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Local Financing of Municipalities and Its Impact on Municipal Development Plans

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ABSTRACT:

Local development and local financing are directly correlated: the greater the sources of local financing, the higher the rates of development on the one hand, and the greater the realization of the independence of local authorities on the other. The success of local bodies in fulfilling their mission and assuming the responsibilities entrusted to them—particularly in providing goods and services to citizens—depends to a large extent on the volume of their financial resources. Moreover, the strength of local authorities within the State is measured by the financial capacity of those authorities. Naturally, the greater the financial resources allocated to local authorities, the more capable they are of exercising their competences to the fullest extent, relying on their own means without resorting to the central government for financial subsidies. However, the limited self-financing capacity of municipalities in Algeria has led them to rely primarily on State subsidies in development plans, a situation that has resulted in several consequences.

key words:financing; local; municipality; development;

Introduction:

Local development is based on local financing: the greater the sources of financing, the higher the rates of development on the one hand, and the greater the independence of local authorities on the other. The success of local bodies in performing their mission and shouldering the burdensplaced upon them—particularly in providing goods and services to citizens—dependslargely on the size of their financialresources. Furthermore, the strength of local authorities within the State is measured by the financial standing of those authorities. It is therefore natural that the greater the financialresourcesallocated to local authorities, the more capable they are of exercising their competences in an optimal manner, relying on themselves without resorting to the central government to obtainfinancial subsidies.

The municipal budget is defined as a table of estimatedannual revenues and expenditures of the municipality. It constitutes an instrument of authorization and management that allows for the functioning of municipal services and the implementation of its equipment and investment programs[1]. The municipal budget takes two forms: an initial budget and an additional budget. The initial budget is prepared before the beginning of the fiscal year, while expenditures and revenues are adjusted during the fiscal year, based on the results of the previous fiscal year, through an additional budget or through a specialauthorization if it follows thereafter. The municipal budget comprises two sections: an operating section and an equipment and investment section[2].

Based on the foregoing, this topic will be addressed through the following problem statement: What is local financing for municipalities? And what is its impact on municipal development plans?

The answer to this problem will be developed through two sections. The first section addresses local financing as a key actor in municipal development

plans, including the definition of local financing and its foundations, followed by the diversity of sources of local financing.

The second section examines the scarcity of municipalities' own resources and its impact on development plans. This section addresses the reliance of municipal development plans on State subsidies as a primary source of financing, as well as the reality of State subsidies provided to finance municipal development plans.

THE FIRST TOPIC :Local Financing as a Key Actor in Municipal Development Plans

Municipal People's Councils require human and financialresources in order to implement the Municipal Development Plan, so as to be able to carry out their tasks. Financial resourcesconstitute the backbone of economic and developmental activity in general, particularly at the local level[3].

First Requirement: Definition of Local Financing and Its Foundations

Local financing is defined as: "All availablefinancialresources that can be mobilized from various sources to finance local development at the level of local authorities in a manner that achieves the highest possible rates of development over time and enhances the independence of local entities from the central government, with a view to achieving the desired local development" [4] It is also defined as: "A set of procedures and means determined by law that enable the local authority to implement its plans for local development"[5].

Accordingly, local financing is considered a fundamental pillar for ensuring that local development plans achieve the required development outcomes in each local (territorial) unit.

First Section: Foundations of Local Financing

In order to ensure a greater degree of local financialautonomy for local authorities, certain essential foundations must be available within local resources. What is meanthere by the **foundations of local finance** is "the set of rules upon which successful local financingpoliciesshould be based, in order to achieve effective financial management that guarantees the attainment of local development." These foundations and conditions can be summarized as follows:

First: Locality of the resource

This means that the tax base of the resource should lie entirely within the jurisdiction of the local authority that collects its proceeds, and should, as far as possible, be distinct from central tax bases. Taxes on buildings and land located within the boundaries of local authorities are therefore suitable for local administration, whereas income taxes are not considered appropriate for local administration due to the difficulty of determining the extent to which their tax bases are local.

Second: Self-generated resources

This implies that local authorities should enjoy a degree of independence in determining the rate of the resource—within certain limits in some cases—as well as in assessing and collecting it, so as to be able to reconcile their financial needs with the yield of the resources available to them.

With reference to Article 169 of the aforementioned Municipal Law No. 11-10, the sources of municipal financing are as follows:

- Tax revenues ;
- Income from its assets ;
- Revenues from municipal property;
- Grants and allocations ;
- Proceeds from donations and bequests;
- Loans;

- Proceeds from fees for special services provided by the municipality;
- Revenues from concession rights over public spaces, including advertising spaces;
- Revenues collected in return for various services.

From this article, it becomes clear that, in practice, municipalities do not relysolely on self-generatedresources to finance their local tax base, but rather depend to a large extent on grantsprovided by the central authority within the framework of multi-year development plans.

Third: Ease of resourceadministration :

This refers to facilitating the assessment of the resource'stax base and minimizing the cost of its collection, that is, seeking to keep collection costs at the lowest possible level, while at the same time ensuring a relativelyabundantyield from the resource, namely obtaining the largest possible financialreturns from it.

Section Two: Diversity of Local Financing Sources

Based on the aforementioned Article 169, it becomes clear that municipalities do not, in practice, relysolely on self-generatedresources to define their local financial base ; rather, they also depend on grantsprovided by the central authority within the framework of multi-year development plans, as will be explainedlater. Accordingly, each of these sources will be addressedseparately.

First : Self-Financing Sources of the Municipality

Self-local financingconstitutes one of the most important pillars of local administration and a fundamentalelement for its establishment. Without it, local authorities would be unable to carry out their multiple tasks related to the management of their services and the implementation of their development investments[6].

Self-financing is defined as an allocation made by local authorities from operating revenues for the benefit of capital expenditure and investment. The amount of self-financing is used to fund the maintenance of the municipality'ssocio-economic infrastructure, school transport, as well as all operations aimed at improving residents' living conditions and preserving the financial balance of local budgets[7]. It is determined by law and generally ranges between 10% and 20% of total revenues[8]. The main self-financingresourcesinclude the following:

1. Tax Revenues and Fees

Tax revenues and feesoccupy an important position among municipal own resources, as they constitute a primary source of financing. They consist of direct and indirect taxes, accounting for approximately 90% of total revenues[9].

a. Professional Activity Tax (PAT)[10]

This tax is a direct taxprovided for under Article 34 of the Finance Law of 1996. It replaced the tax on industrial and commercial activity, the tax on non-commercial activity, and others. It applies to persons who have a permanent professional establishment in Algeria and who carry out industrial, commercial, or non-commercial activities. It also applies to natural persons subject to the personalincometax, as well as all concernedpersons subject to the corporate profits tax. The professional activity tax is levied on the total amount of grossprofessional revenues or turnover achieved during the year, excluding value-added tax.[11]

b. Value-Added Tax (VAT)

Value added is defined as the difference between total output and intermediateconsumption of resources, supplies, and services that contribute to the production of a good, including wages, taxes, fees, expenses, and depreciation. The legislatorregulated this taxpursuant to Law No. 90-39 of 31 December 1990, promulgated within the Finance Law of 1991, relating to the value-added tax and

the tax on banking operations. It entered into force under the Finance Law of 1992 and was subsequentlyamended several times by later finance lawsstarting from 1994.[12]

c. Gross Income Tax (GIT)

This is a direct taximposed on all periodicincomes (annual or monthly) after the deduction of all charges permitted by law. It includes several categories, the most important of which are :

- Income from wages and salaries paid by natural or legal persons, or foreign entitiesresident in Algeria, to their employees.

  The rate of deduction varies according to the type and nature of the income (monthly or annual, bonus, salary, or pension), as stipulated in Article 104 of the Direct Taxes Code.

- Industrial and commercial profits.

- Income derived from leasing built and unbuilt property, as provided for in the Tax Law of 1994, Articles 148 to 161, with rates set at 3% for built property and 10% for unbuilt property.

d. Service Fees

These services relate to those provided by municipal departments through their facilities, as well as by private-sector institutions, particularly with regard to waste collection, sanitation, slaughtering, housing, and others. All such services are subject to a fee known as the service charge corresponding to the service provided.

It should be noted that the municipal tax system comprises approximatelyfifteen taxes and fees; however, the actual fiscal yield of these taxes is mainly derived from two major levies, namely the **Professional Activity Tax** and the **Value-Added Tax**, especially following the abolition of the lump-

sumpaymentpursuant to Article 13 of Law No. 05-16 containing the Finance Law for the year 2006, among others.[13]

2. Non-Tax Resources and Revenues

These are resourcesgenerated from local services that the municipality may produce or provide, as well as income from property assets and the proceeds of local industrial and commercial services. Their sharedoes not exceed 10% of total local revenues of municipalities in general (and did not exceed 6% between 1999 and 2003), despite the fact that the current Municipal Law allowed local councils to open up to the private sector pursuant to the Investment Law issuedin 1993, among others.[14]

Second : External Sources of Municipal Financing

Emphasizing the importance of local financialresources in supporting the administrative autonomy of local authorities does not imply that all expenditures of local development projects should be coveredexclusively by self-generatedfinancialresources, as this could slow down the required pace of development. Consequently, recourse is made to externalfinancialresources, so called because they originate from sources outside the jurisdiction of local units.[15] In accordance with Article 169 of the aforementioned Municipal Law, grants, loans, donations, and contributions constitute some of the fundamental elements of local financing and are considered external sources of municipal finance.

1. Government Grants

The support and oversightexercised by central authorities over local authorities constitute one of the essential pillars of governance, as current local efforts—regardless of their extent—are insufficient on their own to promote comprehensive, balanced, and sustainable local development. Therefore, most developing countries rely on financial and technical support for their local administrations. Algeria is among the countries that allocate assistance to local administration (wilaya and municipality) through decentralizedsectoral plans and

municipal development plans, in addition to grantsprovided through the Joint Fund for Local Authorities,[16] as well as earmarkedgrants.[17]

Central (governmental) assistance aims to achieve several objectives, including:

- Addressingdisparities in resources and capacities among local authorities and achieving balance, that is, correcting the situation of local units with limitedresources so that they may attain a position close to or equal to that of wealthierones;
- Ensuring a minimum level of essential public services for all citizens, while maintaining their quality and standard ;
- Achieving national solidarity and equity, as central financing is based on the principle of ability to pay, whereas local financing is based on the beneficiary principle;
- Ensuring the soundness of the financial position of local units, since such assistance is granted after the submission of preliminary budgets and is recorded under the capital expendituresection ;
- Achieving central oversight of local units and ensuring that their policiesconform to national economic and social priorities and are integrated with them;
- Reducing the local taxburden on citizens, as the absence of government assistance wouldcompel local authorities either to raisetax rates—where possible—or to discontinue service provision ;
- Encouraging local and regional planning, since access to government assistance is conditional upon the submission of a plan prepared by the local unit, outlining its urgent priorities in line with national policy, and approved following arbitration sessions ;

- Creating a form of integration, coordination, and unity of vision and effort between local and central authorities.[18]

These financialaidsdirectedtowardcovering local development expenditures are referred to as **grants**. Such grantspursue both economic and social objectives, including the generalization of prosperity across different regions of the state and the reduction of disparities between poor and remote areas and affluent regions.[19]Consequently, the primary objective of central financing is to reduce significant disparities among local units, that is, to create a degree of balance between poor and wealthymunicipalities and to ensure equality in opportunities for local development.[20]However, governmentgrants often include conditions that restrict the freedom and autonomy of local councils, as they frequently require local administrations, when spending such grants, to submit to financialoversight by central authorities.[21]

2. Loans

Pursuant to the aforementioned Article 169, loans are used to finance investment projects initiated at the local level when budgetaryresources are unable to cover their costs. As a general rule, local councils—including Municipal People's Assemblies—may not resort to contractingloans without priorauthorization from the government.[22]

Despite the financialdeficitsexperienced by most municipalities, particularly poorerones, recourse to loansremainsverylimited. This is due to several factors, notably the reluctance of lending institutions to finance financiallydistressedmunicipalities for fear of their inability to meet repayment obligations, especially in the absence of guarantees or mechanisms provided by the central authority to secure such loans.[23]

3. Donations and Grants

Donations and grantsconstituteresources of local councils. Their proceedsderive from contributions made by citizenseitherdirectly to local councils

or indirectly to support the financing of projects undertaken by them. They may also result from a bequest left by a citizen upon death in the absence of heirs, or from a donation made by an expatriateseeking to commemorate his or her name in their hometown.[24]

The Second Requirement : The Scarcity of Municipal Own Resources and Its Impact on Development Plans

The financial situation experienced by local authorities in general, and municipalities in particular—characterized by the weakness and scarcity of own resources—inevitablycompels them to seek external sources to cover deficits and bridge the gap between their capacities and the requirements of their mandates, as well as to ensure the provision of services and the continuity of public utilities.

First Section : The Reliance of Municipal Development Plans on State Grants as a Primary Source of Financing

Although own resourcesconsist of tax revenues and non-tax revenues, the former account for more than 90%, whereas the latter represent only 10%. However, in light of the scarcity of own resources—which varies from one municipality to another—by way of illustration, tax revenues for the municipalities of Oued Smar, Hydra, Aïn Taya, and Berrouba during the years 2015 and 2016 were estimated as shown in the following table :[25]

Municipality	**2015 (DZD)**	**2016 (DZD)**
Oued Smar	4,622,378,662	2,246,250,518
Hydra	1,724,669,184	1,792,540,445
Aïn Taya	88,684,560	49,483,956
Berrouba	50,904,320	55,771,703

The population density of these municipalities, according to the most recentcensus conducted in 2008, is as follows:

Municipality	Population
Oued Smar	32,062
Hydra	31,133
Aïn Taya	34,501
Berrouba	43,835

In order to determine the level of municipal wealth, the amount of tax revenues for eachmunicipality is divided by its population size. Based on the resulting values, municipalities are classified as eitherwealthy or poor, as illustrated in the following table :[26]

Wealth Ratio	PoorestMunicipality	Wealth Ratio	RichestMunicipality	Year
756	Berrouba	76,572	Oued Smar	2014
807	Bouloghine	65,984	Casablanca	2015
1,272	Berrouba	70,060	Oued Smar	2016

Given that several municipalitiessuffer from limitedtaxresources, rendering them incapable even of covering their operating expenses, an illustrative case is that of Berroubain 2016. The municipality could only cover six months of salaries and charges from its initial budget, amounting to DZD 154,164,726.89, whereas the total estimatedamounts for 12 months should have been DZD 308,329,453.78.

Consequently, it was unable to pay DZD 154,164,726.89. This situation prompted the Algerian legislator to consider the intervention of central authorities to provide the necessary assistance[27].

This reliance places municipalities under the authority of the central government, as their financingdepends on **municipal development plans**, which serve as a mechanism for redistributingoilrevenues or through specialfunds established by various provisions of finance laws to support development projects. The most important of these specialfunds is the **Joint Fund for Local Authorities**, where the municipal guaranteefundcoversdeficitsarising from insufficientexpectedtax revenues and all operationalexpenses. Meanwhile, the **Municipal Solidarity Fund**providesgrants for capital expenditures, targeting the equipment and investment section through aid linked primarily to the directives and objectives set out in the **National Development Plan** and the expected works under municipal development plans. These grants are primarily directed at municipalitiesfacingfinancialdifficulties or unexpected situations due to natural disasters. They are conditionalgrants, taking into account factors such as municipal area, growth rate, and alignment of the development plan with national priorities. The governor'sapproval is required, as they determine the content and financialenvelope of the project[28].

The **Municipal Development Plan** is considered one of the state's development programs, promoting decentralized management because it directlyconcerns the municipality in terms of planning, project selection, and alignment of proposed projects with citizens' needs at the local level, through community participation in neighborhood development.[29] It differs from other national development programs in the following ways:

- Flexibility of local operations to respond to municipal infrastructure needs, which in turn address citizens' essential requirements;

- Territorialization of programs at the municipal level as a local community and as a basic unit of the state and development;

- Neighborhood-level approach: unlike other national programs, projects implemented at the municipal level more effectively meet citizens' local needs.[30]

According to Article 21 of Executive Decree No. 98-227 of 13 July 1998 on state capital expenditure,[31] as amended,[32] the municipal development plan focuses on priority development works, particularly water supply, sanitation, roads, networks, and breaking isolation.[33]

The financing of these programs takes several forms: either**self-financing** through the municipality'sfinancialresources, or **state funding or grants**, which requires local authorities to integrate and encourage private initiatives to diversifyfunding sources. They are also responsible for urban development, local economic improvement, and overseeing public authorities' development work, ensuring citizen participation in decision-making. Municipal participation in planning covers all sectors and is the optimal tool for urban planning, coordinated with other national development programs to achieve comprehensive national development and regional balance.[34]

Due to the financialdeficitsexperienced by municipalities—defined as when revenues are less than expenditures or expendituresexceed revenues (i.e., violating the principle of balance)—the causes can be divided into **internal** and **external** factors.

Internal causesincludeimbalances between municipal budget expenditures and revenues, weak organization, and poor municipal management. **External causes**include the administrative-territorial division of 1984 and shortcomings in the current tax system, resulting in limited self-resourcescompared to externalresources. For example, between 1995 and 2004, externalresources were estimated at DZD 2,207.1 billion, while self-resources were DZD 926.57 billion.[35] This illustrates the degree of local authorities' dependence on central government

assistance for financing municipal plans, highlighting the issue of financialdependence despite municipalities' legal personality and supposedfinancialautonomy.

Consequently, many municipalities are classified as **financially incapable** and thus require state grants, as reflected in the table below for 1990–2009:[36]

Year	Number of Incapable Municipalities
1990	164
1999	1,207
2000	1,184
2009	417

From this data, it is evident that the number of financially incapable municipalitiesincreased from 1990 to 1999, then begandecreasing from 1999 onward, due to state policies aimed at eliminating this phenomenon. During the last decade, the state twicewrote off municipal debts.[37] Additionally, Algeria grantedmunicipalities greater taxpowers under the 2002 Finance Law. This approach was supported by the joint ministerialcouncil meeting on 15 December 2007, which studied local taxreform and called for a fairer distribution of tax revenue between the state and local authorities. This was gradually implemented through the 2008 supplementary finance law, allocating 50% of grossincometax revenue.

While these measures are necessary for financing municipal budgets, they did not focus on enhancing local tax revenue collection, which remains modest relative to the tax base. Thus, it is essential to strengthen fiscal decentralization by grantingmunicipalities greater authority over local taxes.[38]

Given the financialconstraintsfaced by many municipalities, state assistance and grants are essential to achieving local development, which can only be realized through implementing municipal development plans.[39]

The procedures for granting these governmentaids are regulated by Executive Decree No. 98-227 mentioned above, which clarifies the framework for implementing the general state budget, including registration, financing, and monitoring of public capital expenditures.[40]

This decree classifies state capital expenditures into two categories, as defined in Article 4 :

First: Expenditures related tocentralized public infrastructure, known as the "sectoral centralized program," subject to decisionsissued by the competent ministers on their behalf or on behalf of public administrative institutions under their supervision. Institutions with financialautonomy in specialized administrations may also be included. The Minister of Finance may issue decisionsconcerningautonomous specialized administrations and institutions if necessary (Chapter Two).

Second:Expenditures Related to Decentralized Public Infrastructure, which consist of non-centralized sectoral programs and municipal development plans, are subject to decisionsissued by the governor (Chapter Three).

However, referring back to Article 21 of the same decree, it states: "The public infrastructure program under the municipal development plans is subject to a comprehensive program license at the wilaya level, communicated by the Minister of Finance after consultation with the Minister in charge of Local Authorities… etc." [41]

The allocation of budgetaryresources for projects and programs proposed under municipal development plans is not absolute; it is determined according to specific criteria established in the joint ministerialdecreedated 21 February 2013,

which sets the standards for allocating budget resources to projects or programs under municipal development plans.[42]These criteria are as follows:

- **Water Supply and Sanitation**:

Coverage rate of potable water, ability to mobilize water resources, coverage of sanitation networks.

- **Urban Planning and Environment**:

Deficits in lighting, road infrastructure deficiencies, capacity and condition of public parks and green spaces.

- **Education, Training, Health, and Hygiene**:

Number and condition of primaryschoolclassrooms, number and condition of health facilities, utilization rates and capacities of classrooms and health facilities.

- **Youth, Sports, Culture, and Recreation**:

Number and capacity of playgrounds, youth camps, and neighborhood sports facilities.

- **Municipal Buildings and Direct Municipal Operations in Areas RequiringUpgrading**:

Condition of municipal buildings (administrative annexes) and their capacity.

- **Postal Services, Transport, and Neighborhood Markets**:

Number and condition of post offices, postal density, number of neighborhood markets.

Regarding the allocation and distribution of financialcredits to municipalities under municipal development plans, after final expenditure allocations are communicated by the Minister of Finance to the governor via the program decision, which specifies the comprehensive program license for the

wilaya after consultation with the Minister in charge of Local Authorities[43], the program decision is identified by a six-digit number as follows:

- First and second digits: year of program license registration.
- Third and fourth digits: wilaya number.
- Fifth and sixth digits: order number.

After the municipal development plan is approved by the wilaya executivecouncil, the decree is communicated through copies sent to:

- The district chief.
- The mayor.
- The wilaya treasuryofficer.
- The municipal financialcontroller.
- The director of local administration, and another copy to the wilaya financialcontroller.

Subsequently, the President of the Municipal People's Council issues a decision to conduct a session on the decree. The governor then distributes the program license according to chapters, accompanied by a project list for eachmunicipality. The governor also prepares the commitmentdocuments to allocate the program license to the municipalities, which are subject to the wilaya financialcontroller'soversight[44].

Once the Minister of Finance informs the governor of the paymentcreditsallocated to the wilaya, the governor issues a decision to distribute the paymentcredits for each project to the municipalities.[45] Upon receiving the allocation decision, the mayorauthorizesexpenditures within the program license limits and permits the municipal treasuryofficer to executepayments. After verification and countersigning, the municipal treasuryofficercompletes the

payments, which are recorded under the relevant items and sub-sections of the municipal public infrastructure budget, while simultaneously collecting amounts equal to the paymentorders.

In terms of development, the delegated governor (district chief) is responsible for implementing and monitoring public infrastructure projects within their administrative district. For each project, they track the rate of consumption of paymentcredits by municipalities and perform monitoring, activation, and coordination functions within their jurisdiction. Completed projects that are financially settled must be closed, and a closurecard is prepared by the municipality according to the organizational template, detailing the elements of the allocation decision, commitments, and expenditures. These elements are approved by the project manager (President of the Municipal People's Council) and the municipal treasuryofficer, and the project is formallyclosed by decree.[46]

Overall, the number of programs (projects) funded by the state budget under municipal development plans in the 57 municipalities of Algiers Province is as follows:[47]

Year	**Number of Projects**	**Registered Financial License (thousands DZD)**
2010	273	2,704,934
2011	289	2,999,363
2012	337	3,672,106
2013	281	2,742,165
2014	232	2,609,849
2015	77	3,563,249

Year	Number of Projects	Registered Financial License (thousands DZD)
2016	153	1,598,419
2017	67	820,509

This table shows that the number of state-funded programs was high from 2010 to 2014, but declinedin 2015, 2016, and 2017, which is attributed to the economic crisis Algeria faced due to fallingoilprices. This is reflected in the reducedlicensesgranted to these plans, exceptin 2015, where an additional DZD 2,000,000,000 was added to the initiallyallocated DZD 1,563,249,000.

Thus, the financialdeficit of some municipalities is a key factor in determining state grants, resulting in few or no grants for wealthymunicipalities and a higher number for poormunicipalities, as will be discussed in the following section.

Second Section: The Reality of State Grants for Financing Municipal Development Plans

The Algerian state has spentsubstantialamounts to complete development projects at the municipal level, particularly given the crucial role of municipal plans in achieving development across social and economic dimensions. The financial efforts of the state play a major role in this context, as the state is well aware of the financialincapacity of most municipalities, which are often unable to implement or register local development projects and cannot even cover their operating budgets.

Due to the municipalities' need for genuine development to improve citizens' living standards and economic growthindicators, the state has made significant financial efforts targeted at local development programs under the

framework of "Municipal Development Plans". For example, in the 2010 Finance Law, the state allocated 60,000 million DZD for these plans; in 2014, the allocation was 65,000 million DZD; and in 2017, it decreased to 35,000 million DZD. This reductionreflects the economic situation in Algeria during that period, primarily due to fallingoilprices.

As an illustration of state grantsprovided to municipalities, three municipalities of different wealthlevels are highlighted: the wealthymunicipality of Oued Smar, the medium-wealthmunicipality of Ben Aknoun, and the poormunicipality of Bourouba.

First:Oued SmarMunicipality (Wealthy)

Oued Smarranks among the richestmunicipalities in Algiers Province according to 2016 statistics, with a population of 61,984 (2008 census). Its tax revenues are significant, placing it at the top in terms of financialcapacity. Consequently, it receiveslittle to no state grants under municipal development plans, as shown in the following table (amounts[48]

Municipality	Year	Number of Projects	Project Description and Location	Program License
Oued Smar	2006	1	Development of the public landfill entrance in Oued Smar (as part of preparations for the Arab Summit)	20,198

Given its high financialcapacity, Oued Smar did not receive any state grants from 2006 to 2018, unlikepoorermunicipalities.

Second: Ben Aknoun Municipality (Medium Wealth)

Ben Aknoun, considered a medium-wealthmunicipality, received program licenses from the state as shownbelow[49]:

Year	Amount (thousand DZD)
2010	32,262
2011	117,251
2012	49,049
2017	1,848

Notably, the financialgrants for Ben Aknoun show significant fluctuations, particularly in 2012 and 2017. During 2013–2016, no program licenses were granted due to corruption cases, which led to the arrest of the municipality'smayor and disrupted development activities, as well as the national financial crisis.

Despite this, the municipalityimplemented self-financed development programs. In 2016, its tax revenues amounted to 316,194,101 DZD, sufficient to cover salaries and expenses for 12 months, estimated at 179,678,184.44 DZD. The municipalityexecuted 100 self-financed programs (including unfinished programs from previous years) and 10 programs funded by the provincial budget (also from previous years). Consequently, Ben Aknoun ranked 24th out of 57 municipalities in Algiers Province in 2016 in terms of wealth.

The distribution of program licensesgranted to Ben Aknoun is shownbelow:[50]

Year	Total Program License	Number of Projects	Program Allocation per Project	Project Description and Location
2010	32,262	4	5,691; 10,984; 5,810; 9,777	Road and pavement works in Rokad South, Téboulte&Clargouri, Zidakneighborhood; renewal of public lighting in Maleki neighborhood
2011	117,251	9	3,267; 3,299; 6,123; 56,000; 8,764; 9,289; 13,175; 12,946; 4,388	Construction of sewage networks, pavement works, new municipal headquarters, streetlightingrenewal, etc.
2012	49,049	7	3,096; 7,310; 7,143; 7,495; 4,481; 7,810; 11,714	Drinking water networks, rainwater drainage, road paving, public lightingrenewal
2017	1,848	1	1,848	Purchase of IT equipment for the Civil Status and Biometric Service

This table demonstrates the instability in the number of state-funded municipal development projects: from 4 in 2010, rising to 9 in 2011, 7 in 2012, and dropping to 1 in 2017. This is due to:

- Decliningoilprices and governmentausterity measures.

- Corruption cases in 2012–2013, which resulted in the mayor'simprisonment.

Third: Bourouba Municipality (Poor)

Bourouba received program licenses as follows:

Municipality	Year	Number of Projects	Project Description and Location	Program License
Bourouba	2013	10	Development of smallforestin 110 Housing Ben Boulaid; restoration and development of administrative annex in Ben Boulaid, etc.	48,516
Bourouba	2014	None	None	None
Bourouba	2015	10	Study and supervision of municipal marketrestoration; urban development of main road opposite new municipal headquarters, etc.	84,776
Bourouba	2016	7	Study and supervision of local market project; urban development of neighborhoods 3 & 4, Al Jabal Street, etc.	91,244
Bourouba	2017	2	Urban development of green space in 143RHP; purchase of garbage trucks and plastic containers	40,285

Most projects focus on the first two criteria of the joint ministerialdecree of 21 February 2013: provision of drinking water and sanitation, and urban planning and environmental development.

Conclusion

From the foregoing, it is evident that local financingconstitutes a fundamental pillar upon which the achievement of local development depends, and consequently, the effectiveness of the municipal development plan in implementing local development on the ground. However, the financialdeficitexperienced by a large number of municipalities in Algeria has made them reliant on state-providedfinancialgrants as the primary source of funding for implementing their development plans, instead of relying on their own financialresources due to the scarcity of the latter. This results in a loss of financialindependence for these municipalities, despite their legal recognition as possessingjuridicalpersonality, and therefore renders them dependent on the central administration for their financial management.

For municipal development plans to achieve their intended role, it is necessary to have substantial self-generatedfinancialresources capable of covering both operating and capital expenditures, thereby ensuring the financialautonomyrequired by decentralization. Accordingly, the following measures are proposed:

- Increasing the value of certain taxes and fees, such as slaughterfees, sanitationfees, etc.

- Allowingmunicipalities to establish local investments while reducing the intensity of central administrative supervision.

- Combatingtaxevasion through periodic audits to ensure the collection of all revenues capable of enhancing eachmunicipality's self-generatedfinancialresources.

Implementing these and other measures wouldreduce the state grantsprovided to municipalities and, consequently, diminish the central administration'sfinancialoversight over municipal management, which is considered an infringement on the principles of administrative decentralization.

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[1]See Article 176 of Law No. 11-10 of 22 June 2010 relating to the Municipality (Official Gazette, No. 37, p. 4). (6)

[2]Each section is divided into revenues and expenditures that must be mandatorilybalanced, and an amount is deducted from operating revenues to be allocated to cover equipment and investment expenditures.

[3]Linda Ounissi, The Municipal Development Plan and Its Role in Municipal Development, **Al-Baheth Journal for Academic Studies**, Issue No. 9, June 2016, Faculty of Law and Political Science, University of Khenchela, p. 234.

[4]Hanan Abdelkader Mohamed Khalifa, Regional Planning and Its Role in Local Development, PhD dissertation in Law, Faculty of Law, Ain Shams University, Egypt, 2011, p. 49.

[5]Gheziz Mohamed Taher, Mechanisms for Activating the Role of the Municipality in Managing Local Development in Algeria, Master's thesis within the framework of the Doctoral School, specialization**State Transformations**, Faculty of Law and Political Science, Kasdi Merbah University of Ouargla, 2011, p. 93.

[6]Moubarak Lselous, Good Governance of Local Authorities between the Obligation of Public Service and the Necessity of Financial Balance, **Journal of the National School of Administration**, Vol. 20, No. 2 (2010), Issue 40, p. 16.

[7]Khenfri Khider, Financing Local Development in Algeria: Reality and Prospects, PhD dissertation in Economic Sciences, Faculty of Economic, Commercial and Management Sciences, University of Algiers 3, academic year 2010–2011, p. 121.

[8]See the joint ministerialdecreeissued on 27 April 2010, which determines the rate of deduction from operating revenues in municipal budgets (Official Gazette, dated 23 May 2010, No. 34, p. 16).

[9]Aziz Mohamed Taher, previously citedreference, p. 94.

[10]For further details, see: Salawi Youssef, Development within the Framework of Local Authorities, Master's thesis in Public Law, Faculty of Law, University of Algiers 1, academic year 2010–2011, pp. 44–45.

[11]Article 220 of the Code of Direct Taxes and Similar Fees defined a set of transactions whose amounts are not included in turnover, in addition to Article 13 of the Finance Law for the year 2000.

[12]For further details, see: Gheziz Mohamed Taher, previously citedreference, p. 95.

[13]Article 13 provides as follows: "The provisions of Articles 208 to 216 of the Code of Direct Taxes and Similar Fees are repealed; consequently, the Code of Direct Taxes and Similar Fees is amendedaccordingly."

[14]Gheziz Mohamed Taher, previously citedreference, pp. 96–97.

[15]Khenfri Khider, previously citedreference, p. 37.

[16]Moubarak Lselous, previously citedreference, p. 21.

[17]For further details, see: Gheziz Mohamed Taher, previously citedreference, pp. 99–101.

[18]Moubarak Lselous, previously citedreference, pp. 21–22.

[19]Khenfri Khider, previously citedreference, p. 37.

[20]Gheziz Mohamed Taher, previously citedreference, p. 98.

[21]Khenfri Khider, previously citedreference, p. 37.

[22]Requiring the approval of the central government for such loans achieves several objectives, including controlling the interest rate by distributingloans over staggeredperiods, among others.

[23]See: Gheziz Mohamed Taher, previously citedreference, p. 98.

[24]Khenfri Khider, previously citedreference, p. 38.

[25]These statistics were obtained from the Directorate of Local Administration, Algiers Province.

[26]These statistics were obtained from the Directorate of Local Administration, Algiers Province.

[27]Moubarak Lselous, previously citedreference, p. 20.

[28]Linda Onisi, previously citedreference, p. 235.

[29]Lahlou Kamal, Selection of Public Projects: A Study of the East-West Highway Project, Master's thesis in Economic Sciences, specializing in Public Finance Management, Faculty of Economic Sciences and Commercial Management, University of Abou Bekr Belkaid, Tlemcen, Algeria, p. 79.

[30]Lahlou Kamal, previously citedreference, p. 80.

[31]Official Gazette dated 21 Rabi' al-Awwal 1419, No. 51, p. 6.

[32]Pursuant to Executive Decree No. 09-148 of 2 May 2009, amending and supplementingExecutive Decree No. 98-227 of 19 Rabi' al-Awwal 1419 (13 July 1998) on State Capital Expenditures (Official Gazette, No. 26).

[33]In application of Article 21, the joint ministerialdecreedated 21 February 2013 was issued, specifying the criteria for allocatingbudgetaryresources to projects or programs proposed under municipal development plans, which will be discussedlater.
[34]Lahlou Kamal, previously citedreference, p. 80.
[35]These statistics are cited from Moubarak Lselous, previously citedreference, p. 22.
[36]These statistics are from the Ministry of Interior and Local Authorities, cited in KhenfriKhider, previously citedreference, p. 140.
[37]Khenfri Khider, previously citedreference, p. 140.
[38]Moubarak Lselous, previously citedreference, p. 23.
[39]Regarding the preparation of the municipal development plan, see our article entitled The Legal System of the Municipal Development Plan, within the research group "Reforming Regional Authorities," academic year 2015–2016, pp. 10–12.
[40]According to Article 3 of the same decree, this concerns: _State public capital expenditurescarried out by ministries, financiallyautonomous institutions, and specialized administrations; _public capital expenditures related to the budgets attached to the postal and transportation sectors; _State public capital expendituresexecuted by regional authorities, etc.
[41]Official Gazette, dated 4 August 2013, No. 40, p. 20.
[42]See Article 12 of Executive Decree No. 09-148 mentioned above, which includes the amendment of Article 21 of Decree No. 98-227 citedabove.
[43]Ben Ali Houssam Eddine, Report on Municipal Development Plans, National School of Administration, academic year 2014–2015, pp. 17–18.
[44]See Article 22 of Executive Decree No. 98-227 citedabove.
[45]Detailed report prepared by the Directorate of Planning and Territorial Development, Algiers Province, entitled Municipal Development Plans, pp. 7–8.
[46]These statistics are extracted from the Directorate of Budget Programming and Follow-up, Algiers Province.
[47]These statistics are extracted from the Directorate of Budget Programming and Follow-up, Algiers Province.
[48]These statistics are sourced from the Directorate of Programming and Budget Monitoring of Algiers Province
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