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	TITLE OF RESEARCH ARTICLE 			
The economic and social dimensions of economic diversification in Algeria				
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Keywords economic diversification, economic recovery, social development.				
Abstract This research paper addresses the issue of the economic and social dimensions of the option of economic diversification in Algeria by examining the various development programs implemented by the Algerian state with the aim of achieving economic takeoff and realizing sustainable development. This is pursued through an economic vision and plan designed to build a diversified economy by adopting a new approach to economic recovery based on expansionary rather than contractionary policy, grounded in the Keynesian theoretical framework, as a means to improve macroeconomic indicators and support development in both its social and economic dimensions. The issue of economic diversification has attracted significant attention from economic experts and decision-makers since the mid-twentieth century. It has become one of the priorities and strategies of single-source economies, particularly developing countries, as it is considered an inevitable formula for establishing a strong and stable economy based on a broad and diversified base. From this perspective, Algeria, as an oil-producing country, has been keen to reconsider its strategies and to search for unconventional economic alternatives to finance its economy—alternatives that are sustainable rather than transient. These alternatives contribute to strengthening the use of oil as an economic instrument for financial financing, by adopting a new approach to economic recovery aimed at achieving economic development and supporting social development.				
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Introduction:

Based on the foregoing, the following research question can be raised:

- What are the economic and social dimensions of the economic diversification approach in Algeria?

Research hypothesis: This study is based on the hypothesis that the economic diversification option adopted in Algeria allows for the inclusion and integration of a set of sectors that effectively contribute to national income, thereby achieving development and economic stability.

Objective of the study: The objective of this study is to highlight the role of the economic diversification option adopted in Algeria in achieving economic development.

Methodology of the study: To achieve the objective of the study, the descriptive-analytical method was adopted, as it is suitable for presenting the concepts related to the subject of the study. This approach aims to collect information and facts related to the topic, analyze them, and classify them in order to reach detailed knowledge of the subject.

In order to achieve the desired objectives and to answer the main research question, the study addresses the following axes:

- **First axis:** Economic diversification and the reasons for adopting economic diversification.
- **Second axis:** Algerian efforts in economic diversification as an economic and social dimension.

First Axis: Economic Diversification and the Reasons for Adopting It

Given the importance that economic diversification has acquired in the path of economic development in light of ongoing developments, it has become one of the targeted approaches adopted by countries that rely on a single sector in their economies. It refers to a process of increasing reliance on a growing range of products that contribute to the formation of output. Economic diversification can also be interpreted through building understanding and capacities in key areas such as methods and tools, data and observations, climate modeling, risks and extreme events, socio-economic information, adaptation planning, research, adaptation technologies, and economic diversification. Specifically, economic diversification aims to enhance resilience, reduce dependence on vulnerable sectors, and support adaptation efforts (The Nine Work Areas of the Nairobi Work Programme, 2005, p. 01).

Risk is considered a fundamental driver toward diversification, as price volatility is one of the core elements of the global economic system. Therefore, diversification is among the available options for organizations, companies, and individual investors to protect themselves from this phenomenon. However, risk avoidance—despite its importance—is not the sole justification for countries in which a single sector dominates the economy. Governments' pursuit of economic diversification is also linked to development issues at all levels. Problems such as low growth rates, lack of incentives for the public and private sectors to achieve human capital accumulation, lack of industrial competitiveness, increased likelihood of shocks and the spread of their effects deep into local economies, and various rent-seeking effects all make it necessary for these countries to adopt diversification strategies. This was also indicated by the General Secretariat in Qatar, stating that “a more diversified economy is more stable, more capable of creating jobs and providing opportunities for the next generation, and less vulnerable to cyclical fluctuations during periods of recession and boom in oil and natural gas prices” (Martin Hvistid, 2013, p. 05).

Among the most important justifications and reasons for moving away from oil as a primary resource are the following (Mamdouh, 2014, pp. 1-2):

- Oil is a finite natural resource, which necessitates reliance on alternative sources.
- Oil extraction represents a depletion of capital stock, whereas diversification implies the creation of new income streams, new resources, and capital formation.

- Oil is characterized by volatility in prices and demand, leading to fluctuations in oil export revenues, government revenues, public spending, and consequently economic growth levels.
- Instability in funding sources due to volatile oil revenues leads to instability in investment levels and employment opportunities, making it difficult to implement economic and social development plans that require stability and continuity. The main argument for economic diversification in resource-rich countries lies in the desire to avoid the “resource curse” and to account for the negative effects of price volatility on their economies.
- Other developing countries that do not rely on oil as a primary source of economic financing have also recognized the importance of diversifying the economic base, given that their sovereign resources are mainly derived from indirect taxes due to their control over the tax system, low income levels, and the resulting weak contribution of direct taxes to total tax revenues—a characteristic of tax systems in developing countries—as well as the fragility of other economic sectors, which translates into weak tax yields.

In general, the risks that have driven the world toward diversification stem from dependence on a single source of income. These risks include the Dutch disease, declining economic growth rates, weak human capital accumulation due to the absence of incentives from the public and private sectors, weak industrial competitiveness, and exposure to global crises that affect the implementation of economic plans and projects and reduce the accumulation of production factors.

Economic diversification primarily focuses on diversifying sources of income and production. However, diversification of income and production sources alone is not sufficient to achieve the objective of diversifying the economic base. Diversification in productive activities must be accompanied by diversification in other variables related to income and production, such as exports, imports, state revenues, employment, and gross capital formation. Accordingly, economic diversification is a multidimensional phenomenon that is not limited to the structure of gross domestic product and the contribution of different sectors to it, but extends to other economic and social variables.

Second Axis: Algerian Efforts in Economic Diversification as an Economic and Social Dimension

The various development programs outlined by the Algerian state with the aim of achieving economic takeoff and sustainable development—particularly after 1986—represent an economic vision and plan to build a diversified economy and to increase the contribution of non-hydrocarbon sectors to GDP. Following the failure of international financial institutions to achieve economic recovery in Algeria through the implementation of the structural adjustment program and the adoption of contractionary policies throughout the 1990s—which had negative social repercussions—and given that efforts to reduce the budget deficit led to a decline in government projects and neglect of public facilities and infrastructure, Algeria adopted a new approach to economic recovery based on expansionary rather than contractionary policy. This approach is based on the assumption that restoring growth cannot be achieved amid declining purchasing power and widening disparities between rural and urban areas in terms of public facilities and living standards. With the rise in oil prices at the beginning of the new millennium, the government was able to expand public spending and establish investment projects to support the economy. These projects followed one another over time, starting with the Economic Recovery Program and culminating in the five-year program.

General approach of development programs within the framework of diversifying the Algerian economy (2001–2019) (Hamidatou, 2019, p. 209):

At the beginning of the new millennium, the Algerian government embarked on the implementation of growth-supporting programs by strengthening public spending as a means of stimulating growth. Economic recovery programs represent an expansionary fiscal or budgetary policy embodied in the formulation and implementation of public investment programs within the framework of an economic takeoff policy aimed at revitalizing investment and growth. These programs were adopted in Algeria to address the significant developmental lag caused by various crises that affected the country since the 1980s, which directly led to a comprehensive recession impacting all sectors of the national economy. From a theoretical perspective, economic recovery programs are based on the Keynesian intellectual framework, which calls for state intervention in economic activity through increased government spending—one of the

most important components of effective demand that determines economic equilibrium, especially in countries suffering from economic recession. The mechanism of increased government spending stimulates investment, leading to economic growth and the absorption of a substantial portion of unemployment. In this context, economic recovery programs relied on several policies, mainly represented by:

First: Economic Recovery Support Program (2001–2004)

The purpose of this program was to improve macroeconomic indicators. The number of projects exceeded 16,020 projects. According to the World Bank (2007, p. 04), its objectives included reducing poverty and decreasing the number of needy households, creating job opportunities aimed at lowering the unemployment rate, maintaining regional balance, and revitalizing rural areas.

Table No. (1): Annual Distribution of Financial Allocations for the Economic Recovery Support Program (2001–2004)

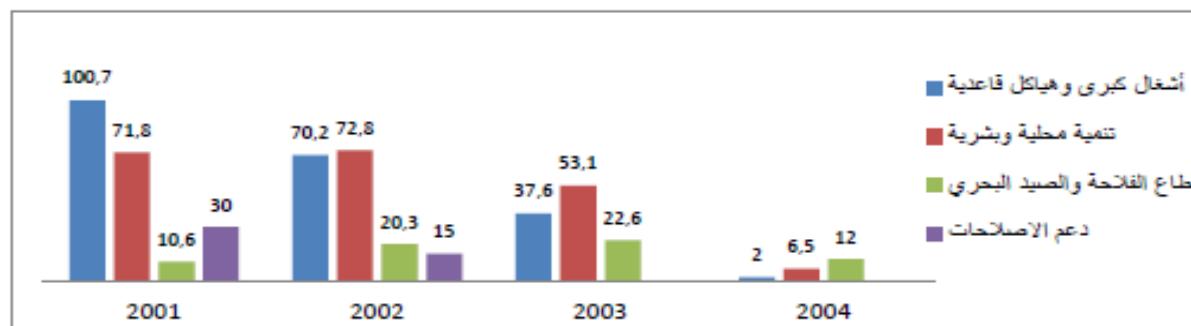
Unit: Billion DZD

Years	2001	2002	2003	2004	Total Amounts (Billion DZD)	Share (%)
Major works and basic infrastructure	100.7	70.2	37.6	2.0	210.5	40.1
Local and human development	71.8	72.8	53.1	5.6	204.2	38.8
Agriculture and fisheries sector	10.6	20.3	22.5	12.0	65.4	12.4
Support for reforms	30.0	15.0	—	—	45.0	8.6
Total	205.4	185.9	113.2	20.5	525.0	100

Source: Prepared by the researchers based on the Economic Recovery Support Program (2001–2004), Minister's Portal, p. 5.

Figure No. (1): Annual Distribution of Financial Allocations for the Economic Recovery Support Program (2001–2004)

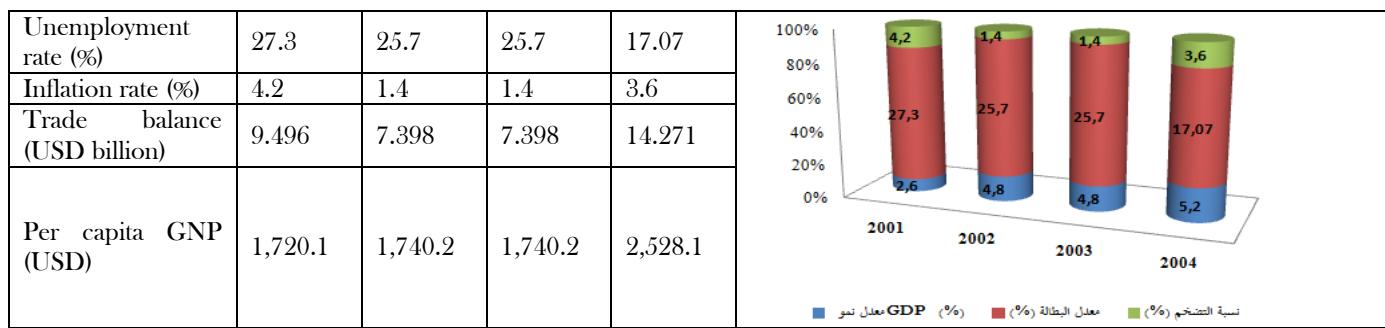
Unit: Billion DZD



Source: Prepared by the researchers based on the data in Table No. (3-11).

Table No. (2): Results of Selected Macroeconomic Indicators of the Algerian Economy during the Period (2001–2004)

Indicators	2001	2002	2003	2004	Figure No. (2): Rates of Selected Macroeconomic Indicators of the Algerian Economy during the Period (2001–2004)
GDP growth rate (%)	2.6	4.8	4.8	5.2	
Treasury balance (billion DZD)	171.0	10.4	10.4	226.2	



In the figure:

- Blue segment: GDP share
- Red segment: Wage share
- Green segment: Profit share

Source: Prepared by the researchers based on various reports of the National Office of Statistics (ONS).

From Table (2) above, we observe the state's strong willingness to provide a powerful impetus for the establishment of infrastructure and to pay attention to human development. This is reflected in the amounts allocated during the initial years 2001 and 2002, with more than 75% of the total program budget being allocated during these years.

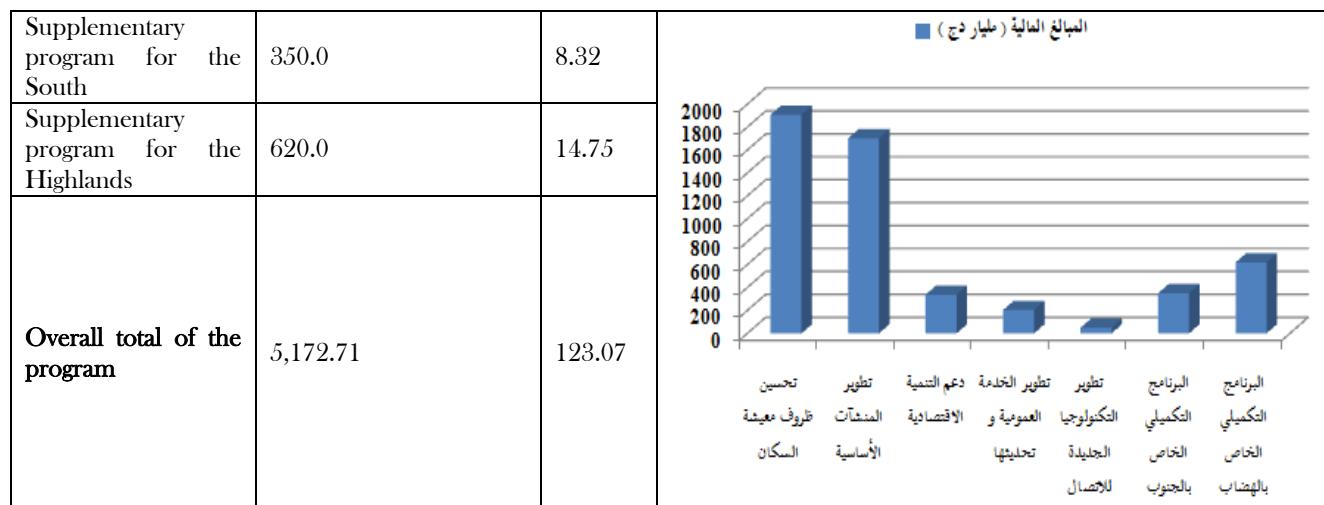
Second: Supplementary Program to Support Economic Growth (2005-2009)

This program represents a complementary extension of the economic recovery approach through domestic and foreign investments aimed at accelerating the pace of growth and consequently achieving value creation. This is illustrated in the following table:

Table No. (3): Distribution of Financial Allocations for the Supplementary Program to Support Economic Growth (2005-2009)

Unit: Billion DZD

Categories	Financial Allocations (Billion DZD)	Share (%)	Figure No. (3): Distribution of Financial Allocations
Improving living conditions of the population	1,908.5	45.42	
Development of basic infrastructure	1,703.1	40.52	
Support for economic development	337.2	8.02	
Development and modernization of public services	203.9	4.85	
Development of new communication technologies	50.0	1.19	
Original total of the program	4,202.71	100	



In the figure from left to right:

- Food products
- Housing services
- Other goods and services
- Transport and communication
- Education and culture
- Health and hygiene
- Clothing and footwear

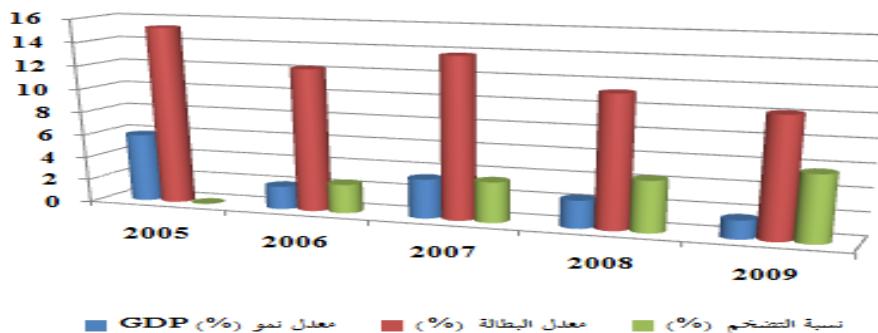
Source: Prepared by the researchers based on the file *“Supplementary Program to Support Economic Growth”*, Office of the Prime Minister, April 2005, pp. 06-07.

Table No. (4): Results of Selected Macroeconomic Indicators of the Algerian Economy during the Period (2005–2009)

Indicators	2005	2006	2007	2008	2009
GDP growth rate (%)	5.9	2.0	3.4	2.4	1.6
Treasury balance (billion DZD)	—	1,150.7	454.8	-1,381.2	-113.7
Unemployment rate (%)	15.3	12.27	13.8	11.3	10.2
Inflation rate (%)	—	2.5	3.5	4.4	5.7
Trade balance (USD billion)	26.47	34.06	34.24	40.6	7.78
Per capita GNP (USD)	2,993.4	3,368.7	3,909.4	4,922.8	3,858.5

Source: Prepared by the researchers based on various reports of the National Office of Statistics (ONS).

Figure No. (4): Rates of Macroeconomic Indicators of the Algerian Economy during the Period (2005–2009)



In the figure:

- Blue bars: GDP نمو (%) (GDP growth rate (%)
- Red bars: البطالة (%) (Unemployment rate (%)
- Green bars: التضخم (%) (Inflation rate (%)

Source: Prepared by the researchers based on the data in Table No. (4).

From Table (4) above, we note the continued commitment of the state to developing basic infrastructure and improving living conditions, as more than 85% of the total amount allocated to the program was devoted to these areas. Moreover, the amount of USD 55 billion represented only the initial allocations announced at the launch of the program, while the actual financial allocations of the supplementary program during the period 2005-2009 amounted to approximately USD 114 billion (World Bank, 2007, p. 13).

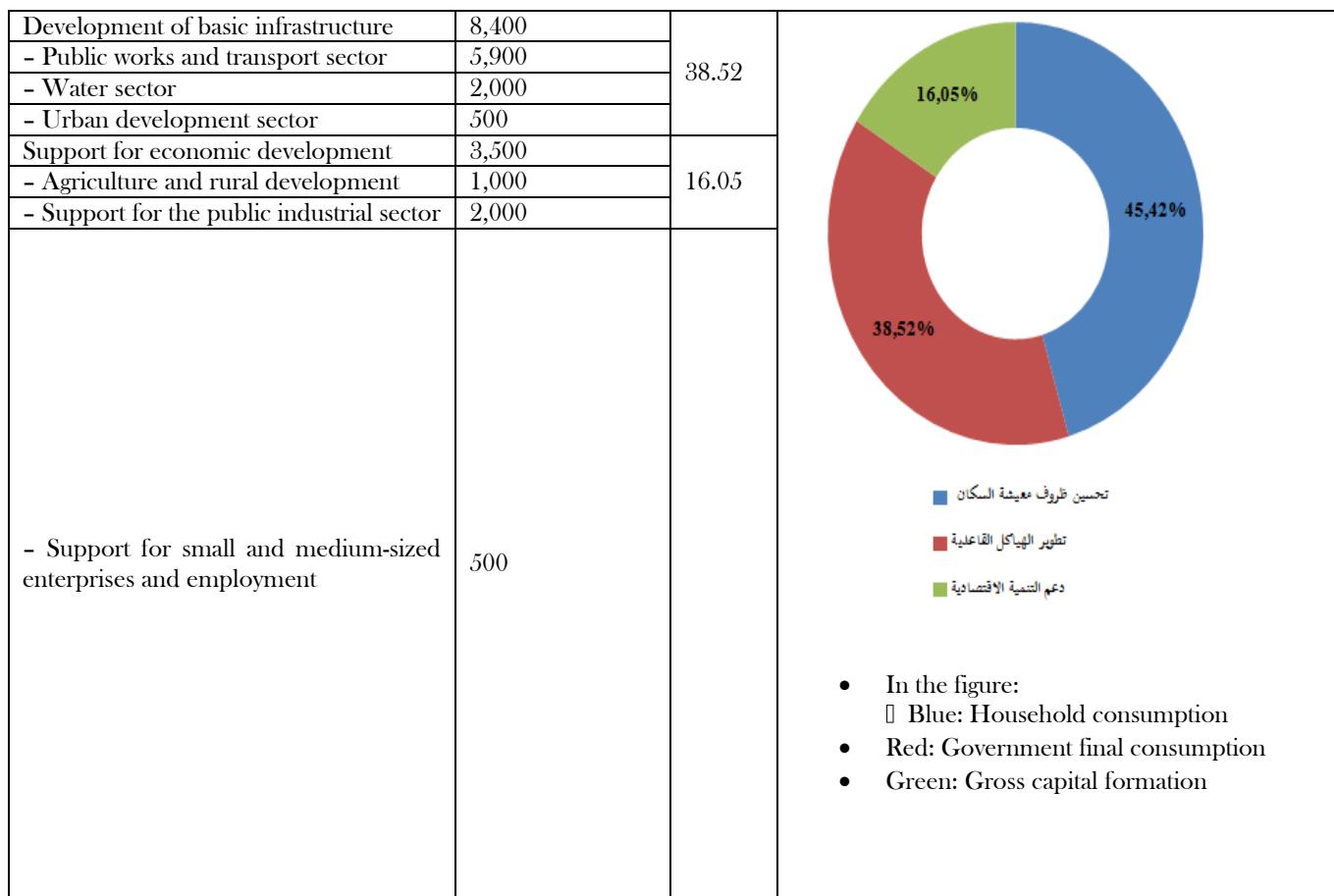
Third: Growth Consolidation Program or Public Investment Program (2010-2014)

(*Five-Year Development Program File, 2010, pp. 1-6*)

The Growth Consolidation Program is considered a continuation of the previous programs. A total amount estimated at 21,421 billion DZD was allocated to it, comprising two main components: the completion of major ongoing projects—particularly in the railway, roads, and water sectors—with an allocation of 9,700 billion DZD (equivalent to USD 130 billion), and the launch of new projects with a total allocation estimated at 11,534 billion DZD (equivalent to USD 156 billion). The objectives of the Growth Consolidation Program include reducing unemployment through the creation of 3 million jobs, supporting human development by upgrading and strengthening individual capacities, promoting the knowledge economy and improving the overall investment climate, developing public administration and activating mechanisms of good governance, enhancing energy and mining resources, supporting the agricultural sector, and promoting tourism and traditional industries.

Table No. (5): Distribution of Financial Allocations for the Growth Consolidation Program (2010-2014)

Categories	Financial Allocations (Billion DZD)	Share (%)	Figure No. (5): Percentage Distribution of Financial Allocations for the Growth Consolidation Program (2010-2014)
Improving living conditions of the population	9,903	45.42	
- Housing	3,700		
- Education, higher education, and vocational training	1,898		
- Health	619		
- Improvement of public services	1,800		
- Other sectors	1,886		



Categories	Financial Allocations (Billion DZD)	Share (%)
Improving living conditions of the population	9,903	45.42
- Housing	3,700	
- Education, higher education, and vocational training	1,898	
- Health	619	
- Improvement of public services	1,800	
- Other sectors	1,886	
Development of basic infrastructure	8,400	38.52
- Public works and transport sector	5,900	
- Water sector	2,000	
- Urban development sector	500	
Support for economic development	3,500	16.05
- Agriculture and rural development	1,000	
- Support for the public industrial sector	2,000	
- Support for small and medium-sized enterprises and employment	500	

Source: Prepared by the researchers based on the Council of Ministers' statement, Five-Year Development Program 2010-2014, available at: www.premier-ministre.gov.dz

Table No. (6): Results of Selected Macroeconomic Indicators of the Algerian Economy during the Period (2010-2014)

Indicators	2010	2011	2012	2013	2014
GDP growth rate (%)	3.6	2.9	3.4	2.8	3.8
Treasury balance (billion DZD)	-1,496.5	-2,395.4	-3,246.2	-2,205.9	-3,186.0
Unemployment rate (%)	10.0	10.0	11.0	9.8	10.6
Inflation rate (%)	3.9	4.5	8.9	3.3	2.9
Trade balance (USD billion)	18.205	25.961	20.167	9.88	0.459
Per capita GNP (USD)	4,478.2	5,406.4	5,516.4	5,378.1	5,355.2

Source: Prepared by the researchers based on various reports of the National Office of Statistics (ONS).

Fourth: Five-Year Plan (2015–2019)

(Prime Minister's Portal, 2014)

This plan falls under Account No. 143-302 of the Treasury accounts, entitled “Account for the Management of Public Investment Operations Registered under the Economic Growth Consolidation Program 2015–2019.” An amount of USD 262 billion was allocated to it in order to achieve the following objectives:

- A public investment program amounting to 22,100 billion DZD, equivalent to USD 280 billion;
- Giving priority to improving living conditions in the sectors of housing, education, training, public health, and connecting households to water, electricity, and gas networks, among others;
- Strong growth in gross domestic product;
- Economic diversification and growth of non-hydrocarbon exports;
- Job creation;
- Making every effort to achieve high economic growth by 2019 in line with the set objectives.

Table No. (7): Results of Selected Macroeconomic Indicators of the Algerian Economy during the Period (2015–2019)

Indicators	2015	2016	2017	2018	2019
GDP growth rate (%)	3.2	3.9	1.5	1.4	0.90
Treasury balance (billion DZD)	-3,172.3	-2,285.9	-1,234.7	1,509.7	—
Unemployment rate (%)	11.2	10.2	12.0	12.1	12.2
Inflation rate (%)	4.8	6.4	5.5	5.5	4.5
Trade balance (USD billion)	-18.083	-20.127	-14.417	-7.458	—
Per capita GNP (USD)	4,552.5	5,011.6	6,047.9	6,514.3	6,507.9

Source: Prepared by the researchers based on various reports of the National Office of Statistics (ONS).

Fifth: Volume of Social Transfers during the Period 2000–2021

In parallel, during the period 2000–2021, the state paid considerable attention to the social dimension by increasing the volume of social transfers in order to achieve developmental objectives. The following table illustrates the evolution of this trend.

Table No. (8): Evolution of the Volume of Social Transfers in Algeria during the Period 2000–2021. Unit: Billion DZD

Years	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Social transfers (billion DZD)	262.422	315.004	367.679	416.31	428.017	460.47	596.37	708.57	1,164.04	1,207.855	1,239.26	2,065.074
Social transfers / GDP (%)	6.36	7.45	8.06	7.92	6.96	6.08	8.61	9.45	10.5	12.1	10.3	14.26
Social transfers / State budget (%)	21.87	21.40	23.86	24.05	23.01	21.87	23.45	22.18	27.79	28.8	26.6	34.8

Source:

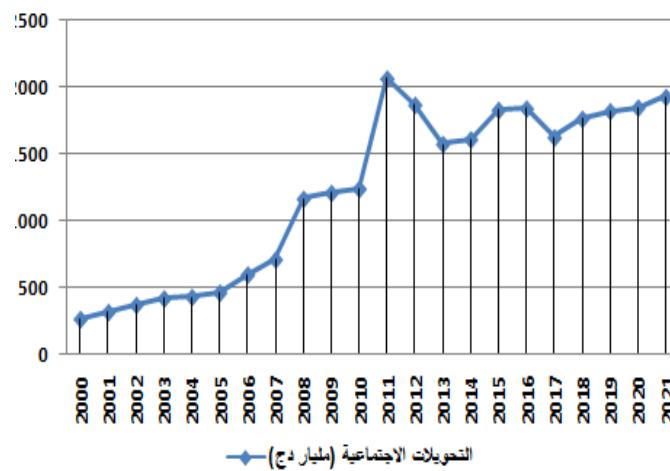
Ministry of Finance, *Explanatory Report of the Draft Finance Law* (2002, p. 38; 2015, p. 39; 2016, p. 34; 2017, p. 46; 2018, p. 48; 2021, p. 36);

Ministry of Finance, *Retrospective, State Budget*;

Ministry of Finance, *Overall Treasury Balance*;

General Directorate of Forecasting and Financial Policies, cited in Kamal Goudri, "An Econometric Study of the Impact of Social Transfers on Poverty in Algeria," *Journal of Economics and Human Development*, Issue 12, December 2015, p. 140.

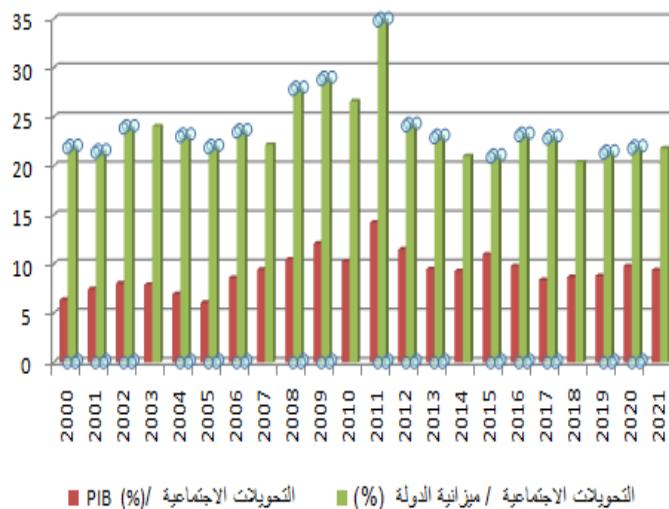
Figure No. (6): Evolution of the Volume of Social Transfers (2000–2021)



Blue line: Social transfers (billion DZD)

Source: Prepared by the researchers based on Table No. (6).

Figure No. (7): Evolution of Social Transfers as a Percentage of GDP and the State Budget (2000–2021)



□ Red bars: Social transfers (% of GDP)

□ Green bars: Social transfers as a share of the state budget (%)

Source: Prepared by the researchers based on the data in Table No. (6).

From Table No. (6) and the above charts, it is evident that social transfers experienced a significant increase during the period 2000–2018. After amounting to no more than 262.4 billion DZD in 2000, they rose to reach their highest level in 2011, with a value of approximately 2,065 billion DZD following the record increase in hydrocarbon prices at that time. Starting from 2013, their share of the state budget declined to 22.9%. Despite the decline in hydrocarbon tax revenues during the second half of 2014, the Algerian government did not abandon its social support policy, as the share of social transfers in the state budget exceeded 20% during the years 2015 and 2016.

With the erosion of the Resource Regulation Fund's reserves due to the sharp decline in oil revenues, the government began to seriously consider reforming the generous subsidy system, which was reflected in the value of social transfers in 2017, as they declined by about 12% compared to 2016. However, in the absence of serious reform mechanisms and as a result of the renewed improvement in oil prices—which exceeded USD 60 by the end of 2017 (OPEC Bulletin, 2018, p. 171)—the government continued its traditional subsidy policy. Consequently, the value of social transfers in 2021 recorded an increase of approximately 30% compared to 2017, and their share of the state budget exceeded one-fifth (20%).

As for the evolution of social transfers as a percentage of GDP, they gradually increased from 6% in 2000 to reach 14.26% in 2011, achieving their highest level since independence, before stabilizing at around 9.4% in 2021. Regarding the structure of social transfers during the period 2000–2019, which consists of nine forms of explicit support, it also witnessed a notable evolution, as illustrated in the following table.

Table No. (9): Evolution of the Structure of Social Transfers in Algeria during the Period 2000–2021

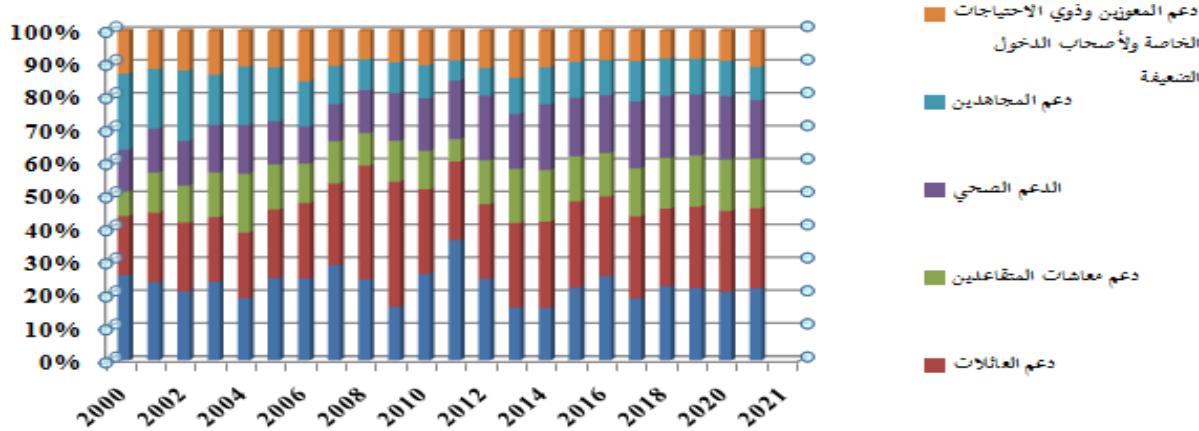
Unit: Billion DZD

Years
2021
2020
2019
2018
2017
2016
2015
2014
2013
2012
2011
2010
2009
2008
2007
2006
2005
2004
2003
2002
2001
2000

		Health support		Housing support		Family support	
		Support for retirees' pensions		Support for veterans (Mujahideen)		Support for the needy, persons with special needs, and low-income groups	
209,568	196,600	340,645	290,752	468,987	96,185	197,232	30,439
168,372	198,395	354,678	288,379	453,359	81,918	198,790	30,814
153,000	198,895	336,879	281,974	453,047	88,848	208,411	121,457
153,292	200,446	330,212	256,205	427,593	81,745	197,715	111,835
149,63	197,859	330,186	236,789	414,37	81,745	183,215	113,06
163,221	197,719	321,343	243,513	444,480	62,839	224,499	114,425
172,673	198,219	325,204	251,368	479,635	81,519	246,819	109,484
178,659	180,557	320,478	252,097	422,140	62,957	213,693	103,012
224,569	171,938	263,708	257,936	405,579	65,973	197,406	100,308
211,821	156,925	364,852	249,93	423,243	76,022	215,63	90,186
185,527	125,695	367,823	139,519	492,365	82,374	279,115	89,234
128,758	124,05	199,275	144,03	318,630	90,447	96,151	87,603
115,414	111,284	176,948	149,247	459,342	144,605	192,293	78,359
100,51	108,28	151,73	115,74	402,00	102,04	184,40	75,05
75,93	82,08	79,62	90,26	176,34	46,46	31,80	55,95
91,41	81,68	67,41	71,25	136,90	32,88	11,60	50,19
50,61	75,78	60,44	62,88	96,12	15,50	-	39,86
46,42	75,669	63,40	76,697	84,80	17,45	-	33,88
55,36	63,35	60,02	56,92	81,44	18,582	-	30,417
44,45	78,064	49,989	41,56	76,93	11,28	-	32,44
36,46	56,833	42,167	38,36	66,57	13,06	-	22,04
34,16	60,428	33,296	19,45	47,33	4,496	-	13,773
							29,062
							67,758

Source: *Social Statistics Yearbook 1962-2011*, op. cit., pp. 46-51; Ministry of Finance, *Explanatory Report of the Draft Finance Law* (2002, p. 38; 2015, p. 39; 2016, p. 34; 2017, p. 46; 2018, p. 48; 2021, p. 36); General Directorate of Forecasting and Financial Policies, cited in Kamal Gouidri, previously cited reference, pp. 138-139.

Figure No. (8): Evolution of the Composition of Social Transfers in Algeria during the Period 2000–2021



In the figure:

- Blue segment: Family support
- Red segment: Support for retired persons' pensions
- Green segment: Health support
- Purple segment: Support for the unemployed
- Teal segment: Support for students
- Orange segment: Support for people with special needs and low-income households

Source: Prepared by the researchers based on Table No. (9).

With regard to **housing support**, its share dominated social transfers during most years of the period under study. Its share of total transfers increased from about 26% in 2000 to reach its highest level since independence—exceeding 36% in 2011—before declining thereafter and stabilizing at around 22% in 2018.

As for **family support**, its value increased by nearly tenfold, rising from 47 billion DZD in 2000 to more than 492 billion DZD, its highest recorded value, in 2011. Its average value exceeded 427 billion DZD during the period 2012–2018. This significant increase is mainly attributed to the introduction of a new component to family support related to subsidizing the prices of widely consumed food products starting in 2006. Regarding its share of total social transfers, it rose from 18% in 2000 to more than 34% in 2008 and 2009, then declined slightly but remained at around one quarter of total transfers (approximately 24%) during the period 2010–2018, before increasing to 35% in 2021. Family support consists of four components:

Family-related allowances: Allocations for this type of benefit experienced relative stability during the period, fluctuating between 40 and 44 billion DZD. Its share of total social transfers declined from 11% in 2000 to 3.6% in 2010, then stabilized at around 2% in subsequent years. Its share of total family support fell from about 61% in 2000 to around 14% in 2010, then ranged between 8% and 10% during 2011–2020. This decline is due to the lack of revision and updating of family allowance amounts, which remained between 300–600 DZD for child allowances, 400–800 DZD for school allowances, and 800 DZD for the single-income allowance since the last adjustment in 2004, despite rising inflation rates and the depreciation of the Algerian dinar, which weakened purchasing power.

Education support: The volume of support allocated to education increased gradually over time, rising from 13 billion DZD in 2000 to approximately 130 billion DZD in 2021. This continuous increase is due to the growing number of school-aged children benefiting from support. Its share of total social transfers ranged between 4% and 8%, while its share of total family support exceeded one quarter in most of the years studied.

Support for prices of basic consumer goods: The Algerian government reintroduced a policy of subsidizing the prices of widely consumed goods (such as cereals, milk, sugar, and edible oil) starting in 2006, noting that all food subsidies had previously been abolished in 1997 (Kandouz, Islamic Economics Journal website). The value of this support amounted to approximately 11.6 billion DZD in 2006, then increased sharply in 2008 and 2009 to reach 184 and 192 billion DZD, respectively. This was due to rising consumer prices as a result of inflation caused by the depreciation of the US dollar against gold. In 2010, the value of this support declined by about 100 billion DZD compared to 2009, as Algeria imported approximately 75% of its food needs and attempted to sell them on the domestic market at their real cost prices. Consequently, the consumer price index rose by 150% (Abba, 2011, p. 217), which led to social unrest in late January 2011. The government intervened and adopted a set of measures aimed at preserving purchasing power, resulting in a sharp increase in commodity subsidies in 2011, reaching a peak of approximately 280 billion DZD. Thereafter, their value hovered around 200 billion DZD in subsequent years. On average, their share of total social transfers exceeded 12% during the period 2011–2021 and accounted for more than half of total family support during the same period.

Support for electricity, gas, and water: This type of support increased from 4.5 billion DZD in 2000 to more than 144 billion DZD in 2009, before beginning to decline in 2010, reaching approximately 62 billion DZD in 2016. Its share of total support ranged between 3% and 4% during most of the years studied, except for the period 2006–2010, when it exceeded 5%. As a share of total family support, it rose from 9.5% to more than 31% in 2009, due to increased demand for energy consumption on the one hand and rapid urban expansion in Algeria on the other. Its average share reached around 20% during the period 2011–2021.

Health support: Allocations for healthcare support increased from approximately 33 billion DZD in 2000 to nearly 80 billion DZD in 2007, representing an increase of about 59%. Starting in 2008, which marked the launch of a new health-sector map involving the creation of public proximity health institutions responsible for managing multi-service clinics and treatment rooms—characterized by financial independence from hospital institutions—health support allocations increased by about 70 billion DZD in 2008 compared to the previous year. This upward trend continued, exceeding 350 billion DZD during the period 2011–2021. At the same time, the share of health support in total social transfers rose from 13% in 2008 to more than 20% in 2021, reflecting the importance the state has attached to the health sector.

Support for retirees' pensions: This category also recorded a significant increase during the period 2000–2018, rising by approximately thirteen times by 2018 to reach about 270 billion DZD, compared to around 20 billion DZD in 2000. Its share of total social transfers increased from 7.4% in 2000 to more than 20% in 2021. This sharp rise is attributed to increases in supplementary compensation for veterans' pensions, additional compensation for small pensions, support for the military pension fund, and support for the pension fund due to the financial deficit it incurred after the number of retirees exceeded 3.2 million (statement by the Director General of the National Pension Fund, Melouka سليمان, 2018). This was the result of the massive early retirement of more than one million individuals before the statutory retirement age, in addition to the retirement of more than 60% of municipal guard personnel who had completed 15 years of service without an age requirement, as part of a decision by the Ministry of Interior to dissolve the municipal guard corps (ONS).

Support for veterans (Mujahideen): Allocations devoted to social coverage for veterans, beneficiaries of martyrs' rights, and disabled veterans of the national liberation war also experienced a noticeable and continuous increase during the period 2000–2021, rising from approximately 60 billion DZD in 2000 to more than 200 billion DZD—an increase of about 140 billion DZD. This increase is due to greater state support for this group, particularly through increases in pensions for veterans and widows of martyrs, with the guaranteed national minimum wage serving as the minimum reference for determining the value of all allowances (Article 35 of Law 99-07, 1999). This followed continuous revisions of the guaranteed national minimum wage, which rose from 8,000 DZD in 2001 to 18,000 DZD in 2012 (ONS), in addition to the increase in the number of beneficiaries (veterans, rights holders, and disabled persons), which reached 148,428 beneficiaries in 2016 (Iman A., 2017). This is in addition to increased expenditures for transport coverage, medical treatment, stays at thermal spas, and differential pension supplements for veterans. As a share of total social

transfers, veterans' support declined by about 17 percentage points between 2000 and 2011, then increased slightly in 2012, before stabilizing at around 11% during the period 2013–2021.

Support for the deprived, persons with special needs, and low-income groups: Financial allocations for this category rose from approximately 34 billion DZD in 2000 to more than 224 billion DZD in 2013, then declined somewhat but remained relatively high, exceeding 146 billion DZD in 2018. The increase in allocations—particularly during the period 2011–2018—reflects enhanced state support for this segment of society, notably through contributions to financing the Social Development Agency and increasing financial appropriations for social coverage of persons with disabilities. Allocations for allowances directed solely to persons with 100% disabilities amounted to 12 billion DZD, according to the Secretary General of the Ministry of National Solidarity, Family, and Women's Affairs (Echaab Newspaper, 2018, p. 04). This is in addition to expenditures covering free medical care, medicines, equipment, and free or subsidized transportation, as well as increased allocations to compensate for income gaps affecting employees impacted by increases in the guaranteed national minimum wage. At the same time, this category's share of total social transfers increased significantly, exceeding 31% in 2009 after having been around 9.5% in 2000, then declining to 17% in 2011, before increasing again by three percentage points between 2018 and 2021.

I-1-2: Implicit Subsidies (Subventions Implicites)

Implicit subsidies represent the difference between the average unit cost and the average sales price of certain products, as well as the waiver of certain rights and taxes collected by the state on domestic and foreign trade operations (Ministry of Finance, 2014). The implicit subsidies borne by the state through foregone revenues or the repurchase of outstanding debts due to financial imbalances in some economic institutions amounted to 2,931.40 billion DZD in 2012. This figure increased to 3,228.30 billion DZD in 2013, then declined by 20.7% in 2014 to reach 2,560.60 billion DZD. The following table illustrates the evolution of implicit subsidies and their components during the period 2012–2014.

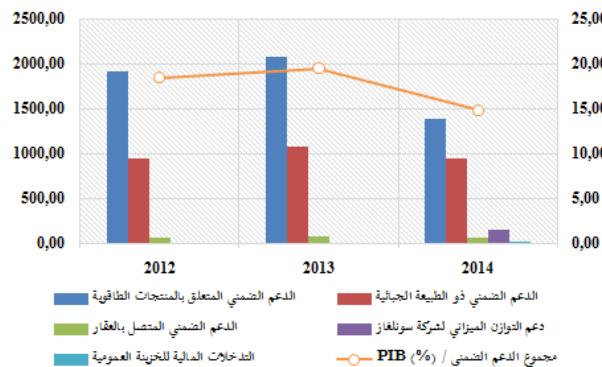
Table No. (10): Implicit Subsidies Not Recorded in the Budget during the Period 2012–2014

Unit: Billion DZD

Years	2012	2013	2014
Implicit subsidies of a tax nature	942.60	1,081.00	954.00
Implicit subsidies related to real estate	65.80	66.85	56.30
Implicit subsidies related to energy products	1,923.00	2,080.45	1,386.00
Implicit subsidies related to Treasury financial interventions	—	—	10.00
Budget balance support for Sonelgaz	—	—	154.30
Total implicit subsidies	2,931.40	3,228.30	2,560.60
Total implicit subsidies / GDP (%)	18.50	19.50	14.90

Source: Ministry of Finance, *Explanatory Report of the Draft Finance Law*, op. cit. (2014, p. 17; 2015, p. 21; 2016, p. 17).

Figure No. (9): Evolution of Implicit Subsidies and Their Components during the Period 2012–2014



In the figure:

□ Blue bars: Support for basic food products

□ Red bars: Support for energy products

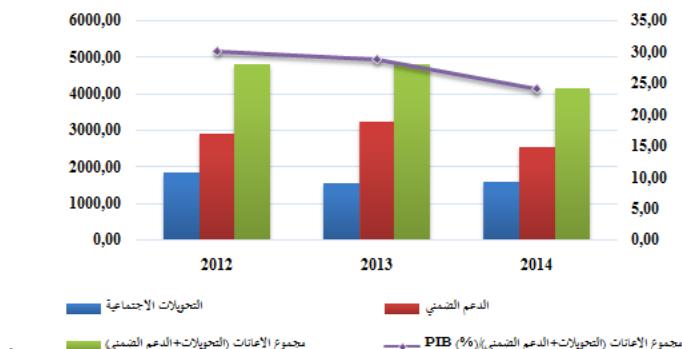
□ Green bars: Support for drinking water

□ Purple bars: Support for transport

□ Orange line: Share of support in GDP (%)

Source: Prepared by the researchers based on the data in Table No. (10).

Figure No. (10): Evolution of Total Government Subsidies during the Period 2012–2014



- Blue bars: Social expenditure
- Red bars: Education expenditure
- Green bars: Total social and education expenditure
- Purple line: Share of social and education expenditure in GDP (%)

Source: Prepared by the researchers based on the data in Table No. (10) and the Ministry of Finance, *Explanatory Report of the Draft Finance Law*, op. cit. (2016, p. 34).

Based on Figure No. (9), it is evident that the implicit subsidies borne by the government amounted to 18.5% of GDP in 2012. This share increased by 1% in 2013 compared to 2012, then declined to approximately 14.9% in 2014. These subsidies are divided into five components, namely:

- **Implicit subsidies of a tax nature**, which exceeded 1,080 billion DZD in 2013, representing 33% of total implicit subsidies.
- **Implicit subsidies related to real estate**, which exceeded 65 billion DZD in both 2012 and 2013 and amounted to more than 56 billion DZD in 2014.
- **Implicit subsidies related to energy products**, which represent the largest share of total implicit subsidies (more than 60%). These amounted to 1,923 billion DZD in 2012, exceeded 2,080 billion DZD in 2013, and then declined to around 1,386 billion DZD in 2014. These, in turn, are distributed among electricity subsidies (approximately 32%), natural gas subsidies (27%), and fuel subsidies (40%).
- **Financial balance support for Sonelgaz**, estimated at approximately 154.3 billion DZD in 2014.
- **Financial interventions by the public treasury**, which amounted to 10 billion DZD in 2014.

As for the total **direct subsidies (social transfers)** and **indirect (implicit) subsidies**, they approached 4,800 billion DZD in 2012 and 2013, representing about 30% of GDP. In 2014, however, they declined by approximately 600 billion DZD compared to 2013, which is likely attributable to the decline in oil prices and the government's adoption of a set of austerity measures.

Conclusion

In view of the financial allocations made by the Algerian government within the framework of development programs aimed at creating a broad and diversified economic base—particularly the Economic Recovery Program, which was largely limited to the construction, public works, and services sectors—substantial funds were allocated to these sectors. This led to increased employment in both sectors and consequently contributed to improved unemployment rates, thereby having a positive impact on both overall economic growth and unemployment levels. However, productive sectors did not experience significant growth, leaving the Algerian economy fragile outside the hydrocarbon sector. This fragility is attributable to the spending-based policy adopted, which focused on allocating large amounts of expenditure to the public sector without adequately orienting resources toward the private sector, resulting in weak returns and limited contribution to GDP.

On the other hand, the authorities adopted a subsidy system (both explicit and implicit) through the provision of cash transfers (support for the needy and persons with disabilities) and in-kind subsidies (commodity subsidies, energy subsidies, housing, education, and health support). Significant financial resources were devoted to these subsidies, exceeding 4,800 billion DZD in 2012 and 2013, with the aim of achieving several objectives, most notably income and wealth redistribution among different social groups. However, the subsidy system's lack of efficiency and equity—being a comprehensive, untargeted, and non-selective policy not specifically directed at the poor and those in need—has turned it into a heavy burden on the state budget. This is clearly reflected in the negative balance of the general state budget, which exceeded 3,600 billion DZD during the period from 2014 to 2021.

Ethical Considerations. This study is based exclusively on qualitative and quantitative analysis of secondary data obtained from publicly available sources, including official government documents, development plans, statistical reports, and previously published academic literature related to economic diversification and development in Algeria. The research did not involve human participants, surveys, interviews, experiments, or the use of personal or confidential data. Therefore, ethical approval from an institutional review board was not required. The authors confirm that the study was conducted in accordance with internationally accepted principles of academic integrity, transparency, and responsible research practice.

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Author Contributions

- **Salim Chebourou:** Conceptualization of the research, formulation of the theoretical framework, literature review, data analysis, and drafting of the manuscript.
- **Houssam Gherdaine:** Methodological design, analysis of development programs, interpretation of economic and social dimensions, and critical revision of the manuscript.

Both authors have read and approved the final version of the manuscript and agree to be accountable for all aspects of the work.

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