Document of
The World Bank

Report No: ICR00001130

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD-7047-AL)

ON A

LOAN

IN THE AMOUNT OF US$23.7 MILLION

TO THE

REPUBLIC OF ALGERIA

FOR A

BUDGET SYSTEMS MODERNIZATION PROJECT

December 30, 2009

Social and Economic Development
Middle East and North Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective December 22, 2009)

Currency Unit = Algerian dinars
1.00 DZD = USD0.01
US$1.00 = DZD 72.51

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities
BOL	Budget organic law
BSMP	Budget Systems Modernization Projet
CAS	Country Assistance Strategy
CNED	*Caisse Nationale d'Equipement pour le Développement*
DGB	*Direction générale du budget* (Budget general directorate)
DGC	*Direction générale de la comptabilité* (Accounting general directorate)
DGEP	*Direction générale des études et prévisions* (Forecasting and Analysis general directorate)
DGI	*Direction générale des impôts* (tax general directorate)
DO	Development objective
DZD	Algerian dinars
ESW	Economic and Sector Work
EU	European Union
FM	Financial Management
GAC	General accounting chart (*plan comptable de l'Etat*)
GDP	Gross Domestic Product
IBMIS	Integrated Budget Management Information System
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Report
ISR	Implementation Status Report
IT	Information technology
M&E	Monitoring and Evaluation
MTEF	Medium-term Expenditure Framework
MoF	Ministry of Finance
MS	Moderately Satisfactory
MU	Moderately Unsatisfactory
PCSCE	*Plan complémentaire de soutien à la croissance économique*
PDO	Project Development Objective
PER	Public Expenditure Review
PMR	Project Monitoring Report
PIU	Project Management Unit
PPP	Public Private Partnership
PSR	Project Status Report
QAG	Quality Assurance Group
QEA	Quality at entry
QSA	Quality of supervision
RTA	Reimbursable Technical Assistance

SAL	Structural Adjustment Loan
SIG-B	Algeria IBMIS
SIG-BUD	Computerised budget preparation software
SIL	Sector Investment Loan
SOE	State Owned Enterprise
TOR	Terms of Reference
TTL	Task Team Leader
US$	Dollar US

Vice President: Shamshad Akhtar
Country Director: Mats Karlsson
Sector Manager: Farrukh Iqbal
Project Team Leader: Catherine Laurent
ICR Team Leader: Yves Duvivier

ALGERIA
Budget Systems Modernization Project
CONTENTS

ANNEXES

DATASHEET

A. Basic Information

Country:	Algeria	Project Name:	
Project ID:	P064921	L/C/TF Number(s):	IBRD-7047
ICR Date:	12/30/2009	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA
Original Total Commitment:	US$23.70 million	Disbursed Amount:	*US$6.95 million*

Environmental Category: C

Implementing Agencies:

Ministry of Finance

Cofinanciers and Other External Partners:

B. Key Dates

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	12/12/2000	Effectiveness:	07/17/2001	07/17/2001
Appraisal:		Restructuring(s):		03/02/2006
Approval:	02/06/2001	Mid-term Review:	01/31/2002	05/15/2004
		Closing:	02/28/2006	02/28/2009

C. Ratings Summary

C.1 Performance Rating by ICR

Outcomes:	Moderately Unsatisfactory
Risk to Development Outcome:	Substantial
Bank Performance:	Moderately Unsatisfactory
Borrower Performance:	Moderately Unsatisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)

Bank	Ratings	Borrower	Ratings
Quality at Entry:	Unsatisfactory	Government:	Moderately Unsatisfactory
Quality of Supervision:	Moderately Satisfactory	Implementing Agency/Agencies:	
Overall Bank Performance:	Moderately Unsatisfactory	**Overall Borrower Performance:**	Moderately Unsatisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating**
Potential Problem Project at any time (Yes/No):	Yes	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	Unsatisfactory
DO rating before Closing/Inactive status:			Unsatisfactory

D. Sector and Theme Codes		
	Original	**Actual**
Sector Code (as % of total Bank financing)		
Central Government Administration	100%	100%
Theme Code (Primary/Secondary)		
Public expenditures, financial management and procurement	50%	95%
Economic statistics, modeling and forecasting	50%	5%

E. Bank Staff		
Positions	**At ICR**	**At Approval**
Vice President:	Shamshad Akhtar	Jean-Louis Sarbib
Country Director:	Mats Karlsson	Christian Delvoie
Sector Manager:	Farrukh Iqbal	Daniela Gressani
Project Team Leader:	Catherine Laurent	François Lacasse
ICR Team Leader:	Catherine Laurent	
ICR Primary Author:	Yves A. Duvivier	

F. Results Framework Analysis

Original Project Development Objectives (from Project Appraisal Document)

The objective is to modernize and expand the capacity of the MoF to discharge its core expenditure management and economic policy advice functions. The key goals are: budgetary institutions and organizations which favor growth in the context of a democratic market economy by delivering: i) a transparent and comprehensive statement of public resources allocation, firmly anchored to the economic situation of the country; ii) a framework for strategic expenditures choices using the best information possible, arrayed according to international practices; and iii) an instrument which promotes efficiency and effectiveness in budget execution as well as timely and reliable feedback to ensure solid controls and overall fiscal discipline.

Revised Project Development Objectives (after restructuring)

Within the unchanged overall objective of increasing efficiency of public expenditure management system:

- Develop a performance-based program-budgeting system. The new system would be adopted in 2006. The 2008 budget would be prepared in 2007 and implemented in 2008 according to the new methodology.
- Prepare simultaneously a Medium-Term Expenditure Framework (MTEF), which would place budget preparation within the context of multi-year macroeconomic constraints and sector strategies. The methodology of the MTEF will be achieved in 2006.
- Develop by end-2007 a performance management framework, including the monitoring of performance indicators and the evaluation of outcomes. Pilot Ministries will implement the framework in 2008.
- Adoption by 2007 of new simplified expenditure circuit.
- Development by end-2008 of the Budget Management Integrated system.

PDO Indicator(s)

Indicator	Original Target Values	Actual Achieved at Completion or Target Years
Original indicators:		
(i) The Budget is better understood and is used in Parliament and in the media.	In 2003 and at the latest for the mid-term review by June 2004	None
(ii) The monitoring of the Expenditure execution leads to an improved control of the results and a reduction payment delays and ensuing administrative costs.		None
(iii) An analytical capacity within the ministry which manifests itself regular and timely production of policy option assessments.		None
(iv) A new accounting plan and new accounting norms and procedures are in place and are being followed.		None
Revised Indicators (after restructuring) :		
(i) The monitoring of the Expenditure execution leads to an improved control of the results and a reduction payment delays and ensuing administrative costs. This in turns leads to the reduction of internal debt, as well as an increase in product and employment growth.	(i) 2008	None
(ii) Strengthening the analytical capacity allows the Ministry of Finance to proceed with the evaluation of all policies carried out.	(ii) 50% in 2007 and 80% in 2008	None
(iii) The overall gap between the budget forecast and the actual budget in 2008 allows to measure the budget discipline improvements associated with the implementation of the new budget system. The variation between expenditure forecasts and actual expenditures reduced	(iii) 2008 budget	None

G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	05/09/2002	Unsatisfactory	Unsatisfactory	1.237
2	01/23/2003	Unsatisfactory	Unsatisfactory	1.237
3	06/16/2003	Satisfactory	Satisfactory	1.237
4	12/17/2003	Satisfactory	Satisfactory	1.237
5	12/18/2003	Satisfactory	Satisfactory	1.237
6	06/09/2004	Satisfactory	Satisfactory	1.264
7	06/21/2004	Unsatisfactory	Unsatisfactory	1.264
8	08/04/2004	Unsatisfactory	Unsatisfactory	1.320
9	02/11/2005	Unsatisfactory	Unsatisfactory	1.76
10	01/30/2006	Moderately Satisfactory	Satisfactory	1.76
11	05/16/2006	Moderately Satisfactory	Satisfactory	2.50
12	15/25/2006	Moderately Satisfactory	Satisfactory	3.06
13	06/21/2007	Satisfactory	Satisfactory	4.83
14	02/16/2008	Moderately Unsatisfactory	Moderately Satisfactory	5.88
15	01/16/2009	Moderately Unsatisfactory	Moderately Satisfactory	6.

H. Restructuring

The project was restructured in March 2006 as follows: (i) development objectives were reformulated with more limited and realistic goals; (ii) the loan amount was reduced to support a narrower investment program; and (iii) the closing date was extended by three years to finish the works undertaken.

I. Disbursement Profile

1. PROJECT CONTEXT, DEVELOPMENT OBJECTIVES AND DESIGN

1.1 Context at Appraisal

When the project was appraised, Algeria was emerging from a decade of civil strife with high casualties, disruption of social life, emigration of large numbers of educated people, deterioration of the education system, and isolation of the country as well as from many years of severe economic crisis. Stabilization and adjustment programs had started in 1994 and had helped lay the basis for economic recovery. The Government of Algeria and the Bank engaged in the preparation of a number of technical assistance projects in support of initial reforms in various sectors within the framework of an interim 1996 Country Assistance Strategy (CAS). The basic goals of the strategy were growth in income and employment through a gradual shift towards a market economy. Bank work and dialogue with the authorities during 1998-2001[1] stressed particularly the need to make better use of scarce resources to rebuild infrastructure, alleviate unemployment and housing shortages as well as to improve delivery of public services.

Algeria budget management was characterized by a sound public finance management system in terms of expenditure control and accounting, conservative multi-year macro projections regarding its oil revenues forecast, and an investment budget directly influenced by the variation in oil revenues[2]. Budget planning was weak since recurrent and investment budgets were not managed by the same Ministries. In 1998, a major reform merged the powerful Planning Ministry (*Secrétariat au Plan)* with the MoF, thus leading to the transfer of investment budgeting to the Ministry of Finance (MoF) and laying the grounds for a comprehensive budget management. The Government requested Bank support for an ambitious program to modernize and reinforce MoF as a whole, with particular emphasis on its Accounting, Budget and Treasury general directorates.

The reform program was to focus on strengthening: a) the structure, elaboration and presentation of the expenditure budget (to be multiyear, programmatic, comprehensive and transparent); and b) the capability of MoF to conduct sound macro and micro economic analysis, and to assess line Ministries budget requests, a more fluid expenditure management, streamlined controls and finally new accounting rules and standards. This required: (i) a major upgrading of the MoF management information system capability; (ii) modernization of the financial management systems through new accounting standards (*nouveau plan comptable de l'Etat*); and (iii) revamping the whole expenditures flow (from the effective availability of budget credits to spending agencies to a clearer allocation of authority in controls, in recurrent reporting and in implementation monitoring).

Addressing these was already a tall order. The option of extending the project to all the operations of the MoF, including the Real Property General Directorate (*Direction générale du domaine national*) and the Taxation general directorate (*Direction générale des impôts*) was considered and rejected. A parallel project supported by the EU, was indeed being prepared focusing on the revenue generation and real property management functions of MoF.

1.2 Original Project Development Objectives (PDO) and Key Indicators (*as approved*)

The objective is to modernize and expand the capacity of the MoF to discharge its core expenditure management and economic policy advice functions. The key goals are budgetary institutions and

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[1] The June 2003 CAS laid out a number of objectives focusing on addressing the same needs.

[2] A ROSC was carried out in 2005. No CFAA or IMF ROSC had been prepared at the time of project preparation.

organizations which favour growth in the context of a democratic market economy by delivering: i) a transparent and comprehensive statement of public resources allocation, firmly anchored to the economic situation of the country; ii) a framework for strategic expenditures choices using the best information possible, arrayed according to international practices; and iii) an instrument which promotes efficiency and effectiveness in budget execution as well as timely and reliable feedback to ensure solid controls and overall fiscal discipline.

Key impact indicators were:

(i) The Budget is better understood and is used in Parliament and in the media.
(ii) The monitoring of budget execution leads to an improved control of the results and a reduction in payment delays and ensuing administrative costs.
(iii) An analytical capacity within the Ministry to produce policy option assessments on a timely basis.
(iv) A new accounting plan and new accounting norms and procedures are in place and are being followed.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification

While the overall objective of the project remained to increase the efficiency of the public expenditure management system, the reforms needed to attain this objective have been made more precise, even if in some case, only intermediate achievements were expected during the project's life.

Revised impact indicators are:

- Develop a performance-based program-budgeting system. The new system would be adopted in 2006. The 2008 budget would be prepared in 2007 and implemented 2008 according to the new methodology.
- Prepare simultaneously a medium-term Expenditure Framework, which would place budget preparation within the context of multi-year macroeconomic constraints and sector strategies. The methodology of the MTEF will be achieved in 2006.
- Develop by end-2007 a performance management framework, including the monitoring of performance indicators and the evaluation of outcomes. Pilot Ministries will implement the framework in 2008.
- Adoption by 2007 of new simplified expenditure circuit. Development by end-2008 of the Budget Management Integrated system.

1.4 Main Beneficiaries

The population at large was expected to benefit from the increased efficiency of the public expenditure management system brought about the project. By contributing to a better planning and use of then scarce resources to rebuild infrastructure, alleviate unemployment and housing scarcities as well as overall inefficiency in the delivery of public services, the project was expected to help meet the expectations of a population that had particularly suffered from scarcities and poor public services during the 90s. More broadly, the benefits derived from modernizing the MoF expenditures management system and economic policy administration via a well functioning budget system, were expected to pervade Algeria's economic system at large.

1.5 Original Components (*as approved*)

There were two components as follows:

Component 1: implementation of new expenditures management systems (Total cost: US$13.2 million.)

This component covered budget structuring, controls, economic and functional classification grouping, new accounting standards, accrual accounting (partial), transparent presentation, integration of capital expenditures, output monitoring and controls, dissemination of new procedures, analytical and countervail capacity building. It included four subcomponents: (i) implementation of an integrated, multiyear budgeting, including both investments and current expenditures; (ii) improving budget presentation and dissemination; (iii) building up MoF overall analytical capacity, especially in terms of elaborating full-scale MTEFs and micro-economic and policy analysis of expenditure programs; and (iv) strengthening of the public expenditures monitoring and accounting capacity including introducing new public accounting standards; revamping of the expenditures implementation cycle; and a partial introduction of accrual accounting.

Component 2: development and implementation of information systems for new budget structures (Total cost: US$16.6 million).

This component aimed at developing an integrated budget management information system (IBMIS), strengthening MoF physical infrastructures (computer and telecommunications hardware and software that were obsolete) and strengthening of MoF capacity to operate this critical tool for budget planning and execution. It included three subcomponents: (i) Capacity building with the preparation of MoF Information Systems Strategic Plan and technical assistance for its implementation, plus technical assistance to the MoF Information Technology (IT) Council and its Secretariat; (ii) development and implementation of IBMIS and ancillary systems; and (iii) the provision of hardware and software for the centralized computer unit, for operating the IBMIS and for other MoF units.

1.6 Revised Components

Following the 2005 mid-term review, the project was significantly restructured, with the objective on the one hand to refocus the scope of each component to ensure more quantifiable and monitorable development impacts and on the other hand to complement areas of reform where the previous period of implementation has shown lacunae or where the government has demonstrated interest in deepening the scope of reform.

Activities (sub-components) were eliminated: (i) development of accrual accounting: (ii) upgrading MoF analytical capabilities for carrying-out of macroeconomic forecasts and microeconomic analysis of expenditures[3], this was replaced by the development of performance-management tools which would strengthen the reform of the budget system; (iii) acquisition of computer equipment.

A few activities were added: (i) definition and monitoring performance indicators; (ii) building capacity to analyze projects; (iii) strengthening support to project management; (iv) support to the computerization of the general tax directorate DGI.

[3] This capacity building was already taking place outside the project.

As a result the restructured project comprised three components with the following subcomponents:

Project Component 1: Technical Assistance for Budget Reforms (US$ 7.53 Million):

- Sub-component 1.1: Multi-year budgeting to establish three-year programmatic budgets
- Subcomponent 1.2 -Improving budget presentation and dissemination.
- Subcomponent 1.3- Improving Budget policy formulation
- Sub-component 1.4- Restructuring the expenditure flow
- Sub-component 1.5: Immediate needs of MoF in equipment and software directly related to the project

Project Component 2: Improving MoF Information Technology Infrastructure (US$ 7.54 Million)

- Sub-component 2.1: Strengthening the Information technology (IT) management capacity including the design of the IT master plan.
- Sub-component 2.2 Creation of an Integrated Budget Management Information System (IBMIS) covering the expenditure flow as well as accounting.

Project Component 3: Project Management Support (US$1.9 Million)

1.7 Other significant changes

With the restructuring of the project, the IT component of the project was considerably reduced, from US$16.6 million to US$ 7.54 Million, as the authorities decided to purchase separately and directly with budget funds computer and communication equipment needed to implement the IBMIS.

The steady increase of oil prices after 2003 brought about an unexpected bonanza for Algeria. By mid-2005 the Government decided to use this windfall to reimburse its foreign debt and launch a second, massive public expenditure program, the 2005-09 *Programme complémentaire de soutien à la croissance économique* (PCSCE). Overall domestic funding available for this program, which focused mainly on infrastructure, increased gradually from US$55 billion to US$150 billion. The preparation and speedy implementation of these huge investment programs became the top priority of Government, for the line Ministries as well as for MoF. The corresponding workload increase taxed heavily the capacity of the administration, which had not benefitted (unlike that of many other countries) during the decade of isolation from sustained modernization efforts. Under a new policy adopted in 2005, the Government announced it would repay old Bank loans and cancel most recent Bank loans – except for two technical assistance (TA) projects and this Budget System Modernization Project (BSMP)[4]. The BSMP thus ended up as the most significant remaining Bank project in Algeria, and following the closure of the two TA by 2007, the last one.

2. KEY FACTORS AFFECTING IMPLEMENTATION AND OUTCOMES

2.1 Project Preparation, Design and Quality at Entry

Project preparation was not preceded by supporting ESW in the area of public finance and budget management. Yet the weaknesses and problems of the budget system existing at the time of project preparation were well identified and the thrust of the modernization program proposed under the project and its components were generally adequate. A PER was carried out by the Bank in 2006[5] which

[4] The few remaining investment projects were stopped and several technical assistance loans reduced. Bank activities in Algeria would henceforth be limited to Economic and Sector Work (ESW) and fee based services (RTA) ED.

[5] The PER aimed primarily at assessing preparation and execution of the *PCSCE*.

confirmed the diagnosis of the BSMP appraisal report and supported the efforts undertaken under the major subcomponents of the project. It put considerable emphasis on improving the quality of investment spending in both budget formulation and execution. It identified poor linkages of investment expenditures with sector priorities, problems with programming, and delays in project execution reflecting both weak execution capacity in line Ministries and over-programming of capital expenditures.

The major flaw in project preparation therefore lies in the design, not the objectives of the reform as whole. The project was originally designed with a mix of soft reforms of public finance and computer systems modernization - with strong emphasis on the first, while the latter was to be undertaken primarily to support the first. This was far too ambitious and complex, although Bank internal reviews of similar projects had repeatedly warned against these complex approaches combining computerised systems development and hardware investment with public finance management reform. Moreover, this combination may not have been adequately understood by all Algerian counterparts, at times when priority for some counterparts was solely to computerise public finance management before reforming it. Not only was the BSMP complexity - at the time it was designed - not adequately understood by the Algerian counterparts, but also the Bank team itself failed (i) to set a realistic time frame to fully implement such an ambitious program and (ii) to assess the difficulties to carry it out in the specific Algerian environment.

A clearly articulated and realistic strategy with a roadmap would have informed the client on the actual scope of the planned reform and its challenges. It would also have informed and shaped Bank support to the overall reform and project supervision. Actually, such a strategy was eventually developed – through close interaction between the client and the Bank supervision team underpinning the work of consultants – and effectively adopted by the Algerian Government in 2007. Finally, the duration was unrealistic, four years where usual time-span for investment projects is five years in the Bank. Moreover, even at the time of project preparation (2000-2001), the world experience gathered by the Bank had demonstrated that such broad and deep program usually takes at least 10 years in favorable circumstances. Therefore the quality at entry was clearly unsatisfactory.

Resistance to change is significant in well-established budget systems with strong administrative traditions. Much effort and time is required to reach consensus and overcome skepticism regarding new systems and procedures, particularly if it is not clear to all concerned parties that the benefits[6] will outweigh the costs involved, mostly additional workload and disruption of ongoing work.

A general political risk was well identified as well as specific risks of availability of resources to undertake the reforms and use and maintain the new capacities. The project has indeed experienced significant variations in its progress which can be directly linked to significant changes in leadership and ownership on the Borrower's side. The risk analysis highlighted that the qualitative organizational and institutional changes required were delicate and slow to implement. Still, the specific risk of resistance to change and the limited capacity of the Algerian administration to implement complex reforms, had not been well highlighted. Interestingly with the benefit of hindsight, the overall risk rating - Substantial - higher than the average of the risk of the individual components, was adequate.

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[6] The Quality Enhancement Review report of June 2008 appropriately points out that "Proposed reforms, in a country which had shown no inclination to move beyond the traditional inherited model for four decades, would have had Algeria adopt budget reform concepts which, at the time, France itself (a country to which the Algerians look for inspiration and guidance) had not yet adopted."

2.2 Implementation

The loan became effective in July 2001, five months after project approval (February 2001) while the loan agreement had not specified effectiveness conditions such as prepared bidding documents for all major contracts of the first year. It must be stressed that particularly during the first period of the project, it was often difficult to attract experienced consultants in public finance management with the proper language skills, mainly because of the perception abroad of Algeria's security situation. This was a significant factor in procurement and overall implementation delays. The Project Implementation Unit (PIU) started effectively with the appointment in December 2001 of a new manager – the 3rd since the beginning. With very slow progress in procurement therefore very little disbursement, project implementation was rated Unsatisfactory, from the first Project Status Report (PSR) until June 2003 when the first significant steps were at last completed, in recruiting the first key consultants and drafting a first version of a new national accounting chart. This prompted an upgrading to S in the PSR. During the subsequent twelve months supervision missions maintained this overoptimistic satisfactory implementation rating. Only after 3 years of implementation was it acknowledged that progress was very limited (only two major advisory contracts signed, little work actually carried out, insignificant disbursements) and the project was downgraded. As a result, implementation was slow and disappointing from the outset.

A thorough mid-term review was then undertaken in May 2004, with a new Bank task team leader (TTL). Recommendations for corrective actions of this mid-term review included: (i) better internalization of the reform process and stronger commitment from the MoF; (ii) a more efficient, high level reform team under whose leadership the PIU could operate more rapidly; and (iii) improved inter-agency coordination and collaboration between stakeholders. Triggers were set to upgrade project status, including: (i) creation of genuine coordinating structures, with adequate staffing; (ii) adoption of a project manual (lacking since inception); and (iii) detailed project progress monitoring tool. It was also strongly recommended to MoF to elaborate a well articulated reform strategy, for which the Bank proposed a model. Benchmarks for a possible loan extension were also proposed: (i) adoption of a revised budget system for the 2006 Finance Law and (ii) adoption of Master plan for MoF new computer management information system. Overall, the concerns of the Bank team about the slow improvement of the project were strongly expressed while part of the Algerian counterpart team contemplated cancelling the project.

A new Minister of Finance and Secretary General of MoF were appointed, and progress resumed in 2005: a detailed report on budget modernization options was prepared, an outline for the new system and proposal for new budget tools were submitted to MoF, training and pilots with the new tools were started with four Ministries and an advisory contract on restructuring the expenditure flow was signed. Little progress however was achieved on the MIS component.

With the original closing date approaching, the option to restructure and extend the project was preferred by Algeria to closing the loan, or moving to a Reimbursable Technical Assistance (RTA) mode or preparing a new project, options considered on the Bank side. Renewed commitment to the project objectives was demonstrated inter alia when several triggers were satisfied: (i) official creation of structures to assist in piloting the project such as technical committees with clearly defined functions and clear mandates to carry out reform; (ii) a detailed updated project implementation plan with benchmarks and indicators; and (iii) issuance of an acceptable project manual. Disbursements picked-up at last, but by December 2005, disbursements and total commitments still amounted only to US$ 7.8 million[7] – 25% of the original loan amount.

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[7] Of which US$ 1.7 million in disbursements.

The project was upgraded by January 2006 (MS for PDO and S for Performance indicator) and a restructuring package was submitted for World Bank Board approval on March 2, 2006. The project was restructured to achieve a narrower but more focused set of project objectives and its project time frame was extended by 3 years. The loan amount was reduced by US$5.3 million to US$18.4 million to support a narrower investment program. The reform process was broken down in smaller building– but self sustaining - blocks. Specific objectives were reformulated with more limited and realistic goals.

The Bank fielded three supervision missions of the BSMP under a new TTL during the nine months following restructuring. Under renewed impetus, implementation appeared to be back on track during 2006. Reform leadership and monitoring were improved with the creation of an inter-ministerial committee under the Prime Minister and of a reform committee within MoF. Still, the lack of a dedicated and powerful enough unit in the MoF was felt and the PIU remained short of staff and lacked the institutional clout to take the lead. Most Mid-year milestones (program budgets for four pilot Ministries prepared for 2007; consultant's reports on restructuring of expenditure procedures and on the computerization plan of MoF being reviewed) were reached; but MTEF preparation had not yet started and no Directorate of MoF had yet been given the driving role. By year end reform management had been strengthened with ad hoc committees in place and dissemination of the reform contents at all levels of administration underway. The macro-economic MTEF was in place, as well as detailed sector MTEFs in the pilot Ministries. Development of the IBMIS had begun with the development of an overall computerization master plan, but MoF still needed to create a dedicated structure for this IBMIS system. Decision-making process within MoF remained blurred and slow, with two critical elements of the reform (expenditure management and information and budget economic classification) awaiting decisions.

Progress remained satisfactory during the 1st half of 2007. Government ownership of the reform was re-confirmed[8] and the reform strategy was validated inside MoF. All meaningful milestones were in the process of being met (new expenditure procedures guide, new budget classification for pilot Ministries, MTEF procedures, computerization master plan validated or about to be). Still, the proposed new structure for MoF was not yet officially adopted. And the changes of the legal framework were not progressing as needed, with the new the draft Budget Organic Law (*BOL*) not yet presented to the Government; and the computerization master plan was taking too much time, delaying implementation of the IBMIS beyond loan closure. It became clear that a number of project activities would extend beyond closure and a few remaining ones would even begin afterwards. The PDO rating was however upgraded to Satisfactory in the June 2007 Implementation Status Report (ISR).

The subsequent 2007 and early 2008 supervision missions reported again a slow-down. The project ratings were downgraded to MU for the PDO and MS and remained so for the rest of the loan duration. Several key elements of the reform, validated by MoF, waited to be politically endorsed at the highest level and formally adopted; program budgeting was not pursued in FY08 despite the earlier experiments in pilot Ministries; the new expenditures management procedures remained to be validated. The IT master plan was ready but further progress needed also the actual creation of a specific IT unit in MoF.

Finally, beginning of 2008 the draft BOL was adopted by the Government Council, the step before last[9] before submission to Parliament. This draft law set the preparation of the first full program budget for FY2012. Furthermore, the MoF was reorganized. Its new structure provided for a unified budget preparation and monitoring within the General Budget Directorate (*direction générale du budget*, DGB), which actually translated in budget preparation and execution monitoring and reporting structures the

[8] For example the President of the Republic himself was asked to take a decision about the de-concentrated authorities' role in this new budget management system, a sensitive issue in a context where the region Governors (*walis*) have substantial powers.

[9] The last one being adoption by the council of ministers, chaired by the President of the Republic.

unification of investment and recurrent budgets decided in 1998. The decree also created a directorate for budget reform within DGB and a directorate for computerized systems. These were major and long awaited for achievements. The overall reform strategy was also finally validated, allowing the signature of a major contract[10] with a consulting firm for the final stages of effective implementation of the budget reform, focusing on MTEF and program budgeting for sector Ministries (including a computerized budget preparation system). Other positive developments in MoF included the appointment of directors for the new budget reform directorate and the new directorate for computer systems;

Progress was limited during the last year. By early 2009, the BOL had not yet been submitted to Parliament and while a number of other key elements had been fully prepared, their official adoption was still pending: the new program structure (budget classification); the new accounting chart; the new expenditure management procedures and the IT master plan. At the time the loan was closed, their formal adoption was not firmly scheduled yet. Work was still going on - with reasonable progress - on development of program budgeting in line Ministries and the SIG-BUD computerized budget preparation software; those activities were going to be financed further by the Algerian budget after closure of the loan. MoF was preparing the creation of a separate new computerised systems management agency, with a broad mandate to develop an overall information system between MoF and central and regional offices of line Ministries.

All in all, US$6.95 million were disbursed from the Bank loan – that is 52 percent of the reduced amount of the loan after restructuring or 29 percent of the original loan amount.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

No specific M&E arrangements had been foreseen at the time of appraisal – except for the production of the mid-term report. During the first four years of the project, key performance indicators set at appraisal were not monitored and not presented systematically in the PSRs or the Borrower's progress reports. The PSRs presented progress in using a different format and milestones. At the restructuring of the project, Performance Indicators were revised and made more specific, but were however not all reflected in the PSRs. No detailed output indicators were systematically provided and monitored in the back-to-office reports and mission aide-memoires.

Since none of the key project subcomponents were completed before loan closure, no impact indicators can be calculated at the time of this ICR. No specific mid-term report was submitted by the Borrower, who provided a few progress reports during the first years.

Overall, project supervision by the Bank was very sparsely documented during the three years from Board approval until the mid-term review, a period during which there were three successive TTLs. PSRs were of poor quality and generally incomplete, with various rating missing[11]. Except for procurement, project implementation during those years is very poorly documented in the files. Quality of supervision and reporting improved significantly thereafter under the fourth and fifth TTLs.

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[10] The procurement method (the selection done on a sole source basis) and the duration of this large contract (Euro 6.8 million) which would be implemented mostly after closing of the loan precluded Bank financing.

[11] For example the lack of a project manual was not even reported by an unsatisfactory rating.

2.4 Safeguard and Fiduciary Compliance

None of the safeguard policies were applicable in this project.

The PIU became effectively operational 10 months after board approval, when a permanent PIU head came on board who stayed until closure of the loan. A Financial Management System was used from 2002 on. Audit reports were submitted regularly and were adequate: the only major issue raised was the lack of a full-fledged project manual, which had been drafted but was still not finalized and adopted end of 2007[12]. Financial management reports were submitted regularly and were broadly adequate. The ratings were provided only starting at the end of the 4th year of the project: from MS in 2006, they were upgraded to S in 2007 and 2008.

2.5 Post-completion Operation/Next Phase

A number of activities launched under to the project were not completed by the time the project was closed and are being pursued by MoF using Algeria's own budget. The fact that the Government is now continuing all project activities demonstrates its resolve to eventually achieve the reform objectives. MoF confirmed its resolve to pursue the budget modernization program by signing in the last year of the project a comprehensive TA contract mentioned above which will be essentially implemented after project closure. The prospects remain good that the preparation of the first full program budget would be effective for FY2012, and that at that time most of the new IT systems which were to be developed under the project will still be in their implementation phase therefore not yet operational.

One year before project closure, the MoF approached the Bank to get further support from the Bank team to assist during the subsequent and last stages of program implementation. The MoF wished to finance all the remaining activities entirely with its own funds (as per the new development and finance policy of the Government) but at one point seemed to be willing to continue benefitting from Bank assistance in overall guidance and supervision of the process and quality control which included a significant IT component. The Bank supervision team responded by an assessment of the specific IT project management needs and recommended that a specialized consulting firm with a dedicated team spending more time in Algeria be hired instead. The Bank team prepared detailed terms of references for MoF to recruit such consultants. No further Bank activities in this area were anticipated at the time this ICR was prepared.

3. ASSESSMENT OF OUTCOMES

3.1 Relevance of Objectives, Design and Implementation

The overall objectives were in line with those subsequently laid out in the Bank's 2003-2006 CAS[13] and are relevant. The overall objectives of improving strategic choices through better information and analysis, facilitating the control of public expenditures; improving budget transparency in order to promote an open discussion of economic and social policies options; strengthening budget execution monitoring and the effectiveness of policy implementation, were clearly relevant and still are. At the time of project restructuring in early 2006, the Algerian government and the Bank reconfirmed that the development objectives remained very pertinent and that budget reform was an essential means for improving the transparent allocation of public resources and the efficiency of public spending.

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[12] Although the June 2004 PSR already mentioned that the draft was 90% completed.

[13] Which stressed the need to better manage the oil windfall, strengthen the basis for a sustainable market-driven growth, and improve the effectiveness of public services delivery and the standards of living of the population.

The specific goal of modernizing and expanding MoF capacity to discharge its core expenditure management and economy policy functions remain valid as well as the core project design around the three goals of providing: (i) a transparent and comprehensive statement of public resource allocation; (ii) a framework for strategic expenditure choices using more accurate and up to date information; and (iii) an instrument which promotes efficiency and effectiveness in budget execution, control and overall fiscal discipline.

The original project design was too complex and too wide in scope, and the duration (four years) too short, as amply developed under 2.1. The original computer and information system component was too large and not sufficiently focused on the core objective, with a series of activities not directly related to modernization of the budget systems. Moreover it was not well articulated in terms of phasing and sequencing with the reform, which in turn was neither properly outlined nor planned. The inclusion of such a large IT component also led to the perception that the project was as much (if not more) of a technical nature than of an institutional nature. The issue of the lack of full-fledged modern IT unit in MoF was also underestimated and not properly addressed. The number of project subcomponents, some of which were of a lesser urgency than others, made the project too broad and too complex in comparison with the actual capacity of MoF to implement it, even with massive consultants' assistance. There was finally insufficient assessment of the scope, depth and duration of the human resources capacity needs for reinforcement to adequately design and implement the reform: training has turned out to be a major "hidden" component of the current reform.

The choice of the lending instrument was not adequate. Assuming the original goal would have been to accomplish all the objectives laid out in 2001, and given Algeria refusal to use budget or balance of payment support instruments, it would have been better to break down what amounted to a 10-15 year program into a series of stepped projects, each with reachable five-year objectives, for example with adaptable program loan approach.

When the project was prepared the issues of the extent and complexity of the changes to be introduced – requiring a change management approach – were not all clearly identified and properly addressed. The need for a detailed reform implementation strategy as a project/*reform* pre-requisite which would help the Algerian administration at large internalize the budget reform program, was also not well recognized when the project was prepared. Conversely, the importance of a strong project/*reform* implementation structure as well an overall reform steering and coordinating apparatus (with enough champions and internal as well as inter-ministerial committees) was not sufficiently appraised when designing the implementation arrangements. Beginning with the preparation for restructuring, the successive Bank supervision missions constantly urged the Algerian authorities to set up such strong apparatus to steer the reform, well beyond the existing DGB, overwhelmed by its heavy workload with the oil windfall and massive PCSCE expenditure program. The December 2008 decree restructuring the MoF created a dedicated directorate, within the DGB, to steer the reform. The Bank had recommended repeatedly that this directorate be created but reporting directly to the Secretary General, so as to be in the position of dealing directly with the other general directorates of the MoF involved in the reform.

The restructuring of the project aimed at focusing the project better, by reducing the IT component to its preparation and design instead of actual implementation and eliminating a number of less urgent subcomponents. Restructuring was therefore requested by Algeria (end of 2005) and granted by the Bank (March 2006) because at that time MoF: (i) was showing a renewed commitment for the reform; (ii) had fully grasped its breadth and complexity; and (iii) understood the need to steer them at a high level and have line Ministries closely involved.

3.2 Achievement of Project Development Objectives

Achievements under the project itself have generally been disappointing

A large number of activities were carried out under the project – although most of the time with significant delays - as detailed in Annex 2 on outputs by components. Around 90% of the planned activities (in numbers – but less in actual cost[14]) were completed. Although a significant number of major technical tools and reforms were prepared under the different components, by project closure, none had been formally adopted or implemented.

By mid- 2007, all meaningful milestones set for 2006 were reached in terms of preparation: new expenditure procedure guide, MTEF procedures, and computerization master plan. In contrast, post 2006 milestones were not reached at the time of project closure: the reform momentum had not stopped but was slowed down by the validation problems mentioned above. For example the draft of the key Budget Organic Law (BOL) was ready and approved within MoF by mid-2007 but by February 2009 the final draft was not yet sent to Parliament.

By project closure key milestones that were not met included: (i) preparation of the new programmatic budget following revised formats and procedures (FY08 target); (ii) MTEF used for 2008-2010 multi-year budget; (iii) system of monitoring and evaluation established by end of 2008 to measure achievement of programmatic budget objectives; and (iv) bidding process for the new IBMIS implementation completed (June 2007 target). Almost all activities needed to reach those milestones were well underway or had at least started by early 2009 – indicating that the overarching objective of having a programmatic budget adopted could still be reached by FY2012, i.e. with a four years delay.

Yet the technical part of the reform is now progressing again

While devoting many efforts to get the administration ready for implementation of the new systems, MoF could not have the new legislative framework adopted by the Government to have the programmatic budgets effectively implemented before FY2012 at the earliest. The lack of progress regarding the adoption of the new LOLF organic law over the last two years[15] is worrisome. Still, current development objectives have experienced significant progress in the recent months, albeit the BOL has not yet been adopted by Cabinet. A massive training program has been developed, and began in October 2008. It aims at training more than 4,000 civil servants for the reform before end of 2012. Training of trainers began in November 2009.

More specifically, progress can be summarized as follows:

Develop a performance-based program-budgeting system to be implemented in 2008. A new budget classification has been developed for pilot Ministries then validated by the MoF and the inter-ministerial committee respectively in May and June 2009, together with new budget presentation documents included in the draft BOL, which has yet to be adopted by the Cabinet for presentation to Parliament. The development of SIG-BUD has also disseminated this new draft classification with budget preparation which now includes 16 Ministries.

Prepare simultaneously an MTEF that would place budget preparation within the context of multi-year macroeconomic constraints and sector strategies. An MTEF has been put in place beginning with fiscal year 2010-14 and officially adopted by MoF end of August 2009.

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[14] Mainly because the large IT contracts were not initiated before the loan was closed.

[15] As of December 2009, there was no clear indication yet when the draft law would be presented to Parliament.

Develop by end-2007 a performance management framework, including the monitoring of performance indicators and the evaluation of outcomes. Pilot Ministries will implement the framework in 2008. The process has been tested in pilot Ministries and is in the draft BOL. The appointment of program managers is a point of contention between the MoF and the Ministry of Interior (problem not solved of the walis' role as budget managers) and the line Ministries. Strategic planning is now in place in 15 Ministries so as to provide the policy framework to performance based budgeting.

Adopt by 2007 a new simplified expenditure circuit. An Expenditure Management handbook was developed in December 2006 and preparation of recommended changes has begun in October 2009. This will lead to major changes in the legal apparatus of public expenditure in Algeria. A new_chart of accounts was developed by June 2008, for which training is on-going but it still has to be adopted.

Development by end-2008 of the Budget Management Integrated system. The bidding documents to hire a consultant to develop the IBMIS were adopted in July 2009 and are currently at the national tender commission level for approval.

3.3 Efficiency

Not applicable.

3.4 Justification of Overall Outcome Rating

Rating: moderately unsatisfactory.

After the restructuring of the project and based on the new impetus given by the newly appointed Minister of Finance, the PDO rating was revised upwards from unsatisfactory first to moderately satisfactory, and then very briefly to satisfactory, while implementation ratings for the different components were raised to moderately satisfactory and soon tor satisfactory until early 2008. But the IP rating of all components and PDO ratings were changed respectively to unsatisfactory and moderately satisfactory one year before closure.

The PDO rating at closure is kept as moderately unsatisfactory[16] given the specific situation early 2009 described above and based on reasonable prospects that the overall objectives could be reached by FY2012, at the earliest.

It should be emphasized that Algerian counterparts do often not share the Bank's view on the outcomes of ambitious and complex projects like this one. They generally consider that the timeframe set in the reform projects by Bank teams is overly optimistic given the quasi-post conflict environment of Algeria after 2000. As the Algerian Government is generally pursuing the projects with its own funding after the Bank loans are closed, what matters most for Algerian officials is that the momentum of the reform program is sufficient to achieve their objectives within a timeframe corresponding to the capacity of the Algerian administration.

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[16] It should be stressed that PDO ratings at closure of two of the three TA projects underpinning reform in Algeria during the same period, were also less than satisfactory for similar reasons.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects and Social Development

Not applicable.

(b) Institutional Change/Strengthening

The project contributed in: (i) modernizing and strengthening the budget formulation centered around program budgeting and execution capacity of MoF and line Ministries; (ii) modernizing the information technology capacity of MoF, particularly in relation to the budget system modernization but also at the level of the taxation system through TA to the Directorate General for taxation. The introduction of MTEF to frame the preparation of multi-year program budgets, and performance indicators, both novelties in the Algerian context, were also expected to be significant project contributions, but were not yet effective at the time of project closure.

In the context of the project, the MoF also modified its structure, creating a new directorate in charge of budget reform within DGB. This confirmed its resolve to fully implement the program. A new IT directorate was also created. Massive training efforts were undertaken with the project, with more than 4,000 civil servants trained during the last years.

(c) Other Unintended Outcomes and Impacts (positive or negative)

Not applicable.

3.5 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

Not applicable.

4. ASSESSMENT OF RISK TO DEVELOPMENT OUTCOME

Rating: Substantial

The assessment of risk to development outcome at appraisal (A) and at the time of loan closing (C) is indicated below:

	Assessment of Risk to Development Outcome	(A)	(C)
1	Project management and MoF capacity to foster reform implementation not strong enough	M	S
2	Insufficient will of policy makers to use new systems	S	S
3	Improvements in budget execution monitoring no effected because of factors outside MoF authority	M	M
4	New IT structures not resilient enough and not enough resources devoted to their upkeep	M	M
X	**Overall Risk Rating**	S	S

N: Negligible; M: Moderate; S: Substantial

At the time of loan closing the rating of last three of the four criteria remains unchanged while the risk related to MoF capacity to foster the reforms and manage forcefully implementation of all project components is rated higher. Interestingly the appraisal team had estimated that the overall risk was higher than the average risk of the components and thus substantial (S). Rightly so, it was also noted then that the project might become controversial in that implementation could affect power relationship (between departments in MoF and between Ministries, with MoF being strengthened). At project restructuring,

specific additional risks had been identified (but not rated) as follows: (i) delays in decision-taking by concerned authorities; (ii) difficult coordination between different project (program) participants; and (iii) insufficient ownership by Ministries and departments. With hindsight, they were substantial, except for the ownership of the project by MoF (including by its General Budget Directorate) which was not weak particularly after project restructuring. The overall risk rating has been maintained as Substantial.

5. ASSESSMENT OF BANK AND BORROWER PERFORMANCE

(relating to design, implementation and outcome issues)

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: Unsatisfactory.

As explained above, at project preparation, the Bank (i) did not take properly into account international experience which indicates that complex budget reform can take 10 years or more to accomplish and (ii) failed to recognize that the agreed project objectives could not be achieved under the original timeframe. An implementation period of four years was highly unrealistic. With such objectives, the choice of the instrument- a standard project with a 4 year implementation period - instead a series of projects over at least 10 years or an Adaptable Program Loan – was inappropriate. In addition to being highly ambitious, the project objectives were poorly defined, leading to difficulties in specifying the nature and scope of the work to be undertaken under the numerous subcomponents. The fact that part of the Algerian team may have been more interested in IT modernization than the Bank team (whose primary objective was primarily Algeria adopting a programmatic budget approach) was also not perceived.

The Bank preparation team also failed to: (i) properly assess the need to help the Algerian administration[17] at large internalize the reform by elaborating upfront and disseminating a detailed implementation strategy; and (ii) recommend -- in addition to adequate project implementation arrangements (with a strong PIU and a Steering Committee) -- a specific reform steering and coordinating apparatus with interdepartmental and inter-ministerial committees. The Bank team did not appreciate the importance of getting also early broad support for such an endeavor outside the MoF with champions at high level in the Government. Finally, the team also overestimated the capacity of MoF, with its staffing constraints, merging with Plan, limited clout on line Ministries and daily heavy workload to lead a reform of this magnitude in a renascent government.

Overall, the Bank performance at entry is thus rated Unsatisfactory.

(b) Quality of Supervision (including of fiduciary and safeguards policies)

Rating: Moderately Satisfactory.

During the eight years of implementation, seventeen supervision missions were carried out by the Bank, of which ten after it had been basically agreed to propose the restructuring of the project. Overall supervision suffered from a high turnaround of TTLs – five in all – particularly during the first four years. The quality of supervision and management attention in the Bank has varied considerably: (i) from unsatisfactory supervision, with overoptimistic project ratings and scant to low quality project status reports and poor management attention up to the mid-term review; to (ii) satisfactory supervision from the

[17] Beyond the units of MoF directly involved in the reform and that were involved in the preparatory work.

time of project restructuring. Expertise and experience of the first supervision teams was often low by Bank standards. In particular the supervision teams lacked specialists in budget reform implementation and no technical support was provided by the Bank central units. Bank management did little to correct this during the initial years of the project.

The early missions highlighted the delays in procurement, the shortcomings of the PIU and very slows loan disbursements. But they did not fully grasp the broader problems causing prolonged delays in implementation. The Bank team alerted the Government of the high risk of the project stalling and of not reaching the reform objectives. Yet neither the Bank supervision team nor Bank management took a sufficiently proactive stance to convince the counterparts to set up better arrangements to get the reform at large progress as well as the project itself. This unsatisfactory situation changed dramatically by the time of the mid-term review. The Bank project team with a new TTL and Bank management took a proactive stance. Through a sustained dialogue with the MoF, including with the new Minister of Finance, they proposed several options and succeeded in agreeing on the restructuring of the project. From thereon the Bank team exercised close supervision of the project, exchanging constantly with the counterparts and providing guidance on all project as well as broader reform issues. The ISRs included realistic ratings. Missions' aide-memoire were candid and constructive, alerting the counterparts ahead of time of upcoming reform issues and risks of project implementation slowing down again while proposing potential solutions to address these.

Of note is the fact that, when three options were offered to MoF, which included (i) stopping all Bank involvement in the process (by just cancelling the loan and pursuing alone the reform) or (ii) limiting the Bank involvement to reimbursable technical assistance (RTA), MoF chose to keep the Bank fully involved and extend the project by three years after restructuring. Without doubt MoF believed that the Bank's continued close involvement in the project would provide an essential quality control.

Another noteworthy indicator of the quality of the guidance given and overall supervision by the Bank team was provided by a request from MoF already one year before project closure. An unofficial request from MoF was once made to set up after the closing date arrangements to keep the Bank team involved in the continuing implementation of the reform program while the not yet completed project components would be pursued under MoF financing[18]. The Bank supervision team responded by an assessment of the specific IT project management needs (the budget component was already contracted, see above) and recommended that a specialized consulting firm with a dedicated team spending more time in Algeria be hired instead. The Bank team prepared detailed terms of references for MoF to recruit such consultants. No further Bank activities in this area were anticipated at the time this ICR was prepared.

Rating: Based on the two different rating for the two project phases, before and after restructuring, the overall Bank performance on supervision is rated Moderately Satisfactory

(c) Justification of Rating for Overall Bank Performance

Rating: Based of the above assessments, with particularly the unsatisfactory rating at entry, the overall Bank performance is rated Moderately Unsatisfactory

[18] The option of a follow-up project could not be envisaged given the blanket policy of the Government not to finance new projects with foreign loans including from the World Bank.

5.2 Borrower Performance

(a) Government Performance

Rating: Moderately Unsatisfactory.

With the exchanges with MoF staff during project preparation and appraisal, the assessment of the Bank team was that MoF commitment for the project was more than satisfactory. Algeria was emerging of a decade of isolation and a project like this one was perceived as a good vehicle of reforms and a powerful tool modernize an important part of the Algerian administration. The Government's commitment to the specific objectives of the project may thus not have been as strong and shared as the Bank team reported. Moreover, the power of the MoF as such may have been overstated: it is only now that the merge with Plan has reached its full impact, this giving power to the MoF on investment budget, be it the normal budget law or the *PCSCE*. The MoF took on itself a reform reaching the very basis of the State in every corner of the country while fighting with its own restructuring, weak decision process, and without having the prominence needed on line Ministries nor the capacity to work with them through dialogue. Still the MoF was able to achieve progress, albeit slow and bumpy, in the fields it actually controlled such as training, reform tools development (classification, SIG-BUD, expenditure process, accounting chart). Overall, therefore, given this context, the MoF performance was moderately unsatisfactory.

An important shortcoming was therefore the lack early on of inter-agency (interdepartmental within MoF and inter-ministry) cooperation on reforms as MoF did not adequately engage soon enough the line Ministries. After the mid-term review the Bank missions did regularly alert the authorities about the issue and the lack of adequate and broader structure for managing the reform process. The necessary working groups and reform committees (at the Government level and within MoF) were eventually created but were slow in getting actively involved.

Throughout the project implementation the decision-making process on the project and the reforms within MoF remained slow and most often blurred. Actually, in addition to procurement related delays, experience has shown that the administration has taken exceedingly long time to review the reports and react to the proposals prepared by the various consultants. The validation and formal adoption of new procedures often took a long time to be completed, particularly when it required inter-ministerial consultations and endorsement beyond MoF. This does not reflect the lack a commitment on the part of the MoF towards budget reform, as similar delays were common in almost all sectors engaged in reforms[19]. The political and administrative environment is characterized by the following impairing prompt reaction/decision: (i) formal decision-taking involving significant intra-ministerial and inter-ministerial consultations takes a long time and (ii) the capacity of the administration as a whole to react to new proposals and then start implementation of new programs and procedures is generally limited while at the same carrying out regular tasks.

During the period of project implementation, five successive Ministers headed the MoF, who all supported the reform. There was a significant turnover of General Directors of Budget, in charge of the project management as well as the reform leadership, and for an extended period of time no general director was in place, only an acting General Director. Starting in 2002, after two persons had briefly headed the PIU, a third manager came on board who then stayed at the head of the PIU for the next seven years of the project and was eventually appointed head of the new department for budget reform created in MoF DGB in 2008. Although not directly in charge of the project, the successive General Directors of Budget had to provide important input for the project – particularly in the validation of proposals and selection of options presented by consultants. They and different other MoF General Directors did not all

[19] Exceptions are found in the modern hydrocarbon sector, and in specific high priority programs under a special scrutiny by the Presidency such as t public investments programs under the *PCSCE*.

do so in a timely manner to keep up with tight project implementation program; this had negative consequences on speed as the reform design relied heavily on the consultants. The PIU itself had some initial shortcomings (primarily staffing) that were subsequently corrected. A significant number of technical tools already prepared under the different project components had not yet been formally adopted or implemented at the time of closure.

On this basis, the Borrower's performance is rated Moderately Unsatisfactory.

(b) Implementing Agency or Agencies Performance

See a) Government.

(c) Justification of Rating for Overall Borrower Performance

Rating: Moderately Unsatisfactory.

It is important to underscore, that while the overall project outcome is unsatisfactory (like the ratings of many other projects in Algeria at that time) the project was implemented under difficult conditions as Algeria was undergoing significant and complex changes. After three decades of centralized administration and ten years of civil strife, Algeria had just started a complex transition to a market economy. The modernization of the Algerian administration has barely begun, many stakeholders were (and are still) not fully convinced of the benefits of reforms. Entrenched interests who benefited much from previous system are still powerful. Given the strong resistance to change, it was difficult to implement reforms at a sustained pace. Still, the project and more broadly all the work of the Borrower and the Bank team have paved the way for reforms that can be expected to continue, albeit at a slower pace than hoped for[20].

6. LESSONS LEARNED

The instrument was not adequate because of the country context and of the area of assistance. It is reasonable to question the traditional project approach in the current Algerian environment. While Algerian counterparts are tempted to set ambitious goals to create a momentum for reforms, they can eventually satisfy themselves with the achievement of only partial results during the originally planned timeline, provided that the reform is on track: their expectations are more realistic and attuned to the Algerian environment than those of Bank staff. A technical assistance approach such as RTA or TA under Bank Budget (as in neighbouring countries) may be more appropriate as the tempo is then better determined by the client himself. This is reinforced by the need to set upfront an implementation time frame and objectives that are realistic for such complicated public finance management reform programs. Assuming the original goals would have been be to accomplish all objectives laid out at the outset of this project, it would have been better to break down what amounts in fact to a 10-15 year program, into a series of stepped projects, each with reachable objectives, as per an Adaptable Program Loan project approach.

The second lesson is the need to start such program only after a clear comprehensive strategy with a carefully designed roadmap has been elaborated, discussed between all interested parties and internalized by all those who will implement it. The respective importance of the institutional and all other "soft"

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[20] If the Bank would not be actively promoting and supporting reforms in such circumstances, is it likely that reforms would not have actually started. The pioneering work done by the Bank in budget reform, as in privatization, banking sector reform, transport sector, and environmental protection in Algeria, has paved the way for program financed by the Government with broadly the same objectives but expected to be achieved over a longer time horizon.

aspects of the reform versus the IT modernization objective also be clarified at that stage. It is also the stage when resistance to change should be carefully assessed and specific incentives and approaches designed to get the entities and individuals concerned to promote or at least accept the reforms. As a complement, having budget reform coordination and steering structures (with champions not only in the MoF, but also throughout Government in the line Ministries), in addition to the dedicated project implementation unit and committees, has been proven as critical.

The third lesson learned with this project is the same as for other parallel Bank project and other reform programs planned during the same period in Algeria relates to the effect combination of post-conflict civil peace restoration and fundamental reform of State role can have on government capacity. The post conflict situation of Algeria[21], and the complex and arduous transition from a centrally planned system to market economy create an environment in which reforms are hard and slow to implement, unless there is a wide consensus and strong popular backing, an unwavering political commitment and a modern, highly efficient administration capable of executing the complex reforms at a sustained pace. The resistance to change can be particularly strong in former centrally planned economies in which the administration had long been operating in isolation from the reforms undertaken in other countries. Massive staff training programs are then a prerequisite. Reforms can be implemented rapidly in such circumstances only if significant assistance is forthcoming and fully used by a national system with sufficient absorptive capacity and well performing agents of change.

7. COMMENTS ON ISSUES RAISED BY BORROWER/IMPLEMENTING AGENCIES/PARTNERS

None.

[21] The challenge of attracting in time good consultants with the required language capabilities, to work in a difficult environment, particularly post-conflict is often underestimated.

ANNEX 1 - PROJECT COSTS AND FINANCING

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Budgeting	12.03	4.69	39
Information systems	14.80	1.79	12
Project management support	0	0.18	
Total Baseline Cost	26.83	6.66	25
Physical Contingencies	1.09		
Price Contingencies	1.60	0	
Total Project Costs	29.52	23.2	
Front-end fee IBRD	0.24	0.2	
Total Financing Required	29.76	6.86	23

Note: Latest estimates are those at the time of project restructuring

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower		6.06	5.0	82.5
International Bank for Reconstruction and Development		29.8	6.7	22.5

ANNEX 2 - OUTPUT BY COMPONENT

The breakdown given below by component lists only those activities programmed at the formal restructuring stage in March 2006, not at appraisal, since those dropped at restructuring had not even started then. Progress made since project closure is summarized in the ICR, part 3.2.

A detailed reform strategy was developed, in 2007. This contributed to clarify the framework and set objectives for the counterparts and Algerian working groups concerned by the reform and more broadly helped the Algerian Government and Administration at large internalize the reform. It set out a blue print for implementation, covering also action plans for communication, training reform monitoring and change management.

In sum a significant number of technical tools were prepared under the different components. By mid-2007, all meaningful milestones set for 2006 in terms of output were met: new expenditure procedure guide, new budget classification for pilot Ministries, MTEF procedures, and computerization master plan. In contrast, post 2006 milestones were not reached at the time of project closure. Unfortunately by project closure, most tools developed by the project had not been formally adopted yet.

Project Component 1: Technical Assistance for Budget Reforms (US$ 7.53 Million)

The new financial constitution, called Budget Organic Law "*loi organique relative aux lois de finances*" (LOLF) was drafted with the support of the project. It was adopted by the Government Council, the step before last[22] before submission to Parliament. The law sets the first full program budget for 2012, thus setting 2012 as the first year of the new budget management system.

The new organization of MoF provides for a unified budget preparation and monitoring within the DGB, which was a pre-requisite for shifting from yearly input-based budget to multi-year rolling performance-based budgeting. A Directorate for budget reform was also created, institutionalizing the unit in charge of the project, within the DGB, and a Directorate for computerized systems under the General Secretary authority, a pre-requisite for developing the IBMIS.

In the last months of the project a comprehensive implementation contract (Euros 6.8 million) covering subcomponents 1.2, 1.3 and 1.4, was entered into with the consulting firm who had prepared the strategy. It focuses on preparation of MTEFs and program budgeting for sector Ministries, and on implementing the SIG-BUD as well as a provisional computerised system for expenditure accounting to ensure proper monitoring and reporting[23]. The work also entails adapting the legal and regulatory framework, training and dissemination. Since the selection was done on a sole source basis for an amount above the Bank threshold, and given that its duration was going to extend much beyond the loan life; the contract was not financed by the loan but by Algeria's own budget.

Sub-component 1.1: Multi-year budgeting (US$ 1.98 million)

This subcomponent sought to establish three-year program-budgets. Reforms to be undertaken under this component included: (i) the modernization of budget classification (*nomenclature*); (ii) the implementation of new budget preparation procedures; (iii) the identification of new program

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[22] The last one being adoption by the council of ministers, chaired by the President of the Republic.

[23] While the overall integrated system is still being developed.

performance indicators; and (iv) the strengthening of investment planning. The preparation of the annual budget and the multiyear programs were set in the context of a Medium Term Expenditure (MTEF) framework supported also by subcomponent 1.3.

Activities for this subcomponent included extensive consultancy activities (including analysis and design, of processes and procedures, changes to laws and regulations,) various other TA and training activities. At the time of project closure, the basic design of the new multi-year performance based system had been finalized and endorsed by MoF. The new budget classification integrating current capital expenditures had been prepared and was in use in thirteen Ministries. Four pilot Ministries (public works, transport, finance and higher education) prepared program budgets for 2007- part of them with performance indicators[24] – one milestone of the restructured project (at appraisal the notion of pilot was not mentioned). Key staff of all Ministries were trained for the preparation of programmatic budgets.

Overall, the preparatory work was well advanced to allow the preparation of the first full program budget to Parliament for FY 2012 [25], although much later than the original target of FY2008.

Subcomponent 1.2 -Improving budget presentation and dissemination (US$0.54 Million)

This subcomponent aimed at creating new budget documents structuring budgets in programs with performance indicators on a three year rolling basis, which required an in-depth study of the needs of different line agencies, and the preparation of an IT platform for online budget preparation.

A first report on the broad possible options was prepared. A new budget classification "*Nomenclature économique*" was elaborated and tested with the pilot Ministries. The new accounting chart "*Plan comptable de l'Etat*" was prepared and adopted [26]; yet some implementation regulations still needed to be finalized and training needed to be carried out. A new computerized budget preparation application, SIG-BUD was elaborated but not yet adopted at the time of loan closure.

Subcomponent 1.3- Improving Budget policy formulation (US$2 Million)

The activities under this subcomponent were to complete the actions undertaken under subcomponent 1.1 by supporting the formulation of budget policies, as well as program preparation and follow-up. It included (i) the design of the Medium-Term Expenditure Frameworks (MTEF); (ii) establishing a system of monitoring and evaluation of the achievement of the programmatic objectives; and (iii) strengthening the capacity to prepare and evaluate investment projects.

The MTEF process is broadly in place: the macro-economic MTEF and detailed sector MTEFs were in place by the time of project closure, but the procedures for preparing the global METF still remained to be developed.

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[24] Two pilot Ministries included indicators in their budget. This was only the initiation of work on performance indicators that needed to be pursued further.

[25] Assuming the budget law has been approved by Parliament.

[26] The PSR of June 2004 says that the new accounting chart was rolled out during 2003; however the February 2009 says also a new PCE was prepared and adopted.

Sub-component 1.4- Restructuring the budget execution (US$2.8 Million)

This subcomponent focused on defining a new system regulating expenditure flows. It was to assist in the drafting of new legislation and regulations linked to the new expenditure system, define tasks and responsibilities under the new system, and restructuring the departments directly concerned by the new system. Also new procedure manuals were to be drafted and training would be provided to civil servants dealing with the new expenditure system.

Basic options were proposed and then new expenditures management procedures were drafted to provide inputs for the development of the integrated Budget Management Information System (IBMIS). They had not yet been validated by the Government at the time of project closure. One unresolved issue and stumbling block remained the role of the de-concentrated authorities (provincial governors mainly) in the new budget execution system, an issue on which the arbitration of the President himself was going to be sought.

Sub-component 1.5: Office equipment and software (0.2 Million).

Under this subcomponent, some of the immediate needs of the Ministry in office equipment and software related to the project were met.

Project Component 2: Improving the Information Technology Infrastructure of the Ministry of Finance (US$ 7.54 Million)

Sub-component 2.1: Strengthening the IT management capacity (US$0.45 Million)

This activity focused mainly on strengthening the Information Technology (IT) capacity of MoF. Activities were to include the design of an IT Master Plan as well as helping various MoF directorates in defining their IT needs and particularly supporting the Tax Directorate (DGI). The activities under this subcomponent were largely TA.

The IT master plan was completed with delays - using up significant resources - but had not been validated by the time of project closure. The lack of a new dedicated IT unit prevented MoF from taking full advantage of completion of this comprehensive computerization plan and particularly delayed the launching of preparation of the IBMIS. IT support to DGI did not include procurement of MIS but consisted mainly in TA in procurement of IT for DGI's large enterprise taxation department; tax centers; and its transversal information system project.

Sub-component 2.2 Creation of an integrated Budget Management Information System (IBMIS) (US$ 7.1 Million)

The IBMIS "*Système informatique intégré de gestion de l'exécution du budget* (SIG-B) was to include the expenditure process as well as the accounting process. It was to be set up in line Ministries, in the accounting units and in the offices of the MoF responsible for budget execution. The activities supported under this subcomponent were to include hardware, software and licenses as well as testing of pilot sites.

This subcomponent experienced significant delays. Preparation of the IBMIS development began in 2009 following the development of the computerization master plan and is expected to continue for several years after project closure.

Component 3: Project Management Support (US$1.9 Million)

This component was to strengthen the capacity of the project implementation unit as well as improving project coordination. This component financed the PIU over the timeline of the project, seeking to particularly strengthen its capacity after project restructuring (its performance had appeared weak during the earlier implementation period). The project financed also some (albeit much less than expected originally) consultant support to both the IT component and the overall management particularly to strengthen intra-and inter-ministerial coordination.

ANNEX 3 - BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION PROCESSES

(a) Task Team members

Names	Title	Responsibility/Specialty
Lending		
François Lacasse	Lead Economist	Task Team Leader
Emile Finateu	Consultant	Financial management
Jean-Pierre Lalonde	Consultant	IT
Samia Msadek		Financial management
Claude Archambault		Procurement
Supervision/ICR		
François Lacasse	Lead Economsit	Task Team Leader
Amine Khene	Senior Public Sector specialist	Task Team Leader
Kouassi Soman	Economist	Task Team Leader
Pierre Demangel	Senior Public Sector specialist	Task Team Leader
Catherine Laurent	Senior Public Sector specialist	Task Team Leader
Jean-Pierre Lalonde	Consultant	IT
Souhila Harchouche		Financial management
Daniel Tommasi	Consultant	Public finance management
Emile Finateu	Consultant	Financial management
Claude Archambault		Procurement
Moez Maklouf	Consultant	Financial management
Yves Duvivier	Consultant	ICR

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY00	35.68	180,810.81
FY01	14.65	115,938.39
Total:	**50.33**	**296,748.20**
Supervision/ICR		
FY01	4.96	57,602.70
FY02	4.40	66,522.00
FY03	1.23	49,086.71
FY04	17.64	131,870.72
FY05	23.58	136,994.55
FY06	26.68	156,956.01
FY07	16.63	109,621.13
FY08	28.70	135,687.16
FY09	13.20	111,649.22
FY2010	0.88	4,208.15
Total:	**137.02**	**960,198.35**

ANNEX 4: SUMMARY OF BORROWER'S ICR AND/OR COMMENTS ON DRAFT ICR

The Borrower has notified the Bank that they have no comment regarding this ICR. The following is a summary by the Borrower of its own full size report on project implementation and budget reform progress. All Algeria documents are filed in IRIS.

I. LAUNCH OF OPERATIONS

Start of the process

The first constraint encountered in implementing the Budget Systems Modernization (BSM) project was the organization of the project management structure.

The Project Management Unit (PMU) or Project Implementation Unit (PIU) is the traditional standard organizational structure for implementing a loan agreement. However, these management structures, comparable to what would be implemented for a small project of minor importance, are not suitable for a project of such broad scope and ambition.

The BSMP is multidimensional. It involves budget preparation, implementation, and presentation of budget as well as budget forecasts, information systems, and training. I t includes several disciplines and industries: law, organizations, management, administrative science, finance, economics, accounting, assessment techniques, information systems, and other related disciplines such as training, auditing, communication, and change and project management.

Even if external resources have to be used to acquire knowledge, a major administrative structure is necessary to attract and involve highly qualified and skilled staff from other structures such as accounting, information systems, budgeting, etc., so as to acquire the expertise required by the reform.

Experience has shown that knowledge transfer must be a priority as external resources are not permanent.

Indeed, the creation of a budget reform directorate within the MoF at the end of 2008 mitigated this unbalanced situation. Yet once this traditional organizational structure has been selected, it is often difficult to propose organizational changes and have them approved.

Mobilizing dedicated resources

One of the major problems faced by projects of this type is the unavailability of budget decision-makers to participate in the reform, primarily because of their heavy daily workloads. However, their participation is necessary if progress is to be made. Experience has shown that government employees will accept acquiring new knowledge and are often in favor of it. However, this is not the case when they are asked to take on activities within a reform framework. Thus it is important to find an equitable balance that allows the DGB to manage these activities as better results are generally obtained when the DGB works together with the consultant.

Mobilizing material resources

From the government's perspective, resource allocation often depends on the administrative status of the structure created. For example, the status enjoyed by the Project Coordination and Support Unit made it easier for it to obtain material resources.

Project management unit

As the project requires broad cooperation and information sharing among the stakeholders involved, it is important to establish a Project Management and Steering Unit by granting budgetary authority to the chief manager of the reform structure.

This method of operation does not absolve the project of the need to seek assistance from governance and participating structures to ensure proper monitoring and oversight of operations.

Managing operations and relations with Ministries and other budget stakeholders

The reform must take an **often "authoritative" lead** as uncertainty about change is another constraint that may give rise either to open hostility or to harmful inertia. It is often reported that policy-makers must be politically involved for the reform to be effective.

The recommended "authoritative" approach recommended and used to implement the project in collaboration with Ministries not involved in the pilot phase of the project proved positive.

An "authoritative" approach should integrate budget reform into the budget policy paper initiating the budget preparation process and assign specific activities to relevant Ministries instead of leaving this up to the goodwill of budget actors.

Poorly planned initial implementation deadlines

The first constraint on the project was establishing a four-year deadline for the reform of budget systems. This period also included the time required for meeting all of the conditions for launching operations, including drafting the bidding documents as terms of reference (TORs) for the contracts to be initiated were nonexistent at the start. This required the DGB to call upon external advisors to define these terms.

Preparatory work should have led to the creation of immediately available TORs for consultants. It is also important to factor in the time necessary for the Project Steering Committee to validate these terms as well as the long time frame needed for awarding contracts according to World Bank procedures. Highly ambitious goals were not sufficiently specific, which led to long delays in defining what was expected from consultants. The procurement procedures are complicated and time-consuming. This is especially true of pre- approval requirements.

In conclusion, the four-year time frame had no sound basis, nor did it come out of any other country experience. It reflected a linear, almost imaginary vision with no link to actual conditions of project implementation.

Putting tools into place

In the reform project, all management tools and instruments developed within the budget reform framework are to be implemented simultaneously after some time. In light of the experience gained, it would be more reasonable to plan a gradual approach for introducing reforms by prioritizing the basic instruments to be put into place as these instruments are the backbone of the reform. Thus:

1. Adopt and formalize the BOL that is the foundation of the project; and

2. Allow sufficient time for the new BOL to come into force.

During this period,

1. Officially establish the classification for preparing and implementing the budget as well as its application procedures;

2. Officially set up program structures and identify program managers;

3. Formalize implementation procedures for public expenditure;

4. Elaborate legal implementation framework;

5. Train staff in the legally defined procedures;

6. As the installation of information technology tools is essential to facilitating the transition to a new budget process, launch the process of computerizing the execution of expenditures as soon as it is legally defined but not before; and

7. Gradually introduce results-based management components (a set of indicators) that can be easily facilitated by taking ownership of the basic tools.

Ability of Ministries to own and use the new procedures

The pilot experiment conducted in 2005 and 2006 was based on the components introduced by the reform (multi-year budgeting, budget classification, programs, etc.). It showed that some Ministries performed better than others due to the better mobilization and motivation of their chief managers and the public officials designated to manage the task.

- Some Ministries had difficulty in carrying out the task for lack of human resources.

- The integration of operating and equipment budgets was difficult to implement. Consolidating the budgets of Ministries involving multiple spending authorities (for instance Justice and Interior) was difficult as no resource was designated to play the role of ministerial coordinator.

- Several Ministries did not meet the deadlines set for drafting program reports. Members of the strategic units had difficulties understanding the concept of *program*.

- Based on experimentation showing that the involvement of DGB budget officers in the monitoring and analysis of the work produced by the Ministries contributed to the success of this segment of the project, the reform implementation procedure developed from the pilot project took into account the need to involve the Ministries in the process. Therefore, the DGB handled some work on a normal basis were entrusted to the Ministries which typically resulted in delays, while these Ministries were left in charge of work that only they could carry out.

II. LESSONS LEARNED

Many lessons were learned, and these were taken into account in Phase 2 of the project. Below are those considered significant:

Results-based program budgeting

Budgetary and financial elements were easier to introduce than the concepts related to results-based management.

For example, the introduction of a new expense classification and the integration of operating and equipment budgets were relatively simple changes for budget preparation resources to assimilate. However, developing managers' understanding of the concept of results-based management proved much more difficult.

The absence of strategic planning within the Ministries or their limited experience with this type of management method increased the difficulty involved in implementing the reform needed for putting results-based management at the heart of the process.

Defining activity structures is a pre-requisite within the context of program budgeting. The pilot project showed that advisors and managers had difficulty in properly understanding the concept of a *program.*

The program approach requires reflection on the strategic plan, the active involvement of ministerial authorities, time, and a major adaptation by managers to this new management philosophy. It should also be noted that during the first years of implementation of the reforms, structuring ministerial portfolios could be greatly facilitated if it were based on the organizational structure of these Ministries.

The experiment showed that users found it relatively easy to work with a new classification based on economic types of expenditures. At the start, converting budget data to the new economic classification requires a very large amount of time and human resources. Using a standard government transfer table would facilitate converting the budget to a classification in economic types of expenditure. This table can be adjusted as needed depending upon the specificities of each structure. Additionally, the new classification proved difficult to use as there was no codification for expenditure items.

New budget presentation

Following decisions made by the DGB Oversight Committee, budget documentation was adjusted, in particular for SIG-BUD.

The presentation of budget documents will continue to evolve and must be refined until the final stage of implementation of the reform.

Information systems

The first version of SIG-BUD was deployed in October 2005 for directors and deputy directors in the MoF, budget analysts, advisors, and data entry staff and trainers. These potential users had the opportunity to explore and test the system's functionalities. Their comments and observations were taken into account for Version 2 of SIG-BUD.

System administration and maintenance require a skilled administrator and a knowledgeable team of programmers. MoF officials are learning the programming tools needed for SIG-BUD application and will need assistance and support over several months before they master the new programming tools.

SIG-BUD was developed on a three-tier platform allowing Internet access. To ensure adequate functioning of the application, MoF needs to have high-speed Internet connections. Without these, transaction times will be slow.

SIG-BUD is a centralized system for which the DGB will act as administrator and manager. The spending Ministries will only access the system through the Internet. Units without Internet access will transmit data through USB devices. The DGB will manage the database used to prepare all budget drafts for line Ministries. Consequently, the DGB must take measures to guarantee access to these data in a permanent database. Line Ministries will only have minimal control over their budget.

Training

The reform will have a significant impact in terms of changes to the management culture and ways of working. Managers must therefore receive sufficient information in order to understand its impact on their operations. They must also understand the reform implementation process. Their staff must also understand relevant technical aspects (budgeting and programs).

Implementing public expenditures

The reform must help the Government of Algeria to: (1) communicate its goals and results using clearly presented information; (2) assess these results in relation to the resources used; and (3) accelerate accounting work and the production of financial reports. Establishing a new system for managing public expenditures must therefore resolve the following issues in relation to budget implementation:

1. How and at what budget classification level will expenses be executed (classification levels by activity and by economic type of expenditures)?
2. How will execution of expenditures be linked to Ministries ' organizational units (administrative classification)?
3. How will the Government Accounting Chart (GAC) be integrated into the budget reform
4. What will be the new roles of authorizing agents, managers, financial controllers, and public accountants in a reform that places increasing emphasis on a-posteriori control of expenditures?
5. When will financial controllers and public accountants be trained in the new elements introduced by the reform?
6. Who will train these resources?

- Once these questions are resolved, a pilot implementation of a program budget should be attempted before adopting the first program budget.

Deliverables and documents submitted under BSMP by Consulting Firms

2005 - 2007 CRC-SOGEMA
Report on software options and specifications
Finalized classification s
Training implementation report
Implementation report on coaching for 2006 budget arbitration meetings
Budget preparation process implementation report
Report on support to DGB to finalize the 2006 budget
Report on budget reform implementation strategy in Algeria (2007-2010):
Draft report
Final report
Report presenting survey results
SIG-BUD software, training support and user manual
Report on SIG-BUD software implementation training and support
SIG-BUD software delivery (Version 2) with revised user manual and materials
Revised SIG-BUD software (Version 3) with user manual and materials
Final report on SIG-BUD
BEGINNING IN 2008 CRC-SOGEMA
SIG-BUD access strategy and training plan
Report on MTEF training strategy and plan
Course: General overview of budget systems modernization in Algeria
Report on documentation, budget classification , and strategic plan development guide
Project planning document
Report on SIG-BUD trainers' training
Report on Ministries' program structures
Training documentation - Modules
Training documentation for trainers in 2008
Proposed communication strategy and framework plan
Report on oversight of SIG-BUD trainers
ADETEF
Report on reform options with choices of principles
Summary report describing the proposed system
Procedure manuals (Volumes 1 and 2)
Accounting standards adaptation plan
Draft government accounting architecture
GAC user manual
Report on GAC training
Accounting entry plans and user manual
Preliminary report (GAC transitional implementation)
Specifications for provisional GAC implementation software
Description of data conversion operations
Additional draft texts, except BOL and SIG-B
Draft SIG-B specifications
Software launch report

I INEUM CONSULTING DETAILED DELIVERABLES
Report on the information systems situation in the MoF
Working document on strategic orientations
Report on the software solution for SIG-B development
Preliminary summary report
Preliminary detailed report
Final summary report
Final detailed report and technical annexes

Adopted project implementation organization

A mechanism was established to ensure execution of the reform. It was structured as follows:

At MoF level

The DGB set up a supervisory committee responsible for monitoring and directing BSMP activities depending on reform options along with two thematic groups to handle outputs related to budgeting and process computerization.

***Ministerial BSMP Steering Committee*:** (Decision no. 69 dated May 25, 2006)

The Ministerial Steering Committee, chaired by the Minister of Finance, was assigned to assist, supervise, and monitor the progress of BSMP and to confirm strategic choices and the related options proposed. The Committee brings together the General Directors involved in the project.

***Technical and Operational Committee*:** (Decision no. 21 dated March 02, 2009)

Comprising 13 high-level officials from the MoF, this Committee is responsible for:

- Monitoring the work by the thematic and technical groups responsible for examining the various segments of the budget reform; and
- Validating the deliverables submitted by the consultants responsible for executing the BSMP and conducted by the thematic working groups, and reporting to the Ministerial Steering Committee.

At line Ministries level

Ministries were asked to: (1) create a budget unit; (2) create a strategic unit; and (3) designate a project director.

The Strategic Unit is responsible for:

- Finalizing decisions and strategic directions to implement the budget reform project;
- Adapting budget reform tools to the specificities of the Ministry;
- Providing management and oversight for the budget reform project implementation within the Ministry, exterior services, and subsidiary institutions; and
- Representing the Ministry at budget reform meetings and serving as the interface with the DGB in the MoF.

The Budget Unit is responsible for implementing the budget reform process by managing related work identified by line Ministries. The unit is composed of executives and technicians with a sound understanding of budget management (preparation and implementation) and related computer applications.

Project Director:
A reform project director will be designated as the DGB representative and will initiate and drive all activities related to the budget reform.

At the inter-ministerial level

1. ***National Oversight Committee for monitoring progress on BSMP:***
   Under the authority of the Prime Minister, the Committee includes 13 Ministers. Its role is to manage implementation and arbitrate among the choices for major reform options.

2. ***Inter ministerial Steering Committee for the reform project initiation and its deployment in relevant ministries and other public institutions:*** (Ministry of Finance Decision no. 28 dated May 02, 2009).
   The Inter-ministerial Steering Committee is chaired by the Minister of Finance and brings together General Secretaries from all Ministries. The Committee's role is to drive budget reform and monitor its progress at the level of Ministries and other public institutions.

3. ***Inter-ministerial Operating Committee responsible for monitoring the reform project implementation and its deployment at the level of Ministries and other public institutions:***
   Created on May 02, 2009, this Committee is responsible for global oversight of the project and its operations along with the implementation of the Ministerial Steering Committee's decisions. The Committee will meet weekly to assess progress on measures undertaken, discuss questions related to the organization of budget reform, and mobilize the necessary human and material resources to adequately complete the work. The Committee consists of line Ministries Budget Reform Project Directors designated by the ministries and is chaired by the DGB representative.

4. ***Training Organization Committee:*** This is made up of ministry training managers. It was established at the Higher Institute for Management and Planning level to supervise and manage the training program set out in the BSMP.

ANNEX 5 - LIST OF SUPPORTING DOCUMENTS

Project Appraisal Document
Loan Agreement
Borrower's quarterly reports
Mission Aide Memoires
Borrower's report on the project implementation and completion (expected)

IBRD 33360

ALGERIA

PROVINCE CAPITALS
NATIONAL CAPITAL
RIVERS
MAIN ROADS
RAILROADS
PROVINCE BOUNDARIES
INTERNATIONAL BOUNDARIES

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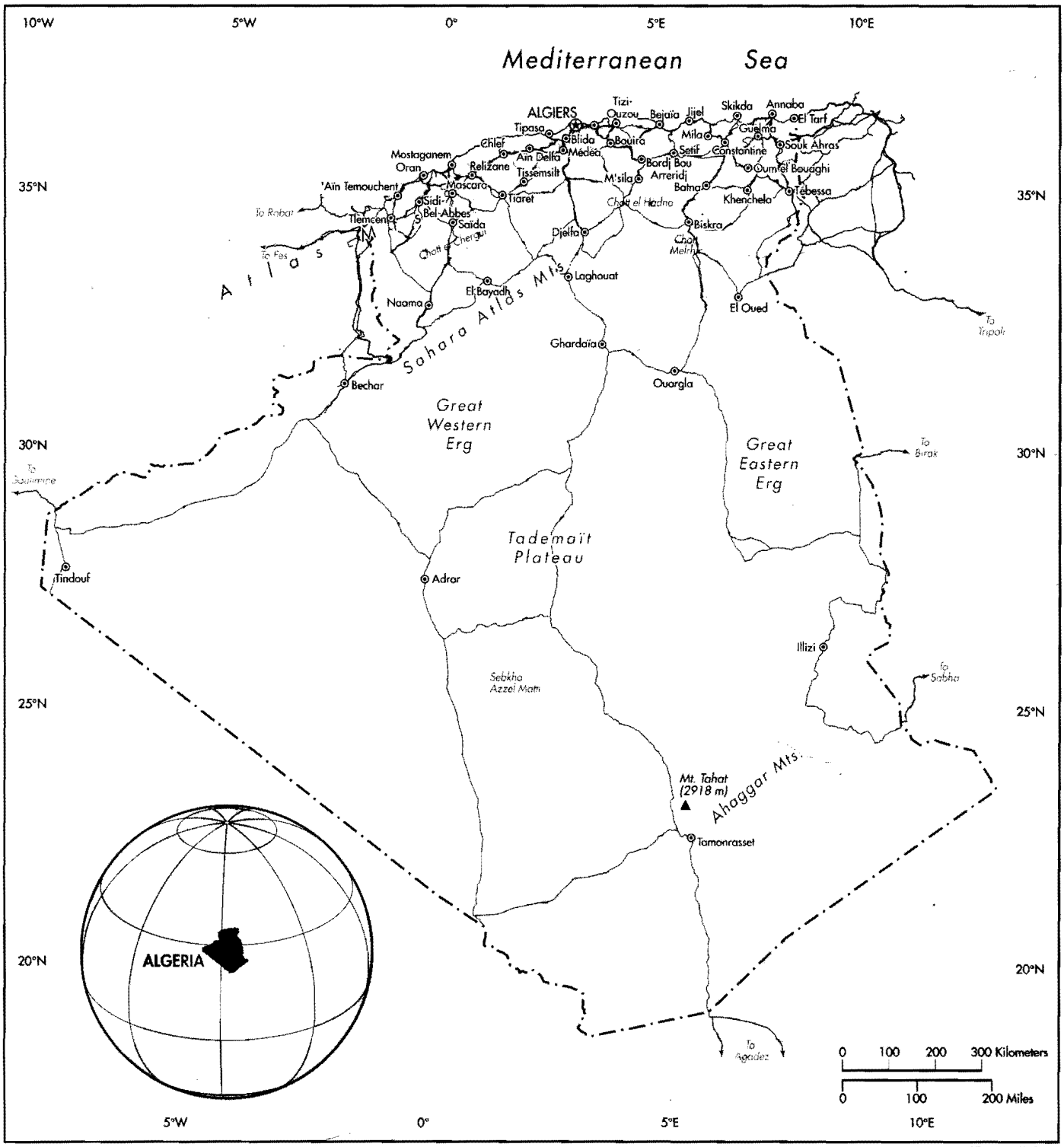

SEPTEMBER 2004