

The implications of oil price fluctuations on the proceeds of the Algeria Revenue Control Fund (2000-2018)

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Abstract

This study aims to shed light on sovereign wealth funds in oil-producing countries, especially after the rise in oil prices in global markets. Algeria established a revenue control fund in the year 2000 in order to benefit from the actual surplus of oil collection revenues. Controlling public revenues for the state and achieving the goals set for it, and the study concluded that the Revenue Control Fund has a major role in reducing indebtedness and financing the treasury deficit, and that the resources of the Revenue Control Fund are affected by external factors, the most important of which is the fluctuations of oil prices in global markets, and the success of this fund in financing the deficit was effective, but it was subject to external variables

;Key words: oil prices; revenue control fund; oil tax surpluses; treasury deficit

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انعكاسات تقلبات أسعار البترول على حصيلة صندوق ضبط الإيرادات في الجزائر (2018_2000)

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ملخص

تهدف هذه الدراسة إلى إلقاء الضوء على صناديق الثروة السيادية في الدول النفطية خاصة بعد الارتفاع الذي شهدته أسعار البترول في الأسواق العالمية، قامت الجزائر بإنشاء صندوق ضبط الإيرادات سنة 2000 من أجل الاستفادة من فوائض إيرادات الجباية البترولية و يعمل على ضبط الإيرادات العامة للدولة وتحقيق الأهداف المسطرة له، وتوصلت الدراسة إلى صندوق ضبط الإيرادات له دور كبير في تخفيض المديونية وتمويل عجز الخزينة، وأن موارد صندوق ضبط الإيرادات يتأثر بعوامل خارجية أهمها تقلبات أسعار البترول في الأسواق العالمية، وإن نجاح هذا الصندوق في تمويل العجز كان فعال إلا أنه رهين المتغيرات الخارجية.

الكلمات المفتاحية: أسعار البترول، صندوق ضبط الإيرادات، فوائض الجباية البترولية، عجز الخزينة، الأسواق البترولية العالمية.

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Introduction:

Fuel revenues are the main source of public revenues in most oil-producing countries, and the Algerian economy, like other economies in oil-producing countries, knows structural imbalances as a result of excessive dependence on the hydrocarbons sector, and in order to exploit and employ these financial surpluses, most petroleum countries have established sovereign wealth funds with the aim of investing or using the financial surpluses resulting from the high prices. Oil in global markets and its increase in its proceeds, and Algeria's experience is among the most important experiences as a result of recording significant financial surpluses since the beginning of the year 2000 that have not been witnessed before as a result of the record rise in oil prices in world markets. And to mitigate the shocks to the national economy, Algeria established a revenue control fund in the year 2000, as it is among the mechanisms developed primarily aimed at managing the surplus of actual oil tax revenues over the capacity in the annual financial laws. This on the one hand and on the other hand works on Control of state public revenue.

• The problem of the study:

Preserving the general budget is one of the shocks that the Algerian economy is exposed to as a result of oil price fluctuations in global markets due to the absolute dependency on the hydrocarbons sector one of the most important goals of establishing a revenue control fund, and from this standpoint the following main problem is raised: The Revenue Control Fund in Algeria during the period (2000-2018)

• Study hypotheses:

To answer the previous problem, the following main hypothesis can be put forward:

- The fluctuations of oil price fluctuations have a clear impact on the outcome of the Algeria Revenue Control Fund during the period (2000-2018).
- The Revenue Control Fund can control the state's public revenues in light of fluctuations in oil prices.
- External indebtedness contributed to reducing the level of the revenue control fund.

• The importance of the study:

The importance of the study lies by analyzing the relationship between fluctuations in oil prices and their reflection on the outcome of the Revenue Control Fund, analyzing the various changes that occur to the fund's balance through knowing its resources and uses, and highlighting its role in facing oil price fluctuations by its ability to manage financial surpluses, direct it and its importance In financing the Algerian economy.

• Study Objectives:

The study aims at the following:

Knowing the basic concepts of the Revenue Control Fund, its inception and development, and its effectiveness in achieving the goals for which it was established.

Highlighting the role of the Revenue Control Fund in dealing with problems arising from fluctuations in oil prices in global financial markets.

- Determine the role played by the Revenue Control Fund in the financial stability of the budget and the reduction of debt.

• Study Approach:

This study relied on the descriptive approach to capture the theoretical aspects of the study, since this curriculum is specifically devoted to theoretical studies, in addition to the applied analytical approach with the aim of analyzing quantitative data by using some tables, statistics and some different graphs and analyzing them in an economic way in order to facilitate understanding of the topic.

• Previous studies:

1- **Kureenai Rebhia** (2018-2019) entitled The Impact of Oil Price Fluctuations on Directing Public Expenditure in Algeria, Standard Analytical Study (1986-2016), PhD thesis, Faculty of Economic, Commercial and Management Sciences, Zian Ashour University,

Djelfa, Algeria. This study aimed To determine the impact of oil price fluctuations on public expenditures in Algeria for the period from 1986 to 2016, and this study reached several results, the most important of which is the existence of a causal relationship in the short term with one direction that moves from oil prices towards public spending and from GDP towards public expenditure.

2- **Shebab Siham** (2018-2019) entitled: The impact of fluctuations in oil poetry on the state budget, a standard study of the general budget of Algeria for the period (1980-2016), doctoral thesis, Faculty of Economic, Business and Management Sciences, University of Abi Bakr Belkaid, Tlemcen, Algeria, aimed at The study is aimed at measuring the effect of oil price fluctuations on the general budget, analyzing the relationship between them, and interpreting the results of the standard study based on economic measurement methods. This study has concluded that there are statistically significant and standard effects and a long-term relationship between the change in the oil price and the balance of the general budget.

3- **Makawy Hajira and Boubaker Mohamed** (2020) entitled: The role of the Revenue Control Fund in financing the budget deficit in Algeria during the period 2010-2018, Journal of Finance and Markets, this study aimed to find out the extent of the contribution of the Revenue Control Fund in financing the budget deficit, as it played a role Prominent in preserving the monetary and financial balance of the state, especially after the sharp decline in fuel prices in global markets, and the study found the effective role that the Revenue Control Fund played in containing the budget deficit, but it remains dependent on external variables and its link to a single resource that makes it more vulnerable to external shocks.

I- the theoretical framework for oil prices:

I-1- Definition of oil price:

- The price is the value of the thing expressed in money, and the price may adjust the value of the thing or not equal or equal with it, that is, the price may be less or more than the value of that produced thing, and through this definition of price, the oil price means the value of the material or The petroleum commodity is expressed in money (Al-Akhdar & Baala , 2016, p. 78)
- The oil price is defined as the value of the oil material or commodity expressed in a specific monetary unit during a specific and affected period of time, and under the influence of a group of economic, social and political factors. The climatic, spatial and temporal conditions (the nature of the market prevailing at the time) are among the basic determinants and factors in Determine the oil price (Shenouf , 2018-2019, p. 20) .

I-2- Types of oil price:

- **Posted Price:** is the price that is officially announced by the bidder for the commodity, as it was determined by the oil monopolies. This price appeared for the first time in the United States of America in 1980 by the "Standard Dowell" company that controlled The two currencies of oil transportation and refining crude oil, so that this price did not appear as a result of the interaction of supply and demand forces, but rather it was a price imposed by the global oil cartel immediately after its extraction from the wells without involving its users in the pricing process, and this price continued from then until October 16 1973 when it was approved OPEC costs its crude oil, along with the foreign oil monopolies.

It can be said that the announced prices are, in fact, only theoretical prices that do not really equal the value of oil as a vibrant and vibrant resource. Rather, companies imposed it as a basis for calculating royalties and taxes on profits that made up the bulk of the revenues of the producing countries (Ben Awali , 2015-2016, pp. 38-39).

- **Realized price:** It is the declared price minus the various discounts granted by the seller to the buyer in order to desire the buyer or to meet the problems resulting from some restrictions, this type has appeared since the late fifties of the twenty-first century as a result of the presence of foreign oil parties Independent of the monopolistic companies and due to the presence of new oil investment patterns, "the pattern of participation, or what is known as oil participation agreements". This price has actually expressed the value of the oil commodity in the international market since then (Zamal , 2017-2018, p. 41) .
- **Reference Price:** This type of price appeared in the sixties, when it appeared after the emergence of realized prices alongside the declared price. It took and adopted the reference price in calculating the value of oil in some oil producing countries and foreign oil companies in order to distribute or divide the oil revenues. Between the two parties, the signal price is the price of crude oil that is less than the declared price and more than the achieved price, meaning that it is an average price between the announced and the achieved price. This price was taken and applied by many petroleum countries, what was done between Algeria and France in 1965 (Kouideri Kouchikh , 2008-2009, p. 63)
- **Tax cost price:** It is the price equivalent to the cost of crude oil production added to the income and profit tax value mainly belonging to the petroleum countries that donate to oil wealth exploitation agreements, so this price reflects the real cost that oil companies pay for obtaining a barrel of oil At the same time, it represents the basis on which realized prices move in the market, so selling at less than this price means selling at a loss (Boukataya , 2018, p. 350)

There is a group of prices that appeared in the subsequent period, namely :(Kerenai, 2018-2019, pp. 32-33)

- **The spot or immediate price:** it means the price of a barrel of oil expressed in one monetary unit in the free market, or the suggested price for crude oil. The spot price began to appear and become active after the spot market took an important percentage in international crude oil trade.
- **Nominal price:** it means the monetary value of a barrel of crude expressed in dollars, so we say, for example, that the price of OPEC is equal to \$ 80 a barrel.
- **Real price:** it represents either the real value of the nominal price discounted by inflation rates or the amount of goods and services that can be purchased from abroad at the nominal price per barrel.
- **Forward prices or the prices of long-term deals:** it means the oil prices according to which the contract is now made for crude oil to be delivered in a specified future period.
- **The price of a paper barrel:** it is the oil futures contracts that the investors started selling and outbidding and trading them among the speculators, for example a US oil company signed a contract with Iraq to buy one million barrels of oil delivered after two months at a price of \$ 50 a barrel, then this company sells the contract For another company at \$ 60 a barrel, the contract may be sold to a third or fourth investor or more. Therefore, investors (speculators) invest large sums of money in paper barrels and speculate on oil, which may increase its price sometimes as a result of this speculation.
- **The return price:** it means the price of crude oil specified in light of the prices of its refined petroleum products, which are called OPEC barrels (compound barrels).

I-3- Implications of oil price fluctuations:

Oil prices are reflected in the economies of both oil exporting and importing countries, as follows Explain that (Boutayeb & Azzazi , 2019, pp. 56-57):

- **Importing countries:** The impact of high oil prices on the economies of industrialized countries is limited and this effect differs from one country to another. As for the economies of developing countries that import oil, this effect will be negative as this increase affects the rate of economic growth and the increase in the rate of inflation as well as the balance of Payments and the trade balance, on the contrary, lower prices lead to an increase in the rate of growth and weakening of pressures on the rate of inflation, the balance of trade and the general budget of many importing countries. The oil-importing developing countries also make huge gains so that this decrease leads to the realization of the value of oil imports and thus improvement Balance of payments.
- **Exporting countries:** The effect is generally negative in the event of the collapse of oil prices on the exporting countries, unlike the importing countries. However, this effect will be to varying degrees according to the percentage of oil's contribution to the GDP and the incomes of the government budgets of these countries, and in return this effect will be positive To exporting countries in the event of high oil prices.

II- the conceptual framework of the Revenue Control Fund

II-1- definition of the revenue control fund:

II-1-1- The Revenue Control Fund: was established similar to other petroleum countries by virtue of the Supplementary Finance Law of 2000, this year marked by the significant increase in fuel prices, as the budget surplus amounted to 400 billion DA and tax revenues exceeded 1213.2 billion DA (Dahman & Haddadi , 2016, p. 66) In order to exploit these surpluses and use them to maintain the stability of the state's general budget in view of the uncertainty that characterizes oil prices in the medium and long term, the government decided to establish a fund for controlling oil collection revenues that works to absorb the surplus of oil collection that exceeds the estimates of the Finance Law that is prepared annually. This fund was established through the supplementary finance law that was issued on June 27, 2000, which defined the type, objectives and scope of the fund's work, noting that the fund underwent several important amendments in the years 2004 and 2006 (Bouflih , 2010-2011, p. 198)

II-1-2- The type of the fund: it is a fund that belongs to the special accounts of the treasury and precisely the accounts of the special allocation. It was established under Article 10 of the Supplementary Budget Law of 2000, which states:

An allocation account No. 103-302 entitled "Resource Control Fund" is opened in the treasury accounts and is recorded in This Account (. & Article 10 , 2000):

- **In the section on revenues**

Tax surpluses resulting from a higher level of fuel prices than those expected under the Finance Law.

- All other revenues related to the functioning of the fund.

- **In the section of expenses**

Controlling the expenditures and balance of the budget determined through the annual finance law and limiting indebtedness.

Reducing public debt.

The Minister in charge of Finance is the one who orders the main disbursement of this account and determines the manner in which the provisions of this article will be implemented by regulation.

II-1-3- Amendments to the Revenue Control Fund:

Some rules and principles related to the Revenue Control Fund have been amended as follows:

- The Finance Law of 2004 added another source for the fund's resources, represented in the advances of the Bank of Algeria directed to the active management of the external debt. As for the expenditures of this account, they were allocated to compensate the

minus value resulting from the level of oil collection revenues below the estimates in the Finance Law, as well as limiting the public debt. The designation of the revenue control fund is modified instead of the resource control fund (Shabab , 2018-2019, p. 192).

- According to the Supplementary Finance Law, the main objective of the Revenue Control Fund was amended as follows: “Financing the treasury deficit without the fund’s balance being less than 740 billion DA and reducing the public debt” (Article 10 of Law No. 04/06, 2006, p. 08) It is the amount that was frozen in the fund and the government cannot dispose of it.
- An item has been added to the uses of the revenue of the Revenue Control Fund in financing the public treasury deficit under the Finance Law of 2017 related to the Abolition of the minimum reserve that cannot be disposed of (Shabab , 2018-2019, p. 192)

II-1-4- Fund sources of financing:

It is represented in the surplus value of the oil levy resulting from the difference between the actual collection and the oil levy estimated according to the finance law in addition to all other revenues related to the fund, in addition to the advances of the Bank of Algeria directed to the active management of the external debt as a source of financing box (Ben Amara & Sherif Tawil, 2018, p. 05).

II-1-5- The scope of the fund’s work:

The fund’s field of work is mainly based in the country, given that the main function is to absorb surpluses of oil levy and use them to finance any deficit that may occur in the future at the level of the state’s general budget as a result of the collapse of fuel prices, knowing that the scope of the fund’s work is It extends abroad to a country through its contribution, in coordination with the Central Bank, to repay and reduce the external public debt (Saoudi & Saoudi, 2017, p. 118) .

II-2-Motives for establishing a revenue control fund:

The most important motives for establishing a revenue control fund in Algeria can be summarized as follows

- **Internal motives:** The Algerian economy suffers from several structural imbalances due to the strong connection with the hydrocarbon sector, and its impact on the economy appears according to three levels, which are as follows (Zarkata & Qatoush , 2020, p. 12):
 - The effect of the hydrocarbon sector on the rate of economic growth: The hydrocarbon sector constitutes a significant percentage of the gross domestic product, which means that the rate of economic growth in Algeria is largely determined by the rate of growth recorded by the hydrocarbon sector.
 - The impact of the fuel sector on the balance of payments: The exports of the hydrocarbon sector constitute the main source of hard currency in Algeria, and since the trade balance represents one of the main components of the balance of payments, the balance of the latter is mainly linked to the levels of fuel prices in international markets.
 - The effect of the fuel sector on the state’s general budget: Petroleum tax is the main resource for the state’s public revenues, which leads to the state’s public budget being directly affected by the changes recorded by oil prices at the global level. The performance of the hydrocarbon sector is the main determinant of the stability and continued implementation of various economic policies in Algeria.
- **External motives:** are the following (Fuqah & Bouflih , 2017, p. 150):
 - Oil price fluctuations in global markets: Oil prices are characterized by instability due to their impact on a set of economic and political factors, which leads to the exposure of the economies of oil countries, including Algeria, to positive and negative shocks according to the price levels recorded in the markets.
 - The vogue of the idea of establishing sovereign wealth funds among oil states: Algeria’s experience is the most recent in this field compared to the experiences of

some oil-producing countries such as Kuwait, the United Arab Emirates, and Iran. Therefore, it can be said that the establishment of a revenue control fund in Algeria is an inevitable result of the creation and promotion of the idea of establishing such funds are among the oil-producing countries, and the multiplicity of experiences of these countries allows the government to benefit from pioneering experiences in this field

II-2- Objectives of the Revenue Control Fund:

The government seeks to achieve a set of objectives, which are as follows (Makkawi & Boubaker , 2020, p. 257):

- Taking into account the absorptive capacity of the economy when using the oil levy surpluses.
- Hedging against the risks of sudden drop in oil prices in the international market.
- Providing indirect financing for public treasury deficits, given that the balance of the treasury is wider than the balance of the general budget, as the balance of the public treasury includes the balance of the state's general budget, in addition to the balances of the various operations carried out by the public treasury, especially the balances of the treasury's special accounts.
- Supporting the safety of the national economy through the confidence that it can give to investors.

III- the reflection of oil price fluctuations on the proceeds of the Revenue Control Fund

III- 1- The effect of oil prices on the balance of the Revenue Control Fund

The fluctuations in oil prices in international markets affect the financial position of the Revenue Control Fund, as the surplus oil collection is the main source of feeding the fund, and the following table shows the development of the financial balances of the Revenue Control Fund and their relationship to oil prices during the period (2000-2018)

Table n°1: Developments in oil prices and the balance of the Revenue Control Fund during the period (2000-2018).

Unit: billion dinars.

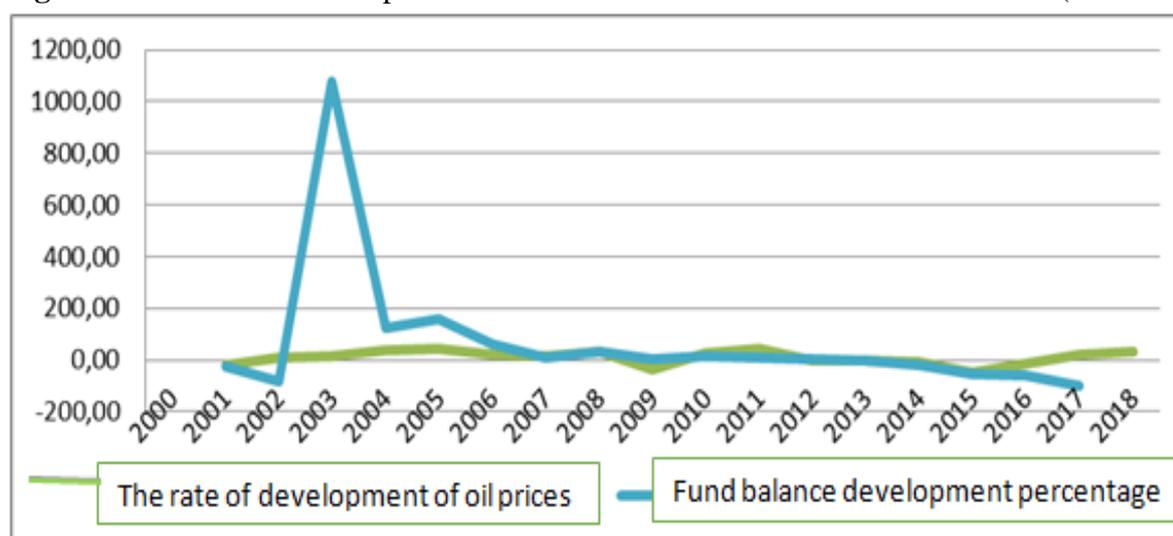
Oil prices: dollars / barrel

the years	Petroleum collection according to the Finance Law	Actual oillevy	The surplus value of the oillevy	Petroleum prices	Fund balance
2000	720.000	1173.237	435.237	28.80	232.137
2001	840.600	964.464	123.864	23.12	171.534
2002	916.400	942.904	26.504	24.80	27.978
2003	836.060	1284.974	448.914	28.1	320.892
2004	862.200	1485.699	623.499	38.66	721.688
2005	899.000	2267.836	1368.836	54.64	1842.686
2006	916.000	2714.000	1798.000	65.85	2931.045
2007	973.000	2711.848	1738.848	74.95	3215.530
2008	1715.400	4003.599	2288.159	99.97	4280.073
2009	1927.000	2327.675	400.675	62.25	4316.465
2010	1501.700	2820.010	1318.310	80.15	4842.837
2011	1529.400	3829.720	2300.320	112.94	5381.702

2012	1519.040	4054.349	2535.309	111.04	5633.751
2013	1615.900	3678.131	2062.231	108.97	5663.511
2014	1577.730	3388.050	1810.320	100.23	4408.159
2015	1722.940	2275.132	552.192	53.06	2073.846
2016	1682.550	1781.100	98.550	45.00	784.458
2017	2126.987	2126.987	0	54.05	0
2018	2349.694	2787.106	437.412	71.77	305.500

Source: (General Directorate of Assessment and Policies, 2020).

Figure n°1: Evolution of oil prices and the balance of the Revenue Control Fund (2000-2018)



Source: prepared by the researcher based on the data of Table n°1

We notice through the table and the graph that oil collection revenues finance the Revenue Control Fund, and the latter is closely linked to oil prices. Any change in oil prices necessarily leads to a change in the resources of the Revenue Control Fund.

- We notice a decline in the balance of the Revenue Control Fund during the period (2000-2002) by moving from 232.137 billion DA to 27.978 billion DA due to the decrease in the oil tax surpluses resulting from the drop in oil prices in world markets, by moving from the price of 28.80 dollars / barrel in 2000 to 24.80 dollars Per barrel in 2002, and amendments were made to the revenue control fund activity in 2004 by introducing a new resource to the fund represented in the advances of the Bank of Algeria in order to achieve the objectives of the revenue control fund.
- With the continued rise in oil prices since the new millennium until 2008, which exceeded \$ 100 a barrel, during that period, the reasons for the absence of any shock were asked. The oil price boom was greater than its counterpart in the seventies, but it did not lead to inflation or An economic recession, but the development of the financial crisis with the collapse of Lehman Brothers in September 2008 was a starting point for the disruption of the global financial and banking system (Bouayna & Hashem, 2017, p. 122).
- During the period (2004-2013), we notice an increase in the balance of the Revenue Control Fund due to the increase in oil tax surpluses due to the continued rise in oil prices in world markets from the price of 38.66 dollars / barrel in 2004 to 108.97 dollars / barrel in 2013.
- The year 2014 witnessed a global crisis due to the decline in oil prices in the global markets, which reflected negatively on the oil tax surpluses compared to the previous

period, as it decreased by half in the last quarter of 2014 after it was in 2013 at \$ 108.97 / barrel, as the balance decreased to 4408.159 billion DA.

- The fund's resources have experienced large fluctuations recently due to the decline in oil prices. Fund resources have eroded in the years 2015 and 2016 due to the government's resort to deductions on the one hand and on the other hand due to the high value of the deficit in the balance sheet, and that the amount that was frozen in this fund amounted to 740 billion DA to it being the minimum compulsory balance since June 2016 resulting from tax surpluses and the most prominent factors that led to the drop in oil prices during 2015 are the following (Fund, 2016):
 - The abundance of global supplies, especially after the success of exploiting unconventional oil resources in the United States of America, and what led to a significant increase in its total oil production and a net increase in oil supplies to a group of non-OPEC countries that amounted to 2.6 million barrels / day during 2014 and 2015
 - The emergence of signs of a slowdown in the growth rates of global oil demand in general and Chinese demand in particular, as the Chinese government in recent years has taken a new direction towards promoting China's transition to an economy supported by domestic consumption instead of the export sector, which cast a shadow over the future prospects of demand for Blobs.
 - Major oil-exporting countries went to maintain the size of its production policy to ensure its market share rather than reduce production, which may lead to push prices upward.
 - The exchange rate index for the major currencies has gradually increased since the beginning of 2014, which led to a reduction in oil prices as a result of the inverse relationship between the two variables.

Speculation played a big role, especially since the second half of 2014, in light of the nature of the geopolitical factors prevailing during the year.

- We note that in 2017 the threshold associated with the minimum and compulsory minimum balance of this fund, which was set at 740 billion DZD, was removed in order to partially absorb the treasury deficit in 2017 as a result of the decline of the oil collection surplus, as its balance reached 0 billion DZD, and during the year 2018 the balance of the Revenue Control Fund reached what Its value is 305.500 billion DA, due to the recovery in oil prices, which reached 71.77 dollars / barrel, and the oil tax surplus reached 437.412 billion DA.

III- 2- Uses of the Revenue Control Fund during the period (2000-2018)

Petroleum levy is one of the most important resources of the Revenue Control Fund, and the main objective of establishing this fund is to finance the public treasury deficit resulting from the decrease in oil collection revenues from the reference price in addition to reducing the public debt. The fund intervened in paying the public debt and financing the budget deficit for the period (2006-2018).

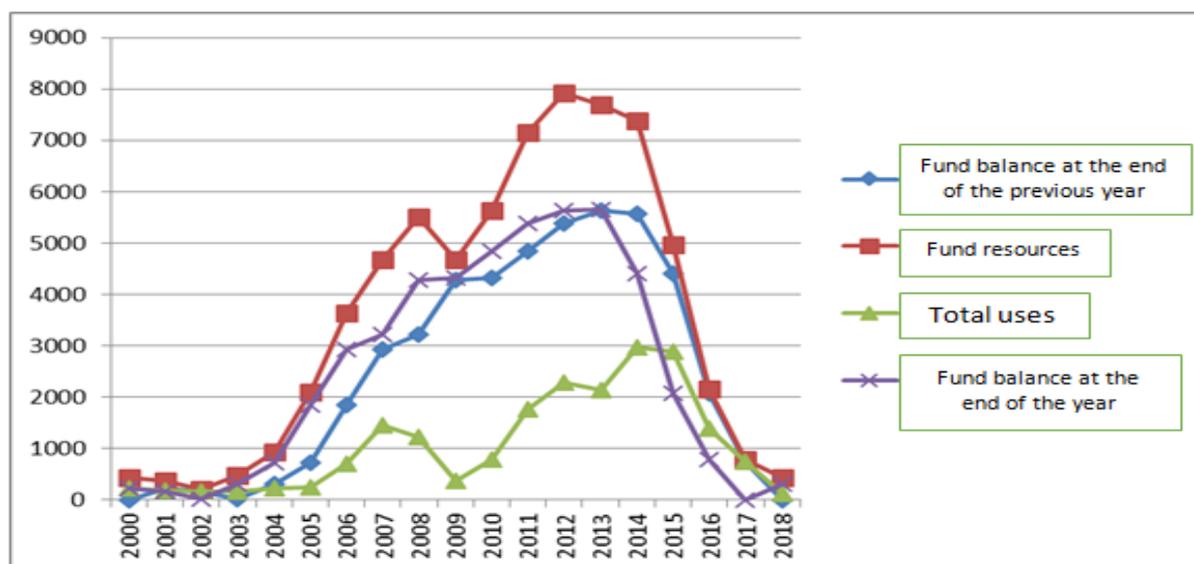
Table n°2: The uses of the Revenue Control Fund during the period (2000-2018)

Unit: billion DA

the years	Total resources before deductions	Pay off the principal of the public debt	Payingprepa yments to the Bank of Algeria	Financing the public treasurydefi cit	Total uses	Fund balance at the end of the year	The public treasurydefi cit
2000	435.237	221.100	0	0	221.100	232.137	-54.381
2001	365.001	1984.467	0	0	184.467	171.534	-55.266
2002	198.038	170.060	0	0	170.060	27.978	-16.065
2003	476.892	156.000	0	0	156.000	320.892	-10.256
2004	944.391	222.703	0	0	222.703	721.688	-187.312
2005	2090.524	247.838	0	0	247.838	1842.686	-472.165
2006	3640.686	618.111	0	91.530	709.641	2931.045	-647.310
2007	4669.893	314.455	607.956	531.952	1454.363	3215.530	-1281.954
2008	5503.690	465.437	0	758.180	1223.617	4280.073	-1381.158
2009	4680.747	0	0	364.282	364.282	4316.465	-1113.701
2010	5634.775	0	0	791.938	791.938	4842.837	-1496.476
2011	7143.153	0	0	1761.455	1761.455	5381.702	-2468.847
2012	7917.011	0	0	2283.260	2283.260	5633.751	-3246.197
2013	7695.982	0	0	2132.471	2132.471	5563.511	-2205.954
2014	4960.351	0	0	2965.672	2965.672	4408.159	-3185.994
2015	4960.351	0	0	2886.505	2886.505	2073.846	-3172.340
2016	2172.396	0	0	1387.938	1387.938	784.458	-2343.735
2017	784.458	0	0	748.458	748.458	0	1590.283
2018	437.412	0	0	131.212	131.212	305.500	-1952.532

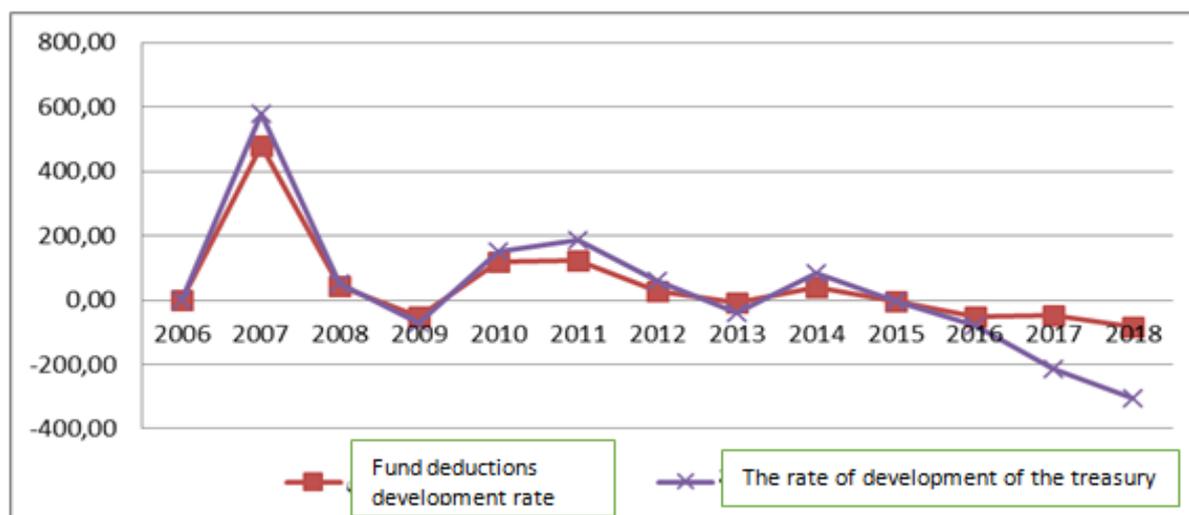
Source (General Directorate of Assessment and Policies, 2020)

Figure n°2: Resources and Uses of the Revenue Control Fund (2000-2018)



Source: prepared by the researcher based on the data of Table n°2

Figure n°3: The role of the Revenue Control Fund in financing the public treasury deficit (2006-2018)



Source: prepared by the researcher based on the data of Table n°2

III-2- 1- The functions of the Revenue Control Fund in financing the reduction of public debt

One of the tasks of the Revenue Control Fund is to reduce public debt, both internal and external, which was actually done during the period (2000-2008). We note from the above table that the uses of the Revenue Control Fund to reduce public debt can be divided into two stages:

- During the period (2000-2005), and it becomes clear to us that the total deductions from the fund were directed towards paying the public debt by 100%, because the state did not resort to using the fund's resources to finance the budget deficit due to an increase in oil prices that exceeded the reference price throughout this period, and that the percentage of deductions from the fund To pay off the public debt in 2000, it was 221.100 billion dinars, so the rate of deductions increased in 2005 to 247.838 billion dinars.
- During the period (2006-2008) we notice a decrease in the percentage of uses directed to reduce the public debt. In 2008 it reached a value of 465.437 billion DA, to record the largest deduction in 2006, reaching a value of 618.111 billion AD, due to the modifications applied to the objectives of the Fund in 2006 represented in financing a deficit The budget, and the fund's balance must not be less than 740 billion DA, so that the government is financing the budget deficit in the public debt account. The Revenue Control Fund has succeeded in a large percentage in reducing the internal and external public debt during the period (2000-2008), and all its deductions amounted to 2,600.171 billion.

III-2- 2-The functions of the Revenue Control Fund in financing the public treasury deficit

We note through the table and figure that an amount was deducted from the fund an amount of 91.530 billion DA in 2006 to finance the deficit of the public treasury, which is estimated at 647.310 billion DA. As for the year 2007, the value of the deductions from the Fund amounted to 1454.363 billion DA, firstly represented in reducing the public debt by 314.455 billion DA and secondly paying advances The Bank of Algeria, with a value of 607.956 billion DA, and third, to finance the public treasury deficit of 531.952 billion DA. In 2009, the resources of the Revenue Control Fund were directed 100% to finance the public treasury.

The decline in oil prices in 2014 due to the global crisis from \$ 100.23 / barrel to \$ 53.06 / barrel, which is due to the decrease in global demand for oil due to the slow growth of the global economy and to increases in the wage mass, especially since it has been retroactive

since 2008, which led to an increase in the treasury deficit. The general budget amounted to 3185.944 billion DA in 2014, and in 2016, the deductions decreased to 1387.938 billion to cover the deficit estimated at 2343.735 billion DA in 2016. And despite all these deductions, the fund still contained financial assets amounting to 784.458 billion DA as the lowest balance in 2016, while in 2017 the deductions decreased to 784.458 billion DA as a result of the decrease in the deficit to 1590.283 billion DA in 2017 and the reason is due to the depletion of the Fund's resources, as its balance reached 0 Billion DA in 2017 due to the abolition of the minimum retention ceiling.

In view of the scarcity of state resources, the Finance Law came new to the Revenue Control Fund, whereby the ceiling for the minimum balance for withdrawals was canceled. Article 10 of the Official Gazette No. 77 issued on December 29, 2016 stipulated in the section on expenditures:

- Financing the budget deficit.
- Reducing the public debt (Article 10, 2016) .
- Accordingly, the ceiling of the minimum that must be kept, estimated at 740 billion DA, has been canceled in order to continue partially absorbing the budget deficit.

In 2018, the Revenue Control Fund experienced a boom due to the increase in oil prices in the global markets, with a balance of 305,500 billion DA, and deductions amounting to 131.912 billion DA, with all its deductions amounting to 16871.643 billion DA during the study period (2000-2018).

Conclusion:

The Revenue Control Fund is considered one of the sovereign funds and the most important saving mechanism in Algeria that works to absorb oil tax surpluses that have a great impact and importance to achieve financial balance and mitigate financial crises as a result of low oil prices in global markets, and to achieve the goals of paying foreign debt and financing a deficit The public treasury and that the Resource Control Fund is financed through the difference between oil prices on international markets and the reference price estimated in the financial laws, which are unstable and subject to fluctuations in oil prices.

• The answer to the hypotheses:

- The national economy suffers from imbalances as a result of its association with the hydrocarbon sector, as oil prices are characterized by instability due to being affected by a set of economic factors, which leads to the economy being exposed to positive and negative shocks, which has been reflected on the resources of the Revenue Control Fund, considering oil collection revenues as the main resource for this fund, which is a method used The state to act in the direction of the sudden change in oil prices, which confirms the validity of the first hypothesis that fluctuations in oil price fluctuations have a clear impact on the outcome of the Revenue Control Fund during the period (2000-2018).
- The majority of the state's public revenues come from oil levy, and it is the main and sole financier of the Revenue Control Fund, and the latter acts as a mechanism to absorb the surpluses of oil levy resulting from the latter's exceeding the estimates of the Finance Law and resulting from positive oil price shocks and keeping them as precautions to counter the negative fluctuations it is exposed to. The national economy is a tool for protecting and controlling the budget and achieving balance, which confirms the second hypothesis, i.e., the Revenue Control Fund can control the state's public revenues in light of fluctuations in oil prices.
- Since the establishment of the Revenue Control Fund, it has been entrusted with the tasks of repaying debt payments after the financial surpluses achieved in the first years

of its establishment, but this type of financing contributed to reducing the balance of the Revenue Control Fund, which carried the Fund the burdens of previous years without benefiting from the investment of the Fund's resources in the economic sector, which is This confirms the validity of the third hypothesis, i.e. the external indebtedness contributed to reducing the level of the revenue control fund balance.

• **The study concluded the following results:**

- The Revenue Control Fund is one of the special allocation accounts that the state relies on in order to collect surpluses of oil levy, and it is one of the most important resources of the fund. The fund has played an important role in financing economic development programs to achieve pre-set goals and it is an effective tool for controlling the budget and contributing to the achievement of Algerian economic stability.
- The Revenue Control Fund acts as a savings mechanism by absorbing the surpluses from oil collection as a result of the high oil prices in the international markets and its effective contribution to achieving and adjusting the financial balances of the state's public treasury, as well as reducing the debt to its lowest levels.
- The resources of the Revenue Control Fund are linked to the oil levy, which makes it greatly affected by fluctuations in oil prices in global markets. These resources have experienced a significant decline due to the decline in oil prices as a result of its exposure to shocks, which negatively affected the fund's balance.
- The Fund's uses were to reduce the size of the debt to low levels, starting from the year 2000-2008, thus improving the levels of internal and external debt.
- The Revenue Control Fund contributed to financing the public treasury deficit from 2006 to 2018 in light of the expansionary policy adopted by Algeria, starting in 2001, and due to the drop in oil prices in 2014, Algeria undertook massive withdrawals that eroded the balance of the Revenue Control Fund and canceled the minimum ceiling by 740 billion dinars, so the fund went out of balance in 2017, and Algeria resorted to unconventional financing in 2018 in the absence of alternative financing sources for the fund.
- The hydrocarbons sector is considered the leading sector directed to the national economy, and it was necessary to move towards building an economy that depends on the strategy of economic diversification instead of relying mainly on oil tax revenues and their instability due to the large fluctuations in oil prices that affect the stability of development programs in Algeria.

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