



The Reality of Municipal Financing between Financial Dependence and the Requirements for Reforming Tax Revenue Distribution in Algeria

Dr. Rabeh Benyettou¹

University of M'sila (Algeria)

E-mail: benyettou.rabeh@univ-msila.dz

Dr. Omar Dehimi²

University of M'sila (Algeria)

E-mail: dehimi.omar@univ-msila.dz

Dr. Khaled Bourahli³

University of Ouargla (Algeria),

E-mail: bourahlikhaled_19@yahoo.fr

Dr. Fateh Mabrouki⁴

University of Eloued (Algeria)

E-mail: mabrouki-fateh@univ-eloued.dz

Received: 02/02/2026.

Accepted: 12/05/2026.

Published: 16/06/2026

Abstract:

This study aims to analyze the reality of municipal financing in Algeria in light of the continued financial dependence on the Public Treasury, and to demonstrate the impact of the tax revenue distribution system on the limited financial autonomy of local authorities.

The study concluded that the tax revenue distribution system, in its current form, does not achieve the desired objective of actual financial autonomy for municipalities. Rather, it reinforces their financial dependence on the central administration, which limits the effectiveness of fiscal decentralization and weakens municipalities' ability to respond to growing local needs. This indicates that reforming the mechanisms for distributing tax revenues constitutes a fundamental entry point for strengthening municipal financing, by revising distribution criteria, expanding local fiscal resources, and improving collection and control mechanisms, in order to address developmental disparities and ensure more efficient and sustainable local development.

Keywords: Municipality; Local Taxation; Taxes; Municipal Financing.

JEL Classification cods: H71; H72.

Introduction:

Local finance is one of the most important factors in the success of administrative and economic decentralization policies, as it represents the central instrument that enables local authorities to exercise their legal powers, provide public services, and implement sustainable local development programs. In light of modern economic transformations, the role of the municipality is no longer limited to traditional administrative management; rather, it has become a key economic actor that is expected to contribute to wealth creation and investment



attraction. However, this developmental role remains dependent on the extent to which the municipality enjoys financial autonomy, which provides it with flexibility in decision-making and in mobilizing sufficient resources to cover its expenditures.

In the Algerian context, the financial performance of municipalities continues to be characterized by structural weakness that hinders their full autonomy. The financial reality shows that most local authorities remain dependent on central transfers and subsidies to cover their operating and equipment expenditures. This imbalance is due to several interrelated factors, foremost among which are the weak tax yield of own resources and the noticeable imbalance in the mechanisms for allocating and distributing taxes and fees shared between the State and local authorities. The current tax system also reinforces severe territorial disparities, as tax revenues are concentrated in specific economic hubs, thereby deepening the gap between wealthy municipalities and poor municipalities.

In the face of these challenges, an urgent need has emerged to reform the local financial and tax system. This is reflected in the recent orientations of public authorities aimed at reviewing local taxation mechanisms and the financial solidarity system, with the objective of enabling municipalities to obtain stable and equitable own resources.

Research Problem:

In order to address this topic, the following question may be raised:

To what extent does the municipal financing system in Algeria contribute to reinforcing the financial dependence of local authorities, and what are the requirements for reforming the mechanisms for distributing tax revenues in a way that ensures financial autonomy and local development?

The following sub-questions arise from this research problem:

- What is the reality of municipal financing in Algeria under the current tax and financial system?
- To what extent do the current mechanisms for distributing shared taxes contribute to reinforcing the financial dependence of municipalities and widening regional disparities?
- What are the proposed approaches and reforms at the level of tax share distribution to activate the financial autonomy of municipalities and enhance their developmental role?

Study Hypotheses:

To answer the research problem raised, the study relies on the following hypotheses:

- **First hypothesis:** The financial system of municipalities in Algeria is characterized by near-total dependence on central subsidies, resulting from the weakness of the local tax base and the inefficiency of tax collection mechanisms.
- **Second hypothesis:** The currently adopted rates for distributing the proceeds of shared taxes and fees contribute to weakening the financing capacity of municipalities and limit their financial autonomy compared to the share allocated to the central budget.



- **Third hypothesis:** Re-engineering the tax allocation system, by increasing municipalities' share of high-yield taxes and reforming the Solidarity and Guarantee Fund for Local Authorities, will inevitably strengthen tax autonomy and reduce the financing gap between municipalities.

Study Methodology:

In this study, we used the descriptive analytical approach by reviewing the legal and regulatory framework of local taxation and analyzing the reality of municipal revenues and their sources of financing, with a focus on the mechanisms for distributing tax revenues and their effects on the financial balance of local authorities. The study also addressed the main challenges facing municipalities, including the weak tax yield, developmental disparities among municipalities, and the limited financial and administrative powers.

Study Importance:

The importance of this study derives from two perspectives:

- **Scientific importance (theoretical):** It contributes to enriching the economic and financial literature through a critical analytical study of the Algerian local tax system, and sheds light on the concept of tax autonomy, which is considered one of the most prominent conditions for good local governance.
- **Practical importance (applied):** This research coincides with the current efforts of the Ministry of the Interior and Local Authorities to reform the municipal, provincial, and local taxation laws. The study provides practical proposals and alternatives for decision-makers on how to redistribute the tax burden and tax returns in order to ensure the balance of municipal budgets.

Study Objectives:

This study seeks to achieve the following main objectives:

- To diagnose and evaluate the reality of the financial autonomy of municipalities in Algeria and their sources of financing.
- To analyze and evaluate the legal and accounting mechanisms currently adopted in allocating and distributing the proceeds of taxes and fees between the State and local authorities.
- To identify the shortcomings in the local financial solidarity system and its impact on territorial justice.
- To propose an effective reform model or mechanisms for redistributing tax resources in a way that enhances the independent financing capacity of municipalities.

Study Structure:

We will attempt to answer the research problem through a set of main sections, namely:

- Section One: The theoretical framework of local finance and financial autonomy.
- Section Two: The reality of municipal financing in Algeria.
- Section Three: Reform mechanisms for strengthening tax autonomy.

1. The Theoretical Framework of Local Finance and Financial Autonomy

1.1. The Nature of Local Finance



1.1.1. The Concept of Local Finance:

Local finance is one of the most important pillars of administrative and financial organization in countries that adopt a system of administrative decentralization, as it represents the practical expression of the autonomy granted to local units in managing their affairs. Without a defined financial framework and sufficient resources, the legal powers granted to these units become merely formal texts that cannot be applied in practice.

In its comprehensive meaning, the concept of local finance refers to the total resources and revenues managed and decided upon by local authorities, foremost among them municipalities, in connection with the size and nature of the expenditures allocated by these authorities for managing public facilities and services and implementing regional development programs¹.

From a legal and accounting perspective, local finance is linked to the principle of independent financial patrimony, which means the right of a local authority to own its own funds and prepare an annual budget that is independent from the State budget² and subject to the principles of public accounting, such as the principles of annuality, unity, and balance of the budget. In the Algerian context, the municipal budget represents the basic document that reflects this finance, and it necessarily consists of two balanced sections: the operating section and the equipment and investment section³.

1.1.2. Components of Local Finance and Sources of Financing:

The structural basis for financing local authorities is founded on a set of sources that ensure budgetary balance and finance the various tasks assigned to them. These resources are mainly classified into three categories⁴:

A. Own Resources: Local Taxation and Property Revenues:

Own resources represent the cornerstone of municipal autonomy. They include revenues generated from direct and indirect local taxes and fees collected for the benefit of the municipality, in addition to the proceeds of shared taxes distributed between the State and local authorities. This category also includes revenues derived from the use of national assets belonging to the municipality, such as the rental of real estate and municipal facilities⁵.

B. Transferred Resources: Central Transfers and Subsidies⁶:

Since own resources are often insufficient, the State intervenes to support municipal budgets through financial subsidies allocated to cover operating expenses, especially for municipalities suffering from structural deficits, or through equipment subsidies directed toward financing major development projects. These transfers are made either directly from the State budget or

1- Abdelkrim Messaoudi, *Activating the Financial Resources of Local Authorities: A Case Study of Adrar Municipality*, unpublished Master's thesis, University of Tlemcen, 2012–2013 p 76.

2- See both: Article No. 01 of Law No. 11-10, relating to the Municipality, Algerian Official Gazette, Number 37, 2011, and Article No. 01 of Law No. 12-07, relating to the state, Algerian Official Gazette, Number 12, 2012.

3- See: Article No. 179 of Law No. 11-10 of 22/06/2011.

4- See: Article No. 170 of Law No. 11-10 of 22/06/2011.

5- Ibrahim Fatima, Belsaleh Houria, *The Impact of Local Financial Reforms on Strengthening the Resources of Local Authorities: A Case Study of Cherouine Municipality for the Period 2014–2017*, *Journal of Economic Analysis and Forecasting*, University of Tamanrasset, Volume 03, Number 01, 2022, p. 129.

6- See: Article No. 172 of Law No. 11-10 of 22/06/2011.



through financial solidarity mechanisms, such as the Solidarity and Guarantee Fund for Local Authorities in Algeria.

C. Loans and Investment Returns:

As the municipality becomes an economic actor, the law allows local authorities to resort to borrowing from financial institutions in order to finance structuring projects that generate wealth. They may also rely on financial returns resulting from economic partnerships and local investment projects, which contributes to diversifying sources of financing and reducing dependence on the Public Treasury⁷.

1.2. The Nature of Tax Autonomy (Tax Decentralization):

1.2.1. The Concept of Tax Autonomy:

Financial autonomy, in its general sense, refers to the ability of the municipality to cover its expenditures by relying on its own resources. However, tax autonomy represents the deeper and more qualitative dimension of this autonomy, because it is directly linked to the extent to which local authorities control their tax resources. It refers to the level of freedom and powers granted by law to local authorities in managing the local tax system, whether in terms of determining the tax base, contributing to collection, or benefiting from tax revenues and directing them according to local priorities⁸.

The main objectives of tax decentralization are to achieve efficiency, transparency, discipline in the field of public finance, as well as national unity, political stability, and a certain degree of equality among citizens across different regions⁹.

1.2.2. Dimensions of Tax Autonomy:

The concept of tax autonomy is not limited merely to receiving tax revenues. Rather, it is practically embodied in the ability of local councils to intervene effectively in the tax cycle through three essential levels:

- **Freedom to determine the tax base:** This means that the municipality enjoys the legal authority, based on legislative delegation, to introduce or apply local fees and taxes that are compatible with the nature of its economic and service activities, while possessing the tools and administrative capacity required to identify the tax base and collect its dues efficiently¹⁰.
- **Ability to determine and adjust rates:** This means that elected local councils have a margin of maneuver to determine or amend the rates or tariffs of fees and taxes, within minimum and maximum limits set by the Finance Law. This measure allows the

7- See: Article No. 174 of Law No. 11-10 of 22/06/2011.

8- Mohamed Talbi, Tax Decentralization and Its Contribution to Local Development, Journal of Tax Studies, University of Blida 02, Volume 02, Number 02, p. 382.

9- Ben Aissa Kaddour, The Problem of Local Taxation, paper presented at the National Seminar on: Tax Policy in the Third Millennium, University of Blida, May 11–12, 2003.

10-Mohamed Talbi, Op. Cit, p. 383.



municipality to use taxation as a tool to stimulate local investment or guide economic activity, instead of being merely a rigid collection mechanism¹¹.

- **Free disposal of tax revenues:** This relates to the freedom of the local authority to allocate collected tax revenues according to its development priorities and the needs of its citizens, without restrictive prior intervention by the central authority, in a way that ensures the financing of the equipment and local investment budget away from the pressures of conditional subsidies¹².

1.3. Fiscal Decentralization and Local Development

The relationship between fiscal decentralization and development is interactive and functional. Fiscal decentralization transfers part of the authority over financial decision-making and resource mobilization from the center to local authorities, enabling them to direct spending according to the actual priorities of their residents and enhancing the efficiency of the local development process. Studies indicate that fiscal decentralization becomes a real driver of development when it is accompanied by genuine powers in budget preparation, the imposition of certain fees, and the making of investment decisions, within a system of local responsibility and oversight¹³.

Decentralization contributes to development through three main dimensions¹⁴:

1.3.1. Improving Resource Allocation:

Fiscal decentralization transfers decision-making from distant central levels to local units that are closer to field realities, which improves the allocation of resources toward the sectors and regions that represent real priorities for citizens. This proximity helps reduce waste in public spending, improve the efficient use of tax bases and own resources, diversify the structure of local financing, and strengthen self-reliance.

1.3.2. Enhancing Local Participation:

Fiscal decentralization is viewed as a tool for expanding participation in decision-making and oversight. The absence of excessive dependence on the center opens the way for elected bodies, civil society, and citizens to participate in identifying development projects and programs and holding local officials accountable. This dimension strengthens transparency and accountability and enhances the local authority's ability to improve the quality of services and increase positive interaction between residents and local authorities.

1.3.3. Achieving Sustainable Development¹⁵:

Fiscal decentralization is one of the strategic approaches to achieving sustainable development at the local level, because it enables local governments to make medium- and

11-Ounad Rachid, KechrouFatiha, A Theoretical Approach to Tax Decentralization and the Autonomy of the Local Tax System, *Journal of Tax Studies*, University of Blida 02, Volume 01, Number 01, 2012, p. 71.

12- Mohamed Talbi, *Op.cit*, p. 382.

13-Noua Nabila, Boujelal Anfal, Fiscal Decentralization as an Entry Point for Increasing Local Financing and Strengthening Local Development: The Chinese Experience, *Ibn Khaldoun Journal for Creativity and Development*, University of Tiaret, Volume 02, Number 02, 2020, p. 87.

14-Ibid, pp. 87–88.

15- Saidi Abdelkader Moaz, Administrative Decentralization as a Means of Achieving Sustainable Development, *Journal of Law, Sciences and Environment*, University of Djelfa, Volume 04, Number 02, 2025, pp. 155–156.



long-term decisions that balance economic, social, and environmental dimensions. Bringing financial decision-making closer to local realities contributes to development that takes into account the specific characteristics of regions, reduces disparities between the center and the peripheries, supports the continuity of projects, and improves access to basic services such as health, education, and housing.

2.The Reality of Municipal Financing in Algeria:

2.1. Sources of Municipal Financing in Algeria:

The sources of municipal financing in Algeria consist of a set of financial resources divided between own resources generated from local taxation and external resources derived from State subsidies and financial solidarity mechanisms. This highlights the dual nature of local financing, which lies between relative autonomy and central support. Accordingly, these sources may be classified into three main components: local taxes, financial transfers, and the Solidarity and Guarantee Fund for Local Authorities.

2.1.1. Taxes and Fees Collected for the Benefit of Municipalities:

Local taxes are among the most important own pillars of municipal financing. They are imposed in the form of direct fees by the local authority or collected by the General Directorate of Taxes and then allocated to the local budget. They may be classified into taxes and fees allocated entirely to municipalities and taxes and fees allocated partially to them.

The Algerian legislator has allocated a set of taxes and fees to municipalities, meaning that they are collected for the benefit of municipalities. These include the following:

- **Property Tax:** The property tax was established pursuant to Ordinance No. 67/83 of June 2, 1967, as amended and supplemented. It includes the property tax on built properties and the property tax on unbuilt properties. It is calculated at different rates according to the legally determined area.
- **Sanitation Fee:** This is an annual fee established for the benefit of municipalities where household waste collection services operate. It is imposed according to different tariffs depending on the use of land, premises, and purposes of use. Built properties that do not benefit from household waste collection are exempt from this fee.
- **Tax on Professional Activity:** This tax was introduced under the Finance Law of 1996 and was abolished under the Finance Law of 2024.
- **Local Solidarity Tax:** This tax was introduced pursuant to Article 15 of the Finance Law of 2024. It is established on the total amount excluding value-added tax for activities related to the transportation of hydrocarbons by pipeline, with the municipality benefiting from a rate of 66%¹⁶.
- **Value-Added Tax:** Among the most important outcomes of tax reform in Algeria, the Algerian legislator established the value-added tax, which is collected at two rates: the standard rate of 19% and the reduced rate of 9%. The municipality benefits from 10% of the value-added tax.

16- Article 231 bis 4 of the Direct Taxes and Similar Fees Code.



- **Single Flat-Rate Tax:** This tax applies to natural persons engaged in industrial, commercial, non-commercial, or craft activities, as well as companies whose turnover does not exceed DZD 8,000,000, except for those that have chosen the real profit regime or the simplified regime for non-commercial professions. It is applied at rates of 5% for production and sale of goods activities, 12% for other activities, and 0.5% for self-employed entrepreneur activities. The municipality benefits from the distribution of the single flat-rate tax at a rate of 40.25%.

These tax bases constitute an essential resource for strengthening the financial autonomy of municipalities, although their yield remains limited and covers only part of operating and equipment expenditures¹⁷.

2.1.2. Financial Transfers:

Financial transfers play a central role in financing municipal budgets, especially in light of the total or partial reliance on the State budget to ensure the continuity of local public services. These transfers include operating subsidies, equipment and investment subsidies, and compensation for shortfalls in tax revenues. They are disbursed from the State budget through annual programs and financing agreements. Despite the importance of these transfers in covering deficits and supporting development projects, they contribute to consolidating a form of financial dependence on the center and reduce the ability of municipalities to direct their resources freely according to genuine local priorities¹⁸.

2.1.3. The Solidarity and Guarantee Fund for Local Authorities:

The Solidarity and Guarantee Fund for Local Authorities (CSGCL) is one of the oldest institutional mechanisms for financing local authorities in Algeria. Its system was amended under Executive Decree No. 14-116 of March 24, 2014, making it a public administrative institution with legal personality and financial autonomy, subject to the supervision of the ministry responsible for the interior. The Fund is financed from shares allocated from direct and indirect taxes, including various fees belonging to local taxation. More than 90% of its resources are allocated to grants directed toward the equipment and investment sections, in addition to its interventions in covering deficits and guaranteeing the revenues of poor municipalities or those with weak tax yields. Thus, the Solidarity and Guarantee Fund contributes to achieving financial solidarity among municipalities, reducing disparities between regions, and supporting sustainable local development programs¹⁹.

2.2. Manifestations of the Financial Dependence of Municipalities in Algeria:

The manifestations of the financial dependence of municipalities in Algeria are among the indicators that restrict their autonomy and reflect the nature of the relationship between local

17-TounsiRachdi, Ben Setira El Yamine, Municipalities between Limited Self-Financing and Conditional Financial Support and Its Impact on Local Development, *El-Bahith Journal for Academic Studies*, University of Batna, Volume 12, Number 01, 2025, pp. 473–475.

18- See Articles 6 to 18 of Executive Decree No. 14-116 of March 24, 2014, establishing the Solidarity and Guarantee Fund for Local Authorities and determining its missions, organization, and functioning, *Algerian Official Gazette*, Number 19, 2014.

19- See Article No. 05 of Executive Decree No. 14-116 of March 24, 2014.



authorities and the State in the field of financing. Municipalities are subject to financial and regulatory constraints that limit their ability to direct their resources according to genuine local priorities. These manifestations can be summarized in three interrelated dimensions: the weakness of own resources, dependence on the State, and the limited scope of local initiative.

2.2.1. Weakness of Own Resources²⁰:

One of the most prominent forms of financial dependence in Algerian municipalities is the weakness of own resources. Many municipalities, especially those located in areas lacking intensive economic activity or significant natural resource bases, rely on limited financial resources that barely cover the minimum operating expenses, forcing them to depend on permanent external sources from the State and the Solidarity and Guarantee Fund for Local Authorities. Case studies have shown that tax revenues and operating resources represent only a modest share of total municipal revenues, which indicates weak collection and shortcomings in diversifying both tax and non-tax resources.

This imbalance is statistically evident through the significant disparity among local authorities in terms of financial capacity. The 2022 report of the Court of Accounts showed that 958 municipalities out of 1,541, representing approximately 62% of all municipalities nationwide, fall within the category of poor municipalities, while wealthy municipalities account for only about 7%²¹. This reflects the limited resources available to these municipalities. The same report also recorded an upward trend in the number of financially deficit municipalities, which increased from 74 municipalities in 2016 to 291 municipalities in 2020, representing an increase of more than 293% over four years. This development reveals the limited nature of local own revenues.

2.2.2. Dependence on the State²²:

The weakness of own resources in Algerian municipalities results in excessive dependence on the State in the form of subsidies and financial transfers included in municipal budgets. These subsidies are often conditional upon specific spending patterns or projects approved by the central authority. The State allocates annual financing programs and solidarity and guarantee funds, such as the Solidarity and Guarantee Fund for Local Authorities, which follow central development plans. This obliges municipalities to implement projects that have been predetermined and reduces their ability to direct resources according to independent local priorities. Consequently, municipalities in Algeria are considered administrative intermediaries for implementing State projects rather than proactive actors, which reinforces the nature of financial dependence and instability in their independent resources. For example, the total

20-Debabi Nadira, Boutaleb Brahmî, The Problem of Weak Financial Resources of Municipalities: A Case Study of the Municipalities of Guelma Province, *Revue d'études sur les institutions et le développement*, University of Tlemcen, Volume 04, Number 01, 2018, pp. 136–146.

21- Annual Report of the Court of Accounts for 2022, p. 394, published at the following link: <https://www.ccomptes.dz/wp-content/uploads/2022/11/RA.2022-AR.pdf>

Date of access: 07/04/2026.

22- Abdelkader Mouffok, The Financial Autonomy of the Municipality in Algeria, *Journal of Economic and Administrative Research*, University of Biskra, Volume 01, Number 02, 2007, pp. 105–106.



subsidies granted by the Solidarity and Guarantee Fund for Local Authorities to the operating, equipment, and investment sections for the benefit of local authorities during the period from 2010 to 2024 amounted to DZD 5.778 billion²³.

2.2.3. Limited Local Initiative²⁴:

The limited scope of local initiative in Algerian municipalities reflects their dependence, as central laws and regulations restrict the powers of municipal people's assemblies in planning, setting investment priorities, and making free development decisions, despite the relative theoretical expansion of their development-related competences. Despite this expansion, the ability of the Municipal People's Assembly to approve and follow up projects remains subject to the approval and validation of central bodies, such as the governor, ministerial sectors, and the State Security Council. This slows down procedures and transfers the actual center of decision-making to the State.

2.3. The Effects of the Financial Dependence of Municipalities in Algeria:

The financial dependence of Algerian municipalities produces significant effects that extend from the level of local decision-making to the mechanisms of development planning. Studies highlight these effects through three main areas²⁵:

2.3.1. Directing Local Decision-Making:

Financial dependence is one of the reasons for undermining the ability of municipalities to make independent decisions. The financial and regulatory powers of municipal people's assemblies are restricted by the approval and validation of central bodies, namely the supervisory authority, such as the governor at the state level, the head of the district, depending on the case, or the ministries. Law No. 11-10 on the municipality also provides for the approval of the decisions of the President of the Municipal People's Assembly, which slows down procedures and transfers the center of decision-making to the State. Instead of local decisions reflecting the priorities of the population and field realities, they become dependent on decisions determined from the top.

2.3.2. Allocation of Subsidies:

Subsidies allocated to municipalities are often directed according to centrally determined programs and policies, whereby distribution rates and the types of projects are determined by the Ministry of the Interior or the Solidarity and Guarantee Fund for Local Authorities. They are often conditional upon equipment works or pre-determined programs. This weakens the ability of municipalities to allocate resources according to genuine local priorities and makes the direction of spending dominated by the State rather than by the local council, whose role is reflected in deliberating on distribution and allocation as a deliberative body.

23- Website of the Ministry of the Interior, Local Authorities and Transport of Algeria at the following link: <https://shorturl.at/5g5E7>.

Date of access: 07/04/2026.

24- Ben Aarab Mohamed, Ben Werzeg Hicham, Marginalizing the Role of the Municipality in Achieving Development in Algeria in Light of Limited Decision-Making and Resources, Algerian Journal of Law and Political Sciences, University of Tissemsilt, Volume 06, Number 01, 2021, pp. 430–431.

25-Tounsi Rachdi, Ben Setira El Yamine, Op.cit, pp. 482–483.



2.3.3. Central Planning of Local Development:

Local development plans in Algeria are drawn up according to local studies; however, planning is often carried out from the top down, and municipal development plans are considered part of national and state plans and are subject to the approval of central bodies. This reduces the participation of municipalities in formulating an independent development vision and makes them instruments for implementing pre-determined projects rather than initiators of self-driven development initiatives. It also reinforces the nature of dependence and deprives them of the ability to plan independently.

3. Reform Mechanisms for Strengthening Tax Autonomy:

3.1. Reforming the Tax Distribution System:

Reforming the tax distribution system has become a necessity and a vital entry point for strengthening the financial autonomy of municipalities and reducing financial dependence. It allows for the redistribution of shares and the adoption of objective criteria to ensure fairness and balance in the allocation of resources. Instead of distributing taxes according to centrally determined principles and models without taking local realities into account, reform can reconsider the distribution of shares in favor of municipalities with weak economic activity or severe poverty, while taking into consideration the nature and location of municipalities. This would enhance their ability to cover expenditures and support local development. This can be achieved through the following:

- **Redistribution of shares:** The redistribution of shares involves a comprehensive review of the mechanism for distributing taxes between the State and municipalities, as well as the adjustment of standard rates in favor of municipalities' own resources. Studies indicate that changing the rates and expanding municipalities' shares of taxes allocated to the State can strengthen financial stability and reduce dependence on central subsidies, thereby improving the ability of municipalities to make independent decisions and implement independent development projects. Instead of the State retaining a large share of shared taxes, portions of these taxes would be directed to municipalities to support the financing of local services and infrastructure.
- **Adoption of objective criteria:** Objective criteria represent a tool for ensuring fairness in tax distribution, as shares are determined according to specific and measurable variables, such as population size, poverty level, degree of economic activity, and development needs. Comparisons from international studies show that municipalities that follow objective criteria achieve a more equitable distribution and reduce disparities between municipalities with high economic activity and poor regions. Variable rates that take these criteria into account therefore constitute an initiative that reinforces the principle that each municipality should receive resources according to its demographic and economic position, in a way that enhances its ability to develop its infrastructure, provide improved services, and support its capacity for innovation in the field of local development.



3.2. Strengthening Local Taxation in Algeria:

Local taxation is considered the optimal tool for strengthening the autonomy of municipalities and securing stable resources. However, its current reality in Algeria reveals weak returns and shortcomings in collection, which requires concrete reforms in three interconnected areas: improving collection, expanding the tax base, and digitizing the tax administration.

3.2.1. Improving Tax Collection:

Weak collection constitutes one of the most prominent imbalances in the local tax system, as municipalities suffer from low recovery rates due to weak human and technical resources, the absence of accurate databases on taxpayers, and the spread of tax evasion. Improving collection requires strengthening the capacities of the tax administration, developing control and monitoring mechanisms, and simplifying procedures, in a way that allows for increasing tax returns and achieving stability in local resources. Improving collection is not linked only to the technical aspect; it also requires establishing a tax culture among citizens and strengthening trust between the administration and taxpayers.

3.2.2. Expanding the Tax Base:

Expanding the tax base is an urgent necessity to address the limited nature of local resources, through integrating informal activities into the economic cycle and exploiting unused local potential, especially with regard to municipal properties and commercial and service activities. This also includes reviewing certain local fees and adapting them to economic realities, in a way that allows revenues to increase without overburdening taxpayers. This approach contributes to diversifying sources of financing, reducing dependence on central subsidies, and working to apply tax incentives, which are considered burdens and costs borne by the State with the aim of increasing productive sectors and expanding the tax base as a tax policy adopted by the State.

3.2.3. Digitizing the Tax Administration:

The digitization of the tax administration is one of the most important modern reform tools, as it allows for the creation of accurate and updated databases on taxpayers and the tax base, facilitates collection and control operations, and reduces human errors and corruption. Digitization also contributes to improving transparency and accelerating procedures through the adoption of electronic payment systems, remote declaration, and the interconnection of the various relevant administrations, such as taxes, the municipality, and State property services. This digital transformation is expected to contribute to raising the efficiency of local taxation and sustainably strengthening municipal resources.

3.3. Supporting Weak Municipalities in Algeria:

Territorial disparities and weak financial collection in some Algerian municipalities constitute a major challenge that hinders local development and weakens the quality of public services provided to citizens. In order to reduce the effects of financial dependence and the structural deficit suffered by municipalities, especially remote and poor ones, Algeria has introduced a set of financial and legal mechanisms aimed at supporting these local authorities



through three main areas: establishing fair solidarity mechanisms, directing central support funds, and stimulating local investment.

3.3.1. Fair Solidarity Mechanisms:

Inter-municipal solidarity is considered a strategic option for reducing financial disparities among municipalities. This approach has clearly emerged in the new draft Municipal Law, which introduced innovative mechanisms requiring wealthy municipalities or those with high revenues to contribute directly to financing and supporting low-income municipalities that are unable to meet their obligations. These mechanisms are not limited to financial transfers, but also extend to joint cooperation in establishing projects and facilities that serve several neighboring municipalities, thereby ensuring cost-sharing, rationalizing expenditures, and achieving distributive justice that serves regions with fewer tax resources.

3.3.2. Targeted Support Funds:

To address the severe shortage of own resources, the State intervenes centrally through funds and financing programs that specifically target weak municipalities. The Solidarity and Guarantee Fund for Local Authorities is the most prominent instrument in this context. According to the data of the Finance Law for 2024, a substantial financial envelope estimated at DZD 486 billion was allocated to this Fund as part of a total of DZD 600 billion directed toward supporting local development. In addition, the Algerian Presidency approved additional financial support specifically directed to remote and poor municipalities to enable them to cover vital burdens, such as the management and maintenance of primary schools. This reflects the trend toward allocating well-considered subsidies that ensure the continuity of public services without leaving municipalities hostage to their financial deficits.

3.3.3. Stimulating Local Investment:

Recognizing that direct support does not achieve sustainable financial autonomy, public authorities have focused on the role of the municipality as an economic driver. Pursuant to the provisions of Municipal Law No. 11-10 and subsequent legislation, municipalities have been granted broader powers to stimulate local investment with the aim of creating wealth and providing alternative sources of financing. These incentives include enhancing the value of municipal real estate assets, establishing partnerships with the private sector, and using subsidies from the Solidarity Fund to finance infrastructure capable of attracting investors. Although these initiatives still face regulatory and administrative challenges, they represent the most effective path for enabling weak municipalities to build their financial autonomy and reduce their absolute dependence on State subsidies.

The study of the reality of local financing in Algeria shows that ending the financial dependence of municipalities requires more than temporary solutions or circumstantial subsidies; rather, it requires a structural treatment of the roots of the imbalance. Achieving actual tax autonomy for municipalities requires a comprehensive and profound reform of the local financial system, particularly through reviewing the mechanisms for distributing taxes and fees, and empowering territorial authorities with broader powers to impose and adjust fees



within margins regulated by law, in a way that ensures their responsiveness to the specific characteristics of each region.

This reform must also be accompanied by the modernization and digitization of local tax administration, as well as the activation of financial solidarity mechanisms among municipalities, in order to reduce territorial disparities that deepen the dependence of poor municipalities on the center. Accordingly, reforming local taxation remains an inevitable necessity, not only as a tool for freeing the decision-making of the Municipal People's Assembly from the constraints of conditional subsidies, but also as a strategic entry point for creating local wealth and achieving sustainable and balanced development that embodies the principles of decentralization and brings public services closer to citizens' aspirations.

Conclusion:

The issue of municipal financing in Algeria is not related only to the weakness of financial resources; rather, it essentially reflects the limited effectiveness of the local tax system and the mechanisms currently adopted for distributing tax revenues. Despite the reforms introduced in the system of local authorities, most municipalities still suffer from clear financial dependence on the central administration due to the weakness of their own resources and the insufficiency of the tax revenues allocated to them, which limits their ability to perform their developmental and service-related functions efficiently.

Accordingly, in light of the imbalances related to the criteria for distributing tax revenues, the disparity in economic capacities among municipalities, and the weakness of tax collection, strengthening municipal financing in Algeria requires a review of the mechanisms for distributing tax revenues in a way that ensures balance among municipalities, expands the local tax base, improves collection and control mechanisms, and grants local authorities broader financial powers that support their autonomy and their ability to respond to local needs. The success of fiscal decentralization therefore remains dependent on building a local tax system capable of achieving financial autonomy and balanced regional development.

Study Results:

- The current local financing system in Algeria reinforces the financial dependence of municipalities, as central subsidies and transfers, as well as non-tax revenues, dominate their budgets, while the contribution of own resources remains weak.
- The weakness of local taxation is one of the most prominent challenges facing municipalities, due to weak tax collection, the complexity of procedures, the rigidity of legislative texts, and the limited coordination among the administrations concerned. This reduces the ability of municipalities to finance their expenditures and projects by relying on their own resources.
- Reforming the system for distributing taxes and fees is an essential condition for achieving the financial and tax autonomy of municipalities, especially in light of the State's monopoly over high-yield taxes. This requires reconsidering the mechanisms for distributing tax revenues in a way that ensures the expansion of local resources and improves their effectiveness.



- Achieving tax justice in the distribution of resources among municipalities contributes to strengthening sustainable and balanced local development by enabling local authorities to improve infrastructure and public services and respond to the needs of the population.
- Strengthening the financial autonomy of municipalities requires the provision of stable own resources, accompanied by a broader margin of freedom in decision-making related to planning and spending, in line with the principles of decentralization, in order to enhance the effectiveness of local development.

Recommendations:

- Review the laws governing the distribution of taxes and fees in a way that ensures a more equitable and effective distribution between the State and local authorities, while introducing clear legal criteria, such as population size, poverty level, economic activity, and development needs, to regulate the shares of revenues allocated to municipalities and reduce the gap between wealthy and poor municipalities.
- Strengthen fiscal decentralization by granting municipalities broader powers in managing their resources and making investment decisions, within a well-regulated financial framework and a monitoring and control system that ensures transparency and reduces the risks of misuse of resources, thereby enhancing their autonomy and effectiveness in meeting the needs of the population.
- Digitize local taxation by generalizing systems such as Jibayatic and Mousahamatak, in order to facilitate electronic declaration, accelerate collection procedures, raise the level of transparency, reduce tax evasion and fraud, and improve the relationship between the tax administration and taxpayers, in line with the Ministry of Finance’s orientations toward modernizing and upgrading the tax administration.
- Develop the capacities of human resources in local financial and tax services through continuous training and qualification programs in resource management, accounting, and tax governance, in order to ensure efficient and transparent management of tax revenues and budgets. This is an essential element in any successful effort to improve the institutional performance of municipalities.
- Adopt transparent indicators in the distribution of tax resources and subsidies, so that objective and measurable criteria, such as population density, level of development, poverty, and equipment needs, are used in distributing revenues and projects. This would strengthen the principle of tax justice and reduce the centralization of decision-making in resource allocation.
- Encourage local investment by supporting small and medium-sized initiatives, improving the business environment at the municipal level, and mobilizing part of the returns from local taxation and solidarity funds to finance infrastructure that attracts investors. This would enhance local wealth creation, expand tax bases, and reduce municipalities’ dependence on conditional subsidies.



References List:

Journal Articles:

- Ibrahim Fatima and Belsaleh Houria, The Impact of Local Financial Reforms on Strengthening the Resources of Local Authorities: A Case Study of Cherouine Municipality for the Period 2014–2017, *Journal of Economic Analysis and Forecasting*, University of Tamanrasset, Volume 03, Number 01, 2022.
- Ben Aarab Mohamed and Ben Werzeg Hicham, Marginalizing the Role of the Municipality in Achieving Development in Algeria in Light of Limited Decision-Making and Resources, *Algerian Journal of Law and Political Sciences*, University of Tissemsilt, Volume 06, Number 01, 2021.
- Tounsi Rachdi and Ben Setira El Yamine, Municipalities between Limited Self-Financing and Conditional Financial Support and Its Impact on Local Development, *El-Bahith Journal for Academic Studies*, University of Batna, Volume 12, Number 01, 2025.
- Debabi Nadira and Boutaleb Brahmi, The Problem of Weak Financial Resources of Municipalities: A Case Study of the Municipalities of Guelma Province, *Revue d'études sur les institutions et le développement*, University of Tlemcen, Volume 04, Number 01, 2018.
- Saidi Abdelkader Moaz, Administrative Decentralization as a Means of Achieving Sustainable Development, *Journal of Law, Sciences and Environment*, University of Djelfa, Volume 04, Number 02, 2025.
- Abdelkader Mouffok, The Financial Autonomy of the Municipality in Algeria, *Journal of Economic and Administrative Research*, University of Biskra, Volume 01, Number 02, 2007.
- Mohamed Talbi, Tax Decentralization and Its Contribution to Local Development, *Journal of Tax Studies*, University of Blida 02, Volume 02, Number 02, 2013.
- Noua Nabila and Boujelal Anfal, Fiscal Decentralization as an Entry Point for Increasing Local Financing and Strengthening Local Development: The Chinese Experience, *Ibn Khaldoun Journal for Creativity and Development*, University of Tيارت, Volume 02, Number 02, 2020.
- Ounad Rachid and Kechrou Fatiha, A Theoretical Approach to Tax Decentralization and the Autonomy of the Local Tax System, *Journal of Tax Studies*, University of Blida 02, Volume 01, Number 01, 2012.

Seminar Articles:

- Ben Aissa Kaddour, The Problem of Local Taxation, paper presented at the National Seminar on: Tax Policy in the Third Millennium, University of Blida, May 11–12, 2003, Algeria.



Theses and Dissertations:

- Abdelkrim Messaoudi, Activating the Financial Resources of Local Authorities: A Case Study of Adrar Municipality, unpublished Master’s thesis, University of Tlemcen, 2012–2013.
- Laws, Decrees, and Official Texts:
- Law No. 11-10 of 22/06/2011 relating to the Municipality, Algerian Official Gazette, Number 37, 2011.
- Law No. 12-07 of 21/02/2012 relating to the State, Algerian Official Gazette, Number 12, 2012.
- Executive Decree No. 14-116 of March 24, 2014, establishing the Solidarity and Guarantee Fund for Local Authorities and determining its missions, organization, and functioning, Algerian Official Gazette, Number 19, 2014.
- Direct Taxes and Similar Fees Code.

Internet Websites:

- Court of Accounts, Annual Report of the Court of Accounts for 2022, consulted on 14/06/2026, <https://www.ccomptes.dz/wp-content/uploads/2022/11/RA.2022-AR.pdf>.
- Ministry of the Interior, Local Authorities and Transport of Algeria, Contributions of the Solidarity and Guarantee Fund for Local Authorities, consulted on 14/06/2026, <https://shorturl.at/5g5E7>.