

The Curse of the Gaps between Inflationary and Chronic deficit in the Economy

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Abstract

The main objective of this study is to analyze the subject of oil and its impact on the economies of Arab countries and Algeria model. Focus on the theoretical aspect of the phenomenon and scientifically explainable. The results showed that there was a negative impact of oil revenues on Arab economies through the emergence of inflationary gaps and chronic deficit in the balance of trade and see it to rely on this income excessive public spending, both current and investment.

Keywords: The oil sector, the public budget, The Arab countries, Algeria

"John Roberts" says at the beginning of his book "despite the changing role of the oil with time, but it is never far from the front pages of newspapers, The invasion of Iraq to Kuwait in 1990 led to the Gulf War in 1991, which sparked a heavy debate on "the oil war" Some argue that the war on Iraq in 2003 and the continued American presence in it is also because of the oil. The adoption of the United States and other major developed countries to imported oil means that this item plays an important role in national security considerations and international relations"

Introduction

Oil revenues are considered as an important source of financing in various forms in the financial systems of the Arab countries producing and exporting oil, as the primary supplier, and become one of the countries with economies in rent.

It has also become macroeconomic performance depends greatly on the rise or reduction price of oil, as well as production quotas"

Given that the general state budget reflects that the financial plan that includes revenue and public expenditure for future financial period is usually a year. The growing role of the oil sector in the economies of the Arab states made it rely largely on the revenue of this sector in engineering budgets and programming public spending. Therefore, the consequences for the future neglect in addition to outside the hydrocarbons sector (agriculture and industry in particular), given the rates of contribution to the GDP of these countries.

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Algeria, like other Arab countries, the ratio of the hydrocarbon sector in the GDP (PIB) in the early years of independence is very modest approximate 16% of the PIB in 1969, rising in 1979 to nearly 30%, and continues to rise and become the hydrocarbon sector heavy weight in the composition of output domestic product increased by 36.7% in 2011.

From the above stated points, the researcher will address the following research question:

What is the Impact of the oil Sector in Making Choices for the Arab Governments and what are its Effects sides on their Economies?

The Importance of Research

The importance of this research is highlighting the role played by the oil sector and the contribution of the oil revenues in the budgets of the Arab producing and exporting oil countries, which are countries rener rely heavily on this source, and its consequences are due primarily to the fluctuation continuous oil markets (along with prices, and oil production).

Research Hypothesis

The accreditation to a great extent on oil revenues in the formulation of the general budget of the state contributes to exposing the latter and the economy as a whole, to shock resulting from fluctuations happening in the oil sector due to the high price of oil and its reduction as well as production quotas imposed by the Organization of Petroleum Exporting Countries.

1- Oil ... Concepts and Scientific Grounds

1-1 What are the Oil and its Basis Formation?

Crude oil or petroleum (are used in the same sense) is technically a mix of plants and heavy hydrocarbons, which are derived mainly from the stores of crude oil, when their plans hydrocarbons in stores natural gas known as behalf Condensate, in fact treats the condensate oil as it can produce oil stores light liquid hydrocarbons such as propane and butane. It consists of oil from the remnants of organic material, plant and animal.

She lived and died in the seas and oceans, and then buried among the rocks, and as a result of exposure to high temperature and pressure and the interplay of the bacteria with them over the course of millions of years, it turned into hydrocarbons.

1-2-The Increasing Global Demand for Oil

Oil is a global commodity frequently demands since it is the most widely used and the least expensive in the world. They are eager to increase the consumption of this article is rapidly in the coming years, especially in countries such as China, which is known as accelerated depreciation of one year to another and the following table shows rates of the high demand for oil compared with other energy sources in the world.

Table (01): Global Demand for Primary Energy 1971/2030 (MTOE)

	1971	2006	2010	2030
Oil	2450	3604	4272	5769
Gas	895	2085	2794	4203
Coal	1449	2355	2702	3606
Nuclear energy	29	674	753	703
Hydro	104	228	274	366
Other types of renewable	73	233	336	618
Total	4999	9179	11132	15267

Source: john Roberts, op, cit, p 09

1-3 - Oil reserves in the Arab countries

The Arab region is the most important sources of oil in the world, large reserves, contributed to the strengthening of the growing global demand and that is what renders him Observers of the subject to further excavations and discoveries of oil in the region, and the following table illustrates this evolution:

Figure (02): Proven Oil Reserves in Some Arab Countries (Billion Barrels)

	2008	2009	2010	2011	2012
EMARAT	97,8	97,8	87,8	97,8	97,8
BAHRAIN	0,1	0,1	0,1	0,1	0,1
TUNIS	0,6	0,4	0,4	0,4	0,4
ALGERIA	12,2	12,2	12,2	12,2	12,2
ARABIE	264,1	264,6	264,5	265,4	265,9
SYRIA	2,5	2,5	2,5	2,5	2,5
IRAQ	115,0	143,5	142,3	141,4	141,4
QATAR	25,4	26,5	25,5	25,3	24,9
QUWAIT	101,5	101,5	101,5	101,5	101,5
LYBYA	44,3	46,42	47,1	48,0	48,5
EGYPT	4,4	4,5	4,3	4,3	4,2

Source: Organization of Arab Petroleum Exporting Countries (OAPEC), Annual Statistical Report, the Safat .13066 Kuwait 0.2013, p 08

It is recognized that the Arab countries possess huge reserves of oil. Saudi Arabia has acquired a stake estimated at 264.6 billion barrels according to the latest statistics released by the Arab Monetary Fund, followed by Iraq with 143.1 billion barrels, Kuwait with 101.5 billion barrels. Algeria occupies seventh place (07) Arabs in this category.

Algeria like other Arab countries with reserve big oil, known as production rates varying degrees, has risen significantly, especially after the nationalization of the oil sector in the country, to settle down after that. It dropped to its lowest level in years eighties because of the crisis resulting from the drop in oil prices and his reduced production. This table shows the evolution of oil production in Algeria.

Table (03): The Development of Oil Production in Algeria

Year	1971	1972	1973	1974	1975	1976	1977
Production	785,4	1062,3	1097,3	1008,6	982,6	1075,1	1152,3
Year	1978	1979	1980	1981	1982	1983	1984
Production	1161,2	1153,8	1019,9	797,8	704,8	660,9	695,4
Year	1985	1986	1987	1988	1989	1990	1991
Production	672,4	673,9	648,2	656,6	727,3	789,9	803,0
Year	1992	1993	1994	1995	1996	1997	1998
Production	756,5	747,3	752,5	752,5	805,7	846,1	827,3
Year	1999	2000	2001	2002	2003	2004	2005
Production	749,6	796	776,6	729,9	942,4	1311,4	1352

OPEC, Annual Statistical Bulletin 2006 p. 21

It is noticeable from the above table that in the nineties, the improvement in the rate of production compared to the eighties, but it has not been baled. Algeria achieved good levels, and remained the production rate ranges roughly between 750 and 850 thousand barrels per day. But with the beginning of the new millennium rebounded sector, and entered production in period of new growth, and at the end of 2005 amounted to about 1.352 million b / d, which equates to almost twice the rate of production in the nineties.

This reflects the size of the production effort since the nineties, especially in recent years, both in the field of exploration or exploitation, through the exploitation of the resources of some newly discovered oil fields. But always the directives in OPEC production quotas contribute in reducing the growth rate of the sector.

But in return, and as the petroleum industry, which represents a range of economic activities, events or industrial processes relating to the exploitation of oil wealth and whether to find it raw and convert it to a raw commodity products are valid and ready for use and consumption directly or indirectly by a human. The Arab countries despite its possession of these huge reserves, but they do not bother manufacturing industries in this area, radishes Arab countries produce crude oil and petroleum derivatives re Estrada from developed countries which imported the oil.

1-4 - The Share of the Oil Sector in the Budgets of the Arab States

The collection of Petroleum shared important public revenues of the Arab countries on the one hand thanks to high oil prices continuing, and on the other hand, the low rate of withholding tax, which was estimated in the range of 15% of GDP.

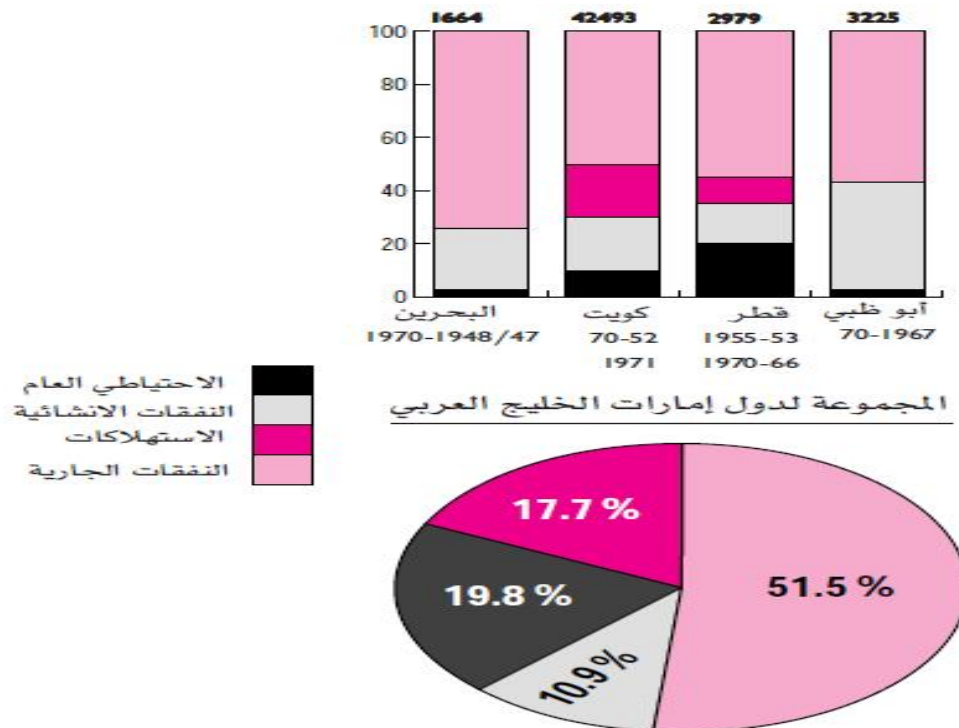
Figure (04): Share Oil Revenues among Public Revenues in the Arab Countries

	1998	1999	2000	2001	2002	2003
Oil revenues as a percentage of overall revenue	45,7	48,1	61,3	59,2	57,2	63,2

Source: Unified Arab Economic Report 2004, p: 314.

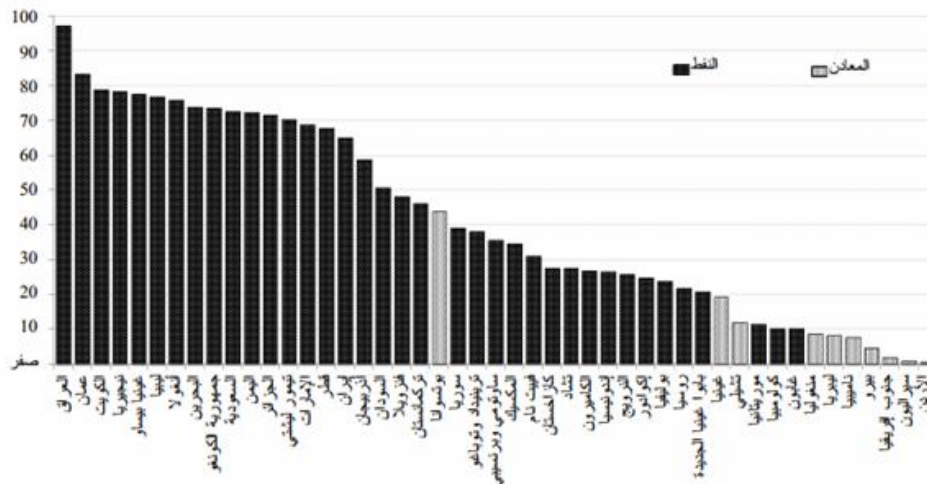
Although dependence on oil revenues to finance public expenditures, with the effects of the Arab economies, because it related to the export of a single product (oil) which doubles as a dependency economies of the countries exporting raw materials to the industrialized countries, which make matters worse, dependence on oil revenues in the management of affairs of state, and a model for aspects of the allocation of oil revenues in the countries of the Arabian Gulf Emirates as it is shown in Figure (01):

Figure (01): Aspects of the Allocation of Oil Revenues in the Countries of the Arabian Gulf Emirates



Mahmoud Abdel-Fadil, oil and contemporary problems of the development of the Arab world of knowledge for Publishing and Distribution, April 1979, Kuwait, p 99 What is observable from the graph that the Arab countries concerned specialty accounted for 10.9% of the expenses of the construction of the programs of investment, and 17.7% of depreciation, and 19.8%\$ dedicated to the general reserve, and controversial that the lion's share, estimated at 51.5% is allocated to current expenditures, which are on the whole expenses of wages and employees' salaries.

Figure (02): Revenues From Natural Resources in Some of the World



Source: International Monetary Fund report revenue mobilization in developing countries, Fiscal Affairs Department, 2011, p 17.

2. The oil Sector ... is it a Blessing or a Curse for the Arab Countries?

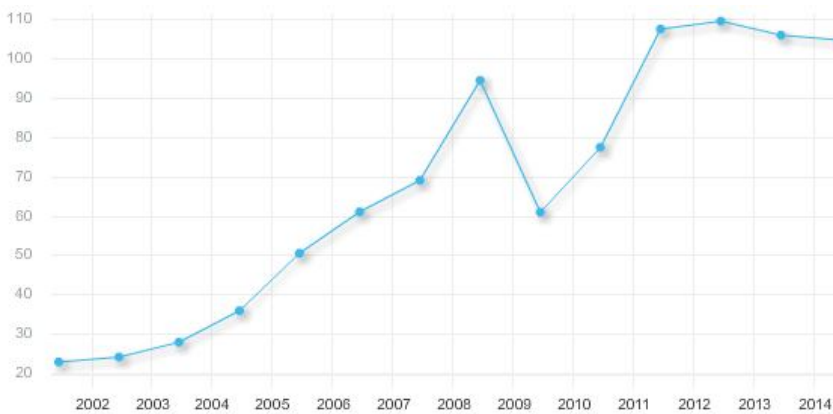
2-1 Overview of the Fluctuation of oil Prices and Revenues and its Role in Bringing about the Structural Imbalances in the Economy

The increasingly high cost of extracting oil prices, as well as the petroleum effect of increasing prices of various goods and services in many countries, causing global inflationary pressures, have been affected by the Petroleum Exporting Countries themselves.

Analysts were unanimous that despite the rising price of oil, but it will not affect the economies of major countries as they reached a degree of diversity and strength not to allow her vulnerable to situational variables and external.

The head of the United States of America, "Jimmy Carter" while presenting his program to reduce energy consumption and that was in 1977, "threaten national disaster in the near future, the energy crisis did not overwhelm us yet, but it will overcome inevitably if we do not take measures immediately," and the graph includes oil prices:

Figure (03): The Evolution of oil Prices



Price of oil	Year
23.12	2001
24.36	2002
28.10	2003
36.05	2004
50.64	2005
61.08	2006
69.08	2007
94.45	2008
61.06	2009
77.45	2010
107.46	2011
109.45	2012
105.87	2013
104.61	2014

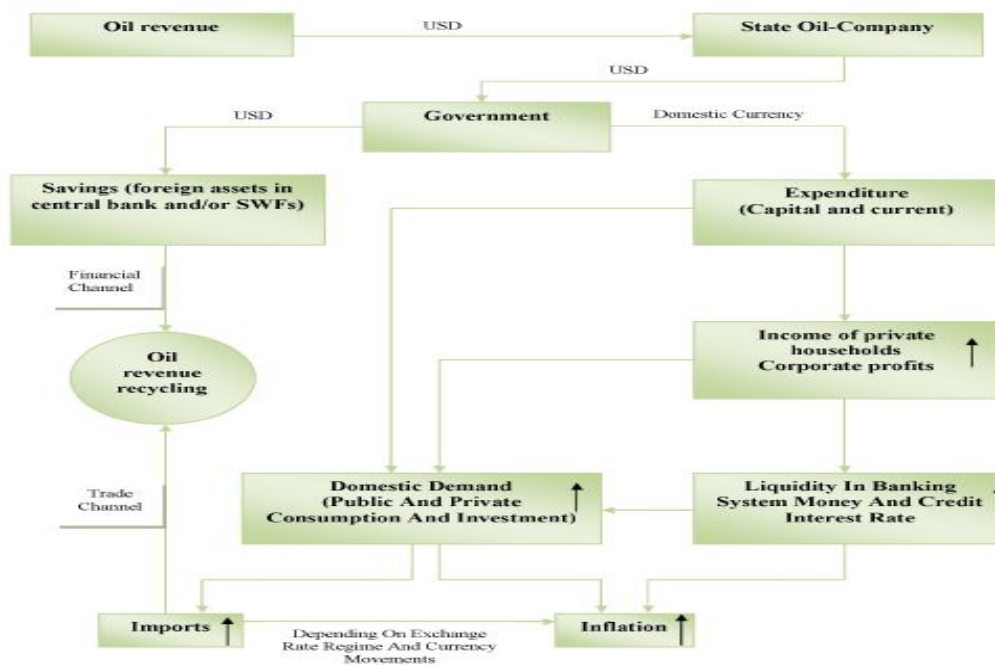
Source: - U.S.. Department of energy information administration.
 - OPEC http://www.opec.org/opec_web/en/data_graphs/40

The increase in the contribution of the oil sector in GDP growth has led to a decline in the role of non-oil sectors of most Arab and in particular the Gulf countries which have been launched on the Dutch disease.

2-2 The Emergence of Inflationary Gaps and Chronic Deficit in the Economies of Oil

"Michael Sturn and Juan Gonzalez (2009) deals with" the important point is that most countries that rely heavily on oil revenues to support their balance sheets, the allocation is an important aspect of public spending from oil source, these countries suffer from the other side problem of gaps in chronic inflationary economies, can be illustrated by the following Figure :

Figure (04): Dependence on Oil Revenues and the Emergence of Inflationary Gaps



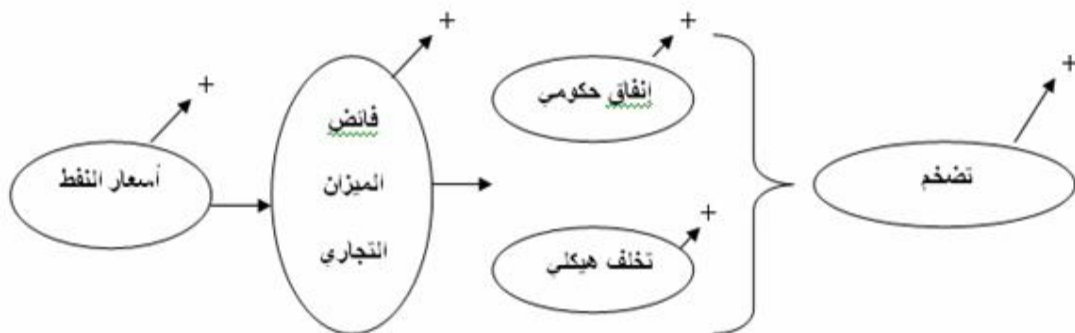
Source: Michael Sturn and Juan Gonzalez, fiscal policy challenges in oil-exporting countries a review of key issues, Occasional paper series, European central bank, n 104/June 2009.

Professor "Mohammad Khaled al-Hariri" explains that the relationship between the increase and reduction of the oil prices and the impact on the national economy through the emergence of imbalances in the economy shifts as follows:

2-2-1 The Phenomenon of Inflation

As rising oil prices on the one hand contribute to the creation of a surplus in the trade balance, pushing the state to raise rates and government spending, which is one of the reasons for the emergence of inflationary gaps, as this Positivism lead to structural imbalances in the economy resulting from the failure of the productive sector on the other. This is illustrated by the following graph:

Figure (05): The Increasing Phenomenon of Inflation Due to High Oil Revenues



Source: Mohammed Khaled al-Hariri, the role of fiscal policy to achieve economic reform, doctoral thesis, University of Damascus, 2005, p 8

The welfare of Finance (resulting from high oil revenues) paid by many countries to increase the volume of imports from abroad, and this is signed into the trap of imported inflation, and returns the size of the increase to the increased spending on imported consumer goods, and can be traced much of the inflation in The value of imports is not only to increase the volume of imports, but the same is also the high prices of components.

2- 2-2 Chronic Deficit in the Public Budget and the Current Account

The drop in oil prices has a negative impact on the oil-exporting countries through low entry, as the economies of rents, have proven repercussions of the crisis of petroleum in the eighties, the fragility of the economies of oil, with lower oil prices and deteriorating exchange rates and real interest rates, and resulted in this situation to lower income oil from 900 billion dollars in 1980 to reach 60 billion U.S. dollars, followed by the occurrence of severe disability in the current account has been reluctant Most governments between the policy of reducing aggregate demand and between the follow-up policy of openness that used them, and the non-oil countries have benefited from the bill of oil, but on the other hand, revenue dropped from Milli support their currencies and remittances from abroad, which led to an increase in the overall budget deficits to reach the 20% of GDP. And these effects can be illustrated by the following Figure:

Figure (06): A Current Account Deficit and the Budget as a Result of Lower Oil Prices



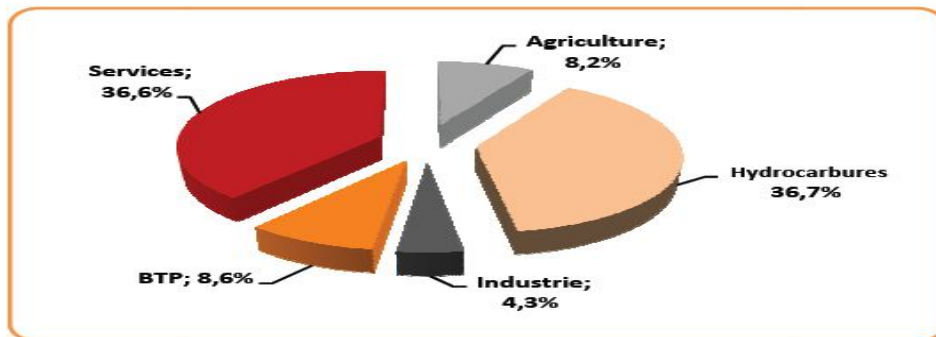
Source: Mohammed Khaled al-Hariri, the role of fiscal policy to achieve economic reform, op cit, p 8.^

Algeria ... the status of the oil sector in the Algerian economy and oil revenues within the overall budget:

3-1 the Oil Sector and its Role in the Formation of GDP

Because of the weight of the branch "fuel" in the formation of value-added, and has a heavy weight as well as in the formation of the gross domestic product increased by 36.7% in 2011, as shown in Figure pro.

Figure (07): The Sectoral Composition of Output of Domestic Product



Source: Department of Forecasting and Statistics, report on the development of the national economy in 2011; p15

3-2 The Dominance of Petroleum Levy on the General Budget

Dependent state in order to ensure that the process of public services and the implementation of plans of development on a variety of sources to ensure the revenue needed to cover expenses, these revenues consist principally of revenue collection regular, and revenue collection petroleum. Given that the collection of petroleum characterized by instability, and the fluctuation of proceeds, according to the fluctuation of prices of petroleum and production quotas imposed by the Organization of Petroleum Exporting Countries OPEC, along with the impact of climate proceeds dinar to the dollar exchange rate, and that the regular collection has always been under the desirable level, it greatly affected the total income of the state budget

It was the contribution of the petroleum levy in its heyday during the years 1980 and 1990 where I knew - 63.2% and 64.2%, respectively, and then began to decline starting in 1982, I knew where to drop significantly and reached its worst ratio of 23.9% and 22 0.02% two years of 1986 and 1987 because of the oil crisis in 1986 where oil prices fell, as the price per barrel \$ 13 with the beginning of the year 1986 and intensified the decline, reaching \$ 11 in 1988, and the owner of this collapse in oil prices, the depreciation of the dollar also increased by 40 to 50%.

Although the tax reform which was initiated at the beginning of the nineties, the equation has not changed.

He could not overcome the problem of dual two economies oil and non-oil, and this is reflected by the structure of the tax system as the regular collection over the period from 1990 and 2000, ranging between 33.2% and 39.2%, meaning that the weight of the oil collection is still dominant. After the return of high oil prices known collection of petroleum during the period 1980/2008 in terms of development and due Datha, making the percentage of its contribution to the financing of the general budget of the state is very large, unlike the regular collection that remained modest contribution. This is shown in the table

Table (05): Regular Collection and Collection of Petroleum in the General Budget of Algeria Period 1980/2008 Unit: Million DA

Year		Tax Petroleum(2)	Total Tax (3)	Total public revenue ⁵	The proportion of tax revenue to the regular public	The proportion of tax revenues to the General Petroleum
1970	4956	1350	6306	6306	78,6	21,4
1971	5271	1648	6919	6919	76,2	23,8
1972	5502	3278	8780	9178	59,94	35,7
1973	6200	4114	10314	11067	56,02	35,7
1974	8255	13399	21654	23438	35,22	37,1
1975	9823	13462	23285	25052	39,21	57,1
1976	9953	14237	24190	26215	37,96	54,3
1977	14437	18019	32459	33479	43,12	53,8
1978	18014	17365	35375	36782	48,9	47,2
1979	18328	26516	44844	46429	39,4	57,1
1980	20368	37658	58026	59594	34,1	63,2
1981	25760	50954	76714	79348	32,4	64,2
1982	27990	41458	69448	74246	37,6	55,8
1983	40132	37720	77852	80690	49,7	46,7
1984	46968	43841	90809	101365	46,3	43,2
1985	46991	46787	93778	105850	44,4	44,2
1986	52656	21439	74095	89690	58,7	23,9
1987	58215	20479	78694	92984	62,6	22,02
1988	58100	24100	82200	93500	62,1	25,7
1989	64506	45500	110006	116400	55,4	39,1
1991	82969	161500	244469	249169	33,2	64,8
1992	97412	193800	291212	300176	32,45	64,56
1993	126100	179218	305318	320100	39,4	55,9
1994	163200	222176	385376	434200	37,6	51,2
1995	241940	336148	578130	600900	40,2	55,9
1996	284940	507120	792770	824800	34,5	61,5
1997	312790	570765	883550	926700	33,7	61,6
1998	342560	378714	691280	791500	43,8	47,8
1999	343770	560120	903890	972354	35,3	57,6
2000	362400	720000	1082410	1190750	30,4	60,4
2001	409376	840600	1249976	1403440	29,2	59,9
2002	482904	916400	1321124	1457624	27,7	62,4
2004	532300	862200	1394500	1528000	34,8	56,4
2005	596530	899000	1495930	1635830	36,4	54,9
2006	610770	916000	1526770	1667920	36,6	54,9
2007	676116	973000	1649116	1802616	37,5	53,9
2008	754800	970200	1725000	1924000	39,2	50,4

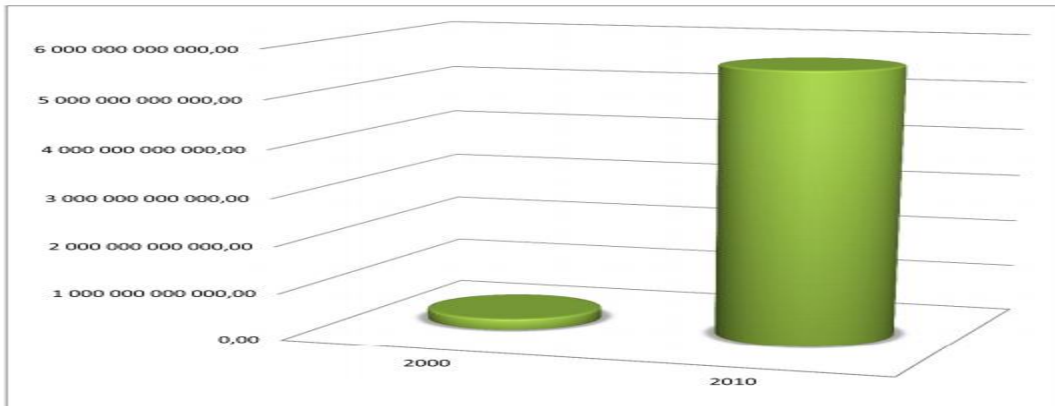
Source: Based on the reports of the Ministry of Finance, the Directorate General of Taxation and financial laws.

2-2 Box set of Resources for Shelter Surpluses of Petroleum and its Relation to the Overall Budget

The structural weaknesses of the budgets of the Algerian over all the previous stages is essentially double the contribution collection regular, high share of necessary expenses, in addition to the need to ensure the financial resources necessary for the State to terminate the project processing and recurrent expenditures resulting .In order to respond to these concerns, and style What is happening in the oil-producing countries, has been set to establish a fund resources by Complementary Finance Act of 2000.

The Fund resources adjust resources consist of surplus oil revenue collection, and allocate these resources to adjust the balance of the general state.

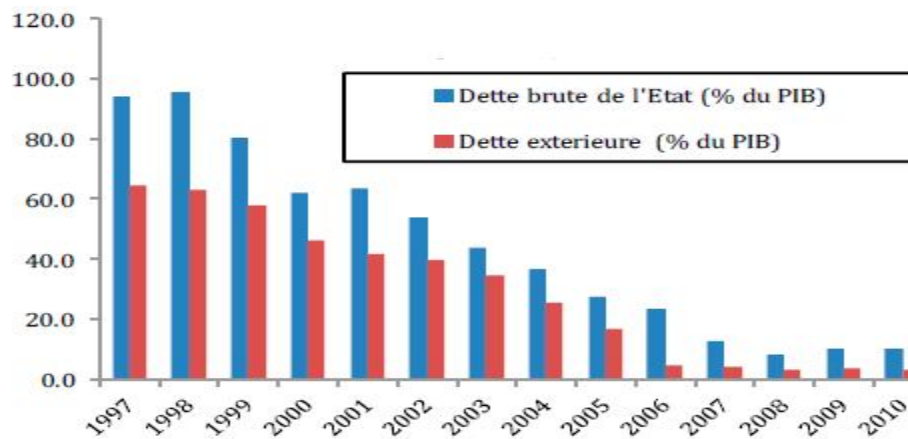
Figure (08): Status of Fund Resources Adjust to the end of 2002 dget (to Pay the Deficit in the Budget) and Debt Repayments



Source: Ministry of Finance, Department of Communication, Ministry of Finance, after fifty years, Algeria 2012

The Fund's resources helped by the growing recovery in the price of oil in the world markets of the values of the state to pay the foreign debt, which fell to a great extent, as it is shown in Figure(09):

Figure 09: External Debt as a Percentage of Gross Domestic Product (PIB)



3-3 The Dominance of oil Exports to Total Exports

Algerian exports became dominated by oil exports, although the balance of trade has become to achieve a trade surplus and considering continuing his analysis leads to the development of a weak point in the fragility of his position is structured consisting of 98% of exports of fuel, so as shown in the following table:

Table 06: The Commodity Composition of Exports During the Period 1998/2005

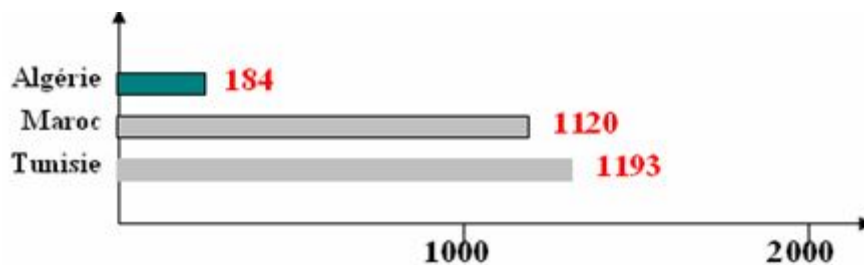
1998		2000		2002		2004		2005		2007		2009	
27	0,26	32	0,14	35	0,15	59	0,18						
9855	96,49	21419	97,22	18091	97,56	31302							
45	0,44	44	0,2	51	0,30	90							
254	2,48	465	2,11	551	1,46	571							
7	0,06	11	0,04	20	0	0							
9	0,08	47	0,21	50	0,08	47							
16	0,15	13	0,05	27	0,04	14							
10213	100	22031	100	18825	100	0,04							

Source: Directorate General of Customs, the National Center for Statistics and Information Automated Customs (CNIS)

3-4 The Fate of the Hydrocarbon Sector and the Proportion of Outside Influence in the Rate of Economic Growth

The dominance of the hydrocarbon sector to GDP, which amounted to nearly 40% and 98% of exports, this situation is known to shrink in return outside Fuels sector, which is still stalled in the proportion of 2% of exports. Compared with neighboring countries such as Tunisia and Morocco, a significant decline in exported goods, as shown in the following Figure:

Figure 10: The Number of Exported Products in the Countries of the Maghreb

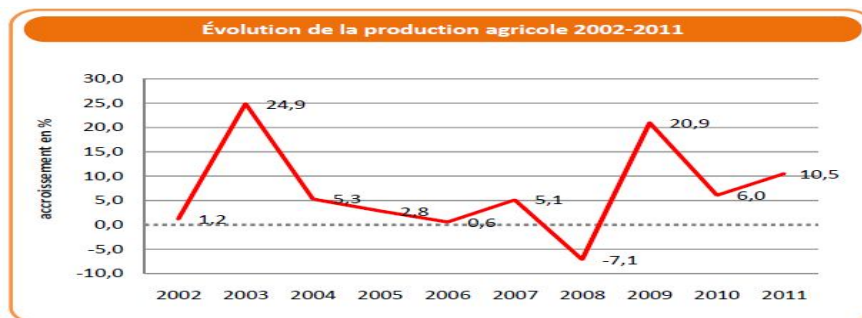


Source: fiftieth anniversary of independence: LESSONS AND VISION OF ALGERIA 2020 Chapter Economy Report 2020 Nabni January 2013, p26.

3-4-1 Agriculture Sector

This sector is known to fluctuate in the other ratios and production rates and growth was recorded as the highest rates recorded in this sector in 2003 and 2008, as shown in this Figure:

Figure 11: Evolution of the Rate of Production and the growth of the Agricultural Sector and its Contribution to GDP



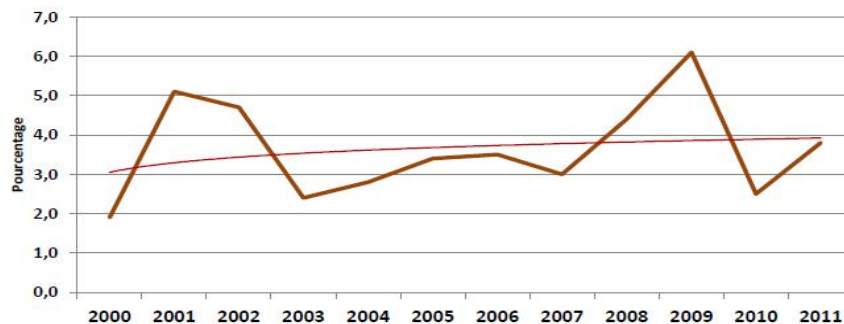
Source: Department of Forecasting and Statistics, op.cit, p17.

The reasons for this rise in season 2008/2009 which is almost a growth sector 19%, as well as the year 2003 by 17%, due to the causal two: the rainy season recorded this year and the preliminary results of the National Programmed for Agricultural Development (PNDA), and the national program for rural development and agricultural (PNDRA).

3-4-2 Industry

The observed growth rates are very low in the production of the industrial sector the public from year to year with the exception of activities related to the construction sector and public works. This is illustrated by the graph.

Figure 12: Evolution of the growth Rate of the Industrial Sector



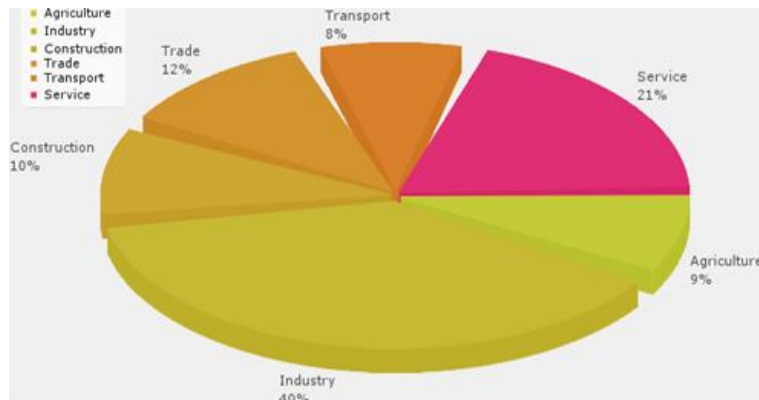
Source: ONS, the Technical Directorate for National Accounts, op.cit.p 5.s

This situation continued for the industrial sector without the intervention of public authorities in this sector to improve the evidence is very modest growth rates recorded in the years 2010 and 2011.

Despite recording some positive results, such as higher production of the food industry, 21% in 2011 versus 3.3%. Year 2010, and higher milk production 30.1% in 2011 versus 10.6 in 2010. Also according to the latest reports to the Office of National Statistics for the year 2012 it was recorded higher overall growth of the industrial sector by 1.2%, while the industrial sector out of fuel grew by 4.6% compared to year 2011, which witnessed a remarkable decline, and support the growth of the leather and footwear industry (12.4%) as well as the growth sectors of the mineral.

While the bulk of the industrial sectors have seen other noticeable delay and this was a marked improvement on the effect of the evolution of the total value added as noted in the following Figure:

Figure (13): The Evolution of Value-Added Economic Sectors during the Year 2012

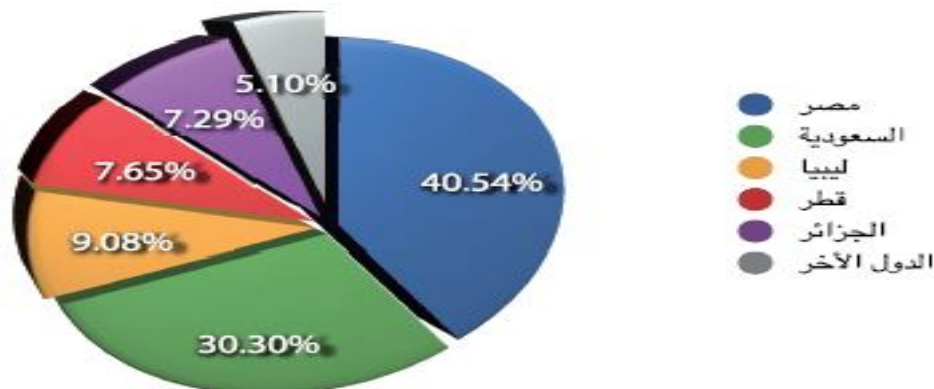


Source: International macroeconomic research at the site <http://fr.kushnirs.org/> accessed 17/05/2014.

Despite some developments but it remains the industrial sector too late, it has been arranged Algeria ranked last among Arab countries through the contribution of value-added manufacturing in GDP through the classification established by the Arab Organization for Industrial Development and Mining in its report titled Report Arab industrial Year 2007,

The remaining reasons behind the decline in this sector in the lack of interest by the state in this sector, and obstacles existing and continuing in the creation of small and medium enterprises, also omitted the state to focus on public investments in the industrial sectors, the strategy, such as iron and steel sector, which was delayed when Algeria, has been arrangement ranked last Within the first five Arab states in the production of iron and steel., as it shown in the diagram:

Figure (14): The Five Largest Producers of Iron and Steel in the Arab World



Source: Arab Organization for Industry and Infringement, op cit, p 48.

By analyzing the growth rates in the previous three sectors, it does not show the effect of public spending on economic growth because they are affected by other factors mentioned above and thus no multiplier effect of public spending.

3-4-3 - Public Works Sector

custom development of big scoring good growth rates reached a maximum of 8.2% in 2002, the highest rate in all sectors, the evolution of the rate of 11.6%, and its share in terms of the composition of GDP has risen from 8.5% in 2003 (13.2% out of fuel) to 8.7% in 2007 (17.5% out of fuel). While the decline in the value growth of this sector in the year 2011 to 3% compared with the period 2006/2009, which reached 8.4%, and is generally attributed this rise mainly due to the increase in capital spending by 23% match the increase in the proportion of investment in infrastructure, so that the proportion of investments directed infrastructure compared to the total budget of the programs within the processing economic recovery and support program growth of 8.9% in 2000 to 47.5% in 2006 and included several vital sectors. He also stressed the report of Economic and Social Council for 2009 has been completed more than a million housing with the end of the year 2009, adding that the pace of achievement moved from 110000 housing / year in 2004 to 220,000 housing in 2008 and then to 275,000 housing in 2009, and had a budget of the Ministry of housing during the years 2009 and 2010, about 9.9 billion and 10.7 billion DA respectively.

The effort investment mighty effort in the field of facilities began to bear fruit, both through the expansion of road networks and intensify, and through the establishment of the highway east-west, with a length of 1,216 km, to be the liaison between the states of Annaba, Tlemcen passing by 24 states of the country.

Since there are at least 538 bridges and 13 tunnels and dozens of junctions that connect remote cities far from the line of the highway, taking advantage of the highway east-west from the cover of Mali more than 800 billion dinars. Thus evident multiplier effects of public spending on this sector.

3-4-4 Services Sector

While the services sector is also back it clear multiplier effect of public spending growth rates recorded during a very acceptable and reached a maximum of 7.7 in 2004 and 6.9 in 2008.

Conclusion

The bottom line is that the sectors contributing to the overall growth and especially the hydrocarbon sector is affected by external factors resulting from changes in oil prices and production rates imposed by OPEC, the agriculture sector is defined is also fluctuate due influenced by season drought and rain, while the manufacturing sector observed growth rates modestly too, but knows this sector rising production of the private sector. While known to produce the industrial sector and the public retreat declined significantly from year to year with the exception of activities related to the construction sector and public works.

And humbly contribute sectors outside hydrocarbons in the gross domestic product, which reflected negatively on the cost-effectiveness of regular collection. While affect the effort of the state and shows the multiplier spending only on the sector of public works who knew recording good growth rates and rising share in the GDP reached a maximum of 8.5% in 2003, and this is due, mainly due to the increase in capital spending in the area of residential facilities, and the expansion of road networks and intensify , and the establishment of the East-West highway and the service sector is the other afternoon it clear multiplier effect of public spending growth rates recorded during a very acceptable and reached a maximum of 7.7 in 2004 and 6.9 in 2007. These results confirm the hypothesis subject.

It is confirmed by the World Bank study in 2008 on the 93 countries surveyed with regard to economic productivity that Algeria is ranked 85, despite the huge investments which are considered better in the region.

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