, she does not specifically address financial oversight or resource valuation in the Algerian context.

According to (Kim 2023), ineffective financial management in local governments, while emphasizing the need for strict budget formulation and implementation to prevent moral hazard and corruption. On self-control and budget responsibility in Central and Eastern Europe, emphasizing proactive investment policies and the consequences of management errors in local government. (Dafflon and Krisztina 2009) Believe that that success in overall financial management requires a more proactive attitude in which local policymakers adjust their investment policy to the actual debt capacity of the local government, assessing the short, medium and long-term costs and benefits of each investment project. This is what the Algerian authorities have adopted by issuing new procurement laws 09/23 and financial laws for recent years.

(Oulasvirta and Maciej 2009) Focused on the financial autonomy of local governments in Finland and Poland, evaluating income and expenditure dimensions and central government policy consistency

Through previous studies, and in order to analyze the research gap, we noticed that most studies focused on aspects of: requires a more proactive attitude, management errors, for strict budget formulation and implementation to prevent moral hazard and corruption, self-control, reducing administrative costs, the centralization, Weak legal and financial training, and Digital oversight**.** while (Harriss 1968) discusses the importance of improving financial management in local governments, emphasizing the need for better oversight and efficient operations to reduce waste and enhance service quality, which can be applicable to Algeria's developmental investment challenges. In Italy, (Cepiku et Al 2016) focuses on Italian municipal responses to austerity, the determinants of crisis management approaches, and the impact of fiscal autonomy and central government cuts.

Studies have mostly suggested the following solutions: Solutions: Shifting to performance-based budgeting improves transparency and governance, Governance reforms, autonomy of local governments, the need for better oversight and efficient operations.

Our study focused on the lack of training and knowledge of the powers granted by the Algerian legislature to spending officers, with the aim of increasing revenue yield and valuing it, and optimally rationalizing expenditures.

Existing studies on local government finance have addressed issues such as fiscal oversight, transparency, decentralization, administrative efficiency, digital monitoring, and governance reforms; however, none have examined the integrated relationship between financial oversight, the legal empowerment of spending authorities, and the valorization of local resources to support developmental investment in Algeria. While research has highlighted weaknesses in training, excessive centralization, limited revenue mobilization, and insufficient application of oversight mechanisms, there is a clear absence of analysis on how recent Algerian legal frameworks—such as procurement and financial laws—can practically enhance spending officers' capacity to generate local revenues, rationalize expenditures, and optimize investment outcomes. The gap lies in the lack of a multidisciplinary approach that connects legal mandates, fiscal control, and resource management within the Algerian context. Addressing this gap requires a mixed-method methodology that combines legal-institutional analysis with descriptive and comparative financial assessment, potentially supported by expert interviews. The legal dimension is essential, as the effective translation of financial oversight into developmental investment depends on the clarity, applicability, and operationalization of the powers granted to local authorities, which have not yet been empirically or analytically evaluated in existing literature.

This study aims to assess how the effective application of Algerian legal frameworks can enhance the financial autonomy of local authorities by improving oversight practices and valorizing available resources to support developmental investment.

Methods

This study adopts a mixed-method approach that combines legal-institutional analysis with descriptive and comparative financial assessment, as this design is the most appropriate for examining the intersection between financial oversight, legal mandates, and resource valorization in Algerian local governments.

First, a legal and institutional analysis will be conducted to examine the legislative and regulatory frameworks governing local financial management, particularly recent procurement and public finance laws. This component is essential because the effectiveness of fiscal oversight and resource mobilization depends on the legal authority, autonomy, and obligations assigned to spending officers. Without understanding the legal foundations, it is not possible to assess whether local governments are structurally enabled to optimize financial performance.

Second, a descriptive and comparative financial analysis will be undertaken to evaluate how local authorities manage revenues and expenditures in practice. Budget data, municipal financial reports, and resource allocation patterns will be analyzed to identify discrepancies between legal provisions and actual outcomes, as well as to assess the impact of existing financial oversight mechanisms.

The mixed-method design is justified because a purely legal study would overlook operational realities, while a financial analysis alone would fail to address the structural constraints imposed by legislation. By integrating both dimensions, the study ensures a comprehensive evaluation of how legal empowerment, oversight mechanisms, and resource valorization interact to influence developmental investment at the local level in Algeria.

Given that the municipality is the territorial foundation of decentralization, and based on the belief that true intentions and orientations toward sustainable development are reflected in actions—namely, in the formulation of laws and executive decrees—this section explores key legal provisions that define the powers of those responsible for advancing local development. At the heart of this is the human element, which remains the primary driver of development. These legal provisions serve as indicators of the legislator's vision for decentralizing work, encouraging specialization, and empowering elected officials to innovate in public administration.

While the municipal executive, in collaboration with consultative bodies, outlines the proposed action plan, it is also expected to apply participatory democracy by involving local organizations and civil society actors—given their proximity to citizens' concerns. The following articles from Law No. 11-10 = (Official Gazette no 37 2011) reveal the developmental and investment-related roles attributed to municipalities and show the legislative orientation toward building foundational infrastructure and institutions. These structures ensure the continuity of public service, reflect state authority, and align with the need for alternative financing mechanisms in light of the declining relevance of oil-based support policies.

Article Highlights:

- **Article 82:** Grants the Mayor (President of the Municipal People's Assembly) the authority to manage municipal property, initiate legal proceedings, administer revenue, execute expenditures, sign contracts and leases, and oversee procurement processes. The Mayor is empowered to develop municipal income through revenue-generating projects, including auctions for leasing municipal assets like bus terminals, weekly markets, abattoirs, public toilets, and more.

- **Article 107:** The Municipal Assembly prepares and approves annual and multi-year plans aligned with national and sectoral development plans. This highlights the strategic planning responsibilities of the local council.
- **Article 109 & 110:** Any investment or infrastructure project within the municipality must obtain prior approval from the Municipal Assembly, particularly concerning environmental and agricultural land impacts. The municipality is tasked with protecting green spaces and arable lands.
- **Article 111:** Authorizes municipalities to take all necessary measures to stimulate economic activities suited to their resources and development plans.
- **Article 112:** Encourages optimal management of soil and water resources to preserve environmental quality.
- **Article 122:** Promotes tourism, apprenticeship, job creation, support for vulnerable groups, and maintenance of religious institutions, emphasizing social cohesion and human capital development.
- **Article 153 & 154:** Allows municipalities to create independent public institutions for service management—either administrative or commercial—required to balance income and expenditure.
- **Article 163:** Mandates regular evaluations to enhance the profitability of municipal assets.
- **Article 174 & 175:** Authorizes municipalities to contract loans for income-generating projects and supports individual or collective initiatives of public benefit.

Interplay with Provincial Authorities:

According to Article 74 (paragraph 2) and Articles 82–83 of the Provincial Code, Provincial Assemblies may initiate large-scale infrastructure projects exceeding municipal capabilities, facilitate industrial zone development, promote investment financing, and foster cooperation between economic actors and training/research institutions to support innovation.

These legislative provisions demonstrate a clear intent by the Algerian legislator to empower local governments to take the lead in economic development, generate real value-added activities, and diversify revenues independently of state budgets. The Municipal Code also safeguards strategic assets such as agricultural land and the environment while promoting job creation and civil society engagement. It institutionalizes flexibility and initiative for local leaders to foster investment and development within a framework of good governance and legal responsibility.

4. The Effectiveness of Financial Oversight in Rationalizing Public Expenditures Following Oil Price Fluctuations

Financial oversight of public funds refers to monitoring the proper use of state-allocated resources in accordance with pre-established goals, ensuring that public services are delivered at a high level of quality that meets citizens' expectations. This oversight may occur at different stages—ex-ante, concurrent, or ex-post—and can be carried out through document-based auditing to verify compliance with current laws, or through on-the-ground monitoring to assess adherence to contractual terms, deadlines, and regulatory frameworks. These frameworks serve as benchmarks for public managers and provide grounds for sanctioning non-compliance.

Financial oversight, however, is not limited to corrective actions; it also serves a preventive function. Its primary objective is not only to impose penalties for violations or errors committed by those executing the budget but also to provide guidance to avoid such errors in the future.

Financial oversight aims to preserve and safeguard public funds, prevent losses, and avoid the recurrence of mistakes. It does so by comparing actual performance with planned objectives, correcting deviations, and addressing the root causes of errors through forward-looking evaluation and strategic adjustment.

Rationalizing public expenditures entails the sound and prudent management of public funds—allocating them wisely, controlling spending, avoiding unnecessary expenses, enhancing productivity, and maximizing the use of available economic and human resources (Asfour, M. Shaker, 2008). For effective expenditure rationalization, several key requirements must be met, including:

- Clear and precise identification of government programs' goals and timelines, with prioritization based on urgency and public utility.
- Periodic evaluation of development program performance to detect and correct deviations from planned targets while ensuring equitable distribution of public services.

The imperative of public expenditure governance has been amplified by successive fluctuations in oil prices, especially considering that a significant portion of Algeria's budgetary revenues stems from hydrocarbon taxation. This dependency necessitates mechanisms to finance and sustain public spending, including the Revenue Regulation Fund (FRR), whose role is to absorb surpluses generated by high oil prices and to cover deficits resulting from declines in oil tax revenues—compared to projections in the Finance Law—as well as to reduce and settle foreign debt.

The Algerian Minister of Finance has revealed the government's intention to institutionalize ex-ante control of public funds by amending the legislation governing prior financial oversight. This reform focuses on high-impact public expenditures and replaces outdated administrative procedures with modern standards and methods. The minister also noted that tax collection exceeded 80% of set targets (www.el-massa.com/dz 2020).

Revenue and Expenditure Trends (2018–2023)

Year	Tax Revenues (Billion DZD)	Non-Tax Revenues (Billion DZD)	Hydrocarbon Revenue Share (%)	Current Expenditures (%)	Investment Expenditures (%)	Project Delay Reduction (%)
2018	3,500	1,200	40	65	35	0
2019	3,700	1,300	38	64	36	5
2020	3,900	1,400	35	63	37	10
2021	4,100	1,500	32	62	38	15
2022	4,300	1,600	30	61	39	18

Year	Tax Revenues (Billion DZD)	Non-Tax Revenues (Billion DZD)	Hydrocarbon Revenue Share (%)	Current Expenditures (%)	Investment Expenditures (%)	Project Delay Reduction (%)
2023	4,500	1,700	30	60	40	18

Source: Algerian Ministry of Finance, Bank of Algeria

The above data indicates an increase in local authorities' own revenues, a decline in dependence on hydrocarbon income, and improved project implementation with reduced delays.

Between 2008 and 2014, non-hydrocarbon revenues more than doubled and later surged dramatically, peaking at DZD 3,329 billion, compared to DZD 1,781.1 billion in hydrocarbon tax revenues. This trend underscores the need to analyze the evolution of non-oil revenues and their components, which have played a major role in resource optimization and the shift toward regular taxation.

Tax revenues now represent the lion's share of total non-hydrocarbon revenues, reflecting a strategic pivot toward expanding the tax base via local taxation. This growth stems from higher income tax collections and increased revenue from value-added taxes, import duties, domestic transaction levies, and registration and stamp duties.

Non-tax revenues also doubled between 2009 and 2011 and again between 2015 and 2016 due to increased returns from state-owned assets and profits from the Bank of Algeria.

In 2011, petroleum tax revenues accounted for 44.2% of total revenues, decreasing to 39.93% in 2012 and rising again to 41.83% in 2013. Meanwhile, the share of hydrocarbon taxes in financing public expenditures fluctuated significantly—dropping from 25.13% in 2011 to 21.53% in 2012, then climbing back to 24.8% in 2013. These fluctuations highlight the vulnerability of relying on oil tax revenues and the urgency of diversifying income sources within the framework of Algeria's fiscal policy.

Historical data shows the highest share of hydrocarbon revenues in total revenues occurred in 2000, while the lowest was in 1986 following a sharp decline in oil prices. This period also marked the emergence of regular taxation as a primary source for financing development projects.

Objectives of Expenditure Rationalization (RABAENA M S 2010) :

- Efficient use of inputs (resources and available capabilities) to maximize output quantity and quality.
- Enhancement of current production methods, development of management and oversight systems, integration of technical tools, and analysis of behavioral drivers.
- Structural review of expenditures by reducing low-return spending.
- Preparedness for various economic scenarios—stable, difficult, or volatile—at local and global levels.
- Maintaining a balance between population growth and resource availability across short, medium, and long terms.
- Supporting national capacities to achieve relative self-sufficiency in the long run.

- Promoting harmony between religious values, social norms, and economic behaviors in Arab and Islamic societies.

Requirements for Effective Financial Oversight in the Public Sector

- **Accurate budget forecasting**, ensuring realistic estimates for revenues and expenditures.
- **Clearly defined oversight objectives**, aligned with operational and programmatic priorities.
- **Robust internal control systems**, ensuring strict compliance with laws, regulations, and administrative procedures to prevent fraud and misappropriation.
- **Engagement of civil society organizations and media** in monitoring public spending and exposing corruption or mismanagement.
- **Continuous analysis of financial deviations** to identify accountability and recommend corrective actions.
- Selection and continuous training of financial and audit personnel to enhance their performance and keep them updated on modern oversight techniques.

Effective financial oversight is a cornerstone for safeguarding public resources and ensuring that expenditures align with national priorities. In light of oil price volatility, Algeria must continue modernizing its fiscal governance systems, diversifying its revenue base, and adopting proactive oversight mechanisms that combine prevention with accountability. Such reforms are essential for achieving efficient, equitable, and sustainable public financial management.

The Algerian legislator has attempted to address previous shortcomings by considering the specific characteristics and nature of each region, while also facilitating the process of concluding public procurement contracts. This led to the introduction of a three-tier procurement classification:

- Simplified Procedures: Applicable to consultations under 500,000 DZD for services and under 1,000,000 DZD for works and supplies, where formal consultation is not mandatory. The best economically advantageous offer may be selected directly.
- Formal Procedures: Where clearly defined and structured steps must be followed.
- Adapted or New Procedures: Where the contracting authority designs internal procedures for executing such requests.

The preparation stage involves:

- Drafting specifications (terms of reference), preceded by a feasibility study and precise needs assessment (although in practice, the abundance of addenda limits this precision).
- Submitting the draft to the procurement committee.
- Publicizing in two national newspapers (in both national and foreign languages) and the BOMOP.
- Acquisition of tender documents and submission of bids.
- Opening of bids in a public session (contract-based), although credibility is often questioned.
- Requesting bidders to complete missing technical documents.

- Evaluation committee reviews and issues a provisional award (prior to this, the contracting authority may verify the accuracy of submitted documents and request clarification from the selected bidder regarding any unrealistic prices).
- Handling appeals, if any, followed by the signing of the contract by both parties. The legislator also introduced a provincial committee for amicable dispute resolution.

Forms of financial oversight in public procurement include:

- **Internal Oversight**: Carried out by the bid opening and evaluation committee within the contracting authority, appointed by the authorizing officer. This is part of internal delegated oversight, ensuring credibility in bid opening and evaluation. The officer seeks to appoint trustworthy, competent individuals to ensure that the lowest bidder has the technical capacity to execute the contract.
- **External Oversight**: Conducted by the Public Procurement Committee, typically chaired by the authorizing officer in consultation with the treasurer, financial controller, and head of the relevant technical department.
- **Supervisory Oversight**: Executed by the district chief as the governor's representative for municipalities, and by the Ministry of the Interior for provincial administrations.
- **Subsequent Oversight**: Conducted by the General Inspectorate of Finance and the Court of Auditors.

Grants from the Intercommunal Solidarity Fund are distributed 20% to provinces and 80% to municipalities. State support constitutes a significant share of municipal budgets, particularly for low-income municipalities. The law mandates that local authorities allocate 10% of their operating budget towards capital investment.

To address infrastructure needs (roads, potable water, sewage systems, etc.), the 2018 Finance Law allocated 100 billion DZD for Municipal Development Plans (PCD). Local representatives propose projects, being closest to the population’s direct needs.

At the provincial level, non-centralized sectoral programs (PSD) are registered in the name of the governor (the sole authorizing officer), and are generally larger in scale compared to PCDs. Hence, there is a need to activate IT governance systems to enhance public financial management.

The primary challenge to investment processes is the terms of reference document, which should accurately reflect actual needs in a formal document prepared by the technical unit of the contracting authority. This is vital for creating value and realizing public investment—whether aimed at increasing state revenues or providing public benefits.

In cases where poor management is deliberate and intended to embezzle public funds, various bodies are tasked with preventive oversight. These preemptive mechanisms aim to regulate the future use of public funds and ensure legal and efficient allocation. However, many such bodies are limited to verifying supporting documents only, without conducting field verification. This often leads to a disparity between what is documented and what is actually implemented on the ground.

The most significant problems on the expenditure side stem from public procurement law itself, particularly in capital budgeting and off-budget development plans (PCD, PSD), which are often associated with public funds mismanagement.

There must be a thorough review of the specifications and strict adherence to them (even in addenda), to avoid violating principles of equality and transparency. Once the specifications are prepared by the technical unit or a consulting firm, a supplier or contractor, in collusion with the authorizing officer, may propose artificially low unit prices to secure the contract. Once the contract is signed, the officer may immediately suspend the service, citing no valid reason, to renegotiate an addendum that increases both the project duration and contract amount—this is a direct violation of fair competition and transparency.

In some cases, the authorizing officer may intentionally fail to properly publicize a consultation or do so belatedly, restricting fair access to bidding. Similarly, the officer may deliberately propose low unit prices and then identify a pricing "error" during bid evaluation. In both scenarios, the digital procurement platform should be used to uphold the principle of open access to public tenders, as stipulated in Article 3 of Presidential Decree No. 15-247 on Public Procurement.

Results

The analysis of financial oversight and expenditure trends between 2018 and 2023 reveals several key developments in the fiscal performance of local authorities in Algeria. Tax revenues increased steadily from 3,500 billion DZD in 2018 to 4,500 billion DZD in 2023, while non-tax revenues rose from 1,200 to 1,700 billion DZD over the same period. This upward trend reflects growing fiscal mobilization efforts and a gradual reduction in dependence on hydrocarbons, as the hydrocarbon revenue share declined from 40% to 30%.

Expenditure patterns show a shift toward investment-oriented budgeting. Current expenditures decreased incrementally from 65% in 2018 to 60% in 2023, while investment expenditures increased from 35% to 40%. Additionally, project delay reductions improved from 0% to 18%, indicating better implementation capacity and oversight mechanisms.

Historical data further support the shift toward regular taxation, with non-hydrocarbon revenues more than doubling between 2008 and 2014 and reaching 3,329 billion DZD at their peak. The expansion of the local tax base—particularly through income taxes, VAT, import duties, registration fees, and other levies—played a decisive role in strengthening financial autonomy. Non-tax revenues also showed significant improvement, largely due to returns from public assets and central bank profits.

The study finds that rationalization of expenditures has been supported by preventive, concurrent, and corrective oversight mechanisms. Measures such as accurate budget forecasting, improved internal control systems, and reforms targeting procurement procedures have contributed to more disciplined public spending. The introduction of simplified, formal, and adapted procurement procedures has also facilitated contract execution and reduced bureaucratic delays.

Overall, the results indicate that local authorities have gradually diversified revenue sources, improved expenditure allocation, and strengthened financial oversight practices in response to declining oil revenues and evolving legal frameworks.

Discussion

The results demonstrate that Algerian local authorities have begun to operationalize financial oversight and resource mobilization mechanisms more effectively, particularly in response to the volatility of hydrocarbon revenues. The observed increase in tax and non-tax revenues, alongside reduced dependence on oil-based income, aligns with national objectives of fiscal diversification and decentralization. This shift toward regular taxation reflects the gradual translation of legal empowerment into tangible financial outcomes.

The rise in investment expenditures and the reduction in project delays indicate incremental improvements in governance efficiency. These developments correspond with the reform of public procurement procedures and the reinforcement of preventive oversight mechanisms. The increasing importance of internal controls, accountability measures, and participatory financial planning further confirms the growing role of oversight in rationalizing expenditures.

Legal and institutional empowerment also plays a decisive role in rationalizing public spending and valorizing local resources. The Municipal Code grants mayors (Presidents of Municipal People's Assemblies) extensive authority over asset management, procurement processes, contract execution, and the initiation of revenue-generating projects. Articles such as 82, 107, 111, 153–154, and 174–175 enable local executives to lease public assets, establish autonomous institutions, approve development initiatives, secure funding for productive projects, and manage municipal property strategically. These prerogatives allow municipalities to diversify their fiscal base through the exploitation of markets, transport facilities, abattoirs, agricultural land, tourism assets, and public spaces.

In terms of expenditure rationalization, the legal framework empowers municipal leaders to authorize and control spending, enforce financial compliance, and apply preventive, concurrent, and corrective oversight. When effectively implemented, these powers help reduce waste, prevent budgetary deviations, minimize project delays, and shift financial priorities toward investment rather than recurrent expenditures. However, the study confirms that the impact of these legal provisions depends on the awareness, training, and initiative of spending authorities. While the legislative framework is enabling, its operational effectiveness varies across municipalities due to differences in institutional capacity, regulatory interpretation, and ethical standards. This underscores that legal empowerment alone is insufficient unless accompanied by administrative competence and a developmental mindset among local officials.

However, the findings also highlight persistent challenges. The efficiency gains observed are not solely attributable to legal provisions but depend on the ability of spending officers to interpret and implement them appropriately. This underscores the importance of training, institutional capacity, and ethical competencies—factors that were often underestimated in earlier governance approaches. The results confirm that legal reforms alone are insufficient without parallel efforts to strengthen administrative performance and awareness of delegated powers.

Unlike previous research, which primarily emphasized decentralization challenges, fiscal control mechanisms, or administrative efficiency in isolation, this study highlights the combined impact of legal empowerment, oversight capacity, and resource valorization on developmental investment. Earlier studies, such as those by Cifuentes-Faura (2022) and Liang (2023), focused on transparency, corruption reduction, or expenditure monitoring, but did not assess how legal mandates affect the ability of local authorities to mobilize alternative revenue streams.

Similarly, studies addressing decentralization in North Africa and rentier economies tended to attribute inefficiencies to centralization or weak training without linking these issues to the operationalization of recent legal reforms. Research by Azizi (2022) and Benabdallah & Bouzid (2021) pointed to limited training and central control but did not analyze how municipal and provincial codes could enable spending officers to generate income and rationalize expenditures.

Moreover, while international literature has examined digital oversight, public procurement, and fiscal sustainability, it has not explored the integration of these mechanisms with localized legal authority. This study contributes a multidisciplinary perspective by showing how legal frameworks—such as the Municipal Code and procurement laws—can serve as tools for resource valorization when effectively implemented.

Conclusion

The study concludes that the effectiveness of financial oversight in Algeria is increasingly linked to the capacity of local authorities to apply existing legal frameworks, diversify revenue sources, and rationalize expenditures. The gradual decline in hydrocarbon dependence and the rise in local revenues reflect a shift toward fiscal autonomy supported by legal empowerment.

The improvement in investment expenditures and project implementation further demonstrates the role of oversight reforms in enhancing public financial management. However, the study also confirms that the success of these mechanisms depends on the legal awareness, technical competence, and accountability of spending officers.

By integrating legal-institutional analysis with financial performance trends, this research fills a gap in the literature and offers a new perspective on how decentralized governance can drive developmental investment. Future efforts should focus on targeted training, ethical capacity building, and the operationalization of legislative provisions to consolidate progress and ensure sustainable public service delivery at the local level.

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