Harmonizing Algeria's Public Accounting Framework with IPSAS: Operational Challenges and Insights from Belgium's Reform Journey

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Abstract:

This research analyzes the alignment of the public accounting system of Algeria to the IPSAS standards, making use of the experience gained in Belgium in implementing reforms in the area of accrual accounting. After adopting the Organic Law No. 18-15 on Finance Laws and Law No. 23-07 on Public Accounting and Financial Management and, more importantly, the executive decree of January 9, 2025, on the state's general account, Algeria started moving towards a paradigmatic transformation from the conventional method of cash accounting to a three-dimensional accounting system (budgetary, general, and cost-accounting). This study applies the comparative and descriptive analytical approach in discussing the development of the reform process.

The comparative analysis reveals that while Algeria has built an advanced legislative baseline, actual implementation faces critical operational hurdles, including the complexity of evaluating heritage and infrastructure assets and acute skill shortages among public accountants. In contrast, Belgium's journey since 2003 highlights the value of a phased implementation approach, rigorous capacity building, and institutional coordination across governance levels.

Keywords : IPSAS, Accrual Accounting, Government Accounting Reform, Algeria, Belgium, Comparative Analysis.

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I. Introduction

Historically, accounting practices have varied among countries based on differences in legal systems, administrative customs, and degrees of economic development. However, in light of prominent financial scandals and the increasing demand for transparency, the international move toward international accounting standards has accelerated. This is particularly important in the public sector since governments aim to enhance accountability, governance, and decision making by means of credible and comparable financial information.

The International Public Sector Accounting Standards (IPSAS) represent a full suite of guidance to facilitate improved quality and consistency of government financial reporting by moving from cash-based to accrual-based accounting. Many countries around the world are implementing IPSAS, but the process and timing of adoption vary by country, depending on each individual context and the readiness of their institutions (Muhannad, 2023, pp. 155-160).

Algeria has made considerable efforts to reform the public budget and accounting systems to adapt them to international standards. The approval of Organic Law 18-15 on Finance Laws, and Law 23-07 on Public Accounting and Financial Management is a major step toward aligning the national framework with the IPSAS. The objective of these reforms will be to enhance fiscal discipline, improve performance assessments, and strengthen transparency in public financial management.

To enhance this analysis, the Belgian experience provides meaningful lessons. Belgium's gradual introduction of the accrual basis of accounting principle in its public sector illustrates the significance of institutional coordination, development of capacities, and gradual implementation. This comparison of the two experiences is intended to help this study understand the main challenges, success factors and policy implications for better achieving effective adoption of IPSAS.

I-1. Research Problem:

A number of nations, especially those using cash-based accounting, face severe difficulties in producing their financial reports. This often leads to a lack of transparency and reliability. The same can be seen with Algeria’s government accounting system, which produces insufficient and inconsistent information when trying to assess public sector performance, direct good decision-making, or create strong policy. To address these issues and achieve more alignment with the International Public Sector Accounting Standards (IPSAS), this study considered the following research problem: To what degree has the Organic Law 18-15 and Law 23-07 aligned Algeria’s government accounting system with IPSAS and what can be drawn from Belgium’s experience to improve accrual accounting in Algerian public entities and administration?

I-2. Research Objectives:

This study aims to:

- Examine the legal framework established by Organic Law 18-15 and Law 23-07 in relation to Algeria’s budgetary and accounting reforms;

– Assess the extent to which the Algerian governmental accounting system aligns with the International Public Sector Accounting Standards (IPSAS), particularly concerning the adoption of the accrual basis of accounting;

– Identify the practical challenges faced in implementing IPSAS and propose feasible recommendations to enhance the harmonization process.

I-3. Significance of the Research:

As public sector administrative practices continue to evolve, government entities are increasingly expected to improve both their performance and financial accountability. This paradigm shift emphasizes results over procedures and calls for the establishment of efficient administrative and financial management systems that foster transparency and reduce corruption. The adoption of accrual-based accounting systems—recognized for their reliability and comprehensive financial representation—plays a crucial role in achieving these objectives and in aligning Algeria’s governmental accounting practices with international standards such as IPSAS.

I-4. Literature Review:

Numerous studies have investigated the theme of alignment with international accounting standards.

- Muhannad Hammad Saleh Mansour's study, "***The Role of International Public Sector Accounting Standards (IPSAS) in Supporting and Enhancing Accountability and Transparency in Iraqi Government Units - An Exploratory Study***," Issue 1, January 2023, Volume 7, Alexandria Journal of Accounting Research, Egypt:

This study aims to draw the attention of employees in the Iraqi government sector to the importance of the accounting system (particularly IPSAS standards) in enhancing transparency and accountability. The shortcomings of the accounting system were initially addressed, and the concepts of transparency and accountability and their positive impact on government units were also clarified. An exploratory study was conducted and concluded that employees in government units are aware of the shortcomings of the accounting system, due to the lack of transparency and accountability. Therefore, the study recommends updating it by adopting international accounting standards to enhance transparency and accountability.

- Research by Assia Qamou, titled "***International Public Sector Accounting Standards: A Necessity for Harmonizing Public Accounting Practices and Protecting Public Funds***," published in the Algerian Journal of Accounting and Financial Studies, Vol. 07, No. 02, 2021:

This study highlights the significance of IPSAS in standardizing public accounting practices and examines its beneficial effects on safeguarding public funds and improving transparency. The findings suggest that implementing these standards would foster transparency, equity, and accountability in government agencies while reducing the potential for power abuses.

- In the study by Abdul-Kadhim, Mohammed Radi, titled ***"The Justifications for Alignment with International Accounting Standards Amid Changes in the Iraqi Environment",*** published in the Journal of Al-Madina University College, Vol. 10, No. 1, 2018

the author emphasizes the necessity of aligning governmental accounting standards with the unique context of Iraq. The research explores how various environmental factors—such as economic, political, and legal influences—affect the development of national accounting standards. It also addresses different approaches to standard-setting and the associated challenges. The study concludes that achieving alignment demands substantial, well-coordinated efforts to navigate legislative, technological, and other obstacles, and it advocates for learning from the experiences of other countries.

I-5. Research Methodology:

This research employs a descriptive-analytical approach, examining pertinent legal texts and accounting references used in Algeria while comparing them to the requirements of international standards (IPSAS). Additionally, previous studies in the field will be reviewed to enhance the analysis.

I-6. Research Structure:

The research is organized into three main sections:

- The conceptual framework of IPSAS and the accrual basis of accounting;

- An analysis of the effects of Organic Law 18-15 and Law 23-07 on the Algerian governmental accounting system;

- Challenges and opportunities for improving alignment with international standards.

II. The theoretical and conceptual framework of International Financial Reporting Standards (IPSAS) and the accrual basis of accounting:

Every country is influenced by its distinct political, economic, and social factors, resulting in varied accounting practices and procedures. Algeria has initiated a series of reforms to align its budgetary and governmental accounting systems with IPSAS, enhancing transparency and budgetary governance. Accounting harmonization involves the adoption of internationally recognized accounting standards, which aims to reduce discrepancies between different systems and integrate diverse practices into a unified methodological framework that yields consistent outcomes. This process includes comparing accounting systems to identify both differences and similarities, with the goal of minimizing variations to achieve system unification (Mohammed, 2005).

Harmonization promotes the implementation of uniform systems regarding principles, document classification, content, and valuation methods to ensure comparable outcomes. It can take place in several ways (Eugenio & Elisa , 2013, p. 320):

– Vertical harmonization: Within a country, across different levels of government.

– Horizontal harmonization: Among public administrations, private companies, and non-profit organizations within the same country.

– International harmonization: By aligning accounting practices and minimizing differences between various accounting standards and systems.

II-1. Concept of International Public Sector Accounting Standards (IPSAS)

The International Public Sector Accounting Standards Board (IPSASB) is dedicated to standardizing accounting practices in the public sector. It adapts standards originally developed for private-sector companies, with a particular focus on implementing the accrual basis of accounting**.**

II-1-1. Origin and Objectives of IPSAS

- **Origin:**

The International Public Sector Accounting Standards (IPSAS) originated with the formation of the Governmental Accounting Standards Board (GASB), which operates under the Financial Accounting Foundation (FAF). The board's goal was to enhance the comparability of financial statements between government entities and private-sector reports, especially as several U.S. cities faced the threat of bankruptcy. The first standard was released in July 1984. On November 2, 2004, the International Public Sector Accounting Standards Board (IPSASB) was established as a permanent committee under the International Federation of Accountants (IFAC) (Akram & Bogtou , 2019, pp. 3-4).

Today, the IPSASB is recognized by numerous international organizations, including the United Nations and the European Union, and operates independently in its standard-setting activities (Khudair & Younis, 2016, pp. 101-104).

- **Objectives:**

Public sector accounting is designed to deliver crucial information for decision-making and to ensure responsible management of public finances, encompassing both expenditures and revenue collection. Its primary objectives include (Akram & Bogtou , 2019, p. 4):

– Accountability: Government entities must explain their actions to legislative bodies and other stakeholders.

– Sources and Uses of Resources: Providing regular financial reports detailing the sources and uses of funds.

– Financial Position: Reporting on the government's financial status and any changes, including information about resource restrictions.

– Systems and Controls: Ensuring that financial transactions adhere to laws and regulations to prevent waste.

– National Accounts: Aligning public sector accounting systems with national accounting concepts and classifications.

II-1-2. Differences Between Cash Basis and Accrual Basis

The alignment of Algerian accounting systems with international standards will have a significant effect on accounting practices and financial reporting, particularly due to the transition from cash-based to accrual-based accounting. This shift is complex and presents several challenges. The International Public Sector Accounting Standards Board (IPSASB) provides standards that encompass both cash and accrual accounting methods.

- **Cash Basis:**

Cash-based accounting standards reflect financial conditions through cash receipts, payments, and balances. According to IPSAS, the definition of "cash" is consistent with accrual concepts. Under the cash basis, revenues are recognized when received, and expenditures are acknowledged when paid, regardless of the accounting period they relate to (Hanaa, 2018-2019, p. 3). The International Federation of Accountants defines cash basis accounting as recognizing transactions and events only when cash is received or paid (Hanaa, 2018-2019, p. 3).

Cash basis standards are designed to ease the shift to accrual-based financial reporting. They initially mandate specific financial disclosures within a cash accounting framework while promoting the adoption of additional practices to improve accountability and decision-making in financial reporting (CHIEN & ROGER , IPSAS INFORMATION FINANCIÈRE SELON LA MÉTHODE DE LA COMPTABILITÉ DE CAISSE, 2022, pp. 3-4).

- **Accrual Basis:**

Transitioning to accrual accounting necessitates a clear understanding of various accounting concepts. Unlike cash basis accounting, the accrual basis provides more transparent, reliable, and governance-focused financial reporting (Ahmed & Burak , 2023, p. 300). It requires companies to implement accounting methods that address intangible assets, inventory management, and depreciation (Kazim, 2018, pp. 188-189).

The accrual basis of accounting records financial transactions in the period they occur, irrespective of cash flow. This approach offers a thorough view of assets, liabilities, and overall financial performance (Messaoud & Marraj , 2016, p. 55). Consequently, accrual accounting yields more reliable and transparent financial reports, facilitating a more accurate assessment of financial performance based on actual activities within the fiscal year.

II-1-3. International Public Sector Accounting Standards (IPSAS)

Many national public accounting system reforms are focused on implementing accrual accounting in the public sector. As these practices become more prevalent, numerous countries are adjusting their accounting systems to better suit their unique requirements. This adjustment necessitates that governments create accounting policies to either adopt or comply with these standards, enabling them to utilize an alternative reference framework (FEE European Federation of Accountants, 2003).

Harmonizing various public sector accounting systems with international accounting standards fosters convergence in public sector accounting. The International Public Sector Accounting Standards Board (IPSASB) plays a crucial role by issuing guidelines that serve as benchmarks for countries, representing a key element in the international alignment of public entities. Additionally, it supports governments in modernizing their administrative systems and information infrastructures. When preparing for reforms, adopting a widely accepted set of accounting standards can help mitigate resistance to change (FEE European Federation of Accountants, 2003).

- **Advantages of Accrual Accounting:**

The benefits of accrual accounting can only be fully realized if officials recognize their value and are equipped to interpret the data and take necessary actions to enhance management processes. Accrual accounting should not be viewed as an end goal; rather, it is a tool for achieving transparency and good governance within government organizations. Implementing accrual accounting in line with IPSAS can yield significant advantages, provided the right conditions are in place. These benefits can be summarized as follows (FEE European Federation of Accountants, 2003):

- Accrual-based international standards offer a more comprehensive approach than cash-based accounting, reducing the potential for manipulating payments and receipts to meet reporting goals.
- The information generated by accrual accounting enhances decision-making and resource allocation.
- It encourages changes in behavior within government entities through incentives, penalties, and analysis of service costs, leading to a more accurate assessment of an entity's financial health.
- Accrual accounting aids in developing effective performance measures that are unaffected by cash flow variations, while also providing insights into both fixed and current assets and liabilities.
- The costs of capital assets are allocated over their useful lives.

However, these advantages can only be achieved if the administration is both capable and willing to use accrual-based information to improve management processes.

- **Specifics of Accrual Accounting:**

The international accounting standards used in the private sector do not address certain specific items that are important for the public sector. Therefore, governments implementing accrual accounting must determine how to handle these items, as there is no universal solution (Gacem, 2024, pp. 209-210). While standardized solutions promote international comparability, each government must make decisions tailored to its unique situation. Key considerations include (FEE European Federation of Accountants, 2003):

- ***Management or agency boundaries:*** Different perspectives on administrative boundaries for consolidation, shaped by legal obligations, budgetary control, or economic dependencies.
- ***Recognition and Measurement of Assets:*** Disputes may occur over asset selection, valuation methods (such as current cost, historical cost, or replacement cost), and how often revaluations should take place.
- ***Military Assets:*** There is debate over whether to capitalize and depreciate these assets or treat them as consumables, as well as how to assess their useful lives in light of technological advancements.
- ***Infrastructure Assets:*** Challenges arise in the capitalization and valuation of these assets, including how to account for the land under roads and the frequency of revaluation.

- ***Heritage Assets:*** Questions exist regarding their valuation, particularly in differentiating between operational and non-operational assets, especially those that have been recently acquired.
- ***Natural Resources:*** Decisions need to be made about their inclusion in financial statements and the appropriate methods for valuation.
- ***Depreciation:*** It is essential to determine the lifespan of assets, identify the appropriate authority for these decisions, and consider the impact of maintenance or investment activities.
- ***Environmental Liabilities:*** There is a need to measure and recognize the costs associated with environmental damage.
- ***Pension Liabilities:*** The treatment of pension liabilities varies based on funding mechanisms, which may involve recording them as deferred liabilities or expensing them according to accrual or present cost methods.
- ***Capital Charges:*** Consideration of whether to impose charges on departments for the use of capital, including fixed assets and working capital, as well as determining the applicable rates.
- ***Inventories:*** Selecting an appropriate method for inventory valuation, such as FIFO (First In, First Out) or the weighted average method.
- ***Social Policy Commitments:*** Accounting for obligations related to government pensions and social security programs.
- ***Non-Exchange Transactions:*** Addressing the timing and measurement of revenue recognition for non-exchange transactions, such as taxation, and accounting for estimates related to concessions or tax evasion.
- ***Provisions:*** Establishing recognition criteria that prioritize transparency to avoid hidden reserves or manipulation of electoral taxes.
- ***Public-Private Partnerships:*** Accounting for the assets, liabilities, revenues, and expenses associated with public-private partnerships, as well as evaluating the transfer of risks involved.

- **Risks of Adopting Accrual Accounting:**

Implementing IPSAS represents a complex and extensive change management process. While it provides numerous medium- and long-term advantages, it also presents short-term costs and challenges that the state must confront. The European Federation of Accountants highlights that the inherent risks are often more about perceptions than actual substance, including (Biraud G. , 2010, pp. 1-76):

- IPSAS may be implemented without a full understanding of the underlying issues, leaving existing gaps unaddressed.
- Although IPSAS are continually evolving, their application in the public sector requires a rigorous approach, which can lead to conflicts between accounting principles and governmental interests.
- Efforts to maintain old systems alongside new standards may require manual interventions, increasing the risk of inaccuracies and incomplete financial reports.

IPSAS reforms have a significant impact on operational procedures, reporting practices, and consequently, on management and international relations. These reforms lead to increased scrutiny and accountability for officials regarding the efficiency and effectiveness of programs. Implementing IPSAS can be financially and time-intensive due to skill shortages, challenges with updating records in real-time, and the necessity for detailed asset analysis. If emerging human resource needs are not addressed during IPSAS implementation, employees may experience dissatisfaction when new tasks do not align well with routine duties. There is also a risk that political pressures could influence accounting decisions, which may blur the lines between public and private sector transactions and allow governments excessive discretionary power. The changes required in accounting systems come with high costs and extended implementation periods, especially given the public sector's scale and responsibilities. The budget remains a critical tool for resource allocation and fiscal policy. When budgets are prepared on a cash basis while financial reporting moves to an accrual basis, financial management and expenditure control become more complex due to necessary adjustments. Aligning both budgetary and financial reports on the same basis helps minimize the risk of oversight.

III. Analysis of the Impact of Organic Law 18-15 and Law 23-07 on Algeria's Governmental Accounting System:

The reforms in governmental accounting are part of a larger initiative to modernize public administration, with the goal of increasing efficiency and effectiveness in public service delivery. The government aims to optimize public spending and enhance revenue collection by adopting a results-based management approach. As a result, governmental units are required to adapt and improve their financial reporting to align with the new principles and methodologies of public administration, ensuring that the information provided supports decision-making and accountability (Bernardino, Brusca, & Vicente, 2007, p. 330).

The International Public Sector Accounting Standards (IPSAS) are designed to improve the performance of public sector organizations by fostering transparency, fairness, and accountability. They help safeguard public funds, reduce corruption, and prevent the misuse of power. Additionally, IPSAS enhance external oversight, especially by external auditors, and offer a precise representation of the financial status of public sector entities (Asiya, 2021, p. 28).

Algeria continues to use a public accounting system that operates on a cash basis. While Law 23-07, which addresses public accounting and financial management, has been enacted, the transition to IPSAS-compliant standards is still underway. Although the legal framework for reform is in place, practical implementation is still needed, along with updates to the curriculum and retraining of professionals by relevant associations (AbdulKazim, 2018, pp. 188-189).

The passage of Organic Law 18-15 and Law 23-07 indicates a shift towards accrual-based accounting. The State Accounting Plan is expected to be implemented by 2025, especially after the decree issued on January 9, 2025, which outlines the format and content for the General Account and public accounting documents. While Organic Law 18-15 suggested the move to accrual accounting, Law 23-07 offered a more comprehensive theoretical framework, and the January 2025 decree reinforces the commitment to practical implementation in Algeria's public sector.

Regulations will outline the implementation mechanisms, and an integrated information system will be used to maintain accounting records. These records must be kept for one fiscal year, with the option to extend until January 31 of the following year. Although the law is set to take effect on January 1, 2025, achieving full implementation in such a short period poses significant challenges. A transitional or trial phase will likely be necessary to address initial issues and inconsistencies that may arise during the practical application of these reforms.

Despite the considerable challenges associated with transitioning to accrual-based accounting, this shift is expected to yield positive results, including enhanced management of public finances and the attainment of true financial balance.

III-1. Adoption of the Accrual Basis as a Pathway to International Standards through Organic Law 18-15:

To achieve accounting harmonization, several Arab nations have adopted the International Public Sector Accounting Standards (IPSAS), primarily by implementing selected standards. In light of global developments, Algeria recognizes the need to create accounting standards that align with IPSAS. Although progress is still in its early stages, further action is urgently required. Notably, budgetary reforms began in the early 2000s but only gained significant traction in 2018 with the introduction of Organic Law 18-15. This law incorporates aspects of accrual accounting, including disclosure requirements such as the presentation of financial statements, accounting policies, and financial position reporting.

However, Organic Law 18-15 does not provide an extensive overview of accrual accounting, as its main focus is on the budgetary framework. In contrast, Law 23-07 offers a more detailed examination of accrual principles.

III-2. Adoption of the Accrual Basis as a Pathway to International Standards through Law 23-07:

To align with international accounting practices, it is essential to adopt the International Public Sector Accounting Standards (IPSAS). Law 23-07, which governs public accounting and financial management, introduced important concepts such as the accrual basis and cost accounting, reaffirming Algeria's dedication to ongoing reform and the implementation of IPSAS-compliant standards (Djileli Abdeli, 2021, p. 158).

This law requires a shift from cash-based accounting (treasury accounting) to accrual-based accounting, allowing for the generation of financial reports that accurately represent the financial status of public entities at a given point in time. The following key articles outline the application of the accrual basis:

– **Article 80** defines public accounting as encompassing budgetary accounting, general accounting, and cost accounting. This is the first official mention of general accounting in the context of public finance, confirming the shift to an accrual basis and differentiating it from financial accounting practices in the private sector.

– **Article 87** mandates that general accounting must document all transactions impacting assets by recognizing rights and obligations. It requires that transactions be recorded in the financial year they pertain to, regardless of when payment or receipt occurs. This article clearly establishes the accrual principle, moving away from the cash basis.

– **Article 88** stipulates the need to record budgetary operations, treasury transactions, asset inventories, depreciation, provisions, revenues, and expenses for the financial year. This highlights the importance of elements such as depreciation and provisions, which were not included in the previous cash-based system.

– **Article 89** states that only licensed public accountants are authorized to manage this accounting system, which is based on double-entry principles and adheres to a specified accounting plan.

– **Article 91** requires that public accounting facilitate the creation of a general trial balance and financial statements as outlined in the accounting plan. The introduction of these financial statements marks a significant advancement over the previous system.

The decree issued on January 9, 2025, outlines the format and content requirements for the General Account and public accounting documents, which include the journal, subsidiary ledger, general ledger, and trial balance. These financial statements are similar to those used in IPSAS and consist of the statement of financial position, statement of financial performance, cash flow statement, and statement of changes in net assets.

– **Article 96** mandates that the General Account of the State must accurately reflect the state’s assets and financial position, including the trial balance.

– **Article 97** highlights the importance of maintaining high-quality accounts by following established accounting principles and standards. It mandates that accounts must be compliant, consistent, reliable, comparable across fiscal years, realistic, cautious, coherent, comprehensive, and based on clear and trustworthy accounting entries that accurately reflect the true financial position and assets.

These provisions signal a significant move towards dependable accounting and financial reporting in line with international standards, focusing on the fair and accurate valuation of assets and liabilities based on the accrual principle.

However, the real challenge lies in effectively implementing these principles. Law 23-07 shows a strong commitment to the accrual basis, requiring state accounts to be regular, accurate, and reliable, with trustworthy entries. This approach enhances transparency, facilitates comparability and oversight, improves decision-making, and strengthens governance.

IV. Prospects and Challenges in Promoting IAS Harmonization:

Algeria has taken a significant initial step towards adopting international accounting standards by implementing a set of standards. The country plans to roll these out alongside the State Accounting Scheme (SAS), which is currently undergoing pilot implementation. Research indicates that Algeria is considering the adoption of 17 international public sector accounting standards (IPSAS) (Masoud, 2020, p. 179). Notably, some key aspects of the budgetary reforms incorporate organizational provisions that align with international accounting standards (Salma Lamour, 2024, p. 176). This is achieved through the following measures:

Tab 01: Regulatory provisions adopted from the International Accounting Standards (IAS)

International Accounting Standard	Conformity with Reforms in Algerian Law
Standard 01: Presentation of Financial Statements: This section outlines how financial statements should be presented for general purposes, ensuring comparability and reducing reliance on the accrual basis of accounting.	According to Article 79 of Law 23-07, financial statements must provide a true and fair view of the assets, financial position, and results at the end of the financial year.
Standard 02: Cash Flow Statement: This statement identifies the sources of cash flows, expenditure items, and the cash balance as of the reporting date, enabling an understanding of how cash is generated to support various activities.	Article 95 of Law 23-07 specifies that financial statements must include a cash flow schedule
Standard 03: Accounting Policies: This section establishes criteria for selecting, modifying, and disclosing accounting policies, as well as for making changes to accounting estimates and correcting errors.	According to Article 87 of Law 18-15, the appendices of the financial statements must include a budget reconciliation report that specifically outlines any changes in the accounting methods and rules applied during the financial year.
Standard 05: Borrowing Costs: This section outlines the accounting treatment for borrowing costs, which are recognized as expenses. The standard also permits the capitalization of borrowing costs that are directly attributable to the acquisition, creation, or production of a qualifying asset.	Article 21 of Law 18-15 states that borrowing shall be authorized by the State Finance Law. Article 59 of Law 18-15 states that the state's resources and burdens result from the issuance, transfer and repayment of borrowings. Article 60 stipulates that state borrowing operations can be carried out in the form of loans and applications, and the issuance of short-, medium- and long-term bonds, including the compulsory

	form to cover all treasury burdens.
Standard 12: Inventory: Describes the accounting treatment of inventories under the historical cost system. The cost amount is then allowed to be capitalized as an asset in public accounting and carried forward until the associated revenue is recognized.	According to Article 88 of Law 23-07: One of the objectives of public accounting is to record: Inventory of assets, movables, real estate, inventories and immovable values.

Source: Prepared by researchers based on the text of Law 23-07

Selective criteria have been established that are relevant to the Algerian context. Implementing all criteria simultaneously would be challenging.

IV-1. Challenges in Promoting IPSAS Compliance:

Transitioning from a cash-based government accounting system to an accrual basis in line with International Public Sector Accounting Standards (IPSAS) is a crucial step toward improving transparency and governance in public finances. However, Algeria faces several obstacles in this alignment, particularly following the introduction of budgetary reforms under Organic Law 18-15 and accounting reforms through Law 23-07. Organic Law 18-15, which took effect in 2023 and introduced new concepts such as multi-year and contractual programming, has encountered significant challenges that necessitated a reassessment of the roles of various public accounting officials. Consequently, the implementation of the accounting reform will face numerous hurdles, which are outlined below:

- **Legislative and Institutional Challenges:**

These challenges stem from an incomplete regulatory framework. Although Law 23-07 has been enacted to adopt the accrual basis, the accompanying executive texts do not adequately clarify the mechanisms for practical application, such as asset valuation criteria. Furthermore, conflicts may arise between current and previous laws, as certain provisions from earlier legislation remain in effect. Institutional challenges also exist due to insufficient coordination and collaboration among various stakeholders, including the Ministry of Finance, the Accounting Council, oversight bodies, and the National Accounting Council, in implementing international standards.

- **Technical and Accounting Challenges:**

The new system must tackle complex concepts within the government sector, such as depreciation, supplies, and asset valuation, in line with the accrual principle. Additionally, there are challenges associated with implementing a unified accounting scheme, as initial phases of the state accounting scheme have revealed various technical issues. Problems often emerge during the pilot phase and may only become apparent after several years of practice. Furthermore, there is a lack of reliable primary financial data and weaknesses in the property valuation system.

- **Human and Cultural Challenges:**

This issue stems from a deficiency in accounting skills, as many public accountants are accustomed to traditional cash-based systems. They require retraining in accrual accounting. Additionally, there is a lack of control over the use of advanced accounting software, particularly since the accrual accounting system necessitates an integrated approach that automates data across various financial departments within government entities. Furthermore, cultural and psychological barriers, such as resistance to change due to fears of accountability and occasional concerns about transparency stemming from confidentiality, impede the implementation of IPSAS, which emphasizes disclosure.

- **Technological Challenges:**

This pertains to the limitations of existing information systems. Accrual accounting necessitates sophisticated information systems, such as ERP systems, to connect all departments and monitor operations in real time. This requirement can pose a challenge for certain government organizations.

- **Political and Financial Challenges:**

Political decisions can influence the adoption of specific standards. Additionally, the financial implications of transitioning to an accrual basis are substantial, necessitating significant investments in training, software acquisition and development, comprehensive inventories, and more.

Moreover, challenges, contradictions, and conflicts are likely to emerge during the implementation of these reforms. On one hand, disbursing officers manage accounts on a cash basis, while accountants focus on an accrual basis. On the other hand, the law allows disbursing officers to hire public accountants, which could lead to budget execution and various operations being influenced by the disbursing officers' policies and actions aimed at safeguarding their own interests. This situation may result in accounting policies being swayed by political or authoritarian influences.

IV-2. Prospects for Enhancing Alignment with International Accounting Standards:

To address the challenges mentioned earlier, the following actions should be taken:

- **Strengthen the Legal Framework:**

Issue detailed executive decrees to clarify the application of Law 23-07. Implement a trial period, similar to what many countries have done when adopting these reforms. If necessary, establish a national committee to oversee the implementation of the accounting reform process and ensure harmonization.

- **Build Human Capacity:**

Incorporate IPSAS into training programs for public accountants at universities, the Higher School of Taxation, the Higher School of Management, and other institutions. Additionally, collaborate with international organizations that promote these standards, such as the International Monetary Fund and the European Union, to organize training courses.

- **Modernizing Technological Infrastructure:**

Implementing integrated accounting systems to facilitate the transition to an accrual basis.

- **Phased Implementation:**

IPSAS standards will be gradually introduced in selected pilot sectors before being extended to other areas.

V. Comparative Study: Algeria vs. Belgium Accounting Reforms

The comparison study embarks upon the processes of government accounting reform in Algeria and Belgium, as well as their related approaches and developments. While Algeria is at the starting point of implementation following a new legal reform, Belgium has been enhancing incrementally since 2003 with a more sophisticated system (Ghysels, Phan-Thanh, & Tsatsis, 2012). The comparison draws on legal framework, accounting system, implementation problems, and lessons learned with the purpose of enhancing transparency and financial administration

V- 1. Legal and Regulatory Framework

- Algeria: Algeria enacted new legislation so that there is a legal basis and framework to achieve reforms. These are all contained in the Organic Law 18-15 on laws on finance, the Law on Public Accounting and Financial Management 23-07, and a decree enacting in January 2025 to determine the form and contents of the State's general account.
- Belgium has been reforming since 2003 with its introduction of financial legislation and accounting laws with the general goal of reforming to integrated accounting. Amendments to introduce international standards and city accounting are evolving and slow to reform legislation at different levels of government (federal, regional, local).

V- 2. Accounting System Adopted

- Algeria: The country is in transition from cash-based accounting to accrual-based accounting and is establishing a three-dimensional system that covers budgetary accounting, general accounting, and cost-analysis accounting.
- Belgium: The reform aims to foster the integration of general accounting with budgetary accounting, recognizing transactions on an accrual basis (or as close to it as possible), although the full implementation of the reform is still incremental and uneven across entities (Bayenet, Bourgeois, & Rion, 2019).

V- 3. Accounting Principles and Standards

- Algeria: General accounting principles have been adopted based on the Executive Decree 24-90 (February 22, 2024), which includes principles such as truthfulness, regularity, fair presentation, prudence, period separation, comparability, continuity, non-offsetting, etc.; a State Chart of Accounts (PCE) has been issued.
- Belgium: Relies on principles introduced in national legislation an among accounting conventions; there are ongoing discussions focusing on aligning agendas and accounting standards such as IPSAS 1, 6 and 22 but certain entities are still not fully compliant (Bellanca & Vandernoot, 2013).

V- 4. Challenges in Implementation

- Algeria: Encounters hurdles such as a lack of technical and human capabilities, delays in developing the implementing regulations, weak institutional readiness, and the need for enhanced financial information systems.

- Belgium: Experiences regional gaps, institutional resistance to change, high transition costs to new systems, and a complex decision-making process when harmonizing between different levels of government.

V- 5. Actual Implementation Level and Adoption

- Algeria: Legislative reform is advanced, but practical implementation remains in early stages in most sectors; some implementing regulations are not fully operational yet.

- Belgium: Some municipalities and local entities have already developed accounting practices close to accrual basis, while the federal government and larger entities still struggle to fully adopt the new basis (DESILLE, 2009).

V- 6. Expected Benefits and Opportunities

- Algeria: The reform is anticipated to provide enhanced transparency, increased accountability, international alignment, and better financial information quality that supports government decision-making.

- Belgium: The benefits include improved performance comparisons across entities, unified financial reporting for all entities, enhanced administrative efficiency, and the use of previous experiences in the transition to accrual accounting.

V- 7. Potential Lessons and Recommendations

The findings of the benchmark exercise suggest the possibility for Algeria to draw experience from Belgium in: • A phased approach (the accounting system being designed in phases and the implementation being done in phases) • The importance of training and technical capacity building • Integrated information systems that support the new standards in place • Legislative coordination in the different levels of government to address discrepancies created between the different levels of government in terms of some of the regulations.

Tab 2: comparison of government accounting reforms in Algeria and Belgium

Aspect	**Algeria**	**Belgium**
Legal and Regulatory Framework	Recent laws: Organic Law 18-15, Law 23-07, Jan 2025 decree on State account content	Reforms since 2003; gradual legislative changes; financial/accounting laws differ by federal, regional, local levels
Accounting System Adopted	Transition from cash to accrual; 3-dimensional system: budgetary, general, cost-analysis accounting	Integration of general and budgetary accounting; accrual basis adoption gradual and uneven
Accounting	Executive Decree 24-90	National legislation principles;

Principles and Standards	(2024) sets principles (truthfulness, prudence, etc.); State Chart of Accounts (PCE)	moves to align with IPSAS (1,6,22); incomplete compliance in some entities
Challenges in Implementation	Technical/human capacity shortage; delays in regulations; weak institutional readiness; need better IT	Regional disparities; resistance to change; high transition costs; coordination complexity between government levels
Actual Implementation Level and Adoption	Advanced legislative reform but early-stage practical implementation; some regulations not fully operational	Some municipalities close to accrual basis; federal/larger entities still struggling with full adoption
Expected Benefits and Opportunities	Greater transparency, accountability, international harmonization, better financial info for decisions	Better performance comparisons, unified reporting, administrative efficiency, leverage past transition experience
Potential Lessons and Recommendations	Could learn phased system design, staff training, integrated IT systems, legislative coordination from Belgium	

Source: Prepared by the researchers based on the sources used.

Algeria and Belgium indicates two different trajectories and approaches to reform. Algeria has made considerable, albeit more legislative than practical, preparations for implementing the reform to accrual accounting. However, implementation is hampered by a lack of capacity and readiness of the institutions. Belgium's reform experience, which started earlier, demonstrates more advanced practical implementation in some local government entities, despite inter-regional differences and some institutional resistance. Algeria could benefit from Belgium's experience regarding the phased implementation of the reform, staff training, integrated systems, and legislative process. Considerable effort is being spent in both countries to enhance transparency, accountability, and the quality of public financial information for sound and effective public financial management.

VI. Conclusion

From the comparative evaluation of Algeria and Belgium's reform experiences in public sector accounting, one more sustainable conclusion can be drawn: Algeria has demonstrated a bold move to modernise its accounting system by implementing the transition from cash-based accounting to an accrual-based accounting model, as articulated in its reforms, i.e., Organic Law 18-15, Public Accounts Law 23-07, and the recognition of progress made against International Public Sector Accounting Standards (IPSAS); however, despite progress, Algeria has many challenges to address including capacity building, support for the regulatory instruments, and a full inventory and valuation of public sector assets.

Conversely, Belgium has made the institutional investment to develop its legal framework that has led to capacity building incrementally through pilot projects to build institutional capacity, audit coordination with an independent audit capacity, and performance budgeting over many decades.

This provides an opportunity for Algeria to benefit from Belgium's framework, which has been used to assess and guide some of the challenges faced, and Belgium provided examples of how incremental implementation of performance budgeting based on performance could challenge trust, transparency and accountability. In conclusion, for Algeria IPSAS is not a mere, legal or technical reform but a strategic opportunity to enhance its overall.

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