

The impact of accounting and budgetary reforms on the governance of public investment financing in Algeria

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Abstract:

This study aims to examine the actual impact of public accounting reform introduced under Organic Law 18-15 on the governance of public investment in Algeria, by unpacking the relationship between the modernization of the State's accounting architecture, the enhancement of transparency, the quality of resource allocation, and the effectiveness of investment program implementation. The originality of the study lies in its focus on assessing the suitability of public accounting reform provisions related to public investment within the Algerian context, through diagnosing implementation constraints and identifying gaps that hinder the alignment of the national accounting system with contemporary governance requirements. The study adopts a critical analytical approach grounded in comparative legal analysis, including an examination of the financial value chain of investment funding, the readiness of accounting system inputs, and their consistency with transparency principles and International Public Sector Accounting Standards (IPSAS).

The findings reveal a substantial gap between the legislative framework established by Organic Law 18-15 and the practical implementation of accounting reforms, particularly in light of delays in budget modernization, the absence of a comprehensive national inventory of public assets, and the multiplicity of financial actors operating without an effective coordination mechanism to ensure procedural coherence. The study further demonstrates that the limited operationalization of the accounting reform diminishes its expected contribution to improving transparency and linking public expenditure to measurable development outcomes. Accordingly, the study recommends accelerating the enforcement of implementing regulations, establishing a unified national asset register, and developing an integrated public accounting information system, in addition to strengthening institutional coordination among financial directorates to ensure a gradual and coherent application of the reform that enhances the quality and effectiveness of public investment.

key words: Public investment; financing; governance; accounting reform .

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1. Introduction:

Public infrastructure programmes form the core of local development objectives in Algeria, responding to the needs of local communities and contributing effectively to supporting local and economic development and improving social conditions throughout the country. Since independence, Algeria has worked within the framework of the state budget to prepare and implement numerous development programmes by financing many development projects that have had a direct impact on meeting the needs of citizens in many areas, such as roads, transport, housing, electricity and gas, water, etc., and other sectors such as health and education, etc.

The state budget before 2023 was characterised by programme budgets, which were based on the classic Finance Act 84 -17, which constituted a kind of obstacle and hindrance to the implementation of many public development programmes. The reasons for this were due to many factors, some administrative and others related to the absence of governance in the management of the state's general budget. In light of these facts, Algeria worked to modernise the budget by preparing the new Organic Law No. 18 -15, issued on 2 September 2018, and its regulatory provisions, which meet all the requirements for modernising the state budgetary framework, thereby addressing all the obstacles that had prevented the achievement of the desired objectives despite the allocation of huge financial budgets to them .

The new Organic Finance Law No. 18-15 is an important step in the modernisation of framework, which constitutes a programme budget, to a budget focused on objectives and results, which is an important factor in the governance and modernisation of the general budget in Algeria .

1.1. Research Problem

This study aimed to clarify the key regulatory provisions and legislation introduced by Organic Law 18-15, with a particular focus on the financing mechanisms for public equipment programmes and their alignment with governance requirements and the modernisation of the budgetary framework:

- ❖ **To what extent has the accounting reform introduced by Organic Law 18-15 influenced the governance of public investment in Algeria, and what technical and institutional factors hinder the realization of its intended outcomes?**

Based on the study's problem statement, we worked to answer the following two sub-questions

1. What are the most important provisions of the new Organic Finance Law 18-15?
2. To what extent does the new Organic Finance Law 18-15 respond to the requirements of governance and budgetary modernisation?
3. To what extent has the implementation of Organic Law 18-15 contributed to modernizing the public accounting system and improving the quality of financial information related to public investment?
- 4.

1.2. Hypotheses:

- ❖ To achieve the objectives of the study, we have developed the following hypotheses:

- ❖ The new Organic Finance Law 18-15 meets the requirements of governance and budgetary modernisation;
- ❖ The implementation of the accounting reform under Organic Law 18-15 improves the quality of financial information necessary to enhance transparency and the governance of public investment.

1.3. The importance and objectives of research:

- Identify the main objectives for reforming the legal framework governing public finance management;
- Address the developments in Organic Law 18-15 on finance laws, as well as all the regulatory texts of this law and their relevance to practical reality.
- Identify the shortcomings and imbalances in public finance management under Law 84-17 and Law 90-21.
- Identify mechanisms for determining expenditure and revenue and granting appropriations under Organic Law 18-15, known as the budget by objectives.

2. Budgetary reform as a mechanism for activating governance in the state budget:

In recent decades, the growing complexity of public financial management—coupled with increasing societal and institutional demands for transparency and accountability—has driven governments to reassess and modernize their budgetary frameworks. Budget reform has consequently emerged as a strategic instrument not only for improving the efficiency and effectiveness of resource allocation, but also for embedding governance principles throughout the formulation and execution of the state budget. By shifting from traditional line-item budgeting toward performance- and programme-based approaches, these reforms aim to reinforce fiscal discipline, enhance the quality and responsiveness of public services, and ensure that budgetary choices are coherently aligned with national development priorities. Within this evolving landscape, governance functions both as a foundational principle and as a tangible operational outcome, insofar as budgetary reform fosters broader stakeholder participation, strengthens oversight mechanisms, and promotes consistency between planned objectives and realized results.

2.1-The concept of governance in the public sector:

The concept of governance did not gain widespread prominence until the mid-1990s, largely because it represents one of the most conceptually complex and debated notions in the development literature. During this period, several related terms—such as participation, transparency, accountability, decentralization, sound management, and good governance—became increasingly prevalent in academic and policy discourse. It is important to emphasize that governance does not have a single universally accepted definition; rather, various

international organizations have approached the concept from different analytical perspectives, reflecting its multidimensional nature.¹

The Organization for Economic Co-operation and Development (OECD) defines governance as “the system that shapes and directs institutional activities by delineating and allocating rights and responsibilities among key actors—including boards of directors, shareholders, and stakeholders—while establishing the rules and procedures necessary for decision-making, setting strategic objectives, and ensuring mechanisms for oversight and performance evaluation.”

Similarly, the World Bank characterizes governance as “the manner in which power is exercised in the management of a country’s economic and social resources for development.” This definition extends governance beyond the corporate sphere to a broader macro-institutional level, framing it as a foundational process for managing public resources. Crucially, it underscores the intrinsic link between governance and development, highlighting the latter as the ultimate objective toward which effective governance is directed.²

2.2-Factors for the success of public budget governance:

To ensure the effectiveness of state budget governance, several foundational conditions must be met, including the following:

A. Adherence to governance principles:

This entails the rationalization of public expenditure, the enhancement of public revenue collection, and the sound management of state resources. It also requires transparency in the flow of financial information and ensuring its accessibility to all relevant stakeholders. Such adherence strengthens fiscal discipline and supports evidence-based decision-making.

B. Strengthened oversight, transparency, and accountability:

Effective governance further depends on rigorous monitoring of both public expenditure and revenue, accompanied by clear mechanisms of accountability. Ensuring broad societal participation in the formulation and implementation of fiscal policy helps reinforce public trust and contributes to reducing corruption and the misuse of public funds.

C. Optimal allocation of resources:

This refers to the efficient distribution of financial, material, and human resources across competing priorities, with the objective of maximizing societal welfare and ensuring that public funds are directed toward activities with the highest economic and social return.

D. Precise goal formulation:

Setting clear, coherent, and realistic short-, medium-, and long-term objectives for government programmes is essential. This includes ensuring alignment between the goals of organizational units and broader societal priorities, thereby minimizing conflicts and supporting the achievement of overarching macroeconomic objectives

E/. Administrative efficiency:

¹ OCDE, Principes de gouvernement d'entreprise de l'OCDE. Organisation de Coopération et de Développement Economiques, Paris, 2004, pp : 15-17.

² Kaufmann Daniel, Aart Kraay, Governance Indicators: Where Are We, Where Should We Be Going? Policy Research Working, 2007, P 43, Washington, DC: World Bank. <https://hdl.handle.net/10986/7588>.

This refers to the efficiency and good management of state institutions, given that political will and participation in the absence of an efficient administrative apparatus do not meet governance requirements, especially in developing countries that are characterised by a significant weakness in achieving their goals.

F/. Control of public spending programmes:

To achieve this, an effective accounting and control system must be in place to identify the level of spending and the rate of implementation of each operation to achieve the pre-set objectives.³

2.3–Motives for Enacting Organic Law No. 18-15 on Financial Laws as a Governance Mechanism:

In response to global transformations in management and governance practices related to budget preparation and execution, the need emerged to replace the traditional framework established by Law No. 84-17 on financial laws, as amended and supplemented, with a system that aligns with contemporary international standards in public finance management. This necessity was reflected in the Algerian government's adoption of Organic Law No. 18-15 of 2 September 2018, which introduced a modernized governance-oriented approach to managing public finances. The transition toward this new framework is driven by several structural and managerial deficiencies inherent in the previous budget management system, which proved inadequate in the face of evolving global economic and governance requirements. These shortcomings include:

- **The absence of a multi-year budgetary framework**, which is misaligned with the long-term nature of most development and investment projects.
- **The coexistence of separate operating and capital budgets**, resulting in fragmentation and inefficiencies in financial planning.
- **Expenditure management focused predominantly on inputs** rather than on expected outputs and outcomes.
- **Budget documentation lacking clarity and completeness**, thereby failing to provide a comprehensive representation of the State's financial position.
- **Ex ante controls centered primarily on legality and compliance**, without adequately assessing the efficiency or effectiveness of public spending.
- **Ex post auditing mechanisms with limited impact** on improving managerial performance or informing future policy adjustments.

Given these constraints, the modernization of Law No. 84-17 became imperative, as it no longer aligns with contemporary governance standards nor supports the effective management of increasingly complex public finances. This context necessitated the introduction of targeted budgetary reforms aimed at updating and strengthening the national budget system to ensure greater transparency, accountability, and performance-based management..⁴

³Emad Ghazari, Mourad Bouaichoui, Public budget governance in Algeria in light of the provisions of the new Organic Law No. 18/15 on finance laws . Algerian Journal of Public Finance, vol10 N(1), Algeria, 2020. PP :15-24.

⁴ Ministry of Finance, Directorate General of Budget). Presentation of the reasons for Organic Law 18/15. Algiers: Presidential Decree, April 2018.P:67.

3. Foundations and Limitations of Budgetary Reform under Organic Law 18-15 on Public Finance

One of the central pillars of budgetary reform introduced by Organic Law 18-15 is the transition from a system in which public expenditure is managed according to predetermined objectives to a results-oriented framework grounded in programmer budgeting. Despite this structural shift, the reform has not yet achieved the anticipated improvements in the efficiency and effectiveness of public spending. The key foundations of the reform can be summarized as follows.

Short-term multi-year budget programming, limited to a three-year horizon.

- **Integration of the operating and capital budgets** into a unified budget structure to enhance coherence and facilitate resource allocation.
- **Adoption of programme and performance-based budgeting**, aimed at strengthening the alignment between the general state budget and national policy priorities through the creation of a structured portfolio comprising programmes, sub-programmes, activities, and sub-activities.
- **Development of a robust information infrastructure**, notably through the Integrated Budget Management System (SIGB), to support real-time monitoring, data consolidation, and improved decision-making.
- **Enhancement of managerial oversight**, particularly by reinforcing the reporting framework—such as programme planning and prioritization reports (RPP) and ministerial performance reports (RMP)—to improve accountability and performance evaluation across sectors.
- **Establishment of a comprehensive accounting framework**, operationalized through three complementary components: budgetary accounting (cash-basis), general accounting (financial or double-entry accounting), and analytical accounting (cost accounting).

3.1- The desired objectives of budgetary reform under Law 18-15:

Through the provisions of the new organic law, we can identify the following objectives:⁵

- ✓ Establishing a results- and performance-based management system.
- ✓ Transparency in the management of the state budget, in addition to clarity of information related to it.
- ✓ Work to improve budget estimation and forecasting systems.
- ✓ Update the procedures in force in the area of budget management.
- ✓ Strengthen oversight through supervision and accountability of executive officials for various programmes.
- ✓ Strengthen the advisory function in budget management.

⁵ Akhal, Mohamed. Organic Law 18-15 on Finance Laws, Reform and Management of Public Finances, Journal of Legal and Social Sciences, Algeria, 2022, P : 711.

- ✓ Strengthen the reporting and disclosure system through regular and ongoing reports.

3.2- Basic principles of the state budget under Law 18-15:

We can summarise the basic principles of the new budgetary framework as follows:

the principle of annuality, budgetary unity, universality, specialisation, responsibility, transparency, stability, performance and, finally, equilibrium.

3.3- Results-based management under the new organic law:

Results-based management is a management approach based on directing and distributing efforts in line with the objectives to be achieved, through the development of strategies, people, resources, pathways and tools. This is in order to achieve the expected results in the short, medium and even long term.

3.4- Budget classifications under the new organic law:

Based on Article 28 of Organic Law 18-15 on finance laws, state budget expenditures are grouped according to the following basic classifications:⁶

- **Activity:** This classification consists of programmes and their subdivisions.
- **Economic nature of public expenditure:** This type of classification consists of expenditure headings and their subdivisions.
- **Major functions of the state:** This classification is based on the sectors responsible for achieving specific objectives according to their designated function.
- **Administrative bodies responsible for preparing and implementing the budget:** This classification is based on the distribution of financial appropriations among ministries and public institutions.

4. Key outcomes of Organic Law 18-15 on finance laws relating to management and equipment:

Article 23 of the law stipulates that the total financial appropriations contributing to the accomplishment of a specific task belonging to one or more ministries or any public institution shall be determined according to a set of objectives that must be clearly defined and fully consistent. The activity is also divided as follows: programme portfolio (ministries); programmes; sub-programme (functional division, used in the construction of the programme budget and often intersecting with the nature of expenditure); Activity and sub-activity (a practical division of the programme, allowing for the determination of the level and extent of implementation of the policies pursued and followed, and the necessary, required and implemented appropriations).

The provisions of this organic law included the main axes of budget system reform through two axes, the first related to management and the second related to the budget.

⁶Official Gazette. Articles 28-29 of Organic Law 18/15, Executive Decree 354-20, which defines the elements for classifying budgetary burdens, Algeria, 30 November 2020, P: 60.

4.1- Budgetary Reform and Management Framework

- **Programme Portfolio:**

A programme portfolio comprises a structured set of programmes that delineate the responsibilities of a minister or senior public-sector official involved in the implementation of specific public policies. It includes programmes, sub-programmes, activities, and, where necessary, sub-activities. This structure is explicitly affirmed in Article 28 of Organic Law 18-15.

- **Programmes:**

Programmes consist of a set of financial appropriations allocated to the achievement of a defined mission benefiting one or more ministries or public institutions. Each programme is structured around clear, coherent, and measurable objectives, as stipulated in Article 23 of Organic Law 18-15.

- **Sub-Programmes:**

A sub-programme represents a functional subdivision of a programme. The appropriations recorded under a specific programme are distributed across one or more sub-programmes to ensure detailed financial and operational management.

- **Activities:**

An activity constitutes an operational subdivision of a programme, enabling the assessment of the level of implementation of pursued public policies. Activities provide the basis for determining the requested, allocated, and executed appropriations.

- **Sub-Activities:**

Sub-activities function as detailed operational subdivisions that directly contribute to the execution of specific public policy objectives within the broader programme framework.

4.2 – Results-Based Management

Results-based management (RBM) represents a modern managerial approach centred on achieving predefined objectives established by managers themselves. Under this philosophy, budgetary choices are grounded in medium-term planning and the strategic alignment of activities, as set out in Article 5 of Organic Law 18-15. Unlike traditional input-based budgeting—which prioritizes resource mobilisation—RBM emphasises anticipated results as the primary driver of budget formulation and adjustment. This shift enhances transparency in public financial management and strengthens accountability by requiring managers to clearly identify, justify, and oversee the activities and operations necessary to achieve approved budgetary objectives.

Within this framework, managers are expected to play a more active role in promoting good governance by assuming responsibility for the programmes entrusted to them and proposing the most appropriate initiatives to ensure coherence between planned activities, allocated resources, and expected outcomes.

To ensure the achievement of the objectives set, managers are first required to define the planned initiatives, then prepare the budget necessary for their implementation, and ultimately report on the results obtained.⁷

In this regard, Article 87 of the Organic Finance Law stipulates that the budget settlement law must be accompanied by a ministerial report detailing the conditions under which the budgeted programmes were executed, the extent to which the expected objectives were achieved, and the performance indicators used to monitor and measure these outcomes. The report must also provide explanations for any discrepancies observed.

4.3. Budgetary reform specific to the budget axis:

The reform measures associated with the budget axis are reflected in several key components:

A. The Multi-Year Budget Framework

This framework serves as an instrument for articulating the State's strategic priorities and projecting revenue and expenditure estimates over a period exceeding twelve months.

Accordingly, the budget horizon extends over five years—two preceding years, the current fiscal year, and two subsequent years—while the parliamentary vote on the budget remains annual. For example, the five-year reference period for the 2020 budget encompasses the years 2018, 2019, 2020, 2021, and 2022.

B. Medium-Term Expenditure Planning and Programming Framework

The Medium-Term Expenditure Framework (MTEF) is a macro-fiscal planning tool designed to ensure the sustainability of budgetary policies by identifying available resources, government priorities, and financial needs in advance. It provides a comprehensive and realistic overview of the financial resources that may be mobilized and establishes an allocation mechanism consistent with the priorities set by public authorities.

This approach is clearly illustrated in the 2020 Finance Law, which adopted a forward-looking financing rule for projected State budget expenditures for the following fiscal years (2020, 2021, and 2022). Total estimated expenditures for operating and capital budgets were projected as follows:

- **2020:** 7,823.1 billion dinars
- **2021:** 8,164.8 billion dinars
- **2022:** 8,277.6 billion dinars

These projections reflect the State's commitment to enhancing expenditure visibility, improving resource allocation, and reinforcing medium-term fiscal discipline.⁸

D -The New Budget Code:

Under the new framework, the state budget is structured as a matrix comprising two primary axes:

⁷ Madfouni Henda, The New Budgetary Framework: Towards Public Budget Governance in Algeria under Organic Law 15-18 on Finance Laws, Journal of Accounting, Finance and Management Studies, Volume 09, N 01, Algeria, pp. 630-631.

⁸ Amin Sabah, Kamal Ben Moussa, Analytical Study of the New Organic Law No. 18-15 and Its Importance in Improving the Performance of the Public Sector in Algeria, Algerian Journal of Social and Human Sciences, , Volume 08, No. 01, Algeria, 2020, p. 268.

1. Functional Allocation of Expenditures:

In accordance with Article 28 of the Organic Law, expenditures are classified based on their intended use, following a hierarchical structure that includes: portfolio, programme, sub-programme, and activity.

2. Economic Classification of Expenditures:

Pursuant to Article 29, the economic nature of expenditure follows a unified classification system that groups financial operations into the following categories:

- ✓ Personnel expenditures
- ✓ Operating expenditures
- ✓ Investment expenditures
- ✓ Transfer expenditures
- ✓ Public debt service
- ✓ Financial operations
- ✓ Contingency and unforeseen expenditures

E/ Enhancing the Content of the State Budget

Improving the informational value and transparency of the state budget is achieved by adopting enhanced presentation methods and strengthening the clarity of parliamentary authorizations. In accordance with Article 75, the annual draft Finance Bill must be accompanied by comprehensive set of documents compiled into three volumes:

- The draft state budget
- A report on priorities and strategic planning prepared by the minister or the head of the public institution responsible for managing the programme portfolio
- The regional distribution of budget allocations for each programme, based on performance and results

Programme budgets are prepared on both an annual and multi-year basis, reflecting a medium-term vision of public expenditure.

F/ Practical Applications Based on Activity and Economic Classifications under Organic Law 18-15

Financial appropriations may be structured according to several dimensions, including the economic nature of expenditures. Using the Ministry of Finance as a case model, the following schematic illustration (not reproduced here) clarifies the preparation process of programme budgets and their subdivisions in alignment with the adopted economic classifications.

G/Transfers and Adjustments of Financial Appropriations:⁹

⁹ Article 34 of Organic Law 18/15.. Executive Decree 383-20 dated Conditions and procedures for the movement of financial appropriations and how they are implemented. 19 September 2020 ,P 50.

- ❖ **Transportation:** The transfer of funds from one programme to another at the level of the same ministry or public institution by a decree taken on the basis of a joint report between the Minister of Finance and the concerned minister or the head of the concerned institution.
- ❖ **Transfer:** The transfer of funds between programmes in different ministries or public institutions is authorised by a presidential decree based on a joint report by the Minister of Finance and the relevant ministers or officials.
- ❖ **Movement:** Any modification that occurs during the fiscal year in the distribution of appropriations within programmes is known as a movement. This can also concern sections, sub-programmes, and sub-activities.
- ❖ **Modification:** A modification of appropriations at the level of activities and sub-activities. In addition to the organisational measures relating to financial appropriations in the new law, appropriations registered in the user expenditure section cannot be transferred to another section. This organic law also stipulates that the accumulated financial appropriations that have been transferred or transferred by decree during the same year cannot exceed 20% of the financial appropriations proposed by the Finance Law for each year.

4/4. Performance Measurement Techniques under Organic Law 18-15 and Their Implications for Public Investment Governance in Algeria

Within the framework of the new budgetary system, the **programme budget** constitutes the core unit for allocating appropriations. Its effective implementation requires the development of a comprehensive strategic framework that articulates both general and specific objectives, supported by a set of quantitative and qualitative performance indicators designed to evaluate the extent to which these objectives are achieved.

These components are embedded in the **Annual Performance Plans (APPs)**, which must be annexed to the draft Finance Bill. A separate performance plan is prepared for each programme, incorporating an articulated system of indicators that capture the effectiveness, efficiency, and value-for-money of resource utilisation. The performance plan is subsequently subject to systematic evaluation through a comparison of actual outcomes with predefined targets. A detailed performance report is then attached to the draft Budget Settlement Bill for the relevant fiscal year. This report functions as a critical instrument for strengthening the transparency of public investment, as it enables oversight bodies and the broader public to assess the degree of compliance of public entities with their stated objectives. Moreover, it establishes a direct link between resource allocation and the results obtained, thereby improving the quality of financial reporting and reinforcing the principles of good governance within public financial management.

Table (01) : The relationship between accounting reform and its role in public investment governance

Public Accounting Reform Element under LOLF	Brief Description	Corresponding Stage in the Public Investment Governance Cycle	Expected Impact
Transition from Cash Accounting to Accrual Accounting	Recording transactions when rights and obligations arise, rather than upon payment or collection	Financial Planning Stage	Enhances the accuracy of financial forecasts and the estimation of resources available for investment
Inclusion of Quantitative and Qualitative Performance Indicators (KPIs)	Linking resource allocation to the level of achievement of predefined objectives	Investment Program Preparation Stage	Directs resources toward projects with the highest economic and social returns
Results-Oriented Budgeting	Allocating appropriations based on expected outputs rather than historical inputs.	Implementation Stage	Increases expenditure efficiency and ensures alignment between funding and outcomes
Improved Financial Reporting Transparency	Publishing detailed and reliable financial data reflecting the actual status of public finances	Monitoring and Oversight Stage	Strengthens internal and external control, and builds trust between administration and society
Strengthened Internal Control	Establishing continuous verification and auditing mechanisms over financial performance	Evaluation Stage	Ensures sustainability of reforms and mitigates financial deviations
Alignment with IPSAS Standards	Convergence with international best practices in public sector accounting	All Stages	Improves international comparability and enhances the attractiveness of the investment environment

The source: Haillami, Nabila.. Assessing the Impact of Public Accounting Reforms in Algeria: An Analytical Study of the Government Accounting System under the Organic Finance Law (LOLF). International Journal of Economic Perspectives 18, no. 2, Algeria, 2024,pp: 628–646

5. Challenges and Constraints to the Implementation of Law 18-15 in Relation to the Governance of Public Investment in Algeria and the Country's Alignment with IPSAS: ¹⁰

5.1. Supporting Arrangements for Adapting the Algerian Environment to IPSAS and Their Implementation Requirements

As part of its comprehensive reform of the public-sector accounting system, Algeria has initiated a set of structural measures aimed at preparing the institutional and technical environment for

¹⁰. Fathia Bouabana and Abdelhamid Hassiani, Modernization of the Public Accounting System in Algeria in Accordance with International Public Sector Accounting Standards (IPSAS): Efforts and Challenges, Al-Mu'assassa Journal, vol. 10, no. 1, Algeria ,2021:pp : 245–257.

alignment with International Public Sector Accounting Standards. This alignment represents a pivotal step for ensuring the effectiveness and depth of the ongoing accounting reform.

A. Modernizing the Budget System as a Foundational Pillar for Upgrading Public-Sector Accounting

Parallel to the reforms undertaken in the public accounting framework, the Ministry of Finance launched an extensive review of the national budget system, which had become unable to meet the requirements of a modernized accounting environment. This reform project included revising the organisational and legal frameworks governing the budget system, given their central role as a prerequisite for supporting the accounting reform. It also encompassed the adoption of an integrated information system designed to facilitate the transition toward a more advanced and transparent accounting model.

In this context, Algeria embarked on a thorough revision of the provisions of the Organic Law on Finance Acts No. 17/84 of 17 July 1984, which constitutes the legal backbone of the national budget framework. To this end, a preliminary draft of a new Organic Law on Finance Acts was prepared—

Avant-projet de loi organique relative aux lois de finances (APLOLF)—

which serves as the cornerstone for restructuring the budget architecture in a manner consistent with the requirements of the accounting reform and supportive of the gradual transition toward IPSAS-compliant practices.

The main components of this reform are articulated across several articles of the preliminary draft Organic Law. These key provisions will be presented in the following table, highlighting the normative foundations upon which Algeria's modernization of its budgetary and accounting frameworks has been built.

Table (7): Key Components of the Reform in the Preliminary Draft of the Organic Law on Finance Acts

Reform Components	Articles	Brief Summary of Reform Elements
Programme-based and Results-oriented Management	Article 05	The preliminary draft defines the total resources and expenditures allocated for the implementation of State programmes, based on predefined objectives and expected outcomes.
	Article 22	Stipulates that appropriations must be allocated within predetermined programmes.
	Article 78	Establishes programmes as the fundamental unit for executing budgetary appropriations.
	Other articles	Specify the rules governing the transfer and reallocation of appropriations within the framework of programme-based management.
Medium-term Budgetary Framework	Article 02	Indicates that Finance Acts—whether annual or multiannual—contribute to the implementation of results-based management.
	Article 74	Refers to the medium-term framework as an essential pillar for budgetary planning.
Classification of Expenditures	Article 27	States that public expenditures are classified according to four criteria: type of activity, economic nature of the expenditure, core governmental functions, and administrative units responsible for preparing and executing the budget.
Budget Presentation	Article 71	Defines the components that must be included in the annual Finance Act.
	Article 74	Emphasizes the necessity of incorporating explanatory annexes within budget documentation.

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Source: Prepared by the researcher based on *Projet de la loi organique relatif aux lois de finances, mars 2008*.

5.2/Discussion :

Algeria has embarked on a comprehensive reform of its public-sector accounting framework through the modernization of the State's Chart of Accounts (PCE), carried out in parallel with the reform of the budgetary system (MSB). This dual reform has effectively resulted in the **coexistence of two expenditure classification systems**: one accounting-based and the other budget-based. In line with contemporary international standards, the development of public financial management requires the adoption of a **unified expenditure classification system** that ensures full consistency between the two frameworks—an objective currently pursued by specialized professional bodies working toward a precise harmonization of the classifications. Within this context, the newly updated accounting system introduces a revised conceptualization of public-sector transaction accounts, structured in a manner consistent with the expenditure classification embedded in the budgetary code.

The modernization initiative proposes the **simultaneous integration of three accounting approaches**, enabling a gradual transition toward a more comprehensive and transparent model:

- **Cash Accounting:** The traditional basis used for tracking public transactions, whereby operations are recorded only upon the actual disbursement of funds.
- **Cost Accounting:** A core component in upgrading the public accounting system, as it provides detailed information on the costs of activities and programmes, thereby supporting analytical processes and decision-making within government entities.
- **Accrual Accounting:** Designed to produce financial statements that recognize rights and obligations as they arise. Revenues and expenditures are therefore recorded at the end of the fiscal year on an accrual basis, allowing financial statements to more accurately reflect the true position of the public budget.

Supporting this transformation, **the modernization of information systems is crucial**, with the integrated budget management system (SIGB) serving as a central pillar in the digitalization and modernization of public financial administration. Furthermore, the new reforms require that budget formulation and presentation be carried out through **SIGBUD**, which enables ministerial departments to propose draft budgets prior to arbitration, while ensuring real-time linkage between budgetary and accounting systems during the execution of appropriations.

Human-capacity development also represents a decisive factor for the success of the reform. This requires targeted training programmes for public accountants, authorizing officers, financial controllers, judges of the Court of Accounts, as well as students and administrative staff. Such programmes are expected to be delivered through joint initiatives between universities, training institutes, and professional bodies, thereby strengthening the technical competencies necessary for implementing international public-sector accounting standards.

Finally, the **gradual implementation** of the reform's components constitutes a strategic necessity. It allows public administrations and their personnel to adapt progressively to the requirements of the new system and ensures a smooth transition toward a more modern, efficient, and transparent budgetary and accounting model.

5.3/ Obstacles to Implementing Accounting Reforms under Organic Law 18-15 and Their Implications for Public Investment Governance in the Context of Adopting IPSAS

1. **Delayed enforcement of the new Organic Finance Law** represents one of the most structural impediments to modernizing the public accounting system. A successful transition toward an IPSAS-compliant accounting model requires an updated legislative framework governing budget preparation and account closure procedures. The French

experience demonstrates that the adoption of international standards became feasible only after overhauling the Organic Finance Law in 2001 to replace the 1959 framework, with reforms gradually implemented until 2006. By analogy, maintaining the applicability of Organic Law 84-17 and the non-enactment of the 2008 draft reform continues to constitute an institutional barrier that limits the effective operationalization of international public-sector accounting standards in Algeria.

2. **Delays in implementing the State Budget Modernization Project** form a parallel constraint, given that the budget constitutes the primary input for the public accounting system and serves as the foundation on which the State's financial statements are constructed. Although the project, prepared between 2001 and 2012, aimed to transition toward a results-based budgeting framework and a medium-term expenditure perspective, its continued non-implementation has hindered the alignment of accounting inputs with contemporary requirements. Consequently, the capacity of accounting reforms to integrate effectively with internationally recognized standards remains significantly constrained.
3. **The delay in conducting a comprehensive inventory of State assets** represents a critical technical challenge. Implementing the new fixed-assets treatment methodology requires a complete and up-to-date database of public assets, enabling their proper recognition in the State's financial statements in accordance with internationally accepted accrual-based measurement principles.
4. **Weak coordination among central directorates within the Ministry of Finance** constitutes another determinant of the reform's limited progress. Oversight of the project is confined to the General Directorate of Accounting, while the nature of the reform necessitates broad institutional collaboration involving the Directorates of Budget, Taxation, State Property, and Customs. Consequently, effective governance of this ambitious reform project requires placing the supervisory body under the direct authority of the Minister of Finance or the Ministry's Secretary-General. Such an arrangement would broaden its mandate and ensure the active participation of all relevant directorates, thereby securing a coordinated institutional response aligned with the requirements of IPSAS implementation.

6. Conclusion:

Based on the above, the following conclusions can be drawn:

- There is a clear gap between the legislative framework and the practical implementation of the public accounting reform introduced under Organic Law 18-15, which limits its ability to generate a tangible impact on the governance of public investment.
- The delay in updating the legal framework governing public finance constitutes a structural barrier to transitioning toward an accounting model aligned with international transparency requirements and IPSAS standards.
- The lack of effective implementation of the budget modernization project—particularly program budgeting and the medium-term expenditure framework—weakens the alignment of accounting system inputs with modern accounting standards and reduces the reliability of financial information related to public investment.

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- The delay in establishing a comprehensive national inventory of public assets represents a major technical obstacle to adopting accrual-based fixed-asset accounting, resulting in incomplete financial information on state-owned assets and investment projects.
- Weak institutional coordination among the central directorates of the Ministry of Finance (Budget, Accounting, Taxation, State Property, and Customs) contributes to the slow progress of the reform and the absence of a unified vision for managing the accounting transformation.
- Limited readiness of financial information infrastructure hinders the transition toward a digital, integrated public accounting system capable of meeting disclosure requirements and strengthening accountability in public expenditure.
- The absence of measurable financial and accounting performance indicators restricts the government's ability to evaluate the impact of the reform on the quality of public investment financing and implementation.

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Recommendations :

- Accelerating the adoption and enforcement of the implementing regulations of Organic Law 18-15, thereby ensuring the translation of accounting reform measures into clear and standardized operational practices.
- Launching a comprehensive national program for the inventory of state-owned assets as a fundamental prerequisite for the effective implementation of accrual accounting and its alignment with international public sector accounting standards.
- Developing an integrated governmental accounting information system (Integrated Public Financial Management System) that connects all financial directorates and enables the production of accurate and transparent accounting reports.
- Strengthening institutional coordination among the directorates of the Ministry of Finance through the establishment of a high-level unit or an inter-directorate committee under the direct supervision of the Minister of Finance or the Ministry's Secretary-General.
- Implementing program budgeting and a medium-term expenditure framework to harmonize budgetary inputs with the requirements of the modernized public accounting system.
- Establishing a national framework of financial performance indicators to assess the impact of the reforms on transparency, the execution of investment projects, and the management of public assets.
- Delivering targeted training and capacity-building programs for public accountants and financial controllers to enhance their technical competencies in applying international standards and modern public-sector accounting practices.
- Adopting a gradual approach to the implementation of IPSAS-based reforms through pilot projects within selected ministries prior to full-scale national rollout.

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