

Evaluating the Impact of the EPA Reform on Budgetary & Accounting Management in Administrative Public Institutions: Towards Enhanced Public Financial Governance

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ABSTRACT

This research aims to study the budgetary and accounting management of public institutions with an administrative character in light of budgetary reforms. It begins by presenting the preparation process of such institutions' budgets, defining the new classifications of budgetary expenses, and reviewing the various budgetary programs under the reform. The study concludes with several findings, the most important of which is that with the enactment of Organic Law No. 18-15 related to Finance Laws, the Algerian legislator has introduced a new budgetary framework for public institutions. This system shifts toward program-based budgeting and multi-year programming, replacing the traditional annual budgeting. It also expands the powers of authorizing officers, enhances transparency and accountability to facilitate parliamentary and societal oversight, develops new information systems, improves the business climate and investment attractiveness, and boosts public finance credibility.

Keywords: Public budget, budgetary and accounting reform, public administrative institutions, Organic Law 18-15 on Finance Laws.

Introduction:

In order to manage the public affairs of the country and meet many of the growing needs of citizens Algeria has undertaken reforms in all areas, including the reform of the State budget system, which has been rendered flawed by the promulgation of Organic Law 18-15 on Finance Laws, which has provided many recommendations and directives to enhance transparency and achieve the principle of participation and honesty in the field of finance. In order to protect public funds, the legislator had to introduce new mechanisms of protection through the implementation of control by the various bodies involved, as well as the reform of the budgetary and accounting framework and profound changes and transfers.[3]

Budgetary and accounting reform is a large-scale process of reforming and aligning the current financial system in line with international standards in order to give a clear and legible picture compared to the

systems of other countries, allowing for more transparency, and this reform is a reflection of Organic Law No. 18-15 on the amended and supplemented Finance Law.

Budgetary reform or the new budget structure by programme requires the development of new budgetary programming procedures that allow each minister and official of a public institution to prepare for the operational implementation of public policies and to allocate the necessary means to reflect them with a view to achieving the goals set by the title of each programme with public budget allocations and the special specialization account.

What is the new budgetary and accounting management of public institutions of an administrative nature under budgetary and accounting reform?

To address the various aspects of the main problem, it was divided into sub-questions:

- What are the new budgetary and accounting reforms?
- What are the new budget classifications?
- What are budget programming documents?

To address the main problem and answering the sub-questions, we divided this research into:

Section I: Preparing budgets of public institutions of an administrative nature

Section II: Budget burden classifications

Section III: Budgetary programming

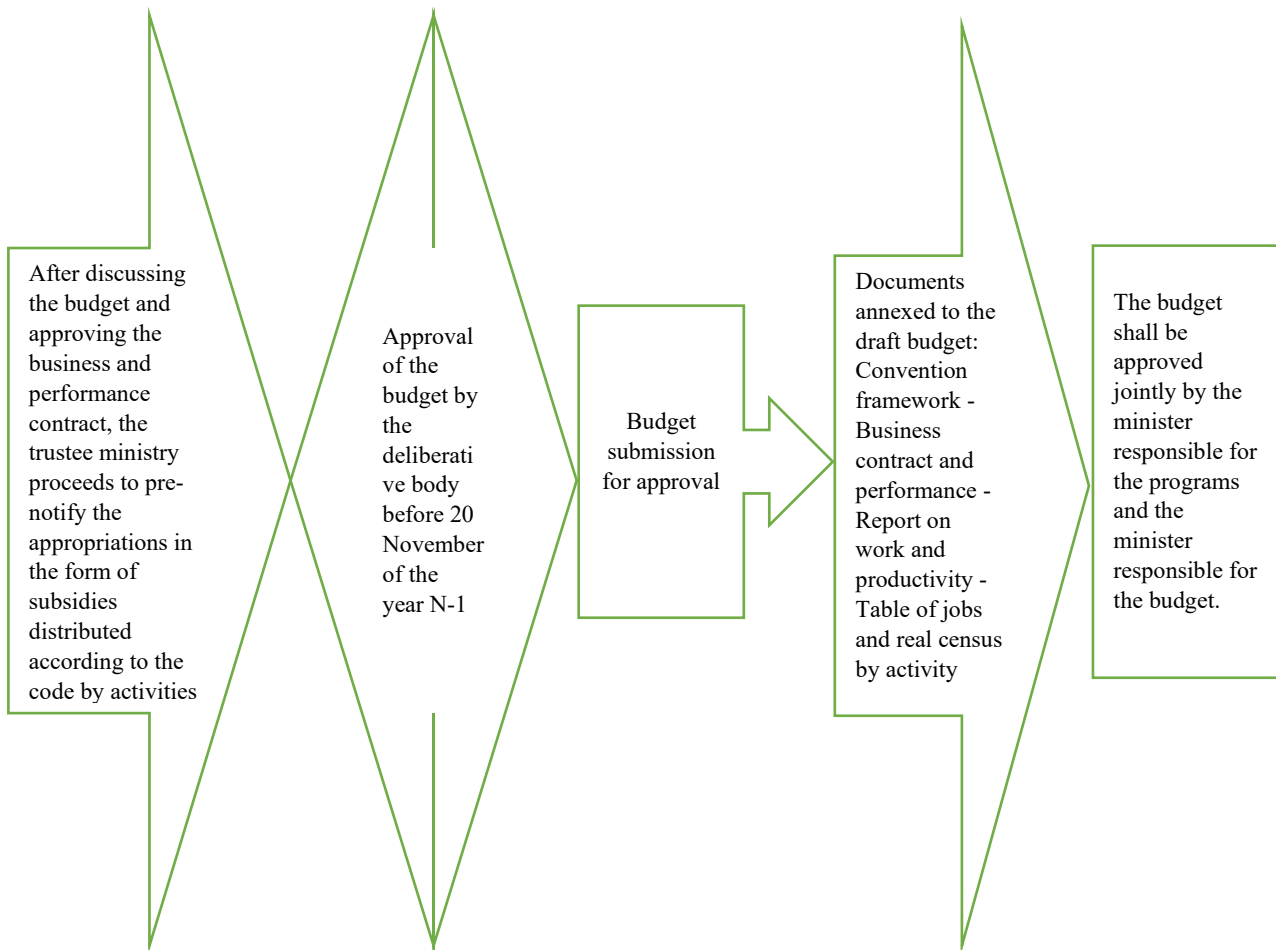
Section I: Preparing budgets of public institutions of an administrative nature

The preparation of the budget of the public institution is carried out through the following stages¹:

Completion of budgetary discussions and approval of the business and performance contract, after which the trustee ministry will notify in advance the appropriations (before October 07 of the year N-1) in the form of subsidies to the institution's official distributed according to: Codes by activities-sections, and immediately the official of the institution prepares the draft budget by integrating the State subsidy in the revenues in total and in expenditures broken down by expenditure sections and by activities and adjusting the detailed distribution of expenditures in accordance with the budget code, and the deliberative body approves the approval (Board of Directors, Steering Board...) Before November 20 of the year N-1, and as the last stage of submission of the budget attached to the minutes of the deliberative body for approval before November 30 of the year N-1 by a joint agreement between the Minister in charge of programs and the Minister of Finance and Figure (01) chart representing the stages of preparation the budget of the public institution.

¹ Organic Law No. 15-18 dated on 02/09/2018, Finance Law, Official Journal, number 53, dated 02/09/2018, p09.

Figure 01: A chart representing the stages of preparing the balance sheet of the public institutions



First: Budgetary and accounting procedures

1- Not approving or approving the budget

In the event of non-approval of the budget, the execution of the budgets shall be authorized by the Minister responsible for the program and the Minister of Finance within the limits of the monthly 1/12 for 03 months of the year N-1 for the revenues and expenditures necessary for the continued activity of the institution.

2- Budget adjustment

- A-** By approving the revised budget by the minister responsible for the program and the minister in charge of the budget in the case of: Additional funds open to the institution; Modify the allocation of credits between sections or activities.
- B-** Through an amending decision of the order of disbursement after the opinion of the Controller in the case of modifying the distribution of appropriations within the same activity and the same alimony.

3- Central activity

The central activity of the Program Officer shall be established with a view to ordering the disbursement of subsidies to public institutions administrative nature, is used to monitor the activity of the public

institution in achieving the set objectives and the results obtained, with the necessary adjustments in the budget during the year².

Second: Annual Report on Business and Returns

An annual report on business and returns is prepared by the enterprise administrator to evaluate the results achieved under the title Business Plan and Performance.

The results achieved by the institution have an impact on the objectives and results of the central activity and the budget program³.

Section II: Budget burden classifications

New classifications are considered; One of the modern ways and means used by budgetary reform is Law No. 15/18 on Amended and Supplemented Finance Laws, as well as illustrations and indicators, in order to reflect the medium-term budgetary programming strategy focused on good programming of financial allocation, job positions at the program level, and its practical division (activity-sub-activity where appropriate). These classifications included four (4) types, which can be listed below⁴:

- ✓ **Classification by activity (by program)**
- ✓ **Classification by economic nature (by expenditure sections)**
- ✓ **Classification of major tasks of the state**
- ✓ **Classification by governing bodies**

First: Classification by activity (programme)

This classification is based on the order of expenditure and the breakdown by activity into budgetary burdens as follows:

Portfolio of programs: Whether it is a ministerial governor of state institutions and bodies

- Program
- Subprogramme
- Activity
- Sub-activity

Second: Classification by economic nature

Budget expenditures, depending on the economic nature of the burdens of the state budget, based on the resources granted and regardless of their administrative destination (07), include sections and these sections are divided into (32) items called articles⁵:

- User expenses
- Expenditure on management of interests
- Investment expenses
- Transfer expenses
- Public debt burden
- Expenses of financial operations

² Circular No. 6111 dated on 17 August 2022 **concerning the allocation of funds to public institutions of an administrative nature and similar public institutions**, Directorate General of the Budget, p. 04.

³ The Guide Guidance Budget Works Organizations Non-governmental, International Budget Project, prepared by the Budget and Policy Center, December 2001.

⁴ Organic Law No. 15-18 dated on 02/09/2018, p 11.

⁵ Article 29 of Organic Law No. 15-18 dated on 02/09/2018, **op. cit.**, p 12.

- Unexpected expenses

Third: Classification by major functions of the state

It is based mainly on a functional classification of burdens and contains the sum of activities that contribute to the same goal, which is the common denominator for all types of budget burdens, directed especially to the preparation of statistics and comparative studies, and is through the identification of sectors that ensure the achievement of goals by functions, which are key sectors and are the following:

- Public interests of public administration
- Defense
- Public order and security
- Economic Affairs
- Environmental protection
- Housing and group processing
- Health
- Entertainment, culture and worship
- Education
- Social protection

The classification by major functions of the state includes 03 types⁶:

- 1- Sector:** Identifies public needs and the basic public good to be met.
- 2- Basic function:** It is the level that ensures the activities and functions of the State that contribute to the same end goal and aim to meet the basic needs and benefit identified in the sector concerned
- 3- Secondary function:** It contains the level that guarantees the activities and functions of the state that contribute to the achievement of the same intermediate goal.

Fourth: Classification by governing bodies

It is through the distribution of funds by ministries or public institutions or by the status of budgetary management officials who began to receive funds in accordance with the organizational structure or local organization of the administrative body concerned.

This classification is structured according to the level of organizational structure and activity, which determines the following⁷:

Level 1: Type of governing body

Level II: Each type has an administrative body

Level III: For the benefit, beneficiary or recipient of credits

Level IV: Geographical location of alimony.

Section III: Budgetary programming

Budgetary programming introduced under the new budgetary reform is a structuring of the budget in accordance with new procedures Allow each minister and official of a public institution to prepare the operational implementation of public policies, which requires the allocation of the necessary means to reach the general budget or the objectives specified in the title of each programme and provide it with funds from the general budget or the special allocation account, The disbursement officers shall

⁶ Circular No. 6111 dated on 17/08/2022, **op. cit.**, p. 05.

⁷ Publication No. 6111, **op. cit.**, p. 10.

programme the budget and allocate appropriations in accordance with the new organization funded according to the following steps⁸:

- ❖ Expenditure compliance
- ❖ Liquidation of expenses
- ❖ Order disbursement of alimony or release of remittances

It is the prerogative of the disbursement commanders to initiate the programming of credits and in the case of a program with credits directed to cover the expenses of users in this case, the programming of positions registered under the title of each program and activity and, if necessary, for the sub-activity.

First: Budgetary programming framework

The detailed distribution of the voted appropriations in respect of the general budget shall be initiated by decree as soon as the Finance Law is promulgated on the basis of the basic principle of the budget specialist by programs or by allocation, such distribution (distribution decrees) by ministry or public institution by program and subprogramme and by sections, and by allocation in respect of unearmarked appropriations.

These funds are allocated to programme managers responsible for:

- Central and decentralized interests organized according to activities and sub-activities where appropriate.
- Public institutions and bodies under trusteeship charged with implementing all or part of a program within the framework of an agreement or the framework of the delegation of management.
- Regional bodies when tasked with the implementation of all or part of a programme under the delegation of management.
- In order to allow the implementation of the programme budget, budgetary programming carried out on the basis of the programming of appropriations and positions of occupancy is a necessary stage, and this programming is carried out according to the following schedule with reference to the main stages only.

Table (01) Implementation of Programming Budget

PROCEDURE	PERIOD
1- Preparation of the programming of credits and in the case of the program provided with credits directed to cover the expenses of employees of employment positions (preparation of draft documents related to the programming of credits and positions of employment).	Mid-October to 15 December of the year (N-1).
2-Modifications and completion of the programming of credits and job positions (modification and approval of draft documents related to the programming of work credits).	During the supplementary period, if the distribution decree provides otherwise, otherwise after the supplementary period.

⁸ Publication No. 8162 dated on 02/11/2022, Ministry of Finance, General Directorate of Taxation, concerning on budgetary programming, p. 02

3-The possibility of modifying and reviewing the programming of credits and positions of employment (the possibility of modifying and reviewing documents allocating credits and positions of employment).	January to December for year (N).
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The budget for appropriations and jobs shall be prepared as of January of the year (N-1) at the level of ministries and public institutions, with reference to Circular No. 7336 of 04 October 2022, in particular its annexes. It then continues during budget discussions at the level of the General Budget Directorate, in accordance with the guidance note and the calendar of discontinued discussions.

After the deposit of the draft finance law with the Office of the National People's Assembly, the preparation of the budget of appropriations and positions of employment is an advanced stage of control and assurance, and therefore programming enters an active stage starting from mid-October to December 15 of the year (N-1).

Second: Budgetary Programmers

Budgetary programming documents incorporated under the provisions of Executive Decree No. 20/404 of 29 December 2020, allow those responsible for the programme, activities, and ancillary activities to determine the distribution of estimated appropriations as well as, where appropriate, ad hoc positions at each operational level, in accordance with specific objectives and estimates of budgetary resources and positions for the coming year.

The estimated resources reflected in these documents as well as their distribution during the year may be updated, especially to take into account any modification in the initial allocation of appropriations and positions to fill.

This document, which aims to distribute the program credits according to the program portfolio, is prepared with a distinction between the funds of the general budget of the state and those of the special allocation accounts according to Circular No. 6112 dated 17 August 2002.

This document is annexed at the level of each user-approved programming programme, specifically for employment positions.

Each activity officer concerned is informed of an extract from the programming of the budgetary positions assigned to the activity.

1- Activity level: Depending on whether there are sub-activities or not, two alternative situations may be presented⁹:

– **Either the activity has not been divided into sub-activities (Article 10)**

In this case, the final operations programming document is prepared annually, which leads to the maintenance of budgetary expenditures and is intended to reconcile the activity of interests and allocations, accompanied by the programming document estimating the main expenditures for the year.

– **Either the activity is divided into sub-activities (Article 09).**

In this case, each activity is prepared, annually, for each programming document, the purpose of which is to allocate the activity credits to the relevant sub-activities.

⁹ Publication No. 8162 dated on 02/11/2022, **op. cit.**, 05.

2- At the sub-activity level, if established:

The programming document is prepared annually and its purpose is to reconcile the activity of the interests and the allocated appropriations, accompanied by the programming document estimating the main expenditures for the year.

The preparation of these documents shall follow the following path¹⁰:

- ❖ Prepare the draft state budget.
- ❖ Draft decrees for the distribution of appropriations prepared.
- ❖ Preparation and preparation of programming documents by program officials and their operational departments (activity officials and sub-activity officials if necessary), and this before the start of the fiscal year since the finance law has been deposited with the office of the National People's Assembly.
- ❖ Approve programming documents as the case may be before (responsible for financial function, program or activity).
- ❖ Submission of programming documents, once validated by the financial function administrator, program administrator or activity administrator
- ❖ The effects of these documents 6 be produced immediately after their validation by qualified persons, to the Budget Controller in accordance with the modalities and procedures specified in the applicable regulation.
- ❖ The amendment and completion of the credits programming documents shall be affected as soon as the distribution decrees of credits that come within the framework of the application of the Finance Law of the year are published.
- ❖ Enter at least one significant update after the end of the supplementary period related to the year (n-1), that is, after the completion of the implementation of the Finance Law of the previous year, since at this time the payment has not been stopped and the determination of the credits to be transferred.

Third: Budgetary programming documents

1- Initial programming documents for programme credits

The Preliminary Programming Document for Appropriations allows Program Officers, beginning in mid-October for the fiscal year (N-1), to determine the allocation of appropriations for the next year for each program based on, in particular, the amount of the suspended funds stipulated in the draft Finance Law, announced by the competent authorities of the Ministry of Finance.

The initial programming document for the program appropriations shall be approved, according to each program and according to each program portfolio, distinguishing between the state budget appropriations from those allocated to the special allocation accounts, in compliance with the provisions of Article 44 of Organic Law No. 18-15 of September 02 2018 and Publication No. 6112 of 17 August 2022.

These draft documents are then sent to the finance officer of the ministry or public organization, who approves the programming proposed by each program official.

¹⁰ Publication No. 8162 dated on 02/11/2022, **op. cit.**, p. 05

The initial programming document for appropriations states¹¹:

- For the programmes of the general budget of the State, the allocations stipulated in the decree of allocation of the appropriations, which comes in application of the Finance Law of the year, shall be distributed in respect of the special allocation accounts stipulated in the Finance Law and, if necessary, the allocations derived from the general budget of the State.
- The estimated amount of other financial appropriations that are programmed to be opened during the year and detailed in the form of transferred funds, earmarked funds for contributions, similar funds and other movements of financial appropriations. The amount shall be provided with respect to the budgetary frankness of the special allocation accounts.
- Distribution of funds, including programmed funds, opened annually between subprogrammes and sections for special allocation accounts. These funds are distributed according to the code for special allocation accounts, which are arranged according to the sections stipulated in Article 29 of the Organic Law on Finance Law.
- Allocation of programme funds for activities.

Eventually, Programming prepared at the beginning of the year at the operational level will be carried out on the basis of all available and anticipated year-round credits in a cautious manner.

Provisionally to commence operation in accordance with the new rules, this will be done on the basis of available appropriations representing the appropriations available at the beginning of the year, except in exceptional cases the only appropriations open under the distribution decrees, and therefore the latter will be communicated only to those responsible for the activities.

An important update to the programming document is made after the end of the supplementary period, that is, at the end of the implementation of the Finance Law of the previous year, then it is known:

- **In terms of the burdens to be paid** (expenses of the service performed which have not been settled in addition to the remaining amounts to be paid, expenses committed but not yet performed)
- **On the other hand**, with regard to the resources of the appropriations to be transferred.

Accordingly, the transferred appropriations shall become a proven resource after they have been awaited, shall be distributed among the activities and, where appropriate, among the subsidiary activities concerned, and shall be the subject of notification as appropriations that have become available.

It should be recalled that the initial programming document for appropriations and its improvements "is subject to the qualified budgetary controller.

2- In a supplementary manner for each ministry or public institution, the document for the programming of employment positions and related financial allocations (Executive Decree No. 20-387):

It is prepared by the program officer and in contact with the finance officer, showing¹²:

- ✚ Distribution of financial positions stipulated in the census table annexed to the draft finance law for the year by program in line with the appropriations of Title I resulting from the decrees of allocation of appropriations.
- ✚ Compensatory systems.

¹¹ Publication No. 8162 dated on 02/11/2022, **op. cit.**, p. 06.

¹² Publication No. 8162 dated on 02/11/2022, **op. cit.**, p 07.

- ✚ Provide financial positions at the level of activities on the basis of distribution prepared by the program officer provided with user credits.

Other improvements may be made during the year:

- Every time a job is created, transferred or redeployed in accordance with Article 22 of the Organic Law No. 18-15 mentioned above.
- After each corrective financial law amends the financial positions
- Each time there is a change in the distribution of financial positions within the program by the program administrator

It should be recalled that this document and its improvements are subject to the qualified budgetary controller.

3- Appropriation programming document at the level of activities divided into sub-activities (Article 9)¹³.

The activity administrator in his programming must estimate the credits that will be allocated to each sub-activity.

The Activity Officer prepares the credits programming document as soon as it is obtained, for the activity and reported by the Financial Function Officer of the Ministry or Public Institution in accordance with the previously described procedures.

The distribution of credits in favor of the Open Sub-Activities Officer shall be submitted within the framework of the credits programming document prepared by the Activity Officer for endorsement by the Program Officer.

Improvements to the distribution of credits by sub-activity must be made by the Activity Administrator each time the Activity Administrator is informed of the change in allocated credits.

The Credentials Programming Document may also be subject to revision or amendment during the year, in accordance with the terms and procedures stipulated in the applicable regulation, in particular Executive Decree No. 20-233 of 19 December 2020.

It should be noted that this document and its updates are subject to approval by the Programme Officer before being sent to the qualified budget controller.

4- Appropriation programming document at the level of activity not divided into sub-activities and sub-activity

In the case of a subdivided activity, the preliminary programming document for the subdivided activity shall be determined by Article 10 and shall be prepared in accordance with the same modalities and procedures as the preliminary programming document for the non-subdivided activity appropriations.

Each undivided activity administrator or sub-activity administrator prepares a draft appropriation programming document allocated to them by the top-level administrator.

The programming of credits prepared at this level shall respect the allocation by subprogramme and by section for special allocation accounts.

¹³ Publication No. 8162 dated on 02/11/2022, **op. cit.**, p. 08.

Forth: Budget burden classification

The initial programming of the appropriations for the undivided activity or sub-activity is prepared according to the classification by activity (subprogramme and classification by economic nature of expenditure) (section and category), provided for in the applicable legislation and regulation.

1- For user expenses:

This document is prepared according to each category of financial positions and compensation system.

2- For expenses running interests:

Programming by class must be justified by more accurate analysis.

Progress by economic category must indeed be extended in such a way as to identify and explain each of the budgetary challenges considered for the undivided activity or sub-activity. To do this, it is worth presenting the expenditures to be programmed within each sub-group of expenditures formed through the intersection between the subprogramme and the section category.

* For certain expenditures programmed using classification by category or sub-category branch (Decision No. 124 of 15 August 2022) as adapted

* The possibility of resorting to a subdivision below the subclass level according to the two combined conditions related to the budgetary challenge is of great importance and justification as well as not tailoring the classification by economic nature in order to justify privacy

3- For investment expenditure: Use of list of operations

4- For conversion expenses: Use of the Programme Hardware Code in excess of the above-mentioned codes.

Conclusion:

Through the above, it is clear that the new budgetary approach seeks to optimize the use of all data by digitizing all sectors, which facilitates knowing the needs of Algerian citizens. In this context, the State shall endeavour to take into account the aspirations of the citizen. To improve dealing with it, and to strengthen the concept of the necessity of responding to its demands on the grounds that the provision of public service is the primary justification for the existence of State organs, Therefore, the idea of budgetary and accounting reform is mainly aimed at introducing major changes at the same time on all aspects and levels. The financial aspect is one of the most important aspects, and the budgetary aspect in particular has been transformed within the framework of the reforms that came within the framework of remedying the shortcomings embodied by the previous financial system enshrined under Law 84-17 and its negative effects, especially in the field of upgrading public facilities and public services provided by them due to its lack of success. Transparency of the use of public resources, lack of control mechanisms, lack of responsibility and waste of public funds.

Recommendations:

Despite the clarity of the parameters of the new budgetary and accounting system, its objectives, and its mechanisms from the theoretical side, its practical application on the ground remains among the challenges that will be addressed in the future.

Based on the above, the following recommendations can be proposed:

- ✓ The need to pay attention to the human element formation and framing.

- ✓ All sectors currently in slow progress should be digitized.
- ✓ Combating all manifestations of corruption that can fall in the face of reform and thus hinder its implementation.
- ✓ The need to intensify the training courses on this reform in all public and financial institutions.
- ✓ Dissemination of all developments related to budgetary and accounting management through all electronic media so that those involved in the financial field can learn about the techniques developed in the implementation of the general budget.
- ✓ Preparing and activating the legal texts provided by Organic Law 18-15, which clarify the objectives and justifications of this budget reform.

Reference:

- [1] Organic Law No. 18-15 of 02/09/2018 on Finance Law, Official Gazette No. 53 of 02/09/2018.
- [2] Circular No. 6111 of 17 August 2022 on the allocation of funds to public institutions of an administrative nature and similar public institutions, General Directorate of Budget. Guide to NGO Budget Work, International Budget Project, prepared by the Budget and Policy Center, December 2001.
- [3] Ram Mohan Reddy Kundavaram, Rahul Reddy Bandhela, Abhishake Reddy Onteddu. (2022). AI-Driven Predictive Modeling In Healthcare: A Data Science Perspective On U.S. Healthcare Data. South Eastern European Journal of Public Health. <https://doi.org/10.70135/seejph.vi.6691>
- [4] Article 29 of Organic Law No. 18-15 of 02/09/2018.
- [5] Circular No. 8162 of 02/11/2022, Ministry of Finance, General Directorate of Taxation, on budgetary programming, p. 02