

THE ROLE OF DEVELOPMENT PLANS IN THE PROMOTION OF THE ALGERIAN ECONOMY FROM 1967 TO 2014

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Abstract:

The aim of this paper is to shed light on the most important developmental stages in the Algerian economy since the independence until the end of 2014.

The Algerian government was interested on the matter after what the colonialism left of instability and underdevelopment, the oil crises of the eighties had an impact on the destabilization of Algerian economy as it was a rent economy, in order to better understand the role of the development plans, we have had this study which details each plan separately, and the most concluded thing is that despite all the efforts by the government it has not achieved the goals which are to be to be free Economic dependency, improving living standards and achieving economic development.

Keywords : Development plans, economic development; development programs

ملخص:

نهدف من خلال هذه الورقة البحثية إلى تسليط الضوء على أهم المراحل التنموية التي مر بها الاقتصاد الجزائري منذ الاستقلال وحتى نهاية سنة 2014.

فقد شغل الموضوع الحكومة الجزائرية بعدما خلفه الاستعمار من عدم استقرار وتخلف، كما كان لأزمة البترول في الثمانينيات أثر في زعزعة الاقتصاد الجزائري باعتباره اقتصاد ريعي، ومن أجل فهم أعمق لدور المخططات التنموية وضعنا هذه الدراسة التي تفصل كل مخطط على حدى، ومن أهم ما تم التوصل إليه هو أنه ورغم كل الجهود المبذولة من طرف الحكومة لكنها لم تصل إلى الأهداف المسطرة، والتي نعتبر أهمها الخروج من التبعية للخارج، وتحسين مستوى المعيشة وتحقيق التنمية الاقتصادية.

الكلمات الدالة: مخططات التنمية، التنمية الاقتصادية؛ برامج التنمية

❖ **Introduction:**

After independence, the Algerian state reviewed all the systems, especially the economic one; it adopted the socialist approach, which did not care about the establishment of public institutions that are the center of the economic process. However, in 1967, Algeria chose the medium-term plans to achieve real development, anyway, the objectives of development in this period were looking to promote economic independence, by establishing strong industries funded by Fuel revenues. But the pattern of development was higher than the size and the capacity to absorb the national economy, so there were delays in the completion of projects and high costs, which led to economic dependency.

After years of reforms and development programs, signs of economic and social development were evident, but it did not respond to Algerians' aspirations to improve living conditions and open jobs to eliminate unemployment. In the light of this introduction, we present the following problematic:

-Did the development plans contribute to the promotion of the Algerian economy?

-The importance of the study: The topic derives its importance from the place occupied by development programs in the economy, as these programs contribute in one way or another to the recovery of this economy through the available resources to achieve the objectives set.

-Objectives of the study:

- To clarify the most important programs applied in Algeria by determining the content of each program, highlighting the objectives and the main points reached
- Find solutions that enable Algeria to overcome dependency.
- We will address this study through the following points:
 1. Development plans after independence.
 2. Development plans for the 1980s.
 3. Conventions of the 1990s.
 4. Development programs after 1999.

❖ **First: Development plans after independence**

A- The tripartite plan 1967-1969: This plan is the first experience of Algeria in this area, where the parameters of the manufacturing model were determined. This plan is characterized by its lack of an integrated economic plan because it did not raise the issue of the overall economic balance. This plan aims to achieve the following: (1)

- Create as many jobs as possible.
- Satisfying the basic consumer needs of materials made to reduce imports.
- Making vehicles capable of creating heavy industries.

-B-The first quadrilateral plan 1970-1973: This plan was ambitious as it aimed to achieve an annual growth of 9%, and its objectives were in line with the strategy of social and economic development, which focused on: (2)

- Eliminating unemployment and poor employment.
- The establishment of iron and steel industries as the starting point of any metal or mechanical industry.
- Conversion of non-ferrous materials to the expansion of the mechanical and electrical industry.
- Develop the fertilizer industry that provides strategic products and development of the agricultural sector.

-C-The second quadrilateral plan 1970-1973:

A third medium-term development plan is a continuation of the first quadrilateral plan, as it seeks to achieve the objectives of the previous plan in addition to other objectives: (3)

- Investment in productive areas.
- The economic and social promotion of Algerian society as a whole.
- The balance between investment in the production of means of production and investment in the production of means of consumption.
- Completion of the late projects initiated during the first quadrilateral plan and the preparation of new projects.
- Development and growth of the material forces of society.
- Strengthen the links of economic cooperation and consultation among third world countries.

✓ **Results of the planning experiment during the period 1967-1979:**

The tripartite plan	- Gross domestic product increased (GPD) to 49.7 billion DA. - The number of employees increased to 1.893 million. - The total volume of investments increased to 13.12 billion dinars. - Regulation of foreign trade by a new tariff law. - Nationalization of mines and underground resources other than fuels and the banking system. - Regulation of the economy based on monopolies.
The quadrilateral plan 1	- The volume of actual investments increased to 36.3 billion DA - Operating high to 2.182 million - Value added of about 93 billion DA - Gross domestic product rose to 108.4 billion dinars - Creation of 6000 agricultural cooperatives for production and multi-service cooperatives.
The quadrilateral plan 2	- creation of 468 thousand new jobs; - The volume of gross domestic product decreased to 72.8 billion dinars - The average per capita income increased from 1793 JD to 2570 AD - Increase the average per capita consumption from 1487 AD to 2281 AD

-**The Source:** Prepared by the student based on reference: Djelid Nur Eddin, Bouafya Elrachid, reference already mentioned, page 130-131-133.

✓ **The Algerian investments (1967-1979)**

3.

-The source: Djelid Nur Eddin, Bouafya Elrachid, reference already mentioned, page 166
The Algerian experience in development until 1979 was characterized by a strong desire to

Plans investments	Pretrial plan	The quadrilateral plan 1	The quadrilateral plan 2	1978 1979		
	Achievement	Estimations	Achievements	Estimations	achievement	achievements
Agriculture	1.605	4.140	4.350	12.005	8.913	3.259
Manufacture	4.750	12.400	20.803	48.000	63.100	66.864
Total sections	9.121	27.740	36.297	110.210	93.200	106.759

emerge from the cycle of underdevelopment. However, this experiment was unsuccessful. The Algerian economies began to decline and weaken due to several factors such as economic dependence, demographic growth and export dependence on one product. Algeria did not achieve the desired goals.

✓ **Second: THE DEVELOPMENT PLANS FOR THE 1980s**

-A-The first pentagram plan 1980-1985: This plan outlines the directives emanating from the decisions of the Fourth Conference of the Party held in January 1979, which was aimed at: (4)

- Achieving the volume of investments estimated at 400 billion dinars in the fields of agriculture, irrigation, health, construction, reconstruction and others.
- Establishment of small enterprises.
- Improving regional distribution
- Approaching the decision-making centers to activity, defining responsibilities, valuing initiatives and competencies, and providing effective management tool

✓ ***First pentagram plan results:*** the result includes the following (5):

- Doubled the gross national product from 113 billion dinars in 1979 to 225 billion dinars in 1984.
- Investment achieved 87.5%.
- The creation of about 720000 jobs out of 1175000 i.e. 61%.

-B-The second pentagram plan 1985-1989 : it is an important stage in the economic and social development of the country and is generally aimed at: (6)

- Meet the growing needs of the growing population at a pace of 3.2% as growth continues for production and investments.
- Maintaining economic independence.
- Preserving the country's non-renewable resources.
- Reducing costs and deadlines for investment in all sectors.
- Improve the efficiency of the production apparatus and the intensive. -Development of all available human and material resources.

✓ ***The second pentagram plan results:*** This plan did not complete the period of 5 years until we objectively evaluate it, because in this period the Algerian economy experienced great difficulties due to the combination of the economic crisis represented in the oil crisis in 1986 and

the political crisis in 1988. These difficulties affected all sectors. In addition to the low incomes that fuel investments, growth has not been achieved, unemployment has not stopped rising, indebtedness and services have increased, and economic institutions have failed to achieve production and other forms.

*** Total investment during the period 1980-1989: (8) Unit: One million Algerian dinars**

The period	The first pentagram 1980-1984			The second pentagram 1985-1989			Total investments executed	
Investments	planned	executed	per	Planned	executed	per	Executed	per
Manufacture	154.5	77	23	174.2	93	25	170	24.6
Agriculture	47.1	33.14	10	79	41	11	74	10.7
Rest of sections	199	208	62	297	237	64	445	64.5
Total	400	335	100	550	371	100	689	100

- **The source:** *saleh salehi*, reference already mentioned

✓ **Third: Agreements of the 1990s:**

- Since 1989, Algeria has embarked on a series of economic reforms: the May 1989 agreement, the June 1991 agreement and the 1994-1998 agreement

- **A - The First Settlement Agreement** May 1989: Algeria entered into secret negotiations with the International Monetary Fund (IMF), under which it obtained a loan of 300 million AD in exchange for strict commitments in which Algeria would:

- follow a strict monetary policy.
- eliminating budget deficit.
- Continued devaluation of the dinar.
- Introduce greater flexibility on the price system.

✓ **Results of the agreement: (10)**

- M2 increased by 11.32% in 1990 compared to 1989, which led to inflation rising from 9.3% to 17.9%.

- granting independence to five public commercial banks.
- 19% increase in exports.
- Gross domestic product increased by 2.9% in 1989.
- The liberalization of prices of products that fall within the prices of consumption indices in 1990 by 40%.

- **B. The Second Settlement Agreement**, June 1991: For the second time, Algeria agreed with the International Monetary Fund (IMF) to obtain loans. The objectives of this agreement are:

- Liberalization of foreign trade.
- Reduction of targeted support for consumables.
- Devaluation of the national currency.
- raising interest rates.
- Control inflation through wage fixing.
- Reducing public expenditure and privatizing institutions.
- Freeing prices and reforming the tax and fiscal system.

✓ **Results of the agreement: (12)**

- The high exchange rate of the dollar for the dinar \$ 1 = 18,5 DA.
- The rebate rate increased from 10.5 in 1990 to 11.5 at the end of 1991 and 1992.
- Inflation rate reached 31.7% in 1992.

-C. The Third Settlement Agreement of April 1994: This Agreement was signed with the World Bank and aims to:

- Raising economic growth rate to 3% in 1994 and 6% in 1996.
- Maintaining the purchasing power of families and reducing the unemployment rate.
- Working to restore balance of payments.

✓ **Results of the Agreement: (14)**

- The aggravation of unemployment, which reached 21%.
- The high poverty rate of 14 million Algerians.

-D-The structural adjustment agreement 1995-1998: The objectives set by Algeria in its negotiations with the World Bank are:

- Achieving economic growth of 5% annually during 1995-1998.
- creating jobs and financing investments.
- Continuing the efforts of stability and financial stabilization by reducing the inflation rate to 10.3%.
- reducing pressure on the balance of payments.
- Achieving a reserve of exchange equivalent to three months of imports.
- reducing trade deficit.
- Reducing the burden of debt services to 45% -50% and searching for sources of external financing.
- Ensure protection of affected social groups.

✓ **Results of the agreement: (16)**

- The national economy is able to recover, with growth rates reaching 4.7% in 1998.
- A relative development in the current account due to the slight improvement in the price of oil and the improvement of agricultural yields.
- The general budget and the balance of payments have improved due to lower external debt pressure.
- The shut off of the holding companies and reducing their number from 11 to 5, and the start of process of privatization;
- The phenomenon of unemployment increased to 29.2% in 1999.
- High prices and declining per capita GDP below \$ 1500 in 1999.
- The deterioration of the health and education sectors.

✓ **Fourth: Development Programs after 1999**

- A - Economic Recovery Program 2001-2004: This program aims to achieve the following:
(18)

- Promotion of aggregate demand.
- Strengthening productive activities that create added value and provide jobs
- Reconstruction of infrastructure, especially those that allow the stimulation and strengthening of economic activity.
- Provide the necessary needs of the population in terms of human resource development.

✓ **The contents of the recovery program 2001-2004:** The program can be divided into four main programs, each program belongs to a specific sector and each sector consists of sub-sectors and the following table illustrates:

Unit: billion

DA

Years Section	2001	2002	2003	2004	total	Percentage %
Major works and base structures	110.7	70.2	37.6	2	210.5	40.1
Local and human development	71.8	72.8	53.1	6.5	204.2	38.8
Support to the agriculture and fishing sector	10.6	20.3	22.5	12	65.4	12.4
Support reforms	30	15	—	—	45	8.6
Total	205.4	185.9	113.9	20.5	525	100

-Source: Nabil Bouflih, An Evaluation *Study of the Economic Recovery Policy Applied in Algeria 2000-2014*, The Academy of Social Studies, No. 9, 20013, p.5.

✓ **The results of the economic recovery program 2001-2004:** The years 2001-2004 marked the revival of intensive economic development accompanied by the restoration of security across the country, and it reflected through several important results, including:

- Constant growth is about 3.8% over the five years and reached 6.8% in 2003.
- Unemployment drops from 29% to 24%.
- The completion of thousands of basal installations as well as the construction and delivery of thousands of prefabricated housing.
- Algeria achieved reserves of \$ 32.9 billion.
- Foreign debt fell from \$ 28.3 billion to \$ 22 billion.
- Domestic public debt shrank from 1059 billion dinars in 1999 to 911 billion dinars in 2003.

-B-The Supplementary Program to Support Growth 2005-2009: This program is part of the continuation of the programs and projects already approved and implemented within the framework of the Plan of Support for Economic Recovery 2001-2004. The objectives of this program are:

- Modernization and expansion of public services.
- improving the standard of living of individuals.
- Development of human resources and infrastructure.
- Raising economic growth rates.

✓ **Program content:** This huge program includes five main themes as follows:

- Improving the living conditions of the population 45.5%, or about 1908 billion DA.
- Development of basic facilities 40.5% or about 1703.1 billion DA.

- Support for economic development 8% about 337.2 billion DA.
- Development of the public service 4.8% about 203.9 billion DA.
- Development of communication technology 1.1% within 50 billion DA.

✓ **Results of the supplementary program to support growth:** The most important results of the program according to the report of the Bank of Algeria are: (22)

- An increase of 2.5% in the active population.
- Decrease in the unemployment rate compared to previous years to 10%.
- All sectors identified positive value-added growth except for fuels.
- An exceptional growth of the agricultural sector as a result of the abundance of grain, about 6.1 million tons.
- Strong contraction in olive production by 35.5%.
- Sloth the construction sector, public works and marketing services sector.
- High growth rate in industrial production to 5%.
- The value added of the fuels sector has declined since 2006, recording negative annual changes between 0.9% and 6%.

The effects of the pentagram plans can be summarized in the following table:

Sector		Economic Recovery Program		Supplementary program to support growth	
		2001	2004	2005	2009
liquidity ratio in circulation		58.4%	59.3%	53.8%	63.8%
Employment		27.3%	17.7%	15.3%	10.2%
Movement of related sectors	fuels		3.3%	5.8%	2.6%
	Agriculture		3.1%	1.9%	6%
	Industry		2.6%	2.5%	5%
	Building		8%	7.1%	10.9%
	Services		7.7%	5.6%	6.9%
Private Investment		The number of projects completed from 2002-2013 amounted to 52381 with a financed with 4663864 million AD			

Source: Prepared by the student based on: Djilid Nur Edin, Bouafia Elrachid, reference already mentioned page: 439,440.

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- Allam Othman, **a speech on the reality of the investment climate in Algeria with reference to the programs of economic recovery 2001-2014**, the first Arab forum of new economic contracts between legality and legislative stability, Sharm El Sheikh, 25-28 January 2015.

-C-Pentagram growth plan 2010-2014: The Council of Ministers initiated its work with the study of investments for the period from 2010 to 2014, this program is part of the national reconstruction dynamic which was first launched ten years ago in the economic recovery program in 2001, The Public Investment Program, which was developed for the period between 2010 and 2014, requires about 21.214 billion da, or 286 billion US dollars, that aims to:

-Completion of major projects currently being carried out in particular in the railway and road sectors.

- Improving human development.

- Connect one million homes to the natural gas network and supply 220,000 rural homes with electricity.

- improve the supply of potable water.

- Development of basic infrastructure and improvement of public service.

- Promotion of small and medium enterprises.

- Completion of new power plants and development of the petrochemical industry.

- Modernization of public institutions.

✓

Program content: The public investment program prioritized the human development by focusing on three dimensions: education, health and decent living. This can be illustrated by the following table:

-**Source:** Allam Othman, reference previously mentioned.

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Results of pentagram development program:

These results are (25)

- A decline in GDP growth to 2.8%.

Sector	Size Accreditation Billion DA	Percentage%
Human Development	10.122	49.5
Development Infrastructure	6.448	31.5
Improving the Public Service	1.666	8.1
Economic Development	1.566	7.6
Reducing unemployment	360	1.7
Scientific Research	250	1.6
Total	20.412	100

- GDP per capita increased to 2.07%.

- Unemployment decline from 11% in 2012 to 9.8% in 2013.

- The decline in the activity of the construction and public works sector to reach 6.6% in 2013.

- The fuels sector declined for the eighth year in a row and lost more than 29.5% of its value added within 8 years.

-D-The pentagram Plan for the Growth of Algeria2015-2019 : This plan encourages investment in the main sectors of the green economy (agriculture, water, recycling and waste recovery ...). Algeria sees the green economy as a mean to implement sustainable development goals, to create jobs, to promote innovation and reduce poverty. The plan aims to achieve an annual growth rate of 7% and to improve the standard of living of individuals.

We note that the plan of the program was based on the assumption that the price of oil is \$ 100 per barrel, and the rate of exchange is \$ 1 = 79 dinars, and based on these assumptions, 280

billion dollars was allocated to the program, equivalent to 22100 billion dinars, 27 but by the end of 2014 and the beginning The year 2015 something was not expected happened, oil prices collapsed, which affected the objectives of the program, the government began to adopt a policy of austerity that affected all aspects state of concern was all over Algeria, it took instructions to reduce the costs of recruitment competitions and sponsorship of foreign delegations, and also to close public institutions and lay off workers, and other arbitrary measures against citizens, 28 and the impact of the so-called austerity measures continues until the balance of payments and the public treasury have been reached.

✓

Conclusion:

As a conclusion to this study, it can be said that despite all the efforts made by the Algerian state through the programs, development plans and international agreements since independence until today to achieve stability and development, it did not restructure the balance due to its reliance on some sectors, Where no economy can be built on a single resource, because this makes it vulnerable to shocks, a fuel-based economy and investments financed from the revenues of the latter, means that if this sector is affected by any decline in prices will impede the march of programs and achieve goals, This is what we see in the pentagram program 2015-2019, as low oil prices have hindered the progress of the development program and have had a negative effect on achieving the objectives.

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