



SOUTH MED SOCIAL DIALOGUE

The Economic and Social Situation in Algeria

For a Sustainable and Permanent Development Alternative



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For a Sustainable and Permanent Development Alternative

By Dr. Ihmin Shafir 2021

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Introduction:

Algeria is considered the first African country in terms of its geographical area, with 2,381,741 km², and the fourth economy, with a gross domestic product estimated at \$209 billion in 2020, and per capita income of \$4,363. Its population is approximately 44 million (January 2020) and its demographic growth is 1.99%, and ranks 91st globally in terms of human development indicators and 53rd in terms of implementing sustainable development indicators, and the first in the Arab world and Africa in 2019.

Algeria entered into a severe crisis in 2014 as a result of the drop in oil prices, which led to a decline in its fuel revenues by no less than 40% which led to a decline in all economic indicators.

The COVID-19 pandemic, like all countries in the world, aggravated the situation even more, as it prompted the public authorities to take all quarantine measures, which caused a near cessation to many economic activities (like in construction and industry) and services (transportation, tourism, and food) It, also, led to significant financial losses for companies, as well as to an increase in unemployment and a decline in the income of families and thus their consumption. Workers working in the unorganized sector were among the most affected. These factors led to a decline in the growth rate, estimated by the International Monetary Fund (IMF) by -6% in 2020.

The reality is that Algeria, in addition to these two “circumstantial” crises, is suffering from a deep structural crisis, the crisis of economic and social development, and the crisis of the economic pattern adopted for more than 40 years, on which many studies, reports, and university research agree:

- The Algerian economy was trapped in the revenues of hydrocarbons and was unable to build a productive and diversified economy. It was, also, unable to produce an elite group of creative public and private contractors to lead the process of economic and social development, which took advantage of all the administrative structural shortcomings that governed public property, and was able to devise all means and mechanisms for the acquisition of the largest share of the hydrocarbon revenues, in the form of aid, tax exemptions, generous public bank loans, real estate in symbolic dinars, and suspicious public deals with inflated amounts, and the transfer of a large part of it abroad.
- It generated an unregulated economy that today competes with the organized economy in almost every sector of activity and poses a threat to the economy with its size, whether the monetary mass it deals with or the volume of operation, which all statistics collect as fragile and inappropriate. What constitutes the greatest danger in this type of economy is that it is located in the field of trade, not production, and is dominated by the “predatory, plundering” side, and not the unregulated “subsistence” economy. Today, it is considered one of the biggest obstacles to transforming the economy from rent-seeking to production and diversification.
- It could not achieve positive inclusion for the Algerian economy in the world. A look at Algeria’s commercial exchange confirms this through the scarcity of non-hydrocarbon exports and a clear dependence on imports, in addition to the very disappointing results of the partnership contract with the European Union, and the lack of incoming foreign direct investment.

Although Algeria has made tangible progress in a number of sectors such as infrastructure and agriculture and in human development indicators (schooling and education in all its phases, access to energy, and housing) as well as in the field of sustainable development indicators, it also has a well-established tradition in the field of social dialogue at all levels. These are the achievements that can be considered as positive points that

Chapter one

A look at the economic
and social situation of
Algeria

Since 2014, the Algerian economy has been in a severe crisis as a result of a drop in its hydrocarbon revenues by nearly 40%. Since the latter is almost the only source of exports (94.5% in 2015), this will have negative repercussions on all macroeconomic indicators of Algeria, as well as on the social aspect and the livelihood of the population, which threatens social and even political stability.

COVID-19 complicates the situation, given its effects not only on the population's health and living conditions, but also on the economic situation following the application of quarantine measures and their repercussions.

In fact, the economic and social situation of Algeria is not uniquely impacted by these two crises, despite their negative effects, but rather to the accumulation of weaker results of the development pattern adopted since the liberal transition of the years 1980. Despite many positive achievements at the level of infrastructure development, in the field of housing, and improving the performance of the agricultural sector, the structure of the economy remained fragile because these achievements were made thanks to an exceptional financial circumstance that confirms once again the continued dependence of the Algerian economy on the hydrocarbon sector and its fluctuations.

The first chapter of this study is a diagnosis of the economic and social situation in Algeria, in which we focused on the period between 2014 and 2021. This diagnosis is not the result of academic research as much as it is the outcome of the most important studies and reports that have been carried out on this subject.

1. The Economic Situation: Macroeconomic Imbalance

The chronic dependence of the Algerian economy on revenues from hydrocarbons has always made it vulnerable to the international energy market and its fluctuations. That is why Algeria's macroeconomic balances have always remained at the mercy of these fluctuations and their repercussions. The crisis of low oil prices in 1986 and then 2014 clearly shows this.

The dangerous thing is that this dependence does not only show the fragility of the Algerian economy and its dependence on the outside context, but also makes the Algerian society live according to the pace of fluctuations in income from hydrocarbons that have come to control its daily life (employment and wages, prices and purchasing power, the level of services). This dependence is not without an impact on the political situation. It is not surprising that the 1986 crisis generated a popular explosion in October 1988, and that the 2014 crisis played a role in the explosion of the popular movement in February 2019.

External crises in general and their repercussions also play a significant role in internal macroeconomic balances. Their impact is linked to the extent of the local economy's vulnerability to external crises and its integration into the global economy. The pandemic crisis, by its non-economic nature, being initially a health crisis, affected in an unprecedented way the global economy and the economies of countries, in addition to the slowdown/stopping of activity in many sectors and the resulting increase in the number of unemployment and the decline in wages and incomes, it prompted countries to recruit huge public funds to limit the spread of the epidemic and the deterioration of purchasing power and demand. All this was at the expense of the increasing deficit in the public budget and the increase in public indebtedness.

Algeria has been part of this crisis. In addition to the decline in revenues from hydrocarbons since 2014 and its repercussions, the pandemic played an important role in the decline in the economic indicators of the country.

In general, this pandemic led to:

- The continued decline in revenues from hydrocarbons due to the decline in global demand for oil is itself a result of the global economic downturn
- Reduction in resources from the tax due to the cessation of activity in many sectors
- Increased expenditures from the budget to address the health and economic effects of the pandemic
- Labor market imbalance and high unem-

ployment

- The decrease in purchasing power due to the cessation of many activities and the decline in incomes, especially in the informal economy.

Indeed, the drop in the oil price, starting in 2014, from \$100 a barrel (\$113 in 2013) to between \$40 and \$60 a barrel during the period 2015-2018 had significant negative effects on the state's finances and all macroeconomic indicators, and the pandemic crisis exacerbated this. The situation after the public authorities mobilized huge funds to limit its spread and minimize its negative economic and social effects, which we will explain in the following:

a. Declining economic growth rates:

Since fuel prices contribute to the budget, the state, and public spending, they

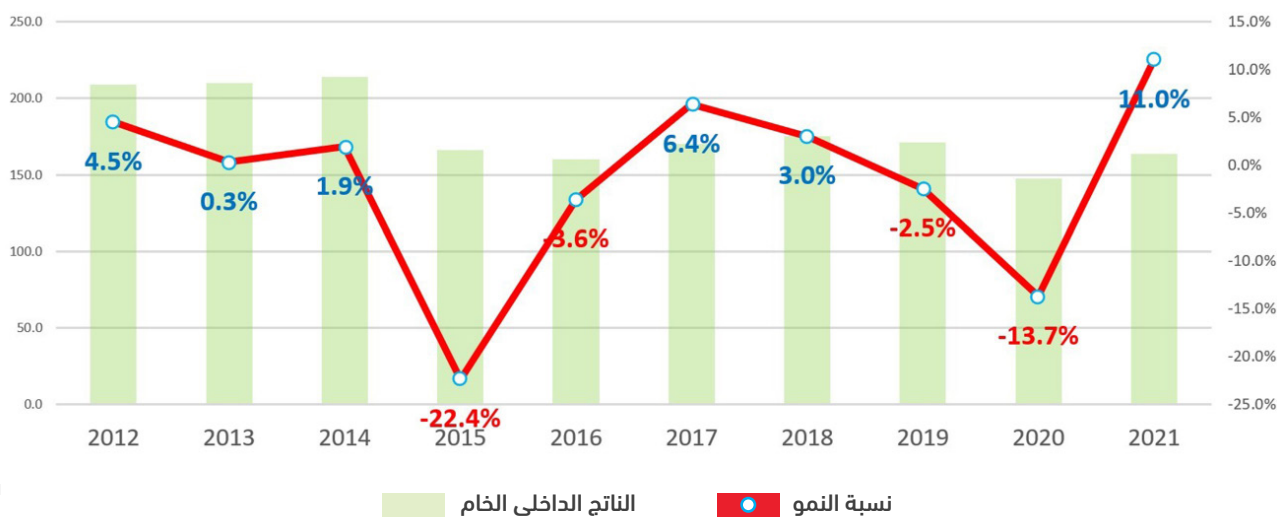
directly affect the level of growth of the country's wealth, which is expressed in the gross domestic product. Therefore, any fluctuation in the energy market prices, whether up or down, will directly lead to an increase or decrease in the gross domestic product, which gives us an average Annual growth when comparing two consecutive years.

A look at the development of growth rates in Algeria through the next round shows us clearly that with the crisis of 2014, the gross domestic product in Algeria witnessed a direct downward trend during the following two years, as it moved from 214 billion dollars to 166 and 159 billion during 2015 and 2016, respectively, to witness an increase in After the result of financing the state budget with a deficit (that is, the level of spending remained at a high rate despite its reduction), as well as the result of the rise in oil prices in 2018.

gross domestic product development (billions of US dollars)

Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Raw domestic product	209,1	209,8	213,8	166,0	160,0	170,2	175,4	171,1	147,6	163,8
Growth rate	4,5%	0,3%	1,9%	-22,4%	-3,6%	6,4%	3,0%	-2,5%	-13,7%	11,0%

• International Monetary Fund reports



In terms of the growth rate, the decline is evident as it moves from 3.8% in 2014 to 1.1% in 2021, as the pandemic contributed to this decline, given the quarantine measures taken by the public authorities, which negatively affected the economy.

b. Deficits in the balance of payments and trade balance:

Each of the two scales shows the country's relationship with the outside world. The balance of payments shows us all the country's transactions with the rest of the world, whether in terms of exchanges of goods and services or the movement of capital. As for the trade balance, it records the movement of goods and services to and from abroad, all during a specific year.

Both balances, then, are related to the volume and value of hydrocarbon exports, and any fluctuation in the international energy market will inevitably lead to a negative or positive impact on the volume of hard currency revenues (the balance of payments). It also directly affects the volume of imports of goods and services if they are mainly related to revenues from hydrocarbons, as is the case in Algeria.

The numbers shown in the following table on the development of the balance of payments in Algeria clearly show the negative impact of the decline in hydrocarbon resources on the level of Algerian exchanges with the outside world, as it will be known since 2015 as a continuous deficit until today, after this balance achieved this surplus in 2010 b + \$15.33 billion will define a deficit in 2015 at -27.54 billion dollars, and this deficit will stabilize in 2020 at -25.4 billion dollars.

Evolution of the balance of payments (in billions of US dollars)

*2020	2019	2018	2017	2016	2015	2010	2005	2000	1995
-25.4	-16.93	-15.82	-22.09	-26.3	-27.54	15.33	16.94	7.57	-6.32

• The Bank of Algeria + the International Monetary Fund + Alknosid

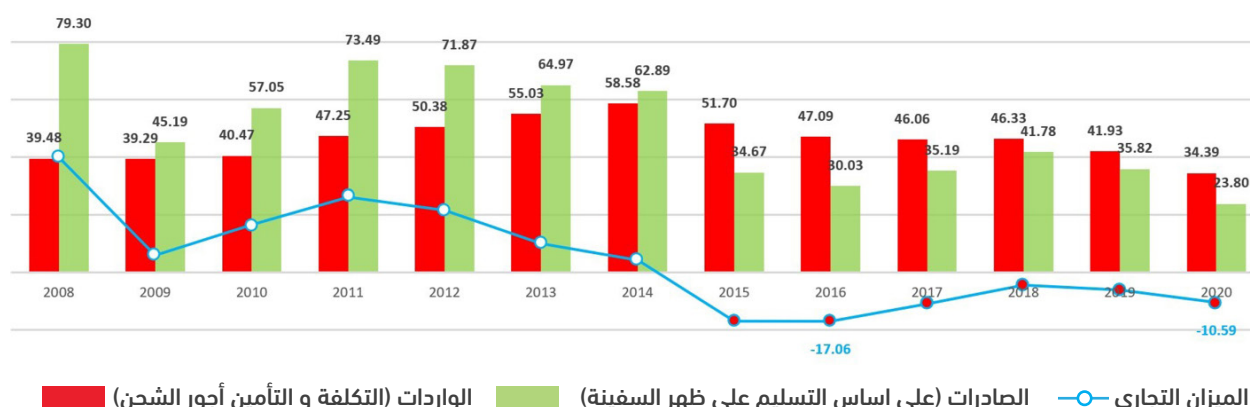


The decrease in revenue resources and the increase in the import bill despite the efforts made by the public authorities to reduce it, as it will move from 58.6 billion dollars to 34.4 billion dollars during the same period, i.e. decreased by 58.7%, but it shows at the same time the weakness of Algeria's commercial policy and the gross lack of regulation of the import field, as it is a decision that will undoubtedly affect the consumption of citizens.

Evolution of the Algerian trade balance (billions of US dollars)

the years	1965	1970	1975	1980	1985	1990	1995	2005	2000	2010	2015	2020
imports	0,67	1,26	5,99	10,55	9,84	9,68	10,76	20,36	9,17	40,47	51,70	34,39
exports	0,64	1,01	4,29	15,61	10,15	11,30	10,24	46,00	22,03	57,05	34,67	23,80
trade balance	-0,03	-0,25	-1,70	5,06	0,31	1,62	-0,52	25,64	12,86	16,58	-17,0	-10,6
coverage % rate	96%	80%	72%	148%	103%	117%	95%	226%	240%	141%	67%	69%

• The Bank of Algeria + the International Monetary Fund + Alknosid



c. A high balance sheet deficit:

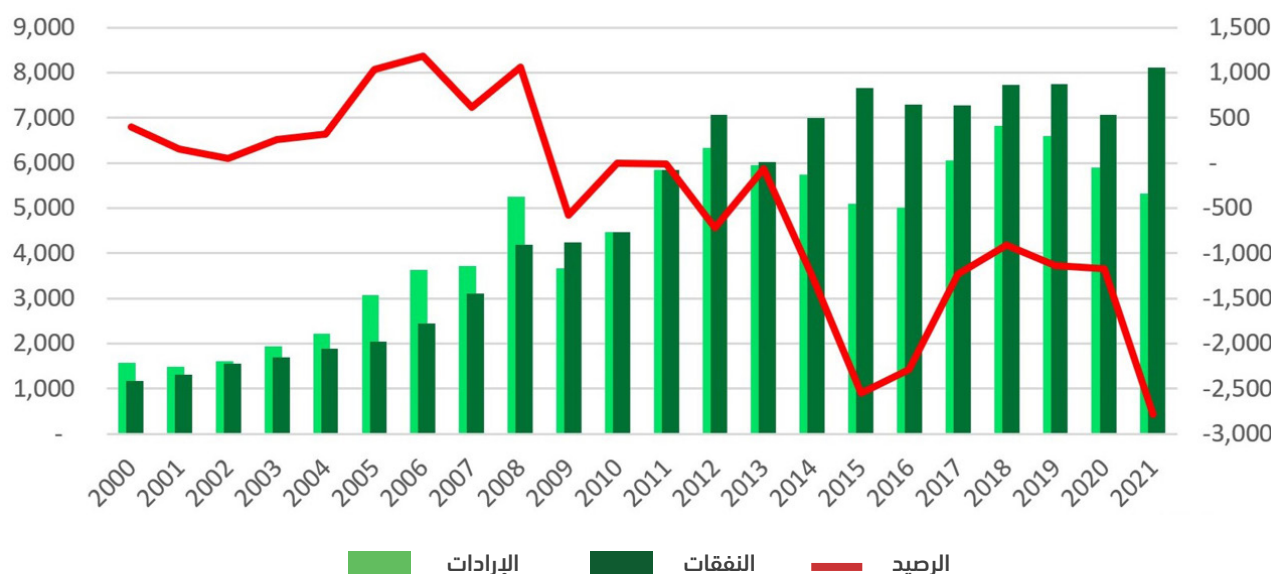
The concern of the public authorities in Algeria has always been the low revenues from hydrocarbons, given the percentage of their contribution to the state budget (70.5% in 2010, 59% in 2014, and 36% in 2021), as the sensitivity is very high between oil prices and the level of public spending, which is evident when examining the evolution of the balance sheet in Algeria.

The following table clearly shows the impact of the decline in hydrocarbon revenues on the state's balance sheet, as the latter will experience a chronic deficit since 2009, starting with -579 billion Algerian dinars this year due to the global financial crisis of 2008, and after a small deficit in 2011, the deficit rises again 2012 with -719 billion dinars for sure due to the sovereign debt crisis in Europe, then it rises again in 2014 to -1258 billion dinars, so that this deficit begins to escalate, reaching in 2012 a value of 2784 billion dinars (about 22 billion dollars) at a rate of 13.57% of the gross domestic product.

Evolution of the balance sheet deficit (in billions of Algerian dinars)

the years	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2005	2000
Revenues	010 6	904 5	602 6	827 6	048 6	012 5	105 5	738 5	958 5	339 6	838 5	462 4	081 3	578 1
expenses	071 8	074 7	741 7	732 7	283 7	297 7	656 7	996 6	024 6	058 7	854 5	467 4	050 2	178 1
balance	061 2 -	170 1 -	140 1 -	905 -	235 1 -	286 2 -	552 2 -	258 1 -	67 -	719 -	15 -	5 -	031 1	400

• International Monetary Fund



The budget, which is an essential tool of economic policy, plays a major role in moving the economic cycle and growth, and thus in creating jobs, improving the standard of living and reducing poverty, and this is done through spending, whether public, investment or social spending. This expenditure is covered by the regular tax in general, in addition to collecting from natural resources, as is the case with hydrocarbons in Algeria. The contribution of the latter to revitalizing the economic cycle and improving the well-being of the population is a necessary and positive thing, especially if it is directed for the purposes of production, increasing wealth and creating job sites. Revenues that cannot be controlled because they are determined by external factors, not internal ones, so they prefer that the budget be funded mainly from regular collections that can be controlled internally. The same specialists stress the need to control the budget and its efficiency. The budget deficit is no longer seen with suspicion

and fear. Rather, what is more frightening is the proportion of this deficit, which if it exceeds a certain ceiling and continues for a period of time, it could negatively impact the overall balance of the country and lead to a crisis. Not exceeding this ceiling is linked to basic factors, including the level of public indebtedness, the level of inflation, and the level of economic growth.

In the case of a deficit in the balance sheet, the public authorities often resort to either an increase in taxes on corporate profits and incomes, and this may cause a decline in investment and production, which leads the economic cycle to a recession in addition to the first recession and deepens the crisis. It also leads to a decline in demand that further complicates it. It can lead to internal borrowing (issuing treasury or public bonds or resorting to non-traditional financing, i.e. injecting new money into the market), which can raise inflation rates and affect the purchasing power of the population and

the overall consumer and investment demand. Resorting to external borrowing is what carries the risk of falling in the trap of external indebtedness and the conditionality of international financial and monetary institutions.

In all cases, the budget deficit may have negative effects if it is linked to external factors such as revenues from hydrocarbons in the case of Algeria. Its effectiveness is determined by the level of inflation, growth and public indebtedness. It gets more complicated when these three determinants are closely linked to revenues from hydrocarbons.

Therefore, modernizing public finances, improving the performance of public administration and its governance, improving the tax collection process, and combating tax fraud and evasion are all means that can regulate public finances, and free the budget and the economy from depen-

dence on hydrocarbons and directing it towards supporting the country's productive capacities and diversifying the economy.

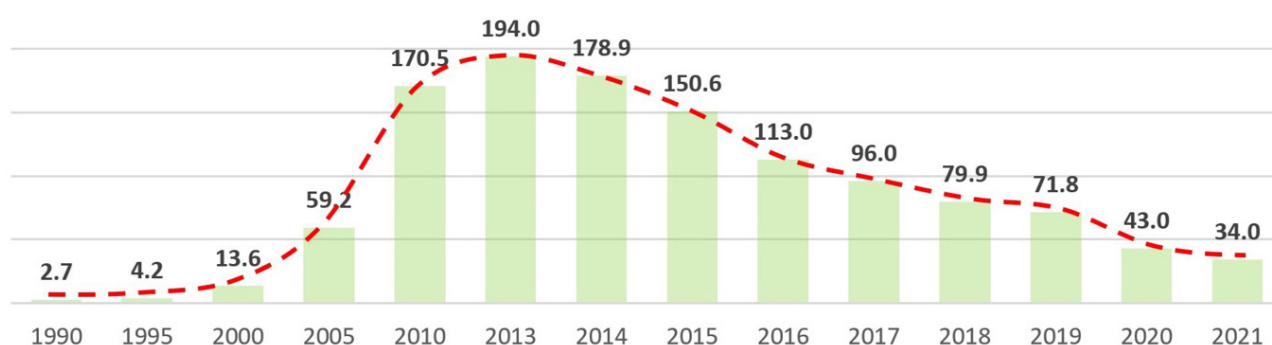
d. Erosion of exchange reserves:

The deficit in the three aggregate indicators mentioned above led to the appeal of the Import Control Fund, which was established in 2000 with the aim of managing the surpluses resulting from the rise in revenues from hydrocarbon exports, with the aim of balancing the public treasury deficit (at the end of 2015 its balance was \$32.5 billion). In the year 2017, all the funds of this fund are depleted, so that it gradually resorts to the exchange reserve, which in 2013 approached about 200 billion dollars, and it is the reserve that began to erode since 2014, as shown in the following table.

Evolution of exchange reserves (billions of US dollars)

*2021	2020	2019	2018	2017	2016	2015	2014	2013	2010	2005	2000	1995	1990
34	43	71.8	79.9	96	113	150.6	178.9	194.01	170.46	59.1	13.56	4.16	2.70

• Ministry of Finance



This table shows the rapid erosion of the exchange reserves, as it moved from \$194 billion in 2013 to about 43 billion in 2020. The International Monetary Fund expects that it will decline in 2021 to about 34 billion, which is almost enough for a year of imports.

The return of oil prices to rise at the end of 2021 and the efforts of the public authorities to reduce the import bill is a positive indicator that can improve the situation of the trade balance and the balance of payments in the future, but an improvement that will always remain hostage to the dependence of the Algerian economy on hydrocarbons, so the only permanent and most effective solution remains to transform the economy into production and towards diversification.

e. High public indebtedness:

The level of public indebtedness compared to the gross domestic product is one of the most important indicators that reflect the financial and economic health of the country, and its high becomes an important constraint and obstacle to setting and achieving economic policy. It remains that the impact and efficacy of this religion is mainly linked to several factors, depending on its nature.

In the event that the debt is external, it is linked to the stock of this debt and its service in relation to income from imports, in relation to the gross domestic product, and to the primary deficit in the balance of payments, currency exchange rates and interest rates, which are factors that are difficult to control in the case of the Algerian economy given its dependence on hydrocarbons. However, resort Al-Hakim urged the public authorities to prepay their foreign debts in 2006, making them temporarily liberated from the external debt constraint.

Evolution of external debt (in billions of US dollars)

*2021	2020	2019	2015	2010	2006	2005	2000	1995	1990	the years
3.4	2	1.7	1.8	5.54	5.61	17.19	25.26	31.32	29.80	Total debt

*Bank of Algeria + International Monetary Fund + Alknosid



A look at the table above, which shows the development of the Algerian external debt, confirms that: if this debt was estimated in 1995 at 31.3 billion dollars, then it decreased in 2005 to 17.19 billion dollars after rescheduling these debts and applying the conditionality of the International Monetary Fund and the economic and social results that resulted from it, then these debts witnessed a noticeable decline after the decision of the Algerian authorities to pay in advance in 2006, to reach \$5.61 billion the same year. Then, it declined to 2 billion dollars in 2020. However, caution remains required, because the International Monetary Fund's expectations raise this debt to 3.4 billion dollars in 2021, which is confirmed if the public authorities resort to external borrowing in the event of the continued deterioration of Algeria's macroeconomic indicators, which it excludes.

The state of internal indebtedness differs and its restriction is theoretically less than the external debt, but it becomes a heavy burden on the state's economy when its size increases due to the accumulation of deficit in the state's budget for several years. Inflation rates and the level of economic growth in the event of a decline contribute as well. Unfortunately, the state of the Algerian economy is in this situation due to the combination of the two crises that we mentioned above, in addition to its structural crisis, which is the development crisis in 2015 (8.3% of the gross domestic product) to 3407.3 billion dinars in 2017 (at a rate of 19.5% of the GDP) to reach 9204.5 billion dinars in the year 2020 (at a rate of 45.2% from the AED).

Evolution of domestic debt (in billions of Algerian dinars)

2020	2019	2018	2017	2015	2010	2006	2005	2000	the years
9204.5	7558	4957.8	3407.3	1239	1099.2	1779.7	1094	1022.9	the size
45.2%	37%	26.3%	19.5%	8.3%	9.2%	20.9%	14.5%	24.8%	BalansIt is a percentage of the gross domestic product

*The Bank of Algeria + the International Monetary Fund + Alknosid



Public debt or as it is called "sovereign debt" includes all the internal and external debts of the state and their efficiency is linked to a basic tool called "Debt Effectiveness analysis"² which generally depends on the country's annually produced wealth.

A view of the table below on the development of public debt in Algeria confirms its continuous rise as a result of the increase

in domestic debt. It increased from 8.8% of the gross domestic product in 2015 to 20.4% a year later, to witness an explosion in 2020 at 57.2% of GDP in the amount of 11.301 billion Algerian dinars, with the possibility of its rise to 63% in 2021 according to expectations. If the crisis continues, the financing needs of the Algerian economy will rise, and this may constitute a real constraint for its future development.

Economic experts unanimously agree that the good management of public debt is linked to several basic factors, the most important of which are:

- Setting the budget policy in harmony with the macro-economic policy, which means that a development strategy for the medium and long term is required.
- Ensuring that funds are used efficiently and effectively, and this will only be achieved if directed towards production goals

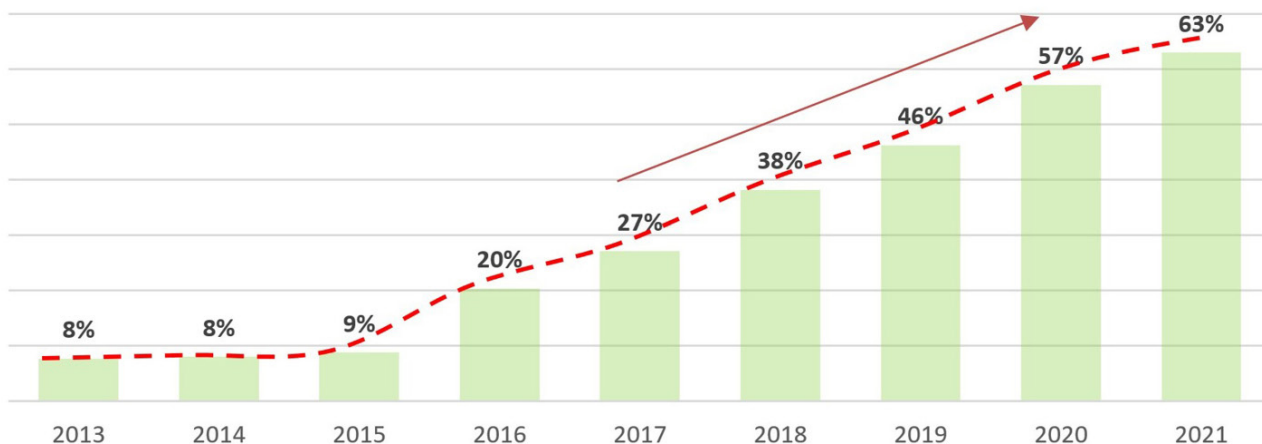
- Adopting governance with all its components in the management of public funds by involving all actors and adopting transparency and continuous accountability.



Public debt as a percentage of gross domestic product

*2021	2020	2019	2018	2017	2016	2015	2014	2013
63%	57.2%	46.3%	38.2%	27.1%	20.4%	8.8%	8.0%	7.7%

*The Bank of Algeria + the International Monetary Fund + Alknosid



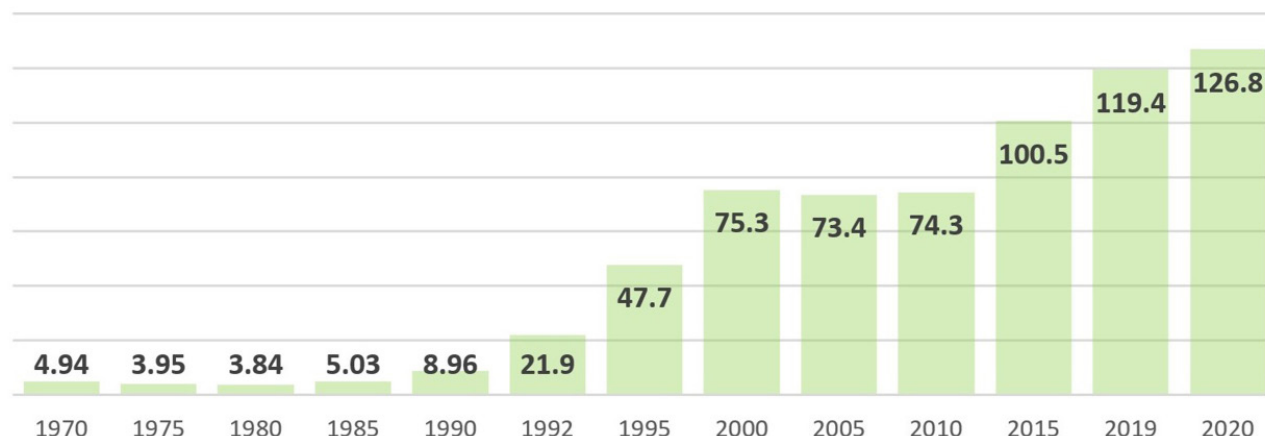
f. The devaluation of the national currency:

Since the collapse of oil prices in the global market in 2014, the Algerian national currency has known successive declines that took an accelerating turn during the last three years. The dollar, which was exchanged for 79.27 dinars at the end of 2014, reached in October 2021 its value at 137.45 (+57.67%). Same thing for the euro, which increased from 102.94 to 159.34 during the same period.

Evolution of the exchange rate of the dinar compared to the US dollar

2020	2019	2015	2010	2005	2000	1995	1992	1990	1985	1980	1975	1970
126.8	119.4	100.5	74.3	73.4	75.3	47.7	21.9	8.96	5.03	3.84	3.95	4.94

• Bank of Algeria



These reductions in the value of the national currency negatively affected the prices of final consumables and production materials, mainly including production materials and equipment commodities, all of which witnessed a tangible rise, some of which reached the point of doubling or more and negatively affected the purchasing power of the population and the ability of institutions to be supplied with the materials involved in the production process. The only “beneficiary” of these reductions is the public treasury, as it raises the value of exports, expressed in Algerian dinars, and inflates the volume of balance sheet revenues (oil taxation), including the volume of expenditures.

The fact is that Algeria, since 1990, after a monetary policy from 1964 to 1989 that was based on the stability of the national currency, took measures to devalue the dinar in a circumstance in which Algeria’s external indebtedness crisis worsened, so that the price of the dollar increased from 4.83 dinars in 1987 to 21.87 dinars in 1992. Then to 47.7 dinars in 1995. These last two years are what defined the application of Algeria’s agreements with the International Monetary Fund with their well-known conditionality, including the reduction of the national currency.

The procedure of devaluing the national currency falls within the conditionality of the International Monetary Fund to help developing countries solve the problem of their external indebtedness, which is supposed to lead in the first stage, if followed by other measures such as applying a strict budget policy and lifting subsidies on prices of basic materials, to restore balances including the balance of payments. The second phase is based on procedures for liberalizing foreign trade, privatizing public institutions, reforming the banking and tax system with the aim of increasing the domestic supply directed abroad. It is assumed that decline of the currency will lead to an increase in external competitiveness and raising the chances of local products in the international markets.

However, a large number of economists working in macroeconomics and the field of macroeconomic policies consider that the procedure of devaluing the local currency is not always the case, especially when it comes to developing countries. They consider that the monetary policy that is based on devaluing the national currency with the aim of “artificial” raising of the value of revenues from exports of hydrocarbons, and according to the revenues of the state budget, does not

always lead to positive results, especially in the case of a weak national production system, and would always have adverse effects, including raising inflation rates and negatively affecting the purchasing power. It, also, raises the debt services calculated in the national currency, which exacerbates the domestic debt.

2. Social situation:

The difficult economic situation and the crisis of COVID-19 affected the social situation in several aspects. However, there are many studies indicating that this situation was fragile before 2014 due to some structural imbalances related to the organization of the labor market, the income distribution and redistribution system, as well as the price system.

Most of these imbalances are attributed by many studies to the underdevelopment of public administration in several areas, including the delay in the digitization process, poor formation of the human resource, the tyranny of bureaucratic management, corruption in employment. Finally, these imbalances are due to the underdevelopment of the national statistical apparatus, which does not help economic agents to take appropriate decisions, including the administration itself.

Before presenting some basic indicators of the social situation in Algeria, some important demographic-social indicators

must be recalled. The National Bureau of Statistics estimated in 2020 the average size of the Algerian family between 4.5 to 5 members and the number ranges between 8.8 and 9 million families. Food (agricultural materials, fishing materials, and the food industry) ranks first in terms of expenditure; 41.2% in transportation, communications with 35.2%, meaning that the Algerian family allocates 76.4% income for these two items. Statistics further indicate that 24 million families have 60% income for food.

All statistics and studies indicate the severe negative impact of the pandemic on the consumption of families, especially those active in the informal economy, which range between 2 and 2.5 million out of 3.4 million.

a. Unemployment:

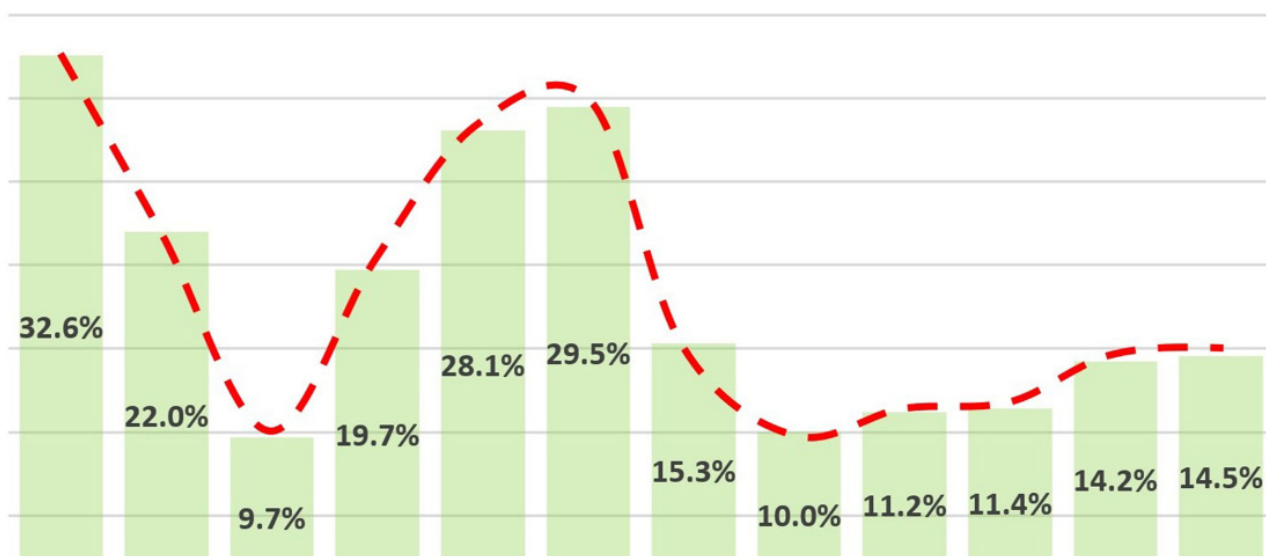
The National Bureau of Statistics report estimated the amount of unemployment at 1.5 million in 2019, or 11.4% of the active population, including 442,000 of youth, aged between 16-24 (26.9%). This percentage will increase in 2020 to 14.24% and to 14.54% in 2021. It is noteworthy that the number of unemployed graduates and women has been constantly increasing.

The pandemic had a severe impact on the increase in the number of unemployed, especially in the informal economy.

Evolution of unemployment rates (1966-2021)

2021*	2020	2019	2015	2010	2005	2000	1995	1990	1985	1978	1966
14.54%*	14.24%*	11.4%	11.2%	10%	15.3%	29.5%	28.1%	19.7%	9.7%	22%	32.6%

Source: National Bureau of Statistics



Studies explain this rise in the number of unemployed and the unemployment structure in Algeria:

- Weakness of the national production system in industry and agriculture, and weak rates of economic growth
- The weakness of the employment policy and the dominance of social treatment over it
- Weak statistics and lack of efficacy

b. Fragile work conditions:

Statistics estimate 6 million workers in the informal economy out of about 12 million active population, i.e. 50%. Almost all of them are unauthorized and do not enjoy social security. To all of these must be added the self-employed, agricultural workers and domestic workers. Studies also show that 3 million organized private sector workers are not authorized (only 10% enjoy social security), and 4/3 of them work on temporary contracts.

Fragile work conditions do not affect only the private sector, as a number of workers in public institutions and public administration work under temporary work contracts for a long period.

Of course, most of these workers receive poor wages and, in most cases, less than the minimum wage, i.e. less than 20,000 Algerian dinars.

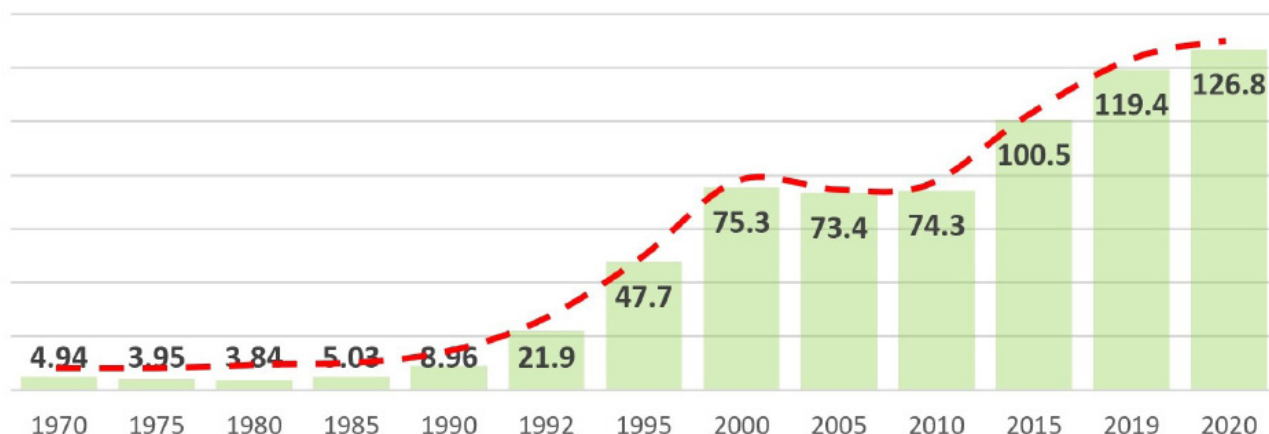
c. Decline of purchasing power:

The many measures to devalue the national currency, as well as the non-traditional financing policies adopted as a solution to reduce the public budget deficit, have led to a rise in inflation rates, which was clearly reflected in the level of prices and the purchasing power of the population. The two financial tables clearly show this.

Evolution of the exchange rate of the dinar compared to the US dollar

2020	2019	2015	2010	2005	2000	1995	1992	1990	1985	1980	1975	1970
126.8	119.4	100.5	74.3	73.4	75.3	47.7	21.9	8.96	5.03	3.84	3.95	4.94

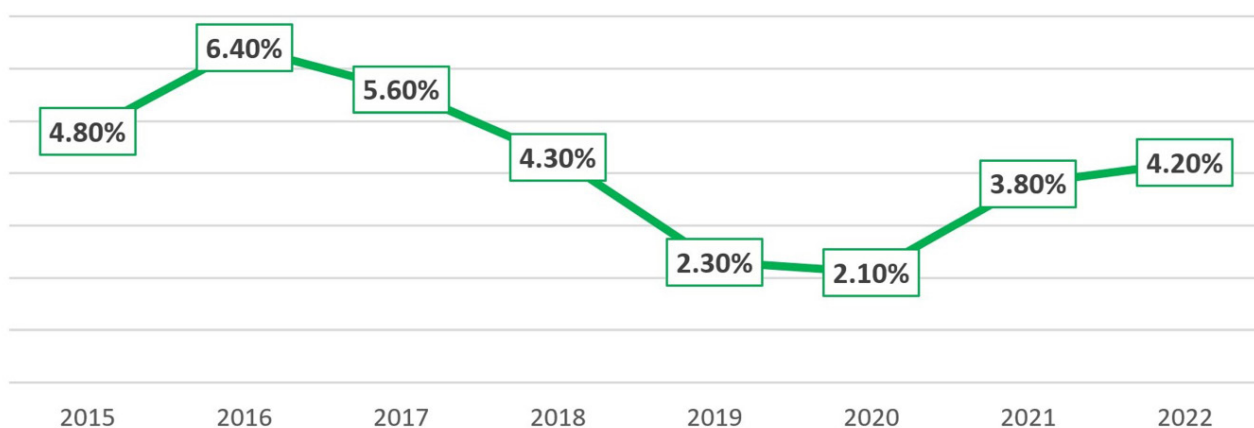
Source: Ministry of Finance



The evolution of inflation rates (annual rate)

2022*	2021*	2020	2019	2018	2017	2016	2015
4.2%	3.8%	2.1%	2.3%	4.3%	5.6%	6.4%	4.8%

Source: National Bureau of Statistics



The stagnation of wages is also one of the reasons for the decline in purchasing power. According to the ILO report on real wages, the development of the latter was negative in Algeria between 2000 and 2017, and its decline in 2018 was estimated at -4.4%, noting that the minimum wage did not increase from 2012 to 2020.

A number of studies confirm that the support of public authorities for a number of essential commodities and various social transfers played a major role in alleviating the deterioration of the purchasing power of the population, especially for the most vulnerable groups.

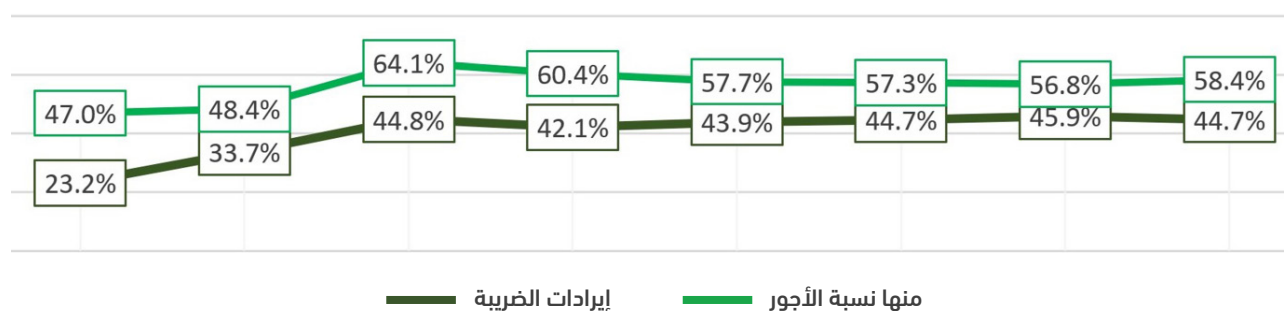
d. Tax policy:

Most studies on fiscal policy in Algeria agree that it is unjust. The statistics of the National Bureau of Statistics for the year 2019 show that the tax on income from wages represents 3.46% of gross domestic product (it represents only 0.1% and 0.2% respectively in Africa and South America for comparison), while revenue from corporate profit tax represents 1.9%. It represents 2.5% in Tunisia and 4.7% in Morocco and 2.8% average in Africa.

The evolution of income and profit tax revenues in relation to total revenues

2018	2017	2016	2015	2014	2012	2007	2002	the years
44.7%	45.9%	44.7%	43.9%	42.1%	44.8%	33.7%	23.2%	Tax on income and profits
58.4%	56.8%	57.3%	57.7%	60.4%	64.1%	48.4%	47%	including the wage rate

Source: National Bureau of Statistics



The above table explicitly shows the continuous escalation of the tax on income and profits from the total revenues of the public budget. It also shows that since 2012 the tax on wages has exceeded the tax on income and profits by 50%. This made specialists consider the tax unfair and unfair, as it is not progressive enough, and it exempts many wealthy people from paying the tax due to tax transfers, in addition to its ineffectiveness, given the prevalence of tax fraud and evasion.



Chapter II:

The most important
structural constraints of
the Algerian economy

It has been pointed out that the situation of the Algerian economy, according to the diagnosis that we made in the first chapter is not the result of circumstantial factors linked only to the crisis of declining hydrocarbon revenues in 2014 and the pandemic. Rather we find its explanation in the deep crisis that defines the pattern of growth and development that has been adopted in Algeria since the liberal zigzag of 1980, which established structural and deep constraints, and constitutes, now, a real obstacle to building a new, participatory and sustainable development pattern. Among these constraints is the chronic dependence of the Algerian economy on revenues from hydrocarbons and imports of consumer goods, industrial machinery and processing materials, the size and weight of the unregulated economy in the Algerian economy, and the form of integration into the global economy.

All studies and research consider these constraints as the main barriers that hinder the development of the Algerian economy today and prevent it from being transformed into a productive and diversified economy that creates wealth and decent work and ensures that the basic needs of the population are met and respects the environment in accordance with the goals of sustainable development 2030 and the principles and foundations of governance. In other words, these structural constraints cannot be overcome except by structural solutions in accordance with a medium and long-term strategy that is the result of collective participation and constructive and effective social dialogue between all parties.

1. Dependence on hydrocarbons and imports is a structural constraint that must be overcome

It is no different today that the continued dependence of the Algerian economy on hydrocarbons on the one hand, and on imports of food and non-food consumer goods, industrial machinery, and processing commodities has become the greatest threat to the future of this economy and future generations, and that the matter requires a comprehensive

strategy to build a productive economy and achieve economic diversification as soon as possible.

Although Algeria took several various measures in order to reduce dependence on revenues from hydrocarbons, the results were very modest, due to the absence of a comprehensive, long-term and multidimensional vision. All the programs of successive governments since the 1986 crisis, and all the reform programs and economic recovery plans that have been drawn up since then until today, are not devoid of emphasis on the need to get rid of this dependence and go urgently to economic diversification and diversification of exports. However, the percentage of revenues from hydrocarbons out of total exports remained very high, confirming the structural dependence of the Algerian economy on it.

On the other hand, non-hydrocarbon exports remain very modest and little diversified, and their non-hydrocarbon value does not exceed more than 3 billion dollars at best, more than 70% of semi-manufactured materials (mineral fertilizers, oils, sugar cane, sugar beet).

And although Algeria has always adopted measures to reduce the import bill when oil prices decline in global markets and fuel revenues decline, it always returns to raising imports in the event of financial prosperity and tends to forget the importance of diversifying the economy and developing national production.

What must be recorded is the control of the external economic situation, mainly fuel prices in international markets, in the barometer of the demand for the need to shift from a rent-based economy to a productive and diversified economy. Voices from all parties (including various governments) and numerous articles, studies and reports all conclude on the necessity of accelerating this transformation. But these voices quickly subside when the market recovers and incomes rise.

It must also be noted that the hydrocarbon revenues were used as a variable in the hands of various governments to win social peace and gain political loyalty, just as the groups that benefited from this re-

venue, especially those nested in the wheels of foreign trade (import barons) and those who acquire public deals, have done everything in their power to prevent the realization of this transition.

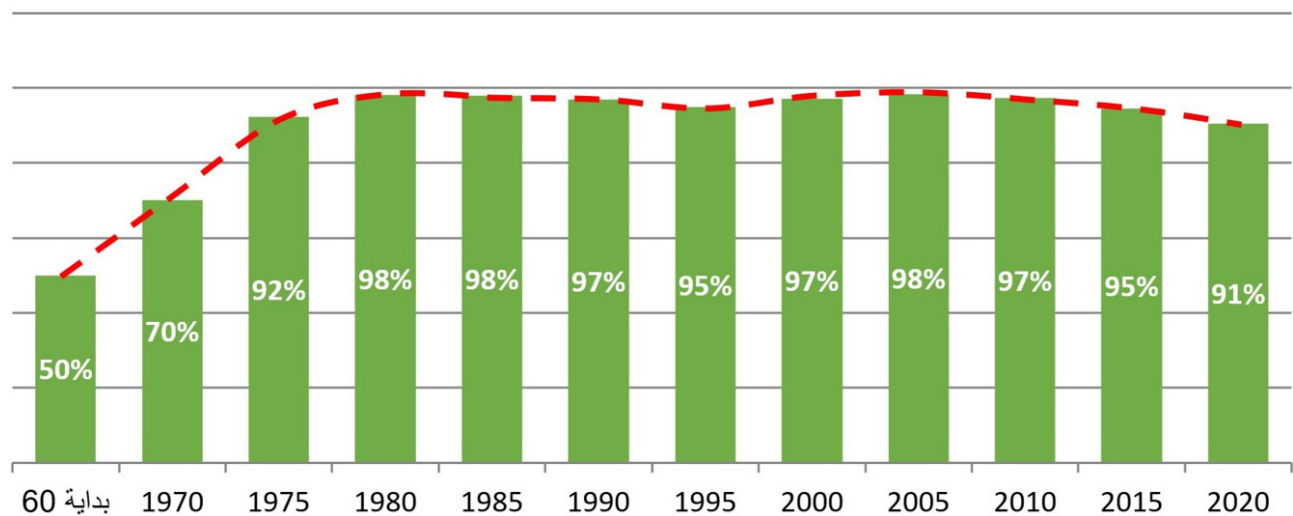
1. Hydrocarbons and their role in the Algerian economy:

A quick look at the numbers shows that the contribution of hydrocarbons to total revenues from exports has not fallen below 90% since 1975, and its peak was known in 2005, with a rate of 98.3%, 90.5% in 2020. At the beginning of 1965, it contributed 50 %.

The contribution of hydrocarbons to revenues from exports (%of total exports)

2020	2015	2010	2005	2000	1995	1990	1985	1980	1975	1970	beginning 60
90.5%	94.5%	97.3%	98.3%	97.2%	94.9%	96.9%	98.0%	98.2%	92.3%	70.2%	50.0%

Source: Ministry of Finance

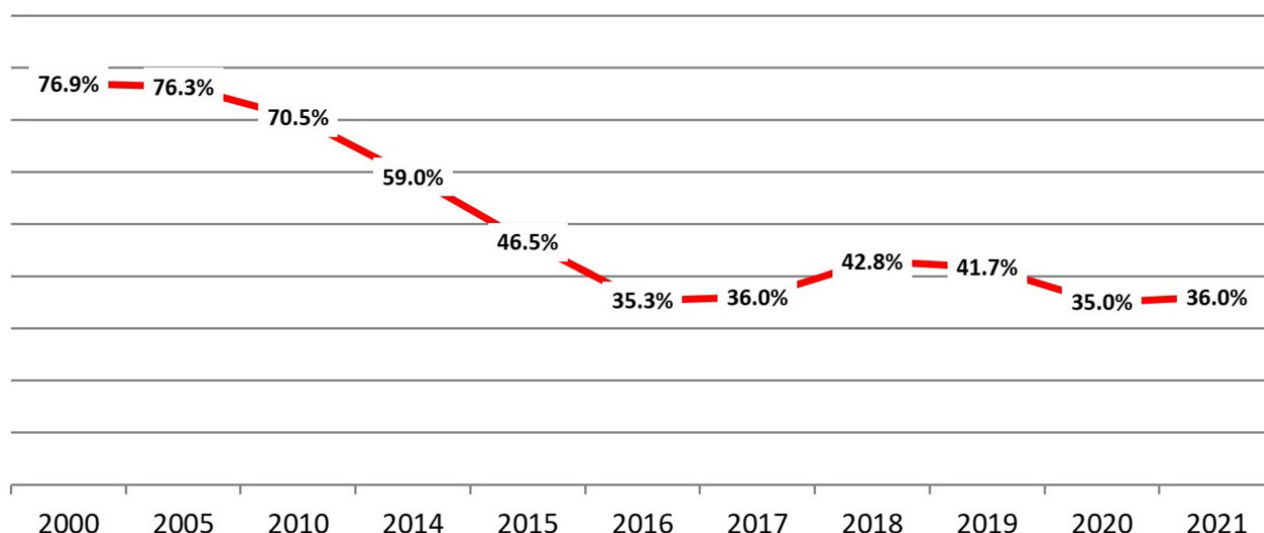


The same applies to the contribution of fuel to the state budget through the so-called petroleum tax, which remained very high until 2014, only to witness a rapid decline since this year due to the decline in Algeria's revenues with the drop in oil prices on the international scene. Since this crisis, this contribution has witnessed a noticeable decrease from 59% in 2014 to 35% in 2020. This decline has been partially compensated thanks to the Import Control Fund funded by revenues from hydrocarbons.

The contribution of hydrocarbons to the state budget (%of total revenue)

2021*	2020	2019	2018	2017	2016	2015	2014	2010	2005	2000
36.0%	35.0%	41.7%	42.8%	36.0%	35.3%	46.5%	59.0%	70.5%	76.3%	76.9%

Source: Ministry of Finance * Estimates



The weight of hydrocarbons in the Algerian economy appears in its almost total control over macroeconomic indicators. As soon as the 2014 crisis occurred, growth rates dropped from 3.8% in 2014 to 0.8% in 2019, the trade balance and the balance of payments experienced a continuous deficit.

By the end of 2021, hydrocarbons remain the almost total source of financing the Algerian economy, but what should be noted is that the energy sector in Algeria, and hydrocarbons in particular, is undergoing structural transformations that may lead to a further worsening of the situation of the Algerian economy in the coming years.

Indeed, since 2010 Algeria has known a decline in fossil energy production, which is matched by a rise in demand, which made many specialists expect Algeria to lose its position as an oil country.

The fuel sector has witnessed a decline since 2005, which appears in a continuous decline in production, despite the rise that it will witness in 2015 by 0.4%, 6.1% in 2016. In 2017, it will fall by -1.4% and -4.2% in 2018. This is due, according to specialists, to the decline in discoveries of the old wells. The same applies to exports, which experienced the same tendency to decrease annually from 2005 to 2015, estimated at 6.7%. Likewise, exports of natural gas and liquefied gas suffered the same fate, with a decrease of 3.7% for and 4.2% respectively.

On the other hand, various sources confirm that Algeria's oil reserves stabilized during the same period at around 12.2 million barrels per day, and that production decreased from 1.95 million barrels per day in 2008 to 1.51 in 2018.

On the other hand, the domestic demand for hydrocarbons witnessed a strong increase, as it moved from 36.4 million tons against oil in 2008 to 56.7 in 2018, with

an estimated rate of 36% within 10 years. Other sources consider that demographic growth and urbanization are key factors that led to a remarkable increase in energy demand, and this total demand increased from 2000 to 2017 by about 5% annually, and in 2018 it reached about 36,360 kilotons of oil distributed according to sectors as follows: 40% for transportation, followed by the demand of families and industry 19%, then the other sectors with 21%. Also, energy is dominated by fossil energy, with a percentage of 63.8% for natural gas and 35.4% petroleum and coal by 0.6%. As for renewable energy, it represents only 0.1% (International Energy Agency 2020).

The return of the global economy to recovery at the end of 2021, including the possibility that fuel prices will go up. Certainly, the Algerian economy will return to production. However, whatever the level of fuel prices in the international market, it is inevitable to go towards building a productive and diversified economy that creates wealth, permanent and decent job sites, and getting rid of dependence on energy materials. Achieving this goal requires at the same time a review of the energy policy itself and defining a strategy for the success of the energy transition in Algeria.

Considering the following diagnosis of the energy sector in Algeria:

- Domestic energy consumption takes 50% of production, which is expected to increase given the expectations of population increase and future demand.
- The continuous decline in oil production since 2008 due to the aging of wells, will inevitably lead, along with the increase in domestic demand, to a decline in exports, including income from hard currency.
- Weakness of the petrochemical industry that prices fuel
- The presence of a huge reservoir of solar energy and other renewable energies, which are considered as one of the main factors for the success of the energy transition.

Many specialists in the field of energy suggest that Algeria should continue to develop productive capacities for fossil fuels, especially oil, by encouraging exploration, exploration and production using modern technologies and cooperation with foreign companies.

They also suggest that Algeria should adopt a clear and long-term strategy to value energy resources, in particular the development of petrochemical industries, as well as a strategy for energy transition based on diagnosing the current situation of the sector and drawing lessons from previous crises (particularly the crisis of 1986 and 2014), as well as studying the global energy situation and the strategy of actors in the sector and the economy. as a whole (producers and consumers). The goals of sustainable development in the horizons of 2030 must also be taken into account and their embodiment in the Algerian reality.

The energy transition strategy must include the demand side of traditional energy and the need to rationalize its consumption in all sectors, whether from the final consumption or production side. environment, and the development of clean renewable energies.

Whatever the case, the energy transition policy must be included within the broader goal of building a productive and diversified economy outside of hydrocarbons. Revenues from hydrocarbons must be one of the pillars of financing this economy, but not all of it. Therefore, work at the external level in order to value these resources must be within the orientations of Algeria's energy and commercial policy. There is a consensus among most economic researchers specialized in the field of development, that the latter is dependent on the challenge of economic diversification, diversification of exports, and the transformation of economic structures away from dependence on natural resources. They also assert that diversification is necessary to protect the local economy from external shocks, and that this is achieved through the development of productive capacities for the country.

2. Import dependency:

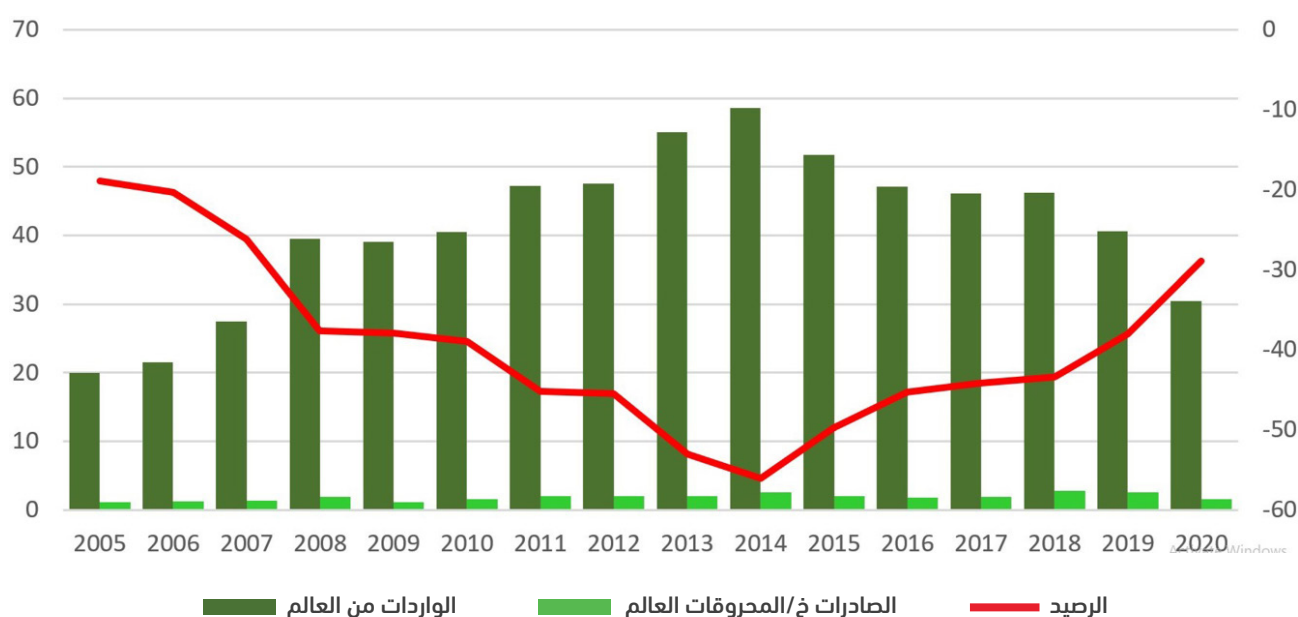
The dependency of the Algerian economy is not only in terms of revenues from hydrocarbons, but also in terms of revenues from food and non-food consumer goods, processing materials and industrial machinery.

The following table shows Algeria's non-hydrocarbon trade with the world, from 2005 to 2020, with a chronic deficit, amounting to \$630.6 billion during the period. Noting that this deficit has begun to decrease since the 2014 crisis as a result of the public authorities' decision to reduce the import bill.

Algeria's trade exchanges with the world (in billions of dollars)

2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	years
30,5	40,6	46,2	46,1	47,1	51,7	58,6	55	47,5	47,2	40,5	39	39,5	27,5	21,5	20	imports from the world
1,53	2,6	2,8	1,93	1,81	1,97	2,58	2,01	2,06	2	1,52	1,1	1,9	1,3	1,2	1,1	Exports / hydrocarbons
-29	-38	-43,4	-44,2	-45,3	-49,7	-56,0	-53	-45,4	-45,2	-39	-37,9	-37,6	-26,2	-20,3	-18,9	Balance / fuel

Source: Ministry of Commerce



The structure of these imports, which remained limited to certain sectors, clearly proves the dependence of the Algerian economy on imports, as consumer goods occupy the first place in terms of value (40.26% of the total imports in 2020, of which food products amounted to 23.54% and non-food by 16.72%). It is followed by industrial processing materials with a percentage of 26.63% and semi-finished materials by 23.17%, then raw materials, energy and lubricants with 6.69% and 2.66% respectively by value.

In terms of the geographical distribution of imports, the European Union ranks first, followed by China, Turkey, and the United States. Among the top ten suppliers to Algeria, there is no Arab or African country. This reflects the linkage of Algerian foreign trade with Europe in general, despite the remarkable rise of China and the clear lack of Algerian-Arab and Algerian-African cooperation.

II. Weak and undiversified production apparatus:

The contribution of all factors of production and economic agents to the production, distribution, exchange and consumption of the country's wealth, and the development of this system is linked to the extent of the recruitment of these factors and the form of their organization.

All figures and studies confirm the weakness of the national productive apparatus and consider this an additional structural constraint that must be overcome if Algeria wants to build a new, productive, participatory and sustainable economic pattern. This weakness appears in three essential indicators: the decline of the Algerian industry since the end of 1980, the weakness of the structure of the Algerian economic institution, and the inability of the agricultural sector to ensure food security for Algerians.

a. The Algerian industry has declined since the end of the 1980s:

The decline of the Algerian industry is a reality that all studies have shown. It is the opposite of the path of the emerging developing countries that have known a great development of their industrial sector since the year 1980, whether to meet local needs or for exports.

The change that took place at the top of the political power in Algeria at the end of the 1970s and the global transformations with the beginning of the 1980s towards abandoning the Ford-Keynesian agreement after World War II and adopting the Washington Accord are tantamount to the two events that announced the abandonment of the development strategy and the suspension of the industrialization path in Algeria.

It is worth noting that the first phase of the development of the Algerian economy (1967-1980) was marked by the adoption of a development strategy known as the "manufactured industries strategy", which was based on giving priority to industry, mainly heavy industry, which was entrusted with the task of supplying the light industry and agricultural sectors with the

necessary machinery and equipment to raise productivity. Meeting the needs of the local market and ensuring the creation of sufficient job sites to accommodate the rural exodus and reduce unemployment. The goal was to build an integrated national production system as a basic means to help the country progress.

Despite the results achieved (see the chapter on the stages of development of the Algerian economy), and without a scientific and objective evaluation, this strategy, which was considered "socialist", was abandoned, and it has been decided instead to put an end to the industrialization of Algeria.

It is worth noting that the global circumstance has contributed to supporting this trend, as the drop in oil prices in 1986 led to stopping the investment effort in the industry due to the decline in revenues from hydrocarbons, which were the main financier for industrial investments, and also led to serious indebtedness that prompted Algeria to turn to financial institutions for funding.

The change of the economic model at the global level also led to the abandonment of what was called the theory of development and the economics of development, which gave industrialization the task of building a developed economy capable of achieving modernization and solving the social problems of post-independence (unemployment, rural exodus, improving living conditions), and adopting the model of the "liberal market economy", which believed that the industrialization process is a summation of the growth process that should be left to the free mechanisms of the market. In other words, the neo-liberal economic theory considered that the industrialization process is not a task of the state and its willful action to transform the structure of the economy and the structure of production from the least productive sectors to those that are more productive of value and employment. Rather, this task should be left to the market while the state takes care of ensuring the achievement of macro-financial balances. for stability.

Based on this conviction, the development strategy and the path of industrialization

lization were abandoned, a trend confirmed by the reforms initiated since the end of 1980 (liberalization of foreign trade, agricultural reform, monetary and credit law) and supported by the structural reforms of the International Monetary Fund.

All studies today consider that the results of this transformation have led to a decline in the Algerian industry in terms of raw domestic product and the disappearance of entire production branches such as the branch of textiles, leather and wood, and a decline in industrial employment. It generally has an import sector and an informal economy. Finally, this transformation did not lead to building competitive productive institutions at home or at the regional and international levels.

The decline of the Algerian industry is evident through four basic economic indicators, which are the industrial production index in Algeria, the industrial added value, the use of production capacities, and industrial operation:

▪ industrial production index:

The industrial production index is considered among the most important indicators that depend on following up the economic situation of the country, mainly the productive sector. If it is negative, then it reflects the weakness and decline of the industry and the indicators that follow it. Rather, it reflects the decline of the industry in general and the backwardness of the country's economy.

The development of the industrial production index in Algeria (public sector Rule 100 in 1989)(2002-2020)

2020	2015	2010	2005	2002	
-8.00	1.40	-2.40	6.5	1.10	General index
-7.90	3.40	-2.60	4.30	0.00	Index outside fuel
-13.80	-0.90	-5.50	-3.30	-1.50	Industrial index

Source: National Bureau of Statistics 2021.

A look at the above table shows the continuous decline in the industrial production index, which began in reality since 1990, and this decline appears sharply in basic sectors such as the iron, electrical, and electronic industries, the chemical industry, as well as the textile, leather, and paper industries. What can be recorded in recent years is the decline of this indicator in the energy sector, as well as in the construction and public works sectors due to the pandemic.

▪ industrial added value:

The added value reflects the wealth produced during the production process. The industrial added value represents the share of industry in the production of national wealth. Its low percentage reflects the weakness of the industrial sector and the delay in the economic structure of the country in general.

The table shows the clear decline in the share of the industrial added value in the total value added outside the fuel, after it represented 13.5% between 1974-1979, it no longer represents only 6.5% in 2020, and it is concentrated in only three sectors: food industries (more than 50%), water and energy, and building materials, which alone account for nearly 95% of the industrial added value.

The industrial added value of the total value outside of hydrocarbons: (2001-2020)

2020	2019	2018	2015	2014	2010	2005	2001	
6.5	5.9	5.6	5.9	5.2	5.5	5.9	8.0	industrial added value
15.0	15.0	14.7	14.7	14.7	15.8	21.1	21.3	share of the public sector
85.0	85.0	85.3	85.3	85.3	84.2	78.9	78.7	share of the private sector

Source: National Bureau of Statistics 2021.

Despite the increasing contribution of the private, it is still considered to be weak. Knowing that the added value reflects the value produced during the process of producing goods and services, as well as the contribution of labor and capital in this process.

▪ Poor use of production capacities:

We also notice the weakness of the national productive apparatus in the weak use of productive capacities, which appears by calculating the rate of use of productive capacities. It shows the difference between the total capacities enjoyed by institutions (machines, equipment, and buildings) and the capacities actually recruited in production during a certain period. The numbers in the table below show the weak use of production capacities in Algeria, as it does not exceed 50%, which means that more than 50% of the production capacities are not active due to the lack of equipment and the lack of use of the human resource and incentives.

The annual development of the rate of utilization of productive capacities (2009-2018)

2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
45.6%	48.9%	54.6%	49.0%	45.6%	48.6%	47.7%	46.9%	45.3%	48.6%	45.7%	46.1%	47.1%	44.8%

Source: National Bureau of Statistics 2020.

▪ Share of industrial employment:

It is a result of all of the above indicators. The decline in industrial production indicators, the decrease in the share of industrial value-added in the total value-added produced, and the weak use of productive capacities in industry, inevitably lead to a decline in employment in the industrial sector.

Share of industrial employment in total employment (1963-2018)

2018	2017	2016	2015	2010	2000-2005	87-99	63-86
13.2	13.8	13.5	13	13.73	7.4	10.3	12.2

Source: National Bureau of Statistics 2019.

The last table on the share of industrial employment in total employment shows the structural weakness of the Algerian industrial and productive sector in general, as this employment remains no more than 13.73% in 2010 at best, which is a small percentage compared to employment in the central and local administration, services, construction and public works sector (respectively 58.9% and 17% in 2018). It reflects the inability of this sector to create job sites capable of absorbing the surplus of the labor force .

b. Weak production structure concentrated in non-commodity sectors:

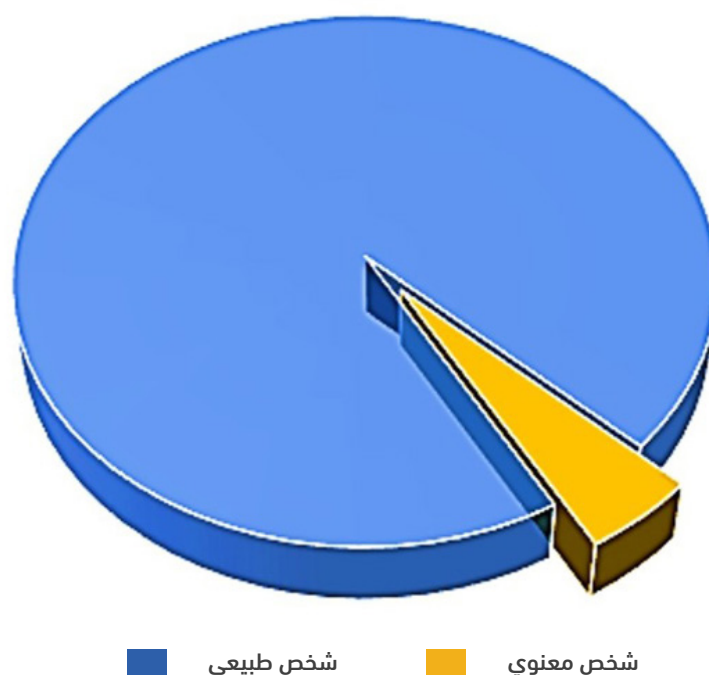
The weakness of the productive structure of Algerian enterprises (especially in the private sector) and their location in the services, trade, construction and public works sectors is one of the reasons that explain the weakness and lack of diversity of the Algerian productive system. Despite the development of the private sector in the Algerian economy since 1990, that is reflected in the number of institutions and their contribution to the production of wealth (added value) and employment.

The first economic survey conducted by the National Bureau of Statistics in 2011 revealed the reality of the national pu-

blic and private production system and the nature of the Algerian economic enterprise. The results showed that out of 934,250 enterprises that were surveyed, the 888,794 of which are of normal character, representing 95% of institutions, only 5% of them are legal. Most of the institutions are of individuals or families.



توزيع الوحدات الإقتصادية حسب الشكل القانوني



Source: National Bureau of Statistics 2012.

In terms of the distribution of enterprises by sector of activity, the survey showed that 89% of the establishments are active in commerce (55% of which 98% are in retail trade) and services (34%), followed by active establishments in the industrial sector with 10%, then construction and public works with 1%.

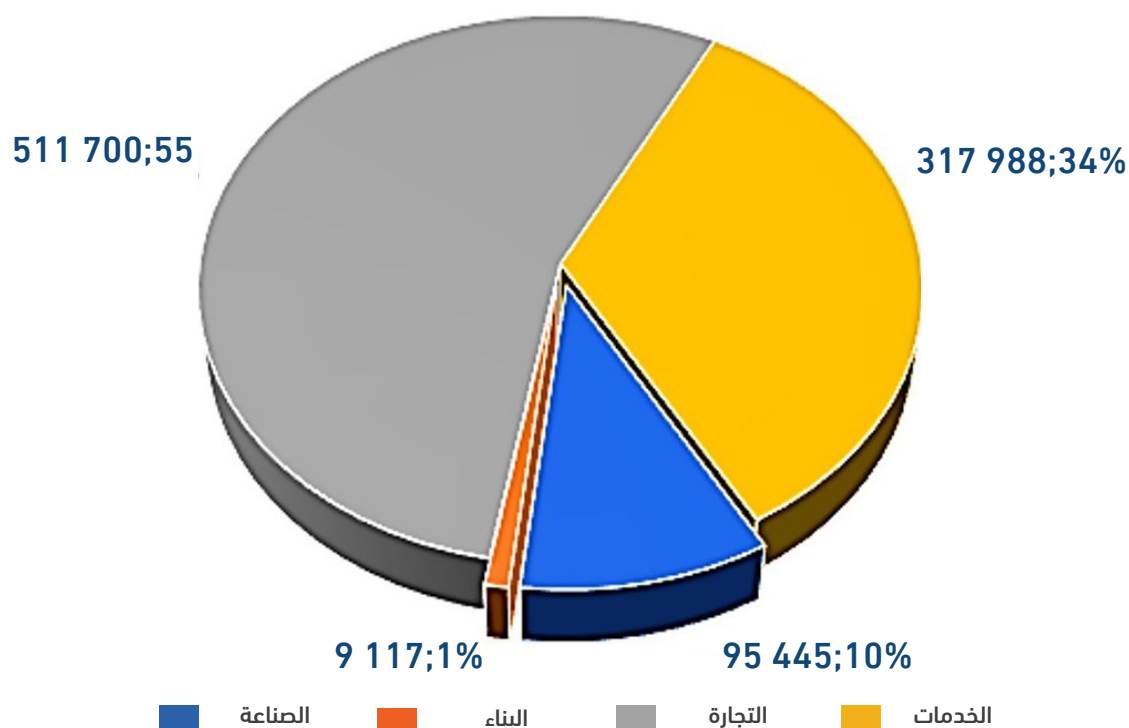
Distribution of economic institutions by sector of activity

total	Construction	Industry	Services	commerce	activity sector
934250	9117	95445	317988	511700	Number of institutions
100%	1%	10%	34%	55%	Rates %

Source: National Bureau of Statistics 2012.



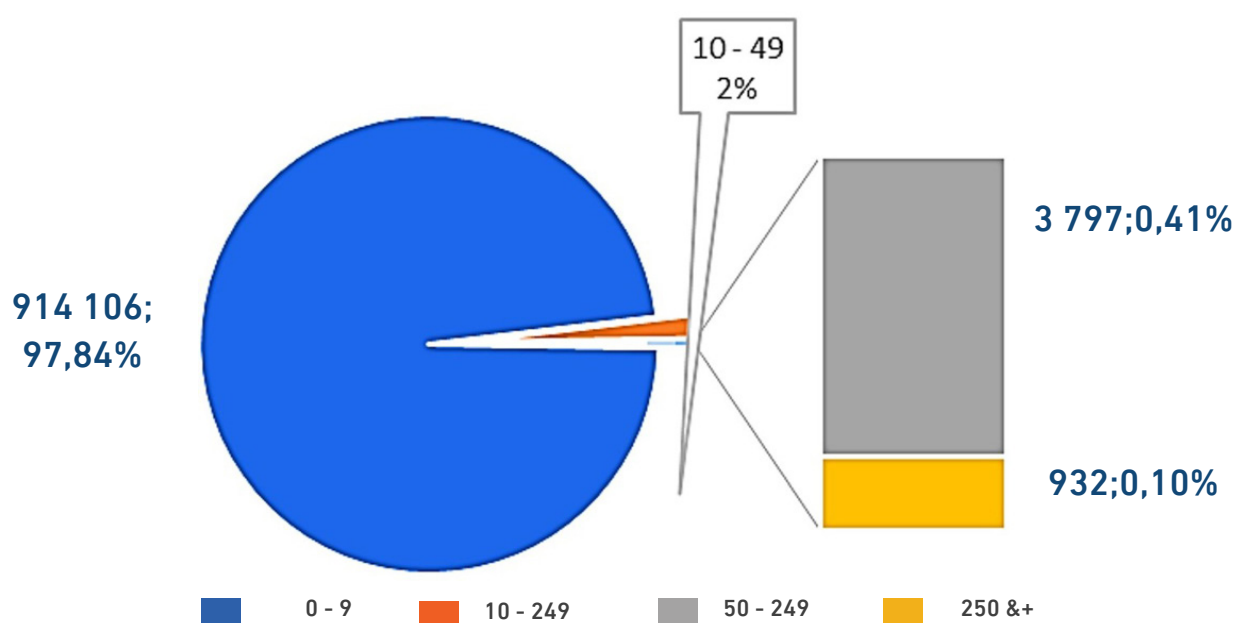
توزيع الوحدات الاقتصادية حسب قطاع النشاط



Source: National Bureau of Statistics 2012.

As for the size of these establishments, measured by the number of employed workers, the survey showed that 97.84% of the establishments are very small and employ less than 10 workers, followed by small establishments that employ from 10 to 49 workers at 2%, then medium-sized establishments that employ between 50 and 249 workers at 0.41%, and finally establishments that employ more than 250 workers that have 932 institutions out of 934,250 surveyed, representing only 0.10%.

توزيع الوحدات الاقتصادية حسب تعداد العمال



Source: National Bureau of Statistics 2012.

The same picture of the Algerian institution is provided by a study prepared by the National Economic, Social and Environmental Council. The number of small and medium enterprises has almost doubled during the last ten years, as it moved from 618,515 enterprises in 2010 to 1,209,252 enterprises in 2020, with an average annual growth rate estimated at 7.37%., which makes the number of establishments relatively weak (15 to 1,000 people) compared to the global average (50 to 1,000 people). Most of these establishments belong to the private sector (99.98%) and employ 2,899,232 workers, or 99.26% of the total employment.

Always, according to this study, most of these establishments are very small (from 1 to 9 workers), representing 97.53% of the total enterprises, followed by small enterprises (from 10 to 49 workers) with a rate of 2.21%, finally medium enterprises (from 50 to 249 workers) with a rate of only 0.26%. In legal terms, 56% of the organizations are moral persons (678,057 institutions) and 43.92% with normal persons (531,195).

Micro, Small and Medium Enterprises in Algeria (2021)

Medium enterprises	small enterprises	very small enterprises	total institutions
3144	26724	1,179,383	1,209,252
0.26%	2.21%	97.53%	The ratio%

Source: National Economic, Social and Environmental Council 2021.

These data show that Algeria has a clear deficit in small and medium enterprises, despite the policies adopted several years ago to encourage productive investments and develop the spirit of entrepreneurship and innovation. It is the deficit that is confirmed when we look at the nature of the activity of these enterprises, as only 15.42% of them are active in the industrial sector, while most of their activity is concentrated in services with a percentage of 54.79% (mostly in trade), the construction and public works sector with a percentage of 28.23%, and finally agriculture with only 1.11%.

Several studies have shown that they suffer from a weak interest in research and development, and do not have the technical competencies to acquire and control modern technology. Also, they do not have the capabilities to innovate and develop their competitiveness at the local and international levels. The same study also showed that the lack of funding, the absence of the spirit of entrepreneurship, the weakness of the institution's rela-

tionship with the university and research centers, and the poor training of managers are among the most important reasons for the weakness of the small and medium enterprise in Algeria.

c. The agricultural sector achieved good results, but the challenge of food security remains:

In a report issued in 2020, the Ministry of Agriculture estimated the share of agriculture in the gross domestic product at 12.4% in 2019. It employs about 2.6 million people, or about 20% of the active population and 10% of the working population. It also witnessed an annual growth rate during the same year of 4.02%.

The various ambitious agricultural policies that the sector has known since 1963 until today (the experience of self-management in 1963, the agricultural revolution in 1971, the restructuring of the public agricultural sector in 1987, and the various schemes of

agricultural development and rural renewal since 2000) have not been able to develop production and agriculture in a sustainable manner. Not improving the livelihood of the rural population, and the food security of Algerians remains difficult to achieve.

The financial prosperity that Algeria has known in the years 2000 allowed the development of an agricultural policy aimed at improving food security and developing some priority agricultural branches as well as land reclamation, including (PNDA), the Policy for Agricultural and Rural Renewal 2010-2014 (PRAR), and the Plan for Agriculture 2014-2020 (Plan FELAHA).

This policy was an opportunity to pump huge funds into the sectors of agriculture, rural development, and agricultural irrigation in the form of various aids (subsidized loans, tax benefits, and deposits for material inputs) provided to producers in several fields such as milk, grains, and vegetables, in addition to an amount estimated between 30 and 40 billion Dinars annually during the last five-year plan under the former president, without counting the investments in major works from which this sector benefited primarily (dams, for example, whose number has tripled in the last 30 years).

And if the economic and financial outcome of these programs has not yet been achieved, the results in terms of agricultural production growth were very positive, ranging between 2.9% and 9.2% annually during the last ten years. The same improvement was known in the productivity of factors in this sector, as well as the expansion of productive capacities such as the areas of irrigated land, which doubled during the same period by 3.5 times), in addition to the rapid growth of the strategic agricultural production branches (cereals, milk, potatoes). Finally, 6 million rural people have benefited from these programs.

Share of agricultural value added in the gross domestic product:

2020	2018	2016	2014	2012	2010	2008	2006	2004	2002	2000
14.23	11.84	12.22	10.29	8.77	8.47	6.59	7.54	9.44	9.22	8.40

Source: Ministry of Agriculture 2021.

Despite these results, agricultural production still covers only 55 % of the food needs of the population, the deficit is recorded more in materials that are the basis of the diet of Algerians (soft wheat, semolina, food dough, milk and its derivatives, food oils, sugar and food tomatoes), and the rate of coverage of the Algerian market of local products is only 30% for cereals, the same percentage for milk, 5% for dietary oils, and 0% for sugar. In the same vein, Algeria is among the top 9 importers of cereals and milk in the world.

Experts in the field are warning of the rapid demographic growth and the increase in household expenditures on food (representing 42% of total expenditures), as well as the decline in revenues from hydrocarbons, Algeria cannot guarantee its food security, and this is one of the most important future challenges awaiting it.

It is worth noting that the agricultural sector knows great constraints that limit its development. We mention in particular the limited stock of available agricultural lands and those related to the topography and bio-climatic conditions (drought, semi-arid climate, desertification), as well as the irrational exploitation of available and scarce resources, especially lands and water resources. All these restrictions limit the use of

capitalist intensification methods in the sector and limit the increase in its productivity and, accordingly, the reduction of the food bill.

On the other hand, this sector was not excluded from looting in various forms (the transfer of loans directed to it, the transfer of agricultural real estate, and the informal economy's acquisition of a large part of the marketing of the sector's products). The process of evaluating its performance is necessary compared to the huge funds invested assigned to him.

Based on all this, the goal of achieving food security and preserving natural resources remains a priority today. Food security will not be achieved, according to experts, except by ensuring a rational and environmental management of the sector's resources, especially land and water, and raising its productivity, especially in basic crops that have priority in the food of Algerians, and developing training and scientific research in the field of plant and animal agriculture and related issues, as well as through a harmonious and integrated strategy between industry and agriculture that involves all actors in the sector and takes into account the achievement of sustainable development goals.

The production structure constraint prevents the Algerian economy from achieving high growth rates and achieving its diversification. This limitation becomes difficult to overcome if we know the great delay that Algeria is experiencing in the field of building an economy based on knowledge and digitization today.

Indeed, it is recognized today more and more that economic and social development requires the mobilization of all material and non-material energies, and that human capital has become the central element to achieve this endeavour. All studies have shown that knowledge is the main source of wealth creation because it is the bearer of non-material capital that is constantly renewed and does not perish. Investing in the latter and developing production tools, accumulating, valuing and disseminating them has become an essential tool for building competitive economies and institutions.

Various studies also confirm that building a knowledge-based economy is based on four basic pillars, which are the availability of an institutional apparatus that stimulates the use of knowledge in various fields of economic activity (production, management and organization, marketing), an effective, creative and qualitative education system, as well as an educational system. National innovation is based on developing scientific research, research and development, and finally providing an infrastructure for information and communication technology.

Although Algeria has taken important steps in achieving the requirements of building a knowledge-based economy, especially in the field of education and training in its various phases and in providing the appropriate institutional framework, it remains lagging in the field of developing the national system for innovation and developing the infrastructure for information and communication technologies. Despite wasting so much time and opportunity, many indications confirm that the challenge can be raised by building a competitive production system and an economy based on knowledge, including:

- Availability of significant revenues from hydrocarbons that can be exploited to achieve this goal, i.e. converting revenues from hydrocarbons into knowledge capital and developing economic branches with a high content of knowledge and value.
- Exploiting huge energies of latent knowledge as a result of decades of experience and expertise for qualified executives in various sectors of economic activity (fuel, mechanical, electronic, electrical and household electrical industries, agriculture) especially in the public sector.
- A young population oriented towards technical progress and knowledge is at the same time an advantage that can be relied upon, if the four pillars are provided for it to contribute to building a competitive productive apparatus and a knowledge-based economy, but it is a limitation because it will raise the demand for goods and services of high knowledge value.

- Great energies of local researchers and residents abroad can be recruited effectively provided there is a clear and long-term policy that defines goals and means. It makes universities and research centers in continuous interdependence, and builds bridges between them and economic institutions from the public and private sectors. The matter also requires setting incentive and other policies to prevent the brain drain and encourage the return of those who are abroad.

- The possibility of producing and developing acquired comparative advantages based on knowledge, because today's competition is no longer based on the natural advantages enjoyed by the country's economy, but rather has become more and more linked to the accumulation of technology and knowledge in various economic sectors and within institutions. The acquired or built advantages that the knowledge-based economy can create and develop are determined through policies, procedures and means set by the state targeting the branches most ready for innovation to encourage and ensure its sustainability.

It remains that the success of building a productive, diversified and knowledge-based economy, according to successful experiences in industrialized or emerging countries with their diversity and according to various studies, depends on the existence of a comprehensive and an integrated vision that is the result of consultation and participation of all economic and social parties.

III. The informal economy:

Browsing a large number of literature on the informal economy in Algeria (university theses and research, studies and reports of international organizations, as well as national organizations of employers and the General Union of Algerian Workers) showed the comprehensiveness and complexity of the phenomenon in view of its size and impact on various economic, social and even political aspects.

Most of this literature, even if it considers that this economy plays the role of a safety

valve during crises and decline in economic activity to avoid marginalization and social conflicts, such as providing job sites and incomes despite their fragility, and ensuring social peace. However, there is consensus that it is one of the most important constraints that prevent building a productive and diversified economy, ensuring high rates of economic growth and the creation of decent job sites. It, also, negatively affects the effectiveness of economic policies and reforms that the state has embarked on, including political ones.

According to a study by the International Labor Office in 2017, the informal economy plays an important role in creating wealth and jobs in the countries of the Middle East and North Africa, in which employment in the informal economy represents more than 50% of total employment outside the agricultural sector. However, this role has very limited effects on economic and social development. Even if it alleviates unemployment and the suffering of the most vulnerable groups of the population, productivity and economic efficiency remain weak and job positions are very fragile. It also causes significant losses to budgetary resources from collection and leads to competition. It destabilizes the legal and regulatory framework for the functioning of the economy and thus contributes to obstructing the achievement of the macroeconomic goals set by the public authorities.

a. The development of the informal economy in Algeria:

It is worth noting that all the data and studies confirm that the unregulated economy in Algeria has developed through stages, taking at each stage a greater size and shape through which it affected the nature of the economy as a whole, social relations and the quality of institutions. It tends to become the main actor in the national economy as it begins to simplify its control. It covers entire sectors such as the wholesale and distribution trade sector (clothes, foodstuffs, household electronic items), the monetary field, the real estate sector and public deals, which are mostly carried out outside every legal and regulatory framework.

Studies also confirm that this sector has taken on a size and forms that differ according to the stages of development of the Algerian economy and the dynamics of the regional and global economy:

- In terms of size, generally measured by estimating the contribution of this economy to the gross domestic product or to employment, or the size of the monetary block that it monitors, all figures confirm that it has witnessed a continuous and frightening development since the seventies of the twentieth century until today.

- In terms of form, the various stages of development of this economy confirm the danger it assumes at each stage to become a structural impediment to any attempt at change, economic and social development, and democratic transformation. From an economy that took a “solidarity” form in the colonial era in order to confront injustice, misery and hunger, to an unregulated market that dominated during the state economy stage in the sixties and seventies of the twentieth century and took the form of a “black market” to face the scarcity of final and intermediate consumables (oil, milk, raw materials) as well as the emergence of some forms of self-employment in view of the disruption of the labor market, which began to experience pressure as a result of demographic growth and the increase in the number of active population. Most studies consider that this stage witnessed the rise of the unregulated “pensionable” economy, but the biggest beneficiaries of it are the bureaucratic groups nested in the wheels of internal and external trade, the public economic sector, and central and local administration.

Finally, the unregulated economy gradually transformed, during the period of openness and entry into the market economy in the beginning of the eighties, into a “predatory, plundering” economy that aims to get rich by all means, so that the margin between what is legal and illegal shrinks to the point where it threatens the existence and prestige of the state. What is dangerous is the use of the money of this economy to access the sources of decision and influence economic decisions in various sectors and areas that we will present later when dealing with the aspects

of this economy.

- Finally, most studies have confirmed that the growth of the unregulated economy is linked to the economic, social and political situation of neighboring countries (natural, economic and political crises, wars) which leads to the development of unregulated border trade and smuggling of all kinds, including human trafficking (illegal immigration networks, for example).

The crises of the global economic system, whether the 2008 crisis or the oil price crisis in 2014 and finally the sanitary crisis, have played an important role in the rise of this sector. Some studies consider that the transformations known to global capitalism, mainly the rise of international finance and the monopoly of supranational corporations over entire sectors of global productive and commercial activity, have led to the emergence of a new supranational capitalist class described as rentier. Today, it intends to consolidate its relations with the rentier classes in developing countries. And since we know that the rent in the latter is a key factor in the development of the unorganized economy, these studies concluded that there is a direct relationship between the rise of the influence of this class and the growth of this economy in developing countries, including Algeria.

b. Measuring and estimating its size:

Counting the unregulated economy statistically and evaluating its performance and output on the national economy and employment is a difficult matter due to its informality and the weakness of the national statistical apparatus, which explains the conflicting numbers around it and the difficulty of completing a time series consistent with the development of its size. However, what all studies confirm is its continuous development since 1970, to the extent that its size and structure have become a source of real concern for all parties.

Figures drawn from a study by the International Labor Organization (2003) and the World Bank (2006) show that the size of the informal economy's contribution to the gross domestic product has evolved from 19.5% in 1988 to 42% in 2003. In ad-

dition, unorganized employment, according to a study completed in 2008 (Adair P & Bellache Y) has moved from 19.5% in 1977 to 50% twenty years after 1997, to decrease in 2000 to 41.3%.

In 2012, in a survey of the National Bureau of Statistics, the latter estimated the size of this economy at 45% of Algeria's gross domestic product (about 70 billion US dollars in 2012), and it employed 3.9 million workers (46% of the workforce outside the agricultural sector), distributed as follows: 45.3% in services, 37% in construction and public works, and 17.7% in the industrial sector. According to the same survey, 50% of commercial exchange in Algeria escapes from the public treasury.

In a study of the Research Center in Applied Economics for Development in Algeria in 2017 in cooperation with the United Nations Industrial Development Program (PNUD), the World Bank, the International Labor Organization and the University of Tlemcen produced "The Informal Economy: Concepts, How to Deal with it, and its Impacts". Exchanges in the informal sector were estimated at 47% of the monetary mass (about 50 billion US dollars). The agricultural sector is almost entirely subject to unorganized activity and is known for the absence of bills in all transactions and the lack of authorization for agricultural workers.

In the same vein, researcher Mohamed Saeb Mozat, based on statistics for the year 2017, shows that the percentage of employed workers in the social protection system does not exceed 43% of the total workers (4.7 million workers). This means that 57% of the employed workers (6.2 million) work in the unorganized sector and without any social coverage.

For its part, the Bank of Algeria considered in 2019 that the funds circulating in Algeria outside the official banking sector are estimated at more than 5,000 billion Algerian dinars (more than 50 billion US dollars), which constitutes more than half of the loans provided to the total national economy. This amount also represents more than 30% of the total monetary mass circulating in the market.

According to the economic expert Abdul Rahman Mabtoul, based on official estimates for the year 2019, the volume of funds circulating in the unorganized sector in Algeria exceeds 90 billion US dollars, and that 40% of the active population works in this sector (i.e. approximately 5 million out of 12,730,000 in 2019 compared to 1.6 million in 2001 and 3.9 million year 2012). It also monitors entire sectors of the national economy, especially the basic consumer goods sector, some of which are subject to oligopoly (estimating it at 70% and mentioning them according to importance: vegetables and fruits, meat of all kinds, fish for local materials, and clothes and shoes for imported materials).

Other official sources consider that the size of this sector is much larger, exceeding 10,000 billion Algerian dinars, equivalent to more than 100 billion US dollars, which constitutes a real obstacle to the development and diversification of national production.

The World Bank, in a study published at the beginning of 2021 under the title "The Long Shadow of Informality: Challenges and Policies," states the countries in which this sector occupies a large part of the economic activity are those that are characterized by weak per capita income, a significant spread of poverty, large disparities in income, ones characterized by weak investments and the underdevelopment of their financial and banking sector. Among the reasons for the growth of this sector, according to the same authority, are the weight of legislation and taxes and the weakness of institutions.

This study estimated the share of this sector in the local production of goods and services in the Algerian economy at 30% between 2010 and 2018 (i.e. approximately 1/3 of the formal economy). While the average rate in the Middle East and North Africa region is 22%. It also considered that most of the workers in this sector are women and unqualified youth (20% of unemployed youth in Algeria are unqualified), which is the group most vulnerable to economic and social shocks.

The same study confirms that COVID-19 has exacerbated the situation of workers in this sector, as they are the first to be exposed to losing their income without any possibility of benefiting from social protection. Also, this sector obstructs all measures to reduce the transmission of the pandemic.

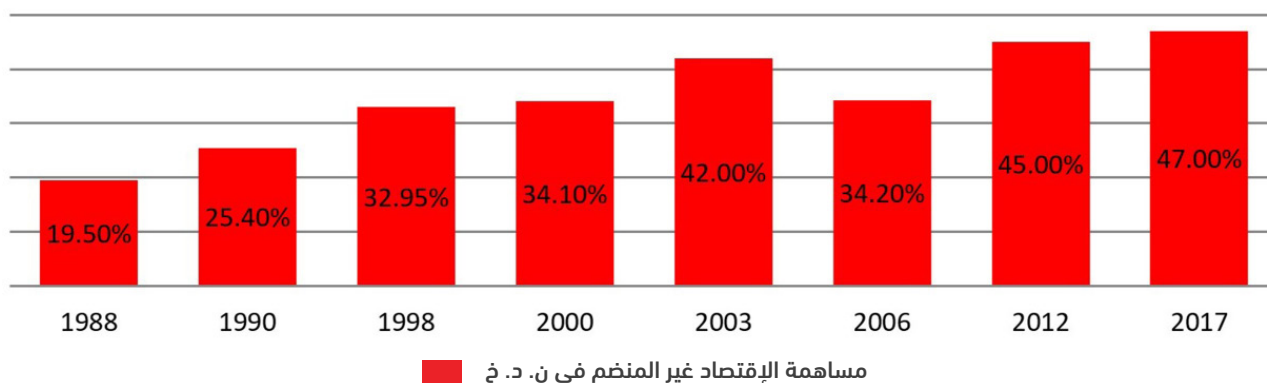
An attempt to show all these statistics from various sources gives us the following tables:

The contribution of the informal economy to the gross domestic product, in percentages

2017	2012	2006	2003	2000	1998	1990	1988	the year
47.0%	45.0%	34.2%	42.0%	34.1%	32.95%	25.4%	19.5%	The contribution of the informal economy to N.D.H

Sources: International Labor Organization, 2003. World Bank, 2006. Adair P & Bellache Y 2008. National Bureau of Statistics, 2012.

Research Center in Applied Economics for Development in Algeria CREAD 2017.



The share of unorganized employment from organized employment

2019	2012	2010	2006	2001	2000	1997	1996	1992	1985	1977
40.0%	46.0%	33.7%	37.6%	36.8%	41.3%	50.0%	48.7%	47.9%	25.6%	19.5%

Sources: Adair P & Bellache Y, 2008. Jutting J. P et Laiglesia J. R, 2009, National Bureau of Statistics 2012.



By looking at the above table, it is clear that the years in which the share of the informal economy increased in the gross domestic product are the same as the years in which the informal employment rose, which falls between 1990 and 2000, and this is due, according to most studies, to the random openness of the economy, especially in the field of trade. It is also due to the implementation of the structural adjustment programs of the International Monetary Fund, following the indebtedness crisis that Algeria experienced in the early nineties. The implementation of these programs led to the closure of no less than 1,000 local public economic enterprises and the dismissal of more than 480,000 workers, the majority of whom went to informal employment.

c. Reasons for the development of the unorganized economy:

According to experts and many studies, the high volume of this economy in Algeria is a result of legislative and monetary instability, lack of clarity in the country's economic policy, weak governance (quality of institutions and services, bureaucracy, lack of transparency), and lack of employment in the organized sector as a result of the widening gap between the number of the active population, the high demand for work and the lack of supply, especially for unqualified or simple-qualified labor, and the tax burden plays an important role in pushing institutions towards the unorganized sector.

In addition to the aforementioned factors, some studies add that the rise of the unregulated economy coincided with the "liberal" reforms that were initiated in the aftermath of the first oil crisis in 1986, which was known for the rapid opening to the foreign trade sector, and submission to the conditions of the International Monetary Fund, which included the liberalization of basic materials prices, the removal of subsidies and the reduction of the exchange rate, privatization, etc., that all led to a decline in purchasing power, layoffs and an increase in the number of unemployed, and thus supported the unorganized economic sector. The latter has

been nourished by the negative results of "liberal" reforms, especially from the increasing spatial and social marginalization since the 1990s, which explains the suffering of the rural population and women more from this phenomenon. (Medjoub Razika 2018)

Other studies attribute the growth of this economy to the inability of the banking sector to recruit savings. Some of these studies considered that savers are the ones who are reluctant to put their money in traditional banks because of their rejection of "usurious" interests, which prompted the public authorities to adopt and encourage Islamic banking. But from this aspect as well, the results were very disappointing.

Numerous studies also consider that the poor performance of the educational system, the weakness of the legislative apparatus, the subordination of justice to orders, and the decline in the quality of institutions and public service led to not trusting state institutions and spread unregulated practices.

According to Ahmed Hani, one of the leading specialists in the study of the informal economy, the latter's development is due to five basic reasons (Ahmed Hani 2018):

- The administrative exchange system that gave birth to and fed the parallel market for hard currency, the size of which we mentioned above, so that there are two official markets, the first benefiting from those close to those who pay bribes, and it has often turned into a means of smuggling money in various forms, and the second is unofficial, to which those deported from the first resort, especially those active in the trade sector.
- The banking system and the difficulty of obtaining loans for owners of small projects, and the selective and customer-oriented dealings of this sector with economic dealers with medium and large projects, as well as his inability to impose dealing in sukuk, which opened the way for the transfer of funds without any possibility of knowing their source.

- The public procurement system and the lack of transparency that surrounds it, the allocation of most of them to the influential, and those close to the power, so that the deals take place in an unregulated public auction, which keeps many dealers away who are forced to resort to informal handling of projects.

- The real estate market, which has become one of the largest unregulated markets, as the bureaucratic groups present at various levels of central and local administration took advantage of their position, often in coordination with each other in a system similar to the “gift and corresponding gift” system (le don et le contre-don), to acquire real estate at official prices and resell it (or rent it after its construction) on the black market, and this constituted one of the most important sources of wealth for the new rentier class in Algeria.

- The trade and import sector, which is the largest beneficiary of the funds of the unorganized economy after the decision to monopolize foreign trade at the end of the 1980s, and the liberalization of internal trade. Huge amounts of exchanges take place without invoicing and without knowing the source of the goods and their components, which poses a threat to the health and security of the population, which explains why merchants in this sector tend to the countries of the Middle and Far East, given the facilities they receive compared to the European and American markets.

Finally, some research confirmed the contribution of the “black decade” in the nineties of the twentieth century to the feeding of the unregulated economy, as terrorism prompted a large number of rural families to leave (or sell) their lands and sources of livelihood and join the cities in very fragile conditions.

d. classification of the informal economy:

Some university research and studies by international organizations point out the necessity of distinguishing between “informal subsistence activity”, which is concentrated in small trade and small commodity production and provides the

largest amount of jobs and incomes (it represents in Algeria, according to some studies, 4/3 of unorganized economic activity). Note that this type of activity does not benefit from any subsidies from the state and local groups, and those involved in it are the least trained and the most vulnerable.

According to a study conducted by the Forum of Chiefs of Institutions in 2017, the unorganized economy no longer included simple professions only, but extended to specializations that require high training. The study did not estimate the size of these occupations in relation to the total informal economy, but estimated the percentage of informal employment in each profession, which amounted to 18% in dentistry, 16% in architecture, 15% in computer science, 9% in accounting experience, and 5% in education (knowing that informal employment in this sector has witnessed a significant expansion since then).

The second type of this activity is the “unregulated predatory or plundering activity”, which is closer to illegal activities, represented in large trade and container trade (representing between 15 to 20% of the value of imports, or about \$7 billion in 2016) fed by the unofficial hard currency market. The Economist Abdelrahman Mabtoul says that the informal sector in Algeria is integrated into the global economy better than the organized sector. This type is characterized by the huge amount of money in circulation, and its organizational and networking ability that allows it to exploit and overcome all legal lapses, including the use of corruption (bribery of employees at various levels).

Many field studies and press investigations, especially in the last two decades, showed that the activity of this sector affected some of the official production activities in the influential private sector, which is a client of “decision makers” circles, by generalizing some predatory practices, thanks to which it allowed it to accumulate huge funds outside the official circle and transferring large quantities of it abroad, including inflating import bills, not declaring an important part of the production, marketing it in the parallel



market, and even smuggling it abroad to evade paying taxes. Some of the practices of this sector fall within the framework of unregulated activities, such as not declaring workers and paying wages in cash in “envelopes” in order to avoid paying its obligations towards social protection funds (some studies say that 10% of private sector workers are covered).

It is this type of unregulated, “predatory and plundering” economy that fuels corruption of all kinds (bribes, tax fraud, smuggling of money and goods, organized crime), and if it is combined with the absence of a long-term economic and social vision, it will remain an obstacle. The foundation for economic growth and sustainable development and for all attempts at economic and institutional reform and the democratic path.

e. Measures taken by Algeria to address the informal economy:

Algeria’s treatment of a phenomenon took two forms. The first could be called the “deterrent” treatment, which consisted in an attempt to combat this sector (which has been reduced to the phenomenon of illegal retail markets and peddlers) through decisions to close unregulated markets (closing 1016 markets at the national level in 2016 out of 1412 listed, which part of it returned to activity again), and the imposition of dealing with cheques in exchanges whose value exceeds 1 million Algerian dinars in the years 2004 and 2011. This form did not achieve significant results and did not mitigate the phenomenon, as it met with great resistance on the part of large traders in many sectors, especially with regard to the second procedure.

The second form is the actions taken by changing the unformal economy to a formal one. Among these measures, we mention those related to bringing the monetary mass towards the formal banking sector, such as the 2015 campaign to encourage the deposit of funds in banks in exchange for a random tax and without justifying the source of funds, and the 2016 initiative to offer public bonds in the market, and finally the initiative to encourage Islamic banking. So are the procedures related to facilitating investment laws and reducing bureaucratic procedures and reducing the conditions for obtaining a commercial registration, and those related to tax facilities and the expansion of social protection for those working in this sector.

All these procedures have not been subject to quantitative and qualitative evaluation until today. According to specialists and many economic operators, these procedures are characterized by the dominance of partial technical and administrative solutions and lack a comprehensive view of the phenomenon and how to address it.

Representatives of employers’ organizations (Confederation of Algerian Industrialists and Producers, the General Confederation of Algerian Enterprises, and the National Confederation of Algerian Employers) consider that the measures taken by the public authorities are very modest and are often contradicted by other measures such as that included in the Finance Law of 2017, which provides for an increase in the value-added fee, a measure that not only increased the tax burden on the organized sector institutions, but also raised the degree of illegal competition for the unorganized sector, and as a result the closure of many small and medium economic units.

f. Suggested solutions:

Fighting the unorganized sector and trying to include it in the organized sector is not an easy issue. At the international level, all governments have recorded their involvement in this endeavor. International organizations have submitted several proposals, including those of the Organization

for Economic Cooperation and Development (OCDE), which stipulates the need to strengthen the legislative framework, reorganize the administration, and intensify cooperation and exchange of data between the various state institutions. On the other hand, the experts of the International Labor Office stressed the importance of developing programs, especially in developing countries, to integrate this type of informal economy into the modern organized economy. It can be dealt with via flexible and time-limited procedures (settlement of the situation without retroactive effect, social coverage, recruitment of savings and encouragement of investment), and illegal activities that must be dealt with firmly.

On the other hand, the World Bank study referred to above made five general recommendations for developing countries to reduce the size of this sector and transition it to become regulated:

- Adopt a comprehensive approach to this phenomenon because the unorganized economy represents a situation of generalized underdevelopment that cannot be dealt with in isolation,
- Adaptation of procedures according to the specificity of each country
- Strengthening access to education, markets and finance in order to allow informal sector workers and enterprises to reach a sufficient level of productivity to catch up with the formal sector
- Improving governance and business environment to encourage the development of an organized economy
- Rationalization of tax systems in order to reduce the cost of unorganized activity and value the cost of organized activity.

The reduction of the size of this sector and its inclusion in the organized activities, according to the social partners, mainly the UGTA, as well as the employers' organizations mentioned above, in addition to many studies, inevitably passes through:

- Estimating the real size of this sector in its various dimensions (financing, production, employment, revenues, marketing). For this purpose, it is necessary to develop the national statistical system and intensify surveys and field studies in all sectors

in order to collect numbered and effective data and come up with an integrated general view of the size of this sector, and why not put classification and hierarchy of its components according to the size of the threat it poses to the national economy.

- Extracting the effects of this sector on the organized economy and the productive sector in particular, and from it on growth and economic development, as well as on various social groups

- Evaluating the results of the procedures adopted to date and identifying the factors of failure and success in them,

- Develop an appropriate strategy and practical mechanisms and set deadlines with the involvement of all actors, social partners and civil society associations. This strategy must take into account the successful experiences in countries that have been able to transform this sector into a factor of growth, wealth creation and decent employment, as well as relying on local reality and finding innovative and original solutions for the success of the transition from informal to organized activity.

The size of the unorganized sector in Algeria and its serious negative effects on the organized economy, despite the public authorities' attempt to limit it, have made all parties in Algeria today unanimous on the need to include it as one of the basic constraints that prevent building a productive and diversified economy, and it is also a major factor impeding efforts to achieve Sustainable development goals in the horizons of the year 2030.

All parties stress the need to include addressing this sector within a comprehensive approach and a long-term view that takes into account all the economic, social and political factors that made it grow to such a size that it poses a threat to the national economy. The importance of pre-treatment, i.e. combating the factors that generate, encourage and nourish this sector, while not neglecting the post-treatment that must depend on devising ways and mechanisms to transfer it to the organized economy

IV. Weak integration of Algeria into the global economy:

Since 1987, Algeria has embarked on a reform of its trade policy towards greater openness to the global economy, reforms that deepened with the implementation of structural adjustment programs following the process of rescheduling foreign debts with international monetary and financial institutions in 1994 and 1995, and was also confirmed with Algeria signing the agreement with the European Union in 2002.

To say the least, judging by the many studies on trade policy¹ on Algeria and its attempt to integrate it into the global economy, the results are very disappointing, as shown in:

- The very modest results of the partnership contract with the European Union. Algeria has recently expressed its will to review this contract completely
- Delay in joining the World Trade Organization
- Double incoming foreign direct investment

This leads to the lack of clarity in Algeria's trade policy and its lack of a long-term vision for positive integration into the global economy and finding a favorable position for it at the North African, Arab, and African levels. The lack of clarity of this policy is itself the result of the absence of a strategic economic vision to remove Algeria from dependence on hydrocarbons and build a productive, diversified and competitive economy.

For a number of experts (Heddir Mouloud 2013, Mehdi Abbes 2009, Myriam Donsimoni 2017), the diagnosis is clear:

- The non-hydrocarbon trade balance is in chronic deficit in many sectors, and remains in the same traditional image, especially with Europe
- Dangerous dependence on fuels and imports
- A marginal role in trade exchanges with Africa, the Maghreb, and Arab countries, despite the availability of all factors for its development

1. Partnership contract with the European Union:

Algeria signed the partnership contract with the European Union on April 22, 2002, to enter into force in September 2005, is part of the Barcelona Process proposed by the European Union (1995) for the development of relations between the countries of the southern Mediterranean with the aim of creating in the long term an "area of shared prosperity".

One of the most important objectives of this contract is the establishment of a free trade area within the year 2017 after a gradual customs dismantlement, but it also includes other economic aspects (economic and financial cooperation, investment flows), as well as political, social and cultural aspects and the movement of people. It is worth noting that this contract was unbalanced from the beginning, given the vast difference between the size and structure of the economy of the two parties and the objectives of each:

The European side had no intention of integrating the countries of the southern Mediterranean, including Algeria, into a real partnership to develop its productive capacities and achieve its economic and social development, knowing that this is in its interest to build a European-Mediterranean economic pole that can compete with other poles and strengthen its position in globalization. A large number of studies and analyzes have shown that the goal of the European Union is purely commercial (marketing) and cares mainly about exchange and expanding the market, not investment and production. The evidence is its focus on the trade side and the establishment of a free trade area (with a clear definition of deadlines), marginalizing all other aspects included in the partnership contract.

On the Algerian side, it must be said that the contract came after a very difficult economic, social and political-security circumstance (decline in export revenues as a result of the decline in oil prices, the entry of Algeria into a crisis of its balance of payments that forced it to resort to state

¹⁴ The trade policy of a country is defined as the various measures taken by the state to influence its trade relations with the outside world in order to maximize benefits. These measures can aim at stimulating exports or reducing imports through various tariff and non-tariff measures, mainly technical restrictions on trade (environmental, health, security, cultural, etc.). The state can also achieve these goals through bilateral and multilateral agreements. Most specialized studies consider that the success of trade policy is linked to the economic policy adopted by the country or its development policy, as well as to the international political economy, i.e. to the game of national, regional and international interests.

financial and monetary institutions...) The partnership contract was, for the public authority at the time, an opportunity to end Algeria's isolation and restore its position on the international scene.

It should be noted that the signing of the partnership contract for Algeria took place in light of the ambiguity of trade policy and the absence of a strategy for integration into the global economy, both of which are linked to the existence of a long-term vision for a well-defined development pattern that in turn requires setting policies (industrial, agricultural, scientific research, development, training and education, identifying and arranging priority economic sectors and branches, and finally setting up implementation, follow-up and evaluation mechanisms). In the absence of all this, trade policy was limited to a set of legal and regulatory measures to open the Algerian market, attract foreign investments, and sign many bilateral and multilateral agreements, including the partnership contract with the European Union.

However, more than 15 years after the entry into force of this contract, the results were described by all parties inside Algeria (governments, trade unions, employers' organizations, civil society associations, university professors and researchers) as very humble and disappointing. The European side, for its part, has also acknowledged, in many reports and studies, the meagerness of the results, blaming Algeria for the largest part of them. In fact, the results were disappointing since the first years of the contract's entry into force, which prompted the Algerian authorities, since 2010, to demand a review of some of the contract's clauses related to customs clearance on some industrial goods and tariff concessions on some agricultural materials.

The informal negotiations initiated since then (2010) did not achieve a significant

result, which prompted the Algerian party to take a unilateral decision to postpone the establishment of the free trade zone from 2017 as scheduled until 2020 under the pretext of the unwillingness of Algerian institutions and products to withstand the competition of European products, and the necessity of giving additional time to rehabilitate the Algerian economy and the Algerian institution.

In October 2021, Algeria officially² expressed its will to review the partnership contract with the European Union, recognizing that this contract is "unbalanced and not in favor of Algeria" and must be reviewed comprehensively "item by item with a sovereign view and a win-win" approach, taking into account the interests of the national product and with the aim of creating an industrial fabric and sites Fill".³

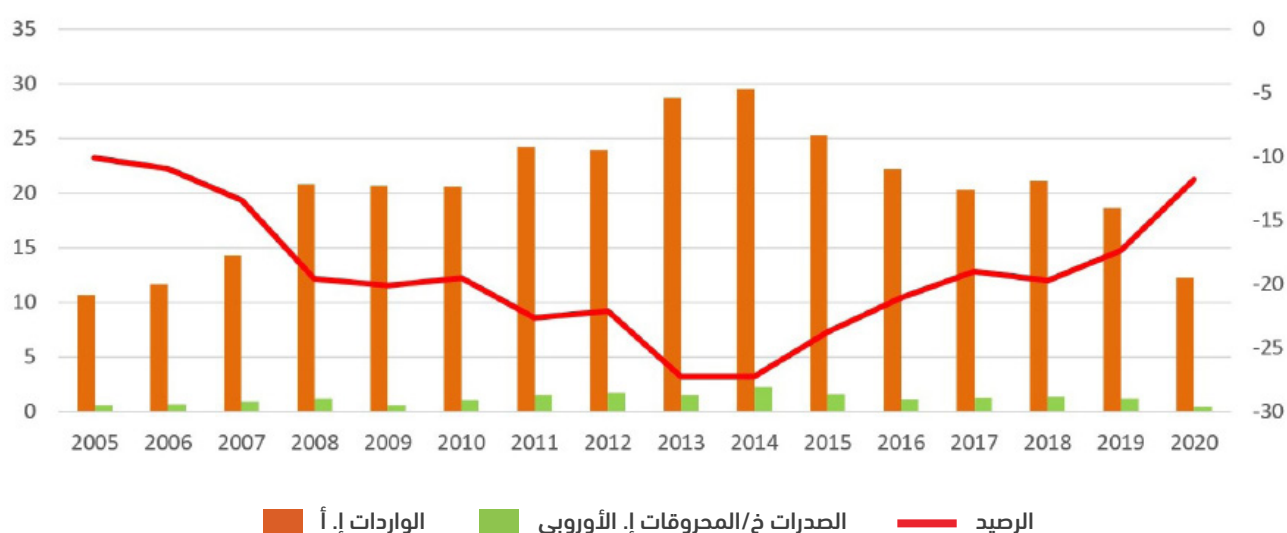
Evaluation of the partnership contract between Algeria and the European Union:

The results of the partnership contract between Algeria and the European Union were disappointing at all levels, and this was unanimously agreed upon by all parties despite their differences in determining the responsibility of each party. The sure thing is that in terms of trade exchanges, all numbers confirm this. As we shall see, it remains that the other aspects of this contract must be subject to a comprehensive and objective assessment, especially with regard to the areas of finance, investment and technology transfer, including digitization, not to mention the aspects related to the movement of people and cultural cooperation.

Trade exchanges between Algeria and the European Union 2005-2020

the total	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	
324.87	12.27	18.6	21.1	20.3	22.2	25.3	29.5	28.7	23.9	24.2	20.6	20.7	20.8	14.3	11.7	1020.7.7	Imports from A.A
49%	40%	46%	46%	44%	47%	49%	50%	52%	50%	51%	51%	53%	53%	52%	54%	54%	E ratio. European
449.61	11.81	20.4	23.7	20.4	17.2	25.8	40.5	41.3	39.7	37.1	28	23	41	26	28.8	24.9	Exports to A.A
54%	27%	57%	58%	58%	57%	74%	64%	64%	55%	52%	49%	51%	52%	43%	53%	55%	E ratio. European
19.41	0.47	1.2	1.4	1.3	1.14	1.59	2.31	1.51	1.78	1.55	1.06	0.63	1.24	0.91	0.72	0.6	Exports / fuel i. European
68%	31%	46%	50%	67%	63%	81%	90%	75%	86%	78%	70%	57%	65%	70%	60%	59%	share e. European
774.48	24.08	39	44.8	40.7	39.4	51.1	70	70	63.6	61.3	48.6	43.7	61.8	40.3	40.5	35.6	total size e. European
-305.87	-11.8	-17.4	-19.7	-19	-21.06	-23.71	-27.19	-27.19	-22.12	-22.65	-19.54	-20.07	-19.56	-13.39	-10.98	-10.1	balance

Source: Ministry of Commerce



Algeria's trade exchanges with the European Union from 2005 to 2020 in the non-hydrocarbon trade balance experienced a chronic deficit during the entire period, as 49% of Algeria's imports come from the European Union with a total amount of \$324.87 billion, while Algeria's non-hydrocarbon exports during the same period amounted to only \$19.41 billion, which gives us a total deficit of -305.87 billion dollars.

The structure of commercial exchanges between the two parties did not know any change during all this period, as Algeria's exports consisted of non-hydrocarbons during each period of 50% of the semi-finished materials are mainly petroleum derivatives (methanol, fertilizers, plastics), and the rest of agricultural materials 44% and fishing products 6%, while Algeria's imports consist mainly of 49.8% of industrial equipment materials and semi-finished products and 40.26% of food and non-food consumables. As a result of these exchanges and their structure, which remained almost the same throughout the entire decade, it was clearly shown that the European Union preferred commercial exchanges and "mercantile" relations over the relationship of investment and cooperation for development.

To these negative results in terms of trade exchanges, we must add the losses resulting from customs dismantling and the decline in treasury resources from customs duties, as well as those resulting from the bankruptcy of many small and medium enterprises and

the transformation of part of them into unregulated economic activities, which is confirmed by most studies and reports of employers' organizations. and the General Union of Algerian Workers.

The European Union report issued in April 2020 on "the status of the relationship between the two parties within the framework of the European Neighborhood Policy" indicated a decline in trade exchanges between the two parties due to the crisis that Algeria has known since 2014, following the decline in oil prices and the decline in Algeria's revenues from fuel, as well as due to the Covid crisis. However, it stressed in particular the restrictive measures taken by Algeria since 2015 in order to reduce the import bill, considered them protectionist measures that do not serve the exchange between the two parties, and demanded a return to the original terms of the agreement. This shows the union's lack of intention to change its approach to the relationship between the two parties, insisting on its commercial aspect only.

2. Participation in the World Trade Organization:

The economic openness of Algeria since the beginning of the 1980s made it choose to build an economy directed abroad and open to international competition. The request for its inclusion in the General Agreement on Tariffs and Trade in 1987, then entry as an observant member of the World Trade Organization after its establishment in 1994 and the renewal of the request to join in 1996 is an affirmation. on this check.

For reference, this request for engagement came in a distinctive economic and social circumstance that Algeria knew:

- Reconsidering the developmental strategic options of the 1970s, mainly the option of industrialization and building a productive economy directed at home to meet the basic needs of the population, and adopting a new approach based on abandoning industrialization and directing the economy abroad, which is the option that

deepened with the 1986 crisis.

- In the same direction, the state's monopoly on foreign trade was lifted and the latter was liberated quickly and randomly. The first beneficiaries were the import lobbies, who controlled entire sectors of the country's commercial and economic activity until today.

- The nature of the economy itself, which is based on a lack of diversification and on exports of hydrocarbons as basic income from hard currency, in addition to an industrial and agricultural production system that is weak in productivity and competitiveness.

- The circumstance of liberal economic globalization and openness of markets, with the dominance of economic thought and neo-liberal economic policies that put in a direct relationship the mechanism of economic growth and openness, which was not confirmed by the historical experience of growth.

More than 25 years after Algeria's last request to join the World Trade Organization, this has not been achieved despite the progress in negotiations with many member states, which makes Algeria one of the rare countries that have not joined this organization, which clearly impedes the process of integration into the global economy.

The reasons for this delay in engagement are attributed by many experts⁴ to a combination of factors:

- The economic, security and political situation of the 1990s, which made the engagement process not a priority.

- The transition from "languages" to the World Trade Organization changed the terms of accession and made them more restrictive and complex, especially after this organization abandoned some clauses that grant preferential exceptions and privileges to developing countries and imposed greater conditions for accession, such as those related to services and intellectual property.

- Resistance to the lobbies that were established after the abolition of the state's monopoly on foreign trade and opened the way for it to extend its influence over many sectors (foodstuffs, medicines, and

many inputs in industry and agriculture...)

- Structurally, the Algerian economy was not ready for this engagement given the delay in economic and institutional reforms, the absence of a strategic vision and the weak will to transfer the economy from rents to production, in addition to the weakness of the public and private industrial sector.

- Finally, the negative results of the association contract with the European Union discouraged this engagement, although the tariff concessions that Algeria made to the European Union would be automatically circulated to all WTO member countries.

The National Economic, Social and Environmental Council recently raised the issue of Algeria's involvement in the World Trade Organization again, in a symposium it organized in October 2021, and it stressed the need for Algeria to accelerate negotiations with the member state with the aim of joining as soon as possible in a circumstance characterized by increased competitiveness at the international level, And the digital revolution and the environmental challenges facing the world.

A large number of experts and studies on the issue of trade openness and integration into the global economy consider that the trade policy is reduced to a set of incentive measures that encourage the reduction of the import bill, the strengthening of export capabilities, the development of trade agreements and free exchange, especially with Arab countries (the Greater Arab Free Trade Area) and Africa (African Free Trade Area), is not enough to achieve positive integration into the global economy and establish win-win exchange with abroad.

The same studies argue that the issue of integration into the international community is a process that is determined by the complex relationship between the state and the various economic actors and social partners that structure the economic and political sphere of the country. Therefore, it considers that the economic and political system that is dominated by the field of exchange, and more than that unregulated and mafia exchange, is a restriction and a barrier to positive integration in the world.

From this standpoint, the latter is not merely a technical and procedural process to liberalize exchanges, but rather a voluntary and conscious process to link building a productive and diversified economy with a targeted trade policy as a tool to support this economy. In other words, it is not trade policy that achieves growth and development, adopts a productive and diversified economy, and achieves positive integration into the world. On the contrary, this integration is subject first to internal factors that lie in mobilizing all actors to develop a strategy to move the economy from the field of exchange and distribution to the field of developed, diversified and competitive production. This will only be materialized through serious and sincere social and economic dialogue between all parties.

3. Weak foreign direct investment:

With the start of economic reforms in 1990 and the implementation of the structural adjustment programs of the International Monetary Fund and the World Bank, set out to develop a set of laws and regulatory procedures that encourage the entry of capital and attract foreign direct investments (the monetary and loan law of 1990 and the various investment and financial laws for the years 1993, 2001, 2009, 2010, and since 2016), all of which propose tax incentives and concessions to attract foreign investors in various industrial, agricultural, and tourism sectors.

Although Algeria has signed no less than 83 international agreements to stimulate these investments, including 46 bilateral agreements, 6 international investment agreements, and 27 agreements for the abolition of double taxation (Mehdi Abbes 2012), but unfortunately, the results were very weak and incoming investments in the period 1990-2000 did not exceed an annual average of 1.33 \$282 million, just as it did not exceed in the period between 2002 and 2020 an annual average of \$1.33 billion, in which the year 2010 was known to be the largest. An amount of \$3.48 billion, and the lowest in 2015 was -0.59.

The development of direct foreign (incoming) investments in Algeria (billions of US dollars)

2020	2019	2018	2017	2016	2015	2014	2010	2005	2002
1.13	1.38	1.47	1.23	1.64	-0.59	1.53	3.48	1.06	0.97

Canocide Reports 2021.



It should be noted that most of these investments were directed to the energy sector, which accounts for the largest share, followed by the banking and insurance sector, cement and glass, medicine, and finally services.

Various studies attribute the reasons for the reluctance of foreign investment to enter Algeria to several factors, some of which focus on the lack of attractiveness resulting from institutional and political instability, macroeconomic policies, poor qualification of the labor force, and lack of scientific research, research and development efforts (Khaled MENNA et Samer MEHIBEL 2017), while others attribute it to many obstacles, including the lack of a business environment, bureaucratic heaviness, corruption, unfair competition in the unorganized sector, difficulty in accessing industrial real estate and financing, lack of competitiveness in general, and finally the inability to communicate and promote Algeria's image in Abroad (Amina Badreddine et Rachid Benamirouche 2018).

However, most of these studies agree that the weakness of the Algerian industrial fabric and the lack of its backward and forward integration is one of the most im-

portant reasons explaining the reluctance of foreign investment to come to Algeria, in addition to the absence of a long-term strategic vision for the development process that calls for this type of investment. Indeed, it must be emphasized that this type of investment calls for the medium and long term, and all definitions confirm that it is a long-term relationship between the investing entity and the receiving entity, and since most of the economy is based on exchange (i.e. in the short term), it is natural for these investments go to productive economies with long-term goals that enjoy a large degree of harmony and integration between sectors and a strong network of productive small and medium enterprises.

As a conclusion to this part of the work on the associated structural constraint With Algeria's weak integration into the global economy, what must be concluded is that most of the studies confirm the very modest results of the partnership contract with the European Union, the delay in Algeria's involvement in the World Trade Organization, and the scarcity of direct foreign investments towards Algeria, and most of the explanations presented are correct, but what must be emphasized is that the party The foreigner bears part of the res-

ponsibility, and this is normal because he defends his interests and the interests of his economic institutions and national products, but the greater responsibility is internal because this party did not define its strategic objectives and considered that it was sufficient to set legislation and laws that open the field of foreign trade to competition to achieve integration into the global economy.

Economic expert Abd al-Rahman Mabtoul believes that this integration cannot be achieved without deep reforms towards establishing a productive and competi-

tive market economy with social dimensions. Most employers' organizations, trade unions, and professional federations stress the need to include trade policy within a comprehensive vision to rid the national economy of dependence on hydrocarbon rents and to build a productive, diversified, competitive and sustainable economy. They also see that Algeria has sufficient advantages (resources, geographical location...) that it enables it to expand its partnership with Arab, African and neighboring countries and to better integrate into the global economy.



Chapter III:

Stages of development
of the Algerian economy
“A present without a
past has no future.”

The aim of this section of the study is to present the most important stages of the development of the Algerian economy in order to define the nature of each stage and the multiple internal and external factors that imposed it and set its priorities, as well as an attempt to evaluate these stages and present their most important achievements and shortcomings in order to draw lessons. The future cannot be foreseen without knowing the present. The present cannot be explained without evoking the past. In the past, we find many elements that explain the present, as the economic historian Vernon Braudel said: “The present without the past has no future.”

It must be recognized that the division of the stages of the development of the Algerian economy was not easy given the overlapping of many internal and external economic and political factors that affected the basic economic and social choices, especially in the second phase, which was characterized by great fluctuations in the strategic decisions of the country and its lack of clarity and tyranny in the short-term view. Historical transformations are slow and the estrangement between one stage and another is not immediate, but rather takes a period of time for its features to appear, so we will find in the new stage the impact of the decisions taken in the old stage, as an example of this, the second stage starting from 1980 in which the decision was taken to abandon the development strategy. The industrialization option did not stop the industrialization programs that were planned in the previous stage, as industrialization will continue at its pace until 1986.

In general, we have decided to divide the stages of the development of the Algerian economy into two main stages. The first is from Algeria's independence in 1962 until 1980 and the second from the latter until the year 2000. Each stage is divided into two main periods.

1. Phase development strategy 1962-1980: The stage of estrangement from the colonial economy and building the national economy

It is a stage generally imposed by the necessity of ending with the colonial legacy on all economic, social and political levels and bringing about a rupture with it, which explains the “socialist” and social options that were adopted with an attempt to give it an “Algerian character” to it, and in order to understand these options it is necessary to focus on 3 basic points:

The first point is that all the texts of the liberation revolution outlined these options, starting with the statement of the first of November 1954, which affirms the building of “the sovereign, democratic and social Algerian state within the framework of Islamic principles,” to the end of the texts emanating from the 1956 Soummam Conference and the Tripoli Program in May 1962, which confirm that national independence cannot be completed without getting rid of colonial relations based on exploitation, dependence, injustice and starvation. Building an independent national economy can be achieved through:

- Getting rid of the economic dependence imposed by the colonialists through an international colonial division of labor that made Algeria specialize in the production and marketing of raw materials and the import of manufactured materials. Therefore, the goal of recovering national wealth and nationalizing it was set among the priorities that grant Algeria independence in its development options.
- Building a modern, developed economy and eliminating underdevelopment in all its aspects. Therefore, industrialization will be adopted as a strategic option, with its negative effects on all sectors of the economy, mainly the agricultural sector.

- Building a social economy that eliminates the remnants of the colonial legacy and eliminates disparities and is based on meeting the basic needs of the population, mainly food, housing, work, health and education.

The second point is that the choices that were adopted were in fact more inevitable than a voluntary choice, given the weight of the colonial legacy that left the Algerian economy and society all the features of underdevelopment, knowing that it was settler colonialism:

- An economy oriented abroad and export rather than to meet the needs of the domestic market

- An almost total absence of industrialization and a very backward agriculture, except for that of the centenarians, knowing that a quarter of the cultivated land was owned by the centenarians who represented 2% of the agricultural population.

- A very disjointed social structure with an illiteracy rate of 95% of the indigenous population in 1954, infant mortality rate of 18.1% for Algerians compared to 4.5% for centenarians, an early schooling rate of 20% for Algerians compared to 100% for centenarians, and an average wage estimated at 380 francs for Algerians compared to 1000 francs for centenarian.

This stage can be divided into two periods:

a. The first period from 1962-1966:

It is a short period characterized by instability (political, administrative, and social) and can be considered as a transitional stage for stability and ensuring the running of the country's affairs and the status of its administrative and political institutions. It is also a stage marked by populist and improvisational decisions in front of a dire social situation (unemployment, illiteracy, rural exodus).

The most important thing that distinguished it from an economic point of view is the experience of self-management in the agricultural sector in 1963. The peas-

antry that was left by the centenarians in the form of cooperatives for self-management by the agricultural workers who used to work on it. It was also distinguished by the establishment of the Sonatrach company in 1963, which would later play a major role in managing the fuel sector to become one of the major oil companies in the world.

This stage ended with the coup carried out by the late President Houari Boumediene against the Ben Bella regime.

b. The second period 1967-1979:

This was known as the period of national construction and development plans, and the aim was to build an independent national economy that meets the immediate needs of the population (employment, education, housing), eliminating economic and social backwardness and building a modern state and developed economy.

To achieve all this, the choice fell on an integrated and coherent development strategy called the industrial or manufacturing industries strategy that puts industry as an engine to lead the development process and withdraw other sectors (mainly agriculture), which is a strategy led by a "developmental" state through the central planning tool, and mobilizing the country's wealth towards developing productivity.

This choice was justified by several internal and external factors:

- The absence of a dynamic and proactive private sector due to colonial policy

- The great backwardness of the economic and social structures that need a strong investment push

- The prevailing Keynesian economic thought gives the state an important role in moving the wheel of growth and development

- The developmental thought that has developed since 1950 and which emphasized in its various directions the central role of industrialization in the development process and the responsibility of the state in that.

- The thought of national liberation and the Non-Aligned Movement, which raised the slogan of equal exchange at the global level

The results of this stage were exceptional, according to the testimony of the International Monetary Fund (Report 1998). Thanks to a strategy to develop investments that rose to 45% at the end of 1970, and growth recorded an average annual rate of 6%, and all indicators witnessed a significant increase (literacy, education, health, employment).

What distinguished this period was the use of revenues from hydrocarbons for development under the slogan “We grow oil to reap development,” which refutes the theory of resource grievance, as the Algerian experience showed that if there is a will and a clear strategic vision, resources can be turned into a blessing.

Exceptional outcomes of this strategy:

Investment spending during this period amounted to 134 billion dinars (five-year plan). The first 74-78 in the amount of 48.1 billion, and the second five-year chart 79-83 in the amount of 58.2 billion. It has increased by 16% annually on average. The year 1978 alone amounted to 47.8% of the total investments.

Investments that allowed the establishment of 400 large industrial units and vehicles and no less than 400 small and medium enterprises, most of which are local. Abd al-Majid Bouzidi called this period 67-86 the twenty glorious years of Algeria:

- Industrial value added contributed an average of 14.5% of gross domestic product annually.
- The average annual growth rate of industrial production in real terms was 11.2%
- The industrial employment rate was 12.2% of the total operating
- Job sites
- The contribution of hydrocarbons to the gross domestic product decreased from 46.2% at the beginning of the period to

23% at the end, i.e. 1986.

- Establishing more than 1,800 public industrial units

- Investment in the industry reached 48 in the three charts in a row%, 45% and 43% of the gross domestic product, knowing that the basic industries received the largest portion of the investments

- An average annual growth rate of 12.5%, and the industrial added value amounted to 40% of the gross domestic product

- Creation of at least 2,541,000 jobs (462,000 in industry)

- Per capita income increased from \$315 in 1962 to \$1,114 in 1983.

On the other hand, several criticisms were directed at this period, the most important of which are:

- An expansionary pattern based on the substitution of imports quickly fell into the trap of financial and technological dependence, as the manufacturing process was linked entirely to the outside in terms of financial and technological (key-to-hand factories).

- The fragility of productive capacities in agriculture because they do not exceed many structural constraints (the percentage of agricultural land, water, marketing), which increased food imports (the index of food imports moved from 100 in 1971 to 660 in 1979).

- Loading public economic companies with tasks that are within the competence of other bodies and institutions (employment, housing, feeding, catering, transportation, treatment, training, childcare) which contributed greatly to this fiscal deficit in addition to the supra-economic interventions.

- Absence of democratic dialogue: The industrialization process was considered merely a technical and administrative process driven by political orders, ignoring the involvement of all economic and social actors, with a misappreciation of the role of science and economic theory.

2. Liberalism and structural adjustment:

After a quick assessment that is not subject to any scientific and objective conditions (a long-term strategy cannot be evaluated after 12 years of its implementation), the development strategy that was adopted in the previous stage was abandoned and replaced by economic policies that can generally be described as liberal despite their ambiguity, inconsistency, and absence of a far-sighted view.

What is wrong with this stage, in various studies, research and reports, is not the issue of entering into a market economy or liberalizing the economy, but rather what was presented to it in terms of criticism is that the change of direction was hasty and without an objective scientific assessment to extract the shortcomings and list the positives to rely on to move forward towards strengthening the energies national productivity. It is also criticized for its unexplained abandonment of the goal of industrialization as a strategic choice supported by development theories at the time with its various approaches (liberalism, Keynesianism, and Marxism) to get along.

This abandonment can be explained by several internal and external factors:

- The change in the hierarchy of political power in favor of bureaucratic forces and forces of speculation and brokerage
- Transformation at the international level and the beginning of the application of neo-liberal policies and their dominance

This stage can be divided into several periods in which several reforms were adopted:

a. 1980-1986 period: reorientation of the economy and ranking priorities according to the following:

- Consumption at the expense of production
- Small production units at the expense of large vehicles

- Encouraging the private sector and private ownership and beginning to dismantle the public sector

b. 1987-1993 period:

Lower incomes from fuel and its implications with the events of October 1988, the economic and political "reforms" were accelerated. Implementing the programs of the International Monetary Fund and the World Bank through the first and second stabilization agreements of the years 1989 and 1990 and its reflections on vulnerable social groups.

c. 1994-1999 period: Debt rescheduling and structural adjustment and their implications:

It coincided with the exacerbation of external indebtedness and the rise in debt services, which prompted the public authorities to resort to the International Monetary Fund and initiate negotiations with it that led to the first debt rescheduling in 1994 and the second in 1995.

The most important results of this stage are:

- Investments produced in the industry declined from 44% from N.D.K. a year 1978 to 20.7 years 2000
- Unemployment rates rose from 17% in 1980 to 28.9 in 1999
- The rise of the trade sector and the unorganized economy and the occurrence of a structural change in the structure of the Algerian economy (the shift from production to speculation and the subsequent change in the structure and values of society)
- A decline in purchasing power as a result of price liberalization, the successive devaluation of the currency, liberalization of the market in general, and the absence of control mechanisms.

period 2000-2020: Deepening the liberal orientation with a clear tendency to plunder and predation:

This stage is characterized by:

- ❑ Improvement of macroeconomic balances with deterioration of the real economy situation.
- ❑ Continuation of liberal reforms and economic openness (privatization, investment, energy, mines and hydrocarbons laws, partnership contract with the European Union and the mainly Arab free trade zone)
- ❑ A partial return of the state through public spending and various schemes, as well as the return of “economic patriotism”). With the encouragement of the international monetary and financial institutions, given the recorded financial abundance (about \$500 billion from 2000 to 2014)

Despite the importance of the measures taken in various sectors for growth, through public spending, and its positive results, which at the same time raise some questions (discussion about the rate of

unemployment and inflation, transparency in spending and management, the status of the informal economy), the biggest absentee in these programs is investment in industry: 2% of AED from 2000 to 2010

From all this, it is very important to move quickly towards a new development pattern and a national strategy for investments that is productive and diversified: the measures taken in the second and third periods of this stage to encourage the private sector and enable it to lead the growth process, through various incentives and privileges, did not lead to building a class of entrepreneurial capitalists and investors in production. On the contrary, the two stages witnessed an organized transfer of funds that is not subject to any economic measures (distribution of agricultural and construction lands, and public institutions in symbolic dinars), benefiting from interest-free loans that were often not paid, and from legal import privileges that led to the formation of monopolies in trade channels and foreign trade in particular. All in a frightening expansion of the unregulated economy, which has become 40% to 45% of the monetary mass.



The fourth chapter:

Social dialogue: a rich
experience that needs to
be developed

Since 1990, social dialogue in Algeria has taken important steps that culminated in the signing of the National Economic and Social Contract in 2006 between the government and the General Union of Algerian Workers and Employers' Organizations, a contract that was enriched and renewed in 2014 under the name of the National Economic and Social Contract for Growth.

It should be noted that the official establishment of social dialogue in Algeria began with the political and economic reforms included in the 1989 constitution, which opened the way for freedom of association and affirmed the right to practice trade union work and to strike. The labor laws issued later in 1990 confirmed this approach and established social dialogue through collective negotiations and bilateral and tripartite dialogue. In 1993, the National Economic and Social Council was established as a body for dialogue and consultation in the economic and social fields.

The most important results of this dialogue until 2018 are:

1. Collective negotiations:

It began immediately after the issuance of the labor laws of 1990, and culminated in the signing of 353 sectoral collective agreements pertaining to the major economic sectors, which include several economic institutions affiliated with the same economic activity, such as energy, mechanical industries, food industries, construction and public works, public employment, until 2016. It also led to the signing of 3,858 enterprise agreements. These agreements included the signing of 16,319 agreements for wages, improvement of working conditions and social services, from which no less than 6,315,498 workers benefited, including 3,211,083 working in the economic sector and 3,103,410 in the public employment sector.

2. Bilateral and triple meetings:

It was held between 1990 and 2017 in a circumstance characterized by Algeria entering the end of the eighties of the twentieth century into a severe debt crisis that forced it to resort to international financial and monetary institutions and sign two agreements for economic stability in the years 1989 and 1990, followed by two agreements to reschedule debts in the years 1994 and 1995 with their conditionality and known economic and social results (mainly Price liberalization, lifting subsidies on basic consumer goods, austerity in the balance sheet that took place through freezing wages and employment, reducing public investments, devaluing the national currency, closing and privatizing public institutions...etc., all of which led to a deterioration in the purchasing power of workers, an increase in unemployment rates, and a weakening of the national production system).

Therefore, the dialogue within the bilateral and tripartite meetings will focus on all issues related to the implementation of the structural adjustment programs of the International Monetary Fund and the World Bank and their social and economic results:

- **Bilateral meetings:** There were 14 meetings between the government and the Confederation of Algerian Workers, from October 1990 to December 2007, at an average of two meetings per year. 97 points on the agenda were dealt with, centered according to their importance on the following issues, according to the number of times they were addressed in each meeting.

- The issue of wages and purchasing power comes in the first place, and the focus has been on raising the minimum wage, determining the value of its inferential point, and paying delayed wages to workers.

- The social protection system comes in the second place of concern and revolves around reforming this system, establishing the National Fund for Unemployment Insurance, strengthening the retirement

system and establishing supplementary retirement.

- The issue of employment and the organization of the labor market occupies the third place. Issues of preserving job sites were discussed through the establishment of a fund to support investment for employment, and support for the National Agency for Employment, the Labor Inspectorate, and finally the implementation of justice decisions regarding the return of workers to their positions after their arbitrary dismissal.

- In fourth place, the issue of supporting public sector institutions and their organizational and financial restructuring was discussed.

- Reforming the public employment system comes in the fifth rank of concern, following decisions to freeze employment in it.

- The issue of organizing, institutionalizing and framing social dialogue was discussed three times during all bilateral meetings.

▪ **Triple encounters:** It took place between the government, the General Confederation of Algerian Workers and employers' organizations. It was known that 23 meetings were organized from 1991 to the end of 2017, including 20 ordinary meetings and 3 exceptional meetings. They were consulted on 228 points centered mainly on the basis of importance according to the number of times that were dealt with in each meeting:

- Discussing the economic and social situation and the issue of the economic breakthrough was addressed in almost all meetings, whether it was related to discussing the national policy for economic and social development and the growth pattern, or encouraging investments, especially towards small and medium enterprises, improving the economic environment for enterprises and restructuring them, encouraging non-hydrocarbon exports, and promoting the national product. And support it, as well as the privatization of public institutions, and the organization of public deals. In the same topic, the state's social policy, the state of public health and medicines, how to confront social ills and the development of social protection networks were discussed.

- Social protection and retirement have gained an important part of the discussions within the tripartite, whether it is related to the financial situation of social protection funds, and the retirement system, and a special fund has been established for public works and construction workers.

- Improving purchasing power and wages was among the most important concerns discussed, mainly the minimum wage, the establishment of a fund to guarantee workers' wages, as well as the social policies accompanying the implementation of the International Monetary Fund's structural adjustment programs, and the establishment of a consumer credit system.



- The issue of the social contract and discussing its importance and content occupied an important space in the negotiations. This point was first discussed twice in 1995, then in 2005 and 2006, to be formulated and agreed upon in this last year, then it was enriched and renewed in 2014. At this point, the issue of organizing these meetings was addressed. It was also agreed to hold an economic and social summit and to establish the Economic and Social Observatory. During the meeting on June 19, 2016, a contract for stability and enterprise development in the private sector was signed between the General Union of Algerian Workers and employers' organizations.

- Finally, the tripartite discussed the issue of Algeria's partnership contract with the European Union as well as its involvement in the World Trade Organization. The content of Algeria's negotiations with the International Monetary Fund was also presented for discussion.

3.The National Economic and Social Council:

It was established for the first time in 1968, then dissolved in 1976, to be re-established in 1993 to undertake the following tasks:

- Provide a framework for civil society to contribute to the consultation on economic and social development policies
- Ensuring the continuity of dialogue and consultation between the economic and social partners
- Evaluation and study of issues of public interest in the economic and social fields, education, training and higher education, culture and the environment
- Submit proposals and recommendations to the government

In the year 2021, this advisory body will be transformed into the National Economic, Social and Environmental Council, and its tasks will expand to include:

- Activating the social and civil dialogue

open to all parties and contributing to its organization and encouragement, as well as ensuring and facilitating mediation and reconciliation between the various economic and social actors, through the involvement of civil society partners in order to help calm the economic and social climate,

- Creating and activating spaces for dialogue, consultation and cooperation with local authorities, including both the executive branch and the elected councils, and assisting in regional integration,

- Initiating or contributing to any study aimed at evaluating the effectiveness of public policies devoted to human capital and the nation's efforts in the field of social solidarity and cohesion and the effectiveness of social policies,

- Evaluate the strategies dedicated to the sectors of agriculture and water resources, in particular those aimed at strengthening national resilience with regard to food security,



- Submit proposals and recommendations to the government regarding all actions and measures to adapt or anticipate public policies that take into account the current or planned economic, social and environmental transformations and developments,

- Promote the participation of civil society representatives in the design, preparation, implementation, monitoring and evaluation of economic, social and environmental development policies, at the national and local levels, while integrating the expectations and needs of the population,
- Work to preserve and defend the econo-

mic interests of the state, especially with regard to transactions of strategic importance and the requirements not to resort to international arbitration, by promoting mediation and reconciliation, through the formulation of opinions and / or recommendations,

- Involving representatives of professional organizations related to the main national activities in the process of designing, preparing and implementing policies to support economic, social and environmental development as well as policies aimed at promoting human capital, particularly those related to education, training, higher education and public health;

- Enhancing the contribution of the national community abroad to the national development efforts at the economic and social levels, which aim to upgrade human capital by ensuring the mobilization of the expertise it enjoys, while working to take its grievances and concerns into consideration by the public authorities,

- Promote consultation and exchange with counterpart institutions and similar institutions, with the aim of creating regional and international spaces dedicated to this end, as well as with all parties and international entities, in particular agencies of the United Nations system, in consultation with the Ministry of Foreign Affairs,

- Expressing an opinion on strategies, programs, development plans, draft organic and directive laws, as well as draft financial laws.

- Formulating opinions on national strategies aimed at promoting the emergence of a sustainable and diversified economy based on knowledge, technological innovation and digitization,

- Initiating or contributing to any study aimed at evaluating the effectiveness of public policies dedicated to the development of the national economy,

- Carrying out, based on the information obtained from the sectors, public institutions, civil society, and all other relevant sources, the periodic production of reports and opinions that fall within its areas

of competence, and related in particular to: human development, the economic condition, governance, the promotion of regions, sustainable development, and transformation in the field of energy and the effects of climate change,

- Carrying out studies and research in the fields that fall within his competence, and informing the government of the results of these studies and research. In addition, the Council prepares an annual report on its activities, which is published in the Official Gazette.

The National Economic, Social and Environmental Council was and still is one of the most important institutions of social dialogue in Algeria, both in terms of its human composition, as it includes, in addition to the three traditional parties, university professors, researchers, central and local frameworks, and representatives of civil society associations in their diversity, or in terms of its strong contribution to activating Social dialogue on basic economic, social and environmental issues, whether through its regular sessions, seminars and forums that it organizes, or through periodicals, reports and thematic studies that it completes and publishes to be accessible to specialists and the general public.

4. The national economic and social contract:

The idea of completing a social contract was proposed by the social partners for the first time in 1995 on two occasions, the first in April of the same year during the third tripartite meeting, and the second in May during the fourth meeting. The possibility of completing this contract and its content were discussed.

Ten years later, and during the 11th meeting of the trio in March 2005, it was finally agreed on the wording and content of the contract and the responsibility of each party. In the 12th meeting in September 2006, it was signed by the three parties.

It should be noted that this contract is economic and social, and this reflects the conviction of the three parties of the im-

portance of their involvement in all economic and social decisions formulation, implementation and follow-up.

This contract first included the principles that are the pillars on which it is based, and they are, in short:

- Development is not limited to the economic field, but includes all aspects of life. Building a competitive economy and a prosperous society requires the participation of the entire nation.

- The contract is a commitment to mobilize all national energies in the service of development and social justice and in the interest of Algeria.

- Workers are at the center of every process of development who are the builders of it, and are therefore essential partners in the act of recruitment for economic growth.

- Economic growth, the establishment of decent job sites, and the distribution of incomes are mainly due to the enterprises and their level of productivity and profitability. From this point of view, the institution is the main source for creating economic wealth, and any development policy will not work if it does not include among its priorities the promotion of the institution...

- The choice of the private sector as a key player in the national economic development process is a strategic choice that must be strengthened in the coming years. The private sector is called upon to reform itself through a process of restructuring and changing behaviors in order to become the spearhead of the national economy.

Based on these principles, the objectives of the contract were defined, which the three parties are committed to working towards embodying in a calm and stable social atmosphere, including:

- Continue to implement policies of intensive investments in infrastructure
- Preparing the conditions for the transition of the Algerian economy to the post-oil phase

- Upgrade and develop modern farming while conserving resources
- Intensify productivity by improving the competitiveness of the economic enterprise
- Maintaining high rates of growth rates
- Follow-up efforts in the field of reducing unemployment
- Promoting a productive economy that creates wealth and employment
- Intensifying work to combat the unregulated economy.
- Reactivating and strengthening institutions charged with ensuring clean and fair competition conditions
- Improving the purchasing power

After defining the tasks and responsibilities of each party to this contract, the three parties agreed on the need to establish mechanisms to periodically evaluate it in tripartite meetings on the basis of a report prepared by a national follow-up committee. Finally, the parties to the contract insist that the latter is open to all parties.

Based on the experience of this contract, which has become an example to follow in the field of dialogue and consultation and one of the pillars for embodying the democratic process in Algeria, achieving stability and consolidating social peace, the three parties decided, after numerous consultations, to renew this contract to support economic growth.

For this, the government, the General Confederation of Algerian Workers and employers' organizations agreed to sign a new contract called the "National Economic and Social Contract for Growth" on February 23, 2014.

In addition to the goals of the first decade, new goals were included dictated by the new economic and social conditions, whether national or international. Among them, we mainly mention the inclusion of sustainable development goals among the concerns of the three parties with a commitment to implement them, as well as an emphasis on adherence to international agreements for Algeria, whether it is related to economic integration in its dimensions or organizing agreements. work international.

The new objectives of the decade revolve around:

- Accelerate economic reforms by supporting productive investments, encouraging national products, and bringing about an industrial boom, while taking care to preserve macroeconomic balances and protect the purchasing power of the population.
- Strongly stimulating industrial development and strengthening and developing national productive capacities in order to diversify the economy
- Establishing an environment conducive to business by combating bureaucracy and corruption, combating the informal economy, and pursuing institutional reforms.
- Strengthening governance and strengthening national capabilities to achieve sustainable development and apply the principles of social responsibility
- Promote an efficient system of health and social protection
- Develop operating capabilities and improve purchasing power
- Putting the national training system in line with the needs of the institutions and the national economy
- Ensuring energy security in the long term.

After that, and just like the first national economic and social contract, the obligations and responsibilities of each party were defined, and the latter also stressed the need to establish mechanisms for implementation and regular periodic evaluation of the contract. Finally, the signatories emphasized keeping the contract open to all parties that want to join it.

The experience of social dialogue in Algeria is very rich. It has received the praise and encouragement of all international, continental and regional organizations. Like all experiences, it must be subject to evaluation and development. Among the aspects of development, all parties insist on the need to institutionalize this dialogue by establishing permanent bodies representing all parties that follow up on the implementation of decisions and evaluate them on a regular basis, especially with regard to bilateral and tripartite meetings.



Chapter V:

For a participatory and
sustainable develop-
ment alternative

In this chapter, we are trying to make an effort to propose an alternative, productive, participatory and sustainable development model. It is certainly not complete or comprehensive, but we believe that it contains the seeds of the beginning of a scientific discussion to evaluate the results of the previous model, identify its defects and the reasons for the meager results it achieved, and think about an alternative model whose success depends on reconsidering the many postulates and convictions that were considered self-evident and among the basics of economics and are not subject to discussion, such as the role of the state in the economy, and integration into the world on the basis of comparative advantages and openness. It depends on taking into consideration the transformations that the world knows and the experience of countries. Finally, the success of the alternative development model depends on returning to the concept of development, development strategy, industrialization, and renewing the state's relationship with society on new bases that restore consideration to the value of work, the fair distribution of wealth, and the values of participation and solidarity.

Despite the prevailing pessimism of many, we decided to end this study on a positive note stemming from the conviction that there are many objective indicators and collective capabilities that allow the formulation and realization of this development alternative.

1. Why an alternate developmental pattern?

The weak results of the economic pattern adopted since the early eighties depend on the rapid economic openness and the implementation of structural reform programs in accordance with the dictates and recommendations of international financial institutions, led by the International Monetary Fund and the World Bank, which in turn are based on the principles of the Washington Consensus and neoliberal thought/ideology in the economic and political field, and the repercussions of the 2014 crisis following the decline in

oil prices in global markets, which deepened with the sanitary crisis. It has plunged Algeria into a deep structural crisis of development that requires, today more than ever, a radical reconsideration of previous choices and the adoption of a new vision and development strategy based on scientific and objective outcomes of previous economic policies, and based on the positive experiences of the process of growth and development in the world, especially the lessons learned from the experience of emerging countries, and the diversity of the heritage and history of each country. It, also, depends on the new horizons opened by the current intellectual movement in the economic field, especially in the field of social sciences. Stiglitz, and Dr. Roderick, and H. Jung.

For their part, almost all the international multilateral institutions (including the World Bank and the International Monetary Fund) and international organizations and agencies have recognized the negative results of the growth pattern that was adopted since 1980, which some of them described as disastrous and called for the crystallization and formulation of a new model that did not agree with all of them.

Before talking about the various proposals to develop a new development model and its most important foundations, we first start by analyzing the most important imbalances of the current growth pattern, as we are convinced that the search for a developmental alternative requires a systematic approach. Starting from an objective diagnosis of the failure of the current growth pattern and its inability to fulfill the population's hopes for decent work and a decent life.

a. The most important imbalances of the current growth pattern:

The most important common and interfering factors can abundantly explain the most important imbalances of the growth pattern adopted since 1980 in the following points:

❑ **Replacing the structural adjustment programs with the development project:** What characterized the growth pattern that prevailed was the abandonment

of the will to build national development within the framework of long-term strategic plans and visions that are keen to achieve inclusiveness, integration and sustainability of development. The abandonment was devoted after the adoption of structural adjustment programs for international financial and monetary institutions following the international indebtedness crisis at the beginning of the eighties of the twentieth century. Unlike all emerging countries that did not adopt these programs and moved away from the principles of the “Washington Accord” and neo-liberal economic policies, Algeria tended since 1980 to liberalize prices, investment, internal and external trade, adopting programs for privatization of public institutions, and strengthening and qualifying the private sector to replace the state in carrying out the tasks of development and concluding partnership agreements with the European Union, the decline in the role of the state and the strengthening of the role of the market, which has become the main determinant in the employment of financial and human resources in the sector and geographical area and the adjustment or control of the economic cycle. In this context, many reforms aimed at achieving more flexibility were implemented in order to activate and facilitate the work of market mechanisms on the one hand, and to ensure the improvement of the internal and external macro-financial balances in order to provide a macroeconomic framework that helps increase the pace of growth on the other hand. This caused several structural imbalances and did not achieve either growth or development.

❑ **Prioritizing growth over comprehensive economic and social development:** It has become the concern of successive governments to achieve high growth rates with all that this concept reflects from a narrow meaning that expresses quantitative indicators that do not necessarily necessitate the transformation of economic and social structures, the achievement of development and the transfer of society from the stage of underdevelopment to the stage of development, and modernity. Despite this, and in view of the statistics of most of the international and UN agencies in charge of growth and deve-

lopment, Algeria did not achieve during the comprehensive four decades of the period 1980-2020 a growth rate of gross domestic product at constant prices greater than 4 to 5% in better cases and could not exceed this level despite all the support enjoyed by the private sector. These rates do not reflect the situation of the real economy, which has declined significantly if we refer to indicators of industrial and agricultural growth.

❑ **Giving priority to external demand over internal demand:** The economy has been redirected from the goal of meeting the needs of the local market to production for export in order to pay off debt services, and thus growth has become more dependent on exports, i.e. external demand at the expense of internal demand, which has made the economy in a fragile situation and more vulnerable to fluctuations in global markets and a recurrence of the crises that characterized neoliberal globalization, the latest of which was the major crisis of 2008, which led to a decline in global demand, and from that to a decline in revenues from hydrocarbons, with an imbalance in the balance of trade and the balance of payments.

❑ **Interest in macroeconomic equilibriums at the expense of real equilibriums:** In accordance with the directives of the international financial and monetary institutions, the priority of governments has become to achieve overall financial balances at the expense of real balances related to combating unemployment, reducing differences between agencies and social groups, preserving the environment, good disposal of natural resources, and taking into account the interests of future generations. It was reflected in adopting strict austerity policies and pressure on the balance sheet and public spending and its negative impact on the social aspect and sectors such as education, health, energy and public service in general, as well as giving priority to fighting inflation at the expense of unemployment.

❑ **Priority for integration into globalization at the expense of national economic integration and regional integration:** these points are necessary; The transition

towards a market economy also resulted in the consolidation of the position of the Algerian economy in the traditional international division of labor based on the exploitation of permanent differential advantages that suffice with the exploitation of internal natural resources, as is the case mainly in rentier countries; The exploitation of a labor force with weak or medium efficiency, as is the case in other countries which witnessed an important development for sectors exploiting such a labor force, such as the textile, clothing, leather, mechanics, electricity, electronics (mainly assembly) and food industries, noting that direct foreign investments have played an important role in perpetuating this traditional international division of labor through many methods such as subcontracting; the various contracts for the transfer of numerous activities with a high labor intensity from the countries of the North to the countries of the South and whose production is directed towards export in the first place.

In general, within the framework of the transition towards a market economy, financial and human resources were employed in activities limited to the exploitation of continental differential privileges, and vertical integration was strengthened, unlike emerging countries that relied on horizontal integration and exploitation of the effects of grouping, location or region. They also tended towards developing sectors with high technology intensity. It did not hesitate to develop acquired advantages in the most technologically advanced sectors such as communication and electronics.

Integration into the global economy has resulted in deep imbalances that negatively affected the development process. In addition to the main imbalance represented in limiting the exploitation of the permanent differential advantages led to the continued weakness and lack of diversity of the fabric. It is necessary to emphasize the phenomenon of the stark contradiction between the requirements of the economic fabric and the dynamics of the system of education, training and scientific research. On the one hand, we see the expansion of economic activities that are heavily used by a poorly qualified labor force. On the other hand, we notice

an educational system that produces increasing numbers of holders of higher degrees, which led to the emergence and deepening of imbalances in the labor markets that led to the stability of the unemployment rate in high years, especially to the growth of the unemployment of university graduates and holders of degrees.

The nature of this integration into the global economy has led to the establishment of an expansionist development pattern based on a disjointed, non-integrate, and non-intensive economic fabric that has led to weak institutional oversight, weak productivity of partial and general elements of production, fragility of competitiveness, and dependence on competitiveness based mainly on pressure on costs and prices.

This situation led to the adoption of multifaceted policies in order to attract foreign direct investment and maintain a growth rate that could not, on average, exceed 5%. These policies included the labor market in the name of strengthening the flexibility of employment and wages (which led to the spread of fragile employment patterns, the decline of social protection, and the emergence of poverty among the lowest stratum of wage earners), and fiscal and semi-financial measures that led to the assignment of important fiscal resources that were one of the reasons for the growth of financial difficulties. With social security funds, as well as monetary policy that caused the deterioration of the value of the national currency in order to support exports in the absence of sufficient productivity growth. This led to fueling the phenomenon of imported inflation and the increase in the costs of external debt calculated in the national currency and in general to the deterioration of the value of national labor. It led to the neglect of the environmental aspect that affected the environment (pollution) and represented one of the causes of the misuse of natural resources.

An other important imbalance resulting from the nature of this integration into the global economy is represented in the fact that this global vertical integration has caused the continued weakness of national integration sectorally and geographi-

cally (neglecting local development).

The results of this growth pattern are known today. There is a consensus among many prominent economists, international institutions, and UN organizations that it is very weak and fragile and has not been able to achieve neither growth nor development in a large number of developing countries. One of the problems of environmental pollution and imbalances of the ecosystem in general, but the positions of these economists and international institutions and international organizations differ in explaining the reasons for these negative results.

b. The reasons for the negative results of the development model adopted since 1980

In general, there are two dominant explanations for the failure of the development model adopted since 1980. On the one hand, we find the trend that believes that this model is valid and not impacted by any defect because it is an exact copy of the classical market economy model that led many countries to economic and social development. The nature of political systems that lack democracy, transparency and the methods of good governance that must accompany the liberal market economy are problematic. While the second trend believes that the defect is in the model itself and we must move quickly towards formulating a new model based on foundations and priorities other than those on which the first one is based.

The first trend is generally represented by orthodox economists, advocates of neo-liberal economic thought, international financial and monetary institutions, mainly the International Monetary Fund and the World Bank, who believe that the liberal experiment was generally successful, and the imbalances and shortcomings that occurred are mainly due to the lack of harmony between the political and the economic and a lack of governance. Political reforms in developing countries, as the economic reforms were met with political stagnation that prevented the completion of all the necessary reforms and caused the slowness of the reforms that were

implemented, which reduced their effectiveness (reforms) and their usefulness on the economic and social level. Whereas, liberal economic reforms and the transition to a market economy in general took place without the democratization of the political sphere, which limited individual and collective freedoms, including freedom of initiative, distorted the business climate, led to the absence of transparency, good governance, lack of guarantee of private ownership, and caused the spread of corruption. This analysis generally applies to the Arab and Maghreb regions, where international financial and monetary institutions expressed their joy at what they called the “Arab Spring” after they were supportive of tyrannical and corrupt regimes. This is because these parties consider that after this spring, with the spread of freedoms and the unleashing of individual initiative, the conditions have become more suitable for expanding and deepening liberal reforms and choices and establishing the necessary harmony between the political and the economic.

In this context, these international institutions informed us of their new product, which the economic literature called the “New Washington Accord”, which believes that improving the conditions of developing countries passes through giving priority to improving conditions for investment and competition in developing countries in order to be able to ensure their integration into the globalized economy, which is the same trend. Taken by the World Trade Organization, which abandoned the Doha Program for Development to reorient its priorities towards “improving the capabilities of developing countries in the field of investment and competition”, the same direction is being followed by all multilateral and bilateral agreements and partnership contracts, all of which have come to fall within the framework of what has become called “the new regional”. The latter focuses on the terms of investment and competition in addition to some political and geostrategic items that are all aimed at confronting emerging countries, especially China, and perhaps the last example of this is the European Union’s initiative to conclude comprehensive and in-depth exchange agreement and it is currently in the process of discussing with Morocco,

Tunisia, Egypt and Jordan to embody it, and to establish a free exchange area for the Pacific Ocean between the USA and each of Canada, Mexico, Chile, Peru, Japan, Malaysia, Vietnam, Singapore, Brunei, Australia and New Zealand .

The second trend is represented by a number of new non-Orthodox developmental economists belonging to several currents, in addition to international organizations such as the United Nations Conference on Trade and Development (UNCTAD), as well as many international non-governmental organizations active in various fields (economic, social, environmental and humanitarian...), did not hesitate to criticize the growth pattern adopted since 1980 and its disastrous results, and demand the formulation and adoption of a new development model.

In addition to the positions of c. Stiglitz and H. Jung and Dr. Roderick, if we mention only those, who are known for their liberal orientation but at the same time for their radical criticism of neoliberal thought, which they often describe as ideology and dogma that hides the special interests of major multinational corporations and major money lobbies, we want to focus here on the position of many international organizations:

As for the Trade and Development Report 2013 issued by the United Nations Conference on Trade and Development (UNCTAD), which criticizes the growth model that has been adopted since 1980. It is based on the development of exports. The global economic crisis of 2008 led to a significant reduction in the demand of developed countries and some emerging countries such as China. This has exacerbated the crisis of developing countries that have relied in their development strategy on developing exports since 1980, i.e. since the beginning of the application of neo-liberal policies in developing countries included in the structural adjustment programs of international financial and monetary institutions. Therefore, returning to pre-crisis growth strategies cannot be an option. Rather, in order to adapt to what now appears to be a structural shift in the global economy, developing countries must reconsider their development

strategies that rely excessively on exports in order to achieve growth, because this strategy will reach its limits.

In the current crisis, in which demand growth in developed countries is expected to remain weak for a long time, the limits of the previous growth strategy are becoming clearer. Therefore, it is necessary to restore the balance of the driving forces for growth, while giving more weight to domestic demand. Unlike export-led growth strategies, all countries can simultaneously pursue development strategies that give domestic demand for growth a greater role than in the past without the "beggar-thy-neighbour" effects and without competing for wage and tax cuts (Trade and Development Report, 2013).

Arthur Lewis pointed out the limitations of the pattern of growth through the development of exports: "No developing country is obliged, if we take it individually, to allocate such a large place to exports in its growth strategy, but rather it must pay more attention to the internal market" (Lewis W.A., 1984).

UNCTAD therefore considers that the model withdrawn from the side of exports has shown its limitations, whether in the experience of the countries of Southeast Asia, where the latter found great difficulties since the beginning of the 1990s finding outlets for their surplus industrial production (cars, electronic components) as a result of the decline in the purchasing power of the population. China is currently going through the same problem and is in the process of reorienting its economy inward.

On the other hand, and following the events of the so-called "Arab Spring", the International Labor Organization - the Regional Office for Arab States - and the United Nations Development Program - the Regional Center for Arab States - took the initiative to prepare a report for the year 2012 under the title "New to Economic Growth: Towards Productive and Inclusive Arab Societies" with the participation of regional organizations working in the Arab region in partnership with other UN organizations.⁵

This report focused on the failure of “the reforms of the market economy adopted since the 1990s to create jobs and secure social services in order to meet the growing aspirations of Arab citizens.” The private sector has not turned into an actual competitive sector, while economic opportunities and accumulated wealth have benefited a limited segment of society, which has led to a growing sense of isolation and incompetence. It led to a persistent unemployment among young and adult workers, low productivity and stagnant wages. This report also considered that economic reforms underestimated public investments, and relied on financial, commercial and tax policies based on theory rather than on country conditions, the optimism about the capabilities of the private sector, and how trade policies that were based on liberalizing the economy did not pay much attention to local production. Regional trade agreements did not contribute to deepening the integration of Arab countries at the international level.

The report finally concludes that it is necessary to design a new development model that is more comprehensive and productive.

2. The major milestones of an alternative development model?

A new development pattern or strategy for the rise based on a new production contract and a new social contract are necessary today to grant new horizons that put an end to the crisis and blockage that the old model and the path of development witness. It is about choosing a bold and strong political economy that includes a new vision of the concept of development and the role of the state in it, as well as a review of a set of concepts such as the concept of work, productive activities, a review of the process of distribution and redistribution of wealth, and taking into account the developments in the global economy and the new balance of power.

We believe that a number of crucial theoretical and applied issues should be re-

considered first and foremost in order to establish a new developmental pattern.

a. The need to review the position on the role of the state:

All the experiences of development showed that the role of the state was decisive in the success of the emerging countries. It is in contrast to the dominant neo-liberal thought and structural adjustment programs that consider that the state's intervention in economic activity would impede the functioning of the market and generate imbalances in the economy and misallocation of resources, which is argued for from a theoretical and hypothetical standpoint and without taking into account historical and contemporary experiences. There is no benefit in adopting selective policies for sectors and activities that must be given all encouragement and incentives in order to achieve the best integration into the economy. Therefore, the role of the state must be reduced. The task of adjusting the economy and stimulating growth should be left to market mechanisms.

The application of the principle of non-interference of the state resulted in the latter abandoning planning and drawing up economic and industrial policies aimed at encouraging certain sectors and activities in order to diversify or intensify the economic fabric, which generally led to the dismantling of the production sector, and in particular the industrial sector, which recorded a decline in its share of investment and its contributions to gross domestic product. This logic also led to the adoption of a purely “marketable” concept of food security, which is based on keenness to achieve a balance between food exports and imports, which led to distortion of the structure of the agricultural sector and to the continuation and exacerbation of food dependency in some cases.

In the face of the stumbling and failure of development experiments in many developing countries that applied neo-liberal prescriptions, an intellectual renewal movement emerged that led a number of economists to emphasize the role of the state and demand a reconsideration of this role.

In the field of development economics, theoretical contributions have emerged that emphasize the endogenous factors of growth (*croissance endogène*), the opposite of the traditional theory that explains growth by external factors of the economic system such as technical and demographic factors.⁶ The virtue of these new contributions is the emphasis on the subjective internal elements to explain the path of growth (Romer 1986, 1990). Lucas, for his part, emphasized the role of human capital and highlighted the importance of public investments in improving the productivity of the private sector and in driving growth, as well as the role of public spending represented mainly in infrastructure and human resources and in research related to development, which has a reflection on income through the multiplier effect (*L'effet multiplicateur*), capacity and production capabilities through the accelerator effect (*L'effet accélérateur*), and productivity in the private sector through the positive external effects (*Les externalités positives*). All of these factors require strong state intervention in the field of material and human investment, sectoral policies, technology, innovation, scientific research, and research and development (Lucas RE, 1988).

As for the field of international political economy and the field of international economic relations in general, most of the contributions focused on the developments that the global economy knows today and the unrealistic assumptions of the free exchange model based on comparative advantages that are based on perfect competition, non-movability of factors of production and stable peaceful economies. The new theory of international trade emphasizes the new reality of international economic relations and incorporates new elements into the analysis such as monopolistic competition, the role of technology, increasing peaceful economics, and product inequality. Paul Krugman, one of the most important contributors to the new theory, noting that he is an advocate of free exchange and the importance of trade in growth, refuses to consider external factors as determinants of trade and stresses the importance of state intervention “at least in some cases in order to improve national welfare by strengthening national institutions in global competition” (Krugman, 1998). This is in addition to the new protectionist practices practiced by developed countries in various forms, which justify the adoption of strategic trade policies led by the state.⁷

As for the renewal of the theory of institutions in its various branches, we can confine ourselves to mentioning the important contributions of the economist Joseph Stiglitz, who emphasized in many of his writings the peculiarities of developing countries, which are characterized by narrow markets in many countries and the absence of them in others. The latter excludes prices from playing the role of coordination between various economic activities and the tight employment of scarce resources. It is not possible to achieve a peaceful profitability that raises competitive capabilities in the economies of developing countries and enable them to negotiate better in the ongoing globalization (Stiglitz. 2002, 2005). This is in addition to the spread of the informal economy and the structural weakness of the private sector in these countries and its inability to bear the burden of achieving growth and economic development. All these reasons push towards granting a greater role to the state in developing countries in order to formulate and implement a strategy for development and economic rise with the participation of all actors in society.

b. The need to review the issue of integration into the global economy not only on the basis of comparative advantages:

Most studies have confirmed the unrealistic model based on the comparative advantages of David Ricardo and the neoclassical factor abundance theory of production, which stress the necessity of international specialization (international division of labor) on the basis of the “continental” or “natural” advantages enjoyed by each country and

¹⁹ Reference can be made here to the Solow model, which is considered a summary of the Keynesian-inspired growth models that give priority to demand, or to the neoclassical-inspired models that give priority to supply.

which is supposed to be for the benefit of all countries and the world economy as a whole. However, the new developments defined by the theory of international trade emphasize the importance of the role of dynamic or acquired advantages in trade and international competition, and therefore the role of the state in building these advantages, especially its role in education and training and in the areas of research, development and innovation, and in setting comprehensive, sectoral and long-term strategies to develop these advantages and make them keep pace with technological transformations.

This means that developing countries must review the form of their integration into the global economy and the need not to deviate from the traditional international division of labor based on specialization on the basis of the permanent and natural advantages available to these countries (cheap labor force and natural resources), which often perpetuate the rentier economy and its well-known results. The transition to building productive economies on the basis of building mobile and acquired differential advantages in the various and diversified sectors of production, mainly in industry and agriculture are intensive in the use of advanced technology and qualified manpower, all within the framework of a comprehensive strategy for national development that requires continuous adaptation of the investment structure, human resources, institutions, behaviors and incentive mechanisms. It aims at achieving building differential privileges in various and successive activities. It requires political will and initiative and the ability to anticipate events and developments in all fields, as confirmed by the experiences of emerging countries. To sum up, the differential privileges in its developmental and moving concept represent the outcome of the human ability to innovate, act and achieve before it is a gift from heaven. moving.

C. The need to review the values and foundations on which the economy and society are built:

All studies confirm that the model of growth and development that was adopted and based on the central role played

by rents in the economy and society and its dangerous repercussions led to a decline in the value of work, productive work, knowledge and science in society in general. Power and the new wealthy classes latter linked profit, wealth, and economic expansion to the extent of loyalty to political power.

This situation led to negative repercussions, whether at the macro level or at the level of the economic institution. At the macro level, a kind of relationship-conciliation (or contract) arose between political power and society, which appears in the form of an equation: the provision of social “benefits” in return for political loyalties. It is based on the dominance of the first over the second through the distributive role it plays (thanks to rent), on the one hand in the form of social transfers for the broad segments of society that are presented as “generosity” of power and not a task of the state, and on the other hand, in the form of broad privileges granted to some groups close to power, whether from a family, political or sectarian standpoint, to form a class of new wealthy owners who are the social, political and economic-financial base of power.

In this type of contract, the long-term societal project of the political authority and the new wealthy groups are absent. The project of building the national state and the productive economy becomes absent, so that the only concern of this authority and its affiliated groups is to manage the rent and achieve the largest income from it to ensure the permanence of the system and increase wealth.

On the micro-economic level, this situation has negatively affected society’s view of the economic institution, which has come to be seen as a rentier space and not as a space for production, creativity and innovation. It resulted in the absence of a sense of belonging to the organization among all its employees, which made it lose the role that it is supposed to play, which is to develop production capacities and raise productivity in a way that guarantees its competitiveness in order to meet the needs of the local market and export.

Proceeding from all this, we consider that the alternative development model that must be built requires basically the following:

The need to take into account the most important global changes:

Achieving a strategic structural transformation requires taking into account the most important global transformations in all fields, especially technological and economic ones, so that the new development pattern can make better use of the opportunities available through vertical economic integration, with serious research on establishing horizontal integration that enables diversifying partners and strengthening the individual and collective negotiating capacity of countries, and developing and improving its rank in globalization.

In this context, it is necessary to pay attention to the fundamental transformations that concern the following fields, in order to ensure the transition from expansive growth to intensive and integrated development:

The most important profound transformations concern the field of technology, technology systems, and production methods. New technologies are characterized by comprehensiveness, combining many specializations, and flexibility in use. The systems of new technologies that the Japanese call *Mécatronique* is a university that combines many electrical, mechanical, media and electronic disciplines, which results in reflections on all fields.

In addition, the accelerating transformations have become a concern for the organization of production and its geographical distribution nationally and globally, through SSC getting rid of many activities and approving subcontracting for its implementation by small institutions through what is called international value chains or the international division of production operations.

Many production and service activities are moving from one country to another, for many reasons. In this context, it must be noted that the differential privileges in

the countries that are most polarized and benefit from transferring production from one country to another have become dependent on the country's ability to create competitive economic systems. Ecosystems are able to collect, organize and divide work among many small and medium enterprises to produce various components of a specific commodity, such as a computer, camera, mobile phone, television. Thus, subcontracting, attracting foreign direct investment, and differential privilege do not depend on production workshops (*Ateliers de fabrication*) only, but mainly on competitive economic systems as well. Therefore, work must be done in the transitional phase towards an intensive development pattern, focusing primarily on creating such systems to benefit from the global distribution of economic activities with high added value. In recent years, we notice the return of many activities in the opposite direction south to north due to the shrinking cost differences as a result of the high transportation costs, wage increases and the precariousness of the business environment coupled with poor productivity in many countries of the South.

The rapid transformations also relate to global trade, as the status of some activities in global trade is declining, along with the escalating growth of other activities. It is assumed to improve the vertical global integration and location in the international division of labor within the framework of research to diversify, intensify and achieve more integration of development, and that more attention be paid to the emerging activities in global trade exchange without neglecting the traditional activities with high operational intensity of the inefficient labor force. We must focus on the sectors of information, mechanical and electronic industries, pharmaceutical industries, paper and wood manufacturing, stationery, and the service sector.

Environmental transformations also affect the selection of activities that provide broad operational horizons in the field of renewable energy, especially solar energy. In this context, the production of electricity from solar energy can be achieved by a large number of stakeholders.

In general, with regard to sustainable development, the economies of the world are on the verge of a difficult and promising restructuring at the same time in basic fields of particular concern to energy and materials (Matériaux) and nutrition (Lester R. Brown. 2003). In the field of energy, the new trend is represented in the transition from the era of oil, coal, and natural gas to the era of energy extracted from wind energy (éolienne), solar energy, and geothermal heat. In the field of materials, the trend will concern the transition from a linear economic pattern (Modèle économique linéaire) to a pattern based on a closed system (Système en boucle), as industries based on recycling will gradually replace industries based on extraction.

As for nutrition, the major transformations will not primarily concern the structuring of the nutrition sector, but rather the way of managing and behaving in this sector. This is because the great challenge will be represented in the proper disposal of natural capital such as water, arable land, forests, methods of agricultural exploitation. Also, the process of restructuring that sustainable development assumes will be accompanied by the consolidation of some old activities with the emergence of new activities. It will also be accompanied by the emergence of related specializations. Close connection with the activities mentioned on the other hand.

d. Returning to the concept of comprehensive development and development strategy:

Developing countries need a new development strategy and internal agreement between the various parties to build productive and diversified economies based on meeting domestic demand in the first place, depending on the special situation of each country in terms of its natural and human resources, its material and institutional capital, its historical and cultural heritage, as well as on the historical experience of growth. Development and the experience of strong emerging countries, and finally on the ongoing transformations and developments in the global economy.

Returning to the development strategy requires arranging priorities:

❑ **Return to manufacturing policy:** All the experiences of developed and emerging countries have shown that industrialization is the key to economic and social development, due to its role in building a harmonious, integrated and modern economy that keeps pace with the technological transformations that the world knows.

It is necessary to point out the need to abandon the idea that puts industry on the one hand and the rest of the other sectors in contradiction or even in a kind of arrangement and priorities. Industrialization always has positive effects on the rest of the sectors and recent technological developments emphasize its role in developing agriculture and increasing its productivity, as well as in developing food industries, for example, the same applies to tourism and other services.

It is also necessary to point out that industrialization is always in line with technological transformations, rather it is the incubator of innovation, invention, research and development. It is not talked about from the perspective of the first and second industrial revolutions that have their own specificities, but rather from the perspective of the current technological revolution (the third industrial revolution) based on digitization and information and communication technologies, electronics, biotechnology, nanotechnology, which means keeping pace with these transformations by investing in education, training, scientific research, research, development and innovation, choosing sectors with high technological intensity, and developing production, management and labor relations techniques.

❑ **The shift towards a more domestic demand-oriented growth strategy:** Focusing development strategies on domestic markets does not mean underestimating the role of exports, but rather that exports can witness further expansion. However, as indicated by a conference report the United Nations for Trade and Development (UNCTAD) 2013, the fluctuations in the global economy make the

export-based strategy very fragile, especially when external demand declines. It is necessary to shift towards a strategy that is based on developing domestic demand, by linking the production structure to the pattern of domestic demand, i.e. by achieving proportionality between household domestic consumption (distribution policy) and investment policy and public spending.

It is on the part of increasing the domestic consumption of families: Strengthening the purchasing power of the population in general, and wage workers in particular, should be the main component of a strategy for growth led by domestic demand, because labor income is the most important source of household consumption, which generally accounts for between half and three-quarters of total demand even in poor countries and countries with a relatively large export sector. Whereas export-led growth strategies focus on the cost-related wage side, the domestic demand-oriented strategy primarily focuses on the wage-income side because it is based on household spending as the largest component of effective demand. The issue of fairness in the distribution of income and the importance of raising the share of wages in the gross national product is of great importance in ensuring the sustainability and improvement of domestic demand.

As for the increase in product investment, it is well known that the latter plays a crucial role in development whether this strategy is directed towards exports or towards domestic demand. It will be focusing on domestic investment would reduce the risk of external fluctuations and ensure a kind of internally-centered development. One of the determinants of investors' ability to strengthen productive capacity is the availability of long-term financing at soft interest rates and a competitive exchange rate, which in turn depends, to a large extent, on the policies of central banks and on the structure and performance of the local financial system.

Finally, it is on the part of spending policy year: Public sector spending depends on the initial fiscal positions in each country, but also, on the effects of increased public spending on public revenues. Public investment in infrastructure and/or the provision of public services to specific economic sector groups is a precondition for continuity of investment, for improving capital productivity, and for complementing the market mechanism by facilitating the creation of linkages between export industries and the rest of the economy. In addition, public spending on education, training, scientific research, and development can affect the ability of the labor force to contribute to productivity growth. Moreover, counter-cyclical fiscal policy can stabilize domestic demand during periods of slow growth or recession and thus prevent a decline in demand-related expectations of domestic investors. This ability to achieve stability is related to the proportion of the public sector's contribution to the GDP. Income redistribution through taxation structure and cash transfers to households can strengthen the purchasing power of income groups that spend a greater proportion of their income on consumption in general, and on consumption of locally produced goods and services in particular, compared to higher-income groups (Canoide, 2013).

e. The necessity of reforming the state and restoring consideration to its economic role:

It is not possible to formulate and apply the new development model without reconsidering the economic role of the state, not by repeating and reproducing the same state that oversaw development in the sixty years and beyond, but by carrying out fundamental reforms pertaining to the state by reconsidering the state's relations with society and with the economy.

▪ **The renewal of the state's relationship with society requires a reorganization of the state's relations with society, which inevitably passes through abandoning the relationship of domination imposed by the state on society, which is based on providing aid and economic privileges in exchange for political loyalties. This abandonment presupposes the replacement of domination relations with contractual relations and partnership with all parties of society in order to develop and raise the level of social capital, given that the concept of the latter includes not only human resources but also the degree of social harmony and the will of collective action to serve the public interest.**

The state is also required to encourage the establishment of partnership relations between the parties to society. In this context, the social solidarity economy can be adopted as a framework for organizing and structuring an important part of the informal sector of the economy. The social solidarity economy consists of non-governmental associations, cooperatives, cooperatives, and social and charitable institutions is also important. Organizing the unorganized sector can pass through urging the formation of cooperatives and cooperatives that will give more solidity to the activities concerned and open new horizons for developing relations with the organized sector (by creating subcontracting relationships, raising the quality of services provided to the organized sector) and improving labour relations within the social solidarity economy. Generally speaking, this type of economy represents an important stock for raising employment capacity, diversifying the institutional structure of society, and strengthening social capital.

The state's dominance over society has led to the establishment of an institutional organization that is characterized by excessive centralization and polarization of decision-making, and by monopolizing power in favor of lobbies that have contributed to spreading corruption. This organization also contributed to the marginalization of local groups and the increase in disparities between the different regions, where regional and local specificities are rarely taken into account due to the marginalization of the "authorities" at these

levels and their lack of involvement in addressing the problems that hinder the development process.

In order to overcome these imbalances and obstacles, decentralization and non-polarity must be strengthened within the framework of building a local democracy that guarantees the involvement of economic actors and guarantees the achievement of a developmental alternative that stems from the desires, needs, characteristics, capabilities and capabilities of citizens at the local and regional levels. Such work requires a review of the distribution of tasks, powers, capabilities, coordination mechanisms between the parties, follow-up, accountability, governance.

▪ **As for renewing the state's relationship with the economy,** it must start from abandoning the principle of state neutrality in order to restore consideration to two basic roles for the state without which it is not possible to build an intensive alternative development model. In the field of the services sector, care must be taken to create integration between this sector and the industrial and agricultural productive sectors, with a focus on the quality of services, the productivity of services and controlling their costs, which are currently considered high and do not support the competitiveness of the productive sectors. The sector must also be developed by keeping pace with the demographic shifts in the world, as we indicated above. As for the second role, it is represented in reconsidering the policies of wealth redistribution. This role is necessary to achieve a balance between the social and economic and the balance between the regions in particular, because all experiences, except those in developed or developing countries, have proven that the commodity logic, i.e. the market logic, leads in all cases to a rise in the differences between social groups and between wage-earners according to their educational levels and between regions. Hence, no other party other than the state can adjust and reduce these disparities by adopting wealth redistribution policies. It is worth noting that the role of the state in the redistribution of wealth has become not only within the framework of ensuring social justice, but

also within the framework of human resources management, which aims to build working relationships that ensure the advancement of the economic cycle and the achievement of continuous development and sustainable development.

f. Work to reconsider how to integrate into the global economy and regional blocs:

The form of integration of developing countries into the global economy on the basis of the traditional international division of labor has shown its many shortcomings and limitations in helping these countries achieve their economic and social development. The experience of emerging countries has shown that this integration does not succeed without moving from reliance on the permanent differential advantages to the acquired dynamic advantages. It requires voluntary policies to identify the strategic sectors that must be developed and protected. On the other hand, the experience of emerging countries showed the role of belonging to regional blocs because of their effects of aggregation, the effects of the region, and the effects of economies of scale in building productive economies that enable the development of the negotiating capabilities of countries and regions in the globalized economy. In this regard, the strategic convergence of developing countries with strong emerging countries would support the new balance of power that has emerged since the beginning of 2000 with the emergence of the BRICS countries.

In conclusion, it can be said that the problem of searching for a developmental alternative is a complex problem that assumes a holistic and balanced view capable of achieving sustainability and justice. It also assumes a restoration of consideration for political will, national collective action, and regional and global solidarity. Despite

the difficulty of the problem, the current conditions are more appropriate than before to search and achieve an alternative. Development that is more compatible and interacts with the people's aspirations for freedom, dignity and social justice. This is because the current circumstances are characterized by intellectual mobility that emphasizes the failure of neo-liberal development models, highlights the lessons learned from the experiences of emerging economies, and actively searches for more harmonious development alternatives.

At the global level, the recurrence of crises and their intensification in light of liberal globalization with the growing tragic repercussions (see the situation in Greece, for example) would make public opinion more willing to raise the problem of the development alternative at all levels. Especially since the exacerbation of imbalances and disparities at the global level led to the escalation of clandestine immigration and the recurrence of tragic incidents, which made public opinion more attentive to the economic and social conditions and to the prevailing imbalances at the level of international relations and their impact on development paths.

The same is the case in the Arab region, which has known a prominent social movement in recent years. It has a more intense and more militant civil society capable of exploiting this movement to draw attention to the failure and limitations of existing development models and to mobilize national public opinion in order to raise development problems and expedite the crystallization of the required alternatives.

In Algeria, all conditions are suitable for building a strong, productive, diversified and sustainable economy. It is rich in material and human resources, historical capital and well-established traditions

of social dialogue between all parties, all of which qualify it to crystallize realistic and achievable development paths and alternatives. In all cases, the alternatives require a reconsideration of political will and collective action. They also require the adoption of realism away from dogmatism and ideology. They also impose a minimum level of solidarity spirit in order to build a participatory and sustainable development alternative requires changing the model that was adopted so that the priority becomes development instead of rent, and to build productive and sustainable national economies, ensuring a fair distribution of wealth and meeting needs, all within a participatory framework and institutionalized social dialogue that includes all parties.



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