

An overview of the conduct of budgetary policy in Algeria from 1990 to 2020.**نظرة عامة على تنفيذ سياسة الموازنة في الجزائر من عام 1990 إلى عام 2020****TIAB Fayçal¹, ABDERRAHMANI Fares²**¹Economics and Development Laboratory (EDL), University of Bejaia- Bejaia (Algeria),
faycal.tiab@univ-bejaia.dz² Economics and Development Laboratory (EDL), University of Bejaia- Bejaia (Algeria),
fares.abderrahmani@univ-bejaia.dz**Received:** 22/07/2023**Accepted:** 27/09/2023**Published:** 30/09/2023**Abstract:**

The purpose of this article is to examine the conduct of budgetary policy in Algeria from 1990 to 2020, based on the study of its instruments and objectives. This analysis reveals two major periods: from 1990 to 2000, during which budgetary policy was constrained by measures initiated to address the economic crisis, including stabilization and structural adjustment plans starting from 1994. In the context of the prevailing urgency in 2001, social and political pressures, along with the increase in hydrocarbon prices, prompted the government to implement stimulus plans to foster economic growth. However, starting from 2014, following the decline in hydrocarbon prices that affected the Algerian economy, the government was compelled to adopt new policies of budgetary rigor.

Keywords: Budgetary policy, Economic growth, Economic crisis, Hydrocarbons, Stimulus plans.**JEL Classification Codes:** E62, F43, G01, L71, J33.**ملخص:**

يهدف هذا المقال إلى دراسة سياسة الموازنة في الجزائر من عام 1990 إلى عام 2020، بناءً على دراسة أدواتها وأهدافها. تكشف هذه التحليلات عن فترتين رئيسيتين: من عام 1990 إلى عام 2000، حيث تم تقييد سياسة الموازنة بالإجراءات التي اتخذت لمعالجة الأزمة الاقتصادية، بما في ذلك خطط التثبيت والتكيف الهيكلي التي بدأت منذ عام 1994. في سياق الطوارئ السائدة في عام 2001، دفعت الضغوط الاجتماعية والسياسية، جنباً إلى جنب مع زيادة أسعار الهيدروكربونات، الحكومة إلى تنفيذ خطط حافزة لتعزيز النمو الاقتصادي. ومع ذلك، بدءاً من عام 2014، على إثر انخفاض أسعار الهيدروكربونات الذي أثر على الاقتصاد الجزائري، اضطرت الحكومة إلى اعتماد سياسات جديدة للانضباط المالي.

كلمات مفتاحية: سياسة الموازنة، النمو الاقتصادي، الأزمة الاقتصادية، الهيدروكربونات، خطط الحافز.

تصنيفات JEL: E62، F43، G01، L71، J33

Introduction

Budgetary policy² in Algeria is a very powerful lever of economic policy as it plays a very important role in stimulating economic activity and macroeconomic stabilization. After gaining independence, Algeria opted for an economic growth model based on industrialization, agrarian revolution, and cultural revolution. The foundation of this model was the revitalization of the national economy through national companies, achieved through centralized planning. With the transition from a centrally planned economy to a market economy in the early of 1990s, the Algerian economy witnessed increased trade openness and the presence of private entrepreneurship across all sectors. However, the Algerian economy remains strongly characterized by a low level of non-oil industrial production. The hydrocarbon sector occupies a predominant position within the economy.

In a context of persistently declining oil prices, the government has adopted measures aimed at restoring and improving public finances to mitigate the impact of this decline on macroeconomic indicators. In the late 1980s, Algeria embarked on a process of economic reforms later referred to as the "transition to a market economy." After the October 1988 riots, the advent of the "reformist"³ government in 1989 marked the starting point for the implementation of a comprehensive economic reform project that altered the conduct of budgetary policy (Talahit, 2010, p. 12).

In 1986, the collapse of oil prices and the depreciation of the dollar (the currency used for oil exports) led to a decrease in imports, resulting in a drastic decline in industrial activity, as it relied on foreign inputs. To address this, the public authorities launched a macroeconomic stabilization program, as well as structural adjustment plans.

After a decade of political instability, Algeria seems poised to resume growth, thanks to the increase in oil prices since 2000 and the implementation of an expansionary budgetary policy focused primarily on demand to improve purchasing power and living standards. However, starting in 2014, due to the decline in oil prices affecting the Algerian economy, the government was compelled to adopt new austerity policies.

Budgetary policy is a powerful tool for guiding the economic and social development of a country. In Algeria, a country rich in natural resources, the conduct of budgetary policy from 1990 to 2020 was at the heart of national concerns. This period was marked by a series of economic and political challenges, raising crucial questions about how financial resources were managed and distributed.

² Budgetary policy is the process of manipulating taxes and public spending in order to help cushion the fluctuations of the economic cycle and promote the maintenance of a progressive economy that ensures a high degree of employment, free from excessive inflationary or deflationary pressures (Olivia, 2010, p. 95).

³ The reformist government of Hamrouche was based on a comprehensive perspective that emphasized the need to integrate economic reforms with political reforms. This new approach proposed radical structural and institutional changes to restore the respective roles of the state and the market. Namely, regulation for the former and wealth creation for the latter. The reformers' project revolved around the progressive disengagement of the state from the economic sphere on one hand, and the redefinition and restructuring of regulatory instruments and institutions on the other.

The issue of this study is based on a fundamental question: how did the conduct of budgetary policy in Algeria during these three decades influence the economic stability of the country, poverty reduction, and social inequalities?

To shed light on this complex issue, we posit the following hypothesis:

Budgetary policy in Algeria from 1990 to 2020 was marked by challenges related to dependence on oil revenues, demographic pressure, and the population's aspirations for a better standard of living. Budgetary choices evolved in response to these challenges, but their effectiveness in achieving economic and social objectives remains subject to analysis.

This hypothesis will serve as a guide to our in-depth study of Algerian budgetary policy over the specified period. We will explore changes in budget priorities, financing strategies, their impact on the economic sector, and implications for the well-being of the Algerian population. The ultimate goal of this study is to contribute to a better understanding of budgetary dynamics in Algeria and their consequences for society and the national economy.

In this regard, two distinct periods characterize the conduct of budgetary policy in Algeria after the economic transition: from 1990 to 2000 and from 2001 to 2020.

1- Literature Review

The questions regarding the economic role of the public authority have evolved significantly since the emergence of the concept of "economic policy," which is characterized, in part, by the use of various budgetary instruments to achieve predefined objectives. Economic policies and their impact on the economy have been the subject of several economic controversies. These various contributions have examined the effectiveness of policies in addressing macroeconomic problems such as low growth, unemployment, balance of payments deficits, inflation, and public debt, as well as exogenous shocks such as changes in oil prices and fluctuations in the dollar exchange rate.

The economic literature dealing with the issue of measuring the impact of fiscal policy on economic growth can be divided into three main perspectives as follows: Firstly, proponents of minimal government intervention (which should be limited to sovereign functions) generally believe that the direct involvement of the state in the economy should be kept to a minimum to ensure the proper functioning of the market. These economists advocate reducing public spending to generate budget surpluses or, at the very least, to balance public finances. Among the supporters of this doctrine, we find classical and neoclassical economists, new classical macroeconomists, monetarists, public choice and political cycle theorists, proponents of the new anti-Keynesian theory of public finance, supply-side theorists, and so on. Secondly, there are proponents of public interventionism. They believe that the state should intervene during times of crisis to support the economy through monetary and fiscal policies. A comprehensive regulatory policy should be implemented to ensure the smooth functioning of the economy. These economists are primarily Keynes and his followers, post-Keynesians, structuralists, and neo-structuralists. In between these two opposing views are economists of the "synthesis," with leaders like Samuelson and Hicks. They adopt some ideas advocated by proponents of minimal government and budgetary balance. Furthermore, some economists in the "synthesis" believe that due to the imperfections of the short-term economic system, the state should intervene in the economy until the economy regains its health.

As a result of the theoretical debate highlighting the importance of budgetary policy in development and economic growth policies, there is a vast empirical literature that has

attempted to demonstrate the relevance of fiscal policy theory, particularly that of public spending, while adopting various but consistent econometric approaches and models. Among these, we can mention the study by ZAOUI, A. and BOUDAUD, F. (2020), which examined the effectiveness and limits of budgetary policy instruments on economic activity. The research results demonstrate that fiscal policy in Algeria plays an important role in macroeconomic stabilization. REFABA, B. (2022) analyzed the impact of fiscal policy on economic growth in Algeria, demonstrating a significant effect of fiscal policy on economic growth in the country. The results obtained by FAYCAL, T., & FARES, A. (2022) show that economic activity is more sensitive to a decrease in public spending than an increase. Among the studies that have examined the conduct of fiscal policy in Algeria, we can mention that of ISMAIL, A. (2018), which focuses on the study of the conduct and effectiveness of fiscal policy in Algeria between 1967 and 2014. It demonstrates that the industrialization period succeeded in achieving macroeconomic goals of growth and employment at the expense of a significant level of external debt. However, the subsequent period aimed at achieving financial balance and a shift towards social sectors but was constrained by an unfavorable economic situation and external factors due to the decline in oil prices. Thus, at the end of this period, fiscal policy shifted towards demand stimulation and unemployment reduction through stimulus plans, which generally achieved their objectives due to the stable oil prices.

In conclusion, our literature review shows that economic theories represent a means of encompassing the foundations of economic schools dealing with state intervention through economic policies. While classical and neoclassical economists propose a non-interventionist stance of the state in terms of public spending and taxes, they suggest that expansionary fiscal policy has no positive effect on economic activity; this is explained by the negative effects of deficits leading to an increase in interest rates. Keynesians, on the other hand, believe that policies based on public spending can stimulate overall demand and revive a stagnant economy. They consider public spending as a fundamental element for mitigating economic fluctuations. Other currents, positioning themselves between the two previous ones to explain or determine the degree of state intervention in their intervention policies, could be defined as centrist compared to the classical and Keynesians forming the extremes.

Indeed, the literature review has identified some theories and empirical studies concerning the measurement of the impact of fiscal policies, especially on economic activity. It is clear that changes in policies have direct repercussions on economic activity. The results of these repercussions vary widely in terms of magnitude and direction (positive or negative).

The various declines in oil prices from 1986 to the present, and the use of budgetary instruments during these periods in Algeria, have renewed interest in studying the conduct of fiscal policy in Algeria

2- The conduct of budgetary policy during the period 1990 to 2000

2-1 The macroeconomic stabilization program (1990-1993)

From the "October riots" to the suspension of the first pluralistic legislative elections in 1992, two confirmation agreements were reached with the IMF; however, their implementation did not put an end to the financial and socio-economic crisis in the country (Benissad, 1997, p. 108).

2-1-1 The first stand-by agreement (May 31, 1989)

To obtain the support of the international financial community for debt repayment and economic recovery, Algeria turned to the International Monetary Fund to conclude a first stand-by agreement in 1989 for a loan of 155.7 million SDRs (Special Drawing Rights), accompanied by an extended financing facility amounting to 315.2 million SDRs (Hadjar, 2011, p. 40). This approach was conditioned by several reforms affecting monetary policy, the elimination of the budget deficit, the continued depreciation of the dinar exchange rate, and the adoption of a law imposing price flexibility. These reforms did not seem politically troublesome, as they did not affect the institutional framework within which economic decisions were made and implemented. Algeria easily complied with these measures: the money supply increased by only 7% in one year, the budget deficit was eliminated, the dinar exchange rate continued to depreciate, and a law was passed in July 1989 to relax price controls (Benissad, 1997, p. 109).

2-1-2 The second stand-by agreement (June 3, 1991)

In 1991, Algeria signed a more demanding second agreement for a loan of 300 million SDRs. This new agreement, with a duration of ten months, was conditioned by several reforms affecting the liberalization of foreign trade, quantitative control of bank credit followed by an increase in interest rates, depreciation of the dinar exchange rate by March 31, 1991, followed either by a significant devaluation or the implementation of a free currency market, rationalization of the tax regime and foreign direct investment to address Algeria's uncomfortable position in the international capital market.

Indeed, a decree in February 1991 deregulated foreign trade, while the Bank of Algeria established commercial convertibility of the dinar. However, these decisions remained theoretical due to a lack of foreign currency resources. A law on currency and credit was promulgated, establishing the independence of the issuing institute from the state and opening Algeria to foreign direct investment in all sectors of activity not subject to state monopoly. The cost of money increased, and credit to the state sector was subject to quantitative restrictions with limited effectiveness. The dollar exchange rate reached 18.5 dinars in March, which was then devalued to 22 dinars in September 1991. Price liberalization extended to many products, such as basic commodities, transportation, and energy products, resulting in severe price increases due to partial subsidy reductions (Benissad, 1997, p. 110).

2-2 Stabilization and Structural Adjustment Plan 1994-2000

Despite partial reforms in agriculture (1987), the implementation of laws on enterprise autonomy (1988), and the two stand-by agreements of 1989 and 1991, Algeria found itself in a situation of payment default at the beginning of 1994. Faced with this situation, Algeria signed a third stand-by agreement in March 1994, negotiated debt rescheduling twice, and concluded an extended three-year facility agreement in May 1995 (April 1995 - March 1998) (Boukella, 1997, p. 73).

2-2-1 The third stand-by agreement (1994)

In this agreement, Algeria obtained a one-year rescheduling facility, which included four major provisions (Benissad, 1997, p. 111):

- Maintenance of the principle of price liberalization, including for imported basic products.
- Weakening of the external value of the dinar.
- Liberalization of foreign trade.
- Control of monetary flows through interest rate hikes.

The implementation of this program did not improve the external financial situation or domestic structural problems. This situation compelled Algeria to turn to the IMF to obtain an extended medium-term facility for three years.

2-2-2 Extended Facility (May 1995 - April 1998)

Debt rescheduling agreements reached with the Paris Club (1994) and the London Club (1995) provided \$20 to \$22 billion between 1994 and 1998. In return, the government committed Algeria to a structural adjustment plan with its creditors, including measures for macro-financial stabilization (reducing inflation, devaluation and convertibility of the dinar in commercial transactions with the outside world, price liberalization, liberalization of foreign trade, restoration of internal and external balances), as well as addressing structural problems in the productive system through a set of actions summarized in four main axes:

- Restructuring state-owned companies and privatizing some of them, as well as rehabilitating the banking system.
- Establishing a financial market to facilitate the restructuring and privatization of state-owned companies.
- Creating an export insurance and guarantee company to diversify foreign sales.
- Introducing new modes of financing suitable for a market economy.

2-2-3 Instruments implemented during the structural adjustment period

This period was characterized by the implementation of mixed means between Keynesian (budgetary and fiscal policy) and monetarist (monetary and exchange rate policy) approaches. The main components included (Boukella, 1997, p. 76):

- Reduction of public spending (government employee salaries, social expenditures in education, health, housing, social infrastructure, freeze on public sector hiring, elimination of price support for production and consumer subsidies, etc.).
- Regulation of credit and increase in interest rates to reduce the excess money supply and encourage national savings.

- Setting the official exchange rate at a level more in line with the real value of the national currency, with dinar devaluation contributing to rebalancing the current account by reducing import demand and encouraging exports of goods and services.

3- Conducting fiscal policy during the period from 2001 to 2020

3-1 Economic Growth Support Plans (2001-2014)

In the context of the prevailing urgency in 2001, due to social and political pressures and thanks to the increase in oil prices, the government was prompted to implement an Economic Growth Support Program (EGSP) to provide momentum to the Algerian economy. The objectives of the PSRE were poverty reduction, job creation, preservation of regional balances, and revitalization of rural areas. This plan was followed by a five-year plan in 2005, called the Complementary Growth Support Plan (CGSP), which was designed to build upon the achievements of the PSRE and, more importantly, to increase opportunities for economic growth in line with maximum job creation.

These two public investment plans were followed by a second five-year plan (2010-2014), called the Public Investment Program. The latter was implemented to complete the projects launched during the previous two plans and introduced new investments in economic infrastructure.

3-1-1 Economic Recovery Support Plan (ERSP) 2001-2004

The ERSP was endowed with 525 billion dinars (approximately \$7 billion), allocated across five components: 45 billion dinars for reform support, 65.3 billion dinars for agriculture and fisheries, 114 billion dinars for local development support, 210.5 billion dinars for major infrastructure works, and 90.2 billion dinars allocated for human resources development (Tani Yamna, 2014, p. 31). The mission of the ERSP was to create 850,000 jobs and stimulate growth through an expansionary fiscal policy, with increased public expenditure on equipment to develop agriculture (National Agricultural Development Plan, NADP), infrastructure, and transportation.

The evaluation conducted by the World Bank in a mid-term study in 2004 on the ERSP can be summarized as follows (World Bank, 2007, p. 39):

- The ERSP had a modest impact on growth (an average increase of 1% per year).
- The jobs created under the ERSP projects would be temporary, with a direct effect of 85,000 jobs (an average of 170,000) and 664,000 indirect jobs created.
- Imports (particularly those related to projects in the transport and public works sectors) would increase more rapidly than exports, thus reducing the current account surplus by 1% of GDP during the period 2001-2005.
- The projects had weak reference to achieving strategic sectoral objectives, their overall quality was generally low and uneven, and the technical preparation of the executing staff was generally weak.
- The shortcomings of the ERSP were partly due to the urgency that accompanied project preparation, the multitude of specific demands that the projects were supposed

to address, and the involvement of multiple actors (25 ministerial committees and 48 provincial committees).

- An analysis of costs would demonstrate that the projects selected under the ERSP were extremely expensive.

In a second evaluation, the World Bank recognized that the contribution of the ERSP to growth was 2% on average per year instead of the initially projected 1%. They acknowledged underestimating the effect of public investment (ERSP) on capital stock formation and mainly focusing their evaluation on the expenditure effect (Benabdallah, 2008, p. 16).

The ERSP led to an increase in imports and contributed to an acceleration of economic growth, as well as a decrease in unemployment by nearly 4 percentage points (from 28% to 23.7%). The fiscal space created by the prolonged influx of oil revenues allowed the country to undertake a significant public investment program for the period 2005-2009 (the Complementary Program for Economic Growth Support)

3-1-2 Complementary Growth Support Plan 2005-2009 (CGSP)

Spanning five years, the CGSP⁴ was implemented from 2005 to 2009. The initial allocated budget for the plan was 4,203 billion Algerian dinars (approximately \$55 billion), which more than doubled to a staggering 8,705 billion dinars (approximately \$114 billion). This increase was due to the incorporation of previous program portfolios, additional budgets, and the addition of new programs for the southern and highland regions. The CGSP allocated 85% of its budget to improving living conditions for the population, with significant investments in housing, education, and the development of basic infrastructure (transportation, water, urban renewal). The remaining funds aimed to support economic development (with a focus on agriculture), modernize public services, and foster the development of new technologies. The main objectives of the CGSP were (Tani Yamna, 2014, p. 33):

- Territorial rebalancing through the development and modernization of road and rail networks.
- Improvement of living conditions in terms of housing and access to healthcare.
- Addressing increasing needs in education, higher education, and training.
- Easing the constraint on water resources.
- Development and modernization of public services.

3-1-3 The Public Investment Program 2010-2014

⁴ According to the Ministry of Finance through the 2005 Finance Law, the initial allocation for the PCSC (Program for the Acceleration of Economic and Social Development) amounts to around 4,203 billion Algerian dinars (approximately 55 billion US dollars). With the inclusion of the previous investment program portfolio (1,071 billion dinars), approved additional funding (1,191 billion dinars), additional resources transferred as endowments to special treasury accounts (1,140 billion dinars), the program for the development of the southern region (432 billion dinars), and the special program for the development of the highlands region (668 billion dinars), the estimated total cost of the PCSC reaches approximately 8,705 billion dinars (approximately 114 billion US dollars)

The selected public investment program for the period from 2010 to 2014 involved financial commitments amounting to 21,214 billion Algerian dinars (equivalent to \$286 billion). It focused on two aspects: the completion of ongoing major projects, particularly in the railway, road, and water sectors, with a budget of 9,700 billion dinars (equivalent to \$130 billion), and \$156 billion for new projects. Within the new projects, 40% was allocated to human development (education, hospitals, electricity, housing), and 60% to basic infrastructure and the public sector (roads, various transportation, environment, agricultural and rural development, SME promotion).

This program aimed to achieve six objectives (Directorate General of Treasury, 2011, p. 4): improving human development, continuing the development of basic infrastructure and enhancing public services, fostering industrial development, promoting job creation, and supporting economic development.

The five-year program also allocated over 1,500 billion dinars to support the development of the national economy, including (Ministry of Industry and SME Promotion, 2011, p. 3):

- Over 1,000 billion dinars for agricultural and rural development initiatives initiated since the previous year.
- Nearly 150 billion dinars for promoting small and medium-sized enterprises through the establishment of industrial zones, public support for upgrading, and credit incentives amounting to 300 billion dinars for the same purpose.
- Industrial development mobilized over 2,000 billion dinars in subsidized bank credits from the government for the construction of new power plants, the development of the petrochemical industry, and the modernization of state-owned enterprises.

Job creation incentives received 350 billion dinars within the five-year program to support the professional integration of university graduates, vocational training, microenterprise creation, and employment programs. The results of public employment incentives would complement the significant volume of recruitment resulting from the implementation of the five-year program and the effects of economic growth. This would help achieve the objective of creating three million jobs during this period. Additionally, the 2010-2014 program allocated 250 billion dinars to the development of the knowledge economy through support for scientific research and the widespread use of information technology and computer tools in the national education system and public services (Ministry of Industry and SME Promotion, 2011, p. 3).

3-2 The Public Investment Program 2015-2019

The five-year development plan for 2015-2019, which followed the 2005-2009 and 2010-2014 plans, aimed to strengthen the resilience of the economy to the effects of the global financial crisis and develop a competitive and diversified economy. The Algerian authorities adopted the main guidelines of the five-year plan, with the aim of achieving an annual growth rate of 7%. They committed to a comprehensive program of economic reforms to enhance the country's economic diversification and support strong and diversified growth. Although the GDP growth over the past 10 years has been positive, it has been below its potential and heavily reliant on massive public investments and the hydrocarbon sector. To reverse this

dependency, the 2015-2019 Five-Year Plan aimed to: (i) diversify Algeria's economy, particularly by encouraging national and foreign investment; (ii) enhance efficiency in the use of natural and human resources available in the country; and (iii) support the development of entrepreneurship and private initiative. The Bank was called upon to support the implementation of this strategic direction. The proposed project would provide technical assistance to Algerian authorities to help improve the effectiveness of policies and support mechanisms for the development of Small and Medium Enterprises (SMEs) and contribute to the objective of promoting the creation of one million SMEs during the five-year plan.

This plan allocated a budget of \$130 billion for the completion of major projects already underway, particularly in the road and water sectors. The oil shock became a cyclical phenomenon in Algeria, once again shaking the economy. Following the decline in oil prices in June 2014, the authorities were forced to freeze or cancel many previously announced projects, including the 2015-2019 public investment program.

After significant drops in oil prices in 2015 and 2016, there was an appreciation of average prices by 20.2% in 2017, leading to a reduction in external account deficits and public finances. In 2017, GDP growth slowed to 1.6% compared to 3.3% in 2016. This decline was mainly due to a decrease in public investments and a reduction in volume growth in the hydrocarbon sector (-3%). Non-hydrocarbon growth reached its lowest level since 1999 at 2.6% (Benbahmed & Lohoues, 2018, p. 1).

The decline in oil prices had a negative impact on the budget, resulting in a contraction of fiscal resources and a deterioration of public finances. The treasury balance went from -4% of GDP in 2010 to -17% in 2015, while the budget deficit stood at 13.5% of GDP in 2016 and 6.6% in 2017. Regarding foreign trade, there was a decline in imports from 31.1% of GDP in 2016 to 29.3% in 2017, while exports accounted for 22.9% of GDP in 2017. The trade balance remained in deficit at 4.7% of GDP, compared to 12.6% in 2016. However, with persistently low oil prices, the adjustments made were insufficient to bring the budget deficit to a sustainable level. In September 2017, a new government action plan was adopted, characterized by the use of unconventional financing that allowed the Bank of Algeria to directly purchase treasury bonds from the treasury for a maximum period of five years, amounting to 570 billion dinars for the year 2017.

The negative impact on key economic indicators led the government to adopt a policy of rationalizing public spending. The popular uprising in 2019, the drastic drop in oil prices, and the COVID-19 pandemic have further plunged the economy into difficult situations. To address these challenges, Algeria must overcome several major challenges, including economic diversification and improving the investment climate. To tackle all the socio-economic challenges in the coming years, the government has initiated an economic recovery plan for 2020-2024.

3-3 The Economic Recovery Plan 2020-2024

The plan aims for ambitious objectives, such as reducing imports by \$10 billion in 2020 and achieving at least \$5 billion in non-hydrocarbon exports in 2021. To achieve this, there needs to be a coherent integration of all aspects of reforms, whether macroeconomic, organizational, or institutional. The main objectives of this economic recovery plan are:

- Building a more resilient and inclusive economic model, which requires greater diversification of the economy by developing strategic sectors such as mining, energy, agriculture, and industry, and/or enhancing the competitiveness of businesses.
- Strengthening the trade balance through an import substitution strategy, which necessitates improving the quality of domestic products.
- Prioritizing sectors with high export potential to boost exports.
- Promoting industrial development through better utilization of natural resources.
- Reforming the banking and financial system to facilitate economic financing.
- Developing infrastructure, particularly those related to the logistics chain of businesses, to enable international projection.
- Achieving inclusive and balanced economic development by removing obstacles to economic activity and facilitating entrepreneurship and investment.

4- Methodology, approach, and study tools

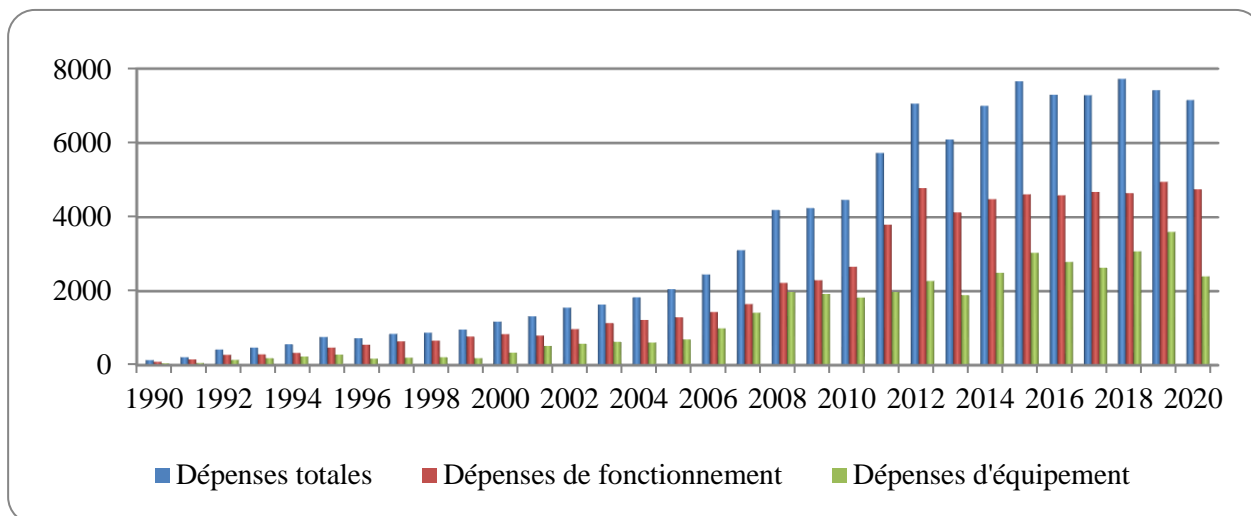
The data used in our article are all extracted from the database of the Bank of Algeria, and the tools and methodology adopted consist on statistical analysis of the evolution of budgetary policy indicators in Algeria.

5- The Assessment of the Algerian Development Strategy (1990-2020)

The state is currently reducing its role as an economic operator to focus on its sovereign functions and regulatory role. Its budget heavily relies on oil taxation. The government allocates its budget to equipment and operating expenses. State spending has decreased from 8.6% of GDP in 1999 to 6.5% of GDP in 2005, a level lower than the MENA region's average of 10.5% of GDP. It is comparable to the levels observed in transition economies in Eastern Europe and Central Asia, which hover around 7% (World Bank, 2007, p. 55).

The expansion of hydrocarbon revenues has led the authorities to increase public spending since 2001. Budgetary expenditures reached 1,321 billion DA (19.9 billion dollars), equivalent to 34.8% of GDP in 2002, compared to 31.1% in 2001 and 28.8% in 2000. In 2004, they amounted to 1,775.2 billion DA, a 7.1% increase compared to their 2003 level, but a decrease in their share of GDP (from 33.1% in 2003 to 31.8% in 2004). The increase in expenditures was accompanied by a rebalancing, after the implementation of the Economic Recovery and Stabilization Program (PSRE) and the New Economic Development Approach (PNDA), between current expenditures and capital expenditures in terms of their share in total expenditures.

Figure (1): The Evolution of Public Expenditure in billions of dinars.



Source: Compiled by the authors based on data from the Bank of Algeria.

Budgetary expenditures increased by nearly 12% in 2005, reaching a total of 1,888.9 billion Algerian dinars (DA). In terms of GDP, total budgetary expenditures decreased by nearly 3.6 percentage points. In 2006, budgetary expenditures accounted for 30% of GDP. This budgetary expansion primarily concerned capital expenditures but also included operating expenses. The supplementary budget laws for 2007 and 2008 established budgetary expenditures at 61% and 63% of GDP, reaching 3,108.7 billion DA and 4,191.1 billion DA, respectively (Bank of Algeria, Economic and Monetary Evolution in Algeria, 2008, p. 84).

In 2015, total budgetary expenditures amounted to 7,656.3 billion dinars compared to 6,980.2 billion dinars in 2014, representing an increase of 9.4% following an even higher increase in 2014 (16.1%), with a decrease of 14.6% in 2013. Capital expenditures contributed over 81% to the increase in total expenditures. As a percentage of GDP, total expenditures increased to 46.1% in 2015, compared to 40.6% in 2014 and 36.2% in 2013, amidst a decline in the value of GDP. Similarly, but to a lesser extent, total expenditures as a percentage of non-hydrocarbon GDP increased to 56.9%, compared to 55.6% in 2014.

In 2016, budgetary expenditures recorded a 4.7% decrease compared to 2015, following the decline in hydrocarbon prices, amounting to 7,297.5 billion dinars. In 2017, there was a stabilization of budgetary expenditures, increasing by only 1.3%, reaching 7,282.7 billion dinars, while in 2018, there was a growth of 6.1% to reach an amount of 7,726.3 billion dinars. This increase resulted from a significant growth in equipment expenditures of 18.1%. In 2020, there was an 8% decrease in budgetary expenditures compared to 2018 (7,726.3 billion dinars in 2018 compared to 7,152.4 billion in 2020).

Regarding budgetary expenditures, the first decade (1990-2000) was characterized by a constant increase in both equipment and operating budgets, as this period was dedicated to restoring macroeconomic balance through structural adjustment program measures. Starting in 2001 with the implementation of the Program to Support Economic Revival (PSRE), the share of equipment expenditures continued to increase, rising from 8.4% of GDP in 2001 to 10.2% in 2002 and 10.8% in 2003. In 2004, it reached 10.6% and reflected the choice to give

more importance to these expenditures as a stimulus variable and to improve living conditions for the population. In 2005, within the framework of the Complementary Growth Support Plan, operating expenses amounted to 1,434.7 billion DA, reaching 1,973.3 billion DA in 2008. The plan projected equipment expenditures of 4,202.75 billion DA for the period 2005-2009. Nearly 45% of this allocation was devoted to expenditures for the development of socio-educational infrastructures (housing, education, health, regional development); 40.5% went to basic infrastructure (transportation, public works, water sector), and nearly 8% to support agriculture (Tani Yamna, 2014, p. 44).

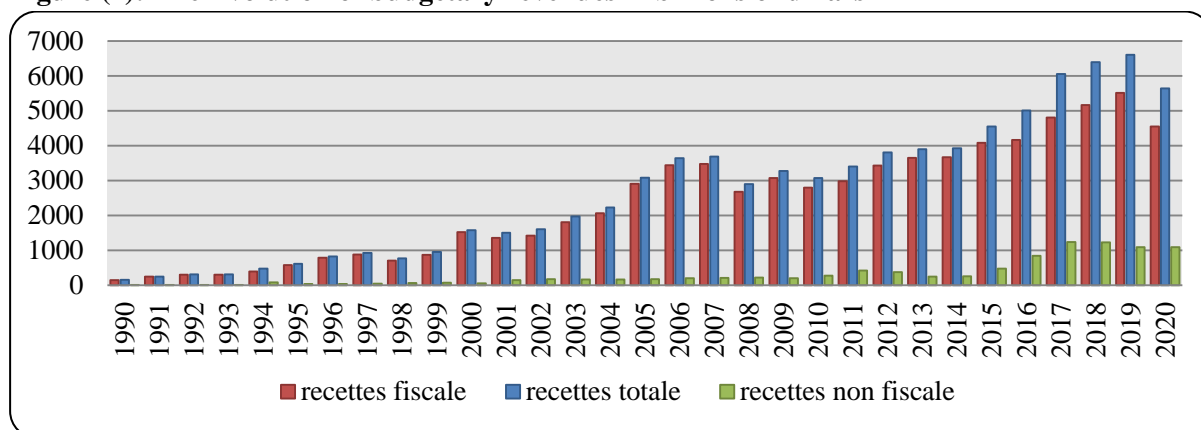
After a decrease of 13.6% in 2013, current expenditures increased by 8.8% in 2014. This increase (354.8 billion dinars) is mainly due to the increase in current transfers, including administrative services (246.5 billion DA), and to a lesser extent, personnel expenses (131.3 billion DA). In 2015, current expenditures reached 4,617 billion DA, an increase of 2.7%. Unlike in 2014, this increase in current expenditures (122.7 billion DA) is entirely attributed to personnel expenses, while current transfers (including administrative services) slightly decreased (-68.2 billion DA). As for equipment expenditures, since 2011, they have followed the same upward trend as current expenditures, except in 2013, but at a much higher rate. After a decrease in 2013, equipment expenditures increased by 32.2% in 2014 and continued to rise in 2015 at a rate of 21.5%, reaching 3,039.3 billion DA, or 18.3% of GDP, compared to 14.5% in 2014 and 11.4% in 2013. This significant increase in equipment expenditures (537.9 billion DA) primarily resulted from the growth in economic and administrative infrastructure expenses (214.2 billion dinars) and housing (187.4 billion dinars). The expenditures of the mining and energy sector (electrification and public gas distribution), which increased from 2.9 billion dinars in 2013 to 111.7 billion dinars in 2014, slightly increased to 114.7 billion dinars in 2015 (Bank of Algeria, Economic and Monetary Evolution in Algeria, 2015, p. 60).

In 2020, equipment expenditures experienced significant decreases of around 27% compared to 2018, where equipment expenditures reached 3,078 billion dinars, while in 2016 and 2017, there was a decrease of 10.8% and 3.9%, respectively. As for operating expenses, they increased by 13% compared to 2018, after being almost stable between 2017 and 2018 at amounts of 4,677.2 billion and 4,648.3 billion dinars, respectively (Economic Recovery Plan, 2020, p. 55).

Tax revenues reached 3,669.2 billion DA in 2014, compared to 3,647 billion DA in 2013. Non-tax revenues, on the other hand, reached 258.5 billion DA in 2014, compared to 248.3 billion DA in 2013. The year 2015 saw a significant increase in non-tax revenues, which increased by 84% compared to 2014, while tax revenues only increased by 11%. They reached 474.9 billion DA and 4,077.6 billion DA, respectively. This decrease in tax revenues is mainly due to the decline in global oil prices starting in June 2014 and consequently the decline in hydrocarbon revenues (-1,014.9 billion DA, or -30%).

In 2020, there was an 11% decrease in budgetary revenues compared to 2018, reaching 5,641 billion dinars, compared to 6,389.3 billion dinars in 2018. This weakening of budgetary balances and treasuries is due to the decline in tax revenues resulting from the ongoing decline in hydrocarbon prices. These revenues decreased from 3,870.3 billion dinars to 1,879.9 billion dinars in 2020.

Figure (2): The Evolution of budgetary revenues in billions of dinars

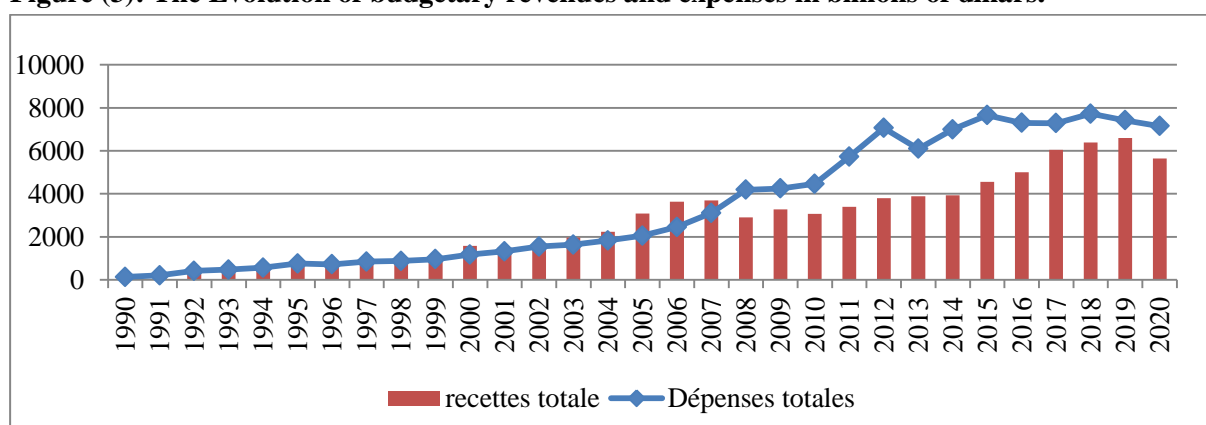


Source: Compiled by the authors based on data from the Bank of Algeria.

In terms of budget balance, surpluses of 16 billion DA in 1990 and 36 billion DA in 1991 were recorded due to the increase in oil prices, which reached \$23 per barrel in 1990 compared to \$16 per barrel in 1989. Starting from 1992, prices declined, leading to a deficit of 108 billion DA. From the 2000s onwards, the budget balance fluctuated between negative and positive, despite the continuous rise in oil prices. The state budget continued to record persistent deficits (Figure 3), which can be attributed to the continuous increase in budgetary expenses resulting from the government's actions in economic recovery and social development through various programs such as the PSRE (2001-2004), the PCSC (2005-2009), and even the latest program of public investment (2010-2014).

The budget balance improved, decreasing from 3,052 billion dinars in 2014 to 1,048 billion dinars in 2019, as a result of stabilizing budgetary expenses around 7,000 billion dinars, while overall revenues increased due to a rebound in oil revenues starting from 2017.

Figure (3): The Evolution of budgetary revenues and expenses in billions of dinars.

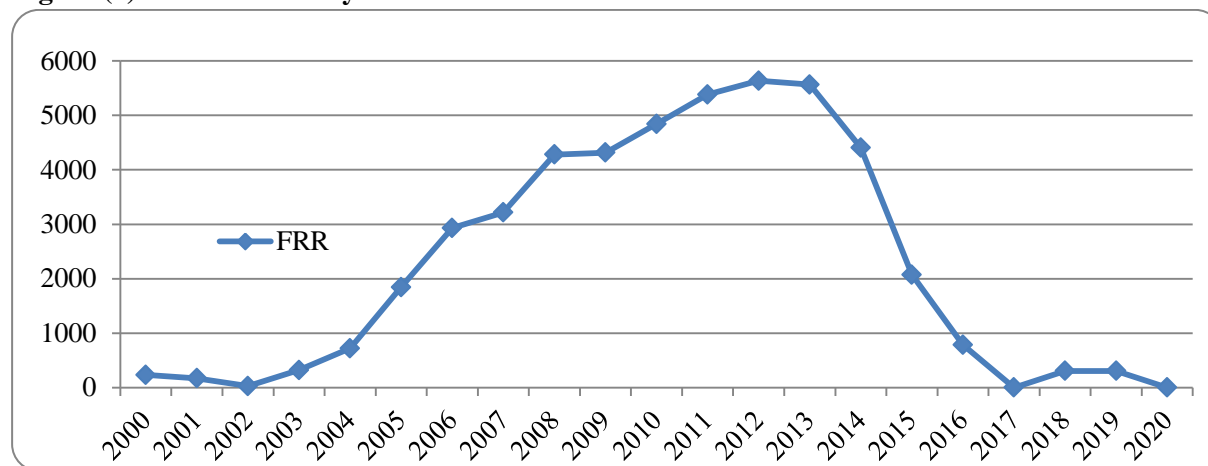


Source: Compiled by the authors based on data from the Bank of Algeria.

Furthermore, following the oil price shock of 1998, similar to Venezuela, Kazakhstan, Azerbaijan, and Qatar, Algeria established a petroleum fund called the "Fund for the Regulation of Budgetary Revenues (FRR)" in 2000. This fund generated a surplus of 232.4 billion DA (3 billion dollars) in 2000 and 123 billion DA (1.57 billion dollars) in 2001. The

FRR received 42 billion dollars, with 45% received in the year 2005 alone. An amount of 118 billion dinars, equivalent to 15.5 billion dollars, was withdrawn from this fund to repay the principal of the public debt.

Figure (4): The Availability of the FRR in millions of dinars



Source: Compiled by the authors based on data from the Bank of Algeria.

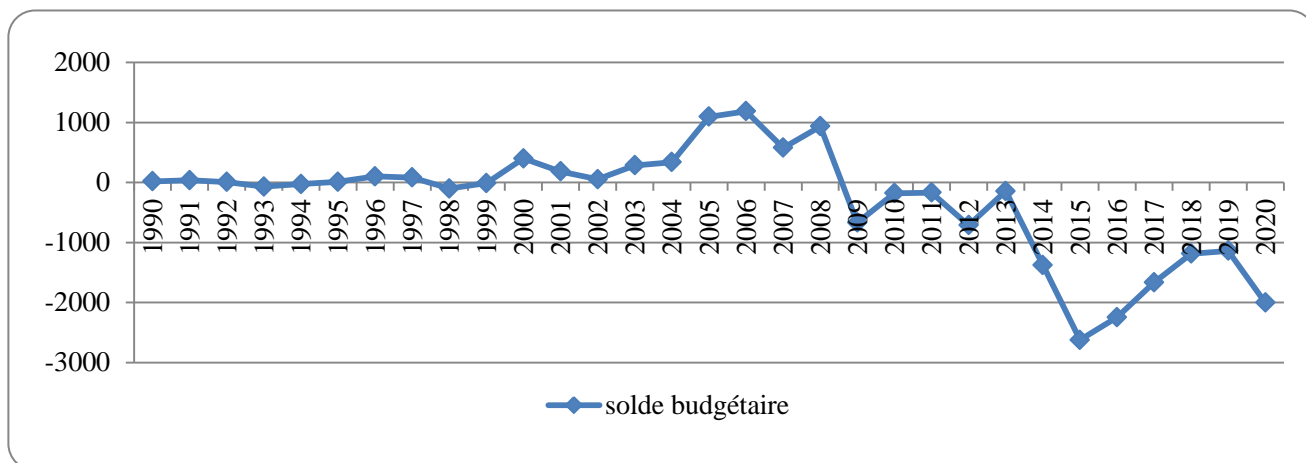
Out of the 2,714 billion DA in oil tax revenues generated in 2006, more than 1,798 billion DA were allocated to the Fund for the Regulation of Revenues. The balance of the FRR reached 3,654 billion dinars by the end of 2007, approximately 46 billion dollars. This situation is very favorable as the objective is to secure medium-term development programs. The fund also aimed to protect the national economy from external shocks (Tani Yamna, 2014, p. 41).

In 2009, the FRR was used to finance part of the budget deficit for a total amount of 4.9 billion USD. By the end of 2010, the resources of the FRR were estimated at nearly 60 billion USD (African Development Bank Group, 2011, p. 7). The FRR, which stood at 5,563.5 billion dinars by the end of 2013, decreased to 2,072.2 billion DA by the end of 2015, representing a decrease of 62.8% over two years. This decrease in 2015, from 2,336 billion dinars to 4,408.5 billion dinars by the end of 2014, resulted in the FRR's financing capacity in 2015 representing only 12.4% of GDP, 40.6% of total revenues, and 27.1% of total public expenditures. In 2014, these ratios were 25.6%, 76.8%, and 63%, respectively. In total, the significant budget deficits in 2014 and 2015 were mainly financed by withdrawals from the outstanding balance of the FRR (2,965.672 billion dinars and 2,886.506 billion dinars, respectively), considered the highest amounts since 2006.

Depleted in February 2017 as a result of the 2014-2015 oil crisis, the Fund for the Regulation of Revenues was replenished over two years, resulting in a positive balance of 305.5 billion dinars in 2018 and 2019. In 2020, the entire FRR was used to finance the deficit caused by the Covid-19 pandemic and the decline in oil prices.

However, despite the establishment of this fund, it cannot serve as a reliable source of financing, hence the fragility of the budgetary balance, which remains susceptible to possible sustained drops in oil prices.

Figure (5): Evolution of the budget balance in billions of dinars.



Source: Compiled by the authors based on data from the Bank of Algeria.

The budget position, which was in surplus from 2006 to 2008 (12.9% of GDP in 2006, 11.4% in 2007, 6% in 2008), has recorded deficits since 2009 and 2010, reaching 6.9% and 4.4% of GDP, respectively. This is due to the combined effect of declining hydrocarbon revenues and high levels of public spending related to the implementation of a large-scale public investment program. The deficits in 2009 and 2010 were partially financed by the Revenue Regulation Fund (RRF) (African Development Bank Group, 2011, p. 7).

In 2015, public finances recorded a budget deficit for seven consecutive years. This deficit amounted to 2,553.2 billion DA, or 15.4% of GDP, compared to a deficit of 1,257.3 billion DA (7.3% of GDP) in 2014. While the deficits during the 2009-2012 period could have been financed without any withdrawal from the financial savings stock deposited at the Bank of Algeria in the RRF (Bank of Algeria, Economic and Monetary Evolution in Algeria, 2015, p. 56), the deficits in 2014 and 2015 were financed by substantial withdrawals from this Fund. The increase in the budget deficit, by nearly 103% in 2015 compared to 2014, is a result of both the decrease in budgetary revenues (-11.1%), linked to the decline in hydrocarbon tax revenues (-30%), and the increase in public spending by 9.4%.

In June 2020, the budget deficit stood at -1418 billion dinars. To address this situation, Algeria resorted to the following measures (Economic Recovery Plan, 2020, p. 55):

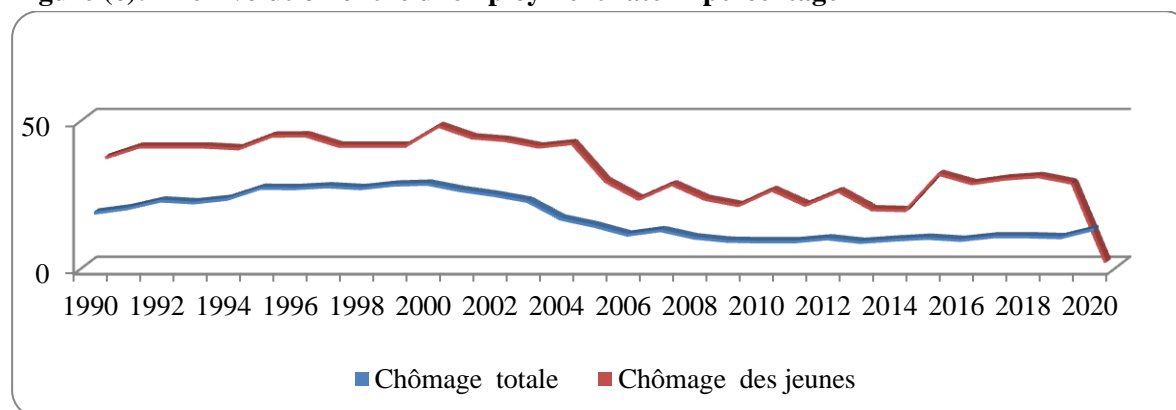
- Bank financing: 395.5 billion dinars
- Non-bank financing: 0.72 billion dinars
- Withdrawals from the RRF: 305.5 billion dinars
- Loans: national loan for economic growth of 2.4 billion dinars and foreign loan of 0.9 billion dinars.

In terms of employment, the Algerian economy was unable to quickly absorb the adverse shocks experienced in the 1980s, as shown by the evolution of the unemployment rate (Figure 07). This increase in unemployment affected different social categories and segments of the labor market, predominantly impacting young people seeking their first job. In 2003, nearly

half of the unemployed were under 25 years old, and nearly 73% were under 30 years old, with 63% looking for their first job (Talahit, 2010, p. 107).

In 2010, the active population was estimated at 10.812 million people, with over 1.076 million people unemployed, resulting in a 10% unemployment rate, according to figures from the National Statistics Office (ONS). The issue of unemployment is a serious concern in Algeria, particularly affecting young people, with a youth unemployment rate (16-24 years old) of 21.5%, while the rate for adults (25 years and older) stands at 7.1%.

Figure (6): The Evolution of the unemployment rate in percentage



Source: Compiled by the authors based on data from the Bank of Algeria.

The essential characteristics of these unemployed individuals are their low educational level. In fact, 75% of these unemployed individuals, mainly men, have an educational level that does not exceed the intermediate or lower secondary cycle. 92% of them are generally excluded from the education system, and 70% have not gone beyond primary level, which is to say they are functionally illiterate. It should be noted that even those who are enrolled in school do not particularly excel in their knowledge due to the deterioration of the education system in general (ONS, 2010, p. 4). As for graduates, the World Bank observed that in 2010, out of 1.2 million university graduates per year, 500,000 were left unemployed, accounting for 40% of the total.

According to IMF estimates, unemployment reached 14.2% of the population in 2020, compared to 11.4% in 2019, following the COVID-19 crisis. This rate is higher among young people, women, and graduates due to skills mismatch in the labor market. The IMF estimates that unemployment will be 14.5% in 2021 and 14.9% in 2022. Youth unemployment remains very high. The major medium-term challenge for Algeria is therefore to ensure strong and sustainable non-hydrocarbon growth in order to further reduce unemployment and increase the standard of living for the population.

6- Conclusion

The examination of the conduct of budgetary policy in this paper, through the study of its instruments and objectives, highlights the restrictive nature of budgetary policy during the period from 1990 to 2000, following the implementation of stabilization and structural adjustment programs to restore macroeconomic balances, ensure the sustainability of external debt, control debt service, achieve inflation control, stimulate economic growth, and reduce unemployment. The results in terms of macroeconomic balances were generally achieved,

particularly in the reduction of external debt and its service, which exceeded the set targets. However, the implementation of such austerity policies did not lead to the attainment of the growth and employment objectives.

Since 2001, and thanks to the increase in hydrocarbon prices, the government implemented a set of demand-oriented economic recovery plans, including infrastructure, housing, and education projects, to revive economic growth and improve living standards by reducing unemployment. The implementation of these various plans contributed to the consolidation of macro-financial stability on one hand, and allowed for a relatively strong and sustained growth on the other hand, mainly driven by the hydrocarbon, services, construction, and public works sectors. Nevertheless, considering the significant financial resources and the very high level of public investment, the results remain below expectations.

However, the decline in oil prices in the global market since mid-2014 forced the government to reconsider a new scheme for financing public investments. Until 2015, the impact of the oil price shock had only a limited effect on growth. The average inflation exceeded the central target of the Bank of Algeria, reaching 4.8%, while the unemployment rate increased to 11.2%. The overall budget deficit reached an unprecedented level of 16.4% of GDP. The decline in oil prices led to a 30% reduction in hydrocarbon revenues, while expenses increased by 10.2%. The deficit was mainly financed through withdrawals from the Revenue Regulation Fund (RRF), which experienced a decrease, reaching 12.3% of GDP in 2015. Foreign exchange reserves also decreased by nearly \$35 billion. At the end of 2015, external debt represented 1.8% of GDP.

The austerity policy adopted by the Algerian authorities was felt starting in 2016 due to a decrease in expenses by 11.88%. This measure was taken in response to an 11.1% decrease in revenues caused by the decline in oil prices, which dropped by nearly half (-47.1%). In 2020, unemployment reached 14.2% of the population, budget expenses decreased by 8% compared to 2018, and the budget deficit stood at -1418 billion dinars.

The general observation drawn from the analysis of budgetary policy conduct in Algeria from 1990 to 2020 confirms our hypothesis, which states: Budgetary policy in Algeria from 1990 to 2020 was marked by challenges related to dependence on oil revenues, demographic pressure, and the population's aspirations for a better standard of living. Budgetary choices evolved in response to these challenges, but their effectiveness in achieving economic and social objectives remains subject to analysis.

7- Bibliography

- Aouragh, L. (1995). L'économie algérienne à l'épreuve de la démographie. FeniXX..
- Banque d'Algérie, Rapport annuel 2018: Evolution économique et monétaire en Algérie, septembre 2019
- Banque d'Algérie, Rapport annuel 2008: Evolution économique et monétaire en Algérie, septembre 2009
- Banque d'Algérie, Rapport annuel 2015: Evolution économique et monétaire en Algérie, septembre 2016.
- Banque mondiale, Une Revue des dépenses publiques: Volume I, Rapport n°36270-DZ, 15 août 2007.

- Benabdallah, Y. (2008). Le développement des infrastructures en Algérie: quels effets sur la croissance économique et l'environnement de l'investissement?. Article disponibles sur le site «www. gate. cnrs. fr/unecaomc..
- Benbahmed, T., & Lohoues, H. (2018). perspectives économiques en Afrique 2018. groupe de la banque africaine de développement.
- Benissad, H. (1997). Le plan d'ajustement structurel. Confluences Méditerranée, 23(3), 107-118.
- Boukella, M. (1997). Algérie: les effets économiques de l'ajustement structurel. Algérie.
- Direction générale de trésor. (2011). l'Algérie le plan d'investissements publics 2010-2014. publication des services économique.
- Groupe de la banque africaine de développement. (2011). Rapport annuel .
- Hadjar , A. (2011). l'entreprise et la relance économique. Mémoire de magister en management, faculté des sciences économiques, commerciales et des sciences de gestion, université d'Oran 2010-2011.
- Ministère de l'industrie et la promotion de la pme. (2011). Consulté le MARS 2017, sur WWW.mipmepi.gov.dz/IMG/PDF/001.pdf
- Olivia, M.-D. (2010). La politique budgétaire . la documentation française.
- Office National des Statistiques. (2010). Activité, Emploi et chômage.
- Talahite, F. (2010). Réformes et transformations économiques en Algérie (Doctoral dissertation, Université Paris-Nord-Paris XIII).
- Achour Tani Yamna, L'analyse de la croissance économique en Algérie, thèse de doctorat en sciences, faculté des sciences économiques, commerciales et des sciences de gestion, Université Abou Bekr-Belkaid, Tlemcen, 2013-2014.
- Ismail, A, & Amine, L. (2018). Conduite et Efficacité de la Politique Budgétaire en Algérie (1967–2014). *Revue algérienne de finances publiques* N. 8, pp 60-78.
- FAYCAL, T., & FARES, A. (2021). L'impact des dépenses publiques sur la croissance économique de l'Algérie : une approche par un modèle ARDL non linéaire (1970-2019). *Revue Etudes Economiques*, 16(2). pp 718-732.
- Refafa, B. (2022). L'impact De La Politique Budgétaire Sur La Croissance Economique En Algérie. *دراسات اقتصادية*, 16(2), pp 31-40.
- ZAOU, A. et, BOUDAOU, F. (2020). Performance économique des instruments de la politique budgétaire sur la croissance économique en Algérie, *Dirassat Journal Economic Issue*, 11(2). pp. 541-555.