

Self-Generated Resources of Charitable Associations Between Algerian and Saudi Legislation

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Abstract:

This study examines the organization of self-generated resources for charitable organizations in both Algeria and Saudi Arabia, employing a comparative approach to highlight the similarities and differences between the two systems. It reveals that Algerian legislation, particularly Law 12/06 concerning associations, limits self-generated resources to public subsidies, membership fees, and revenues from the association's activities and assets, subjecting them to rigorous financial oversight without clearly defined criteria for granting subsidies.

In contrast, the Saudi system for associations and non-profit organizations has broadened sources of self-financing by adding tax and customs exemptions, the possibility of investing financial surpluses, and managing projects for governmental or private entities, thereby enhancing the financial sustainability of these organizations. The study concludes that Saudi legislation is more flexible in diversifying resources compared to Algerian legislation.

Keywords: Charitable organizations – Self-generated resources – Public subsidies – Membership fees – Investment – Tax exemptions – Algerian legislation – Saudi legislation – Legal comparison

Introduction

Charitable organizations, also known as the third sector, play a vital role in humanitarian work. These are non-profit organizations that provide invaluable social and economic services, aiming for the public good and working alongside state authorities.

The encouragement of such organizations by the state and society reflects intellectual progress and social solidarity and cooperation. These organizations vary according to their activities; some focus on the environment, others on health, and still others on charitable work, which is the subject of this research paper.

According to the official website of the Ministry of the Interior, Local Authorities, and Transport, the number of charitable organizations in Algeria reached 140,379 in 2024, while in Saudi Arabia, the number reached 6,348 by the end of June 2025. All these organizations require human resources to carry out their various activities, as well as financial resources, since money is essential for their operation. Without it, they would be unable to cover the expenses of their charitable programs. Therefore, legislation has established sources of funding for these organizations, based on two main principles; External resources for the association include donations, zakat (alms), bequests, and endowments, while internal resources, which are the focus of this article, are self-generated.

The central question is:

How does Algerian law regulate the self-generated resources of charitable associations? What are the conditions for utilizing these resources? And to what extent do these regulations differ from Saudi legislation?

To address this issue, the following plan was adopted, based on an analysis of Algerian and Saudi legislation governing associations. It was found that they share some sources of self-financing but differ in others.

First Axis: Shared Self-Funding Resources in Algerian and Saudi Legislation.

Second Axis B: Self-Funding Resources Unique to Saudi Legislation. This research paper employs a comparative approach supported by a descriptive methodology.

First Axis: Shared Self-Supporting Resources in Algerian and Saudi Legislation:

These legislations share three (3) funding models:

First: Public Subsidies

According to the last paragraph of Article 29 of Law 12/06 and Article 34 of the Law on Associations, associations whose activities are recognized by the public authorities as being of public benefit or in the public interest are entitled to financial public subsidies.

These subsidies may be conditional or unconditional, provided through a program contract that aligns with the objectives set by the charitable association and conforms to the principles of public interest as stipulated in Article 35 of Law 12/06. These subsidies are provided either directly by the state through the Ministry of the Interior and Local Authorities, or indirectly by local authorities.

This is the approach adopted by the Saudi legislator, who supports non-profit organizations annually through the Associations Support Fund of the National Center for the Development of the Non-Profit Sector, provided that these associations and civil society organizations meet a set of conditions.

1. Local Government Subsidies

These refer to subsidies provided to charitable associations operating at the local level by local authorities. Local subsidies are divided into:

Municipal and State Subsidies, which are available to any charitable association operating within the municipality or state territory and meeting general and specific conditions.

A. General Conditions: These are conditions common to all types of associations, regardless of whether their area of activity is local or national. These conditions pertain to the founding members of the association, who may be natural or legal persons.

- **Natural Persons:** These are individuals aged 18 or older who hold Algerian nationality, enjoy full civil and political rights, and have not been convicted of a felony or misdemeanor incompatible with the association's activities, in accordance with the provisions of Article 4 of Law No. 12/06. - **Legal Entities:** These must be private, not public, legal entities. Article 5 of Law 12/06 explicitly states, "Legal entities subject to private law must...", implying that a charitable association cannot be established by a public legal entity.

This legal entity must be established in accordance with Algerian law. If it is a company of any type, it must be legitimately established under the applicable legal provisions and must not violate them. Otherwise, it is not considered a legal entity. Furthermore, the legal entity must not have been dissolved or prevented from carrying out its activities; in that case, it would cease to be a legal entity and therefore could not establish a charitable association.

B. Specific Conditions: These are conditions that local charitable associations must meet. These conditions are as follows:

- A municipal charitable association must be established by 10 members, and a provincial association must be established by 15 members, originating from at least two municipalities.
- A general founding assembly must be convened by the founding members, as documented in a report drawn up by a court bailiff, after completing the necessary procedures in accordance with the provisions of Articles 7 to 12 of Law 12/06.

2) State Subsidies: These are subsidies provided by the Ministry of the Interior and Local Authorities to charitable associations eligible for direct state funding. These include:

Inter-provincial charitable associations: meaning associations established by 21 members originating from three (3) or more provinces.

National associations: As stipulated in Article 6 of Law 12/06, these are associations established by 25 members, who must originate from at least 12 provinces.

Following the establishment procedures stipulated in Articles 5 to 12 of Law 12/06, charitable associations must, starting from January 1, 2000, as per Article 101 of the 2000¹ Finance Law, adhere to the following procedures:

1. Submit a program of activities to be carried out during the year in which the requested grant is sought:

Provide a statement of expenditures for any previously granted grants, as per Article 35/2 of Law 12/06, ensuring that these funds are not spent outside the scope of their designated purpose. If such aid is spent on other purposes, the charitable association will be subject to suspension or permanent withdrawal, unless the public authorities authorize such expenditures if the grants remain unpaid, as stipulated in Article 37 of Law 12/06.

2. The association's accounts are subject to continuous auditing by a dual accounting firm certified by an auditor:

This firm submits a report to the relevant administrative body to ensure the rational use of subsidies and to prevent their misuse, misappropriation for personal gain, or use for purposes other than those for which they were granted. Executive Decree 01/351 specifies the procedures for implementing this oversight and clarifies the oversight body, whether it be the local or state authority or the authority

¹ Law No. 99/11 dated 15 Ramadan 1420 corresponding to 23 December 1999, containing the Finance Law for the year 2000, Official Gazette No. 92.

granting the subsidies. Article 11 of Executive Decree 01/351¹ requires the accountant to include the following in their report:

- The actual use of the subsidies.
- Conformity between the use of the granted subsidies and their intended purpose.
- A physical inventory of the movable and immovable assets acquired or subject to the subsidy.
- A list of the individuals responsible for requesting the subsidy and those responsible for the expenditure, along with their identities. According to Article 38 of Law 10/06, as per Article 35 of the Model Basic Law for Associations, the association is required to open a single bank account in its name, into which its resources are deposited. This account must be opened either with a bank or a public financial institution.

3. The activity report and the audited financial statements for the previous year must be submitted to the treasurer before March 31 of the following fiscal year. Copies of the report must also be provided to the bodies responsible for granting subsidies, and a copy to the general assembly of the charitable association.

4. If subsidies, aid, or contributions granted to a charitable organization are subject to conditions, their disbursement is contingent upon the organization's adherence to the terms and conditions agreed upon with the granting body, as stipulated in Article 34 of Law 12/06.

In 2017, the Minister of the Interior, Local Authorities, and Urban Planning, Mr. Noureddine Bedoui, stated that the state had provided over 20 billion dinars, benefiting 91,102 associations as a direct state contribution, in addition to indirect contributions granted by local authorities.²

Public funding for charitable organizations is criticized for not specifying the amounts of money granted, nor for not establishing criteria for awarding subsidies or determining their quantity. Instead, the legislator leaves this to the discretion of the relevant granting authorities. Furthermore, Article 34 of Law 12/06 grants public authorities the right to recognize whether an organization's activity is of public benefit or not, without specifying criteria to be followed by the granting authority. This may lead to doubts about the transparency and fairness of subsidy distribution, and the extent of interference with the freedom of charitable organization members. We find that the Algerian legislator only stipulated annual subsidies, unlike comparative legislations that stipulated other types of subsidies. For example, the Saudi legislator stipulated subsidies commensurate with the association's activities, specifying five types of government subsidies. In addition to the annual subsidies granted based on expenditures in the previous fiscal year and the association's achievements, there are:

- **Construction subsidies:** These are used by the association to carry out its construction projects, encouraging it to achieve its charitable goals, provided that these subsidies do not exceed 80% of the total costs.

¹ Executive Decree No. 01/351 dated 24 Sha'ban 1422 corresponding to 10 November 2001, Official Gazette No. 67.

² An article published on Thursday, February 1, 2018, on the Algerian Press Agency website <http://ar.aps.dz/algerie>, accessed on 09/04/2018 at 23:58

Technical/Technical Assistance: The association benefits from specialists, experts, or staff affiliated with the Saudi Ministry of Vocational and Technical Development who study the association's situation, provide advice and suggestions, or train its members technically and professionally to develop their organization—all at the Ministry's expense.

In-Kind Assistance: This is assistance provided to associations implementing rehabilitation, maternal, and child care projects and programs. The amount of this assistance depends on the project's needs. In exceptional cases, the association may receive assistance two or more times, as needed to address the emergency situation.¹

Now, we will discuss the second resource upon which the charitable association relies.

Second: Membership Subscriptions:

In addition to public funding, which is insufficient for the charitable association to cover the expenses of its charitable activities, Article 29 of Law 12/06, paragraph one, stipulates that members of the association must contribute to its financial support by paying their annual subscription, which is deposited directly into the association's account.²

These subscriptions constitute a permanent and guaranteed resource, as all members are obligated to pay their subscriptions. However, the legislator did not stipulate a specific ceiling for the amount of these subscriptions, but rather the subscription amount is determined by a decision of the General Assembly in accordance with the text of Article 16 of the Basic Law of Associations, and considering that these subscriptions are the most important resources of the association, they are not refundable under any circumstances.

According to Article 9 of the Model Bylaws for Associations, membership in a charitable association is divided into four categories:

- 1. Founding Member:** This is the member whose free will, combined with the will of the other founding members, led to the establishment of the charitable association under the aforementioned conditions.
- 2. Active Member:** This is the member who participated in the founding of the association or joined after its establishment and undertakes assigned tasks to implement the charitable association's projects. This is considered a human resource.
- 3. Honorary Member:** This is a member appointed by a decision of the General Assembly, nominated by the association's board, from among individuals who have provided material or moral support to the association.

Article 9 does not differentiate between members but is general in its application, obligating each member to pay an annual subscription fee without specifying a minimum or maximum amount. The legislator leaves this to the discretion of the General Assembly. A member who fails to pay their

¹ Ghalib Habab Muhammad Al-Harbi, *Administrative Leadership in Charitable Societies (A Field Study in Riyadh)*, in fulfillment of the requirements for the Master's degree in Public Administration, King Saud University, College of Administrative Sciences, Public Administration, p. 62.

² Isghli Mohamed. Hadj Soudi Mohamed, *Financial Resources of Charitable Associations in Algerian Legislation*, *Al-Ijtihad Journal for Legal and Economic Studies*, Vol. 7, No. 4, 2018, p. 180.

subscription will have their membership revoked, as stipulated in Article 12 of the Bylaws for Associations. Every member has the right to vote in the General Assembly, indicating that the legal text establishes equality in rights and obligations for all three types of members.

In comparison with comparable legislation, such as Saudi law, we find that it has added a fourth type of membership to the three previously mentioned categories: honorary membership.

4. Honorary Membership: This is often granted to a celebrity who has contributed financially or morally to achieving the association's goals. The purpose of this membership is to attract donations to the association from the honorary member's followers or admirers. The honorary member has complete freedom to pay dues or not, but does not have voting rights in the general assembly.

In the next section, we will examine the third internal resource of the charitable association.¹

Third: Revenues related to the association's activities and assets:

Not all the aforementioned resources cover the expenses of the charitable association. It is therefore obligated to resort to self-financing to meet the needs of its program, as stipulated in Article 29 of Law 12/06. Legal texts recognize the charitable association as a legal entity, just like any other private legal person. This means it can engage in activities that generate revenue to contribute to achieving its charitable objectives. According to Article 24 of Law 12/06, the charitable association may organize conferences or seminars for which participants pay nominal fees, and it may also publish magazines or newsletters.

It can also provide services or sell handmade or artisanal products at exhibitions.

These are the internal funding sources for associations in Algerian legislation. However, comparative legislation relies on other funding sources in addition to those mentioned above. Second Axis: Intrinsic Resources Unique to Saudi Legislation

Based on a comparison of Algerian legal texts regulating charitable associations with other legislations, such as Saudi legislation, we find that it has adopted additional internal or intrinsic sources to fund charitable associations. These sources are:

1. First: Tax and Customs Exemptions:

Through these exemptions, the state supports and encourages the work of associations by relieving them of some of their burdens. For example, Saudi law exempts charitable associations from taxes, while Emirati law exempts them from customs duties.

The association is exempt from paying electricity and water bills, as well as natural gas fees. Associations also benefit from customs exemptions on imported equipment and devices.²

2. Second: Investment:

3. The law also permits the association to invest its surplus funds in economic activities that generate financial returns, provided that these activities do not involve risks that could lead to the loss of those

¹ Isghli Muhammad. Haj Sudi Muhammad, previous reference, p. 180.

² Ahmed Khaled Abdullah Al-Zahrani, Funding of NGOs in the Saudi System (A Comparative Study), Thesis submitted to fulfill the requirements for obtaining a Master's degree in Sharia and Law, specialization in Sharia and Law, Naif Arab University for Security Sciences, 2014, pp. 84-86.

funds. This type of financial resource contributes to the growth of those funds, enabling the association to continue and expand its activities and develop the charitable services it provides.¹

Furthermore, charitable associations are funded under Saudi law, specifically Article 18, Paragraph 7 of the Law of Associations and Foundations, through funds generated by the association's management of an institution affiliated with governmental or private entities. This is done through a contract concluded between these governmental/private entities and the association, whereby the association manages an affiliated institution or implements projects or services related to the association's activities or programs, as stipulated in Article 27 of the Law of Associations and Foundations.²

Conclusion:

Charitable organizations play a vital role in social and economic development, assisting the state in addressing social and economic problems within the scope of their activities and stated objectives. Some organizations sponsor orphans, while others provide assistance to needy families in various ways, especially during special occasions. For example, some organizations provide school supplies to children from impoverished families at the start of the academic year.

Other organizations provide hot meals to those in need, distribute sacrificial animals during Eid al-Adha, cover medical bills, organize mass weddings, and perform many other charitable acts.

To achieve all these accomplishments, charitable organizations require financial resources to cover these expenses. According to Algerian law, these organizations can resort to internal financial resources, which consist of three types: First, public subsidies, which are of two kinds: local subsidies and state subsidies. These subsidies are provided by donor authorities to encourage the organization to continue its charitable work. Charitable organizations benefit from these subsidies annually after following the required legal procedures. However, the law does not specify the criteria for granting these public subsidies. To prevent the misuse of state aid for purposes other than those for which it was allocated, associations are subject to audit by the auditor, as stipulated in Law 12/06.

The second source of funding is the annual membership fees paid directly into the association's account. The third source is the association's activities and assets. These resources are insufficient for a charitable association to continue its operations, let alone expand or improve the services it provides. Therefore, comparative legislation has added other sources of funding to support charitable associations, most notably tax and customs exemptions, to alleviate their financial burden.

Unlike the Algerian legislator, comparative legislation permits associations to invest their surplus funds in economic activities that generate profits, provided that these investments do not lead to losses. The Saudi legislator, for example, has adopted this approach. Based on the foregoing, we offer the following recommendations:

- The legislature must establish standards and conditions under which charitable organizations are granted public subsidies, and restrict the powers of the authorities granting these subsidies to ensure

¹ Khaled Abdullah Al-Zahrani, previous reference, p. 89.

² Royal Decree No. (M/7) dated 19/06/1438 AH.

a fair distribution and transparency, thus preventing any charitable organization from being deprived of its rights.

- Expanding the internal funding sources for charitable organizations.

Sources and references

1. Law No. 99/11 dated 15 Ramadan 1420 corresponding to 23 December 1999, containing the Finance Law for the year 2000, Official Gazette No. ¹ Executive Decree No. 01/351 dated 24 Sha'ban 1422 corresponding to 10 November 2001, Official Gazette No¹ An article published on Thursday, February 1, 2018, on the Algerian Press Agency website <http://ar.aps.dz/algerie>, accessed on 09/04/2018 at 23:58
2. Ghalib Habab Muhammad Al-Harbi, Administrative Leadership in Charitable Societies (A Field Study in Riyadh), in fulfillment of the requirements for the Master's degree in Public Administration, King Saud University, College of Administrative Sciences, Public Administration, Isghli Mohamed. Hadj Soudi Mohamed, Financial Resources of Charitable Associations in Algerian Legislation, Al-Ijtihad Journal for Legal and Economic Studies, Vol. 7, No. 4, 2018
3. Isghli Muhammad. Haj Sudi Muhammad, previous reference, Ahmed Khaled Abdullah Al-Zahrani, Funding of NGOs in the Saudi System (A Comparative Study), Thesis submitted to fulfill the requirements for obtaining a Master's degree in Sharia and Law, specialization in Sharia and Law, Naif Arab University for Security Sciences, 2014, Khaled Abdullah Al-Zahrani, previous reference, Royal Decree No. (M/7) dated 19/06/1438 AH.