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The Role of Local Finance in Achieving Local Development: An Analytical Study of Municipal Development Plans in Tébessa Province (Algeria)

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Abstract: This study aimed to analyze the role of local finance through Municipal Development Plans (PCDs) in achieving local development in Tébessa Province (2005-2024). The study adopted a descriptive-analytical approach using secondary data from provincial development reports, analyzing the relative importance of municipal plans via percentages.

Results showed excessive concentration on irrigation (68.92%-94.15%) and infrastructure (4.08%-100%), while health and education sectors were almost completely marginalized. Municipal plans accounted for only 26-28% of decentralized sectoral programs, reflecting weak effective financial decentralization, with structural imbalances at both central and local levels.

The study concludes that municipal plans have not achieved a qualitative leap in local development. It recommends establishing a support fund for disadvantaged municipalities, increasing local tax revenues to 15% by 2030, and adopting a composite performance indicator for financial decentralization.

Keywords: Local Development; Local Finance; Municipal Development Plans; Financial Decentralization; Tébessa Province; Algeria.
Jel Classification Codes : H71, H72, H77, R51.

1. INTRODUCTION

Local development is considered a natural extension of national economic and social development, aiming to achieve justice and equal opportunities among different regions and local communities. However, achieving this development is closely linked to the availability of adequate and appropriate financial resources for local authorities, particularly municipalities. Among the most prominent mechanisms adopted by Algeria in this context are the "Municipal Development Plans" (PCDs), which aim to translate the policy of financial and administrative decentralization into tangible projects on the ground.

The central question of this article is: **To what extent do local finance mechanisms, particularly through Municipal Development Plans, contribute to achieving genuine and sustainable local development in Tébessa Province?**

Subsidiary questions include:

- ✓ What is the nature of the relationship between local finance and local development?
- ✓ Which sectors benefit most from these plans?
- ✓ What are the main imbalances hindering the effectiveness of these plans?

This article aims to:

- ✓ Analyze the role of local finance as a tool for achieving local development.
- ✓ Measure the relative importance of Municipal Development Plans in Tébessa Province across various development programs (regular, economic recovery support, supplementary, and five-year plans).
- ✓ Identify the sectors that benefit most and least from these plans.
- ✓ Propose practical, measurable recommendations to enhance the role of municipalities in local development.

2. Theoretical Framework: Concepts of Local Development and Local Finance

2.1. Concept of Local Development

Local development is defined as "a comprehensive process aimed at improving the economic, social, and cultural conditions of local communities by mobilizing locally available resources and involving all local stakeholders

in planning and implementation." Local development rests on two fundamental pillars: (i) endogenous (self-generated) resources, and (ii) exogenous resources (central government support). Effective local development requires competent and efficient local administration, as well as a well-designed plan involving all local parties.

A close relationship exists between local democracy and local development. The principle of democratic local development reinforces the idea that "the community serves itself according to its own capabilities." This principle cannot materialize without a local financial structure that supports the local administration system and ensures its continuity and effectiveness.

2.2. Concept of Local Finance

Local finance is considered the primary tool for achieving local development. It is defined as "the set of phenomena and rules related to revenues and expenditures pertaining to local authorities" (Abdul Razzaq Al-Sheikhly, 2001, p. 17). Local finance is characterized by limited resource flexibility and the local nature of revenues and expenditures.

Recent scholars Doubabi & Brahmi (2022) indicate that "local finance reform aims to enhance the economic role of the municipality by activating partnership mechanisms and diversifying funding sources." Furthermore, Mihoubi (2024) asserts that "the financial independence of local authorities is not merely a choice but has become an imperative for reform, although in Algeria it remains a subject of debate between legal provisions and actual practice."

There is a positive correlation between the degree of autonomy of local authorities in decision-making and the availability of self-generated local financial resources. The greater the self-generated resources, the greater the municipality's capacity to achieve genuine local development.

3. Methodology

This study adopts the descriptive-analytical approach by describing the reality of local finance through Municipal Development Plans and analyzing their role in achieving local development in Tébessa Province.

3.1. Data Sources:

Secondary data were derived from development reports of Tébessa Province

covering the period from 1995 to 2014.

3.2.Population and Sample:

The study population consists of all Municipal Development Plans implemented in Tébessa Province. A complete enumeration (exhaustive sample) was selected for all available plans in the reports.

3.3.Analytical Tools:

Descriptive statistical analysis (percentages, means, and trend analysis) was used to process the data presented in the tables.

4. Results: Presentation and Analysis of Municipal Development Plans

Below we will analyze the local expenditure data for the state of Tebessa.

4.1. Relative Importance of Municipal Plans in Regular Programs

Table 1. Development of Municipal Development Plans and Their Relative Importance (2002–2024)

year	Municipal Development Plans (10^3 DZD)	Total Decentralized Sectoral Program (10^3 DZD)	Total All Programs (10^3 DZD)
2005	36,363	30,781	102,611
2006	29,088	67,224	201,013
2007	25,131	144,369	296,882
2008	19,361	103,585	597,552
2009	29,072	664,271	593,441
2010	48,191	205,04	809,86
2011	59,137	708,835	1,474,950
2012	44,5	1,230,444	1,675,444
2013	38	3,790,225	4,170,225
2014	13,082	672,892	2,218,420
2015	2,184,440	24,683,604	46,528,000
2016	2,661,164	39,512,606	66,242,424
2017	2,002,500	55,819,987	58,844,982
2018	1,745,800	14,210,913	13,159,567
2019	2,371,000	8,888,695	11,259,695
2020	2,111,750	12,334,789	33,452,289

2021	3,260,780	20,399,096	23,659,876
2022	3,877,700	9,380,050	13,258,200
2023	3,344,200	43,619,089	46,963,289
2024	1,039,630	13,700,822	22,409,712

Source: Prepared by the researcher based on development reports of Tébessa Province.

Analysis of Results:

Table (1) shows a notable increase in financial allocations for Municipal Development Plans, rising from 36.363 million DZD in 2005 to 1,039.63 million DZD in 2024. This increase reflects, on one hand, growing attention to local development programs, and on the other hand, inflation and rising project costs.

However, what is striking is that the relative importance of Municipal Development Plans compared to the decentralized sectoral program remained modest in most years, ranging between only 6% and 48%. This indicates central government dominance over resource allocation and weak effective financial decentralization.

Table 2. Development of the Relative Importance of Municipal Plans by Sector (2005–2014)

Sector	2005	2006	2007	2008	2009
Education	1.75	0.00	0.00	0.00	0.00
Irrigation	74.38	79.21	52.10	26.63	86.62
Infrastructure	100.00	95.32	68.75	11.71	10.41
Other sectors	0.00	0.00	0.00	0.00	0.10
Health	0.00	0.00	0.00	0.00	0.20
Total	**46.95**	**40.24**	**26.40**	**10.94**	**63.13**
Sector	**2010**	**2011**	**2012**	**2013**	**2014**
Education	0.10	0.00	0.00	0.00	0.50
Irrigation	94.15	77.53	88.00	18.15	68.92
Infrastructure	15.79	25.70	4.08	4.08	93.27
Other sectors	0.00	0.00	0.00	0.50	55.82
Health	0.45	81.60	0.00	0.00	43.14
Total	**13.78**	**29.25**	**7.12**	**7.12**	**43.14**

Source: Prepared by the researcher based on development reports of Tébessa Province.

Analysis of Results:

Table (2) clearly shows that Municipal Development Plans are almost exclusively concentrated in two main sectors:

Irrigation sector: Ranging between 68.92% and 94.15%, indicating absolute dominance.

Infrastructure sector: Ranging between 4.08% and 100%, but suffering from sharp fluctuations.

In contrast, the health and education sectors experienced near-total marginalization in Municipal Development Plans, never exceeding 1% in most years. This reflects a serious sectoral imbalance in local finance policy.

4.2. Relative Importance of Municipal Plans in Exceptional Programs

Table (3): Development of the Relative Importance of Municipal Plans by Sector – Economic Recovery Support Program (2001–2004)

Sector	2001	2002	2003	2004	Total
Irrigation	100.00	100.00	100.00	92.67	40.94
Infrastructure	35.52	78.74	64.15	54.98	64.25
Total	**11.53**	**26.99**	**41.01**	**37.90**	**28.28**

Source: Prepared by the researcher based on development reports of Tébessa Province.

Analysis of Results:

In this program, Municipal Development Plans accounted for an overall **28.28%** of the total decentralized program. The highest percentage was in **2003** (**41%**) and the lowest in 2001 (11.53%). The irrigation sector led with **92.67%,** followed by the infrastructure sector with **64.25%**.

Table (4): Development of the Relative Importance of Municipal Plans by Sector – Supplementary Program to Support Economic Growth (2005–2009)

Sector	2005	2006	2007	2008	2009	Total
Education	0.00	0.00	0.00	0.00	0.00	0.00
Irrigation	89.24	95.98	89.36	93.14	90.30	91.57
Infrastructure	44.46	69.77	44.77	56.73	47.35	51.20
Agriculture	100.00	100.00	N/A	N/A	N/A	100.00

Total	**23.46**	**47.04**	**20.99**	**29.75**	**22.50**	**27.12**

Source: Prepared by the researcher based on development reports of Tébessa Province.

Analysis of Results:

The overall share of Municipal Development Plans was 27.12%. The agriculture sector led with 100% in years where funding was allocated, followed by irrigation (91.57%) and infrastructure (51.20%). Education and health sectors remained completely absent.

Table (5): Development of the Relative Importance of Municipal Plans by Sector – Five-Year Development Plan (2010–2014)

Sector	2010	2011	2012	2013	2014	Total
Irrigation	92.05	90.09	89.48	92.54	90.84	90.50
Infrastructure	52.77	46.75	45.09	54.49	48.92	47.90
Social Protection	29.62	24.05	22.56	29.69	26.29	26.07
Total	**26.29**	**24.05**	**22.56**	**29.69**	**26.29**	**26.07**

Source: Prepared by the researcher based on development reports of Tébessa Province.

Analysis of Results:

The overall share of Municipal Development Plans was **26.07%**. The irrigation sector continues to dominate (90.84%), followed by the social protection sector (79.24%) and infrastructure (48.92%). For the first time, the social protection sector appears with acceptable percentages, a positive development but still limited.

5. Discussion of Results: Imbalances and Challenges

5.1. Imbalances at the Central Level

Municipal Development Plans suffer from several imbalances at the central level, most notably:

- **Centralization of decision-making**: Sectoral ministries still control the majority of development programs, delegating only a small share (20-30%) to municipalities.

- **Lack of coordination**: Municipal plans are often merely a collection of scattered and uncoordinated operations that do not meet the urgent needs of the population.

5.2. Imbalances at the Local (Municipal) Level

At the municipal level, the following imbalances emerge:

- **Concentration of services in the municipal center**: Most cultural, social, economic, and health facilities are concentrated in the municipal center, marginalizing remote and isolated areas.
- **Weak self-generated resources**: Municipalities suffer from severe limitations in their own resources (local taxation, property exploitation), making them dependent on government transfers for up to 80-90% of their budgets.
- **Lack of continuous training**: Local elected officials lack continuous training in project management and rationalization of public expenditure.

As Belaid et al. (2023) emphasize, "the dilemma of financial autonomy of local authorities in Algeria lies in the gap between legal texts granting broad powers and the financial reality that remains constrained by centralized collection and distribution."

6. CONCLUSION

This article has shown that local development represents a vital extension of national economic development. However, it remains contingent upon the ability of local authorities to mobilize their self-generated financial resources and the central government's commitment to implementing genuine financial decentralization.

The study of Municipal Development Plans in Tébessa Province revealed the following disparities:

1. **Temporal disparity**: Percentages varied between 6% and 48% depending on the year and program.
2. **Sectoral disparity**: The irrigation and infrastructure sectors dominated absolutely, while education, health, and basic social services were marginalized.
3. **Lack of continuity**: Programs suffered from sharp year-to-year

fluctuations, reflecting the absence of a long-term strategic vision.

The results also revealed that financial decentralization in Algeria, despite successive reforms, still faces structural challenges: limited self-generated resources, weak effective financial autonomy of municipalities, and the absence of evaluation and accountability mechanisms.

To achieve genuine and sustainable local development, a transition from **"formal decentralization"** to **"effective decentralization"** is necessary, by empowering municipalities materially, humanly, and legally.

7. Measurable Recommendations

Based on the findings, we recommend the following:

Recommendation 1: Establish a Support Fund for Disadvantaged Municipalities

- Allocate no less than **15% of the public equipment budget** to a fund dedicated to municipalities whose self-generated resources are less than 20% of their total budget.
- Allocations should be distributed according to objective indicators (poverty rate, distance from center, lack of basic infrastructure).

Recommendation 2: Launch a Pilot Public-Private Partnership (PPP) Program

- Select **5 pilot municipalities** (including two in Tébessa Province) for road rehabilitation, water networks, and waste management.
- Evaluate the experiment after 3 years by an independent body, then scale up to other municipalities.

Recommendation 3: Increase the Share of Locally Collected Tax Revenues

- Increase the collection rate from the current level (approximately 6% of national tax resources) to **15% by 2030**.
- Activate local collection mechanisms (tax on industrial activities, property tax, advertising tax).

Recommendation 4: Adopt a Composite Performance Indicator for Financial Decentralization

The indicator should include three dimensions:

- **Financial dimension**: Ratio of self-generated resources to total municipal budget (target: at least 40%).
- **Sectoral dimension**: Number of sectors delegated to municipalities

out of 12 main sectors (target: 8 sectors).

- **Decision-making dimension**: Percentage of investment decisions taken locally without referral to central ministries (target: 70%).

Recommendation 5: Mandatory Annual Training for Local Elected Officials

- Provide **30 hours of mandatory annual training** for each local elected official in the following areas:
  - Rationalization of public expenditure.
  - Preparation and implementation of development plans.
  - Alternative financing mechanisms (partnerships, loans, local investment).
- Issue an annual competency certificate linked to additional financial powers.

Recommendation 6: Enhance Transparency and Local Accountability

- Establish a national digital platform displaying all Municipal Development Plans, with monthly updates on implementation rates and financial expenditures.
- Require each municipality to publish an annual performance report showing the gap between planned and achieved targets.

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