

The Efficiency and Equity of Social Transfers in Algeria During the Period 2000-2018

Hafouda El Amir Abdel Kader^{1*}, Haga Lazhari², Gherdaine Houssam³

^{1*}University of Tlemcen, lamirhafouda@gmail.com

²University of El oued, haga-lazhari@univ-eloued.dz

³University of Tlemcen, ghousam85@yahoo.fr

Citation: Hafouda El Amir Abdel Kader et al (2024), The Efficiency and Equity of Social Transfers in Algeria During the Period 2000-2018, *Educational Administration: Theory and Practice*, 30(11) 836-845

Doi: 10.53555/kuey.v30i11.8855

ARTICLE INFO ABSTRACT

This study aims, by examining the reality of social transfers in Algeria during the period 2000-2018, to assess their efficiency and equity as a primary tool for income redistribution among Algerian households.

The study concluded that the policy of income redistribution through social transfers lacks efficiency and equity. It is a comprehensive and random policy that does not specifically target the poor and needy. The current subsidy policy is biased in favor of the wealthy at the expense of the poor, benefiting urban residents more than those living in rural areas.

Keywords: Social Transfers; Redistribution; Algerian Households; Efficiency; Equity

Introduction:

The widening disparities between social classes resulting from the imbalance in the initial distribution of income necessitate urgent state intervention to restore social balance and achieve social justice. Like other governments, the Algerian government strives to address this imbalance by adopting various policies aimed primarily at redistributing income through a range of tools and mechanisms, most notably subsidies and social spending (social transfers). These measures, often referred to as income redistribution through a vertical approach, aim primarily to protect the poor, alleviate the burden on low-income households, and reduce disparities between social classes (mitigating income inequality). This process operates based on a logic of solidarity or assistance.

Algeria allocates significant annual budgets to fund various forms of governmental support. For instance, in 2011, direct social assistance (social transfers) exceeded 2,065 billion Algerian Dinars, representing approximately 34.80% of the state budget. Against this backdrop, the primary research question posed by this study is:

Given the substantial allocations in the state budget, how efficient and equitable are social transfers in Algeria during the period 2000-2018?

To address this central question, the study hypothesizes that public interventions within the framework of income redistribution policies in Algeria, via social transfers, contribute to poverty reduction and mitigating income inequality.

This research aims to examine the effectiveness and fairness of Algeria's governmental support system during the period 2000-2018, focusing on social transfers as a key tool for income redistribution among Algerian households. The study employs descriptive and analytical methodologies, which are appropriate for analyzing public interventions under income redistribution policies to evaluate the efficiency and equity of Algeria's social transfers.

The study is structured as follows:

- Theoretical Framework for Social Transfers:** This section addresses the concept of social transfers as a critical tool for income redistribution.
- Analysis of Income Inequality and Social Transfers in Algeria:** The second section explores the disparities in income distribution among Algerian households, followed by an assessment of the status of social transfers in Algeria.

3. Evaluation of Efficiency and Equity in Algeria's Social Transfers: The third section evaluates the effectiveness and fairness of social transfers in the country.

The conclusion summarizes the findings and presents recommendations.

I. Theoretical Framework for Social Transfers:

1. Definition of Social Transfers:

The state's intervention to address distortions in the initial income distribution is a significant topic in economic and social studies. Governments intervene in economic life to redistribute income within society, using financial policy tools designed to achieve social justice and reduce income inequality among individuals. Income redistribution refers to adjustments in the initial income distribution to reduce societal disparities. This is achieved by transferring a portion of the wealth of the rich to the poor through various social, financial, and monetary policies, such as social security payments, taxes, and public services (Reham Zuhair Al-Aila, 2016, p. 34). Redistribution encompasses all processes in which part of the income is deducted from some economic agents or social groups and allocated to others. In other words, redistribution is: *"A mechanism through which the deductions (taxes, contributions, etc.) imposed by public administrations on economic agents are redistributed in the form of transfer income or non-market goods and services provided by public administrations"* (Bertrand Affilé, 2007, p. 80).

Social transfers include all social security benefits and are defined as cash or in-kind transfers, i.e., the transfer of income or services (such as healthcare). These transfers shift resources from one group to another in society, for example, from the economically active to the elderly, from healthy individuals to the sick, and from the wealthy to the poor. Beneficiaries of these transfers may qualify through specific social security systems (contributory schemes), residence (universal schemes), or resource limitations (social assistance schemes). Social transfers can be categorized as follows (ILO, 2010, pp. 15-16):

1.1 Social Security Benefits:

These are benefits provided within social security or insurance schemes, which ensure protection against social risks through an insurance mechanism based on:

- The concept of security,
- Risk pooling, and
- Prepayment of premiums or contributions before the occurrence of insured emergencies.

Examples include health insurance, unemployment insurance, retirement pensions, compensation for work injuries, and cash compensation for disability or death.

1.2 Social Assistance and Support:

Social assistance programs do not require direct contributions from beneficiaries or their employers to qualify for benefits. These programs are typically funded through taxes or other state revenues and may take the form of:

- Cash assistance (e.g., social welfare payments based on household income or earning capacity),
- Unconditional family assistance (e.g., based on the number of children), or
- Conditional cash support (e.g., linking aid to specific conditions).

In-kind support includes programs such as food subsidies (for essential consumer goods), energy subsidies (electricity and gas), housing support, and health and education programs.

1.3 Universal Transfers:

These benefits are provided under universal schemes for all residents upon proof of residency. Such schemes are often established to ensure access to healthcare, housing, or family allowances and are typically funded through taxes.

II. The State of Income Redistribution in Algeria

1. Income Distribution Among Algerian Households:

1.1 Trends in Household Consumption Expenditure in Algeria (2000-2011):

The level of consumption expenditure varies from one household to another due to differences in income distribution among families. To analyze income distribution among Algerian households, data from field surveys conducted by the National Office of Statistics (ONS) and the National Center for Studies and Analysis on Population and Development (CENEAP) regarding household consumption expenditure for the years 2000, 2005, and 2011 were used.

These surveys classify households into five income quintiles (or deciles), ranging from the first quintile, representing the poorest 20% of the population, to the fifth quintile, representing the wealthiest 20%. Table 1 below illustrates the trends in the distribution of consumption expenditure among Algerian households from 2000 to 2011.

Table 1: Trends in Household Consumption Expenditure in Algeria (2000-2011)

Quintiles	Consumption Expenditure (Billion DZD)	(%)	Consumption Expenditure (Billion DZD)	(%)	Consumption Expenditure (Billion DZD)	(%)
2000						
First Quintile	118.50	7.74	183.27	7.3	377.30	8.40
Second Quintile	179.80	11.74	306.28	12.2	565.40	12.59
Third Quintile	242.20	15.82	409.21	16.3	740.30	16.49
Fourth Quintile	330.60	21.59	554.82	22.1	978.40	21.79
Fifth Quintile	660.30	43.12	1056.92	42.1	1828.20	40.72
Total	1531.4	100	2510.5	100	4489.5	100

Source: Compiled by researchers based on: (ONS, 2013, pp. 5-6); (CENEAP, 2006, p. 37).

1.2 Trends in Income Inequality Through Household Consumption Expenditure (2000-2011):

To evaluate the extent of income inequality among Algerian households, available data on key inequality indicators such as the Gini coefficient and Kuznets ratio, as well as dispersion rates, were analyzed. These measures were calculated based on household consumption expenditure data for the years 2000, 2005, and 2011. The results are summarized in Table 2 below.

Table 2: Trends in Inequality Indicators in Consumption Expenditure Distribution (2000-2011)

Year	Gini Coefficient	Kuznets Ratio	Palma Ratio	Decile Share Ratio (DSR)	Quintile Share Ratio (QSR)
2000	0.341	0.2744	1.47	8.94	5.53
2005	0.318	0.2689	-	-	5.77
2011	0.3116	0.2500	1.24	7.43	4.85

Source: Compiled by researchers based on data from Table 1.

Analysis of Trends in Inequality Indicators (2000-2011):

Tracking the development of inequality indicators during the period 2000-2011 reveals some improvement in income distribution (measured by consumption expenditure). However, it remains far from achieving equitable distribution. This indicates that government policies aimed at reducing inequality, which sought to mitigate the impact on vulnerable income groups from structural adjustment and reform programs—accompanied by austerity measures such as price liberalization, institutional closures, and worker layoffs—were insufficient.

The wealthiest 20% of the population still command over 40% of total income, exceeding the combined income share of the poorest 60% of the population.

2. The State of Social Transfers:

Social transfers represent expenditures of a social nature and are among the most significant components of operational spending in the state's general budget. These funds are allocated to specific sectors to provide support (in cash or in kind) to certain social groups, leading to an evolving structure of social transfers over time.

2.1 Structure of Social Transfers in Algeria (2000-2018):

At the start of the 21st century, the Algerian government adopted an expansionary spending policy targeting both economic and social dimensions. In this context, social transfers witnessed significant growth in structure and allocated amounts. During this period, social transfers encompassed the following components:

i. Family Support:

- **Family Allowances:** Includes family allowances, educational grants, and allowances for sole earners.
- **Educational Support:** Includes support for university service centers (student grants, meals, and transportation), grants for primary and secondary school students, school meals, scholarships abroad, and school enrollment grants for disadvantaged students.
- **Basic Goods Subsidies:** Covers essential commodities such as milk, grains, sugar, and cooking oil.
- **Utility Subsidies:** Includes rural electrification, public gas distribution, and compensation for reduced electricity bills in southern provinces.

ii. Health Support:

- Support for hospitals, school health services, expenditures related to services provided under medical cooperation agreements, treatment costs, and accommodation for uninsured individuals at the central military hospital.

iii. Housing Support:

- Support for the National Housing Fund (FONAL), social housing, and subsidizing interest rates on loans from the National Fund for Savings and Reserve (CNEP) for purchasing or building homes.

iv. Pension Support:

○ Includes complementary compensations for retirement pensions of former freedom fighters, additional allowances for small pensioners, and support for the military retirement fund.

v. Support for the Needy and Vulnerable Groups:

○ Contributions to the financing of the Social Development Agency (ADS), support for employee social services, financing of institutions specialized in social security, supporting associations (social, cultural, sports), child protection, transportation costs for disabled individuals, social insurance for special cases, transportation subsidies in southern provinces, 100% disability pensions, and compensation for income differences for employees affected by changes in the national guaranteed minimum wage.

vi. Support for Veterans:

○ Includes all forms of support provided to veterans, such as pensions, transportation costs, free medical care, and covering expenses for treatment at mineral water spas.

2.2 Evolution of Social Transfers in Algeria from 2000 to 2018

With the financial surplus experienced by the Algerian economy at the start of the 21st century, driven by rising hydrocarbon prices, the government adopted an expansionary spending policy. This policy aimed to revive both economic and social activities by implementing public investment programs throughout the 2000-2019 period.

In the social sphere, the government focused on achieving the Millennium Development Goals, such as improving living conditions, combating poverty, universalizing primary education, and enhancing maternal and child health policies. These efforts were reflected in a notable increase in social transfers during 2000-2018, as shown in **Table 3** below.

Table 3: Evolution of Social Transfers in Algeria (2000-2018)

Year	Social Transfers (Billion DZD)	Social Transfers / GDP (%)	Social Transfers / State Budget (%)
2000	262.422	6.36	21.87
2001	315.004	7.45	21.40
2002	367.679	8.06	23.86
2003	416.31	7.92	24.05
2004	428.017	6.96	23.01
2005	460.47	6.08	21.87
2006	596.37	8.61	23.45
2007	708.57	9.45	22.18
2008	1164.04	10.5	27.79
2009	1207.855	12.1	28.8
2010	1239.26	10.3	26.6
2011	2065.074	14.26	34.8
2012	1868.5	11.5	24.1
2013	1574.361	9.5	22.9
2014	1609.123	9.3	21.00
2015	1830.314	11.0	20.90
2016	1841.57	9.8	23.10
2017	1624.923	8.4	22.80
2018	1760.018	8.4	20.40

Source: Compiled by researchers based on data from the Ministry of Finance (budget presentation reports, 2002-2018).

Analysis of Social Transfers Trends (2000-2018)

From **Table 3** and the accompanying graphical data, social transfers in Algeria witnessed a significant increase during the 2000-2018 period. In 2000, the value of social transfers was only 262.4 billion DZD. This figure more than doubled by 2006, reaching approximately 596 billion DZD.

The share of social transfers in the state budget also increased, rising from 21.87% in 2000 to 23.45% in 2006. The upward trend continued, peaking in 2011 when social transfers reached their highest value of approximately 2,065 billion DZD, accounting for more than one-third (34.8%) of the state budget.

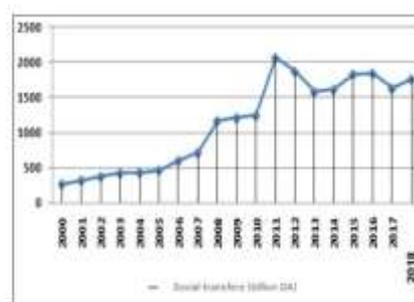
This growth in social support was largely attributed to the financial comfort provided by record-high hydrocarbon prices during this period. However, starting in 2013, social transfers began to decline in value, dropping by approximately 23.76% compared to 2011. Their share of the state budget also decreased to 22.9%. Despite the decline in oil revenues due to falling global oil prices in the second half of 2014, the Algerian government maintained its social support policies. This was evident in 2015 and 2016 when social transfers exceeded 1,830 billion DZD, accounting for over 20% of the state budget.

With the growing budget deficit and the depletion of the Revenue Regulation Fund due to significantly reduced oil revenues, the government began considering reforms to the generous subsidy system, which benefited all citizens indiscriminately. This was reflected in a 12% decrease in social transfers in 2017 compared to 2016. However, in the absence of serious reform mechanisms and amid the recovery of oil prices—exceeding \$60 by the end of 2017 (OPEC Bulletin, 2018, p. 171)—the government resumed its traditional subsidy policies. This was evident in 2018, when social transfers increased by approximately 8% compared to 2017, accounting for over one-fifth (20%) of the state budget.

Figure 02: Evolution of Social Transfers in Relation to GDP and the State Budget (2000–2018)



Figure 01: Evolution of the Volume of Social Transfers (2000–2018)

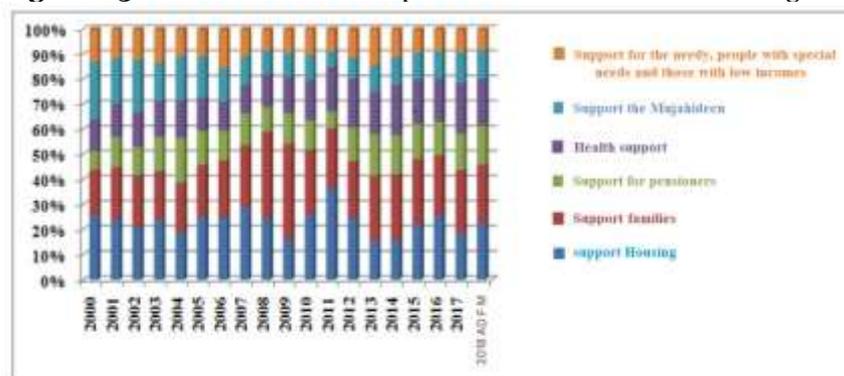


Source: Prepared by the researchers based on data from Table 03.

As for the evolution of social transfers as a percentage of GDP, they ranged between 6% and 8.6% during the period from 2000 to 2006. This percentage then exceeded 9% in 2007 and continued its gradual increase, surpassing 10% between 2008 and 2010, reaching 14.26% in 2011, which marked the highest rate since independence. Subsequently, there was a slight decline starting in 2012, but the rate remained high, ranging between 9% and 11% during the period from 2012 to 2015, and then stabilizing at approximately 8.4% in 2017 and 2018.

As for the social transfers basket for the period 2000–2018, which comprises nine forms of direct support, it also witnessed a significant evolution, as illustrated in Figure (03).

Figure 03: Evolution of the Composition of Social Transfers in Algeria from 2000 to 2018



Source: Prepared by the researchers based on: (*ANNUAIRE DES STATISTIQUES SOCIALES 1962-2011, 2012, pp. 46–51*); (*Ministère des Finances (2002, p. 38), (2015, p. 39), (2016, p. 34), (2017, p. 46)*).

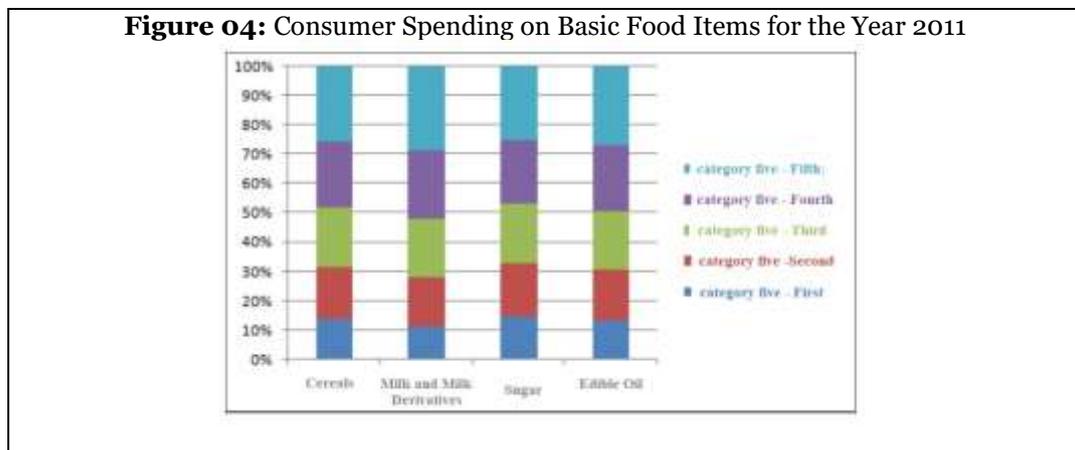
III. Evaluation of the Efficiency and Fairness of Social Transfers in Algeria from 2000 to 2018:

The income redistribution policies through social transfers primarily aim to reduce poverty and achieve social equity by reallocating income to benefit poor and disadvantaged groups. Direct government subsidies in Algeria have helped protect the poor and alleviated the burden on low-income households by ensuring a minimum provision of essential food needs and guaranteeing free access to education and healthcare. These measures have slightly improved the distribution of consumer spending, as the share of the wealthiest 10% of the population decreased from 31.74% in 1988 to 26% in 2011. Conversely, the share of the poorest 10% increased from 2.76% in 1988 to 3.5% in 2011.

However, despite these efforts, the subsidies in Algeria often fail to reach those who truly need them, despite the large sums allocated. This inefficiency stems from the fact that most subsidies are applied universally rather than being targeted toward vulnerable groups.

1. Subsidies for Basic Consumer Goods:

Due to the universal nature of subsidies in Algeria, high-income households benefit more from subsidies on basic food items than low-income households. This is because wealthier families can purchase larger quantities of subsidized goods and services. For example, the wealthiest 20% of Algerians consume approximately 27% of the value of subsidized food products (26% for cereals, 29% for milk and its derivatives, 25% for sugar, and 27% for cooking oil). In contrast, the poorest 20% of Algerians only receive 13% of the value of these subsidized food items (13% for cereals, 11.5% for milk and its derivatives, 15% for sugar, and 13% for cooking oil).



Source: Prepared by the researchers based on: (ONS, 2015, pp. 65, 67, 71).

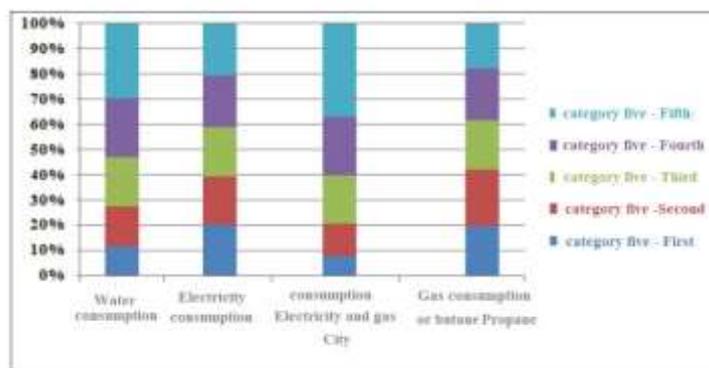
In addition to the above, the subsidies for basic consumer goods in Algeria primarily aim to maintain social stability—particularly following the oil and sugar crisis of 2011—rather than solely ensuring the nutritional needs of citizens. Moreover, the food subsidy system in Algeria contains several shortcomings, including (Zegai Walid, 2013, p. 133):

- **Inefficient and improper targeting:** Both the rich and the poor purchase milk, bread, sugar, and oil at the same subsidized prices. Additionally, beverage and confectionery factories benefit from subsidies by purchasing food products at subsidized prices.
- **Smuggling of subsidized food products** to neighboring countries.
- **Lack of transparency and clarity** in the import process and mechanisms, with the national import price being higher than the global market price.

2. Subsidies for Electricity, Water, and Gas:

As illustrated in **Figure 05** below, the allocation of subsidies for electricity, gas, and water is ineffective. The poorest 20% of Algerians accounted for approximately 11% of total consumer spending on water, 19.8% on electricity, less than 8% on natural gas, and around 19.7% on butane and propane gas. This indicates that the wealthier segments of society are the primary beneficiaries of these subsidies.

Figure 05: Consumer Spending on Water, Electricity, and Gas for the Year 2011

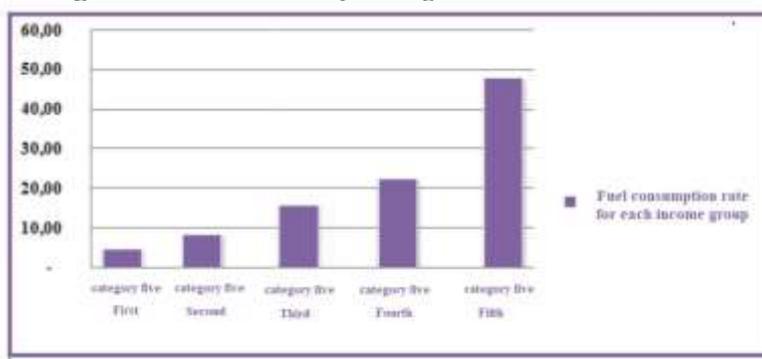


Source: Prepared by the researchers based on: (ONS, 2015, p. 22)

3. Subsidies for Fuel Prices (Gasoline, Diesel, and Auto Gas):

The Algerian government began the gradual removal of subsidies on processed fuels two years ago. In early 2016, the government increased the prices of gasoline and other energy products for the first time since 2005 (Andrew Jowell, 2017). However, despite these increases, fuel prices remain far below their actual market values. Fuel subsidies are highly inequitable, as most of their benefits accrue to higher-income groups, as illustrated in **Figure 06** below.

Figure 06: Consumer Spending on Fuel for the Year 2011



Source: Prepared by the researchers based on: (ONS, 2015, p. 29)

The wealthiest 20% of Algerians consume approximately 48% of the total consumer spending on fuel, representing nearly half of the overall fuel consumption expenditure. This is nearly ten times what the poorest 20% of the population consumes, whose fuel spending does not exceed 5%. This indicates that fuel subsidy benefits in Algeria are regressive, increasing with higher income levels.

4. Subsidies for Education:

Despite the large sums allocated to support education, which exceeded 116 billion DZD in 2017 (including free schoolbooks, school transportation, and education grants), and despite the implementation of free education—one of the fundamental demands of the Algerian Revolution—there are notable criticisms. Wealthier families benefit from education subsidies more than poorer ones, as their children have better access to all levels of education compared to those from low-income families. High costs of school supplies (such as uniforms, backpacks, and school materials) burden low-income families, especially in light of insufficient grants provided to them compared to rising prices. In some cases, these grants are allocated to non-deserving recipients. This disparity is illustrated in the graphs (07 and 08) below.

Figure 08: Consumer Spending on Education and School Supplies in Urban and Rural Areas (2011)

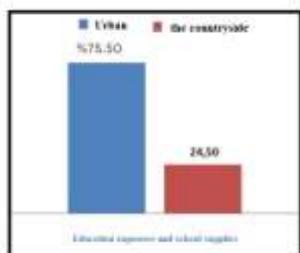
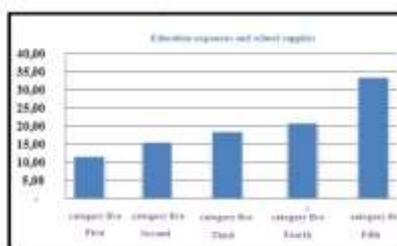


Figure 07: Consumer Spending on Education and School Supplies (2011)



Source: Prepared by the researchers based on: (ONS, 2016, pp. 22, 26)

The wealthiest 20% of Algerians account for 33.5% of total household consumption expenditure on education and school supplies. Meanwhile, the poorest 20% of the population receive only 11.5% of this expenditure. At the same time, enrollment rates in education are higher in urban areas compared to rural ones. This is evidenced by the fact that approximately 75.5% of urban residents capture household consumption expenditure on education and school supplies, while rural residents receive only 24.5%.

5. Health Sector Support:

Despite free access to healthcare services and the significant financial allocations directed towards continuous health sector reforms—accounting for over 13% of the national budget in 2012 (Drissi Asma, 2015, p. 150)—and the substantial government subsidies exceeding 330 billion Algerian dinars in 2017, the health sector in Algeria still faces challenges.

These include poor management, a shortage of qualified and responsible personnel, and healthcare infrastructure that falls far short of international standards. This has resulted in deteriorating healthcare services. Furthermore, healthcare services are unevenly distributed among families and regions, with most specialized healthcare institutions (both public and private) concentrated in major northern cities.

Figure 10: Household Consumption Expenditure on Health and Medical Care by Urban and Rural Areas in 2011.

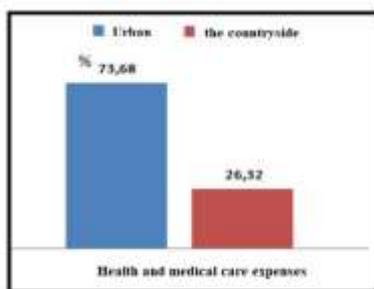
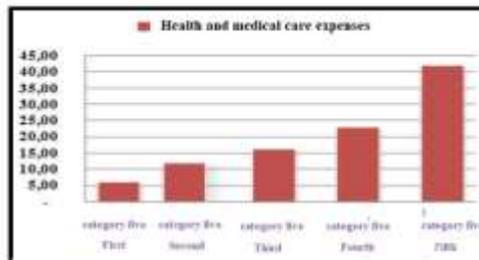


Figure 09: Household Consumption Expenditure on Health and Medical Care in 2011



Source: Prepared by researchers based on (ONS, 2015, pp. 21, 23).

Urban households capture more than 73% of household consumption expenditure on health and medical care, while rural households account for only 26.3%. Additionally, the wealthiest 20% of Algerians spend approximately 42% of the total household expenditure on health—over six times what the poorest 20% spend.

6. Family Allowances:

These include family allowances and school grants, which serve as supplementary income to support salaried workers responsible for families, addressing children's specific needs. Additionally, a single-wage allowance is granted to public sector employees who support at least one child and whose spouses have no income. However, these allowances are criticized for their monetary value, which does not align with the purchasing power of salaried workers, given the high inflation rates and the depreciation of the Algerian dinar. Since 1996, these amounts have remained unchanged: family allowances range between 300-600 Algerian dinars, and school grants range between 400-800 Algerian dinars, as stipulated by Executive Decree No. 96-268 of September 8, 1996 (Official Gazette of the People's Democratic Republic of Algeria, No. 52, 1996, p. 20). The single-wage allowance was adjusted in 2007 by Executive Decree No. 07-292, setting it at an annual rate of 9,600 Algerian dinars (800 dinars per month) (Official Gazette, No. 62, 2007, p. 13).

7. Support for the Needy and Disabled:

Vulnerable groups who cannot work benefit from direct assistance in the form of a solidarity grant, amounting to 3,000 Algerian dinars monthly since 2008 (Ministry of Solidarity, 2018). Disabled individuals with 100% disabilities aged 18 and older receive a monthly grant of 4,000 Algerian dinars following the latest amendment in 2007 (Official Gazette, No. 70, 2007, p. 19). However, these grants are insufficient to cover their expenses or match their purchasing power, given rising prices and the devaluation of the national currency, necessitating a review. As for subsidies compensating income disparities for employees affected by the minimum guaranteed national wage increase, they remain inadequate because the nominal value of the minimum guaranteed wage has increased while its real value for 2016 and 2017 decreased compared to the adjustments in 2007 and 2010, as shown in Table 04 below.

Table 04: Nominal, Real, and Euro-adjusted Value of the Minimum Guaranteed National Wage (2007-2017).

Adjustment Years	2007	2010	2012	2016	2017
Nominal Minimum Guaranteed National Wage (DZD)	12,000.00	15,000.00	18,000.00	18,000.00	18,000.00
General Price Index (IPC)	86.79	100.00	113.82	134.84	142.38
Real Minimum Guaranteed National Wage (DZD)	13,825.78	15,000.00	15,814.65	13,348.67	12,642.23
EUR/DZD Exchange Rate	94.99	99.19	102.61	121.18	125.32
Minimum Guaranteed National Wage in Euros	126.33	151.22	175.42	148.54	143.63

Source: Prepared by researchers based on: (World Bank, 2018), (ONS, 2012), (Banque d'Algérie, 2018).

8. Relationship Between Subsidies and Budget Deficit:

The increase in direct government support (social transfers) contributes to the rising budget deficit, especially in light of declining public revenues due to the drop in oil tax revenues following the fall in oil prices starting in the second half of 2014. Table (05) below demonstrates that social transfers account for more than 80% of the general budget deficit in 2016.

Table 05: Relationship Between the General Budget Deficit and Social Transfers (2011-2016)

Years	2011	2012	2013	2014	2015	2016
Operating Expenditures (Billion DZD)	3,945.1	4,691.3	4,131.5	4,494.3	4,617.0	4,585.5
Social Transfers (Billion DZD)	2,065.1	1,868.5	1,574.4	1,609.1	1,830.3	1,841.6
Total Expenditures (Billion DZD)	6,085.3	7,054.4	6,024.1	6,995.7	7,656.3	7,297.5
Budget Balance (Billion DZD)	-2,611.2	-3,249.9	-2,128.8	-3,068.0	-3,103.8	-2,285.9
Budget Balance Excluding Social Transfers (Billion DZD)	-546.1	-1,381.4	-554.4	-1,273.5	-444.3	
Social Transfers / Budget Balance (%)	79.1	57.5	74	52.5	59	80.6

Source: [Ministère des Finances, (2002, p.38), (2015, p.39), (2016, p.34), (2017, p.46), (2018, p.48)]; [Ministère des Finances, DGT, November 2017].

Conclusion:

Like many developing countries, Algeria has adopted a government subsidy system through cash subsidies (for the needy and disabled) and in-kind subsidies (on goods, energy, housing, education, and health). Significant national income has been spent to achieve objectives such as redistributing income and wealth among social groups, ensuring a minimum level of food security to meet basic needs, improving living and health standards, and addressing market failures in areas such as education, health, and housing.

Although the current subsidy policy has delivered numerous benefits, such as poverty alleviation, provision of basic food needs, reduction of the housing crisis, free access to education and health services, and political stability, it suffers from inefficiency and inequity. The system is generalized and untargeted, favoring the wealthy over the poor and benefiting urban residents more than those in rural areas.

In response to these shortcomings, the state must take urgent measures, including:

- Establishing mechanisms to ensure subsidies reach their intended beneficiaries through conditional and direct cash transfer programs targeting the most deprived families;
- Gradual removal of subsidies on fuel and energy;
- Investing the savings from subsidy reductions in improving education and healthcare services.

References:

- **World Bank (2018)**, *World Development Indicators*, Consumer Price Index Data, September 21, 2018.
- **Andrew Joel (2017)**, *The Necessity of Subsidy Reform in Algeria*, Economic Window, IMF Forum.
- **Drissi Asma (2015)**, *The Evolution of Health Expenditure in Algeria and Its Effectiveness within the Framework of Health System Reforms (2004-2013)*, Algerian Journal of Globalization and Economic Policies, Issue 06.
- **Riham Zuhair Al-Eila (2016)**, *Determinants of Income Distribution Justice in the Arab World: A Case Study of Palestine*, Master's Thesis in Development Economics, Islamic University of Gaza.
- **Zegai Walid (2013)**, *The Impact of Government Subsidies on the Competitiveness of Agricultural and Food Industry Institutions in Algeria*, Journal of Economic Dimensions, Vol. 03, Issue 01.
- **Executive Decree No. 96-286**, dated September 8, 1996, concerning the increase of family allowances, Official Gazette of the People's Democratic Republic of Algeria, Issue 52, dated September 11, 1996, Articles 2 and 3.
- **Decree No. 07-292**, dated September 26, 2007, regarding family-related compensations, Official Gazette of the People's Democratic Republic of Algeria, Issue 62, dated October 3, 2007, Article 1.
- **Decree No. 07-340**, dated October 31, 2007, amending Executive Decree No. 03-45 of October 19, 2003, concerning the protection and promotion of persons with disabilities, Official Gazette of the People's Democratic Republic of Algeria, Issue 70, dated November 5, 2007, Article 2.
- **Ministry of Solidarity**, Sector Programs, Social Development Agency, *Solidarity Grant*, available at: <http://www.msnfcf.gov.dz/ar>
- **Bank of Algeria**: <https://www.bank-of-algeria.dz/>
- **Bertrand Affilé, Christian Gentil (2007)**, *Les Questions de l'Économie Contemporaine*, Les Guides de l'Étudiant.
- **CENEAP (2006)**, *Living Standards and Poverty Measurement in Algeria*, May.
- **ILO (2010)**, *World Social Security Report 2010/11: Providing Coverage in Times of Crisis and Beyond*, ILO Publications, Geneva.
- **Ministry of Finance**, Presentation Reports of Finance Law Projects (2002, 2004, 2015, 2016, 2017, 2018).
- **Ministry of Finance (2017)**, DGT, *Treasury Operations Situation as of November*.
- **ONS (2012)**, *Wage Mass and Evolution of the Minimum Guaranteed National Wage (SNMG), 2001-2012*.

- **ONS (2013)**, *Preliminary Results of the National Survey on Household Consumption Expenditures and Living Standards 2011*, Statistical Collections No. 642.
- **ONS (2015)**, *National Survey on Household Consumption Expenditures and Living Standards 2011: Housing Expenses & Charges*, No. 696, April.
- **ONS (2015)**, *National Survey on Household Consumption Expenditures and Living Standards 2011: Health and Personal Hygiene Expenses*, No. 716, October.
- **ONS (2015)**, *National Survey on Household Consumption Expenditures and Living Standards 2011: Transportation and Communication Expenses*, No. 717, October.
- **ONS (2015)**, *National Survey on Household Consumption Expenditures and Living Standards 2011: Household Food and Beverage Expenses in 2011*, Statistical Collections No. 195, Social Statistics Series (S Series), November.
- **ONS (2016)**, *National Survey on Household Consumption Expenditures and Living Standards 2011: Education, Culture, and Leisure Expenses*, No. 732, January.
- **OPEC Bulletin (2018)**.
- **Secretary of State to the Prime Minister in Charge of Foresight and Statistics (2012)**, *Social Statistics Yearbook 1962-2011*.