



Alternatives to Over-reliance on Oil Taxation to Control the General Budget in Algeria

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Abstract :

The Algerian government's economic policies are frequently expressed in the general budget. The preparation and implementation of these policies are heavily influenced by oil revenues, which are directly affected by changes in oil prices, as well as shocks in the oil market and their impact on petroleum collection . It has become reflected in the general budget's ability to meet its development targets, as well as the Resource adjust Fund's ability to close the gap between the nominal and actual deficits. As a direct consequence, it is inadvisable and well outside of economic rationality for Algeria's general budget and the national country's overall economy to insist on continuing to depend on a major financial resource related to what is only available in the subsurface. Alternatively, the pursuit for significant and effective solutions to encounter the distortion in the strength of the Algerian economy, b, has become unavoidable and a requirement.

Keywords: Fluctuations in oil prices; Petroleum taxation; Revenue regulation fund; Rationalization of Public spending.

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1. INTRODUCTION:

If economic policies articulate an overall, conscientious, cohesive, and purposeful disposition of the public authorities in the economic field, closely connected to the production, exchange, and consumption of products and services, as well as capital formation, could we include the oil counties' utter and total reliance on oil revenue generated to cover budgetary allocations in two contexts. The first is the high price per barrel of crude oil, while the second is adopting expansion and extravagance in public spending or minimum limits for those prices, which put pressure on expenditures and led to austerity and the freezing of projects within the modern economic policies devised by developing countries in line with the principle of making the least possible government effort for continuity and conducting public life within the framework of rationalizing the consumption of governance.

Alternatively, how could we explain that, for nearly half a century, the economic discussion in Algeria, like that of other oil-producing countries, has remained centered around fluctuations in the price of crude oil and future trends? And how do you deal with pricing fluctuations? And, before that, when is the oil going to run out? Therefore, it is our responsibility to think about searching for alternatives.

It is our unstable economic reality that experts have long urged us to confront and emerge from the crucible in which we have imprisoned our economic, social, and even political systems. However, the series of policies and their decision makers did not alter anything; even though the issue of oil prices and their returns as well as fluctuations became a subject of scientific research, it is an old topic that is renewed at the same time and is not consumed, because all the international, regional, and local economic, political, social, etc. conditions have been covered by change and diversity, but the argument of the dependence of the Algerian economy on oil in Algeria is still a subject of discussion.

Algeria, like other oil-producing countries, has played and continues to play a pivotal role in public life in general, particularly in economic matters, as oil financial revenues contributed to financing development and bringing about remarkable economic and social transformations, as fuel revenues were used to modernize infrastructure and cover costs. A large part of public spending and securing foreign exchange needs to fulfil financial obligations abroad (imports, debt instalments and debt servicing...) in addition to enabling Algeria to achieve significant cash reserves in national and foreign currency for a period of time.

Given that the global oil market is the riskiest, and that sudden changes in prices and the subsequent stagnation and improvement in economic activity are situations that are difficult for policymakers to manage effectively, price fluctuations have frequently

exerted severe pressure on the state's general budget, and this is because the level of public spending is negatively and positively affected by the volume of public revenues, which (petroleum taxation).

On this basis, the levels of expenditures and public revenues, and thus the balance of the public budget in Algeria, have generally remained dependent on and strongly affected by oil price movements as a result of the reliance of the public budget on its financing.

As a result of the oil tax, which caused Algeria's budget to groan under the weight of the growing budget deficit, and at a time when some are calling for increased production of oil and gas as well as more exports to counteract price declines, it must be noted that these solutions are merely anaesthetic and prosthetic and won't last for an extended period of time, and therefore all interested and concerned parties sit down to search for serious and effective solutions to confront the warp in the strength of the For the Algerian economy, by creating a continent's diverse and increasing fixed resources based on other sectors such as agriculture, tourism, knowledge management, and more than that, the rationalization of public spending has become an inevitability and a necessity that cannot be postponed under any circumstances.

1.1. Statement of the Problem:

In light of the aforementioned, we have determined that the following question is a significant issue for our study:

- What are the most important alternatives that we can rely on to control the general budget in Algeria to face over-reliance on oil taxation?

1.2. Objectives of the Study:

Since the hydrocarbon sector dominates foreign trade in exports, gross domestic product, and general budget revenues through petroleum collection, the fluctuations in oil prices have been Algeria's biggest challenge for a long time. As a result, the Algerian economy is threatened as soon as the aftershocks of rising oil prices in international markets. Reassessing the national economy's structure and performance, reviewing the crisis management plan before, during, and after it is resolved, working to implement a thorough medium- and long-term action plan based on economic diversification by relying on other sectors, ongoing rationalization of public expenditures, valuing public revenues and their sources, tightening control and accountability, and establishing transparency are all necessary. They are aspects of public management that must always be considered and obeyed. In order to diagnose the existing situation of the national economy, our study first outlined several methods and techniques that may be used to initiate economic diversification.

1.3. Methodology of the Study:

The study's aim and the subject's essential components ultimately determined the methods used. As a result, the study integrated the descriptive analytical method for displaying oil tax rates with the historical approach for examining the evolution of oil prices and revenues as well as the results of oil taxation. Lastly, we analyzed the most significant options and techniques that we can rely on to diversify and value the revenues of the general budget outside of oil taxation before we tackled other parts of the country's general budget and the degree of its potential to achieve balance.

1.4. Organization of the Study :

We determined that the three axes listed below should be included in our analysis in order to address the issue raised above:

- **First axis:** the petroleum levy taxation, its definition, its importance, and the impact of its outcome on fluctuations in oil prices.
- **Second axis:** The impact of the oil tax revenue on the balance of the general budget in Algeria;
- **Third axis:** Alternatives to excessive reliance on petroleum taxation to control the general budget in Algeria

2. The nature of the petroleum levy taxation, its significance, and how its results affect changes in oil:

Due to the crucial role that oil plays in turning the wheel of the world economy, the global oil market receives a lot of attention and continual follow-up. Oil has a definite impact on the economies of producing countries through the provision of energy and financing, in addition to its obvious repercussions on the economies of consuming countries. It is necessary for its economic and social development, and the global oil market is characterized by a dynamic and rapid development that is affected not only by traditional market factors of supply and demand but also by other factors outside the scope of those mechanisms, which have gained an increasing role in recent year (Arab Monetary Fund, 2011,p 185).

After being held captive to the terms of the "Evian" agreement between 1962 and 1971, which offers Algeria partial sovereignty over its hydrocarbon fields, Algeria decided to nationalize the hydrocarbon sector on February 24, 1971, extending its almost absolute control over this sector. As a result, Algeria's general economic situation has changed significantly.

The state now places an excessive amount of reliance on hydrocarbon revenues to fund its investments and determine its policies. So the share of the industrial product fell in the formation of the gross domestic product from 20% in the year 1981 to 5%,

beginning in the first years of the beginning of the third millennium, which is the same reliance that executed the agricultural capitalist accumulation, until the share of agricultural production fell from 30% to 8%, so that Algeria would then turn into the first Arab country to import the same material that remained the focus of Algeria's exports before the discovery of the Hassi Messaoud field, i.e., durum wheat, but rather to be the first country to import food with a package that includes 43 items .

Thus, it has become evident that oil revenues in Algeria have become the main engine, or the backbone, around which all other inputs and outputs of the national economy revolve. However, it should be noted that a distinction must be made between oil export revenues, which are generally divided into two installments: one part that belongs to the petroleum companies operating in the oil fields, and the other part that relates to all fees, taxes, and royalties imposed on the exploration and extraction of oil and goes to the state treasury, known as the Petroleum Collection, which is the subject of our study.

2.1 Definition of Petroleum Taxation:

The general revenues of the budget constitute the sources from which the state derives the necessary funds to cover its expenditures. Considering that public revenues in Algeria are distinguished by a special feature, in addition to the regular resources that are embodied in the proceeds of state property and regular collection, including customs collection, there is another resource that specializes in public finance in Algeria, namely that a large part of public financial resources comes from collection revenues. Petroleum, whose position depends on the level of oil prices in the international market. This would make the state budget and its ability to bear the budget deficit sensitive to the shocks that occur as a result of fluctuations in oil prices, whether these shocks are negative due to the decline in oil prices or positive due to their increase. (Beljilali Ahmed, Othman Mohamed Reda 2017, p5)

Oil collection means: "all rights, taxes, fees, and royalties paid to the state that owns the oil fields in return for the right to explore and exploit its fields by the oil companies." In general, the petroleum levy tax can be divided into two parts:

- **Taxes imposed in the research and exploration stage:** despite the fact that there is currently no oil production, oil corporations nonetheless compensate host nations materially for allowing them to undertake exploration operations in particular fields. This type of charge is the subject of a contract between two parties known as a concession contract. The latter can be defined as: "an agreement between a country or a national body that represents it and a company that invests oil in a specific area of the producing country's territory or its territorial waters, for a certain period of time, and for that purpose, it has all the rights that enable it to exercise Its right and

activity is in research and exploitation, and in exchange for that, the state obtains material compensation and services that are determined by the concession contract”. It should be noted that oil-producing countries mostly work to collect high financial resources from petroleum collection, and this is done by imposing various and high taxes, in contrast to consuming countries that offer tangible tax cuts in order to encourage search and exploration for hydrocarbons.

- **Taxes imposed on exploitation and production:** these are taxes that are imposed after granting exploitation licenses that follow the process of discovering oil wells.

2.2 The development of hydrocarbon export revenues in Algeria and their impact on fluctuations in oil prices:

Oil prices are the most important international prices for commercial commodities, as all countries of the world and their economic institutions monitor these prices, because of their significant indications and repercussions on future costs and global economic growth, as a result of many reasons and variables Economic, political and climatic, this strategic material was accompanied by the characteristic of continuous volatility, which is the case of the Algerian oil deserts of Bland.

Table N°01: the evolution of the annual average price of bland deserts in Algeria during the period (2000-2021) **Unit:** (US dollars per barrel)

The Years	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
The annual rate	28.77	24.7	24.91	28.73	38.35	54.64	66.05	74.66	98.96	62.35	80.35
The years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
The annual rate	112.92	111.49	109.38	99.68	52.79	43.44	54.10	71.35	64.49	42.12	70.89

Source: Prepared by researchers based on data contained in OPEC: “Annual Statistical Bulletin” (various issues).

Oil prices rose steadily at the start of the third millennium, particularly from 2003 to January 2014, but then fell precipitously. Specifically, the price of a barrel fell by \$62.05 between January 2014 (\$109.96) and January 2015 (\$47.91), or 47.15%, and continued to fall until it averaged \$43.44 for the entire year of 2016.(British Petroleum, 2019, p30).

The Algerian economy soon recovered, relatively simply, from the crisis and shock of the collapse of oil prices during the period 2014-2018, as oil prices tended to gradually rise to settle above the \$60 barrier in 2019, until the year 2020 came with more severe shocks (Hamadi mourad and others, 2022, p238-239). As soon as the first quarter of 2020 began and was about to end, the Algerian economy returned to find itself facing

a complex crisis and shock, this time bilateral (health-economic). The first was the transmission of the coronavirus infection to Algeria, starting on February 25, 2020, while the economic shock was In the sharp decline in oil prices due to the epidemic and its transmission to many countries of the world, and the slowdown in economic activity, the oil prices witnessed a significant recovery in 2021, recording an increase of 68.38% compared to the year 2020, as a result of several reasons, the most important of which is the improvement of the epidemiological situation.

Given that the Algerian economy is purely rentier, the relationship between the general state of the nation's economy and the prices of oil and its derivatives is very close. As a result of this intertwining, it is evident to us that the decline in oil prices has a mechanical effect on the reduction of the total hard currency revenues from hydrocarbons, which has a direct impact on the proceeds of tax revenues derived from fuel (petroleum tax). Alongside the fact that hydrocarbon exports in Algeria are distributed among revenues (crude oil, condensate, refined petroleum materials, liquefied petroleum gas, liquefied natural gas, and finally natural gas), the total proceeds of hydrocarbons are affected by fluctuations in the prices of these materials. This link can be clarified by analyzing the data in the following table:

Table N°02: shows the evolution of hydrocarbon export revenues in Algeria according to the developments in oil prices and its derivatives during the period (2000-2019)

State ment	The price of crude oil	The price of a barrel of condominium	The price of a barrel of refined petroleum products	The price of a barrel of liquefied petroleum m gas	Price per cubic meter of liquefied natural gas	Price per thousand cubic meters of natural gas	Total revenues from hydrocarbon exports (million)
2000	28.77	28.5	30.7	25.9	73.6	103.6	21061.3
2001	24.70	22.8	24.4	19.4	75.2	113.5	18531.9
2002	24.41	23.8	25.2	18.5	64.7	92.1	18119.2
2003	28.73	29.0	30.6	23.3	82.0	117.8	23993.3
2004	38.35	40.4	33.6	46.7	93.2	134.2	31550.9
2005	54.64	52.6	45.0	43.3	132.4	184	45597.9
2006	66.05	61.0	53.7	51.0	164.1	234.3	53618.0
2007	74.66	74.0	74.9	56.1	168.5	243	59615.1
2008	98.96	87.2	88.8	70.0	262.7	371.3	77194.6
2009	62.35	55.2	62.9	43.4	161.2	257.5	44415.1
2010	80.35	78.7	82.6	63.5	189.1	315.5	56121.6
2011	112.92	103.7	112.2	7905	244.5	380.1	71661.8
2012	111.49	103.3	113.1	79.8	268.5	423.3	70583.7
2013	109.38	100.0	107.6	75.6	262.5	391.5	63386.2
2014	99.68	90.7	100	66.2	259.6	376.7	58461.6
2015	52.79	49.7	52.7	32.7	176.9	242.0	33080.6

2016	43.44	42.7	44.2	28.0	120.5	157.7	27887.1
2017	54.1	51.9	56.6	39.5	133.7	191.0	33202.8
2018	71.3	65.6	71.3	47.3	162.5	241.5	38952.6
2019	64.4	56.1	63.1	35.8	148.0	2334.	33168.2

Source: Designed by the researchers based on the data of the annual reports and the three-year statistical releases of the Bank of Algeria (various issues).

By analyzing the data in the preceding table, we can see that those fuel revenues in Algeria follow the fluctuations in global fuel prices, as they are affected by price changes, whether by rise or fall. As soon as oil prices rise at the beginning of the third millennium and the annual rate of oil price is reached, Desert Blend amounted to 28.77 dollars per barrel in 2000. The volume of oil revenues increased to 4815.1 million US dollars, which contributed to the increase in total fuel revenues, as it reached during the same year to 21061.3 million US dollars.

In light of the significant developments and the upward curve witnessed by oil prices during the period (2001–2012), where the annual average price of crude reached its peak, exceeding the ceiling of \$100 during (2011–2012), as well as the rises in gas prices, the total revenues from fuel witnessed a significant jump. It recorded very high growth rates, exceeding \$70 billion annually.

Notwithstanding, beginning in 2013, the total fuel revenues fell, falling by 7197.5 million US dollars in the same year compared to 2012, due to the drop in oil prices and the decrease in export volumes, the cessation of production and its marketing, particularly by the foreign partners of Sonatrach, and the terrorist attack on the base Life in the Tiguentourine region of Ain Amenas in the state of Illizi, which also had a negative impact on its marketing.

Total fuel revenues continued to decline over the period (2014–2016), reaching in 2016 an amount of \$27,887.1 million, which is the lowest value recorded by Algeria since 2003, due to the decline in oil prices to their lowest levels, but with the return of oil prices in global markets. And surpassing the threshold of \$50 per barrel, reaching an average of \$71 in 2018, the total fuel revenues witnessed a significant increase during the same year, as they increased by 39.67% compared to 2016.

It should be noted that the total fuel revenues in Algeria do not follow only the fluctuations in the prices of oil and its derivatives, as evidenced by the year 2008, when the annual average oil price reached 98.96 dollars per barrel, i.e., a decrease of about 13.96 dollars per barrel compared to 2011. However, the total fuel revenues It witnessed a significant increase in 2008, which is the highest value during the period (2000-2015), amounting to 77194.6 million US dollars, and this is due to the increase in the amount of oil exported in 2008 compared to 2011, as it reached 305.5 million barrels in 2008 and

254.6 million barrels in 2011. We can conclude that the achievement of record levels of fuel revenues is due to both the high price level and the high volume of exports, which is linked to the volume of production.

2.3 The development of the oil tax revenue in Algeria during the period (2000-2022):

It should be highlighted that the national hydrocarbons business "Sonatrach" and its partners own the total income of the hydrocarbons mentioned in the previous table (at a rate varying from 5% to 10%). %) Therefore, these incomes do not immediately fund the general budget's expenditures by entering the public treasury. Instead, the previously mentioned taxes and fees are applied so that we can finally see the results of the petroleum tax. The revenue control fund is financed by the second. The following table shows this distribution:

Table N°03: the evolution of the distribution of the budgetary petroleum levy and the levy directed to the adjust fund Resources during the period (2000-2022)

Years	2000	2001	2002	2003	2004	2005	2006	2007	2008
Balancing petroleum levy (Billion/DZD)	720.00	840.60	916.40	836.06	862.20	899.00	916.00	973.00	1715.40
Petroleum tax surplus (billion/DZD)	453.23	123.86	26.5	448.91	623.49	1368.83	1798.0	1738.84	2288.15
Years	2009	2010	2011	2012	2013	2014	2015	2016	2017
The budgetary petroleum levy (Billion/DZD)	1927.00	1835.80	1529.40	1519.04	1615.90	1577.73	1722.94	1682.55	2200.12
Petroleum tax surplus (billion/DZD)	400.67	1318.31	2300.32	2535.30	2026.23	1812.69	266.00	98.00	00.00
Years	2018	2019	2020	2021	2022				
The budgetary petroleum levy (billion/DZD)	2349.69	2714.46	2200.32	1919.23	2103.90				
Petroleum tax surplus (billion/DZD)	437.4	/	/	682.10	/				

Source: Designed by researchers based on annual and supplementary financial laws as well as documents provided by the Ministry of Finance.

Based on the previous table, the outcome of petroleum taxation, whether the budget or that directed to the the adjust fund Resources during the period (2000-2022), witnessed many developments during the period that were directly proportional in most years to the developments witnessed by oil prices in international markets since petroleum taxation is based on the base Taxation, which depends in its calculations on

the applied rates, the extracted and produced quantities of oil, and its prices. The more this base expands, the higher the petroleum tax revenues, and vice versa.

2.4 The importance of petroleum taxation in financing the revenues of the general budget :

Petroleum taxation is characterized by a basic characteristics: its huge size and being the main source of financing the state's general budget.

Algeria's state income structure is characterized by a heavy reliance on fiscal resources, particularly petroleum collection, which has had a significant impact. However, due to the high proportion of oil taxation to total public revenues—more than half of the general budget resources are funded primarily from oil taxation—it became clear after the rise in oil prices at the beginning of the 1970s that Algeria's public budget was reliant on the variations that could occur in international fuel prices. The following table displays this:

Table N°04: the evolution of the contribution of petroleum tax* to financing the general budget in Algeria during the period (2000-2022)

years	Petroleum tax (Billion DZD)	Regular collection (Billion DZD)	total tax revenue (Normal tax + petroleum tax) (billion DZD)	total public revenue (Billion DZD)	Petroleum levy for the total levy (%)	Petroleum levy for total public revenues (%)	Regular collection of total public revenues (%)
2000	720.00	380.75	1100.75	1190.75	65.40	60,47	31.97
2001	840.60	415.84	1256.45	1403.44	66.90	59,90	29.63
2002	916.40	438.85	1355.25	1500.25	67.61	61,08	29.51
2003	836.06	494.38	1330.44	1475.44	62.84	56,67	33.50
2004	862.20	532.30	1394.50	1528.00	61.82	56,43	34.83
2005	899.00	585.36	1484.36	1629.76	60.56	55,16	35.91
2006	916.00	626.14	1542.14	1683.29	59.39	54,42	37.19
2007	973.00	704.78	1677.78	1831.28	57.99	53,13	38.48
2008	1715.40	848.60	2564.00	2763.00	66.90	62,08	30.71
2009	1927.00	1014.60	2941.60	3178.70	65.50	60,62	31.91
2010	1835.80	1068.50	2904.30	3081.50	63.20	59,57	34.67
2011	1529.40	1473.50	3002.90	3198.40	50.93	47,82	46.06
2012	1519.04	1651.74	3170.78	3469.08	47.90	43,79	47.61
2013	1615.90	1831.40	3447.30	3820.00	46.87	42,30	47.94
2014	1577.73	2267.50	3845.23	4218.18	41.03	37,40	53.75
2015	1722.94	2616.37	4339.31	4952.70	39.70	34,79	52.82
2016	1682.55	2722.68	4405.23	4747.43	38.19	35,44	57.35
2017	2200.12	2845.37	5045.49	5635.51	43.60	39,04	50.49
2018	2349.69	2869.77	5239.54	6424.49	44.84	36,57	44.66
2019	2714.46	3041.41	5755.87	6507.90	47.15	41,71	58.29
2020	2200.32	3046.86	5247.18	6289.72	42.00	35,00	65.00

2021	1919.23	2651.70	4570.90	5328.18	41.98	36.02	49.97
2022	2103.90	2857.86	4961.76	5683.22	42.40	37.01	50.28

Source: Designed by researchers based on the annual and supplementary financial laws for the period (2000-2022).

With the rise in oil prices at the start of the third millennium, petroleum taxes' importance in funding the overall budget was strengthened. The amount of money the government receives by taxing petroleum is subject to changes, that are influenced by changes in the price of oil. On the other hand, regular taxes are present, and while it is a significant source of revenue for the budget,

The state indicates that its contribution remains weak compared to its petroleum tax counterpart, despite the fiscal reforms that the government has taken since 1991 in an effort to diversify and value public revenues outside of fuel. circumstantial in the contribution of regular taxation to total revenues, which has exceeded 50% since 2014.

2.5 The contribution of petroleum taxation in covering public expenditure in Algeria during the period (2000-2022):

The largest portion of total public revenues in Algeria comes from petroleum taxes, which also account for a significant portion of the country's public spending by covering equipment costs at rates above 100%. In view of the slowdown in the growth of the regular collection and its inability to pay for all operating expenses, this necessitates using the remaining revenues to pay for current expenses. The evolution of petroleum taxation's contribution to paying for the various parts of governmental spending is depicted in the following table.

Table N°05: the evolution of the contribution of budgetary petroleum taxation to cover public spending in Algeria during the period (2000-2022)

Statement	2000	2001	2002	2003	2004	2005	2006	2007
Petroleum tax (billion DZD)	720.00	840.60	916.40	836.06	862.20	899.00	916.00	973.00
Equipment expenditures (billion DZD)	346.01	503.60	548.97	669.42	720.00	1047.71	2115.87	2294.05
Coverage rate (%)	208.08	166.91	166.93	124.9	119.75	85.80	43.29	42.41
Years	2008	2009	2010	2011	2012	2013	2014	2015
Petroleum tax (billion DZD)	1715.40	1927.00	1835.80	1529.40	1519.04	1615.90	1577.73	1722.94
Equipment expenditures (billion DZD)	2519.00	2813.31	3022.86	3981.38	2820.41	2544.20	2941.71	3781.44
Coverage rate (%)	68.09	68.49	60.73	38.41	53.85	63.51	53.63	45.56

Years	2016	2017	2018	2019	2020	2021	2022	2023
Petroleum tax (billion DZD)	1682.55	2200.12	2349.69	2714.46	2200.32	1919.23	2103.90	
Equipment expenditures (billion DZD)	3176.84	2631.05	4043.32	2772.8	2798.52	2978.17	3546.90	
Coverage rate (%)	52.63	83.62	58.11	97.89	78.62	64.44	59.31	

Source: Desgined by researchers based on the annual and supplementary financial laws for the period (2000-2022).

Based on the aforementioned, many data can be extracted that give an indication of the seriousness of the current situation of the structure of the public budget in Algeria. The dominance of oil tax revenues over the total public revenues on the one hand, and the excessive financing of public expenditures through petroleum taxation, on the other hand, makes the budget the public in Algeria is threatened by aftershocks of what is happening in the outside world, as it depends on black gold exports, which follow in their movement a group of external factors, the most important of which are fluctuations in oil prices in international markets. For example, the public budget deficit for the year 2022 amounted to 30.5 billion dollars.

Furthermore, the danger will not become feasible, because remedying this shortfall in the near future is not easily possible, and this becomes impossible if we introduce into this complex equation another factor related to the decline in national production of hydrocarbons, and then the decline in exports of this black gold, which may become a black liquid only, Especially if oil prices reach low levels, and more than that, even if oil revenues are stable at record levels as a result of the record price of a barrel of oil - a situation in which The price of Saharan Blend is experiencing during the year 2022 by crossing the threshold of 100 dollars per barrel - it is unwise and far from economic rationality, for the general budget in Algeria and the national economy in general to continue to rely on a major financial resource related to what is provided by the earth's interior only, and therefore all parties sit Interested and concerned together, and the concerted efforts of all to find serious and effective solutions to confront the distortion in the strength of the Algerian economy, by creating fixed, diverse and increasing continental resources based on other sectors such as agriculture, tourism and knowledge management.

3. The impact of petroleum tax revenue on the balance of the general budget in Algeria

It is well established that there has been a huge increase in public spending in recent years in many countries, especially oil ones, and this increase has often centered around physical and social infrastructure projects that support growth. However, more attention should be paid to the quality of spending, even if the public budget is based on many. However, the shortcoming was that there were no explicit guidelines on how to spend the additional revenues or whether those revenues would be spent (International Monetary Fund, 2011, p 16), because the use of immediate additional revenues to cover permanent receivables may be difficult or impossible to reverse in the event of a downward trend in oil prices. This is a fragile economic situation that will lead to the emergence of a huge public budget deficit, with which austerity measures and tightening of the public spending belt may not work.

Since the end of 1999, the oil price has been steadily rising, which has allowed Algeria to generate remarkable earnings that have been growing year after year and producing enormous financial surpluses. Considering that the general budget in Algeria is directly related to the changes recorded in oil prices, since petroleum taxation constitutes the main resource for its total revenues, which prompted the government to develop a mechanism that works to control the state's general revenues, and thus maintain the stability of the general budget, where an account was created Private with the Public Treasury under No. 103-302 entitled "Resources Control Fund" according to Article 10 of Law N°. 02-2000 of June 27, 2000 relating to the Complementary Finance Law for the year 2000, and it is a government account with the Bank of Algeria that is funded by the resulting tax surpluses a higher level of fuel prices, compared to the reference prices approved for the preparation of the general budget, provided that the fund's resources are directed toward adjusting the balance of the general budget (covering the deficit) and reducing public debt, as the Minister of Finance undertakes the task of ordering the disbursement of this fund, and it should be noted that this fund is considered an independent account.

For the general budget, that is, it is not subject to the rules and principles of preparing and implementing the general budget, nor is it subject to the oversight of the legislative authority. It should be noted that the financial amounts of the petroleum tax that appear in the general budget are obtained by taking the reference price as a basis for calculating this financial value, while the rest of the oil tax imposed on the difference between the real price and the reference price is directed to the Resources Control Fund. The deficit recorded in the state's general budget remains a fictitious (nominal) deficit, in the sense that it is not real. Given that the proceeds of petroleum taxation have not

been fully included in the general budget, this is necessary in order to judge the general budget's balance and the ability of public revenues to cover expenses, or their insufficiency. This means that there is a real deficit, so it is necessary to add the oil tax share deposited annually in the Resources Control Fund, and this is in order to know the true picture of the extent of the balance of the general budget, and to estimate the real situation thereof, whether it is a surplus or deficit.

Table N°06: Analysis of the evolution of the balance of the general budget in Algeria during the period (2000-2022) Unit: (billion DZD)

Years	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
balance of the general budget	467.89	74.94	-75.59	113.25	231.56	749.14	-74.13	-376.62	168.96	-1895.2	-2069.05	-2773.8
Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
balance of the general budget	-1741.4	-997.5	-1625.2	-3535.02	-3236.7	-1753.7	-2203.2	-1053.8	-2304.4	-3314.4	-4175.2	

Source: Designed by researchers based on the annual and supplementary financial laws for the period (2000–2022).

The balance of the general budget achieved a surplus in 2000 and 2001, leading to a deficit of 75.59 billion DZD in 2002 as public expenditures increased faster than public revenues, but with the improvement in oil prices in 2003, 2004, and 2005, the balance of the general budget achieved a surplus, turning into a one-year deficit of 74.13 billion DZD in 2006, despite an increase in oil prices of 11.41 dollars per barrel in two years. On the other hand, public revenues grew by 14.06% during the same period.

The rise in oil prices to \$98.96 per barrel in 2008 allowed for a positive balance in the public budget amounting to 168.96 billion DZD. However, this financial boom soon faded, and the budget was facing a deficit in 2009, indicating the inability of public revenues to cover public expenditures, bringing the deficit to 1895.2 billion DZD. The reason for this is the drop in oil prices in 2009, as a result of the factors mentioned above, which contributed to the decline in petroleum tax revenues, which negatively affected the total public revenues, which declined between 2008 and 2009 by 29.13%, in contrast to the increase in the volume of expenditures. The public sector and its growth rate, as it grew by 12.13% between the two years, and the budget deficit increased in 2010, reaching 2069.05 billion DZD, to rise to 2773.84 billion DZD in 2011, before declining in 2012 and 2013, reaching 1741.14 billion DZD and 997.59 billion DZD, respectively.

Moreover, the shock of recent oil revenues had an impact on the balance of the public budget, as the budget deficit reached its record levels during the year 2015 at an amount of 3535.02 billion DZD, as a mechanical result of the decline in oil tax revenues,

which declined by 41.33% between 2014 and 2015, which contributed to the decrease in total state revenues, which fell by 13.46%, in contrast to the continued increase in the volume of public expenditures and its growth rate, which increased by 14.33% between 2014 and 2015 (it moved from 7656.16 billion DA to 8753.72 billion DA). The budget deficit recorded a decline during 2016 compared to 2015 by 298.27 billion DZD, despite the continued decline in oil prices, which contributed to the decline in oil tax revenues by 15.40%, including a decline in total state revenues by 9.03%, and the reason is due to the decrease in the budget deficit public expenditures in 2016 compared to 2015, despite the continued decline in oil prices, which led to a reduction in the volume of public expenditures, as it declined by 769.54 billion DA or 8.79% (it moved from 8753.72 billion DA to 7984.18 billion DA) within the framework of the state's policy aimed at rationalizing expenditures and preventing Double the budget deficit.

By the same token, the balance of the budget in Algeria continued to record successive deficits throughout the period (2017-2022), whether it was a fictitious deficit or a real deficit, but it witnessed an increase during the last two years, which prompts us to say that the general budget deficit has reached more than 30 billion DZD a year. 2022 is an amount that even sounding the alarm will not make feasible, because rectifying this shortage in the near future is not easily possible, and this becomes impossible if we introduce into this complex equation another factor related to the decline in national production of hydrocarbons and then the decline in exports of this black gold that may It becomes a black liquid only, especially if oil prices reach low levels, which will lead to more complications, and more than that, even if oil revenues stabilize at record levels, it is unwise and far from economic rationality, for the general budget to continue leaning on Algeria and the national economy in general to depend on a major financial resource related to what the earth provides only.

The deficit has become an apparent feature of the general budget of Algeria, and this is with every drop in oil prices below \$50 a barrel, as the impact of the decline in oil prices seems quite clear from the government's resorting to lowering its estimates of the price of a barrel in the budget, which consequently entails lowering expectations for the level of revenues. The public treasury, and thus the impact on public spending, especially investment spending from it, which is directly affected by economic and development projects, as well as reducing revenues, is a prominent factor in forcing the state to impose austerity measures that help governments to limit the exacerbation of the fiscal deficit resulting from the decline in financial flows, as well as imposing tax provisions on companies and individuals in order to enhance liquidity to meet the financing needs of countries.

From the preceding, a large amount of data can be extracted that provides an indication of the gravity of Algeria's current public budget structure. The general budget in Algeria is threatened by aftershocks of what is happening in the outside world, as it depends on black gold exports, which follow in their movement a group of external factors, the most important of which are fluctuations in oil prices in international markets, which impose the necessity of liberation from dependence on the hydrocarbon sector through a structural review of its composition. The Algerian economy as a whole, with a direct trend towards economic diversification, relying on permanent resources based on other sectors outside of hydrocarbons, as well as focusing on reforming the structure and composition of the public budget by working to rationalize public spending and valuing public revenues.

4. Alternatives to Over-reliance on petroleum taxation to control the general budget in Algeria :

The wider view suggests that Algeria's economic strategy has not yet advanced to the point of putting the country's economic performance on the right track, in which it would establish a macroeconomic and public financial performance that guarantees the independence of financial balances at home and restricts the effectiveness of external financial influences. The overall financial balances in Algeria have always been largely dependent on the levels of oil prices in the global markets. In the sections that follow, we'll try to outline various approaches and plans that could help reform economic reality as a whole.

4.1 Developing and enhancing public revenues:

The valuation of public revenues in the budget depends on a set of procedures and policies that can be summarized as follows:

- ➔ By concentrating on sectors that would create stable growth, such as reforming the agricultural sector and increasing its contribution to promoting foreign trade of agricultural products by promoting non-hydrocarbon exports as a crucial source of currency, public revenue sources can be diversified to handle unexpected fluctuations in one or more of these sources. It also contributes to reducing food imports, which contributes to reducing the food gap and dependency abroad and reducing the size of the trade balance deficit, as well as activating the role of the tourism sector as one of the most reliable sectors to contribute to advancing economic growth and then achieving economic development in addition to the desired social, as no two people today disagree that Algeria has enormous tourism resources and qualifications that are recognized by all experts, professionals, and international and regional bodies specialized in tourism, but it still possesses, on the other hand, a weak tourism sector that does not even meet domestic tourism demand.

Moreover, some countries acquire tourist riches, sometimes modest, and do not match the Algerian tourism resources. However, they were able to develop their tourism to become a real industry that contributes strongly to creating wealth, moving the national economy, attracting significant numbers of foreign tourists, and achieving significant financial resources from hard currency. The rapid growth of this important economic sector requires some measures, which we summarize as follows (موهوب، 2020، الصفحات 206-207):

- constructing a legitimate national political commitment to developing the tourism sector through the creation of a stable and long-term national plan to be developed in consultation with various sectors and actors, based on a realistic assessment of the sector's current state and its capabilities, and taking into account data from the global tourism industry, and to be published as a special law that must be implemented for each.
- Working to promote Algeria's tourism image abroad and strengthen its position in the international tourism markets by reviewing the statute and the administrative classification of the body in charge of tourism promotion, opening tourist representations at the level of the most important countries sending tourists, preparing annual and multi-year promotion programs, and participating in tourism demonstrations and events organized on the level of the most important countries sending tourists;
- Developing a plan to improve the quality of services that includes, in particular, expanding the tourism training system with new centers and modern educational programs, standardizing tourism professions and activities, and activating the function of monitoring tourism activities and professions.
- ➔ Upgrading the fabric of national institutions, especially small and medium-sized enterprises and micro-enterprises, as one of the pillars of economic and social development through its contribution to increasing the volume of investment and providing job opportunities along with large enterprises, through the combination of a group of factors, from successful management and skilled and innovative labor. Continuous job opportunities, available technology, and a stable economic and political climate encourage the establishment of projects and entrepreneurial thinking. This type of institution can turn into one that exports competitive products at the global level if interest in it increases.
- ➔ Solving the issue of industrial real estate and dead lands, which is an issue of great importance that the state must give special attention to, because we have often heard about investors complaining about the obstacle of the problem of scarcity of industrial real estate and the difficulty of benefiting from it, which has become a

barrier preventing the realization of the proposed projects on the ground, which is what is forbidden. On the one hand, the state treasury has significant revenues that would have come from taxes imposed on the various industrial and commercial activities that lie above it on the territory, and on the other hand, working to find a legal basis that allows individuals and private individuals the right to exploit dead lands after reviving them is no less important than the previous one. And what is meant by "dead lands" are those lands that are not suitable for practicing any activity except after they have been prepared and reclaimed, such as mountains, plateaus, desert lands, etc., and even unused lands for long periods can have a formula for removing them from their owners and granting the right to exploit them to those who serve them;

- ➔ Working to reduce the size of the parallel market, as much as possible, and attract the merchants who are active in it towards the formal economy, and this is to ensure additional financial resources that come from these merchants paying their taxes.
- ➔ Developing tax systems and reducing tax pressure to stimulate economic activity and encourage national and foreign private investment is important, as many specialists in public finance and tax systems agree with private investors that the Algerian fiscal system, in addition to its complexity, the large number of taxes, fees, and rates it imposes, and the speed of its change to the point that it has become difficult to control, Even professionals, it also constitutes enormous tax pressure on taxpayers that makes the potential investor hesitate a lot before starting his investments;
- ➔ Fighting and confronting all forms of fraud and tax evasion, as this matter should not be limited to combating the phenomenon only, but it should go beyond it to addressing the circumstances and reasons leading to this.

In order to enhance the effectiveness of the fund's performance, the adjust fund resource should be separated from the needs of public finances, and this is in order to provide greater independence for the fund, on the one hand, and on the other hand, the fund must be subject to control and accountability, as the resource control fund is considered a special account. The public treasury leads to it not being subject to parliamentary oversight, given that the treasury's account operations are carried out outside the general budget, which means that there is no independent oversight of the fund and thus reduces the chances of the government being held accountable. Therefore, legislation or a charter must be found that clearly defines the accountability framework, which is the matter which was not taken into account when establishing the fund, in addition to that, transparency and disclosure must be activated by preparing annual reports accompanied by financial statements on the fund's operations according to

accounting standards, as well as disclosing financial information related to the fund. As we note the absence of detailed periodic reports and information on the fund's performance, this is what It reduces the transparency of management, and the most important point we focus on is the recruitment of competencies through a good selection of competencies that are employed in the fund and there is no objection to the use of expertise foreign countries and benefit from them in the implementation of various administrative and investment operations;

- Cooperating and coordinating between the public and private sectors and defining the role of each in the economic development process is one of the most important mechanisms that drive the success of the process of economic diversification due to the fact that there is interaction between them and in different fields and activities and varied leads to a high developmental return,

In order to activate the partnership between the two sectors, it is necessary to take government policies that reflect the correct understanding of the role of the private sector in economic activity and to develop strategies and mechanisms for this, and this can only be done through (Bachir Messaitfa, 2014, without p):

activating the role of the private sector alongside the government sector according to participatory foundations so that the roles of both the public sector and the private sector can be determined. If the private sector is assigned a major role in leading the wheel of economic growth by promoting its investments, then the public sector has a major role to play in preserving laws, setting legislative and regulatory frameworks for the work of private sector institutions, providing public services, and setting support mechanisms and incentives. In the sense that the public sector is the main supporter of the private sector to achieve high growth rates and achieve development;

- Working to attract foreign direct investment, as the latter is one of the basic dynamic elements contributing to economic diversification, and an important factor in creating and expanding productive capacity and increasing the amount of income and its sources, and raising the level of use, and thus working to expand the volume of absorptive capacity in the national economy, as foreign investments play a major role in providing administrative, high-tech expertise and increasing and diversifying production and exports. Therefore, it was necessary to adopt a well-defined promotional policy to highlight investment opportunities in Algeria, through the inclusion of an incentive tax policy and work to stabilize laws and legislation regulating economic activity.
- formulating and implementing a specific time-based strategy based on import substitution, where the import substitution policy can be considered one of the

important keys in defining the parameters of a positive national economy, so that it is able to face economic risks with confidence.

The substitution leads to achieving what the local economy aspires to in the issue of diversifying sources of income and shifting from a rentier economy that relies in shaping its domestic product on one or two commodities, to a productive economy that began by supporting emerging local industries, which grew until they became strong, mature industries capable of overtaking industrialization.

To meet local needs for export and compete with global commodities, and to ensure the success of the import substitution policy, it must go through several stages. Production requires the export of these surpluses. The state begins to implement the policy of substitution in capital and production commodities, such as machinery, equipment, cars, etc. When implementing the substitution policy in a phased manner, this will give the local industries time to mature and be able to confront those imported industries; on the other hand, and for the success of the substitution process, it must protect emerging local industries that will replace imports, by imposing customs taxes on imported goods for which there is a local equivalent.

The state benefits from the revenues of these taxes, and the local producer benefits from the high price of the imported commodity, which means an increase in his selling opportunities. On the other hand, the state must reduce customs taxes on imported capital goods such as machinery and equipment, in order to encourage the local product to import and expand local production lines to reach the stage of sufficiency and maturity, and then resort to export. It should be noted that the customs tax should not continue at the same pace, but rather should gradually decrease with the maturity of local industries, in order to avoid creating local monopolies that raise prices to be comparable to imported goods and of lower quality.

- ➔ Working to improve the management of cash reserves in hard currency, and invest part of the reserve in investment projects abroad with relatively reasonable returns compared to the investments of those reserves in US treasury bills, while controlling the exchange process to finance imports by setting priorities, and working to tighten control over announced prices on imports of goods And services, by appointing commercial representatives abroad to follow up on price developments in stock exchanges and global markets, in a way that serves the rationalization of the purchase decision and fights inflated bills to smuggle foreign currency;
- ➔ Upgrading and diversifying exports, as export is an important option that can be relied upon to secure foreign exchange needs. In light of the almost total dependence of Algerian exports on hydrocarbon exports, the industrial structure

must be diversified and its efficiency raised, by focusing on industries that have indicators of success, especially the growth of their export capacity in the future. For example, by focusing on energy-intensive industries, instead of exporting energy materials in their raw form, they are converted into finished products, which helps add new value to the products. This can only be achieved by conducting studies on the global demand for export products and their development, studying the expected global supply and the planning and marketing policies of competing producers, and providing productive investors with the necessary data and information, in addition to raising the level of quality of products. industrial and improving the production equipment of existing enterprises for a product capable of competing with imported products.

4.2 Rationalization of public spending :

Good management in life is a science, and being familiar with its laws and provisions helps one to make the right judgments, set priorities scientifically, and work to implement them accurately. It is not susceptible to people's knowledge or varied tastes. A set of foundations and requirements must be in place for public funds to reach their specific destination in a way that ensures the greatest possible satisfaction of public needs. We will attempt to briefly address these in the points that follow (Chebab Sihem and others, 2019, p8-12) :

- ➔ Reviewing the broad social support policy by adopting (the social economic vigilance system) based on studied, i preferential, support through the process of total liberalization of prices with compensation for affected families with a new grant.

In this regard, we point out that the Finance Law of 2022, in its Article 187, referred to this point, as it stipulated : « To work to create a national device for monetary compensation for needy families within the framework of reviewing the social support policy ».

- ➔ focusing on the ethics of the performance of the human element ;
- ➔ Activating oversight and combating corruption, Public needs are characterized as increasing, renewable, and multiple, and the state thus faces the dilemma of satisfying them through public spending in light of scarcity and limited resources. Therefore, the state must subject all its institutions at all levels to strict control over the extent to which officials of public bodies adhere to discipline with legislation in spending financial resources and fight corruption by all possible means, as the saying goes, “Wherever money is, there is the possibility of corruption”.
- ➔ The revenue projections for the general budget are dependent on the price of a barrel of oil, which is irrational from an economic and realistic standpoint, especially since

this price is set by the state of the external markets, which are influenced by a number of factors. As a result, shifting away from these behaviors is necessary in order to rationalize public finances, hence budget expectations. The general rule is predicated on reliable rules, i.e., on data regarding economic activity, with economic modeling being essential (Harraq Mesbah, 2021, p. 241);

- Improving the rate of coverage of operating expenses by regular collection to the target rate of 100%, in order to liberate the resources obtained from oil taxation for investment financing operations. This measure also creates budgetary and financial security and achieves certainty of financing;
- Transparency and the involvement of civil society , the concept of good governance, which has become a goal sought by all, is based on four basic pillars:
 - transparency, participation, accountability, and the rule of law. It may be similar to it in Islamic governance: shura, accountability, clarity, and justice.
 - Transparency and civil society involvement are thus among the pillars and basic requirements by which the institution or body is strengthened, gains credibility, and its performance is effective and exemplary.
 - Transparency means satisfying citizens as a result of their knowledge of all situations, and their involvement means additional support. greater guidance in performing the tasks entrusted to the state;
- Fiscal expenditures have become an important bet in modern finance for the budget, so it has become necessary to give great importance to this concept, especially by finding accurate mechanisms for measuring them and tightening close control over them ;
- expansion of government investment spending on industrial projects in order to advance the industrial sector whose base was demolished during the implementation of rectification programs, bearing in mind that the government has recently worked to encourage foreign investments in the industrial sector, especially in the field of the automobile industry, by activating negotiations with some of the owners of these institutions. to establish industrial compounds in Algeria.

5. CONCLUSION:

Algeria, like the other Arab nations that produce oil, suffers significant economic difficulties as a result of its over-reliance on the exploitation of natural resources.

In order to address these issues and challenges, the Algerian economy must be rebalanced by implementing economic diversification policies, reducing excessive reliance on the oil sector, accelerating growth rates through investments in non-governmental productive and service sectors, promoting the export of manufactured

goods through the growth of the industrial sector, and focusing on international market competition. financing the budget and placing the greatest emphasis on reducing government spending.

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