

Algérie  
2012



## Algeria

- The Algerian economy grew by 2.6% in 2011, driven by public spending, in particular in the construction and public-works sector, and by growing internal demand. Public investment was sustained by income from oil and gas, which rose as a result of continuing high oil prices, though the trend in production volume is downwards.
- The coming years will see an intensification of political, economic and social reform in response to pressing social demand and intended to strengthen the process of democratisation and to improve living conditions. The 2010-14 public-investment programme will cost USD 286 billion (US dollars), 40% of which will go to human development.
- Unemployment particularly affects the young, with a jobless rate of 21.5% among the 15-24 age group. Steps to encourage employment help mitigate the problem but measures are needed to redress the job supply. National priority should be given to making education more democratic, and extending vocational training and higher education.

### Overview

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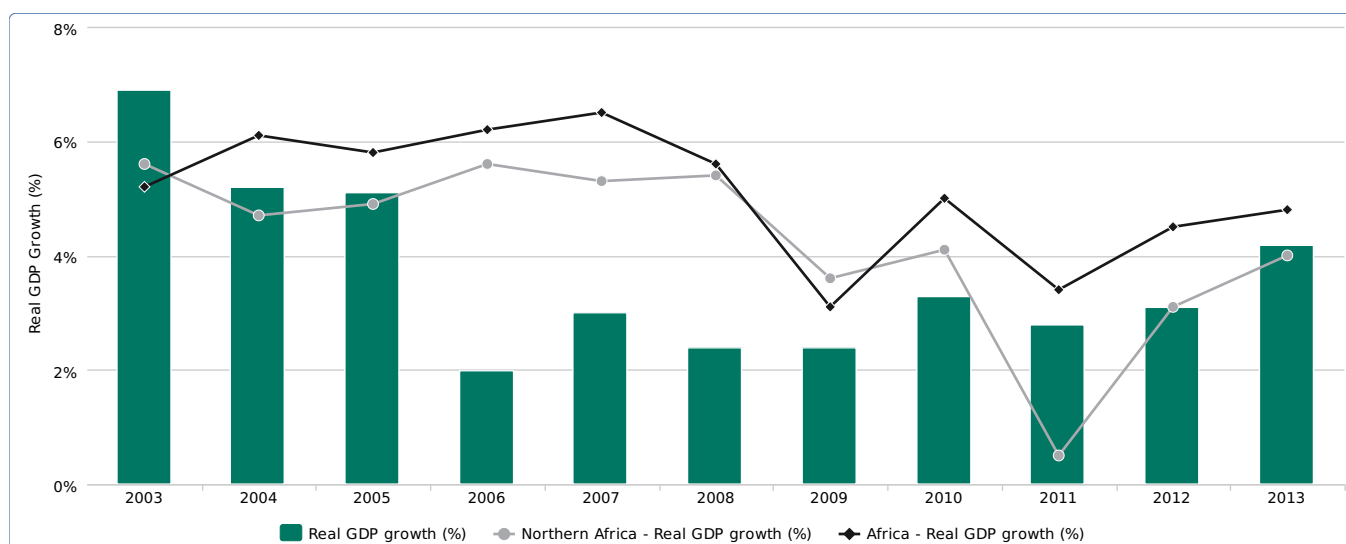
The Algerian economy grew by 2.6% in 2011. The rate of inflation was 3.9% and the budget deficit 3% of gross domestic product (GDP). The current-account surplus is estimated at 9.3% of GDP and at the end of December 2011, official reserves were put at USD 182.2 billion. If hydrocarbons are excluded, growth has been estimated at 4.8%. Production from the oil and gas sector in terms of volume, continues to decline, dropping from 43.2 million tonnes to 32 million tonnes between 2007 and 2011. Nevertheless, the sector accounted for 98% of the total volume of exports in 2011 and 70% of budgetary receipts, or USD 71.4 billion. The agricultural sector and services recorded growth of 10% and 5.3%, respectively. Fiscal policy remained expansionist and made it possible to maintain the pace of public investment and to contain the strong demand for jobs and housing. Growth of 3.1% is expected in 2012, rising to 4.2% in 2013.

The intensification of political and economic reform, in response to social aspirations, will be a major feature of 2012. The state of emergency which had been in force since 1992 was lifted during 2011, and several pieces of legislation were enacted, dealing with political parties, the electoral code and the representation of women in elected bodies. Measures were introduced in the framework of the tripartite meeting of the social partners (government, private sector and workers) held in 2011. These dealt chiefly with the establishment of new forms of payment on imports of inputs and raw materials by production enterprises. They also concerned the enhancement of investment credits for small and medium-sized enterprises (SMEs). In addition a new process for dealing with the bank debts of SMEs in difficulty is being reviewed. The procurement code for public contracts was revised to allow an increase to 25% in the rate of national preference in the context of public tendering.

The country is facing a number of short-term and medium-term problems, including the need to diversify the economy, strengthen political, economic and financial reforms, improve the business climate and reduce inequalities amongst regions. Better growth is also needed to cut youth unemployment.

This is a problem that has become a major issue. The overall rate of unemployment was 10% in 2011, but remained higher among young people, with a rate of 21.5% for those aged between 15 and 24. The government strengthened in 2011 the job programmes introduced in 1988, in particular in the framework of the programme to aid those seeking work (DAIP). The terms of access to credit for young entrepreneurs were revised to make possible an increase in the number of those benefiting.

Figure 1: Real GDP growth (Northern)



Figures for 2010 are estimates; for 2011 and later are projections.

StatLink <http://dx.doi.org/10.1787/888932618500>

Table 1: Macroeconomic Indicators

	2010	2011	2012	2013
<b>Real GDP growth</b>	3.3	2.8	3.1	4.2
<b>Real GDP per capita growth</b>	1.8	1.4	1.7	2.9
<b>CPI inflation</b>	3.9	4.1	4.3	5.2
<b>Budget balance % GDP</b>	-1	-1.7	-4.3	-4.9
<b>Current account % GDP</b>	7.6	9.3	5.2	5.9

Figures for 2010 are estimates; for 2011 and later are projections.

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## Recent Developments & Prospects

Table 2: GDP by Sector (percentage of GDP)

	2006	2010
<b>Agriculture, forestry, fishing &amp; hunting</b>	8	9
<b>Agriculture, livestock, forestry and fisheries</b>	-	-
<b>of which agriculture</b>	-	-
<b>Mining and quarrying</b>	48.5	37.1
<b>of which oil</b>	-	-
<b>Manufacturing</b>	4.5	4.3
<b>Electricity, gas and water</b>	1	0.9
<b>Electricity, water and sewerage</b>	-	-
<b>Construction</b>	8.4	11.1
<b>Wholesale and retail trade, hotels and restaurants</b>	10	12.3
<b>of which hotels and restaurants</b>	-	-
<b>Transport, storage and communication</b>	9.3	8.7
<b>Transport and storage, information and communication</b>	-	-
<b>Finance, real estate and business services</b>	2.2	2.8
<b>Financial intermediation, real estate services, business and other service activities</b>	-	-
<b>General government services</b>	8.1	13.8
<b>Public administration &amp; defence; social security, education, health &amp; social work</b>	-	-
<b>Public administration, education, health</b>	-	-
<b>Public administration, education, health &amp; other social &amp; personal services</b>	-	-
<b>Other community, social &amp; personal service activities</b>	-	-
<b>Other services</b>	0	0
<b>Gross domestic product at basic prices / factor cost</b>	100	100
<b>Wholesale and retail trade, hotels and restaurants</b>	-	-

Figures for 2010 are estimates; for 2011 and later are projections.

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The economy proved to be resilient in spite of the doubts surrounding an upturn in the global economy. Growth averaged 3.8% between 2002 and 2011. It reached only 2.6% in 2011 as a result of the structural decline in oil production. The contribution made by hydrocarbons to GDP dropped from 48.4% in 2006 to 37.0% in 2011. The effect of this fall on oil revenues was mitigated by the good performance of the price of oil which averaged USD 112.8 per barrel in 2011. The hydrocarbons sector remains the engine of the nation's economy: by itself it produces 70% of budgetary receipts, making possible a sustained high level of public spending. The discovery of new deposits in the north of the country may reverse the present trend with the construction of infrastructure and the development of gas production. In all, the national enterprise responsible for the exploration, production, transport, transformation and marketing of hydrocarbons, Sonatrach, has made 20 discoveries, 19 of them through its own exploration activities.

Excluding hydrocarbons, growth in 2011 is estimated to have been 4.8%, supported by building and public works, services and agriculture. Forecasts remain favourable for the short term but fiscal sustainability and the nation's revenues will depend on the price of oil. This is an indication of the degree to which Algeria is exposed to external shocks.

Agricultural activity grew by 10% in 2011 as a result of good milk, meat and potato yields. The extension of the area of irrigated land also made a positive contribution. Even so, the primary sector only contributes 9% to GDP. Services also showed growth of 5.3%. The added value of the manufacturing industry rose by 2.3%, confirming the recovery in the activity of public enterprises.

There was also the start of a recovery in industry. The index of industrial production grew by almost 1% between January and September 2011, in contrast to a drop of 2.5% in 2010. This vigorous performance came from the agrifood industry (up 26.2%) and energy (up 8.8%). The contribution of the manufacturing industry to GDP has been stable in recent years at around 5%. The textiles and leather industries continue to turn in weak performances. On the other hand, the metallurgical, mechanical, electronics and electricity, and construction-materials industries made good progress.

The building and public works sector continued to do well. It has contributed 10% to annual GDP during the last three years as a result of major infrastructure projects such as the East-West motorway, the Algiers metro, dams and public oil works. The services sector is also a major contributor to growth.

Inflation got worse, with a rate of 4.3% in 2011, as against 3.9% in 2010, as a consequence of rises in food prices, which increased from 3.64% in 2010 to 4.22% in 2011. The higher inflation figure is also due to the high cost of imported goods and a rise in the prices of health and physical-hygiene products. The average price of manufactured goods rose by 5.5% in 2011. The increase in the costs of services was 3.3%. The rises in the prices of staple products such as cereals, milk and sugar would have been greater still in 2011 if they had not been subsidised. In respect of gas and electricity, the government continues to spend USD 7 billion to cover the gap between the cost price and the amount charged to the consumer by Sonelgaz on the domestic market. Drinking water enjoys similar treatment.

Algeria's external position remains healthy even though the current-account balance has been dropping since 2009. The current-account balance amounted to 9.3% of GDP in 2011, and the trade surplus was 14.1% of GDP compared with 11.2% in 2010. Exports amounted to USD 73.39 billion, USD 71.24 billion of which were accounted for by oil and gas, or 98% of the total. Non-hydrocarbon exports rose and amounted to USD 2.15 billion. Imports of goods rose by 14.78%, or USD 46.45 billion. Official foreign reserves were estimated at USD 182.2 billion at the end of December 2011, or three years' coverage of imports. External debt is still relatively low at 2.3% of GDP.

## Macroeconomic Policy

### Fiscal Policy

Fiscal policy was particularly expansionary in 2011. Public spending rose by almost 25% compared with 2010 and amounted to 40.6% of GDP. The budget deficit rose to 2.3% of GDP in 2011.

Public investment was sustained with a view to containing the strong social demands in respect of purchasing power, jobs and housing. Public spending increased but part of the fiscal receipts continues to feed into the oil stabilisation fund, the Revenue Regulation Fund (FRR) through a budgetary programme based on a reference price set at USD 37 (fiscal price) per barrel of crude oil, while the real average price in 2011 was USD 112.8.

Operating budget execution was 85% and the capital-equipment budget execution 65% as a result of the overestimate of the costs of the projects for which financing had been budgeted. The increase in spending made it possible to raise wages, subsidise consumer prices and operate social transfers. These latter grew by around 70% in 2011.

Fiscal receipts rose by 10.6% over 2010, a level substantially lower than the increase in spending. Tax on oil accounts for 70% of fiscal resources although ordinary taxation grew by 17% in 2011. On the expenditure side, ministries were given a high level of flexibility in executing their investment and capital-goods programmes, since the resources of the FRR were available in the event of overshoots.

In the short term, fiscal policy will depend on the global demand for oil and gas. The forecast trend assumes that the price will stabilise, or that there will be a slight drop in demand, with receipts from oil and gas accounting for around 23% of GDP in 2012 and 21% in 2013. The budget deficit is expected to deepen. It is estimated at 5.4% of GDP in 2012 and expected at 6.3% in 2013.

Table 3: Public Finances (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
<b>Total revenue and grants</b>	37.6	43.1	39.4	46.9	36.7	36.3	38.9	37.4	35.6
<b>Tax revenue</b>	9.6	8.3	7.9	8.4	11.1	10.4	10.4	10.7	10.9
<b>Oil revenue</b>	26.1	33.4	30.2	37.2	24.4	24.4	26.9	25.1	23.1
<b>Grants</b>	-	-	-	-	-	-	-	-	-
<b>Total expenditure and net lending (a)</b>	32.8	29.4	34.8	39	43.6	37.3	40.6	41.6	40.5
<b>Current expenditure</b>	21.4	17	17.9	20	23	22.3	24	25.2	25.4
<b>Excluding interest</b>	19.2	16.2	17	19.5	22.6	22	23.2	24.6	25.2
<b>Wages and salaries</b>	6.3	6.3	5.6	6.4	7.5	8.2	7.5	7.9	7.8
<b>Interest</b>	2.2	0.8	0.9	0.6	0.4	0.3	0.8	0.6	0.1
<b>Primary balance</b>	7	14.5	5.5	8.5	-6.5	-0.7	-0.9	-3.6	-4.7
<b>Overall balance</b>	4.8	13.7	4.6	7.9	-6.9	-1	-1.7	-4.3	-4.9

Figures for 2010 are estimates; for 2011 and later are projections.

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### Monetary Policy

Monetary policy is focused on control of the money supply, the exchange rate and inflation. The Bank of Algeria aims to keep inflation stable around 3.5%. It operates strict control over the foreign-exchange market and is the chief source of foreign currency. The exchange-rate policy in force takes the form of a controlled float of the Algerian dinar (DZD). The yearly average appreciation of the dinar against the USD was 2.1% in 2011, but it lost 3% relative to the euro, reflecting an alignment of the nominal rate of the dinar with the real market rate.

The bank also plays a key role in banking supervision, monitoring prudential ratios and the excess liquidity of the commercial banks.

Credit flows to the economy grew by 20% in 2011, against an increase of 15.6% in 2010, as a result of support measures undertaken by the authorities. Of these credits 54% went to the private sector in a reversal of the normal trend in financing the economy.

In 2011 the M2 money supply grew by 19.5% as a consequence of the growth in credit flows to the economy and greater budgetary outlays. Money in circulation grew by 22.5%, but the Bank of Algeria recorded deposits of DZD 1.1 trillion to lower the level of monetary liquidity in circulation. These deposits earn 1.25%.

To guarantee better financial stability and meet the requirements of the Basel Committee norms the body responsible for money and credit (CMC) issued instructions in May 2011 governing identification, measurement, management and risk control. The central bank forecasts an increase in the M2 monetary aggregate of around 12% in 2012 in the light of the vigorous acceleration in the pace of distribution of credit to SMEs.

## **Economic Cooperation, Regional Integration & Trade**

Algeria is second only to Russia as a gas supplier to Europe and is its 13th largest source of oil. Trade relations with the European Union (EU) have intensified since the entry into service in April 2011 of the gas pipeline that links Algeria with Europe via Spain. The country is also continuing talks with the World Trade Organization (WTO) with a view to joining it. The latest (2011) report by the United Nations Committee on Trade and Development (UNCTAD) puts foreign investment in Algeria in 2010 at USD 2.29 billion, or 1.4% of GDP.

The external position remains healthy. The current-account balance in 2011 was 9.3% of GDP and the trade surplus 14.1% of GDP, as against 11.2% in 2010. The rate of coverage of imports by exports was 158%. Official reserves were put at USD 182.2 billion at the end of December 2011, the equivalent of three years of imports.

The value of exports was put at USD 73.39 billion, or about 37% of GDP. Income from the export of oil and gas account for 98% of exports, or USD 71.24 billion in 2011. Gas products in the form of natural gas, condensate and liquefied petroleum gas (LPG) made up about half this total, mainly destined for the European market. Non-hydrocarbon exports are on the rise and amounted to USD 2.15 billion.

Imports of goods rose by 14.78% to USD 46.45 billion, or 23% of GDP. Imports of services for the oil-and-gas and construction sectors amounted to USD 11.77 billion.

Algeria's main trading partners are the Organisation of Economic Co-operation and Development (OECD) countries and in particular those of the EU, which account for 52% of imports and 45% of exports. In 2011 the country's chief customers were the United States (USD 15.24 billion), Italy (USD 9.88 billion), Spain (USD 7.18 billion), France (USD 6.61 billion) and the Netherlands (USD 5.12 billion). The volume of trade with the countries of the Maghreb is still marginal (3.5% of exports, 1.5% of imports) because of the low level of integration of the region's economies.

**Table 4: Current Account (percentage of GDP)**

	<b>2003</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Trade balance</b>	16.4	29.3	25.2	23.4	5.6	11.2	14.1	10.8	7.7
<b>Exports of goods (f.o.b.)</b>	36	47.1	44.8	45.5	32.8	35.3	37.2	34.2	31.8
<b>Imports of goods (f.o.b.)</b>	19.7	17.8	19.5	22.1	27.1	24	23.1	23.4	24.1
<b>Services</b>	-2	-1.9	-3	-4.4	-6.3	-5.1	-5.3	-5.5	-2.7
<b>Factor income</b>	-4	-3.9	-1.4	-0.8	-0.9	-0.2	-0.9	-1.3	-0.3
<b>Current transfers</b>	2.6	1.4	1.6	1.6	1.9	1.6	1.5	1.2	1.2
<b>Current account balance</b>	13	24.9	22.5	19.8	0.3	7.6	9.3	5.2	5.9

Figures for 2010 are estimates; for 2011 and later are projections.

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## Debt Policy

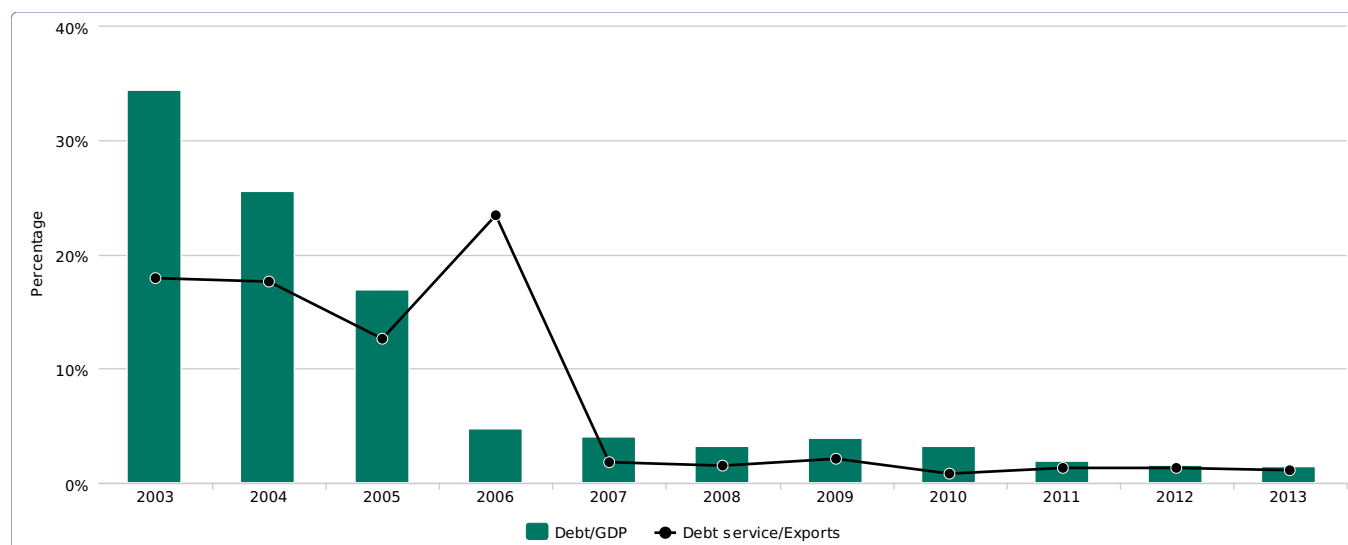
External debt has been within sustainable limits since 2006 after the total prepayment of restructuring loans and the suspension of any new debt. It amounted to 2.3% of GDP in 2011. The country is therefore sheltered from any direct financial contagion. It continues its policy of financing the economy internally, thanks to the excess liquidity in the banking sector.

In 2011 the total external debt stock fell to USD 4.4 billion, compared with USD 5.6 billion at the end of December 2010 as medium- and long-term debt shrank. External debt represents about 8% of exports of goods and services. Short-term debt (a year or less) was put at USD 1.14 billion and relates to advances by the headquarters of enterprises to their Algerian subsidiaries. These advances are treated as a form of foreign direct investment (FDI) for balance-of-payments accounting purposes. After the reduction of the external debt in 2006 and the introduction in 2009 of measures abolishing external investment financing of partnerships, the structure of medium- and long-term debt, by type of credit, indicates that bilateral external debt accounts for virtually all outstanding debt (about 75%). It is followed by financial credits. Multinational credits only represent about 0.2% of the total, divided between the World Bank and the European Investment Bank (EIB).

Nevertheless, debt stock has increased, rising from USD 14.72 billion to USD 16.25 billion between 2010 and 2011. Internal debt amounts to about 9% of GDP, with 55% made up of debt restructuring with a view to clearing the debts of public enterprises to the banking sector. The rest of the internal debt comes from market debt which makes it possible to keep the nation's bond market functioning.

The government is continuing with the debt-management policy drawn up in 2009, which is based on forecasts of the international price of oil and gas, and on the composition of medium-term debt in order to maintain the fiscal and external sustainability of the country. Economic and financial steering structures have enabled the government to benefit from expert views and advice, which have made a positive contribution to decision making.

Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Figures for 2010 are estimates; for 2011 and later are projections.

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## Economic & Political Governance

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### Private Sector

The 2012 World Bank *Doing Business* report on the business climate ranks Algeria 148th out of 183 countries. It emphasises the constraints that weigh on the business climate, in particular in respect of creating businesses and transferring property. These procedures entail major delays and costs. In addition, it remains difficult for SMEs to get access to bank financing. Furthermore, a survey into trends carried out by the forum of business leaders, the FCE, yields a negative index of confidence by entrepreneurs.

Steps were taken during 2011 in the framework of the tripartite meeting of the social partners to improve the business climate and investment. New methods of payment were introduced for inputs and raw materials imported by production enterprises. Investment loans to SMEs were enhanced and a procedure for dealing with the bank debts of SMEs in difficulty was introduced. Tax procedures and the rescheduling of unpaid tax were simplified. Incentives for non-hydrocarbon exports were strengthened. These measures go in tandem with the reforms undertaken in recent years. Those include revision of the commercial code, simplification of the procedures for registering a business, lower taxes for enterprises, development of industrial zones to make it easier to attract investors, and revision of the legislation relating to acquiring land.

After the series of reforms in the 2009 supplementary budget, the 2011 supplementary budget brought in new measures to encourage investment and give a boost to SMEs, in particular in the areas of taxation and access to industrial land. The national agency for investment development (ANDI) reports that non-hydrocarbon investment since 2006 has reached USD 25 billion, 33% of which is FDI. Non-hydrocarbon FDI trebled in comparison with 2010. This FDI is part of the 7 900 projects registered in 2011, in particular in the pharmaceutical, agrifood and construction-materials industries.

### Financial Sector

The banking system is made up of 26 banks, 6 of them public, among them a savings bank, *Caisse nationale d'épargne et de prévoyance* (CNEP). It also includes non-banking establishments such as insurance companies, and leasing and microfinance companies, and a limited stock exchange. The treasury's financial operations are conducted through the bond market for the purchase of the debts of public enterprises and the financing of public investment. The public banking sector remains dominant, with 89% of total assets, but the private banks are taking an increasingly prominent position in financing the economy (23.2% of credits in 2011, compared with 19.2% for the public banks).

There is still a structural excess of liquidity in Algeria's banks. Since 2001, the commercial banks have no longer sought refinancing from the Bank of Algeria. In 2011 they strengthened their financial solidity with a solvability ratio of 23% at the end of December but they suffer from weak banking intermediation in attracting household savings and are having trouble transforming resources into investment.

The proportion of non-performing loans declared by the banks fell from 19.05% to 16.63% between the end of 2010 and the end of 2010. Long-term capital resources are rare and stricter prudential regulations prevent the banks from financing major projects.

Transactions on the stock exchange are limited. A small number of businesses account for activity on the exchange. The main players on the financial markets are the national financial institutions and the public banks.

Algeria has embarked on a programme of modernising the banking and financial sector with a view to stimulating growth, and promoting and diversifying investment, developing SMEs and creating jobs.

Monitoring of the measures taken by banks and financial institutions to combat money-laundering and the financing of terrorism has been intensified. The currency and credit council, the *Conseil de la monnaie et du crédit* (CMC), put in place in 2011 a system of internal surveillance and limitation of counterparties of outstanding interbank loans and borrowing, in particular on the money market. These new mechanisms have enhanced the stability and robustness of the banking system.

### Public Sector Management, Institutions & Reform

Economic reforms that seek to diversify and modernise the economy have been adopted. The government is pressing ahead with the reorganisation of the administration with the intention of improving the quality of services.

The authorities want to establish a link between wages and productivity and economic performance outside the oil and gas sector. Wages were raised in 2011, adding 25% to the wage bill, as part of a wider reform of public

services. This aims to bring in a new system of pay and promotion in the interest of greater efficiency and retaining qualified managers.

Electronic connection among ministries and within each ministry are not yet effective. The digital modernisation project known as "E-Algérie 2013" was launched in 2009 but has made only limited progress. As a result Algeria occupies 131<sup>st</sup> position out of 192 countries in the United Nations "e-government" ranking.

The recommendations of the African Peer Review Mechanism (APRM), to which Algeria signed up voluntarily in 2003, are implemented to ensure greater transparency in the management of public affairs. Transparency International's Corruption Perceptions Index (CPI) put Algeria in 112<sup>th</sup> place (out of 183 countries) in 2011.

## **Natural Resource Management & Environment**

The so-called "clean" development programme takes into account a number of elements: public health; state of the environment; vitality of ecosystems; water and air quality; greenhouse-gas emissions; and the effect of the environment on health. Algeria has a national environment strategy and a national plan for environmental action and sustainable development.

A regular review is conducted of the environmental-performance contracts signed with various partners. These make it possible to undertake action before regulation and the progressive implementation of environment-related legislation is completely in effect. They are established between the authorities and industry, which voluntarily defines its commitments. The Environmental Performance Index (EPI) published by Yale and Columbia Universities puts Algeria in 86<sup>th</sup> place out of 132 countries.

The 2011 budget allocated to the national renewable energies fund, the *Fonds national des énergies renouvelables* (FNER), 0.5% of oil royalties. Algeria is, furthermore, one of the few countries to have successfully carried out a project to capture and store carbon in rock formations. The project is at Ain-Salah, in Algeria's deep south. Another renewable-energies programme foresees Algeria entering by 2020 the club of countries deriving 40% of their electricity from solar power.

## **Political Context**

The political reforms responding to the social aspirations voiced in 2011 will go deeper in 2012. The demands expressed in the wider context of the "Arab Spring" took the form in Algeria of demonstrations against unemployment and the cost of living. These demonstrations took on a harder, political edge. The government reacted by taking measures to help employment and support purchasing power. More political steps, such as the lifting of the state of emergency, in force since 1992, were also taken.

After the political reforms were announced on 15 April 2011 by President Abdelaziz Bouteflika, consultations got under way on 20 May 2011 with political parties, prominent figures and national experts. These consultations made it possible to put forward suggestions for constitutional revision, reform of the electoral code, legislation on political parties and associations, and the information code governing press freedom. In addition the first civil society round table took place in June 2011. It resulted in a series of recommendations focused on strengthening the law and spending, and the full participation of civil society in the implementation of public policy.

Most of the draft legislation that emerged was adopted by the national assembly (APN) and the senate, in particular that relating to the electoral regime and to legislation on women's representation. Legislative elections were held on 10 May 2012.

## Social Context & Human Development

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### **Building Human Resources**

Algeria has made developing human resources a priority. A 2011 United Nations Development Programme (UNDP) report confirmed that progress has been made. Algeria recorded a score of 0.698 in the Human Development Index (HDI) and occupies 96<sup>th</sup> place out of 187 countries in the HDI ranking. In general terms its performance in the fields of access to basic education and health care are good. Efforts are being made to improve the co-ordination of public policies and provide good-quality services.

The major public investment programme drawn up for the period 2010-14 and costing USD 286 billion could be implemented in a more effective way. About 40% of the programme, or USD 154 billion, has been set aside for human development through the creation of almost 5 000 educational establishments, 1 500 sanitation infrastructures and improved access to drinking water. In 2011, social spending actually carried out amounted to USD 17.2 billion, USD 3.14 billion of which were devoted to the area of public health.

School attendance is compulsory for children aged between 6 and 15. The national education service has 7.38 million children in primary (44%), middle (42.8%) and secondary (13%) schools. The number of girls is put at 3.64 million, or 49.3% of pupils, for a ratio of 97 girls for every 100 boys. Almost 208 000 pupils are educated through correspondence courses and 18 000 are privately schooled. There are more than 22 000 schools nationwide. Some 1.25 million students were enrolled in higher education in 2011-12. The literacy rate is 80%. As part of its national literacy strategy, the country aims to cut by 22% the rate of illiteracy among those aged 10 and above by 2012.

### **Poverty Reduction, Social Protection & Labour**

Substantial progress has been made towards the Millennium Development Goals (MDGs). Per capita GDP was USD 4 500 in 2011 compared with USD 1 610 in 2000. Only 0.5% of the population lived in conditions of extreme poverty in 2011, compared with 1.9% in 1988. As defined by the MDGs, extreme poverty was almost completely eradicated in 2011. In respect of health, life expectancy rose from 71 in 2000 to 74.5 in 2011 (76.3 for women and 72.8 for men.) According to the UNDP's HDI, Algeria occupies 96<sup>th</sup> place in a total of 187 countries. Housing remains a major challenge, as does unemployment, which affected 10% of the labour force in 2011 (and 27% of those aged under 30).

The social-security safety net has been strengthened and steps were taken in February 2011 to give a general subsidy to the prices of widely consumed products such as cereals, sugar, cooking oils and milk. The removal of makeshift housing and the development of social housing are on the agenda.

As part of the battle against unemployment among the young (aged 15-24), job creation measures have been strengthened and access to them made easier and more flexible. Emergency measures were taken against a background of powerful social demands. Pay rises were granted, varying according to the different sectors. The national minimum wage rose from DZD 15 000 to DZD 18 000.

Progress was made in 2011 with a view to strengthening trade-union rights in respect of job protection. The country has about 20 independent trade unions, but the government still regards the General Union of Algerian Workers (UGTA) as the only representative organisation. In 2011, public- and private-sector workers undertook a number of strikes, prompting a government reaction. In December 2011 pensions rose by 20% to 30%. People without pensions or income benefit from a special solidarity allowance (AFS).

The 2011 budget also provided for the state to take over the share of social contributions withheld from the pay of each employee recruited in the context of social insertion measures. A special tax on the purchase of pleasure boats (set at DZD 250 000, or USD 3 345) was introduced. A levy of 5% on the net profits of importers and wholesalers of imported medical supplies also came into effect. The product of these two taxes is paid into the national social-security fund, the FNSS.

### **Gender Equality**

Several legal instruments, among them the codes governing the family and nationality as well as the penal code and the law relating to prison organisation, were amended in 2011 to take into account the interests of women and their protection.

The gender equality index is 0.93. Nationwide there are more girls at all educational levels combined than boys, with girls accounting for 50.6% of those being educated. The literacy rate among those aged 15 and above is put at around 75% (80% of males, 60% of females). When it comes to getting a job, women are in a much less favourable position, since the unemployment rate among women with university degrees is 33.3%

while that of male graduates is 10.5%. The rate of economic activity among women is 14.2%.

Women have only a limited role in making political and economic decisions. There is a specific ministry devoted to gender issues, but there are only three women ministers out of a total of 39 and 30 women among the 389 members of the 2007-12 legislature. This state of affairs will change in the light of a law enacted in 2011, which imposes a quota of at least 30% of women in elected bodies. The law follows the constitutional revision of 15 November 2008 which introduced substantial changes to the political rights of women and provides for their better representation in elected bodies. Article 31 (2) of the constitution stipulates that all citizens have equal rights and duties.

## Thematic analysis: Promoting Youth Employment

The various programmes put in place to stimulate growth made it possible to bring the level of unemployment down to around 10% in 2011, but there are variations within that rate according to gender, age group and educational level. The rate is 8.1% among men and 19.1% among women. Among young people aged 15 and above, 41.7% have jobs (68.9% of men and 14.2% of women). Out of a labour force 9.73 million, 1.47 million are women, or 15.1% of the total. Two out of every three are employed in the private or mixed sector. Salaried work is the main status of those with jobs and accounts for 65.8% of the active population, and of those 33.4% are on permanent contracts. The farming, services and construction sectors provide 54.8% of the net creation of jobs. Private-sector jobs dominate, except in services.

The young are hardest hit by unemployment and in particular the 15 to 24 age group, where one in five (21.5%) is out of work. Among girls the proportion without employment is 37.5% and among boys 18.7%. Jobs, above all jobs for the young, are a priority for the government. Among graduates from higher education establishments unemployment runs at 21.4% (11.1% for men, 33.6% for women). By contrast the rate among those without any qualifications is only 7.3%.

The battle against unemployment has changed in nature, shifting from the development of economic activities to that of human resources and of a knowledge-based economy. Production cycles increasingly call for training that meets international standards. In the armoury of weapons in the battle against unemployment there are temporary jobs, early retirement, microcredit and microenterprises. Nonetheless, the supply of jobs is inadequate and the system functions badly. An inquiry into employment conducted among households found that 40.6% of jobs were filled by way of personal or family connections, 15.7% by competition or examination and 14.2% through contact with the employer. Only 9.1% of jobs were filled through the national employment agency [ANE] and 3.8 % through training establishments. In other words, only a third of jobs went through the labour market.

The employment programmes launched in 1988 were bolstered by an aid scheme to promote employability among young people (DAIP) established in 2008. This programme supports young people, places them and assists them in getting a job contract. It helped create 169 296 jobs in 2011. Additionally the national agency for the support of youth employment (ANSEI) concentrates on young entrepreneurs aged between 19 and 35 in the creation and expansion of production of goods and services. The national agency for microcredit management (ANGEM) is aimed at self-employed workers, home workers and people doing small-scale jobs in handicrafts, production of goods or provision of services. The unemployment insurance fund CNAC provides support to workers aged between 30 to 50 who have lost their jobs for economic reasons. The pre-employment contract scheme (CPE) targets people affected by poverty, unemployment and exclusion. It takes a number of forms including work on local initiatives (ESIL), labour-intensive community work (TUPHIMO) and a general-interest activity allowance (IAIG).

All these measures have served to mitigate unemployment. The available data shows that 660 810 job seekers received help in their search for work in 2011. About 50 000 were given an assisted work contract (CTA), and another 50 000 jobs were created in the private sector. To obtain a work contract young job seekers have the possibility of signing up at public institutions in the various jobs schemes or with private agencies. Relationships between the universities, the *grandes écoles* (the top non-university higher-education institutions) and the world of work do exist but need to be strengthened. Some enterprises do not yet appreciate the contribution of innovation and economic intelligence to the development of production and in particular to productivity. For most young people who benefit from different types of pre-employment contract the question of their being given a regular contract remains open.

The democratisation and widening of professional training and higher education are national priorities in the search for a better match with the labour market. In a context of such a high unemployment rate, young people accept jobs that do not reflect their qualifications and are sometimes underpaid. Yet as part of the incentives for recruitment, social contributions and employers' charges linked to employment of the young are taken over by the state. Young people display flexibility in terms of jobs and readiness to move. Employers, on the other hand, are reluctant to take on job seekers without experience.

Given an environment where jobs and qualifications are changing in nature, the only way to reduce unemployment in the long term is to encourage expertise, updating of skills and retraining. Against this background, the government is seeking to diversify the economy and ensure that the education and research systems correspond more closely to the industrial and technological needs of the nation.



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