




## Analysis of the Degree of Legal Independence of the Bank of Algeria under the Monetary and Banking Law No. 23-09 Using the (CWN) Index.

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### Abstract:

The independence of central banks is a critical topic in economics, as it reflects the degree of autonomy policymakers possess in implementing effective monetary policy. The Algerian case illustrates a banking system capable of adapting to economic fluctuations and remaining resilient in the face of crises. Using the CWN model, the independence of the Bank of Algeria is estimated at 58% under the framework of the Monetary and Banking Law No. 23-09. This level is comparable to that of central banks in other developing countries, highlighting Algeria's progress in strengthening the institutional autonomy of its central bank and its capacity to conduct independent and credible monetary policy.

**Keywords:** Monetary and Banking Law No. 23-09, Central Bank Independence, (CWN) Index, Bank of Algeria.

**JEL Classification Codes :** G21 ; E58 ; G28.




## تحليل درجة الاستقلالية القانونية لبنك الجزائر بموجب القانون النقدي والمصرفي رقم: 09-23 باستخدام مقياس (CWN).

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### ملخص:

تعد استقلالية البنوك المركزية من أهم الموضوعات الاقتصادية، إذ تعكس مدى حرية صانع القرار في تنفيذ السياسة النقدية. وتُظهر التجربة الجزائرية قدرة منظومتها المصرفية على التكيف مع المتغيرات الاقتصادية والصمود أمام الأزمات، حيث تشير تقديرات مقياس (CWN) إلى أن درجة استقلالية بنك الجزائر تصل إلى 58 % وفقا للقانون النقدي والمصرفي رقم: 09-23، التي تعتبر نسبة مقارنة لمستويات البنوك المركزية في الدول النامية، مما يعكس تقدم الجزائر في تعزيز استقلالية مؤسساتها النقدية.

الكلمات المفتاحية: القانون النقدي والمصرفي رقم: 09-23؛ استقلالية البنوك المركزية؛ مقياس (CWN)؛ بنك الجزائر.

تصنيف JEL: G21؛ E58؛ G28.

## 1. INTRODUCTION

The central bank holds a leading role as the highest monetary authority, regardless of the economic system or development level. As an independent public institution, it manages the government's key monetary and financial operations through various instruments. Given its crucial role in economic stability, attention to central bank independence has grown, granting many banks broader powers and capacities to fulfill monetary policy objectives, primarily ensuring price stability.

The Bank of Algeria began its path toward monetary independence with its establishment in December 1962 and the issuance of the Algerian dinar in 1964. This process continued with the nationalization of foreign banks in 1966, followed by the banking reform of 1971 and its revision in 1978, culminating in 1986, which marked the beginning of new prospects for the monetary system. Since the promulgation of the Money and Credit Law in 1990, the Bank has enjoyed a margin of independence that enhanced its capacity to achieve the objectives of monetary policy, particularly price stability. Subsequent amendments, such as Ordinance No. 03-11 of 2003, were later introduced, leading ultimately to the Monetary and Banking Law No. 23-09 of 2023, which further strengthened the Bank's independence and effectively framed its monetary policy. This development has prompted us to evaluate and analyze this independence using precise scientific indicators, notably the CWN index, which measures the legal independence of central banks based on 16 criteria divided into four main dimensions.

**1.1 Research Problem:** Based on the foregoing, this study seeks to assess the extent of the legal independence of the Bank of Algeria under the Monetary and Banking Law No. 23-09. Accordingly, the following research question arises: **To what extent does the Bank of Algeria enjoy legal independence under Monetary and Banking Law No. 23-09 according to the (CWN) Index?**

**1.2 Research Hypothesis:** This study is based on the hypothesis that the new Monetary and Banking Law No. 23-09 has strengthened the degree of independence of the Bank of Algeria, thereby establishing a more rigorous legal framework that enables it to perform its functions more effectively.

**1.3 Research Objectives:** This research aims to clarify and analyze the following aspects:

- Identifying the concept of central bank independence and its main requirements.
- Highlighting the most important aspects emphasized in Monetary and Banking Law No. 23-09.
- Presenting the CWN index used to measure the independence of central banks.
- Evaluating the degree of independence of the Bank of Algeria in light of the new orientations of Law No. 23-09.

**1.4 Research Methodology:** Given the nature and importance of the study topic, this research primarily relies on the deductive approach, employing both descriptive and

analytical methods. This approach is used particularly in reviewing the fundamental concepts of central bank independence, as well as in analyzing and evaluating the degree of independence enjoyed by the Bank of Algeria. The analysis is conducted with reference to the various legal provisions and texts governing the Algerian banking sector in accordance with Monetary and Banking Law No. 23-09.

**1.5 Previous Studies:** We will attempt to review the most relevant studies related to the research topic, particularly focusing on the following key works:

- The study by Star Jabbar Khalil Al-Bayati and Mushtaq Latif Saeed, entitled “The Independence of Central Banks with A Special Reference to Measure the Extent of Independence of The Central Bank of Iraq”, published in the Journal of Administration and Economics (Iraq, 2018), focused on measuring the degree of independence of the Central Bank of Iraq. The study employed legislative indicators to evaluate the central bank using the CWN Index. The results indicated that the independence of the Central Bank of Iraq reached approximately 75%, which the authors considered a relatively good level of independence.
- Another study conducted by Adel El-Kailany, entitled “The Independence of the Central Bank of Libya Based on Law No. (46) of 2012,” published in the Al-Ru’ya Journal for Economic and Political Sciences (Libya, 2022), also used the CWN Index to measure central bank independence. The findings revealed that the independence of the Central Bank of Libya was estimated at about 66.4%, which was considered a moderate level compared with some Arab countries.
- A study by Cheifa Badiia and Nesrine Kerroum, entitled “The Legal Regulation of Electronic Banking How Does the Monetary and Banking Law 09-23 Enhance Trust in Digital Transactions”, published in the Journal of Legal and Economic Research (Algeria, 2025), showed that the issuance of Monetary and Banking Law No. 23-09 and related regulations, such as Regulation 24-04, reflects Algeria’s commitment to strengthening a secure and innovative banking environment. The study highlighted that this legal framework plays a pivotal role in regulating digital transactions by enhancing transparency, protecting consumers, establishing clear standards for transactions, as well as combating cybercrime and ensuring data protection.
- The study by Boucetta Djamel and Bentahar Amina, entitled “The legal framework of the bank of Algeria: an analysis of the monetary and banking law 23-09”, published in the Journal of Science and Knowledge Horizons (Algeria, 2025), concluded that the Algerian legislator introduced new mechanisms within the Monetary and Banking Law aimed at implementing monetary policy in a manner that ensures financial stability. These mechanisms include requiring banks to establish mandatory reserves, issuing borrowing bonds, conducting currency swap operations, in addition to granting emergency liquidity and investing banks’ funds.

## 2. Theoretical Foundations of Central Bank Independence.

Central bank independence is a fundamental factor in enhancing the credibility and effectiveness of monetary policy, particularly in achieving price stability and controlling inflation. This section presents the key concepts of central bank independence and the main indicators used to measure it, especially in the context of many countries' efforts to strengthen independence through legislative reforms.

**2.1 Concept of Central Bank Independence:** Central bank independence refers to the existence of an institutional autonomy that enables the central bank to manage monetary policy freely and without governmental pressure, thereby preventing its use as a tool for financing budget deficits. Accordingly, independence implies that the central bank possesses the necessary powers and authority to effectively achieve the objectives of monetary policy. This is reflected through :

- The independence of the central bank's management from direct government influence (Nosetti, 2003, p. 59).
- Independence in the formulation and implementation of monetary policy by the central bank.
- Independence in coordinating the central bank's policies with other economic policies.
- The independence of key officials in terms of appointment, ensuring that they cannot be dismissed before the end of their legally defined terms of office.

**2.2 Requirements for Central Bank Independence and Reasons for Advocating It:** Most studies that focus on central bank independence, in terms of its philosophy and limits, consider it a necessity, highlighting the underlying reasons that justify such independence.

**2.2.1 Requirements for Central Bank Independence:** The independence of a central bank relies on several requirements, which can be summarized as follows (Haya & Jaafar, 2019, p. 364):

- Legislative guarantees of independence and the absence of obstacles or impediments.
- Legal definition of the central bank's objectives and the nature of these objectives.
- Procedures for appointing the governor, deputy governors, and board members, as well as conditions for their dismissal.
- The length of the governor's term in office.
- The presence or absence of a government representative on the board of directors.
- The extent to which the central bank adheres to government directives and its ability to act using its own instruments.
- Limits on the central bank's financing of the government.
- The government's ability to alter any of the above features.

**2.2.2 Reasons for Advocating Central Bank Independence:** Economic and financial developments, particularly during the 1970s and part of the 1980s, highlighted the

importance of central bank independence in several countries. The main reasons for advocating such independence include (Khalaf, 2011, pp. 74-75):

- Governments may seek to influence central banks to align monetary policy with their fiscal objectives, often through expansionary measures that may increase inflation and enable the financing of budget deficits.
- The collapse of the Bretton Woods system and the emergence of inflation in both advanced and developing capitalist countries, where inflation was viewed as a result of monetary policies implemented by central banks.
- Political economy influences monetary policy, as electoral cycles may lead policymakers to stimulate short-term economic activity before or during elections, a phenomenon referred to as the political business cycle.
- Monetary policy may become ineffective in controlling inflation when government intervention is excessive. Empirical studies show that greater central bank independence is associated with lower inflation without harming economic growth.
- Independence allows the central bank to resist government pressure for excessive money issuance, which would otherwise lead to price increases within the country.

**2.3 Criteria for Central Bank Independence:** The degree of central bank independence can be evaluated based on a set of different criteria or indicators, although opinions vary regarding their ranking and relative importance. The most prominent criteria can be summarized as follows (Boukerchaoui & Baghdaoui, 2020, pp. 86-87):

- **Criterion 1: Primary Objectives of Central Banks:** Assigning a large number of tasks to a central bank may hinder its ability to achieve them, suggesting weaker independence. Conversely, defining a single, clear task or objective indicates a higher level of independence.
- **Criterion 2: Authority and Freedom in Formulating and Implementing Monetary Policy:** The authority responsible for monetary policy depends on the central bank's level of independence. An independent central bank has the legal mandate to formulate and implement monetary policy freely, without government directives.
- **Criterion 3: Financial Independence (Budgetary Autonomy):** Financial independence means that the central bank can prepare its budget without government intervention. Without such independence, the government may influence the bank's policies by restricting access to financial resources.
- **Criterion 4: Financing Budget Deficits and Commitment to Purchasing Government Debt Instruments:** When government expenditures exceed revenues, a deficit may arise that can be financed through the sale of government bonds or borrowing. An independent central bank may voluntarily sell these bonds, whereas under limited independence, the government can compel the central bank to undertake such operations.
- **Criterion 5: Appointment and Dismissal of Central Bank Governors and Their Term of Office:** Central banks where governors are appointed by the board

of directors are considered to have the highest degree of independence. Banks where governors are appointed by the legislative authority follow next in terms of independence.

- **Criterion 6: Government Representation in the Central Bank's Board of Directors:** The composition of central bank board's affects the relationship between the bank and the government. In some cases, boards serve as an official channel for government influence. In certain countries, governments appoint most or all board members, allowing them to exercise direct influence over central bank decisions.
- **Criterion 7: Accountability and Transparency:** An efficient system requires the central bank to provide timely and adequate information, enabling stakeholders to monitor performance. Central banks following international standards disclose operational data and allow external auditors to evaluate their performance.

#### **2.4 (CWN) Index for Measuring the Legal Independence of Central Banks:**

Cukierman, Webb and Neyapti developed an analytical framework that includes a table identifying the key legislative variables of a central bank derived from its governing law. These variables are divided into four main groups, comprising a total of 16 different legislative variables. Each variable is assigned a ranked score ranging from 0, reflecting the lowest level of independence, to 1, representing the highest level.

Focusing on legal independence is fundamental, as it constitutes one of the most important components of a central bank's actual independence (**Ghrissi & Mounir , April 2009, p. 05**).

It reflects the extent of autonomy recognized by the legislator in regulating the central bank's operations. This index is based on four legal characteristics (**Walsh, December 2005, pp. 04-05**):

- **Governor Appointment and Term:** The central bank is more independent if the governor is appointed by the central bank board rather than the prime minister or finance minister, is protected from dismissal, and serves a long term in office. These aspects help insulate the bank from political pressures.
- **Policy Autonomy:** Central bank independence increases as the decisions it makes are taken independently of government participation.
- **Primary Objective:** The central bank is considered more independent if its charter specifies price stability as the sole or primary objective of monetary policy.
- **Government Borrowing Restrictions:** Central bank independence is greater if there are legal constraints on the government's ability to borrow from the central bank.

**2.4.1 Components of the Legal Independence Index of Central Banks (CWN):** As previously mentioned, the (CWN) Index for measuring the legal independence of central banks is composed of four main groups. The first group is as follows (**Cukierman, Webb, & Neyapti, 1992, pp. 358-359**):

**2.4.1.1 First Group: Governor Criterion:** This group evaluates the central bank's independence based on factors related to the governor. It is assigned a weight of 20% and includes four sub-items:

- **Governor's Term (Duration of Office):** Score 1: term exceeds 8 years, Score 0.75: term between 6 and 8 years, Score 0.5: term is 5 years, Score 0.25: term is 4 years, Score 0: term less than 4 years
- **Appointing Authority of the Governor:** Score 1: appointed by the central bank's board of directors, Score 0.75: appointed by a board including central bank members and representatives from both legislative and executive authorities, Score 0.5: appointed solely by the legislative authority, Score 0.25: appointed solely by the executive authority Score 0: appointed by one or two members of the executive authority without broader institutional involvement.
- **Conditions for Dismissal of the Governor:** Score 1: no legal conditions for dismissal, Score 0.83: dismissal only for non-political reasons (e.g., incompetence or legal violations), Score 0.67: dismissal at the request of the central bank board, Score 0.5: dismissal for political reasons at the request of the legislative authority, Score 0.17: dismissal for political reasons at the request of the executive authority Score 0: unconditional dismissal.
- **Possibility for the Governor to Hold Other Positions:** Score 1: governor prohibited from holding other government positions, Score 0.5: governor may hold other positions with prior approval from the executive authority, Score 0: no legal restriction on holding other positions.

**2.4.1.2 Second Group: Monetary Policy Formulation Criterion:** This group assesses the methods for resolving conflicts between the executive authority (government) and the central bank regarding monetary policy, as well as the central bank's participation in preparing the general budget. It is assigned a weight of 15% of the total index and consists of three sub-items:

- **Authority to Formulate Monetary Policy:** Score 1: the central bank has full authority to prepare and formulate monetary policy, Score 0.67: authority is shared between the central bank and the government, Score 0.33: the central bank has only a limited or advisory role in policy formulation, Score 0: the government alone has the authority to prepare monetary policy without central bank involvement
- **Government Directives and Conflict Resolution:** Score 1: central bank has final authority, Score 0.8: government has final authority, Score 0.6: joint authority (shared body), Score 0.4: legislative authority, Score 0.2: legislative authority only in specific legal matters, Score 0: unconditional executive authority
- **Central Bank's Role in Preparing the Government Budget:** Score 1: central bank can play a primary role in budget preparation, Score 0: central bank has no role in budget preparation.

**2.4.1.3 Third Group: Central Bank Objectives Criterion:** This group assesses the objectives assigned to the central bank and carries a weight of 15% of the total index. It consists of a single item, scored as follows:

- Score 1: Price stability is the sole or primary objective, and the central bank has the final say in case of conflict with the government.
- Score 0.8: Price stability is the sole objective.

- Score 0.6: Other objectives exist but do not conflict with price stability.
- Score 0.4: Other objectives exist that conflict with price stability.
- Score 0.2: Legislation does not explicitly state the objectives.
- Score 0: Price stability is not among the bank's objectives.

**2.4.1.4 Fourth Group: Lending Limits Criterion:** This group evaluates the legal restrictions on central bank lending and carries the highest weight of 50% of the total index. It consists of eight sub-items:

- **Non-rediscouted Lending Limits** (Weight: 0.15): Score 1: lending to the government is prohibited, Score 0.67: allowed under strict conditions, Score 0.33: allowed with specific limits, Score 0: no legal restrictions.
- **Rediscouted Lending** (Weight: 0.1): Score 1: lending to the government is prohibited, Score 0.67: allowed under strict conditions, Score 0.33: allowed with specific limits, Score 0: no legal restrictions.
- **Authority Determining Loan Terms (Maturity Monitoring)** (Weight: 0.1): Score 1: central bank responsible for monitoring maturities, Score 0.67: central bank has legal authority to set terms, Score 0.33: maturities set through negotiation between central bank and executive authority.
- **Eligible Borrowers from the Central Bank** (Weight: 0.05): Score 1: borrowing restricted to the central government, Score 0.67: central and state governments, Score 0.33: government levels and public institutions, Score 0: includes the private sector.
- **Definition of Lending Limits** (Weight: 0.025): Score 1: based on money supply, Score 0.67: as a percentage of bank liabilities or capital, Score 0.33: as a percentage of government revenues, Score 0: as a percentage of government expenditures.
- **Loan Maturity** (Weight: 0.025): Score 1: maturities  $\leq$  6 months, Score 0.67: up to 1 year, Score 0.33: more than 1 year, Score 0: no legal restrictions.
- **Interest Rate Restrictions** (Weight: 0.025): Score 1: equal to market rates, Score 0.75: must be below a maximum limit, Score 0.5: must exceed certain thresholds, Score 0.25: no explicit legislation, Score 0: no legal conditions on interest.
- **Central Bank Prohibition on Buying or Selling Government Securities in the Primary Market** (Weight: 0.025): Score 1: prohibited from purchasing government securities in the primary market, Score 0: no prohibition.

**2.4.2 (CWN) Index Calculation Method:** The final score for central bank independence using the (CWN) Index is calculated through the following steps (Cukierman, Webb, & Neyapti, 1992, p. 360):

- Step 1: Aggregate the scores of the sub-items within each of the four groups separately, then calculate the average score for each sub-item.
- Step 2: Multiply the total score of each group by its assigned weighting factor to obtain the weighted score.
- Step 3: Sum the weighted scores of all four groups. The resulting total represents the overall degree of central bank independence.

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This method ensures that each component of legal independence is accounted for according to its relative importance in the overall index.

### **3. The Algerian Monetary and Banking Law No. 23-09.**

After more than twenty years since the issuance of Law No. 90-10 on Currency and Credit, and in light of political, economic, and health-related transformations and their negative effects along with the implications of Order No. 17-10 the Algerian public authorities sought to address existing imbalances and strengthen the legal framework governing the banking sector. This effort aligns with Algeria's strategic objective of diversifying the economy beyond the hydrocarbon sector.

This approach was marked by a broad legislative discussion and the presentation of the draft law for approval, in contrast to the previous two decades, during which reforms were typically implemented through presidential orders. Within this context, Law No. 23-09, dated 21 June 2023, concerning monetary and banking affairs, was enacted, repealing Order No. 03-11, dated 26 August 2003. This law represents a new phase of monetary and banking reforms in Algeria. It comprises 167 articles distributed across nine chapters, establishing a comprehensive legal framework for the sector.

**3.1 Motives for Adopting the Monetary and Banking Law No. 23-09:** The main motives for implementing Law No. 23-09 can be summarized as follows (Mokhtar, 2023, p. 287):

- **Political Motive:** The law aims to modernize the monetary system, limit executive influence, and respond to societal needs, including foreign exchange offices and Islamic banking.
- **Economic Motive:** The law aims to diversify Algeria's economy, strengthen investment, modernize the banking sector, promote digital finance, and enhance financial inclusion and competitiveness.
- **Legal Motive:** Law No. 23-09 addresses legal gaps in previous legislation, particularly by providing a framework for Islamic banking. It also strengthens governance and supervision, restores part of the Bank of Algeria's independence, and expands its powers to manage monetary developments, handle banking crises, and maintain financial system stability a cornerstone of economic activity.

**3.2 Objectives of the Monetary and Banking Law No. 23-09:** The law was enacted to achieve a set of objectives reflecting Algeria's ambitions and capabilities, including (Finance, 2023, pp. 02-03):

- **Legal and Regulatory Adaptation:** Align the monetary and banking system with global economic and financial changes, and address technical and technological challenges in the banking sector.
- **Exchange System Reform:** Authorize the operation of foreign exchange offices.
- **Enhancing Governance:** Strengthen governance across all institutions within Algeria's monetary and banking system.

- Promoting National Economic Financing: Increase incentives for financing the national economy.
- Strengthening Internal Governance: Require banks and financial institutions to adopt robust internal governance rules.
- Developing Payment Methods: Prepare a national strategy for written payment instruments to improve banking transactions and financial inclusion.
- Modernizing Monetary Policy Tools: Introduce new instruments to enhance the effectiveness of monetary policy.
- Legalizing Islamic Banking Operations: Provide a legal framework for Islamic banking, including the establishment of Sharia boards and adaptation of laws to accommodate Islamic banking products.
- Expanding Digital Payments: Introduce the Algerian digital dinar, issued and managed by the Bank of Algeria, to advance payment digitization.

**3.3 Content of the Monetary and Banking Law No. 23-09:** Law No. 23-09 represents a continuation of Algeria's monetary and banking reforms initiated since 1990, aiming to modernize the regulatory framework of the financial sector and enhance its effectiveness. The main features of this law can be summarized as follows:

**3.3.1 Change of Law Name:** Unlike the previous legislations (Law 90-10 of 1990 and Order 03-11 of 2003), which were titled Currency and Credit Law, the new law is called the Monetary and Banking Law, reflecting its broader scope in regulating the financial and banking sector, as noted by many experts.

**3.3.2 Strengthening the Independence and Governance of the Bank of Algeria:** The law introduces a five-year term system for the governor and deputy governors, reinstating the practice from Law 90-10, thereby enhancing the bank's independence. Article 22 establishes the Board of Directors, composed of (**Law, 2023, p. 06**):

- The Governor (Chair).
- Deputy Governors.
- Four senior officials appointed by presidential decree based on expertise in economics and finance.

The Bank of Algeria is now obligated to: Disclose its monetary policy and banking supervision policies, contribute to financial stability and balance of payments, Monitor Algeria's foreign financial reserves.

The law also emphasizes the bank's responsibility in organizing payment systems and strengthens its operations, including:

- Gold transactions and management of foreign reserves.
- Monetary policy operations, with full tools provided for implementing policy, including Islamic banking operations.
- Emergency liquidity provision, introducing new monetary instruments to enhance efficiency and protect banking stability.

- Operations with the state, public entities, and other central banks, including limiting Bank of Algeria financing to the general treasury to 10% of the previous year's ordinary revenues.
- Investment operations and other related activities.

**3.3.3 Powers of the Monetary and Banking Council under Law No. 23-09:** Law No. 23-09 expanded the powers of the Monetary and Banking Council to adapt to changes in the banking environment, including oversight of independent intermediaries, foreign exchange offices, and payment service providers. The main new powers, compared to previous legislation, are summarized as follows (**Law, 2023, p. 12**):

- **Setting Standards and Ensuring Payment System Integrity:** Establish criteria for the operation and safety of payment systems.
- **New Savings, Credit, and Banking Services:** Approve and oversee innovative financial products and banking services.
- **Prudential Standards:** Define regulatory standards for banks, financial institutions, digital banks, and payment service providers.
- **Good Governance and Professional Ethics:** Apply rules of conduct and ethics to banks, financial institutions, independent intermediaries, foreign exchange offices, and payment service providers.
- **Accreditation of Independent Intermediaries and Exchange Offices:** Set requirements for approval, including minimum capital and operational procedures.
- **Accreditation and Establishment of Payment Service Providers:** Define criteria for licensing, minimum capital, client protection measures, and applicable accounting standards.

**3.3.4 Strengthening Islamic Banking under Law No. 23-09:** Although Decree No. 18-02 of 04 November 2018, established the first legal framework for Islamic banking since independence, it was repealed by Decree No. 20-03 of 15 March 2020, which revised the rules governing Islamic banking operations. The official term became “Islamic banking” instead of “participatory banking,” regulating the provision of Islamic products, including the opening of Islamic windows in banks and financial institutions (**Adem & GUELMINE , 2022, pp. 213-214**).

Law No. 23-09 further strengthens Islamic banking by: defining its concept and regulatory framework, allowing adaptation of monetary tools to its specific operations, requiring the appointment of a specialized Islamic banking expert to the Monetary and Banking Council, and mandating Sharia compliance certification for all Islamic banking products following consultation with the Sharia Advisory Board and approval by the Bank of Algeria (**Law, 2023, p. 13**).

**3.3.5 Expansion of the Banking Committee's Powers:** Law No. 23-09 expands the powers of the Banking Committee, designating it as the sole authority to supervise violations by banks or financial institutions, particularly regarding credit risks and

related management activities. The Bank of Algeria carries out this supervision through its staff, and the Committee may delegate personnel as needed.

**3.3.6 Establishment of the Financial Stability Committee:** A Financial Stability Committee was established to oversee policy formulation, macroprudential supervision, and crisis management. Its policies aim to enhance financial system resilience by addressing vulnerabilities and mitigating systemic shocks. The law defines the Committee's responsibilities in two main areas (**Law, 2023, pp. 24-25**):

3.3.6.1 Macroprudential Supervision Tasks :

- Identify and assess risks that may threaten the stability of the entire financial system.
- Promote transparency by encouraging the production and dissemination of useful information and statistics for macroprudential oversight.
- Issue decisions or general instructions to ensure the proper functioning and efficiency of the financial system and to reduce the risk of financial crises.
- Ensure implementation of all measures aimed at preventing systemic risks and mitigating their effects.
- Develop procedures to address identified vulnerabilities, ensuring consistency and follow-up.

3.3.6.2 Tasks in the Event of a Financial Crisis:

- Evaluate the potential impact of the crisis on the financial system and various economic sectors.
- Develop a crisis exit strategy and propose a management plan, including a timetable of actions and tools to mitigate the crisis's effects.
- Coordinate measures to restore financial stability.

**3.3.7 Establishment of the National Payments Committee:** The National Payments Committee was established to enhance banking transactions and financial inclusion in Algeria by developing a national strategy for payment instruments for approval by public authorities. Its main tasks include (**Law, 2023, p. 25**):

- Monitoring the implementation of strategic orientations related to payment instruments by relevant stakeholders.
- Supervising the development and adoption of payment instruments within the country.
- Overseeing the use of international payment instruments in Algeria.
- Tracking and promoting innovation in payment instruments.
- Preparing updates to the national strategy for payment instruments.

**3.3.8 Digitization of Monetary and Banking Activities:** Law No. 23-09 promotes payment digitization through the introduction of the Algerian digital dinar, issued under the Bank of Algeria's supervision. It also broadens the scope of payment instruments to include digital currencies and provides for the licensing of digital banks and payment service providers, aiming to advance technological adoption and enhance financial inclusion.

#### 4. Measuring the Legal Independence of the Bank of Algeria under Law No. 23-09.

To assess the legal independence of the Algerian central bank, we rely on the (CWN) Index, which is based on legislative indicators divided into four main groups, each assigned a specific weight according to its relative importance.

Law No. 23-09, dated 21 June 2023, provides an opportunity to clarify the economic role of the Bank of Algeria, align it with global banking developments, and ensure its independence. The CWN Index is applied by evaluating qualitative and quantitative variables, with points aggregated for each variable to determine the total weight. Each variable also includes sub-indicators, whose weights vary according to their significance within the main variable, as previously described in Section (02).

**4.1 Group One: Governor Criterion:** Articles 13 to 20 of Law No. 23-09 stipulate that the management of the central bank is entrusted to the Governor, assisted by three deputies, all appointed by presidential decree for a five-year term, renewable once. This arrangement aims to ensure institutional stability and the continuity of monetary policy implementation.

The law also specifies conditions for early termination of the Governor's mandate, such as legal incapacity or gross misconduct, thereby reinforcing the principle of accountability. Additionally, it establishes a mechanism for interim succession, ensuring that monetary and financial stability is not affected in the event of a vacancy.

**Table 1: Degree of Independence of the First Group Concerning the Governor of the Bank of Algeria.**

Variables	Characteristics of Variables	Ranking Score	Weighted Score
Governor's Term	Over 8 years	1.00	
	Between 6 and 8 years	0.75	
	5 years	0.50	×
	4 years	0.25	
	Less than 4 years	00	
Governor's Appointing Authority	Board of the Central Bank	1.00	
	Members from the Central Bank Board, Executive, and Legislative Authorities	0.75	
	Legislative Authority	0.50	×
	Executive Authority	0.25	
	One or two members of the Council of Ministers	00	
Dismissal (Removal)	Not Specified	1.00	
	Reasons of a Non-Political Nature	0.83	
	Central Bank Board's Discretion	0.67	
	Legislature's Discretion	0.50	×
	Unconditional Removal Available through the Legislative Authority	0.33	
	Executive Authority's Discretion	0.17	
	Unconditional Removal by the Executive Authority	00	
Assumption of Other Offices by	No	1.00	×
	Subject to the Approval of the	0.50	

The weighted value assigned to this group is 20%

the Governor	Executive Authority			
	No Law prohibits this	00		
Degree of Independence	$\left(\frac{0.50 + 0.50 + 0.50 + 1.00}{4}\right) \times 0.20 = 0.125$			12.5 %

Source: Prepared by the researcher based on Law No. 23-09 and the (CWN) Index.

**4.2 Group Two: Monetary Policy Formulation Criterion:** Law No. 23-09, in Title Three, regulates the relationship between the Bank of Algeria and the government, as well as monetary policy operations.

Article 37 defines the nature of the relationship between the central bank and the public authorities. Chapter Three, particularly Article 43, outlines the role of the Bank of Algeria in implementing monetary policy according to conditions set by the Monetary and Banking Council. Article 44 grants the Bank broad powers to conduct various monetary policy operations, tailored to the characteristics of the monetary market, including operations related to Islamic banking and green financing under a specialized framework. Articles 45 and 46 complement Article 43 by clarifying and expanding the Bank's powers in managing and executing monetary policy operations.

**Table 2: Independence Level of the Second Group Concerning the Monetary Policy Formulation Criterion.**

Variables	Characteristics of Variables	Ranking Score	Weighted Score
Monetary Policy Formulator	Central Bank Only	1.00	×
	The Central Bank Participates, Although Its Influence Is Limited	0.67	
	Central Bank Only Advises the Government	0.33	
	Monetary Policy Formulated Exclusively by the Government	00	
Government Guidelines and Conflict Resolution	Central Bank Acts in Cases Specified by Legislation or Law	1.00	
	Government Acts if the Law Does Not Specify or if the Issue Is Within the Central Bank	0.80	×
	Members from the Central Bank Board, Executive, and Legislative Authorities	0.60	
	The Legislature's Authority on Policy Issues	0.40	
	The Executive Authority Handles Policy Issues in Accordance with Established Rules	0.20	
	The Executive Authority Holds Unconditional Precedence	00	
The Role of the Central Bank in General Budget Preparation	The Central Bank Has an Active Role	1.00	×
	The Central Bank Does Not Exert Any Influence	00	
Degree of Independence	$\left(\frac{1.00 + 0.80 + 1.00}{3}\right) \times 0.15 = 0.14$		14 %

The weighted value assigned to this group is 15%

Source: Prepared by the researcher based on Law No. 23-09 and the (CWN) Index.

**4.3 Group Three: Central Bank Objectives Criterion:** Law No. 23-09 emphasizes financial stability as a central pillar of monetary policy.

Article 155 defines financial stability as ensuring the soundness of the banking system and the sustainability of its performance, thereby reducing systemic risks and strengthening confidence in financial intermediation. Article 156 stipulates that the goal of macroprudential policies is to enhance the resilience of the financial system and strengthen its robustness against shocks.

The law also aims to support economic and social stability within a framework of sustainable development, through: Reducing the informal economy by promoting Islamic banking, Encouraging green economy financing, preparing for the integration of digital currency via the Algerian digital dinar, contributing to the modernization and efficiency of the financial system.

**Table 3: Independence Level of the Third Group Concerning the Bank of Algeria’s Objectives.**

Variables	Characteristics of Variables	Ranking Score		Weighted Score
Objectives of the Central Bank	“Price stability is the primary or sole objective according to the law, and the central bank has the final authority in case of conflict with the government	1.00		The weighted value assigned to this group is 15%
	Price Stability Constitutes the Sole Objective	0.80		
	Price Stability Together with Other Objectives That Do Not Conflict	0.60	×	
	Price Stability Together with Other Objectives That Conflict with It	0.40		
	There Are No Legally Specified Objectives	0.20		
	The Recorded Objectives Exclude Price Stability	00		
<b>Degree of Independence</b>	<b>(0.60) × 0.15 = 0.09</b>			<b>09 %</b>

Source: Prepared by the researcher based on Law No. 23-09 and the (CWN) Index.

**4.4 Group Four: Lending Limits Criterion:** Law No. 23-09, in Chapter Three on operations and the provision of emergency liquidity, specifically in Sections Four, Five, and Six, regulates the central bank’s operations with the state and public authorities, as well as investment and other financial transactions.

Article 48 provides specific provisions that define the conditions and mechanisms for the Bank of Algeria’s lending to the public treasury, thereby: Structuring the financial relationship between the monetary authority and the fiscal authority, Establishing the legal framework for financing the public deficit.

**Table 4: Degree of Independence of the Fourth Group Regarding the Lending Limits Standard.**

Variables	Characteristics of Variables	Ranking Score		Weighted Score
Non-rediscounted Lending Limits	Not permitted	1.00		15 %
	Permitted under strict limits	0.67		
	Permitted within flexible limits	0.33	×	
	No legal limits exist	00		
Rediscounted	Not permitted	1.00		10 %

<b>Lending</b>	Permitted under strict limits	0.67	×	
	Permitted within flexible limits	0.33		
	No legal limits exist	00		
<b>Authority Determining Loan Terms</b>	The authority lies with the central bank	1.00		<b>10 %</b>
	Specified by the Central Bank Law	0.67		
	Agreed upon between the central bank and the executive authority	0.33	×	
	Determined solely by the executive authority	00		
<b>Eligible Borrowers from the Central Bank</b>	Central government only	1.00		<b>05 %</b>
	All levels of government	0.67		
	All levels of government and public projects	0.33	×	
	Public and private sectors	00		
<b>Definition of Lending Limits</b>	Money supply	1.00		<b>02.5 %</b>
	As a proportion of the bank's liabilities or capital	0.67		
	As a proportion of government revenues	0.33	×	
	As a proportion of government expenditures	00		
<b>Loan Maturity</b>	Within six months	1.00		<b>02.5 %</b>
	Within one year	0.67	×	
	More than one year	0.33		
	Not specified in the law	00		
<b>Interest Rate Restrictions</b>	Above the minimum limits	1.00		<b>02.5 %</b>
	Market prices	0.75	×	
	Below the minimum limits	0.50		
	Interest rate not specified	0.25		
<b>Central Bank Prohibition on Buying or Selling Government Securities in the Primary Market</b>	Yes	1.00	×	<b>02.5 %</b>
	No	00		
<b>Degree of Independence</b>	$(0.33 \times 0.15) + (0.67 \times 0.10) + (0.33 \times 0.10) + (0.33 \times 0.05) + (0.33 \times 0.025) + (0.67 \times 0.025) + (0.75 \times 0.025) + (1.00 \times 0.025) = 0.23475$			<b>23.475 %</b>

Source: Prepared by the researcher based on Law No. 23-09 and the (CWN) Index.

**4.5 Overall Legal Autonomy of the Bank of Algeria under Law No. 23-09:** By aggregating the autonomy scores across the four criteria of the (CWN) Index, we obtain the legal independence score of the Bank of Algeria under Monetary and Banking Law No. 23-09, as summarized in the following table:

**Table 5: Degree of Legal Independence of the Bank of Algeria According to Law No. 23-09.**

Standards	Degree of Independence	Weighted Score
<b>1. Governor of the Bank of Algeria Criterion</b>	0.125	20 %
<b>2. Monetary Policy Formulation Criterion</b>	0.14	15 %
<b>3. Central Bank Objectives Criterion</b>	0.09	15 %
<b>4. Lending Limits Criterion</b>	0.23475	50 %

<b>Total Degree of Independence</b>	<b>0.58475 (58.475 %)</b>	<b>100 %</b>
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**Source:** Prepared by the researcher based on Law No. 23-09 and the (CWN) Index.

After examining the scores of each indicator of central bank independence and highlighting their relative importance within the overall framework—taking into account the weights assigned to each indicator—it is found that the overall weighted legal independence of the Bank of Algeria amounts to 58.975%.

This percentage closely reflects the actual operational reality of the Bank of Algeria and represents a significant step toward strengthening its governance. This development stems from the powers and objectives established by Law No. 23-09, which aim to enhance the Bank's independence and reinforce its role in effectively steering monetary policy.

## **5. CONCLUSION**

The topic of central bank independence remains a subject of debate among researchers and economists, with opinions divided between those who view it as essential for enhancing the effectiveness of monetary policy and achieving economic stability, and those who are more cautious about granting such institutions a high degree of autonomy. Nevertheless, numerous studies and practical experiences indicate that a higher level of central bank independence contributes to maintaining monetary stability and reducing inflation.

In the context of Algeria, the legal independence of the Bank of Algeria is estimated at approximately 58%, a level that can be considered relatively acceptable given the specific characteristics of the Algerian economy. It should be noted that the CWN Index used to measure the Bank's independence is primarily based on legal texts regulating the central bank, thus reflecting legal independence rather than actual operational independence. The issuance of Monetary and Banking Law No. 23-09 demonstrates the authorities' commitment to strengthening the Bank's autonomy, supporting price stability, and accompanying economic transformations through the development of Islamic banking, the promotion of the green economy, and the enhancement of digital banking services.

**6. Recommendations:** Based on the findings of this study, the following recommendations can be proposed:

- Expand the autonomy of the Bank of Algeria to enhance the effectiveness of monetary policy and enable it to achieve its objectives, as legal independence alone is not sufficient.
- Protect the new Monetary and Banking Law (No. 23-09) from any interventions that could limit the central bank's independence.
- Broaden the powers of the Governor of the Bank of Algeria and apply clear mechanisms for appointing deputies and assistants, ensuring coordination and institutional autonomy in bank management.
- Enhance disclosure and transparency in the Bank's interactions with government bodies, especially the Prime Ministry and Ministry of Finance.

- Focus on the practical implementation of the provisions of the new Monetary and Banking Law to ensure the desired outcomes are achieved on the ground.
- Strengthen the Bank of Algeria's digital infrastructure through investment in electronic payment systems and digital monitoring tools, ensuring efficient management of liquidity and monetary policy.
- Encourage digital and Islamic financial innovation by supporting new products and services, which expands the scope of the digital and Islamic economy and reduces the state's need to intervene in monetary policies, thereby increasing the Bank's degree of independence.

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