

Why Algeria Failed when Botswana Succeeded? An Institutional Approach

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Abstract:

This study aims at presenting the undelying factors that affect the economic outcomes of Algeria and Botswana. It is become conventional that economic performance results from the interaction of various factors and variables. Most of them are not purely economic factors. Yet, the failure of one provokes a domino-like effect. This study, by combining SWOT and Comparative analysis approaches, tries to answer why Algeria still depends on Hydrocarbons, while Botswana has diversified its economy beyond mining sector. The findings highlight the importance of Governance indices and Institutional quality as main variables to the divergent trajectory of Algeria and Botswana

Keywords: Resourcemanagement; Institutional Quality; Economic Diversification; Industrial Policy; Natural Resource.

JELClassificationCodes : Q13, Q32, H11, L52.

ملخص:

تهدف هذه الدراسة إلى البحث عن العوامل الخفية التي أثوت على الوضعية الإقتصادية لكل من الجزائر وبوتسوانا. فلقد أضحي متفق عليه أن الأداء الإقتصادي ينتج من تداخل العديد من المتغيرات. حيث أن معظمها لا تعتبر متغيرات إقتصادية محضة. غير أن فقدان احداها ينتج عنه ما يعرف ب أثر الدومينو. وهذه الدراسة، من خلال المزج بين طريقتي SWOT والتحليل المقارن تسعى للإجابة عن التساؤل حول إستمرار الجزائر في تبعيتها للمحروقات، في حين 'ستطاعت بوتسوانا التنوع من أنشطتها الإقتصادية. ولقد خلثت الدراسة إلى أن مؤشرات الحوكمة ونوعية المؤسسات تعتبر المتغيرات الأساسية التي أدت إلى التباين في الوضعية الإقتصادية للجزائر وبوتسوانا

كلمات مفتاحية: تنويع الموارد، نوعية المؤسسات، التنويع الإقتصادي/ السياسة الإقتصادية، الموارد الطبيعية

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1-Introduction

It is become conventional that economic performance results from the interaction of various factors and variables. Most of them are not purely economic factors. Yet, the failure of one of them provokes a domino-like effect. To frame this variety, numerous theories has been developed in the sake to understand the underlying mechanism. One prominent theory in this field is the *institutional theory*, developed by North (1990) and then extended by Acemoglu and Robinson (2012).

Algeria and Botswana are two African countries. They share some characteristics and diverge in others. their overall conduct may reveal important remarks in making wealthy comparison.

Algeria, located in Northern Africa, occupies about 2.4 million squares kilometers, making it the largest country in the continent. The country accounts 44 million people most of them living in coastal areas. This distribution generates inequalities and considerable dispersion of socio-economic amenities and services. One can relate demographic dispersion to historical variables. indeed, Algeria witnessed different invasion phases. Some of these invasions located in coastal and some fertilized lands. Accordingly, urban development and civilization features were concentrated and spread in these areas, bringing with them significant concentration of population

It is worth noting that some invasion had had significant impact due to their occupation time and the ruling policies. In this regard, French colonization is viewed as most devastating invasion, due to harsh and structural change they made. However, Algeria gained independence in 1962 after a brutal war of independence.

Botswana, a landlocked country, is located at Southern African, and occupies an area of about 567 square kilometers. There are more than 2.5 million inhabitants in the country, distributed approximately all over the country, making some balance between the regions.

Botswana passed under the protectorate of The United Kingdom in 1885, to protect a road between central and south Africa. The colonial running imposed very little direct control of the territory; and focused on hiring labor to work in mines. The country gained full independence in 1966.

After independence, both countries faced developmental challenges, due to poor managerial experience and limited financial resources. They, both, sought refuge in exploring their natural resource endowment. It was at that stage that their path began to diverge.

Although prior studies have broadly examined institutional elements of economic advancement, most of them have concentrated on comprehensive

cross-country comparisons of resource-rich nations. Yet, there is limited researches that compare Algeria and Botswana, two resource-endowed African countries with distinct historical, institutional, and geographical contexts. This study fills the gap by providing an attentive comparative examination, integrating institutional theory, and economic divergence factors to offer profound understandings into their developmental courses.

In doing so, the current study aims providing answer to the following question:

What institutional and structural factors explain the opposing economic development trajectories of Algeria and Botswana, despite their analogous natural resource endowments?

The following hypotheses arise from the previous question:

- **H1:** Institutional quality plays a substantial role in shaping long-term economic performance in resource-rich nations.
- **H2:** The level of direct colonial intervention and post-independence governance strategies explain variations in economic performance between the two countries.

This article seeks to understand the factors underlying such economic divergence. It starts by reviewing existing literatures in the following section, then describing the methodology in the third section; section four introduces the two case studies. The following section runs a comparative analysis, by discussing the institutional indices used in the study; while the last section concludes the research.

1-Literature Review: The present section explores the compound rapport that relate natural resource abundance, institutional backgrounds, and economic development as well. The literature review focuses on the registered economic conduct of Algeria and Botswana to extract possible arguments on their divergent case. The literature review refers to related theories such as the *resource curse*, *institutional theory*, and *rentier state* approach. The review is reinforced by findings from various works, studies and reports. It also focuses on the institutional approach and examines policies that drag Botswana's success and the hypothetical weaknesses of institutions that hamper economic progress in Algeria.

- **The Resource Curse:** The theory of resource curse assumes that natural resources windfall hampers economic growth, reduce the conduct of governance, and invokes conflicts compared to countries with less resources. Researches undertook by Sachs & Warner (1995) and Auty(2001), shaded light on the mechanisms underlying such phenomena; these include: the Dutch Disease, rent-seeking practice, and the lack of economic diversification that

results from dependency on extractive sector mainly; Toto Same(2008) demonstrated that the "Dutch disease" can be a transferring mechanism, however, without appropriate management, mainly transparency and accountability, countries like Equatorial Guinea can still fall into the negative effects of the resource curse and a rentier state.

Besides, Ross(2012), in his conception of 'oil curse', highlights how petroleum wealth can challenge democracy, support conflict, and feed corruption, pointing to how such gift tends to empower elites and diminish governance practices. The central principle of the theory is that resource abundance leads to minor or negative growth, due to a set of correlated factors and variables and not because of the resources themselves.

In a similar vein, Van Der Ploeg(2011) also recognised the hampering effect of natural resources on development. This is not primarily through a direct consequence on economic growth but via different plans that deteriorate development outcomes. He accentuated the role of market failures, and those distortions, instead of endorsing productive effectiveness, favour rent-seeking and corruption.

- **Institutional Economics :** According to North(1990) formal and informal institutions are the focal players of the game that guide long-term economic results. Effective institutions enable transactions, support property rights, and generate a even investment milieu.

In addition, Acemoglu & Robinson(2012), in *Why Nations Fail*, demonstrate that continued prosperity hinge on inclusive political and economic institutions that guarantee wide involvement in decision-making, and equivalent economic chances. extractive institutions, on the extreme side, concentrate authority in the hands of a limited elites tend to deter development. The authors showed that the type of institutions that prevail are key to comprehend why certain nations succeed while other fail.

- **The Rentier State Dynamics:** The rentier state theory claims that countries whose revenues depends heavily and primarily on external resource rents, rather than domestic taxes, are observed to be less accountable to their residents. In such situation there is a tendency to create opportunities for patronage and clientelism and reduce pressure for economic diversification. In his study, Basedau and Lacher(2006) extended the concept by distinguishing between two forms of rentier states that can result from high oil revenues: First, they captured the large-scale distributive states, where resources are widely distributed through public goods. Second the patronage-based systems, in which selective groups receive the majority of the benefits. The authors argue that the institutional characteristics of a country shapes which path will

be followed. Similarly, Mahdavy(1970) argued that the oil-dependent economies that generate revenues from natural resources were in a situation that weaken national production by ignoring it where favouring sectors linked to natural resource management.

These theories attracted wide range of studies aiming at testing the validity of their hypotheses and outcomes. Iimi(2007) and Acemoglu et al.(2003), reviewed the case of Botswana. They accentuate that Botswana's experience is a distinguished exception to the resource curse claim. The long-standing democratic traditions in the country since independence, endorsed accountability, prudent fiscal management, and an effective and clear government practices, all have allowed the country to manage its diamond wealth.

The institutional analysis shows a positive trajectory for Botswana's institutional capacity, with high scores in metrics such as control of corruption and government effectiveness (World Governance Indicators 2021). This means that strong institutional framework in Botswana, as highlighted by Robinson (2009), created an environment conducive to long-term growth and development and demonstrates that the success of African countries should be linked to the development of state institutions. Furthermore, Comaroff(1978) elucidates how the historical context of Botswana's state formation was a key factor in the country's success.

As for Algeria there is some evidence that the country has suffered from feebler institutional structures, an inadequate and dependent private sector. These questions have led to a lack of transparency and responsibility in the management of oil wealth. This has probably delayed economic diversification and favoured a rentier state practice on hydrocarbon exports, which is fundamentally in constant change. Aissaoui(2001) in his work explored in detail how oil has shaped Algerian society and economy. The study offers a valuable insight to understand the causal factors that led to stagnation and the lack of responsibility in the management of extractive sector.

2- Methodology : This section examines why Botswana succeeded while Algeria failed in converting resource capital into sustainable economic development. To achieve this, two analytical approaches are used: SWOT technique and a comparative case study method. Each tool offers a distinguished lens to inspect various variables which affect economic results. the following points demonstrates the importance of each approach and how they connect to increase the study findings.

- **Analytical approaches :** The SWOT framework studies the internal context through highlighting the strengths and weaknesses factors and the external context by focusing on opportunities and threats, on the other side. This is crucial in the case of Algeria and Botswana because resource-rich countries often face multiple networks of restraints and occasions that affect their progress.

Indeed, highlighting strengths and weaknesses may help in pointing out general traits such as: domestic policies, governance conduct, and structural capacities (advantages or limitations). Besides, seizing opportunities and threats captures the hypothetical outcomes of external pressures that affect economic performances. This may include the study of trade policies, global commodity markets, among others.

The SWOT approach, provides accurate recommendations that power strengths, alleviate weaknesses, benefits from opportunities, and keep up with threats. This is mainly valuable for Algeria, which may refer to Botswana to draw learning lessons in correcting possible weaknesses.

Algeria and Botswana are both African resource-rich developing countries; though, their economic and development courses have been remarkably different. A comparative case study aids uncover the explicit mechanisms that direct Botswana's success and Algeria's stagnation. As highlighted previously, this present research tries to shed light on economic structure and the quality of institutions, where Botswana and Algeria contrast significantly. A comparative method permits to compare the economic structures of these countries, and compare their institutional quality and governance indices.

A comparative case study is important since it allows for the identification of precise mechanisms that framed Botswana's success and Algeria's stagnation. Although many resource-rich countries share common challenges, the way they manage resources and institutions determines their long-term economic outcomes. Additionally, by defining best practices from Botswana, the research delivers pertinent visions for Algeria and other resource-dependent economies.

It results that the combination of the two approaches provides a multilayer lens that reinforce the understanding of divergent trajectory for Algeria and Botswana. SWOT classifies the main economic and institutional differences between Algeria and Botswana, while a comparative analysis explores why/how these factors led to diverse results. Further, a coupled approach affords a more inclusive diagnosis. For example, SWOT alone recognises challenges but does not describe their historical or institutional roots. A comparative analysis focuses on this context, showing how policy choices and

governance designed long-term economic development. Another importance relies on the fact that the Combination of both tools provide solid recommendations for policymakers. SWOT identifies areas that need enhancement, and a comparative analysis provides strategies as standards for reform.

Thus, joining these approaches together offers an organised, evidence-based basis for understanding why Botswana succeeded and Algeria failed. consequently, it offers profound insights and practical resolutions for policymakers.

To sum up, SWOT investigation provides a structured basis to categorize strengths, weaknesses, opportunities, and threats in each country. On the other hand, comparative analysis explains why these factors led to diverse economic and institutional courses. Together, these approaches provide a holistic and policy-relevant understanding of how natural resource wealth can be managed for long-term economic success-or mismanaged, leading to stagnation.

- **Data Collection :** Due to strict connection between institutions and economic performances, the study gathered data from several reputable sources, to guarantee a comprehensive examination of economic, institutional, and (in less context) competitiveness factors in Botswana and Algeria. a description of these sources, alongside the dataset used, are presented in what follow:

International Monetary Fund: This source provides numerous Data on monetary aspects of countries. In this study, World Economic Outlook Dataset are selected to extract macroeconomic insights, such as GDP growth rates.

World Bank: The world bank is a good repository for numerous statistics and datasets. Two references were selected: The World Development Indicators supports a wide range of economic indices, including GDP composition, trade openness, and public expenditure data. World Governance Indicators is the second measures; It measures institutional quality, governance, and regulatory efficiency, data from the World Governance Indicators were employed.

World Economic Forum: Statistics from the Global Competitiveness Index was used to gauge the overall competitiveness and business environment in each country. This source incorporates the relation between good governance and competitiveness outcomes, including R&D and innovation. It provides an overview on transforming resource wealth to productive capital, through human development investment and vocational training.

Transparency International: Data on corruption perceptions were obtained from Transparency International, which helped in assessing the governance environment and institutional integrity.

National Resource Governance Institute: The National Resource Governance Institute provide data on The Resource Governance Index which was employed to evaluate the management of natural resources. This reference is critical for understanding the dynamics of resource dependency in both countries.

These diverse data sources allow the study to fit multiple viewpoints crucial for the analysis. They help in tracking Economic Structure; Data from the IMF and World Development Indicators shape the basis for analysing GDP growth, sectoral contributions, and economic diversification. Further both Institutional quality statistics and the Global Competitiveness Index, refine the study by pursuing the evolution of institutional and governance issues and bring insights on the business environment and economic attractiveness.

3- Results and Discussion : The present section examines collected data and statistics; it integrates SWOT and comparative approaches and sums-up the main findings. It starts by conducting SWOT examination for both countries first, then returns to comparing other features.

4.1 Conducting SWOT Analysis for Algeria: this approach demonstrates critical points for this country; It consists of dismantling the multilayer lens of the economy. The following is the brief summary of this approach.

- **Strengths :** One positive strength for Algeria is natural resources abundance. Algeria is gifted with massive oil and gas assets. The country is classified as one of Africa's major suppliers of hydrocarbons, with exports presenting over 90% of export incomes (World Bank, 2022). This situation has provided Algeria with substantial foreign exchange revenues and considerably feed fiscal revenue. Furthermore, the country's strategic position in North Africa gives it direct entree to European and Mediterranean markets, which has conventionally made Algeria a pivotal energy supplier. This location empowers trade network with foreign markets and facilitates energy export (Natural Resource Governance Institute, 2021). Finally, with more than 45 million of population, Algeria enjoys a considerable domestic market, which offers potentials for local demand that is necessary to promote economic growth and stimulate private sector activity (UNDP, 2021).

- **Weaknesses :** The overdependence on hydrocarbons is a serious weakness for Algeria. Despite some periods where global oil prices increase, the country's GDP still relies on hydrocarbons. Indeed, during the 1990s and early 2000s, instabilities in oil prices had a direct and visible influence on

Algeria's economic stability (IMF, 2021). Such reliance has impeded the emergence of other prominent economic sectors affecting, therefore, the efforts of diversification (see graph...). In a similar vein, the institutional environment has faced persistent challenges. Governance indicators (see graph...), such as the World Governance Indicators, often register minor scores in areas like government efficiency and regulatory quality compared to peer countries. Such issues reduce investment efforts, and influence negatively the distribution of resources. non-hydrocarbons activities, on the other hand, still lag behind extractive industries. Data from international institutions reveal constant stagnation in agriculture and manufacturing, as percent of GDP. The lack of diversification renders Algeria vulnerable to oil market fluctuations. Finally, youth unemployment of about 20%, according to the IMF (2021), represents a forefront issue in Algeria, and reflects the feebleness in the labour market due to economic stagnation.

• **Opportunities :** Algeria's immense desert areas offer substantial occasions for the expansion of projects in renewable energy sector. This fits better with the actual global shifts toward sustainable energy, where the investment in solar energy or green hydrogen help reduce the dependency on hydrocarbons and create new avenues for the prominent sectors.

In addition, Algeria, in the post COVID 19 era, has been witnessing an extraordinary shift toward a new economic form, which is welcomed by international institutions. The actual pursuit of broader economic diversification, through realisation of immense investments in agriculture, manufacturing, and services, will protect the economy from oil price volatility. These efforts must be reinforced by improving integration climate. Regional trade networks, such as the African Continental Free Trade Area, represent an occasion to enlarge the export basket outside hydrocarbons. This external opportunity can be leveraged to excite national manufacturing and generate a more resilient economy (UNACTAD, 2021).

• **Threats :** As discussed in the weaknesses, the economy is extremely sensitive to variations in oil price markets. Historical data from the IMF (2021) show that oil price shocks have led to deteriorations in fiscal incomes and economic development, consequently undermining economic stability. Resource dependency continues to carry significant pressures. Similarly, even the current efforts toward surge diversification, environmental topics such as water scarcity, desertification, and climate change present significant menaces to agriculture and general economic sustainability. These environmental threats, if not resolved, can aggravate present economic vulnerabilities (UNEP, 2022). Also, growing rivalry from other resource-rich economies may hinder Algeria's capacity to secure its hydrocarbons trade. Yet, without

diversification, Algeria risks lagging behind in global competitiveness indices according to the World Economic Forum report (2020).

4.2 Conducting SWOT Analysis for Botswana: as discussed with Algeria, SWOT approach is conducted to shed light on different

- **Strengths :** The political environment in Botswana is one of the most stable in Africa. This stability has been active in producing a favourable environment for economic development and enticing foreign direct investment (UNDP, 2021). It was also a ground for diversification efforts. Although diamonds reign the country's export, Botswana has expanded its economy by supporting new sectors: tourism, financial services, and agriculture, for instance. The variation has contributed to moderately stable economic growth even when global diamond prices fluctuate (World Bank, 2022). This, implicitly means that Botswana traced rigour policies when managing diamond revenues, and maintained fiscal discipline that promote long term investments (Acemoglu et al., 2003).

- **Weaknesses :** Despite efforts to diversify economic base, the economy still depends significantly on diamond exports. This dependence renders the economy exposed to global commodity price variations (IMF, 2021). Such weakness is coupled with a relatively small population, making the domestic market very limited. Acemoglu et al (2003) noticed that market limitation constrains economies of scale and slowdown the development of large-scale industrial sectors. On the other hand, imbalances are registered between sectors such as manufacturing and the service or tourism, indicating possible inequalities in the overall economic structure (World Bank, 2022). Furthermore, diamonds are a finite resource, and there is an increased risk related with eventual resource depletion, which could affect long-term revenue and economic planning.

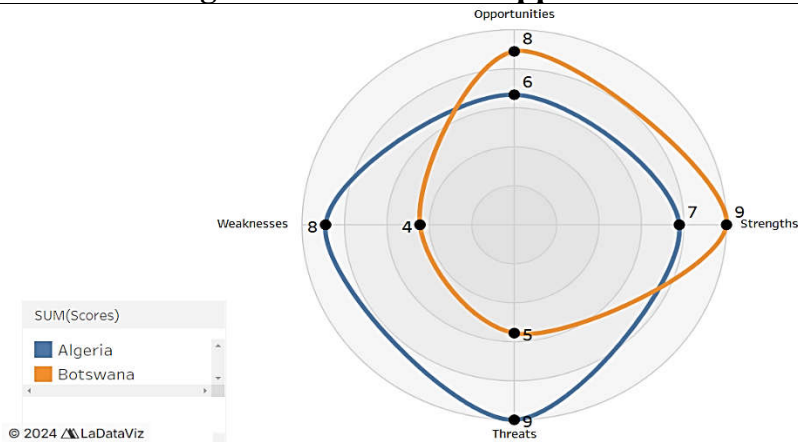
- **Opportunities :** The diversified natural assets, like the Okavango Delta and other wildlife reserves, equip Botswana with substantial prospects for sustainable tourism development. Consequently, increasing tourism sector and related services can further diversify the economy. In addition, the Southern African Development Community offers valuable opportunity for Botswana to better integration with regional trade movement; similarly, the participation in broader trade agreements like the African Continental Free Trade Area represents great opportunities to expand Botswana export base and attract investment (UNACTAD, 2021). It is worth noting that conducting investment in information and communication technology can promote growth in the financial services and technology sectors, and reduce the reliance on diamonds (World Economic Forum, 2020). In addition, there is a considerable potential

for renewable energy production, namely in solar energy. This may support economic diversification and enhance sustainable growth environment.

• **Threats :** The dependence on diamonds presents critical risks. It entails the risk offluctuations in global diamond prices. In this case, price instability can directly affect public revenues, with considerable threats on overall economic stability (IMF, 2021). Furthermore, indicators from the world bank (World Bank, 2022) documents that global economic recessions may affect the Botswana exports, with all negative outcomes on economic growth. The risk is further alarming as the diamond-competitor countries increase, with a possible effect on Botswana’s market share, and export incomes, accordingly. In addition, climate change and environmental issues is another burden that hamper economic growth in Botswana, namely agriculture and tourism sectors (UNEP, 2022).

4-3 A Comparative Analysis: The SWOT approach has demonstrated, in depth, valuable insights on economic situation. Both countries seize some opportunities, while suffering some threats. The following figure sums up the findings

Figure 01: the SWOT approach²



Source: Author’s own calculation

The figure shows that Botswana registered a comparative advantage in two aspects (Strengths and Opportunities), while Algeria registers a comparative disadvantage (Weakness and Threats), with a general better position for Botswana (as we can see, there is good results for positive aspects and controlled values for negative aspects). Such situation rises enquiries on the

²The visualizations were created using Tableau Desktop (version 2022.4.1, under an official license)

underlying main factors that contribute to a successful story of Botswana and the Barriers that hampered economic development in Algeria.

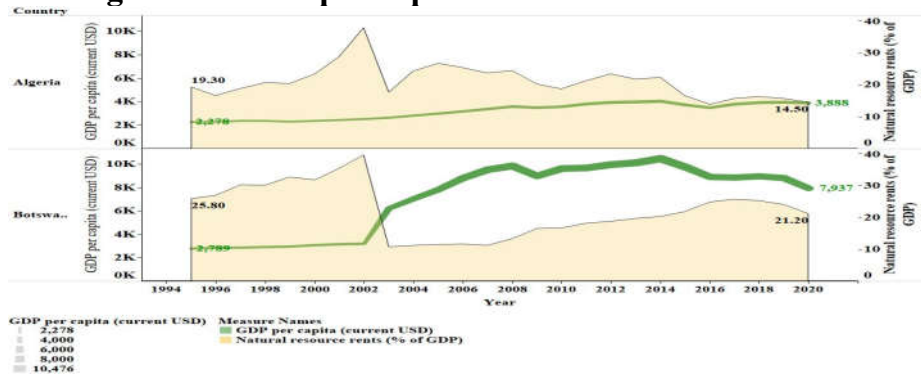
A comparative analysis, we believe, provides a solid ground to understand the divergence. The study will investigate two key points: economic performance by discussing GDP growth and economic diversification; institutional quality through the study of governance indicators.

1- GDP per Capita Growth: Data from international institutions has shown that Algeria and Botswana have followed noticeably diverse economic trajectories over the last three decades. According to the World Bank report (2022), GDP per capita in Botswana, measured as a current US\$, has grown-up gradually—from roughly US\$3,000 in the early 1990s to over US\$7,000 by 2020. this mirrors a vigorous progress path driven, namely, by right economic management and diversification. On the other side, Algeria's GDP per capita has been more instable due to its substantial dependence on oil and gas exports. During the same period, Algeria's GDP per capita changed about US\$4,000–US\$5,000 (World Bank, 2022), chiefly influenced by international oil price shocks (IMF, 2021).

As shown in the figure bellow, Algeria manifested a steady growth of GDP per capita; with a marginal increase of about 1607 USD during the last 30 years. However, Botswana's GDP per capita surged from \$2,700 to nearly \$8,000, marking important economic growth, during the same period, allowing individuals to enjoy a 5148 USD growth in their wealth. Botswana's GDP per capita has folded over the period, whereas Algeria's has experienced more modest variations. This increase is associated with a considerable decline in resource rent exports in Botswana, namely between 1995-2004, where it felt to less than 12%. Resource rent exports in Algeria increased from 19% in 1995 to reach about 40% in 2004. The figure showed up instability of resource rent for Algeria and a smooth trend for Botswana.

These observations confirm the fact that Algeria is still struggling to maintain its economy, due to high dependency on Hydrocarbons, while Botswana succeed in avoiding reliance on diamond exports. The key question is to unveil the factors driving these divergent economic outcomes.

Figure 02: GDP per cap Growth versus Resource Rent



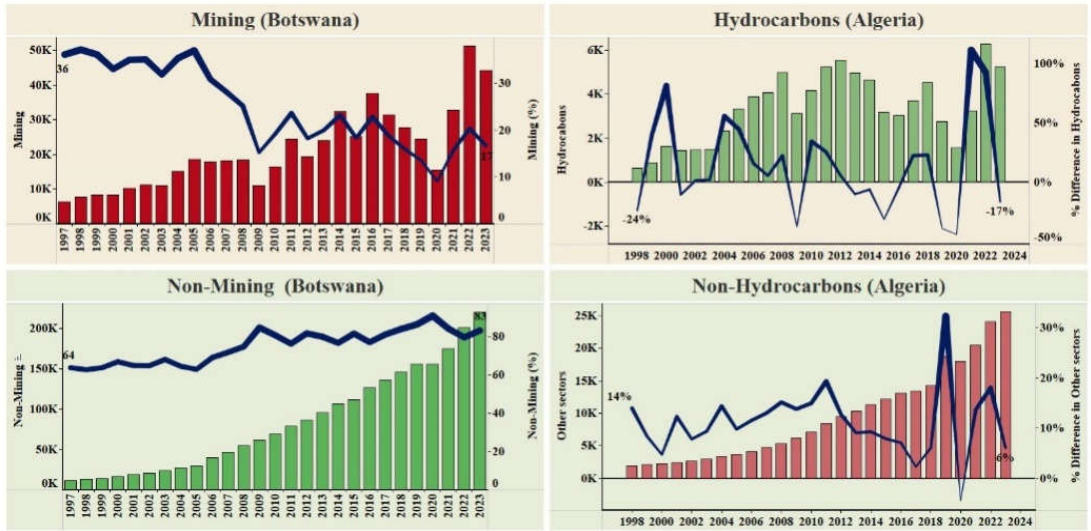
Source: World Development Indicators, World Economic Outlook (world bank, 2022; IMF, 2021).

• **GDP per main Sectors :** The figure bellow compares the composition of GDP according to two main sectors: natural resource sector (Hydrocarbons or Mining) and the rest of the sectors.

comparing the natural resource sector between both countries delivers further understanding on the reason behind GDP per capita increase. The volatility of Hydrocarbons revenues for Algeria is evident since international markets has been witnessing consecutive shocks since the 990s. A year-to-year percent difference captures best the vulnerability of hydrocarbons revenues, which varies considerably; for example, it passed form -24% to over 10% between 1998-1999, presenting a variation of about 30% in one year; though, this share declined about 70% between 200-2001, declining from 80% to -5%. Similarly, rent revenues changed remarkably between 2020-2024, with a sever positive increase of about 150% between 2021-2022 (-145% to +110%; this may reflect the tension on hydrocarbons demand during the COVID 19 pandemic), followed by a sharp decrease of about 120% during 2022-2024 (110% to -17%).

For Botswana, the picture is more intriguing. Even if the mining sector's total share seems to be increasing, year-to-year percentage calculations designate a declining contribution to total revenue. This process is accelerated between mid-2000s to 2010; and continue to decline, in a second round, to reach -10% in 2020. It clear that the countryprocure revenue from other sources beyond the diamond sector.

Figure 02: GDP Comparison



Source: World Development Indicators, World Economic Outlook (world bank, 2022; IMF, 2021).

On the other hand, when comparing non-natural resource sector, each country demonstrates divergent behaviour. In Algeria, even the share of non-hydrocarbons sector is constantly increasing, the yearly percent change reveals underpinning vulnerability and deep association with hydrocarbons sector. That is to say, each change in hydrocarbons sector affects directly the behaviour of the remaining sector in the country, due to the public sector size and limited role of private sector. Consequently, the hydrocarbons sector condemns the whole economy, where this weak economic performance appears.

However, in Botswana, the non-mining sector is flourishing and continues to grow. The decline registered in mining revenues is recovered by non-mining activities, reflecting prudent revenue management, sharp public policies aiming at attracting more FDI in other sectors within the country. According to Statistics Botswana (2023) the non-mining GDP grew by 4.0% in the first quarter of 2023, compared to 3.9% increase in the corresponding quarter of 2022. Similarly, IMF projected Botswana's economic growth to slow down to 3.8% as a result of the decline on diamond export and price decrease; Yet, this is offset by the growth in the non-mining sector, which is supported by fiscal expansion and public investment (IMF, 2023).

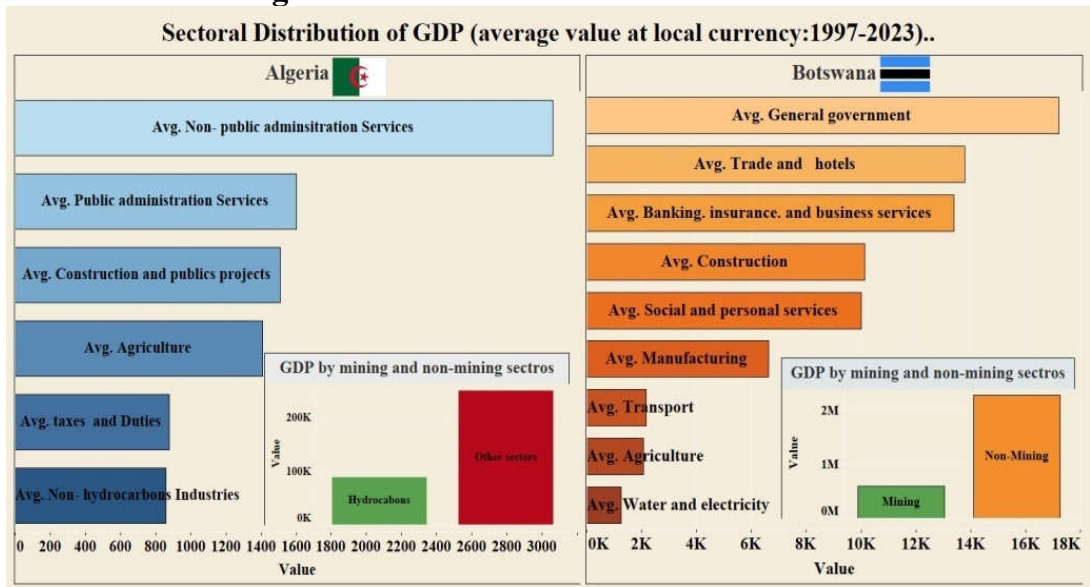
The comparison of GDP structure provided a general analysis of its composition. An in-depth diagnosis of the main components divulges additional insights on economic-supporting activities.

• **Economic Diversification** : It is obvious that both countries have adopted various policies aiming at diversifying their economies. This reflects the steady increase of non-mining sector's share as percent of GDP. The average value of non-hydrocarbons sector in Algeria, represents about one-third of total GDP, from 1997 to 2023; and nearly a quarter in Botswana during the same period. This means that Algeria still relies on hydrocarbons as prime sector of revenue, and this sector still affects the conduct of the whole economy, rendering the development process more vulnerable to external shocks. In Botswana, the economy is more stable and public policies reinforce sustainability, by creating favourable environment to business climate.

In both countries, public sector participates vividly in the economy making the government the main agent driving core activities, as shown in the figure. The analysis of GDP structure in Algeria exhibits the role of service sector as a dominant activity over the economy. These services, from public or non-public administrations, represent more than half value of total GDP. In Botswana, trade and hotel amenities, as well as the financial services dominates the economic scene, with a value approximating the half of GDP. However, it is worth noting that the nature of services in both countries reflect economic orientation and public policies focus. Indeed, while in Algeria, services aim at facilitating citizen well-being and ensuring the management of public interests, this sector is more oriented to manage related sectors in Botswana. For instance, hotel and financial sectors, both, provide necessary services that support tourism activities.

Yet, most of these services are provided by public-belonging organizations in Algeria, rendering thus the public sector the key driver of economic growth, due the amount of spending, the share of investments and the number of active enterprises. This is evident when considering the property of hydrocarbons sector, which is totally managed by a state-oriented enterprise. As a result, private sector plays a marginal role in creating value added or generating new jobs; the private sector is tied to non-productive activities, such as: import-export, and some specific retail activities³.

³ It is worth noting that since 2020, private sector gains further presence in Algeria, due to the new economic model that has been adopted by the government.

Figure 03: Sectoral Distribution of GDP

Source: World Development Indicators (world bank, 2022).

The construction sector is a vital activity, in both countries. This is because both are considered as an emerging economy, where further investments in infrastructure, housing and local planning and development are needed. In addition, both economies accelerate investment in tourism infrastructures on the aim to benefit from their natural endowments. This underlies realizing new structures in transportation area (new ports, airports, extending railroad, and flourishing local transport base), building new hotels and related structures, as well extending the financial infrastructures (additional banks' branches, insurances offices, exchange bureau). It is worth noting that Botswana is scored 39 on the Africa Infrastructure Development Index, while Algeria score is 60 (Africa Infrastructure Knowledge Program, 2022), reflecting considerable efforts made by Algeria in this domain and limited actions in Botswana as a result of its economic size; however, this also reflect the dominance of public sector in Algeria.

However, other sectors are presented as fundamental to economic diversification that align with local policies; for example, agriculture sector in Algeria still gain presence in the economy. The country fixes the self-sufficiency for most of imported agricultural good up to 2030. The government has been realising considerable investments in this sector namely in Sahara region, where results are of great value; for example, the country has halted the oil imports as a result of good crops in this field. The efforts of Algeria in this sector have resulted in increasing agriculture share in GDP which reached 15% in 2020 (Radio Algerienne, 2023). This sector is still

facing considerable challenge in Botswana, due to limited arable land, recurrent draughts and rain-fed agricultures. The sector's contribution is less than 2% of GDP even the country has adopted promoting policies to support this sector, such as initiating programs to encourage sustainable agriculture, improve irrigation structure, and diversify agricultural crops. This divergent result in agriculture sector reflects public orientation and policies incentives that guide these countries to drive investments and policy facilities to economic sectors.

As for Industrial and manufacturing sectors, Algeria and Botswana show different trajectory, reflecting their unique economic structure and resource endowments. In Botswana, industry and manufacturing sectors remain small but growing, their shares vary between 27.5% and 6.6% to GDP (World Bank, 2023). The manufacturing sector includes activities like food processing, textiles, and glass construction, is extensively supported by government initiatives like Special Economic Zones (International Finance Corporation, 2022), as well as the Economic Diversification Drive and Vision 2036 that intend to upsurge the manufacturing sector's contribution to 30% by 2030 (Government of Botswana, 2022). In addition, non-mining industrial exports, including beef and textiles, register constant growth, reflecting the country's objective to diversify the economy out of diamond.

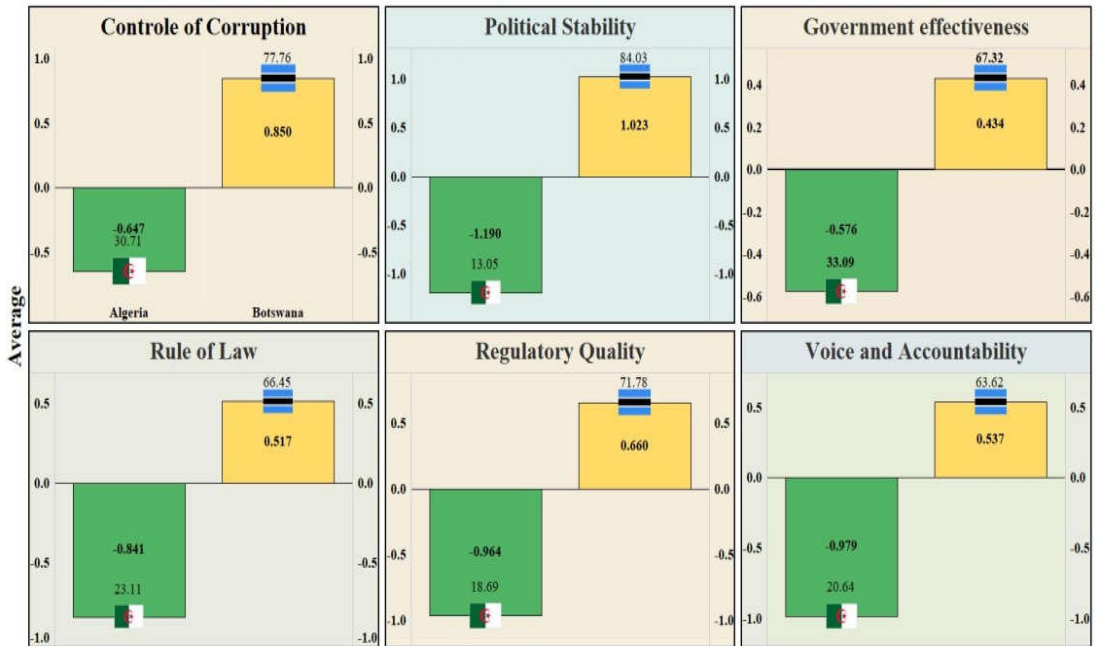
Algeria's industry and manufacturing sectors contribute by 42.3% and 10% of GDP, respectively. The non-hydrocarbon manufacturing sector is growing, particularly in automotive assembly, pharmaceuticals, and food processing. The Fiat automotive plant, installed in 2023, marks a substantial stage toward manufacturing diversification. Further, electronics and home utilisations production, led by firms like Condor Electronics, is growing. Yet high bureaucracy, state-controlled industries, and the rate of inflation (of about 9.3% in 2023) hinder economic diversification and development

2- Institutional Quality : Institutions plays a decisive effect in mounting economic results, mostly in resource-rich economies. It is widely recognised that solid institutions combined with transparent policies, and effective regulatory backgrounds empower countries to benefit from resource wealth efficiently, boost economic diversification, and entice investment.

1. Control of Corruption: Corruption is a serious factor of economic effectiveness and public confidence in institutions. Botswana scores 0.85, making it among the least corrupt countries in Africa, while Algeria scores - 0.647, representing high levels. Botswana's severe anti-corruption procedures, independent judicial bodies, and transparent financial management have ensured that revenues from resource rents are reintegrated into economic cycle

and not benefited by small groups (Transparency International, 2023). In contrast, Algeria has suffered from prevalent corruption in its oil sector, cronyism, and a lack of accountability (Aissaoui, 2001; Auty, 2001), which have delayed investment and economic reforms (African Development Bank, 2023). This has resulted in ineffective allocation of hydrocarbon revenues, leaving non-oil industries underdeveloped and limiting job creation.

Figure 04: Governance Indicator Pillars



Source: World Governance Indicators (world bank, 2021).

2. Political Stability: Political stability is indispensable for enticing investment, guaranteeing policy continuity, and promoting economic growth. Botswana’s political stability score of 1.023 mirrors its passive democratic governance, absence of civil conflict, and effective leadership shifts (World Bank, 2023). The country has preserved an even political milieu, which has fortified long-term investment and industrial progress. In contrast, Algeria’s score of -1.190 designates ongoing political transformation, which favours building civil trust, respond to citizen needs, and enhance governance actions (IMF, 2024). These transformations have been consolidated since 2019, by combating corruption and bureaucratic practices, fighting unemployment among youths, and correcting previous economic mismanagement. Algeria, in doing so, is aware that political instability dampens both local and foreign

investment, making it difficult to attract capital necessary for economic diversification.

3. Government Effectiveness: the ability of government in providing public services, implementing policies, and managing resources efficiently is mandatory for long-term development. In Botswana, the score of 0.434 highlights robust public management, a competent bureaucracy, and effective policy execution (African Development Bank, 2023). This success has permitted Botswana to convert its diamond wealth into infrastructure, education, and business-friendly reforms. Algeria, on the other hand, scores -0.576, representing a considerable burden of bureaucracy, incompetent public service provision, and substantial state involvement in the economy (World Bank, 2023). The state-dominated hydrocarbon sector has delayed private-sector growth, restraining occasions for industrial diversification. The inadequacy conduct of Algeria's government is further echoed by the slow reply to economic crises and incapability to selecting corresponding modifications to reduce oil dependency⁴.

4. Rule of Law: The rule of law score of 0.517, in Botswana, is mainly driven by robust legal institutions and independent judiciary. The legal institutions in Botswana defend property rights, enforce contracts, and sustain business procedures, making it an attractive destination for investment. Algeria, with a score of -0.841, nevertheless, is adopting prominent strategies aiming at rebuilding strong legal structures, granting more freedom to the judicial sector, and adopting accurate decisions that reduce dependence on hydrocarbons and support economic diversification. These governance measures will incite investor confidence and encourage entrepreneurship that encourages economic reliance. Further, such procedures will fight bureaucratic corruption, inconsistent regulatory enforcement, and barriers to business expansion.

5. Regulatory Quality: The high score of 0.660, in Botswana, reflects a dedicated regulatory framework favourable to the business environment. It further enhances the ease of doing business, and mirrors investor-friendly policies (World Bank, 2021). Botswana has modernised business registration procedures, reduced bureaucratic red tape, and applied policies that endorse trade to help its manufacturing and provide supports to service sectors. On the other hand, the score of -0.964, in Algeria, indicates the burden of administrative routine and bureaucratic behaviour, as well as observed rigidity.

⁴ We highlight that these observations are not representative since 2020. The authorities have been taking considerable measurements to fight against bureaucratic practices, corruption attitudes, or enhance the public services. For further information, readers can find and consult these resources:

concerning labour regulations; it further reflects government intervention that hinders entrepreneurship (IMF, 2021). Public presence and its dominance over main industries, including hydrocarbons, restricts competition and prevents private sector to participate effectively in the economic activity making it difficult for Algeria to develop non-oil industries.

6. Voice and Accountability: citizen contribution in decision-making is decisive for long-term political and economic stability. Botswana's Voice and Accountability score of 0.537 highlights strong democratic institutions, media freedom, and public participation in policymaking. Citizens enjoy better political liberties and civil rights, which contribute to government accountability and actual policy representation. In contrast, Algeria's score of -0.979 should be interpreted by caution, due to regional and international variables. careful political freedoms, media supervision, and social accompaniment to engage in political activities efficiently are effective public choices that brought peace to Algeria since 2000, and make it out of social unrests registered in the Mediterranean region. These actions help the government to address public needs regarding unemployment, dealing with corruption, and economic misconduct.

4- Recommendations : The conducted analysis of Botswana and Algeria, shaded-light on some key recommendations that may help to enhance governance, resource management, and economic diversification in resource-rich nations, mainly in Algeria. The sere commendation sinclude :

- 1. Consolidating Institutional Governance and Anti-Corruption Procedures:** Algeria, since 2020, has been adopting rigorous policies aiming at enhancing its institutional climate through the approval of transparent governance policies and reinforcing anti-corruption measures. Algeria is, thus, aware that establishing independent agencies with legal autonomy and strengthening judicial independence can foster better trust in government and attract investor confidence.
- 2. Diversifying Economic Sectors Outside Resource Dependence:** the overreliance on hydrocarbons (over 90% of exports) renders Algeria vulnerable to external shocks. Further, Algeria should develop investments in vital sectors including: manufacturing, technology, financial services, and renewable energy. The encouragement of private-sector growth, through policy kits, ameliorates the climate to foreign direct investment, necessary to stimulate industrialization.
- 3. Improving doing-business milieu:** Algeria should reduce administrative processes, deals with bureaucracy, and defends property rights. The country

must execute reforms aiming at simplify business registration, enhancing contract enforcement, and promoting competition. In addition, the creation of special economic zones may attract investors and encourage industrial growth.

4. **Developing Human Capital and strengthening Education Systems:** skilled labor force is a vital key that supports economic diversification. In this regards, Algeria should increase technical and vocational education programs to prepare youth with relevant skills and competencies related to emerging industries. This is why Algeria is encouraging public-private partnerships in higher education and vocational training, to insure employability and entrepreneurship.
5. **Indorsing Renewable Energy and Infrastructure Development:** The transition towards sustainable energy sources can reduce hydrocarbon dependency in Algeria and opens up efforts to other activities. The investment in modern transport, energy, and numerical structure can boost Algeria's economic attractiveness and ensure integration to global trade.

5- Conclusion

This paper highlighted the importance of institutional role in framing economic performance. it showed that Botswana has exploited its mining revenues to build solid organisations, transparent governance, and a diversified economy, diminishing dependence on mining and encouraging private-sector growth. In contrast, Algeria's dependence on hydrocarbons and low institutional governance have delayed economic diversification and stability.

To get rid of the resource curse and attain long-term economic solidity, Algeria must adopt essential governance and economic restructurings. Establishing anti-corruption agendas, expanding industries, modernizing infrastructure, and promoting private-sector development are very essential in this regard. the case of Botswana reveals that relaying on resource wealth does not promise growth. However, effective governance, transparent institutions, and sound economic policies are main drivers of sustained economic prosperity. By applying these reforms, Algeria can transition towards a more comprehensive, multi-sectoral, and competitive economy, securing long-term growth beyond hydrocarbons.

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