

Social Support Strategies and Economic Impacts in Algeria: Critical Analysis and Future Perspectives

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استراتيجيات الدعم الاجتماعي والآثار الاقتصادية في الجزائر: التحليل النقدي ووجهات النظر المستقبلية

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Summary: Algeria urgently needs to thoroughly reform its subsidy policy and public financial management in response to growing economic challenges. This reform aims to reconcile essential social support, financial sustainability, and the promotion of economic development. Although subsidies aim to stabilize prices and assist citizens, they represent a significant financial burden for the state, contributing to worsening socio-economic inequalities. These measures tend to disproportionately benefit high-income individuals at the expense of the most vulnerable. Moreover, the state of public finances and foreign trade, as well as the adjustments provided for by the 2024 Finance Act, are key elements that place subsidies at the heart of political and economic debates. This critical study scrutinizes the historical and ideological foundations of Algeria's welfare state, analyzes the current rentier state crisis, and proposes a multifaceted social policy strategy for significant reform, aiming to secure an economically sustainable and socially fair future for Algeria.

Keywords: Social policy strategy; Social support; Socioeconomic inequalities ; Subsidy policy reform ;

Jel Classification Codes : H53 ; H61; H23; O23; P16

ملخص: في مواجهة التحديات الاقتصادية المتزايدة، تواجه الجزائر الحاجة الملحة إلى الإصلاح الشامل لسياسة الإعانات والإدارة المالية العامة. ويهدف هذا الإصلاح إلى التوفيق بين الدعم الاجتماعي الأساسي والاستدامة المالية وتعزيز التنمية الاقتصادية. على الرغم من أن الإعانات تهدف إلى تثبيت الأسعار ومساعدة المواطنين، إلا أنها تمثل عبئاً مالياً كبيراً على الدولة، مما يساهم في تفاقم التفاوتات الاجتماعية والاقتصادية. وتميل هذه التدابير إلى إفادة الأفراد ذوي الدخل المرتفع بشكل غير متناسب على حساب الفئات الأكثر ضعفاً. علاوة على ذلك، فإن حالة المالية العامة والتجارة الخارجية، فضلاً عن التعديلات المنصوص عليها في قانون المالية لعام 2024، هي عناصر رئيسية تضع الإعانات في قلب المناقشات السياسية والاقتصادية. تبحث هذه الدراسة النقدية في الأسس التاريخية والأيدولوجية لدولة الرفاهية في الجزائر، وأزمة الدولة الرعية، وتقتصر نهجاً لاستراتيجية السياسة الاجتماعية متعددة الأبعاد، من أجل إصلاح جوهري لضمان مستقبل قابل للبقاء اقتصادياً ومنصفاً اجتماعياً في الجزائر.

الكلمات المفتاح: استراتيجية السياسة الاجتماعية : الدعم الاجتماعي : أوجه عدم المساواة الاجتماعية والاقتصادية : إصلاح سياسة الإعانات

تصنيف JEL : H53 ; H61; H23; O23; P16

I- Introduction :

Algeria's financial situation has significantly evolved since 2013, marked by a considerable reduction in its foreign exchange reserves, dropping from 194 billion dollars in 2013 to about 44 billion dollars by the end of 2020. This decline is primarily attributed to the Algerian State's reliance on the Petroleum Revenue Stabilization Fund to meet its financial needs amid falling oil prices on international markets. Faced with this situation and the resulting budgetary constraints, it seems imperative for Algeria to reconsider its subsidy system and public spending.

The envisaged revision must consider several aspects. First, it is crucial to identify the possible forms of subsidies that can be sustained despite budgetary restrictions, and this involves exploring innovative and viable financing modalities to maintain or adjust the State's support for certain sectors or population categories without compromising the country's financial stability.

The finance law for the year 2024 in Algeria has brought the issue of social support and social transfer allocations from the state budget into question, thereby sparking public debates. This document aims to understand the implications of state intervention in the Economy, as well as the historical and ideological backgrounds of the social State in Algeria, as a rentier state that has nationalized all economic relations in complex political contexts, having repercussions on the State's relationship with society and production relations within it.

In 2023, the Algerian government allocated a historic budget reflecting its commitment to supporting essential sectors and improving citizens' economic and social conditions. According to the Budget Project, significant budgets were allocated to specific ministries, such as Defense, Finance, Interior, Education, Labour, and Employment. Notably, the creation of an unemployment allowance and the increase in the health sector budget, as well as an emphasis on diversifying national revenue sources and strengthening exports to boost the national Economy.

Other government measures include creating a unified national registry to streamline the social support system, revising the salary network in the public sector, and precisely evaluating salary policies across all sectors of activity. Plans have also been announced to combat speculations that led to increased consumer product prices, reduced taxes on employees, and increased wages.

Algeria faces structural challenges stemming from its historical dependence on oil and gas revenues, necessitating continuous efforts to diversify the Economy and reduce reliance on fossil fuels. Although essential for reducing poverty and supporting disadvantaged layers, social support policies require reforms to ensure their sustainability, given the limited financial resources and the need to balance social support with maintaining the State's economic stability.

Algeria's economy is grappling with a complex economic issue that is familiar as the dual deficit. This situation is characterized by the worsening of two significant deficits: the fiscal deficit of the Treasury and the current account deficit (which is directly linked to the trade deficit). Even before the global collapse of oil prices in 2014, Algeria's financial policies were heading in an unsustainable direction, as the Treasury's budget deficit persisted from 2009 to 2014 despite oil prices exceeding \$100 per barrel. Also, the reserves declined from 43.3% to 25.2% of GDP in 2014. As oil prices dropped to a record, their lowest levels since 2004, 16.4% of GDP in 2015 in fiscal deficit.

Following the collapse of oil prices, the Algerian government had to find other financing sources for its budget while controlling expenditures. Although the subsidy system contributes to social protection and the distribution of wealth in favour of vulnerable groups, these subsidies largely benefit the wealthier groups.

Thus, controlling subsidy levels could provide additional revenue to the Treasury, help diversify the Economy, and contribute to reducing unnecessary spending. Therefore, reforming the subsidy system could strengthen the protection of vulnerable groups and become more inclusive and universal.

In general, the Algerian government in 2024 has taken tangible steps to improve the economic and social situation by increasing the spending in key sectors and implementing reforms aimed at improving the efficiency of social support and enhancing economic diversity.

2 Problematic

In summary, facing the current economic challenges, Algeria is called upon to deeply revise its approach to subsidies and public finance management, seeking a balance between social support, financial viability, and economic development.

- What are the possible forms of subsidies, and how can they be financed amid the current budgetary constraints and financial ceilings?
- What is the State of public accounting and foreign trade?
- What is the content of the Finance Law 2024, and how has the law reintroduced subsidies into political and economic debates?

3 Hypothesis

Hypothesis 1 Current subsidy policies are inefficient and inequitable, thereby exacerbating rather than reducing socio-economic disparities.

Hypothesis 2: The generalized subsidies in Algeria, although intended to stabilize prices for all, cause an increasing financial burden for the State and exacerbate socio-economic inequalities, favouring high-income groups to the detriment of the most vulnerable.

4 The Social Construction

Social construction is an essential aspect of the comprehensive "five-in-one" system. It plays a crucial role in economic development, political stability, cultural prosperity, and ecological optimization. Individual quality of life is a crucial indicator of social construction. To enhance the population's quality of life and strengthen social construction (Pagano, Emilie, 2023, p. 85). A crucial focus must be on the people's interests, implement measures to improve basic public services and promote social governance based on co-construction, co-governance, and sharing. The goal is to foster common prosperity and continually increase the sense of satisfaction within individuals, including their happiness and security.

It is imperative to meet the population's aspirations for a better life by prioritizing, ensuring, and improving people's livelihoods (Wallis, Roy, 1982, p. 28). Requirements are needed to do so, such as stronger determination, greater strength, and concrete measures to enhance the social construction level and enable people to lead better lives.

The level of social construction encompasses people's experiences and feelings in all aspects of social development, such as employment, social security, public health, and social governance. It also serves as a key indicator of overall human development and social progress (Tom Andrews, 2012, p. 42). To improve the social construction level, it is crucial to enhance the public service system and promote the equality and accessibility of basic services. Doing so involves addressing sensitive issues and difficult problems closely related to the vital interests of the population. Efforts must be made to universally, fundamentally, and comprehensively improve livelihoods. Strengthening various livelihood security systems, enhancing the essential public service system, and ensuring education, training, labour income, healthcare, medical care, elderly care, housing, and support for the most vulnerable are essential.

Additionally, establishing mechanisms and guarantee systems to meet the population's diverse needs is necessary. It includes improving the educational system to foster lifelong learning, strengthening the social security system to cover the entire population, and creating institutional guarantees to improve population health and promote sustainable, safer, fairer, and more effective development.

Finally, innovating in public service delivery methods by encouraging social forces to create enterprises focused on public welfare is vital to meet the diversified needs of the population at different levels.

In summary, social construction is crucial for a society's overall development. A more prosperous, fair, and harmonious society can be created by focusing on improving the population's quality of life and strengthening essential public services, social governance, and guarantee mechanisms.

5 History Of Social Support In Algeria

The topic of social support in Algeria cannot be discussed solely from an economic perspective. It is a cross-sectional issue that spans economic and financial analysis tools, establishing itself as a historical, political, social, and economic research subject. Algeria has defined itself as a social state in harmony with its ideology in a particular historical context, marked by the war of liberation and the conditions of independence (Algeria, 2022). Just as independence resulted from a struggle against colonialism, it was also the outcome of a fight against poverty, illiteracy, and inequalities inherited by the State after independence (Walid Merouani, , 2023, p. 5). The relationship between the State and society was built over nearly sixty years of independence in the form of protection or a "welfare state" towards its citizens (or subjects); this relationship was manifested in many public policies funded by rent and politically compromised, despite the economic, political, and even security crises experienced by the country.

5.1. Colonial Period:

During the French colonial period, Algeria was primarily neglected regarding social development. French settlers benefited from privileges and social services, while the indigenous population was often marginalized and deprived of social rights. That contributed to deepening the existing social inequalities.

5.2. Independence:

After independence in 1962, Algeria undertook social reforms to reduce inequalities and improve the population's living conditions. The government implemented land redistribution programs to foster more significant agricultural equity and nationalized vital industries to reduce economic disparities.

5.3. Socialist Economy:

Algeria adopted a state-led socialist economy in the 1960s and 1970s. The government played a central role in providing social services and established social security systems to ensure equitable access to education, healthcare, housing, and other essential services.

5.4. Economic Crisis of the 1980s:

Algeria experienced a profound economic downturn in the 1980s due to falling oil prices, which is a major source of income for the country. This crisis led to economic hardships, increased unemployment, and reduced social spending.

5.5. Social Support Program:

The "Social Safety Net" program, launched in the 2000s, aims to provide social protection to vulnerable groups in the population. It includes direct cash transfers, energy subsidies, employment programs, and other measures to reduce poverty and social exclusion.

5.6. Recent Reforms:

The Algerian government has recently undertaken economic reforms to diversify the Economy and boost job creation. These reforms include encouraging private investment, promoting entrepreneurship, and improving the business environment by aiming to strengthen social support by stimulating economic growth and creating employment opportunities.

It is important to note that social support in Algeria continues to evolve and may be subject to new reforms and adjustments based on the changing needs of the population and government priorities.

6. Historical and Ideological Foundations of the Welfare State in Algeria

Social support in Algeria (Hami Hacène , 2022, p. 31) is rooted in the historical and ideological foundations of the welfare state. This concept (Pavlenko Yuri, 2022) goes beyond purely economic considerations and finds its roots in the circumstances of the war of independence and the social challenges inherited at independence. During the struggle for independence, the goal was to free themselves from colonization and fight against poverty, illiteracy, and social inequalities.

Independence gave birth to a state that committed itself to ensuring its citizens' well-being and "protection" (Ashford, Douglas E., 1993, p. 336) in response to injustices inherited from colonization.

Despite subsequent political and economic crises, the State has maintained its providential role, funded mainly by a rentier economy (Namkee G. Choi & John S. Wodarski, 1996., p. 57).

This model of social support has been a crucial tool for legitimizing the State and maintaining social cohesion, especially in a context where the State was seen as the main driver of economic development. Since the 1960s, this ideology has primarily determined the State's economic policies, with choices ranging from self-management to socialism to limited economic opening.

However, this rapid transition to independence and social support policies has not been without challenges. The confiscation of resources by colonial authorities left Algerian society in precariousness, and disruptions and tensions marked the transition to an independent state. Moreover, the long-term dependence on a rentier economy posed challenges in terms of sustainable development and economic diversification.

In summary, Algeria's welfare state is rooted in the struggle for independence and response to colonial injustices. Since then, it has been a central element of legitimacy and social cohesion despite economic and political challenges and changes.

Although the Algerian State lost its socialist identity with the Constitution of February 1989, the generosity of social policy continues to this day—although at different levels and varying from one era to another. From 1991 to 1999, the State faced a series of existential threats due to the war with Islamist groups. At the time, Algeria was grappling with a disastrous economic crisis that led to a dramatic drop in state revenues, bringing the country to the brink of bankruptcy, leading to a default and the creation of a structural reform program. Despite these difficulties, social subsidies remained an essential part of the State's budget, and the structural reform program did not push for the total removal of subsidies for essential goods and services. With the restoration of security in the new millennium, oil prices began to climb again, and with them, the State's policy of generous spending resumed. Social subsidies were again allocated a significant part of the budget. During this period, the State built hundreds of thousands of social housing units allocated to vulnerable and middle-income groups. Gasoline prices in Algeria remained the lowest globally, and the State subsidized a wide range of basic consumer goods.

Meanwhile, thousands of university graduates and trainees were employed in public administrative bodies and received salaries, although they did not contribute to production. The government also launched various programs and set up mechanisms to help young people build their businesses by granting them zero or low-interest loans. In 2014, as oil prices began to decline, calls for revising the universal social subsidy policy resurfaced, calling for a restructuring to ensure only low-income groups would benefit from subsidies. This measure aimed to prevent the wastage of subsidized goods or the smuggling of oil products, which are the main source of solid currency income for the State. Indeed, over the last seven years, successive governments have gradually reduced subsidies on fuels and all other types of energy. They also reduced employment in the public sector and stopped developing and completing housing projects targeting middle and vulnerable social groups.

7. Social Support and the Rentier State Crisis

Over the last two decades, the increase in social support allocations has been accompanied by a rise in social claims and increased pressure on successive governments to address the issue of social justice (Abderrezzak Benhabib & Nassima Guellil, 2022, p. 30), which is understandable, given the country's oil boom, which lasted until 2014. At the time, the authorities sought to rebuild the nearly destroyed institutions and infrastructure after a decade of political and security crisis. However, it is important to note that the government did not cease its support policy, even after the drop in oil prices, which hit a historical low in May 2020 (\$12 a barrel), suggesting that the government cannot completely end the social support policy, despite growing budgetary pressures and the decrease in foreign exchange reserves from \$200 billion in 2014 to \$44 billion in July 2020, according to the president's statement in July 2020 (Dris Nouri, 2023).

The government has acknowledged that financial mismanagement and corruption in public projects over the last 20 years have caused severe, irreparable economic damage. However, it has continued to adopt the same rentier practices as before without finding new solutions and alternatives (Aurèlia Mañé-Estrada & Roger Albinyana, 2023, p. 41). These practices include the provision of public social aid and covering the difference between the (real) price of goods and services and their subsidized price, despite the dinar's depreciation against the US dollar, as well as tax reductions on several widely consumed goods – which is considered a form of indirect subsidy.

The persistent recourse to classic social support mechanisms reflects the ongoing failure of economic management and the mere recourse to financial corrections despite disastrous circumstances – such as non-traditional financing (money printing), dinar devaluation, and tying the public budget to international oil price forecasts, revealing the government's inability to move beyond its distributive role as a welfare state and to transform the majority of economic relations into productive and wealth-generating relations governed by market mechanisms, freedom of initiative, sustainability, and transparency of laws and legislation on investment, partnership, and other regulatory and legislative mechanisms governing economic activities.

8. The Multidimensional Strategy of Social Policy in Algeria

Social policy in Algeria is a fundamental element of the country's governance, aiming to ensure its population's well-being and reduce socio-economic inequalities. This policy is based on a set of measures and programs implemented by the State to provide essential services and financial support to citizens, especially the most vulnerable. To fully understand the components of social policy in Algeria (Zoubir Yahia, 2019), it is necessary to scrutinize the different areas in which the State intervenes and the specific programs it establishes.

1. Food and Basic Subsidies:

Food subsidies are one of the main components of social policy in Algeria. The State subsidizes various basic products such as bread, flour, milk, sugar, and oil to ensure their accessibility at an affordable price for all citizens. These subsidies aim to mitigate the impact of rising prices on low-income households and to ensure the population's food security.

2. Energy Subsidies:

Energy subsidies, particularly fuel and electricity, play a crucial role in Algeria's social policy. The State subsidizes these products to keep prices low and affordable, enabling citizens to access essential services such as transportation and electricity at reduced costs. However, these subsidies can also represent a financial burden for the government and are often subject to periodic revisions to reflect the actual production costs.

3. Public Health:

Algeria offers a free public health system for all citizens, with significant subsidies to ensure access to basic healthcare. Public hospitals provide free or low-cost medical services, including consultations, medications, and surgical procedures. Additionally, the State subsidizes preventive health and vaccination programs to combat infectious diseases and improve public health nationwide.

4. Free Education:

Education is also a key area of social policy in Algeria. The State provides free education at all levels, from kindergarten to university. Public schools offer free tuition, with subsidies for textbooks, meals, and student transportation. Furthermore, higher education is also free, with scholarships available to support students in their university studies.

5. Employment Support:

Algeria implements various employment support programs to combat unemployment and promote social inclusion. This includes subsidies for young workers, vocational training programs, and tax incentives to encourage job creation in certain sectors of the Economy. The goal is to provide decent and sustainable employment opportunities for all citizens, particularly young people and long-term unemployed individuals.

6. Affordable Housing:

Access to housing is a major concern in Algeria, and the government implements affordable housing programs to meet the growing demand. These programs include the construction of social housing, moderately priced rentals, and subsidies for low-income households to purchase homes. The goal is to ensure all citizens have access to decent, affordable housing.

7. Support for Vulnerable Populations:

In addition to the above programs, the Algerian State also provides specific support to vulnerable populations, such as older and disabled persons and low-income families. This may include financial allowances, specialized healthcare services, and social support programs to help these groups meet their basic needs and improve their quality of life.

In summary, social policy in Algeria encompasses a wide range of measures to ensure its population's well-being and economic security. These subsidy and support programs cover various areas such as food, energy, health, education, employment, and housing, with the common goal of reducing social inequalities and promoting human development across the country.

9. Social support policy can have a financial and economic impact

While being an essential pillar of the country's socio-economic development model (Hacène Hami, 2022), social support policy in Algeria entails a series of financial and economic implications. Here are some of the main impacts:

1. Impact on the State Budget:

Social support programs require substantial budget allocations. As observed in the 2023 and 2024 budgets, a significant portion of public spending is dedicated to social transfers and subsidies for essential goods, education, housing, and health. These expenses increase pressure on the State budget, necessitating careful management of financial resources to maintain budgetary balance.

2. Effects on Inflation:

Subsidies, particularly on basic food products and energy, can help control inflation by keeping prices at levels accessible to the majority of the population. However, overly generous subsidy policies can also exert upward pressure on inflation if not well-calibrated or if they lead to inefficient production and distribution of subsidized goods.

3. Redistribution Effect:

Social support policies play a crucial role in income redistribution, helping to reduce inequalities and improve living conditions for the most disadvantaged layers of the population. This contributes to social cohesion and political stability, which is essential for sustainable economic development.

4. Impact on Economic Growth:

Education, health, and housing infrastructure investments, funded by social support expenditures, can contribute to long-term economic growth by improving human capital and stimulating domestic demand. However, inefficient fund management or suboptimal resource allocation can limit this positive impact.

5. Dependence and Disincentive:

A high level of social support can sometimes create a dependence on state aid and reduce incentives for work, investment, and innovation among certain population segments. This requires a delicate balance to ensure social aids achieve their objectives without discouraging private initiative.

6. Impact on the Private Sector:

Subsidies and aids can sometimes distort the market by disadvantaging private businesses that cannot compete with subsidized prices. This can hinder the private sector's development and limit economic diversification.

Algeria must continue to reform and streamline its subsidy and social aid programs to optimize the benefits of its social support policy while minimizing economic and financial costs. This includes better beneficiary targeting, introducing efficiency measures to reduce wastage, and encouraging a more diversified economy less dependent on hydrocarbons.

10. The social character of the State. An irreversible choice –

In 2023, Algeria allocated considerable budgets to various subsidies and social aid despite economic challenges. The government implemented measures to support multiple sectors and populations, including the unemployed, students, and retirees, in addition to maintaining and increasing certain allowances and pensions (Driss Nouri, 2023)

The budget for financial transfers included a significant allocation for unemployment benefits, targeting about 2.35 million beneficiaries with a budget of 457.47 billion Algerian dinars. The State also increased school grants for 3.4 million disadvantaged students, with a budget of 17.02 billion dinars, and allocated 142.97 billion dinars for the social housing program. Moreover, 30 billion dinars were dedicated to regulating debts towards social security agencies, and an envelope of 338.45 billion dinars was reserved for retirement pensions, covering various aspects, including pension gaps and contributions to the pension fund.

The 2023 finance law emphasized maintaining the social subsidy policy with an increase in its budget. It also ratified the improvement of the salary scale, compensatory systems for civil servants, the increase in unemployment benefits, retirement pensions, and allocation quotas dedicated to the guarantee fund of local communities. An operational budget was allocated for increasing civil servants' salaries, with an envelope of 3,037.41 billion dinars, and for the State's economic intervention, with 1,927.20 billion dinars, for various aids, including housing, unemployment insurance, and contributions to the National Cereal Office.

Economically, despite a 5.3% economic growth, Algeria faced high inflation. The inflation data in Algeria from 2018 to 2022 show significant variations, reflecting the country's economic changes and challenges during this period.

In 2018, the inflation rate was 4.27%, a moderate figure that suggests some price stability. In 2019, inflation slightly decreased to 1.95%, indicating an even more marked period of price stability. This can be attributed to effective monetary and fiscal policies and price control on certain goods and services.

However, in 2020, the inflation rate slightly increased to 2.42%. This period was marked by the COVID-19 pandemic, which significantly impacted the global economy, including Algeria. Supply chain disruptions, oil price variations, and containment measures likely contributed to this slight rise in inflation.

In 2021, inflation increased more pronouncedly, reaching 7.23%. This increase may be linked to the economic recovery after the COVID-19 crisis, with increased domestic demand and pressure on the prices of goods and services. Additionally, fluctuations in hydrocarbon prices in the global market may have impacted inflation, given the Algerian Economy's dependence on oil and gas revenues.

In 2022, inflation significantly accelerated to 9.27%, the highest in these five years. This rise can be attributed to several factors, including the continuation of the economic recovery, the increase in import costs due to the depreciation of the national currency, and the lingering impact of COVID-19-

related disruptions on global supply chains. Moreover, global inflation may also have contributed to this trend, especially in the energy and raw materials sectors.

These data indicate that inflation in Algeria was influenced by internal and external factors, highlighting the country's challenges in maintaining price stability while boosting economic growth. Managing inflation remains a key issue for Algerian authorities, requiring prudent monetary and fiscal policies and an economic diversification strategy to reduce reliance on hydrocarbons.

During the first seven months, the country experienced a dinar depreciation. It attempted to reduce its dependence on hydrocarbons, with a non-hydrocarbon GDP growth of 4.9%. However, trade imbalance and pressure on import prices were significant challenges. Foreign exchange reserves stood at 85 billion USD, and the country recorded 103 foreign investment projects, demonstrating persistent attractiveness despite macroeconomic challenges.

These initiatives reflect the Algerian government's effort to maintain the well-being of its citizens and stimulate the Economy in a challenging context marked by internal and external economic challenges.

11. Figures on subsidies in Algeria 2023

For 2023, the figures related to subsidies in Algeria, within the framework of the social aid budget (IMF, 2022, p. 17), show a diversified approach to support the population in several key areas. Here is a summary based on the available information:

- Housing: The social housing program received a substantial allocation of 142.97 billion Algerian dinars. This likely includes subsidies to reduce construction costs or purchasing homes for low- and middle-income families, although specific details on interest rate subsidies are not explicitly mentioned.
- Interest Rate Subsidies: While specific details on the amounts allocated for interest rate subsidies for 2023 were not explicitly mentioned in the consulted sources, these subsidies are generally included as part of housing support to facilitate access to financing for real estate purchases.
- Electricity, Water, and Natural Gas: Energy subsidies, although not specifically detailed for electricity, water, and natural gas, are part of broad energy support. Algeria has historically subsidized these costs for its citizens to make these services more accessible. Precise figures for 2023 are not provided in the available sources, but it is evident that the government continues to subsidize this sector heavily.
- Basic Food Products: While specific figures for food subsidies in 2023 are not mentioned, Algeria has traditionally subsidized essential food products to ensure their accessibility at affordable prices. These subsidies aim to stabilize the prices of bread, milk, and other basic staples. The share of subsidies for supporting broad consumption products amounts to 704.26 billion dinars, distributed among the Interprofessional Cereal Office (397.04 billion dinars), support for milk price (86.72 billion dinars), water (76.5 billion dinars), and oil and sugar (120 billion dinars).

- **An Ambitious Unemployment Allowance:** Algeria introduced the unemployment allowance in 2022, marking one of its most ambitious social measures since 2019. Since its implementation in February 2022, this allowance has allowed numerous beneficiaries to receive financial support worth 15,000 Algerian dinars.

According to the latest government census, in 2023, about 2,350,000 beneficiaries of the unemployment allowance were in the country. To ensure the disbursement of these allowances, the State allocated a considerable budget of 457.47 billion Algerian dinars.

- **Direct Subsidies for Education:** The budget allocated for school grants for disadvantaged students is 17.02 billion dinars for 2023, benefiting 3.4 million students. This includes funds for catering, subsidies for student transportation, and increases decided by the public authorities, managed by the National Office of University Works (ONOU), with expenditures reaching 103.37 billion dinars.

- **Implicit Energy Subsidies (fuel, gas, and electricity):** Algeria provides significant energy subsidies to reduce the costs of fuel, natural gas, and electricity for its citizens. Specific figures for 2023 for these subsidies are not explicitly mentioned, but they are an integral part of the State's social subsidy policy aimed at preserving citizens' purchasing power. Fuel-related subsidies amount to 24 billion dinars for 2023.

Social Security and Pensions

Regarding regulating debts towards social security agencies, the total amount reaches 30 billion dinars. This sum is distributed among the National Social Security Fund (CNAS) with 13.9 billion dinars, the National Pension Fund (12.5 billion dinars), and the National Social Security Fund for Non-Wage Earners (3.6 billion dinars).

Retirement pensions also receive substantial financial support, with an allocation of 338.45 billion dinars covering various aspects, including pension discrepancies for the mujahideen, small pensions, contributions to the pension fund, and additional payments for pensions and small grants listed in 2023.

This budget also includes supplementary allowances for retirement and disability pensions, ICAR retirement allowances, and an exceptional 5% increase in retirement pensions for salaried and non-salaried workers.

Algeria demonstrates a strong commitment to the well-being of its citizens by allocating significant resources to social aid, particularly in supporting the unemployed, students, and retirees. These measures reflect the government's importance in improving the population's living conditions.

These amounts illustrate the extent of Algeria's financial commitment to its social support policy across various sectors, aiming to enhance the well-being of its population and support economic development. These financial support measures show the Algerian government's commitment to supporting various aspects of its citizens' economic and social life despite economic challenges and inflationary pressures.

12. Figures for subsidies in Algeria 2024

The allocated amounts for various forms of subsidies in Algeria, based on the available information, are as follows:

- Housing: The social housing program received a substantial allocation of 142.97 billion dinars.
- Interest Rate Subsidies: Although specific details on the amounts allocated for interest rate subsidies for 2023 were not explicitly mentioned in the consulted sources, these subsidies are generally included as part of the housing support to facilitate access to financing for real estate purchases.
- Electricity, Water, and Natural Gas: Precise information on the amounts specifically allocated to electricity, water, and natural gas for 2023 is unavailable in the consulted sources. However, Algeria maintains a subsidy policy for these services to reduce their cost to consumers.
- Basic Food Products: The share of subsidies intended for the support of widely consumed products is in the order of 704.26 billion dinars, divided between the Interprofessional Office of Cereals (397.04 billion dinars), support for the price of milk (86.72 billion dinars), water (76.5 billion dinars), and oil and sugar (120 billion dinars).
- Direct Subsidies for Education (scholarships, university support): The budget allocated to school grants for disadvantaged students is 17.02 billion dinars. In addition, expenditures for catering, subsidies, and student transportation managed by the National Office for University Works (ONOU) reached 103.37 billion dinars.
- Implicit Energy Subsidies (fuel, gas, and electricity): Fuel-related subsidies amount to 24 billion dinars for 2023. The available sources do not detail specific amounts for gas and electricity, but these subsidies are integral to Algeria's overall strategy to keep energy costs accessible.

These amounts illustrate the extent of Algeria's financial commitment to its social support policy across various sectors, aiming to improve the well-being of its population and support economic development.

13. CONCLUSION

The decades-long social support policy significantly impacted the Economy and the National Treasury. The welfare State has also caused multifaceted economic, financial, social and political imbalances and imbalances, and the increasing and accumulated pressure on the State's budget due to increasing needs and volatility in the prices of commodities widely consumed in world markets has also adversely affected the balance of payments. This has recently been reflected in the scarcity of some food products, price increases in global markets, and the Treasury's inability to cover price differences. Instead of addressing the root causes, public authorities claimed to be a manufactured crisis caused by speculation and monopolies. Social benefits, family support, and commodity support have led to significant differences in imported commodities and products prices between Algeria and its neighbouring countries. This has exacerbated cross-border smuggling and, in some cases, the export of goods manufactured from subsidized products, marking a continuing depletion of the National Economy. However, due to the public spending models of the social welfare state, a state

resembling some mixed system emerged - Over the past two decades, this segment of the population has exploited social support policies by establishing a special system to systematically divide the State's revenues among themselves, which supports the second socially valid hypothesis, stressing that non-targeted subsidies in Algeria increase government spending and exacerbate inequality, in favour of the rich. Its implementation requires careful reform with the support of the most vulnerable despite political challenges. The State's budget also carries a cumulative financial burden, given the unlimited expenditure on subsidies. This is linked to subsidized food product prices and energy resources in global markets, increasing the cost of subsidies from the State's budget as it rises.

Moreover, social aid is distributed to all income groups, whether low or high, even if, in principle, it should target low-income earners. This practice exacerbates the problem of inequality. According to a World Bank report on the social support system focusing on fuel subsidies, high-income groups consume six times as much energy resources as low-income groups. Similarly, 61 % of electricity subsidies, 58 % of water subsidies and 18 % of food subsidies are consumed by higher-income groups. What is the validity of the first hypothesis?

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