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The new Organic Law 18-15: Its motivations and provisions An analytical study

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Abstract

The general budget is a fundamental tool used by the government to achieve development goals. It reflects the main economic and social trends adopted by the state, which ultimately aim to improve public administration and rationalize spending. Due to its importance, it has become essential to modernize and develop the general budget in Algeria by transitioning from documentary auditing to performance-based auditing. This latter approach focuses on results and achieving the objectives set in the allocation and distribution of financial appropriations, in line with the financial and accounting transparency requirements recommended by international organizations and bodies. Within this framework, Algeria has sought to implement a series of fundamental reforms by modernizing the legal, financial, and accounting system for public finance management. This study aims to clarify the transition from traditional general budget management to modern management based on programs, performance, and results. This transition has already manifested itself in the issuance of several laws and legislative decrees, most notably Organic Law No. 18-15 issued on

September 2, 2018, which replaced the old Organic Law No. 84-17.

Keywords: Law 84-17, Law 18-15, General Budget, Budgetary Reform, Modernization of the Budgetary System.

Introduction

Anyone who examines budget reforms worldwide will notice that they converge on a key point: the adoption of a program and performance budgeting system, which is the approach Algeria is currently following, especially after the issuance of the 2023 Finance Law. The budget reform project in Algeria is based on three main axes: the budgetary axis, the accounting axis, and the information axis. It is important to note that the outlines of the budget reform are now becoming clearer, with implementation scheduled to begin in 2023. As for the other two axes, the vision remains unclear and requires explanatory texts and training courses. These reforms are part of a comprehensive reform project entitled "Modernization of Budgetary Systems" (MSB), which necessitated revising Organic Law 84-17 on the Finance Law and replacing it with a new Organic Law 18-15, issued on September 2, 2018. This change aligns with international

developments in this field, and the new law has adopted the principles of management by objectives and accountability, in addition to a multi-year budget framework for the medium term.

The questions that arise are:

1- What are the shortcomings of the current system for managing the public budget in Algeria? And what are the justifications and motivations for budget reform? 2- What do we mean by the concept of "program and performance budgeting"?

I - Motives for the Issuance of the New Organic Law No. 18/15 on Finance Laws

This law is considered the state's financial constitution. Algeria's adoption of this significant legislation comes within the framework of strengthening efforts to develop and monitor the general budget, while granting Parliament greater powers in overseeing and managing this budget. In line with this approach, future finance laws will be governed by an organic law based on the constitution, as is the practice in developed countries, with the aim of achieving better governance of the state's general budget. This law represents the new framework for public finance management and seeks to reform the budgetary and accounting system and bring about a radical transformation in how public funds are managed. This is achieved by focusing on results-oriented budgeting based on specific objectives, rather than relying on the nature of current expenditures.

The French experience in reforming the financial system, in which the French Parliament played an active role, had a significant impact on Algeria. The reform proposal from the Algerian government was based on several considerations, leading to the issuance of Organic Law No. 18/15 on Finance Laws. **I -1 - Addressing the Shortcomings of the Current State Budget System**

The current financial system is a product of the circumstances the country experienced in the early 1990s, when it transitioned from a centrally planned economy to a market economy. However, this model has proven ineffective and incompatible with the requirements of financial resource management due to its complex rules and cumbersome procedures. According to field experience, this has become an obstacle for those responsible for managing public funds. On the other hand, the importance of the rational use of resources to meet increasing social demand is paramount, requiring a degree of rigor and efficiency in public financial management. Therefore, the Algerian government has undertaken the responsibility of reforming the state budget system, which suffers from several shortcomings, as outlined below¹.

- The absence of a multi-year timeframe in budget planning: The annual budget system is unsuitable for long-term projects, resulting in the lack of a multi-year financial plan.

- The existence of a duplication in the budget: Separate budgets are allocated

for operating expenses and for investment.

- Public expenditure management is based on available resources rather than targeted outcomes, reflecting a lack of concern for the efficiency of public spending.
- Budget documents do not provide a clear picture of the financial situation, making it difficult for users to access certain public budget documents, thus weakening transparency in public finance management.
- The public budget relies on a formal, prior control that focuses on ensuring expenditures comply with applicable laws and regulations, without considering their effectiveness in achieving the desired results.
- Continuing with the line-item budgeting system has several drawbacks, as the accounting framework only provides a partial description of the state's financial activity, and not all information and data related to receivables, debts, and various elements of the state's financial position can be obtained through it.
- The information used in public finance management is ineffective due to its inefficient use.

I -2- The need to update Law No. 84-17 on Finance Laws, as amended and supplemented, given its incompatibility with governance requirements.

The primary reference document in the field of public finance in Algeria is

Ordinance No. 59-02, issued on January 2, 1959, which contains the law on finance laws enacted by the colonial authorities.²

After Algeria's independence in 1962, the public authorities continued to apply this law, which stipulated the continued application of French legislation, until the promulgation of Finance Law No. 17/84 on July 7, 1984. This law is considered the ordinary law on finance laws, and although it leans towards being an organic law, it was not subject to prior review by the Constitutional Council. This allowed it to retain the characteristics of an ordinary law until the promulgation of the Constitution in 1996, which explicitly stipulated the necessity of managing state finances under an organic law. With increasing international interest in the economic and social role of states within the framework of good governance, aimed at rationalizing public spending and improving the efficiency and effectiveness of public interventions, especially in countries that have faced difficulties in securing and properly allocating resources, Algeria, as one of these countries, has become in dire need of reforming its public finances and correcting the imbalances in its financial system.³

The weak performance of the current financial system in Algeria, from both an economic and social perspective, stems from a number of shortcomings that can be summarized as follows:⁴

- Law 17/84 concerning financial laws did not grant Parliament the genuine authority and broad powers necessary to

discuss and approve the budget, particularly regarding free access to the state's financial and accounting data.⁵ As is well known, the role of Parliament, according to current practices, is limited to quantitative review of the budget, focusing on the size of appropriations and their growth and expenditure rates.⁶

As for the oversight of public funds, the prior control exercised by the financial controller is considered merely formal, as it focuses primarily on the legality of expenditures without regard to their effectiveness and the objectives to be achieved.

- The lack of alignment between the operating budget code and the capital budget code, where financial allocations in the operating expenditure code are distributed according to ministerial departments, while the capital and investment code divides allocations into sectors. This discrepancy complicates the understanding and comprehension of the budget and the finance law by those who consult them.⁷

- The current state budget system focuses on providing the necessary means to manage public funds, without giving sufficient attention to the desired results and objectives. It also fails to clarify potential outcomes, which makes it difficult to measure the performance of government agencies⁸

- Many users and stakeholders in the financial field, such as researchers and civil society, face difficulties in accessing financial and budget documents. Although the revised Charter of Good Practices in Fiscal Transparency, issued by the International Monetary Fund, considers

the media an effective tool for obtaining information related to the state budget, the reality is different. Reports prepared by most public oversight bodies remain unpublished, thus limiting the right to access information.

Access to this information is restricted to members of parliament and the executive branch. Some consider this information to be state secrets that should not be made public, for fear of accountability.⁹

- The text suffers from a lack of transparency regarding financial and accounting documents, particularly concerning the amounts listed under shared expenses in Schedule B of the Finance Law. These amounts appear on a single line, despite requiring more detail than can be expressed in one line, raising numerous questions. For example, there is the issue of concealing the details of the treasuries, where substantial additional resources are allocated to ministries and institutions, while the actual amounts and the size of the reserve allocated for exceptional expenses are very small compared to the total allocated amount. It is important to note that reserve funds are usually allocated for adjustments during the year, while the appropriations listed under shared expenses are primarily related to public debt, financial contributions made to international and regional financial institutions, and the expenditures of public institutions. (Official document from the Ministry of Finance on the Organic Law on Finance Laws, 2017) - The administration suffers from a lack of accountability, as the prevailing financial system does not hold those responsible for expenditures accountable, nor does it define

predetermined objectives that they should achieve during the fiscal year. Consequently, financial allocations are subject only to legal rules and conditions, resulting in officials bearing no responsibility for the efficiency and effectiveness of managing government interests within their jurisdiction. Furthermore, the lack of clearly defined objectives in advance makes it difficult to hold them accountable.¹⁰

- The current budget classification significantly hinders the measurement of the cost of government activities and services provided by the state.

- The process of submitting special allocation accounts also lacks transparency, despite Article 68 of Law 84/17 on Finance Laws, as amended and supplemented, stipulating that the Finance Law for the year must be accompanied by a list of special treasury accounts, detailing the amounts of revenues, expenditures, and statements allocated to these accounts. However, the reality is quite different, as sufficient information or data on special treasury accounts is unavailable, except for the funds allocated from the general budget. The state has special allocation accounts. This is despite Parliament, in both its chambers, emphasizing the importance of including a schedule of estimated revenues and expenditures for each account within the budget proposals. Moreover, the legislative body's powers to oversee special allocation accounts remain extremely limited, as its oversight role ends immediately after the vote and ratification of the finance law.

- The flaw in the constitutional text: Article 141 of the 2016 Constitution stipulates that Parliament must legislate

through organic laws concerning financial laws. However, this law, despite its significant legal importance, has been stalled. The main reason, according to government bodies, is that transforming the financial legal text from an ordinary law to an organic law at the level of a public finance constitution would grant Parliament broader powers to oversee the government's work, thus strengthening the role of the legislative branch at the expense of the executive branch. For this reason, this issue was not addressed until 2018, when the new law, in line with the articles stipulated in the Constitution, was issued after more than 30 years of unjustified delay.¹¹

The inefficiency of the information system, as a result Due to the shortcomings in the financial system mentioned earlier, there were increasing demands for updating the basic budget law. This was achieved by replacing it with the Organic Law on Finance Laws No.

18-15, issued on September 2, 2018, which is consistent with modern financial management and disposition mechanisms.¹²

II – The New Organic Law 18/15: Its Nature, Orientations, and Objectives

After addressing the shortcomings of Law 84/17, which governed public finances in Algeria until recently, the transition to a new organic law that keeps pace with global economic developments became imperative. This is what became known as the new Organic Law 18/15 on Finance Laws.

II -1- The Nature of the New Organic Law 18/15

Organic Law 18-15 on Finance Laws is the new legal framework that established a set of reforms in the areas of budgeting and accounting, which were adopted by the public authorities in Algeria. This law came about after Law 84-17 proved inadequate in adapting to local and international developments. The new law included the principle of management by objectives, in addition to multi-year budgetary frameworks aimed at rationalizing public spending. It also established the principle of asset accounting, which allows for a comprehensive view of all state assets, resources, and liabilities. Accordingly, Organic Law 18-15 was issued on September 2, 2018, replacing Law 84-17, which was no longer in effect and no longer met the requirements resulting from the changes and developments our country has witnessed in the financial and economic fields. This Organic Law included new mechanisms for public finance management, focusing on the principle of multi-year budget management, in addition to performance evaluation instead of the current method of evaluating resource management.

II-2- Major Orientations of the New Organic Law 18/15.

The new Organic Law includes a set of orientations, among which are the following:¹³

- Supporting the structural balance of the budget: As part of its reforms, the State has committed to a set of measures aimed at rationalizing public expenditures, particularly those related to operations. In this context, the

Organic Law on Finance Laws seeks to fully finance the operating budget from ordinary revenues, with the aim of ensuring budgetary sustainability and continuity. Recognizing the importance of this objective, the government decided to include programming laws and government work programs funded from the state budget within the multi-year budget framework, while adhering to the overall financial ceiling permitted by the finance laws.

- The medium-term budgeting approach: This is considered a new and effective method for managing public resources, as it clearly reflects the main axes and future commitments of the state regarding revenue and expenditure estimates over a period exceeding one year. Thus, the multi-year framework provides the same level of detail as the annual budget, in addition to estimating the total revenue and expenditure ceiling for the next three years¹⁴, specifically the first year, and particularly the second and third years. Organic Law No. 18-15 on Finance Laws (2018) adopted this approach. Article 5 of Organic Law No. 18-15 on Finance Laws stipulates that the government prepares medium-term budgets annually, based on a proposal from the Minister of Finance, at the beginning of the process of preparing the finance law. This includes estimates of revenues, expenditures, and the state budget balance for the next year and the following two years, as well as the state's debt where applicable.

- Management bears the responsibility for monitoring performance, and a shift from a means-based approach to a results-oriented one is necessary. The current budget system in Algeria relies

on a means-based approach, where financial allocations are determined based on available resources without clear objectives for ministries and government institutions to achieve. This situation has led Algeria to adopt a new budget system and establish a new legal framework to regulate public finances, aiming to guide public spending management according to agreed-upon results. This management approach is based on a set of fundamental pillars:

- Program-based management of both capital and operating expenditures.
- Evaluation of established objectives using performance indicators.
- Budgeting based on results-oriented programs:

The Organic Law on Finance Laws represents a new step in budget organization, focusing on a number of key areas. One of the most prominent of these is budgeting based on results-oriented programs. This means that instead of relying on the traditional budget system that allocates funds according to chapters, sectors, or sections, a new formula has been adopted that focuses on distributing funds according to programs. This formula will allow ministries and government departments to program all operations within their responsibilities. The program includes a set of financial allocations designated for implementing a specific activity or a comprehensive set of activities within the same ministry, linked to specific and precise objectives based on expected results that will be evaluated. It should also be noted that these programs are further

divided into sub-programs, activities, and sub-activities.¹⁵

Therefore, the new budget structure for each sector will be as follows:



The Duality of Freedom and Responsibility: Implementing this law will grant managers a new role. Both those responsible for expenditures and program managers will have considerable freedom in managing affairs and making decisions, but they will also bear greater responsibility for achieving the assigned objectives. This requires the preparation of accurate performance reports, accompanied by performance indicators, which will enhance operational flexibility. This freedom will also be achieved through the process of transferring appropriations, whereby responsible managers will be able to transfer appropriations from one program to another within the same ministry or public institution, by presidential decree based on a joint report from the Minister of Finance and the minister or head of the institution concerned. As for the transfer of financial appropriations between programs of different ministries or public institutions, this will also be done by presidential decree. Based on a joint report from the Minister of Finance and the ministers of the relevant sectors or heads of the public institutions concerned, this report will be submitted to Parliament. It is important to note that the legally permissible transfer rate must not exceed 20% of the original

appropriation, according to Organic Law No. 18-15 on Finance Laws (2018).

Budget Unification and Budget Code Preparation: Direct reform to modernize current financial practices requires the integration of the operating and investment budgets into a single document, in accordance with the principle of budget unity. This integration will be achieved through the creation of

A new budget structure for sectors, divided according to programs that reflect public policies.¹⁶

This new classification, stipulated by the Organic Law on Finance Laws, aims to correct a number of shortcomings in the current classifications. It also seeks to facilitate the reading of documents related to the state budget for members of parliament, helping them to assess the objectives set in this process in relation to their economic nature and the declared results.

In this context, the financial allocations will be distributed in detail by decree in accordance with the new code, based on the classifications stipulated in Organic Law on Finance Laws No. 18-15, dated September 2, 2018. This approach will facilitate understanding the financial position in the Finance Law, making it clearer, more transparent, and easier to read. The aforementioned classification, confirmed by Article 28 of Law No. 18-15, can be summarized as follows:

- Classification according to activity, which includes programs and sub-programs.

- Classification based on the economic nature of expenditures, consisting of expenditure categories and their subdivisions. - Classification by major functions, where the sectors responsible for achieving objectives are identified according to their function.

- Classification by administrative bodies responsible for budget preparation and implementation. This classification is based on the financial allocations of ministerial departments and public institutions.

It is important to note here that the primary classification adopted in the state budget, according to the Organic Law on Finance Laws, is classification by economic nature.

Increased Transparency: As part of the modernization of budget systems, the Organic Law introduced a set of fundamental amendments that included a comprehensive restructuring of the Finance Law. Accordingly, the structure of the Finance Law sections will be divided into four sections instead of two. The special treasury accounts and treasury operations, which constitute the third section, will be separated to improve the clarity of information. The fourth section will be dedicated to including tables aimed at providing as many indicators as possible on the components of the budget. Among the main indicators, a unified list will appear, encompassing all taxes and fees distributed between the state and regional authorities, in addition to the

special treasury accounts, with reference to the budget balance.

Expanding the Documents Attached to the Finance Bill: To strengthen Parliament's role in the budget and oversight of public funds, the new organic law stipulates that government entities must prepare and present a set of documents before the end of the first quarter of the fiscal year. Among the most important of these documents are the reports attached to the Finance Bill, which include all information and data related to the current situation, as well as future prospects related to social, economic, and financial matters. The report also includes all developments related to the national economy and public finance trends.

II-3- Objectives of the New Organic Law 18-15 on Finance Laws.

The primary objective of modernizing the budget system in Algeria is to promote development and achieve well-being and prosperity in society, in addition to creating an environment of security, stability, and economic prosperity. Development is considered a comprehensive civilizational process that depends on

Based on established and evolving capabilities, including a growing economic capacity, interactive and participatory social capacity, effective administrative capacity, and conscious and directed political capacity, the following are the main objectives of adopting the new Organic Law No. 18-15:

- To reform and modernize the public administration framework, focusing on achieving the desired results to increase effectiveness, including enhancing the transparency of budget documents.

- To strive for the highest level of clarity.
- To improve the presentation of the state budget and activate the mechanisms for evaluating and voting on financial laws
- To strengthen parliamentary oversight and monitoring of public finances.
- To develop the state's accounting system effectively.
- To improve the efficiency and effectiveness of public expenditures.

III – Preparation, promulgation, and implementation of the new Organic Law No. 18-15 relating to financial laws.

Given the shortcomings identified in Law No. 84-17, a new legal framework for public finances was promulgated, embodied in Organic Law No. 18-15. Its drafting took place within a different context, as its implementation was delayed by a full five years.

III-1- Drafting and Issuing Organic Law 18-15 on Finance Laws.

The new Organic Law 18-15 on Finance Laws (Official Gazette No. 53, 2018) was issued as a result of the reform process undertaken by the Algerian authorities in the field of public finance management. This law is also considered a legal necessity stemming from the commitment to Article 141 of the 2016 Constitutional Amendment, which was reaffirmed in Article 123 of the 2020 Constitution (Official Gazette No. 82, 2020). This article mandates the adoption of an organic law to regulate laws related to finance. This requirement was first stipulated in the 1996 Constitution, which was

incompatible with Law 84-17, considered merely a law and not aligned with the normative value established by the constitutional articles.

Furthermore, Organic Law No. 18-15 underwent a long and complex process spanning more than 12 years. Work on its drafting began in 2006, when it was submitted to the General Secretariat of the Government for review by the Council of Ministers. However, it was withdrawn at the last minute before being debated in both houses of Parliament, due to the reluctance of public authorities to adopt the new public finance reform that had been under development since 2005.

Efforts to modernize the budget system also began in 2005, when the Ministry of Finance, represented by the Directorate General of the Budget, contracted with a Canadian consulting firm called CRC SOGEMA to develop a comprehensive vision for public finance reform. This was done within the framework of a loan from the World Bank (No. AL-7047). This work resulted in a series of reports that contributed to shaping the main axes of this project, which centered around two key areas:

The first axis: Budgetary aspects.

This axis aims to establish a new expenditure management system encompassing budget preparation, accounting, and oversight of public spending. This system is structured around four main pillars:

1- Multi-year budget preparation.

2- Improved presentation and dissemination of the state budget.

3- Enhanced advisory functions for the Ministry of Finance.

4- Restructuring of public expenditure implementation procedures.

The second axis focuses on aspects related to information technology and systems.

This axis includes the following:

1- Development of a guiding plan for the Ministry of Finance's information technology.

2- Development of an integrated budget management system.

3- Improvement of technological infrastructure through the establishment of a central directorate for information technology.

The first axis, concerning budgetary aspects, is considered one of the largest projects undertaken by the Ministry of Finance. The Canadian consulting firm CRC SOGEMA has been commissioned to implement the first two aspects of the project. Regarding improving the presentation and dissemination of the state budget, the focus is on developing effective mechanisms to ensure transparency and efficiency in this area. In May 2006, the relevant office launched an electronic application project aimed at improving government management, known as the Integrated Budgeting System (SIGBUD). Regarding the preparation of a multi-year budget, work began in 2004 and continued until 2007, during which it was piloted in the General Directorate of Budget in collaboration with five ministries. A program budget was subsequently prepared for 2010, but

due to several challenges, this budget has not yet been implemented. In this context, the Minister of Finance at the time stated in an interview with the print media that a new budget would be prepared according to Project B in 2015.

Concerning the restructuring of public expenditure procedures, a French consulting firm (GIP-ADTETEF) was commissioned for this task. The contract was signed in 2006, and work began on developing a new accounting scheme in line with International Public Sector Accounting Standards (IPSAS).

III-2- Entry into force of Organic Law 18-15 relating to finance laws.

The key feature of Law 18-15 is its phased implementation. The Ministry of Finance adopted this approach due to the significant changes it will entail in the structure of the state budget. This necessitates sufficient time to adapt to the new provisions. Consequently, a set of operational and functional changes will be introduced each fiscal year, allowing for the full integration of program-based budgeting mechanisms and results-based management by 2023.

As for the Budget Settlement Law, its reference year will be modified. It will shift from three years (S-3) prior to the law's enactment to two years (S-2) for 2023, 2024, and 2025, and then to a single year (S-1) starting in 2026.

It is also important to note that the initial draft of Organic Law 18-15 included in one of its articles the possibility of amending the effective date of this law through annual finance laws when necessary. However, the Constitutional

Council rejected this provision during its constitutional review of the law, in Opinion No. 02/R.Q.C/M.D/18 dated August 2.¹⁷

The Council emphasized the necessity of amending this date through another organic law, given that Article 140 of the 2016 constitutional amendment stipulates that the regulation of laws relating to finance law must be within the scope of organic laws, in addition to the requirement of adhering to the principle of parallelism of forms.

In this context, Organic Law 18-15 was amended by Organic Law 19-09, promulgated on December 11, 2019¹⁸. Article 18 was reformulated to read as follows: "The Finance Laws alone determine the provisions relating to the base, rates, and methods of collecting taxes, regardless of their nature, as well as tax exemptions. However, the tax regime applicable to horizontal activities related to the hydrocarbons sector may include the aforementioned provisions through a special law." The new amendment to Article 18 also allowed for the amendment of tax provisions through the Hydrocarbons Law, a possibility previously limited to the Finance Laws. This possibility existed in Law 84-17, which permitted legislation in the tax field through texts other than the Finance Laws, particularly the Hydrocarbons Law. This amendment was introduced to avoid conflicts. Among the legal texts, and to enable the draft law on hydrocarbons to include tax provisions aimed at enhancing flexibility in attracting the foreign direct investment needed by the national economy in the energy sector.¹⁹

VII - New Provisions Included in the New Organic Law 18-15 on Finance Laws

Organic Law 18-15 on finance laws has become the new framework for public finances in Algeria, characterized by the introduction of a set of new provisions and procedures. These amendments include the concept and structure of the state budget, particularly with regard to public expenditures, in addition to aspects related to the finance law.

VII -1- Provisions Related to the Concept and Structure of the State Budget

The new provisions in Organic Law 18-15 include important amendments related to public expenditures, whereby the management of these expenditures is now based on achieved results, through what is known as the results-based budget (Section 1). The principle of liability accounting has also been adopted, which has affected the method of accounting (Section 2).

Section 1: The New Classification of Public Expenditures (Transition from the Budget (Means to Program Budget).

The Organic Law aims to reform public financial management by enhancing management efficiency, improving the drafting of finance laws for greater clarity, increasing transparency of budgetary information, strengthening parliamentary oversight, and introducing elements of flexibility in financial management. Perhaps the main objective of Organic Law 18-15 is to implement results-based management rather than focusing solely

on means. Consequently, managers will be granted greater autonomy while being obligated to report on their performance.

Their performance, management results, and the level of effectiveness achieved have been assessed. A new principle of financial management has been enshrined, based on reforms that emphasize the accountability of managers and performance monitoring.

This is reflected in the new objective defined in the Finance Law. Article 6 stipulates that the Finance Law is prepared based on the framework and programming of the budget, as outlined in Article 5 of the same law. It contributes to the implementation of public policies according to the principle of results-oriented management, starting from clear and specific objectives that align with the public interest and are subject to evaluation.

Adopting this new approach to public financial management requires restructuring the state budget with the following objectives:

- Introducing a multi-year vision for managing public expenditures. The focus will be on a program-based budget instead of the structural organization currently in place.
- Improving the content of the state budget and developing its presentation methods to enhance transparency in financial management and ensure parliamentary approval. Accordingly, a budget based on a "program portfolio" was prepared for ministries and public institutions. This portfolio is further

divided into sub-programs and activities, achieved by combining the operating and investment budgets into a single account. The program encompasses all activities aimed at achieving the objectives and implementing the specific guidelines set for each ministry and approved by the government.

Therefore, the state budget will be categorized in detail for expenditures, appearing in a table with two axes:

- A axis based on expenditure allocation: portfolio, programs, specific programs, activities

- A axis based on the economic nature of expenditures: within a unified classification that groups expenditures according to their economic nature: operating, investment, transfer

The content of these new provisions can be demonstrated by comparing the current structure with the new structure introduced by Organic Law 18-15, as shown in the following table:

Table (1): Comparison of the general budget structure in the budget laws between 1984 and 2018

Organic Law 18-15	Law 84-17	
<p>Merging the operating and equipment budgets into a single dedicated budget for each ministerial portfolio through programs</p> <p>A single budget, called the program budget, was adopted, in which</p> <p>conditions are defined according to</p> <p>Activity, the program and its subdivisions.</p> <p>Major functions of the state, designating the sectors responsible for achieving</p> <p>the objectives according to the functions.</p> <p>Administrative bodies responsible for preparing and implementing the budget: distributing</p> <p>appropriations to ministries and public institutions,</p> <p>The economic nature of expenditures: no procedure categories and their division are as follows:</p> <p>1 - Financial operations expenses</p> <p>2 - Personnel expenses</p> <p>3 - Operating expenses of services</p> <p>4 - Investment expenses</p> <p>5 - Transfer expenses</p> <p>6 - Public debt servicing</p> <p>7 - Unforeseen expenses</p>	<p>Separation of the budget:</p> <p>Operating: Table (B) of the Finance Law.</p> <p>Equipment: Table (C) of the Finance Law.</p> <p>Operating expenses: divided into 4 categories</p> <p>1. Public debt burden and deductible expenditures from revenues</p> <p>2. Public authority allocations expenditures related to resources. -3</p> <p>4. Public interventions</p> <p>Equipment expenditures: divided into</p> <p>3 sectors. - 1. Investments implemented by the state</p> <p>-2 - Investment subsidies granted by the state</p> <p>Other capital expenditures. -3</p>	<p>separation of the budget</p> <p>Operating expenses</p> <p>Equipment expenditures</p>

The organizational structure of the General Directorate of the Budget, which oversaw the preparation of the

draft finance law with regard to expenditures, has been revised. The previous structure, which separated the

directories responsible for the operating and capital budgets, has been abandoned. This restructuring involves merging the offices of these directorates and reclassifying them according to sectors aligned with the programs adopted in the new financial reform, :

embodied in Organic Law 18-15. Consequently, the new organization, as outlined in Executive Decree No. 364-07 concerning the organization of the central administration of the Ministry of Finance, is shown in the following diagram

Organizational Structure of the General Directorate of Budget after 2007



Source: Executive Decree 07-364 concerning the organization of the central administration of the Ministry of Finance

defined the budget in Article 14 as follows:

"The resources and expenditures of the State Budget are estimated and presented in the budget as revenues and expenditures."

Section Two: Transition from Cash Accounting to Accounts Payable

Law 84-17 defined the State General Budget in Article 6 as follows: "The State General Budget consists of final revenues and expenditures determined annually by the Finance Law and allocated according to applicable legislative and regulatory provisions." On the other hand, Organic Law 18-15

A comparison of the two definitions reveals that the second definition excludes the terms "final revenues" and "final expenditures." Final revenues refer to amounts actually collected, excluding unexecuted collection orders. Final expenditures, on the other hand, are those payments actually made to their beneficiaries, such as employees, suppliers, and investors, excluding

payment orders that were not executed for specific reasons. This is due to the shift from a cash accounting system, which relies on preparing the final accounts for the fiscal year based on actual expenditures and revenues disbursed or collected during the year, regardless of when the payment obligation or collection right arose. According to this method, the budget is considered a treasury account, where a purely financial perspective prevails²⁰. In contrast, the shift is towards receivables accounting, which includes all debts owed by the state to third parties, including collection orders to be received later, as well as expenditures that have not yet been paid. This shift allows for an accurate and comprehensive picture of the state's financial position, thus contributing to the effective management of public funds.

VII -2- Provisions Relating to the Concept and Content of the Finance Law

In addition to the new provisions relating to the state's general budget, Organic Law 18-15 introduced new principles concerning the Finance Law, most notably the principle of multi-year budgeting while maintaining the principle of annual budgeting (which we will address in Section 1). The law also included new provisions aimed at addressing shortcomings in the previous law, particularly regarding reducing the excessive use of allocated accounts and

preventing provisions unrelated to finance laws (which we will address in Section 2).

Section 1: The New Concept of the Finance Law: "Incorporation of the Multi-Year Budgeting Principle"

The principle of annuality is considered one of the fundamental principles of the budget, as it strengthens legislative oversight of the use of public funds through parliamentary authorization, which reflects Parliament's approval of spending for one year with the possibility of annual renewal. However, with the expansion of the state's role in economic spheres, government programs have begun to extend beyond the annual timeframe.

This situation necessitated finding a way to balance maintaining the principle of annuality, which remains essential in public finance, with multi-year planning, especially in the area of investment expenditures. One of the most prominent of these methods is the program budget, which is presented as a separate law, independent of the first year's budget, thus allowing for its review and approval.

This law must include a program for project implementation, specifying the total amount and expected appropriations required for its execution, in addition to other details such as the project's duration and the anticipated annual expenditures. In this

way, the principle of annual budgeting is maintained by allocating funds to the programmed components.²¹

This method is also implemented through program licenses, as stipulated in Article 6 of Law 90-21 concerning public accounting. Public works expenditures, investment expenditures, and capital expenditures are recorded in the state's general budget as program licenses, and these expenditures are executed through payment appropriations. Program licenses represent the maximum expenditures that authorizing officers are permitted to use to implement planned investments, and these licenses remain valid indefinitely until they are revoked. This principle was further reinforced by the adoption of the multi-year budget principle in Organic Law 18-15, which includes the medium-term budgetary framework stipulated in Article 5. This article states that the government, upon the proposal of the Minister of Finance, establishes the medium-term budget framework each year at the beginning of the preparation of the finance laws. This framework includes estimates of revenues, expenditures, and the state budget balance, as well as the state debt for the following year and the two subsequent years, where applicable.

The medium-term budgetary framework may be reviewed during the preparation of the draft finance law for the year. The state budget must be prepared,

approved, and implemented within a defined objective.

Section 2: Provisions Relating to the Content of the Finance Law

First: Prohibition of Extraneous Provisions in the Finance Law

Organic Law 18-15 prohibits the inclusion of "extraneous" provisions unrelated to financial or tax matters in the Finance Law. Article 9 of this law stipulates that "no provision may be included in the Finance Laws unless it is relevant to the subject matter of these laws." Extraneous provisions have become widespread in Algerian legal practice, with many important laws being amended by inserting provisions into the Finance Laws, despite their content being unrelated to the subject matter of those laws. This is due to an attempt to expedite amendment procedures and save time, given that the Finance Law is approved annually, or to the executive branch's desire to avoid submitting amendments to these laws as separate bills that might spark controversy in Parliament.

Secondly: Rationalizing the Use of Special Allocation Accounts

Special treasury allocation accounts are among the most significant challenges facing budget management in Algeria, with their number exceeding one hundred in 2014. This number is considered high compared to the French accounting system, which includes only six such accounts. Special allocation accounts are distinguished by their

exemption from the annual budget, allowing for the transfer of remaining balances from payment appropriations to the following year. This facilitates oversight by responsible authorities, particularly regarding investment projects that require considerable time to complete. However, this type of account is criticized for its lack of parliamentary oversight, as its associated operations fall outside the scope of the state's general budget. This has led financial experts to describe them as "holes" in the public treasury.

These accounts have been used to implement numerous major projects included in economic recovery plans, such as the East-West Highway project, various housing projects, and development projects in the High Plateaus and the Sahara, among other investment projects. This has resulted in their proliferation and made monitoring them difficult.

Therefore, the first step towards rationalizing public spending has been to reduce the number of these accounts and streamline their management. The new budgetary framework, through Organic Law 15-18, established the principle for regulating the opening of these accounts, as well as the necessity of a direct link between allocated revenues and expenditures, which will lead to the elimination of many existing accounts.

The Organic Law also stipulated the possibility of opening a special allocation account within the Treasury,

intended to absorb excess revenues from hydrocarbon taxes. However, the use of this account's resources (the Revenue Regulation Fund) will be limited to a specific percentage of GDP, to be determined by the Finance Law.

Conclusion:

Organic Law 15-18 represents a significant step towards modernizing the public financial system and reflects the ongoing political and economic reforms aimed at strengthening the principles of good governance. This law also enshrines the constitutional provisions that place financial laws within the scope of organic law. Although the enactment of this law was delayed by more than twenty years since the constitutional obligation was established in 1996, this delay was primarily due to the lack of a conducive environment for adopting a new budgetary and accounting system for the state. The Algerian public authorities have shown a lack of genuine desire to implement a comprehensive reform of this system, as evidenced by the delays. Providing the necessary technical and accounting foundations, coupled with a lack of serious follow-up on the reform projects initiated in 1995 and 2004, are crucial.

Therefore, the smooth and effective implementation of Organic Law 18-15 requires a set of enabling factors, the most important of which can be summarized as follows:

- The necessity of coordination and cooperation among the various public

administrations, as they are spending entities, in addition to the Ministry of Finance and its directorates general.

- The preparation of the implementing texts for the Organic Law, including executive decrees and guiding memoranda, particularly in the areas of accounting and multi-year budgeting.

- The establishment of an electronic platform that allows for monitoring the preparation and implementation of the state budget, including revenues and expenditures, at the level of the Ministry of Finance and the spending ministries, while ensuring consistency and

compatibility among the platform's components.

- The qualification and training of all employees and managers involved in the preparation and implementation of the state budget, whether in the Ministry of Finance or the spending ministries, to enable them to master the new technologies included in the Organic Law.

the reviewer

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