

**Local Financing: Current Reality and Prospects for Reform and Development  
-The Case of Oum El Bouaghi Province-****التمويل المحلي: الواقع الراهن وآفاق الإصلاح والتطوير -ولاية أم البواقي نموذجاً -****Roumaissa Kellache<sup>1</sup>, Oualid Zagaye<sup>2</sup>**<sup>1</sup> Oum El Bouaghi University, COFIFAS Laboratory - Oum El Bouaghi (Algeria),  
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Entrepreneurship Promotion in Algeria - Naâma (Algeria), Zagaye.oualid@cuniv-naama.dz**Received:** 05/07/2025**Accepted:** 30/12/2025**Published:** 31/12/2025**Abstract:**

This study aims to analyze the effectiveness of the local financing system in supporting local development in Algeria, with a particular focus on Oum El Bouaghi Province during the period 2014–2022. The study seeks to assess the contribution of both internal and external financial resources in meeting the growing needs of the local population. The findings reveal that internal revenues-especially local taxation- remain insufficient to cover development expenditures. In contrast, external resources, including government transfers and subsidies, play a significant role in supporting development. The study also identifies a number of structural challenges, such as limited diversification of funding sources, inefficient tax collection mechanisms, and weak local financial governance. Accordingly, the study recommends adopting a comprehensive reform strategy focused on diversifying revenue sources, improving the local tax system, stimulating investment, and strengthening the financial planning capacities of local authorities, in addition to encouraging community participation to achieve sustainable and inclusive local development.

**Keywords:** Local Financing; Local Development; Algeria; Oum El Bouaghi province.**JEL Classification Codes:** H71, H72, H73, O18**ملخص:**

تهدف هذه الدراسة إلى تحليل مدى فعالية نظام التمويل المحلي في دعم التنمية المحلية في الجزائر، مع التركيز على ولاية أم البواقي خلال الفترة 2010–2022. تسعى الدراسة إلى تقييم مساهمة الموارد المالية الداخلية والخارجية في تلبية الحاجات المتزايدة للسكان المحليين. وقد أظهرت النتائج أن الإيرادات الداخلية، لا سيما الجباية المحلية، تبقى غير كافية لتغطية نفقات التنمية. في المقابل، تلعب الموارد الخارجية، بما في ذلك التحويلات والإعانات الحكومية، دوراً كبيراً في دعم التنمية. كما كشفت الدراسة عن مجموعة من التحديات البنوية، مثل ضعف تنوع الموارد، وقصور آليات التحصيل، وضعف الحكومة المالية المحلية. وبناءً على ذلك، توصي الدراسة باعتماد استراتيجية إصلاح شاملة تركز على تنوع مصادر التمويل، تطوير النظام الجبائي المحلي، تحفيز الاستثمار وتعزيز قدرات الجماعات المحلية في التخطيط المالي، إلى جانب تشجيع المشاركة المجتمعية لتحقيق تنمية محلية مستدامة وشاملة.

**كلمات مفتاحية:** التمويل المحلي، التنمية المحلية، الجزائر، ولاية أم البواقي.

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### **Introduction:**

Local development is considered one of the fundamental issues receiving growing attention in public policy, economic thought, and social studies. It represents a strategic tool for moving societies from a state of underdevelopment to a path of growth by addressing the basic needs of local populations through self-reliance and the support of governmental institutions. Furthermore, it serves as an effective entry point for achieving regional balance and promoting comprehensive national development. Experience has shown that centralized management models have often failed to accommodate local specificities, prompting many countries—including Algeria—to adopt decentralization as a strategic choice to strengthen the role of elected local authorities in development. This shift was particularly necessary in Algeria following independence, when the country inherited weak administrative structures and a shortage of human resources. Initially, the state adopted a centralized planning approach that overlooked regional disparities, leading to poor development outcomes. Consequently, it became essential to revitalize the concept of local development by empowering local communities with the necessary resources and legal authority to fulfill their developmental roles. The effectiveness of local authorities is closely linked to their ability to mobilize local funding, which is a cornerstone for the implementation of development programs. These programs require optimal use of available financial resources, whether through local taxation, government transfers, or partnerships with the private sector. Given the challenges related to the limited own-source revenues of local governments in Algeria, there is a pressing need to adopt structural reforms in local financing mechanisms to ensure balanced and sustainable development that responds to the actual needs of local populations. This vision can be illustrated through a case study of Oum El Bouaghi Province, serving as a model for examining the reality and prospects of local development financing in Algeria.

Based on the above and to enrich the research topic, we propose the following problem statement: what extent can the local financing system be considered effective in supporting local development in Algeria in general, and in the province of Oum El Bouaghi in particular? And what are the main reforms needed to overcome the current imbalances and achieve sustainable local development? This leads to the following sub-questions:

✓ To what extent do local collection operations contribute to covering the expenditures of local authorities?

✓ Do local authorities in Algeria possess sufficient internal resources to effectively finance local development projects?

✓ What are the key reforms and mechanisms required to improve the local financing system and enhance its effectiveness in Oum El Bouaghi province?

Based on the stated problem, and as preliminary answers to the sub-questions, the following hypotheses are proposed as a starting point for this study:

✓ Direct and indirect taxes cover a significant portion of local government expenditures, yet they remain insufficient to meet the various developmental needs.

✓ Local authorities play an important role in achieving local development based on their own resources; however, the limited nature of these resources often compels them to rely on external funding sources to strengthen their capacities.

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✓ Adopting comprehensive structural reforms -including the diversification of revenue sources, improvement of collection mechanisms, and enhancement of financial governance-can contribute to the development of the local financing system and lead to more effective and sustainable local development.

To address the research problem and gain a deeper understanding of the topic, this study adopts the descriptive-analytical approach, as it aligns with the nature of the subject by allowing for the description and analysis of its key components and dimensions. Additionally, the case study method is employed to examine the experience of Oum El Bouaghi Province, providing a practical illustration of the realities and challenges of local financing in Algeria.

The field of local development financing in Algeria has received increasing scholarly attention in recent years, with a predominant focus on the role of local taxation and municipal development plans in strengthening the financial capacity of local authorities. When examined chronologically, the existing studies reveal an evolving research trajectory that moves from diagnosing the limitations of own-source revenues toward analyzing mechanisms of central support, while several fundamental dimensions remain insufficiently addressed.

One of the earliest contributions in this line of research is the study by Righi Asma (2022) entitled “The Reality of Local Taxation and Its Role in Financing Local Development: A Case Study of Bordj Zemoura Municipality.” This study concluded that local taxation accounted for a very small share of municipal revenues, not exceeding 2%, reflecting a narrow tax base and weak local economic activity. Although the study provided an important diagnosis of fiscal constraints, it focused exclusively on tax revenues, without addressing other non-tax sources of local financing or the role of central government transfers.

Subsequently, the study by Ben Matoug Sabir and Nemdil Wahid (2024), entitled “The Municipal Development Plan (PCD) and Its Role in Financing Local Development: A Case Study of Aïn Taghrout Municipality,” shifted attention toward decentralized development programs. The authors highlighted the significance of the Municipal Development Plan in financing local development projects, particularly in vulnerable areas, and demonstrated that reliance on external funding has become a strategic option for many municipalities to compensate for weak own-source revenues. However, the study concentrated primarily on a single financing instrument and did not assess its level of integration with internal resources or the long-term sustainability of this financing model.

More recently, Mahi Zakaria and Mahi Nourelhouda (2025), in their study entitled “The Role of Local Taxation in Financing Local Development in Algeria: A Case Study of El Bayadh Province,” extended the analysis to the provincial level. Their findings indicated that a substantial share of local tax revenues is transferred to the central treasury, thereby limiting the financial autonomy of local authorities. Despite the added value of expanding the geographical scope of analysis, the study remained largely confined to local taxation and did not provide a comprehensive examination of non-tax revenues or the interactive relationship between own-source resources and government transfers.

Taken together, this chronological review reveals that, while the literature has accumulated valuable descriptive insights into the weaknesses of local financing in Algeria, it remains fragmented in its treatment of the components of the local financial system. Earlier

studies focused on diagnosing the limited performance of local taxation, followed by later works emphasizing the role of external financing through municipal development plans, without integrating these dimensions into a unified analytical framework. Moreover, most studies relied on narrowly defined case studies at the municipal or provincial level, which constrains the generalizability of their findings and limits understanding of intra-provincial financial disparities.

Accordingly, the research gap lies in the absence of a comprehensive approach that integrates the analysis of tax and non-tax revenues, evaluates the impact of central government transfers, and links the local financial system to the economic and social context of local development. The present study seeks to address this gap by providing an integrated analysis of local development financing in Oum El Bouaghi Province over the period 2014–2022, examining the interaction between internal and external funding sources and assessing their capacity to support effective and sustainable local development.

## **1- Theoretical Framework**

### **1-1 the concept of local development**

Developing countries have witnessed the implementation of numerous programs and development initiatives aimed at improving various dimensions of development indicators. This was accompanied by an evolution in development-related concepts, beginning with the notion of “community development,” which emerged in 1944, when the Secretariat of the Advisory Committee on Mass Education in Africa recommended adopting it as a fundamental entry point in public policies. The Cambridge Conference in 1948 further emphasized the importance of involving local communities in improving their living conditions. This was followed by the emergence of the concept of “rural development,” which focused primarily on the economic dimension -particularly increasing agricultural production- while neglecting social aspects. This limitation gave rise to the concept of “integrated rural development,” adopted by the World Bank in 1957 as part of a more comprehensive approach. However, this concept remained confined to rural areas without linking them to urban regions. It was in this context that the concept of “local development” began to take shape in France in the early 1960s, as a response to regional disparities between the capital, Paris, and its surrounding areas. It aimed to redistribute economic activities through top-down administrative policies. Yet, these centralized strategies were met with resistance from local actors, who advocated for a bottom-up development approach—an orientation that gradually gained widespread acceptance among governmental bodies, especially from the 1980s onward. (Harraq , Habboul, & Mekran, 2015, p. 08)

Local development has garnered significant attention in development literature, leading to a diversity of definitions and analytical perspectives. Nevertheless, most definitions converge on the core elements of the concept. On one hand, local development is defined as a participatory process that seeks effective cooperation between grassroots and governmental efforts to enhance the economic, social, cultural, and civilizational conditions of local communities within a comprehensive framework aimed at improving quality of life. (El Ayachi, 2014, p. 168) On the other hand, Algerian legislation—specifically the 2010 National Spatial Planning Scheme—defines it as regionally based development initiated by territorial collectivities (municipalities and provinces), emphasizing economic efficiency, wealth

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creation, and effective local governance supported by qualified human resources and targeted training plans aligned with priority competencies. (Harraq , Habboul, & Mekran, 2015, p. 10) The United Nations, in its definition, underscores the need to integrate the efforts of local populations with those of governmental authorities to improve the economic, social, and cultural conditions of local communities, foster their integration into national life, and enhance their contribution to national progress. (Bouamama & Bouamama, 2008, p. 02) Despite variations in wording, these definitions converge around three core elements: the focus on a specific geographic area, the importance of active local participation in decision-making, and the overarching goal of improving living standards and quality of life for local populations.

Accordingly, we adopt the following definition of local development: It is a planned process aimed at integrating popular and governmental efforts within a specific area by mobilizing available local resources in order to advance local units across all economic, social, and cultural dimensions.

Local development, as an integrated process, is founded on a set of general principles that are essential for ensuring its effectiveness and achieving its intended objectives. The absence or neglect of any of these principles can lead to an imbalance in the developmental approach, rendering community development incomplete. This is because community development is a comprehensive, balanced, and coordinated process that requires citizens' participation at all stages, from planning to implementation and evaluation. These principles can be summarized as follows: (Troui, 2015, pp. 193,194)

➤ **Principle of Inclusiveness:** This principle emphasizes the need to address local development in all its dimensions—social, economic, and cultural—so that programs and projects encompass all sectors as much as possible, ensuring a comprehensive response to community needs.

➤ **Principle of Integration:** This refers to the essential linkage between rural and urban development. Effective local development cannot be achieved without considering the mutual integration of both areas, as they are interconnected components of the social and economic fabric.

➤ **Principle of Balance:** This principle requires the distribution of developmental efforts according to the specific priorities and needs of each community. Different local contexts dictate different weightings for various developmental dimensions, thus necessitating a balanced and responsive approach.

➤ **Principle of Coordination:** Aims to create a cooperative environment among the various institutions and entities involved in serving the local community. This ensures synergy of efforts, prevents service duplication or conflict, and contributes to rationalizing resources and reducing costs.

➤ **Principle of Local Participation:** This refers to the process by which individuals engage actively and freely in shaping their community's social, economic, and political life. It involves allowing sufficient opportunities for them to contribute to defining the general goals of community development and envisioning the best means to achieve them. This principle ensures that services align more closely with local needs and promotes community ownership,

requiring institutional support from the state to overcome obstacles and foster genuine participation.

➤ **Principle of Acceptance and Guidance:** This principle calls for development practitioners to accept local communities as they are, even if they differ from their own context. This includes recognizing rigid traditional structures and limited experiences, while gradually guiding the community toward positive change.

➤ **Principle of Reliance on Local Resources:** Highlights the importance of utilizing locally available material and human resources, as this not only yields economic benefits but also reduces the political cost of development projects and enhances sustainability.

These principles constitute the foundational pillars necessary for the success of any local development initiative, serving as a guarantee for achieving comprehensive and sustainable development

### **1-2 Theoretical side of local finance**

Providing sufficient financial dynamism is considered a fundamental requirement for strengthening the role of local authorities in achieving development, and it is a key factor in wealth creation and the implementation of local policies. In this regard, local financing is an essential necessity for realizing local development, as it requires mobilizing the greatest possible amount of financial resources at the local level.

Local financial resources can be defined as all available financial means that can be mobilized from various sources to finance local development in a way that ensures the highest possible growth rates over time, and enhances the financial independence of local entities from the central government in achieving the desired development goals. ( **Ben Semain & Sebti, 2006, p. 02**)

Based on this definition, local financing constitutes the main pillar for decision-making within the local governance system and is the primary driver for achieving sustainable development rooted in the specific characteristics of the local territory—provided that its sources originate primarily from the local area itself.

The sources of funding for local authorities are diverse and include both internal and external resources. Internal resources are further divided into several sub-categories that vary in nature and size from one country to another, depending on available financial capacities and the adopted economic systems. These resources generally include the following:

➤ **Fiscal Resources :** These consist of a set of taxes and fees that are collected either directly or indirectly for the benefit of local authorities. (**Righi, 2022, p. 92**) Local authorities -particularly municipalities- rely heavily on tax revenues, which often represent more than 90% of the municipal budget. These revenues are made up of local taxes and fees, either fully or partially allocated to regional entities or to the Common Fund for Local Authorities. Table (1) summarizes the various types of local taxes and fees and how they are distributed.

### **Table (02): The Mechanism of Tax Revenue Distribution in Algeria**

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Taxes and Fees	Distribution Method				
	Province	Municipality	Solidarity and Local Authorities Guarantee Fund	State	Other Funds
Professional Activity Tax	29%	66%	05%	-	-
Real Estate Tax	-	100%	-	-	-
Value-Added Tax	-	10%	15%	75%	-
Wealth or Property Tax	-	30%	-	70%	-
Single Flat-Rate Tax	05%	40.25%	05%	49%	0.75%
Building Permit Fee	-	100%	-	-	-
Certificate of Compliance Fee	-	100%	-	-	-
Housing Tax	-	100%	-	-	-
Residency fee	-	100%	-	-	-
Household garbage Fee	-	100%	-	-	-
Health fee on meet	-	100%	-	-	-
Prepaid Credit Recharging Fee	-	100%	-	-	-

Source: (Law on Business fee, Law on Tax and similar Fees, 2021)

➤ **Non-Fiscal Resources** : These are resources derived from the utilization and management of local authorities' own assets and financial wealth, including:

❖ **Self-Financing**: according to Articles 158 and 179 of the Code of the Wilaya and the Municipality, each wilaya and municipality is required to allocate between 10% and 20% of its operating revenues and transfer them to the investment and equipment section. This mechanism is designed to ensure a minimum level of self-financing, enabling local authorities to independently cover part of their investment needs.

❖ **Property Revenues**: municipalities possess a range of properties, both movable and immovable. Given their legal status as corporate entities, they are authorized to manage these properties provided they generate financial returns. These revenues primarily include rental income from buildings, road usage rights, public parking fees, and the sale of materials such as sand and firewood.

Although these revenues represent a small percentage of operating income, their significance lies in their being 100% local, allowing for prior estimation and control. Their importance also varies depending on the size and property assets of each municipality.

❖ **Service Revenues**: these refer to the fees collected in exchange for services provided by municipalities through their public facilities. Although service revenues constitute less than 10% of total municipal operating income, they remain a crucial instrument for financial independence due to their direct connection to local services and the municipalities' full control over their rates and collection mechanisms. These revenues are distributed as follows: 70% to local authorities and 30% to the special allocation account No. 302-105 titled "Public Mining Property Fund."

In addition to internal resources, local authorities require additional sources to cover all of their needs, including **grants, loans, donations, and bequests**.

➤ **Grants** : Grants are financial allocations provided by the state's general budget to support local development spending and cover the operating costs of local councils. Their purpose is to complement the financial resources of local bodies and reduce disparities among them, thereby ensuring balance and alignment between local community needs and the level of goods and services provided. **(Yousfi, 2009/2010, p. 71)**

Accordingly, the **Municipal Code** grants municipalities the right to receive grants and allocations under **Article 172**, while **Article 154** of the **Wilaya Code** provides the same right to the wilaya. Both articles clarify that the purpose of these grants is to support operational expenses.

The fundamental aim of central funding remains the reduction of inequality among local units, particularly by establishing a form of balance between wealthy and poor municipalities and promoting equal opportunities for local development.

Grants are typically categorized into two types: **(Ismail , 2013/2014, p. 149)**

✓ **Unconditional grants**: These are annual state contributions toward general local expenses, not earmarked for specific purposes, and are usually calculated based on population size.

✓ **Conditional grants**: These include grants allocated through the Common Fund for Local Authorities or within the framework of specific development plans, which will be discussed in the following section. **(Bekaddour et Bouknadil, 2021)**

➤ **Loans** : The law permits local authorities to resort to borrowing as a source of budgetary financing. Despite the various legal constraints, loans are considered an independent source from the central authority and can serve as a supplementary mechanism to fund income-generating projects. However, loans may not be used to repay existing debt or for operating expenditures.

Several financial institutions have been involved in financing local governments, such as the National Savings and Reserve Fund (CNEP), Banque de Développement Local, and other specialized banks.

In addition to the aforementioned limitations, several necessary restrictions are applied to regulate borrowing by local authorities, including:

✓ Local authorities must notify the state or the competent governmental body when borrowing, especially if the project is not part of the national development plan.

✓ Borrowing must not exceed a specified percentage of the local authority's annual revenues.

These restrictions are imposed for several key reasons: **( Merghad, 2005, p. 10)**

✓ To mitigate competition between local and central borrowing, which may lead to increased demand for capital in financial markets and subsequently raise interest rates.

✓ To ensure proper evaluation of expenditures financed by loans, as the use of loan funds plays a critical role—poor management of borrowed funds may reduce purchasing power and negatively affect economic activity.

✓ To avoid overburdening local authorities with debt they may be unable to repay.

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Through supervision of local borrowing, the state seeks to achieve the following objectives: ( Merghad, 2005, p. 10)

- ✓ Monitor local capital spending to maintain full oversight and ensure alignment with national economic and financial policies, facilitating coordinated economic planning.
- ✓ Preserve the financial credibility of local authorities and ensure their capacity to repay debt, thus avoiding financial deficits that may hinder their continuity.
- ✓ Regulate interest rates by distributing loan disbursements over time and preventing the negative effects of rapid capital accumulation through borrowing.

➤ **Donations and Bequests** : donations and bequests fall within the scope of voluntary contributions made by citizens, representing a form of popular participation in local financing. These may take the form of monetary or in-kind contributions, whether made directly to local authorities or indirectly in support of specific development projects.

They can be left as a bequest by a deceased citizen or offered as a donation by an expatriate wishing to leave a lasting legacy in their homeland.

Algerian law authorizes municipalities to accept donations and bequests made to them or their public institutions, provided these are approved by the Municipal People's Council through a formal resolution.

If the source of the donation is foreign, it requires prior approval from the Minister of Interior, and implementation is subject to the governor's validation.

The same applies to the wilaya, where the Wilaya People's Council decides whether to accept or reject donations and bequests, whether or not they are subject to conditions or designations.

For public institutions, they are authorized to accept unconditional donations and bequests directly. However, foreign donations and bequests also require prior approval from the Minister of Interior and cannot be executed without his validation.

### **2- Methodology and Empirical Analysis of Local Financing in Oum El Bouaghi Province (2014–2022)**

#### **2-1 Methods and Tools**

This study employs a dual methodological framework that integrates both the descriptive-analytical approach and the case study method, in a manner consistent with the nature and objectives of the research. The descriptive-analytical approach was utilized to present the theoretical foundations of local financing, elucidate its internal and external sources, and examine the institutional and operational conditions governing local authorities in Algeria. It was further employed to analyze the financial data related to Oum El Bouaghi Province and interpret their evolution over the period 2014–2022. In parallel, the case study method enabled an in-depth investigation of the dynamics of local development financing in Oum El Bouaghi, serving as an illustrative model through which the specific characteristics of local financial resources can be understood and their ability to meet population needs and development priorities can be assessed.

The study relies exclusively on secondary data derived from a range of official sources, including statistical reports issued by the Directorate of Local Administration and the Local Development Department of Oum El Bouaghi, as well as financial records obtained from the

Tax Directorate. Additional materials include legislative and regulatory texts governing local authorities, sectoral reports, and academic studies addressing local public finance. Primary data collection techniques—such as surveys or interviews—were not employed, given that the study is fundamentally grounded in the analysis of official administrative and financial documentation.

For the purposes of analysis, several analytical tools were applied to identify and interpret trends in revenue flows and expenditure patterns. Statistical tables were used to present the evolution of tax and non-tax revenues and total expenditures at the provincial level. Moreover, selected financial indicators were employed to assess the degree of reliance on own-source revenues relative to external funding. Comparative analysis across the different years of the study period was conducted to detect notable shifts and emerging patterns. In addition, graphical representations generated through office software (e.g., Excel) were used to illustrate structural imbalances and financial gaps affecting local authorities.

It is important to acknowledge several limitations that should be considered when interpreting the findings. These include incomplete or insufficiently detailed data for certain tax categories in specific years, variability in the quality and consistency of data across administrative units, and an exclusive reliance on official documentation without complementing it with field-based methods—an aspect that may restrict the ability to fully capture variations among municipalities. The period 2014–2022 was selected as the timeframe for the study due to its significance as a phase marked by major national economic fluctuations, particularly the volatility of oil prices and their direct implications for the financial transfers allocated to local authorities.

## **2-2 An analytical study of the state of local financing in Oum El Bouaghi Province during the period 2014–2020**

### **2-2-1 Introduction to Oum El Bouaghi Province**

Oum El Bouaghi is among Algeria's relatively recent administrative provinces, established during the 1974 territorial reorganization and designated with administrative code 04. Geographically situated in the northeastern segment of the High Plateaus, the province covers an area of 6,187.56 km<sup>2</sup>. As of December 31, 2020, its population was estimated at approximately 782,188, resulting in a population density of around 126 inhabitants per square kilometer. Administratively, it comprises 12 districts (daïras) and 29 municipalities (communes).

Historically, Oum El Bouaghi belonged to the First Wilaya during the Algerian War of Independence and is renowned for figures such as the martyr Larbi Ben M'hidi, born in Ain M'lila, and the poet Mohamed El-Aid El-Khalifa from Ain Beida. The province shares borders with Khenchela to the south, Batna to the southwest, Mila to the northwest, Constantine to the north, Guelma and Souk Ahras to the northeast, and Tébessa to the southeast.

Topographically, the province features a variety of landscapes, dominated by fertile plains (63.8%), followed by plateaus (18.9%) and mountainous regions (17.3%) largely concentrated in the north. The climate is semi-arid and continental, with cold, wet winters and hot, dry summers. Annual precipitation ranges from 200 to 400 mm.

Economically, Oum El Bouaghi relies primarily on agriculture, supported by favorable climatic conditions, water resources, and rich natural vegetation including alfa grass, pine, oak,

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and cork trees. The province hosts a range of wildlife species such as foxes, wolves, hyenas, hares, and various birds—some endangered—like the green duck and pink ostrich. Agricultural land covers approximately 1,044,759 hectares, with 28,934 hectares under irrigation and 331,951 hectares rainfed. Pastures span about 122,272 hectares. Agricultural activities are centered on cereals, vegetables, fodder, and fruit cultivation. Livestock production is also notable, comprising over 13,000 cattle (including 5,000 dairy cows), 417,000 sheep, and more than 43,000 goats.

The industrial landscape is modest, with two industrial zones accommodating around 50 enterprises, primarily small and medium-sized businesses. The province also preserves traditional craftsmanship, especially in silver jewelry, weaving, and local garments. Commercially, 40,481 merchants are registered, active in sectors such as retail, services, trade, and crafts.

Despite possessing significant tourism potential, especially with its historical and archaeological assets, the tourism sector remains underdeveloped. It requires substantial investment in hospitality infrastructure, recreational facilities, and the restoration of heritage sites to stimulate local economic growth.

On the social front, the healthcare system has seen considerable progress. The province is served by seven hospitals with a combined capacity of 1,173 beds, 14 polyclinics, 138 treatment rooms, four dialysis centers, and one urban maternity clinic. Healthcare personnel include 468 specialists, 733 general practitioners, 261 dentists, 237 pharmacists, and 2,736 paramedics.

Education has expanded significantly, leading to improved school enrollment rates across all levels. The vocational education sector comprises 13 training centers with a combined capacity of 1,650 seats and five national vocational training institutes with a total of 4,250 seats, bringing the overall training capacity to 5,900 seats.

In higher education, the province hosts a university consisting of multiple faculties, accommodating around 18,919 students—of whom 937 are postgraduates and 17,982 undergraduates—supervised by 986 faculty members and supported by 817 administrative staff. University infrastructure includes 362 departments, 43 lecture halls, 50 computer labs, 25 workshops, and 89 laboratories.

Youth represent a significant demographic force, with nearly 443,113 individuals under the age of 30. To cater to this group, various youth-focused facilities have been established, including 29 municipal stadiums, 12 community sports halls, 187 playgrounds, six swimming pools, and a shooting range. Culturally, the province houses 11 cultural centers, two theaters, two cinemas, 31 libraries, and 232 active cultural associations.

Infrastructure has improved considerably, particularly in utilities. Access to electricity stands at approximately 96%, gas network coverage at 86%, and potable water availability reaches 98%, with an average per capita daily consumption of 155 liters.

Transport infrastructure plays a crucial role in supporting economic and social development. A key project is the newly built land transport terminal in the provincial capital, spanning 2.4 hectares (2,500 m<sup>2</sup> built area), and featuring bus platforms, commercial spaces, and facilities for taxis and urban transport. Additionally, a strategic railway line links Ain M'lila

to Tébessa, passing through several municipalities including Ain Fakroun, Oum El Bouaghi, and Ain Beida. This line, covering 165 kilometers and operating at speeds of up to 160 km/h, enhances regional connectivity.

The postal and telecommunications sector has also evolved, with 71 post offices and 20 telecommunication centers employing 389 personnel, contributing to improved service delivery across the province.

### **2-2-2 Diagnosis of the Internal Financial Resources in the Wilaya**

Following the previous section in which we presented an overview of the wilaya and its various natural, social, and economic potentials, we will now shed light on the capacity of local communities to finance local development through their own resources. To begin, we present a table that illustrates the evolution of local taxation in the Wilaya of Oum El Bouaghi, as shown in Table (02).

**Table (02): Value of Local Taxes Collected for the Benefit of Local Communities in the Wilaya during the Period 2014–2022**

*Unit: Algerian Dinar (DZD)*

<b>Years</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Value</b>	1.000.500.364	1.010.601.798	689.303.183	729.474.519	640.926.070
<b>Years</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	
<b>Value</b>	1.562.721.988	3.117.054.773	1.832.015.347,70	2.828.619.464,73	

**Source:** Prepared by researchers based on data from the Local Development Department

From Table (02), we observe that the highest value of tax revenues was recorded in 2020, reaching 3,117,054,773. Despite the efforts made by tax authorities, the actual tax revenues remain low compared to the expected yields. This is due to several factors, most notably the spread of informal markets, the closure of shops during the presence of census and control agents, the sale and rental of shops and private properties without official contracts or documentation—resulting in tax evasion and avoidance of registration fees.

According to documents obtained from the Local Development Department, the relative importance of local taxation during the period 2014–2022 varied from one municipality to another. The municipalities with the highest shares of total revenue are as follows: Aïn M'lila (38.48%), Oum El Bouaghi (12.72%), Aïn Beïda (6.17%), and Aïn Fakroun (5.69%). The remaining revenues are distributed among other municipalities, with some municipalities such as: Bahir El Sharqi, El Djazia, and Bougrara Saoudi, having virtually no tax revenue.

Moreover, we found that the largest portion of tax revenue in the wilaya comes from the professional activity tax (TAP), accounting for 80.42% of the total, followed by the flat-rate tax (IFU) at 12.63%, and the value-added tax (VAT) at 5.94%, with the remaining portion divided among other minor sources.

To determine the proportion of local taxation relative to the total taxes collected, we prepared Table (03), which provides statistics on the taxes and fees collected in the wilaya during the period 2014–2022.

**Table (03): Taxes and Fees Collected in the Wilaya during the Period 2014–2022**

**Unit: Algerian Dinar (DZD)**

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<b>Years</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Value</b>	9.816.134.820	9.339.623.422	9.530.227.982	10.444.910.920	11.202.683.849
<b>Years</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	
<b>Value</b>	11.687.605.347	11.996.737.738	12.252.748.113	11.449.946.626	

**Source:** Prepared by the researchers based on data from the Tax Directorate.

Table (03) shows that the value of taxes and fees collected in the wilaya during the period 2014–2022 fluctuated continuously between increases and decreases. This variability is due to several reasons, including tax exemptions granted in certain years, changes in the tax base, the evolution of economic activity in the wilaya during various periods (growth or decline), changes in the list of taxpayers, amendments to tax laws, and varying levels of tax awareness.

A noteworthy observation from comparing Tables (03) and (04) is that the state captures the largest share of tax and fee revenues. This supports the theoretical argument presented earlier: that the majority of taxes and fees allocated to local communities are low-yielding, while those collected on behalf of the state are high-yielding.

As for Non-Fiscal Resources, the wilaya recorded its highest value in 2018, amounting to 23,505,218,574. This value was primarily derived from public property revenues. However, in most municipalities, these revenues did not exceed 5%, except in four municipalities: Aïn M'lila, Oum El Bouaghi, Aïn Fakroun, and Aïn Beïda.

To assess the effectiveness of own-source revenues, it is necessary to examine the wilaya's expenditures. Table (04) presents the total expenditures of the wilaya from 2014 to 2022.

**Table (04): Evolution of Total Expenditures in the Wilaya of Oum El Bouaghi, 2012–2020**

**Unit: Algerian Dinar (DZD)**

<b>Years</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Value</b>	12.399.786.872	12.875.096.458	10.721.006.985,61	10.721.006.986	9.995.625.813
<b>Years</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	
<b>Value</b>	10.123.695.787	10.263.987.524	12.639.872.837,96	16.103.298.389,63	

**Source:** Prepared by researchers based on data from the Local Development Department

As shown in Table (04), total expenditures (including both capital and operating expenditures) steadily increased from 12,399,786,872 in 2014 to 16,103,298,389.63 in 2022. However, this period also witnessed some declines: expenditures dropped to 10,721,006,985.61 in 2016, 10,721,006,986 in 2017, and 9,995,625,813 in 2018. These declines were due to the global drop in oil prices in 2014 and the state's subsequent adoption of austerity measures.

The increase in expenditure values reflects the expansion of services provided and projects implemented in the wilaya, particularly given the rise in capital and investment expenditures, which contribute to advancing local development. Additionally, operating expenditures increased significantly, largely due to rising wages and expenses for municipal employees.

Having analyzed both own-source revenues and expenditures during the study period, we now turn to assessing the wilaya's overall financial position. This assessment allows us to determine whether the local communities were able to achieve their development goals using their own resources or whether they required state intervention to finance their projects. Figure

(1) illustrates the financial situation of the Wilaya of Oum El Bouaghi during the period 2014–2022.

**Figure (1): Financial Situation of the Wilaya during the Period 2014–2022**



*Source: excel software outputs*

As shown in Figure (1), the wilaya recorded a budget deficit throughout the study period. This deficit can primarily be attributed to:

- ❖ Low and insufficient own-source revenues, including property income and tax revenues;
- ❖ Failure to collect or capitalize on revenues from public properties in many municipalities;
- ❖ Lack of income-generating real estate in most municipalities; even when such properties exist, they are often poorly utilized;
- ❖ Poor management in some municipalities;
- ❖ Weak oversight of local financial management;
- ❖ Increasing expenditures, including maintenance costs, office supplies, catering expenses, and excessive consumption of fuel, electricity, and gas, etc.

Accordingly, it can be said that the financial capacities of the local authorities in the province are limited and are not sufficient on their own to realize the various development projects. Therefore, there is a constant need for support and assistance from the central government, that is, for alternative external sources to finance their various projects. Table (05) illustrates the evolution of the value of grants allocated to the province during the period 2014–2020.

**Table (05): Evolution of Grants Allocated to Oum El Bouaghi Province (2014–2020)**

**Unit: Algerian Dinar (DZD)**

Years	2014	2015	2016	2017	2018
<b>Value</b>	16.247.662.529	27.430.737.502	14.951.064.004	8.924.251.009	6.113.812.930
Years	2019	2020			
<b>Value</b>	22.370.644.963	28.965.419.000			

*Source:* Prepared by researchers based on data from the Local Development Department

Before analyzing Table (05), it is important to note that the value of the grants mentioned above includes: the Municipal Development Plan (PCD), the sectoral decentralized development programs, and contributions from the Common Fund for Local Authorities. These grants have significantly contributed to meeting the basic needs of the population.

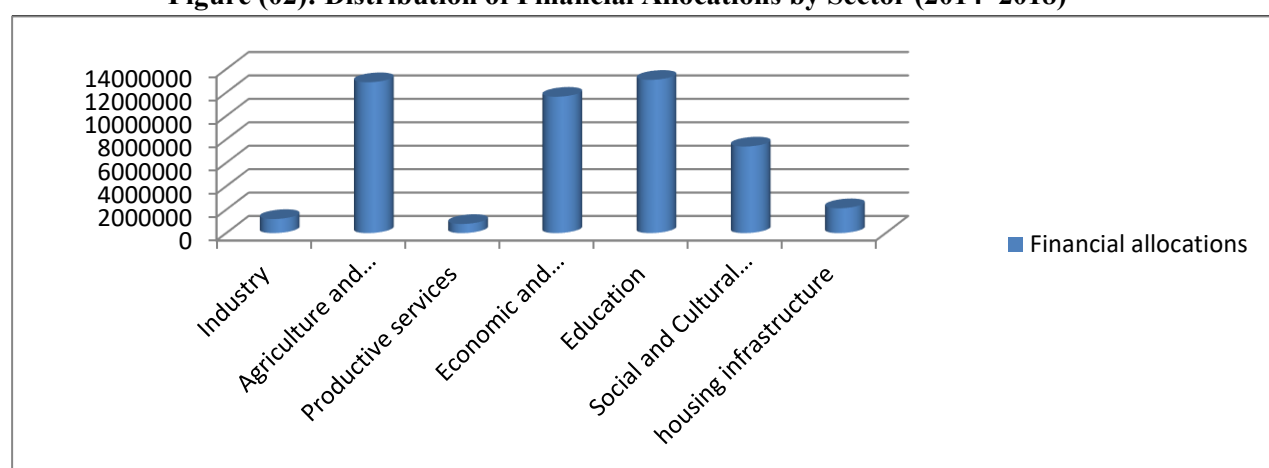
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The first observation that can be made at a glance from the table is the fluctuation in the value of grants received by the province. The highest financial envelope was recorded in 2020, amounting to 28,965,419,000 DZD, while the lowest was in 2018, amounting to 6,113,812,930 DZD. This variation in funding is largely due to the collapse of oil prices since 2014 and the state's inability to meet local needs, which vary from year to year -particularly for municipalities with limited internal revenues. However, the value of grants began to rise again starting in 2017, due to the gradual recovery of oil prices.

Furthermore, the amount of these grants differs from one municipality to another. The municipalities that received the largest financial allocations are the major ones such as Oum El Bouaghi, Aïn Beïda, Aïn M'lila, and Aïn Fakroun, while smaller municipalities -those in need of development and upgrading- have been marginalized.

Regarding the sectors that benefited from these financial envelopes during the study period, there is a noticeable variation in the level of funding among different sectors. However, through our review of the grants allocated under the Municipal Development Plan and the sectoral decentralized programs, it is evident that the industrial sector and productive services sector have been largely neglected in terms of overall funding. as illustrated in Figure (02):

**Figure (02): Distribution of Financial Allocations by Sector (2014–2018)**



*Source: excel software outputs*

A primary observation from Figure (2) is that all sectors benefited- either fully or partially- from the funding provided under the decentralized sectoral program, though the levels varied across sectors and years. The education and training sector received the largest and most consistent share of funding during the study period, with 26.64% of total funds, amounting to 13,086,001,000 DZD, peaking in 2016 at 4,214,807,000 DZD.

Next was the agriculture and irrigation sector, which received 26.23% of total funding (12,882,200,000 DZD), and it also benefited continuously, with its highest allocation in 2015 at 7,823,500,000 DZD. This was followed by the economic and administrative infrastructure sector, which received 23.71% of the total, or 11,644,698,000 DZD, with the highest allocation in 2015 at 4,352,466,000 DZD. Then came the social and cultural infrastructure sector, with 15.06% of the total funding, and its peak allocation occurred in 2014 at 2,685,700,000 DZD.

Several sectors, however, did not receive sufficient financial coverage under the decentralized sectoral program. These include the housing sector, which received a total of

2,120,377,000 DZD (representing 4.32% of the overall program funding); the industrial sector, which received 1,202,000,000 DZD (2.45%); and the productive services sector, which received 781,000,000 DZD, or 1.59% of total funding.

In the same context, it is worth noting that the state-allocated grants represent a key pillar for understanding the mechanism of local development financing in rentier economies, with Algeria being a prime example. These grants rely fundamentally on oil revenues, which constitute the primary source of foreign currency and a central pillar of public financing. Consequently, when oil prices rise, government revenues increase immediately, thereby enhancing the state's ability to allocate relatively substantial financial resources for local subsidies and the support of development projects.

Against this backdrop, numerous studies and research works have recommended the urgent need to diversify the financial revenue sources of local communities and reduce their reliance on oil-dependent grants. Among the most notable proposals are the establishment of sovereign savings funds linked to oil revenues to finance local development projects, as well as the activation of public-private partnerships to mitigate funding volatility.

Therefore, based on the above, it can be concluded that the relationship between state allocated grants and oil prices in Algeria is a direct one. This relationship reveals the fragility of local financing in the face of oil market fluctuations. As such, the financial gap faced by local communities -heavily dependent on inconsistent government support- highlights the urgent need for financial autonomy and resource diversification as a vital engine for achieving resilient local development.

### **2-2-3 Disruptions Affecting Local Financing and Ways to Address Them**

Local financial resources in Algeria face a range of disruptions, which can be classified into two main categories: disruptions related to tax revenues and those related to non-tax revenues. Below is an overview of the key challenges affecting local taxation, both nationally and in the specific context of Oum El Bouaghi Province:

➤ **The weakness of local tax revenues**, which constitute a significant portion of total local income. This weakness is attributed to factors such as tax evasion and fraud, numerous exemptions, and inefficiency in tax collection.

➤ **Lack of balance between tax revenues and local expenditures**, resulting in a deficit in funding development needs.

➤ **Shortage of qualified personnel and weak administrative capacity** in managing local taxation, compounded by poor distribution of human resources, which negatively affects municipal performance.

➤ **The rentier nature of the Algerian economy**, largely dependent on oil revenues, has led to the neglect of regular taxation, especially local taxation, in favor of excessive reliance on central government grants.

➤ **Low returns from local taxes and fees** due to a limited tax base and a small number of taxpayers.

➤ **Lack of an effective tax information system**, as the absence of a reliable economic database limits the ability to effectively collect tax revenues.

➤ **The expansion of the informal economy**, which undermines tax collection, particularly for business activity taxes and value-added tax (VAT).

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➤ **The central government's monopoly over the distribution of tax revenues**, based on the perceived inefficiency of local authorities, restricts their financial autonomy and delays the implementation of development programs.

➤ **The absence of a unified national digital information system** linking municipalities to tax services facilitates tax evasion and unmonitored relocation of taxpayers.

➤ **Rigidity in tax legislation** and the delay in updating legal texts to align with economic developments negatively impact the effectiveness of the tax system.

➤ **Excessive tax exemptions**, while aimed at achieving economic and social goals, deprive local authorities of significant revenue sources.

➤ **Low tax awareness among citizens**, combined with insufficient follow-up from local administrations, results in many taxes and fees being legally enacted but practically unimplemented in several -particularly remote- municipalities.

In light of these issues, a set of measures can be proposed to help public authorities and local governments address these disruptions, including:

➤ **A comprehensive reform of the local tax system**, aiming to establish a flexible framework that can adapt to economic changes.

➤ **Reallocating certain taxes and fees directly to local governments**, thereby enhancing their financial independence and reducing reliance on state transfers.

➤ **Reviewing the distribution ratios and collection methods** of taxes and fees to better reflect the economic and social disparities between municipalities.

➤ **Involving local governments in determining the tax base and rates**, given their in-depth knowledge of their socio-economic environments.

Regarding **non-tax revenue challenges**, the principle of relative financial autonomy for local governments allows them to exploit their assets and economic facilities to generate self-financing. However, these opportunities remain largely underutilized, as illustrated by the following:

➤ **Municipal properties are often rented out at symbolic prices** that do not reflect market values, requiring contract revisions based on principles of competition and transparency.

➤ **Weak self-financing capacity**, due to the limited surplus in operating budgets, renders reliance on this source less viable.

➤ **The absence of clear policies for asset valuation and management**, as many municipalities lack accurate inventories of their assets and do not capitalize on them for profitable projects.

To enhance the role of non-tax revenues, the following measures are recommended:

➤ **Valuation and optimal utilization of municipal assets**, including investing them in income-generating projects such as markets and tourism facilities.

➤ **Imposing service charges on local public utilities**, in exchange for the services provided, while taking into account the citizens' purchasing power.

➤ **Rationalizing local expenditures**, by rebalancing the distribution of financial burdens between central and local authorities, and directing spending toward productive development projects.

➤ **Encouraging local income-generating activities**, such as tourism, traditional industries, waste recycling, and cultural heritage development, in order to diversify resources and strengthen local financing.

### **3- Discussion**

The findings of the study indicate that the local financing system in Oum El Bouaghi Province suffers from structural imbalances that hinder its ability to effectively support local development. This outcome is consistent with previous studies that have emphasized the limited capacity of own-source tax revenues and the weak ability of municipalities to mobilize their financial potential. The empirical evidence reveals that, although local taxation constitutes the primary source of own revenues, it remains weak and unstable. Economic and social conditions, the expansion of informal economic activities, and inefficiencies in tax collection mechanisms further exacerbate this weakness. These findings align with the conclusions of Mahi Zakaria and Mahi Nourelhouda (2025), who highlighted that the largest share of local taxes does not directly benefit local authorities, as well as with the results of Righi Asma (2022), who underscored the narrow tax base in many municipalities, thereby constraining their capacity to finance sustainable development projects.

The study also demonstrates that the growing reliance on government transfers represents a defining feature of local financing in Oum El Bouaghi Province, as such transfers constitute the main source of financial resources, particularly during periods marked by declining own-source revenues. This result is consistent with the findings of Ben Matoug Sabir and Nemdil Wahid (2024), who emphasized the role of the Municipal Development Plan (PCD) in financing development projects, especially in vulnerable areas. This trend suggests that dependence on external funding has become a necessity for many municipalities. However, the results also reveal the fragility of this financing model, given its strong dependence on oil price fluctuations—the primary source of state revenues—which renders local development vulnerable to volatility in rent-based resources and undermines municipalities' capacity for long-term financial planning.

Furthermore, the study highlights a clear weakness in the diversification of local financing sources. The data show that non-tax revenues, despite their potential importance, remain limited and underutilized, either due to the absence of clear policies for valuing and managing municipal assets or as a result of poor governance and weak oversight. This aspect has not been sufficiently addressed in most previous studies, which have predominantly focused on local taxation without offering a comprehensive analysis of alternative funding sources. Consequently, the present study contributes added value by providing a more integrated perspective on the local financial system.

When comparing the findings of this study with the existing literature, it becomes evident that Oum El Bouaghi Province shares similar financial challenges with other Algerian provinces, particularly in terms of limited own-source revenues and declining tax efficiency. However, the present study reveals an additional dimension, namely the inadequate exploitation of non-tax revenues and the lack of integration between internal and external funding sources, which further deepens the financing gap. Moreover, the increase in total expenditures relative to modest own-source revenues underscores the urgent need for expenditure rationalization and

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improved financial efficiency—issues that are consistent with broader theoretical approaches to local public finance reform.

Based on this discussion, it can be concluded that while the findings of the study reinforce the prevailing literature on the limitations of local financing in Algeria, they also offer a novel analytical contribution by emphasizing the interaction between tax and non-tax revenues and examining the role of government transfers in achieving financial balance. The study further highlights the necessity of restructuring the local financial system through revenue diversification, improved tax collection mechanisms, enhanced municipal asset management, and the promotion of sound financial governance, thereby enabling the development of a financing model capable of supporting effective and sustainable local development.

### **Conclusion:**

In order for local authorities to effectively contribute to advancing local development and fulfilling their roles in promoting social, cultural, and economic progress, they require sufficient financial resources that enable them to implement their programs and development projects. The greater the availability and efficient use of these resources, the more effective the local financing system becomes, allowing local authorities to meet the increasing and diverse needs of their populations.

From this perspective, the importance of local financing becomes evident. Achieving high-quality and sustainable local development depends on the availability of continuous, growing, and renewable financial resources. Local financing resources can be broadly categorized into two main types: internal local resources and external local resources.

Internal resources primarily include local taxes and fees. However, the findings of this study reveal that their contribution to financing development projects remains limited, leading to the rejection of the first hypothesis regarding the sufficiency of local tax revenues. Internal resources also include self-generated revenues resulting from the exploitation and investment of local assets. On the other hand, external resources comprise financial support provided by the state to local units to strengthen their budgets, in addition to loans and donations—thus confirming the validity of the second hypothesis presented at the beginning of the study.

An analysis of the current state of local financing in Algeria in general, and in Oum El Bouaghi Province in particular, shows that the system faces a number of challenges. Chief among these are the limited diversity of funding sources, the inefficiency of tax collection mechanisms, and the lack of a strong culture of local financial management. These issues call for a reassessment of the local financial system through the adoption of a comprehensive strategy that focuses on diversifying revenue sources, improving the local tax system, encouraging local investment, and strengthening the capacity of local authorities in financial planning and budgeting. Additionally, fostering community participation in decision-making is essential. In light of these findings, the study confirms the validity of its third hypothesis.

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