



The Impact of Government Support Policies on Investment Attractiveness

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Abstract;

This research paper aims to examine the role of government support policies in diversifying the Algerian economy, based on an inventory of the main support mechanisms employed by the government, an assessment of the associated costs, and the outcomes achieved.

The study has concluded with a set of findings that confirm the limited effectiveness of Government support mechanisms in diversifying the economy and attracting investments, alongside an increasing financial burden on the state budget and the emergence of adverse effects that hinder the process of attracting investments. In this regard, the authorities must change the Government support policies currently in place and adopt other, more effective measures and mechanisms to achieve economic diversification.

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1. INTRODUCTION

Support policy is a social policy that seeks to provide assistance to members of society; it is a tool used by governments to ensure social support for individuals and to foster positive economic outcomes by linking demographic growth with economic growth, which has long-term benefits in stimulating domestic demand and creating cohesive and stable societies. Through this policy, the state provides for the basic social needs of members of society, thereby raising the overall standard of living, Government support constitutes one aspect of the state's public expenditure on economic requirements, involving the implementation of a range of economic policies designed to protect the poor and those on low incomes by subsidising everyday goods and services such as education, health support and basic foodstuffs, amongst others, to ensure they enjoy a dignified life and a decent standard of living.

The Government support system serves as a mechanism for channelling oil revenues into the national economy and is considered a key method for distributing these revenues across different socio-economic groups. It is regarded as a fundamental factor influencing increased production, whether by stimulating output growth or by providing the human resources necessary to achieve it, and is therefore of paramount importance in achieving Economic development.

In light of the above, the **problem** can be formulated as follows:

How does Algeria's Government support policy affect the attraction of investments?

This study is based on the premise that the state treasury bears major and increasing expenses, and that the efforts made are not reflected in the results achieved in terms of enhancing the performance of the economic sector; furthermore, many support practices have had negative consequences on the performance of this sector.

Significance of the study: This study is significant because the transition from generalised to targeted Government support in Algeria has become an economic and social issue that must be discussed, particularly in the context of equality between the rich and the poor and the benefits derived from it.

Methodology and Structure of the Research: Given that the study of this issue involves numerous aspects, we will employ a descriptive approach to collate and classify various information relating to Government support, both theoretically and practically, drawing on national and international sources as well as national government documents. We will also use an analytical approach to examine and analyse various data and information in order to reach conclusions and formulate recommendations. To this end, this study will address the following points:

- A general introduction to Government support;
- Government support in Algeria.

- The economic approach to Government support policies in the period 2025–2026

1. A general introduction to Government support.

Support policy is considered an effective means of addressing market imbalances, as it works to create a balance between domestic and international prices, and aims to achieve social, political and economic objectives. Government support represents the totality of monetary and in-kind expenditure borne by the state and provided to individuals to improve their standard of living, or to producers to develop the manufacturing and service sectors.

1.1 The Concept of Government Support

There are many definitions of Government support, given the variety of its types and objectives; therefore, we will present some definitions according to various researchers and international organisations.

- a. Definition by the World Trade Organisation:** Government support is defined as: “an amount of money provided from public funds to assist a particular sector or to maintain the price of a particular product or service at a low level”. (OMC, 2026) The Organisation’s definition is based on three key elements, namely:
 - a direct or indirect financial contribution;
 - provided by public authorities or any public body;
 - this contribution confers an advantage in obtaining the good or service at a lower price.
- b. Richard Stone’s definition:** He defines it as: “Expenditure incurred by a public authority with the aim of enabling people to obtain a good or service at a lower price than they would otherwise have had to pay, taking the form of payments to producers to cover costs or representing the difference between purchase and sale prices borne by the public authority paying for this price support.” (Richard, S, 1947).
- c. Definition from Encyclopaedia Britannica:** A subsidy is: “an economic privilege or concession granted by the government to private companies, households or other government units in order to further a public objective; it includes social welfare payments aimed at improving inequalities in income distribution and other government programmes designed to mitigate the effects of market forces”. (The Editors of Encyclopaedia Britannica, 2026)

Government support is also defined as: “any assistance from the government that enables customers to purchase goods and services at prices lower than those offered by the fully competitive private sector, or that increases producers’ revenues compared to the revenue they would have received without such intervention”. (Quadar meriem, 2020, p. 15)

d. Definition of Government support according to the Algerian Ministry of Finance: The Algerian Ministry of Finance defines Government support as a set of benefits provided by the state to individuals, whether as consumers or as producers, and in a direct (explicit) or indirect manner. This support aims to alleviate the burden of living costs on the poor and low-income groups, as well as to promote the redistribution of national income in favour of the lower-income groups in society, thereby contributing to a degree of social justice (Hanouf Abdelrahman and Kamach Hussein, 2025, p. 126)

In general, Government support can be defined as: “cash or non-cash assistance provided by the state to individuals free of charge, either directly or indirectly, with the aim of achieving specific objectives”.

1.2 Objectives of Government support:

Through the implementation of its Government support policy, the state seeks to achieve a range of objectives, whether economic, social or political.

a. Economic objectives: These can be summarised as follows:

- Providing infrastructure and support services for productive sectors and various activities;
- Stimulating the country’s economic growth by increasing effective demand as a result of higher incomes and Investments;
- Diversifying the economic base and its structure by supporting non-oil productive sectors, thereby diversifying sources of national income;
- Encouraging exports by reducing production costs and making prices more competitive in global markets;
- Stimulating domestic demand for local products to compete with imported goods;
- Achieving food security, either by providing food from local production or by ensuring access to food, given that production subsidy helps to reduce prices for consumers.

b. Social objectives: These include:

- Maintaining national security, such as food security;
- Redistributing national income and wealth among social groups;
- Reducing unemployment rates by creating job opportunities through an increase in the number of economic projects;
- Enabling lower-income groups to access basic goods and services at prices lower than their actual market value, which improves nutritional standards and consequently raises

individuals' health levels, leading to increased work capacity and Productivity, and thereby raising living standards;

– Addressing and reducing poverty.

c. Political objectives: Some states occasionally provide Government support for political purposes; for example, in the event of a political crisis, the state may resort to reducing the prices of basic consumer goods to instil a sense of reassurance and defuse existing tensions, a practice referred to by some economists as 'buying social peace'.

1.3 Types and forms of Government support:

Government support is a vital policy that contributes to increasing government expenditure; however, these policies vary according to the type of goods and services supported and the groups that benefit from them.

A. Types of government support: The types of support can be categorised as follows: demand-side support and supply-side support.

- **Demand-side support or consumption subsidy:** This is support provided by the government to consumers, either directly or indirectly, to improve their purchasing power for a range of consumer goods and services.
- **Supply subsidies: 'offer subsidy'** This includes, in particular: Production subsidies, Export subsidies and Employment subsidies

b. Forms of Government support: Government support can take various forms, the most important of which are:

- **Cash subsidies: 'Cash subsidy:'** This involves the government providing a sum of money in cash to the beneficiary.
- **Tax concessions:** This support takes the form of a reduction in the tax or quasi-tax burden (such as employee contributions). This usually benefits emerging and strategic sectors, or employers who hire the unemployed.
- **Assumption of risk:** This support usually takes the form of loan guarantees and loans granted on preferential terms to the beneficiary, or the assumption of commercial or political risks in the case of international transactions,
- **Government purchase policies:** This support takes the form of a state commitment to purchase the product from the producer, and is particularly common for agricultural products. Through this, the government seeks to stimulate production, build up strategic reserves of essential foodstuffs, and activate mechanisms to regulate supply and prices.

- **Purchase of company shares on the stock exchange ‘Stock purchases:’** Governments may, to varying degrees, purchase shares in certain companies in order to keep their share prices at a certain level. This is done particularly in times of crisis and emergency to keep companies afloat and prevent them from going bankrupt; in other cases, the government repays or buys up their debts.

1.4 Objectives of government support, and their drawbacks:

Government support is among the measures employed by the government to avoid ‘market failures’ and ‘externalities’, with a view to achieving greater consumer welfare and optimal economic efficiency, or to fulfil an objective in the common public interest.

Among the most important of these **objectives** are:

- Reducing and controlling prices: particularly for goods subject to fluctuations in the international market, such as fuel and widely consumed goods;
- Achieving a greater supply of products;
- Avoiding the long-term decline of certain sectors, such as those that need to be kept active, including agriculture, livestock farming and the fishing industry;
- Achieving geostrategic objectives by supporting strategic and vital industries.
- However, in many cases, support measures deviate from their objectives and cause the following **drawbacks**:
- Supply disruptions: low prices may lead to a sudden surge in demand that suppliers cannot meet. Increased demand may also lead to a sudden rise in prices;
- Difficulty in measuring the effectiveness of support;
- Governments resorting to raising taxes to finance support expenditure.
- Excessive consumption of subsidised products to the point of wastefulness due to their low prices and availability in significant quantities;
- Violation of the principle of social justice, as Government support benefits all sections of society, whether poor or rich, which contradicts the fundamental objective of Government support;
- The smuggling of subsidised goods across borders as a result of price differentials;
- A budget deficit resulting from the huge sums allocated to Government support rather than being directed towards other, more productive economic sectors and infrastructure development; (Fettouche Fatma, 2023, p. 26)

- Rising inflation rates and an increase in the exchange rate of foreign currency against the local currency due to the budget deficit and domestic and external borrowing. (Houhou Fatoum, Taybi Hamza, and Issawi Siham, 2023, p. 1016)

2. Government support in Algeria.

The support policy is a social policy that seeks to provide assistance to members of society; it is a tool used by the Algerian government to ensure social support for individuals and to foster positive economic outcomes by linking demographic growth with economic growth.

2.1 Efforts and the trajectory of Government support in Algeria:

Although Algeria adopted a market economy model in the early 1990s due to various factors, foremost among which were the debt crisis and structural adjustment policies resulting from its reliance on the International Monetary Fund, and the accompanying consolidation of the Central Bank's independence through the enactment of the Monetary and Credit Law 90/10 on 14 April 1990, and its initiation of a privatisation policy and the accompanying layoffs, the social option has always remained strongly present, particularly with the start of the second millennium and the rise in oil prices, which saw a recovery until 2014.

This approach took shape particularly in the scale and growth of Social transfers, through: (Ahmed Bilali, 2025, pp. 203-204)

- the adoption of an economic approach centred on government spending as the driver of growth and the economy, as evident in the state's various five-year plans;
- The state's adoption during these periods of support policies to subsidise basic consumer goods, including fuel;
- Interest rate reduction;
- Support for interest rates;
- Intensive financing for various housing programmes, and other forms of explicit and implicit government support;

2.2 Forms of government support in Algeria:

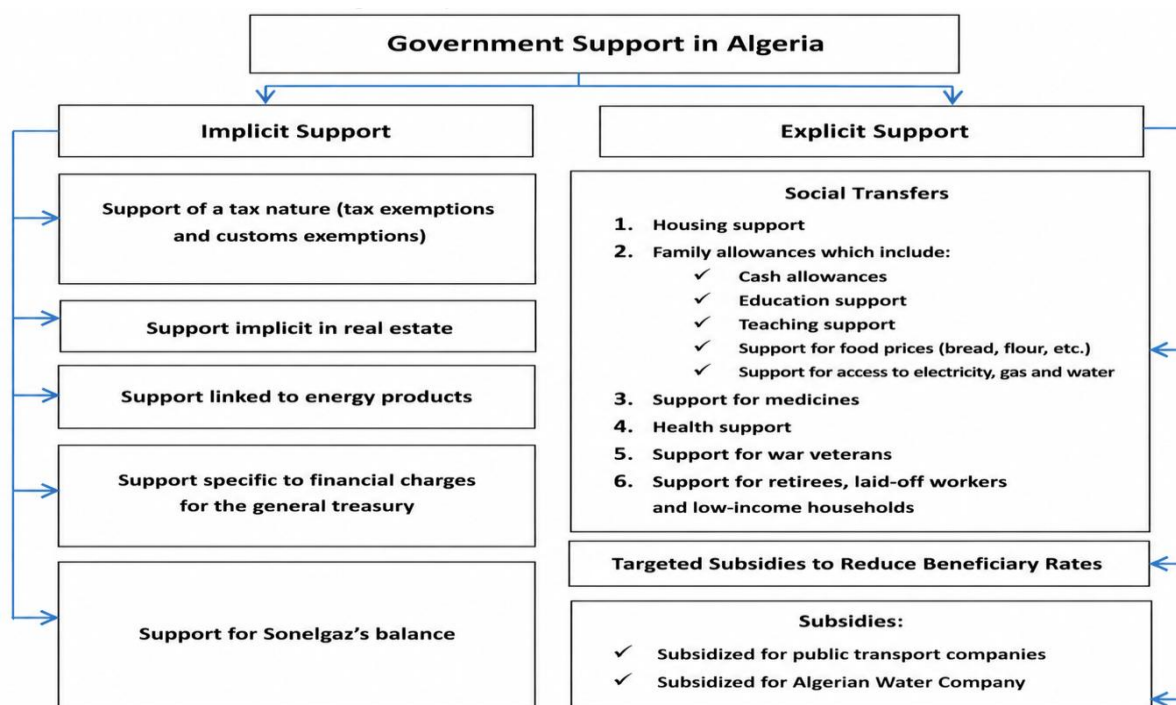
The Algerian government has adopted various forms of support, including explicit and implicit government support, with the aim of implementing government support policies and Social transfers to ensure they reach those entitled to them and to reinforce the fundamental objectives for which government support was established. The forms of government support vary due to the different groups and segments they cover. Among the forms of government support in Algeria, (Aboubakr Hansal and Saadia Ben Ahmed, 2018, p. 114) the following are worth noting:

- a. **Health support:** Algeria attaches great importance to the health of its citizens. This support takes the form of providing free medical treatment in various public institutions and assistance in obtaining medicines through the ‘Shifa’ card, from which more than 30 million people benefit, according to the Minister of Labour, Employment and Social Security. It also includes the prevention of infectious diseases and epidemics through vaccinations. (Hamidan, Asmahan, and Jlit, Al-Tahir, 2024, p. 47)
- b. **Housing support:** Under international human rights law, adequate housing is recognised as a human right within the framework of the right to an adequate standard of living. Consequently, successive governments have relied on compliance with such laws; therefore, within the framework of Housing support, we find various housing schemes subject to specific conditions under which citizens can obtain decent housing that preserves their dignity. Among these, social housing is granted to groups classified as belonging to the most disadvantaged social class or living in precarious conditions. There is also subsidised transitional housing, which is granted to those on middle incomes, as well as rent-to-buy schemes. These are the most significant schemes, having gained considerable popularity and raised high hopes for alleviating the housing crisis in Algeria; they are aimed at those on middle incomes and above. (Ministry of Housing and Urban Development, 2024)
- c. **Family support:** This form of Social transfers targeted at families ensures the following: (Mohamed Rafaa and Mourad Jnidi, 2023, p. 101)
- d. **Electricity subsidy, water and gas:** Since independence, Algeria has focused on developing and supporting the electricity and gas infrastructure and providing these services at affordable prices in order to improve citizens’ lives and the country’s economic situation, particularly by diversifying and upgrading these resources. On the other hand, Algeria has prioritised water, as set out in Executive Decree No. 13-05 of 9 January 2005, which updates the pricing rules for public services relating to the supply of drinking water and sanitation, as well as the associated tariffs.
- e. **Support for education:** The education sector has received special attention as it is a highly sensitive sector; consequently, significant funds have been allocated to it to improve general conditions within the sector, provided in the form of scholarships, free textbooks, and the provision of meals, transport, accommodation and school supplies.
- f. **Basic goods support:** Algeria, like many other countries, provides substantial support for basic goods to stabilise domestic prices, such as subsidies for milk, bread, cereals, oil and other subsidised goods. This takes the form of consumer support, whilst other forms of support are directed towards producers, such as support for farmers through direct aid at various stages of agricultural production.

- g. Support for veterans and pensioners:** Algeria has a unique system for support for veterans, which plays a significant role in improving their social, health and psychological well-being. This is achieved through social security coverage for veterans, the provision of equipment and the establishment of rest centres for veterans and war invalids. Pensioners also receive Government support through the National pension fund.
- h. Support for people with special needs and those on low incomes:** This group benefits from significant social support through the deployment of social solidarity mechanisms, such as monthly financial grants and grants provided by the Social Integration Agency.

The forms of Government support in Algeria are illustrated in Figure 1.

Figure 1: Forms of Government support in Algeria.



Source: (Hassan Dandan Fathi, 2023, p. 118)

2.3 Mechanisms of Government support in Algeria:

As mentioned earlier, government support in Algeria relies on two main forms of support: Explicit government support and Implicit government support. Since independence and under the socialist system, the Algerian state adopted a support policy that involves universal government support, using its revenues from the hydrocarbons sector, which accounts for the largest share of GDP. The aim of this policy was to reduce poverty rates and improve people's standard of living. However, with the onset of the 1990s and as a result of the economic reforms imposed by the International Monetary Fund and the World Bank, Algeria shifted towards a market economy, leading to the emergence of class inequality. This shift prompted the state to expand its Government support policies with the aim of achieving political, economic and social objectives.

Five main types of subsidies implemented by Algeria since independence can be distinguished:

- Basic goods support,
- Repayment and purchase of public enterprise debts,
- Repayment of bank debts for private economic operators,
- Support for productive activities through special funds,
- Waiver of taxes and fees for investment activities.

With the exception of the first type of support, all forms of support were directed at economic agents (both public and private) involved in the production of goods and services, as illustrated in Table 1.

a. Price support for basic goods:

This is the support provided by the government to consumers, either directly or indirectly, to improve their purchasing power for a range of consumer goods and services. This is summarised in Table 1.

Table 1: Commodity subsidy in Algeria Unit: billion Algerian dinars

Energy Products	Type and Form of Support	Volume of Support	Share of Support Relative to Total		
			Public Expenditures	General Transfers	Result
Diesel, gasoline, liquefied petroleum gas (LPG)	Price support	585 billion	11%	7.4%	3%
Electricity, natural gas	Price support + implicit subsidy	1,034 billion	20.8%	14.1%	5.5%
Total energy product support		1,585 billion	31.8%	21.5%	8.5%
Wheat and semolina	Price support + implicit subsidy	206 billion	4.1%	2.8%	1.1%
White sugar, refined oil	Price support + implicit subsidy	17 billion	0.3%	0.2%	0.1%
Powdered milk for infants	Price support + implicit subsidy	78 billion	1.5%	1%	0.4%
Total food support		303 billion	6%	4%	1.6%

Source: (Hanouf Abdelrahman and Kamach Hussein, 2025, p. 130)

According to a report by the Arab Monetary Fund published in 2022, the relative distribution of total commodity subsidies allocated in Algeria shows significant variation between product types, with cooking gas accounting for around half of the Energy subsidies, with butane accounting for 27.1% and methane for 23.5%. This is followed by Petroleum products, which account for a total share of 27.4%, comprising petrol (15.8%), diesel (5.8%) and liquefied petroleum gas (5.8%), then

comes Electricity subsidy, which represents 21.6% of total subsidies allocated to energy products, As for food subsidies, cereals and their derivatives account for nearly two-thirds of the subsidies allocated to food, at 66.3%, followed by milk at 22.4%, and vegetable oil at 11.2%.

In this context, it is worth noting the variety of mechanisms used to implement support policies in Algeria. For example, regarding electricity, the price of natural gas used as a feedstock for electricity generation is subsidised, followed by electricity subsidy alongside a tax reduction for the income bracket comprising less than 20% of the population. As for cooking gas, price support covers the price of natural gas used to produce methane, followed by a consumption subsidy on the price of cooking gas with a tax reduction on consumption for the segment comprising less than 20% of the population, and then subsidies for the remaining segments. As for butane gas, the price of the natural gas used to produce it is subsidised.

Table No. (02): Evolution of the structure of Social transfers in Algeria 202 Unit: million dinar

Support for Retirees, Laid-off Workers and Low-income Households	Support for War Veterans	Medicines Support	Health Support	Family Allowances Support	Housing Support	Years
168,372	198,395	288,379	354,687	453,359	384,333	2020
209,568	196,600	290,752	340,645	468,987	420,947	2021
207,596	196,050	332,528	361,116	597,689	247,025	2022

Source: (Hanouf Abdelrahman and Kamach Hussein, 2025, p. 131)

An analysis of Table 2 shows that family support during the years 2020, 2021 and 2022 ranks first in the overall composition of support, covering several key areas such as family allowances, education and price support for basic consumer goods, in addition to electricity subsidy, gas and water services. Housing support ranks second in terms of importance during 2020 and 2021, whilst in 2022 health support takes second place, followed by pensioners' support. Support for veterans and the needy, meanwhile, recorded similar figures.

b. Repayment and purchase of debts of public companies:

For economic objectives, and particularly social objectives linked to the preservation of jobs, the repayment and purchase of public sector companies' debts held by banks has become an established practice in government policy. Article 217 of Law No. 75 -59 of 26 September 1975, comprising the Commercial Code, prohibited the declaration of bankruptcy and liquidation of companies

owned by the State and local authorities, until it was partially amended by Legislative Decree No. 93-08 of 25 April 1993.

The debts of public sector institutions were previously written off through the State Treasury granting loans to insolvent companies under Articles 34 and 35 of the Finance Act of 1970, which were unable to repay them. This practice changed with the establishment of the first legal framework for the restructuring of public institutions under Article 143 of the Finance Act of 1991, which established the so-called '**Public Institutions Debt Restructuring Fund**'. Furthermore, Article 148 of the same Act authorised the Treasury to **repurchase debts** held by banks and banking institutions against public institutions. Under Article 84 of the 2005 Finance Act, the financial appropriations allocated for the financial restructuring of public enterprises were to be included in the Finance Acts. This measure was reversed under Article 63 of the 2009 Finance Act, which once again authorised the Treasury to carry out financial restructuring of public institutions and enterprises facing structural difficulties.

The 2024 Finance Bill provides for the debt relief of public economic institutions facing financial difficulties, amounting to 200 billion dinars. This is equivalent to 20 trillion centimes. (Finance Act, 2024)

c. Repayment of bank debts for private economic operators:

This mechanism specifically concerned economic operators in the agricultural sector, enabling them to repay their debts in order to restore their ability to meet their obligations and regain their capacity for self-financing. This was provided for under Article 37 of the Supplementary Finance Act of 2001, which authorised the Treasury to settle the debts of this category towards the State and banking institutions by issuing Annual interest rate bonds at an annual interest rate of 6% in favour of the Bank for Agricultural Development and Rural Development, to be repaid over 20 years in lieu of those debts.

d. Waiver of the collection of taxes and fees for investment activities:

It has already been noted that this mechanism falls under the category of implicit support that does not appear in the budget items; however, it entails an opportunity cost and can be viewed as lost revenue, as the tax legislative framework includes numerous Tax exemptions for the benefit of economic institutions and public and private economic agents.

Referring to the new Investment Law No. 22 - 18 of 24 July 2022, which follows the model of previous investment laws and includes the waiver of numerous taxes and fees, we find that this system incorporates new principles to encourage investments, various financial incentive schemes, under which Investments benefit, namely:

- the incentive scheme for priority sectors, known as the ‘Sector Scheme’;
- the incentive scheme for regions to which the State attaches particular importance, known as the ‘Regional Scheme’;
- the incentive scheme for structural investments, known as the “Structural Investments Scheme”.

For example, the incentive scheme for the Sectors Scheme includes a range of tax exemptions, whether in respect of

- the implementation phase, the following exemptions apply:
- Exemption from customs duties on imported goods used directly in the implementation of the investment;
- Exemption from value added tax on imported or locally purchased goods and services used directly in the implementation of the investment;
- Exemption from the payment of transfer duties and land registration fees for all real estate acquisitions
- made within the framework of the investment in question;
- Exemption from registration fees imposed on company incorporation deeds and capital increases;
- Exemption from registration fees, property registration fees and national property levies relating to the right of concession over built and unbuilt real estate intended for the completion of investment projects;
- Exemption from property tax on real estate falling within the scope of the Investments for a period of 10 years, starting from the date of acquisition

As for the completion phase, for a period ranging from three to five years from the date of commencement of operation, there is an exemption from corporation tax, as well as an exemption from the professional activity tax. It should be noted that there are also exemptions specific to the remaining two schemes (the Zones Scheme and the Structured Investments Scheme), whether during the construction phase or the operational phase for each.

3. The economic approach to government support policy for the period 2025–2026:

Algeria’s government support system is one of the largest in North Africa, covering energy, basic goods, public services, housing, education and health support, and accounting for a significant proportion of the public budget.

Algeria's public budget for **2026** is the largest in the country's history, with total allocations exceeding **\$135 billion** (approximately 17,636 billion Algerian dinars), an increase of \$8 billion on the 2025 budget.

Social transfers and direct transfers are estimated at 5,100 to 6,000 billion Algerian dinars (12 to 14% of Gross domestic product), and when implicit government support—such as the provision of energy, water and gas at below-cost prices—is added, the total bill amounts to 20–22% of Gross domestic product (8,400 to 9,300 billion Algerian dinars).

Table 2: Implicit government support in the 2026 budget

Sector	Allocated Amount	Details
Mass Consumption Goods	5 billion USD	Cereals, milk, water
Unemployment Allowance	3 billion USD	Transfers to more than two million beneficiaries
Wage Bill	45 billion USD	Represents one third of the state budget, with an increase of 4.1%
Public Investment	31 billion USD	Infrastructure projects
Electricity and Gas	963.9 billion DZD	Energy subsidies (Finance Law 2026)
National Defense	3,505 billion DZD	Largest item in the budget
Education	1,792 billion DZD	Primary education and vocational training
Higher Education	779.5 billion DZD	Universities and scientific research
Health	137.9 billion DZD	Hospitals and medical equipment
Housing	344.5 billion DZD	10,000 public housing units

Source: (Finance Act, Finance Act, 2026)

3.1 Role of government support in the development of the Agricultural sector:

Emphasising the strategic importance of the agricultural sector, the President of the Republic stressed that “agriculture must become a genuine driver of inclusive economic growth through the intensification of production, including strategic agri-food sectors, and also through the promotion of Integrated development across all rural areas”.

The President's strategic vision crystallised around the need to lay the foundations of agricultural policy to reduce vulnerabilities and encourage the emergence of sound and rational governance of agriculture and rural areas by involving and empowering all stakeholders, whether public or private.

This support policy has been achieved primarily through a review of the support mechanism based on the following principles: (Support measures for the farming community, 2024)

- Redirecting support towards agricultural production sectors of strategic importance given their role in the local food system (cereals, pulses, milk, meat, etc.);
- Support directed towards collection channels and supply chains for various sectors (cereals, milk, potatoes, industrial tomatoes, seeds and seedlings, etc.);

- Rational simplification of support granted for key inputs to the agricultural sector (calves, fertilisers, agricultural machinery, irrigation equipment, etc.);
- Prioritising the preservation and development of the seed and seedling sector for animal and plant production;
- Selecting targets for investments in agricultural enterprises, taking into account the monitoring and oversight capabilities of the Agricultural administration;
- Securing farmers' incomes, ensuring their stability and protecting consumers through support for regulatory measures (storage grants and reference intervention prices) for commodities with a broad consumer base (cereals, milk, potatoes, meat, onions);
- Intervening in integrated rural areas in a manner adapted to the characteristics of agricultural ecosystems (combating desertification and managing catchment areas, etc.);
- Meeting the support and assistance needs of small-scale farmers and livestock breeders through rural renewal programmes.

The aim of adapting the instruments of intervention and methods of support for Agricultural development and rural development is to:

- Promote a stimulating and secure environment for farmers and key players in the agri-food sector, and establish an appropriate support policy;
- Develop and strengthen regulatory tools and procedures;
- Support producers in priority sectors;
- Develop the capacity of public institutions, agencies and agricultural cooperatives to implement development programmes and regulatory measures.

3.2 Support for the Tourism sector

The main mechanism for supporting tourism is the Fund for the Support of Investment, Promotion and Quality of Tourism Activities (FSPT057-302), which was established under Article 70 of the 2008 Finance Act, replacing the Fund for the Allocation of Contributions for Tourism Promotion established under Article 117 of the 1989 Finance Act. Executive Decree No. 112-90 of 17 April 1990, as amended and supplemented, defines the revenue and expenditure of this account. The Fund finances expenditure related to tourism promotion, as well as all other expenditure related to supporting the implementation of tourism investment projects. (El-Hajj Ben Sha'a, 2021, p. 762)

a. Privileges relating to the acquisition of property:

The plot of land on which the project is located may be: (Ministry of Tourism and Traditional Industries, 2025)

- Private property.
- A lease.
- Property belonging to the State's private assets.

If the plot of land on which the project is situated is located within a tourism development zone, the prior opinion of the National Tourism Development Agency and the approval of the Minister responsible for tourism are required.

b. Concession granted at the local level with the following benefits: (Ministry of Tourism and Traditional Industries, 2025)

- The annual lease royalty represents 1/33 of the commercial value of the plot of land subject to the concession
- Reduction of the annual lease royalty for the concession of the plot of land:
- 90% during the construction period, from one to three years.
- 50% during the operational period, from one to three years.
- A nominal dinar per square metre (m²) for a period of ten (10) years for the southern provinces and the High Plateau.
- A nominal dinar per square metre (m²) for a period of fifteen (15) years for the Greater South provinces.

3.3 Support for the investment sector

The tax legislation comprises no fewer than 490 tax exemptions. Set out below are the key provisions establishing tax exemptions relating to investments, and those relating to extractive activities (hydrocarbons and mining).

a. Tax and customs exemptions to promote investments:

The most important legal framework in this area is Law No. 16 -09 of 3 August 2016 on investment, which continued to grant the privileges provided for since the first Investment Promotion Act of 1993. This text grants, in particular, exemption from customs duties and value added tax on imported goods and services directly used in the implementation of the investment, as well as exemption from or reduction of income tax and other charges. Tax incentives relating to investments also include those concerning the employment of young people, the employment of the unemployed (CNAC), the National Agency for Micro-Credit Management (ANGEM), and preferential tax regimes for the assembly industries known as CKD and SKD.

b. Interest rate reduction and guarantees for private sector loans from banks:

The following are the most important mechanisms put in place by the government in this area: (Ben Chaâ, 2021, pp. 763–764)

- **Interest rate reduction on loans:** This applies in particular to small and medium-sized enterprises. This measure is provided for in Article 86 of the 2005 Finance Act, and Executive Decree No. 06-319 of 18 September 2006, as amended and supplemented. The reduction is paid from the public treasury to the lending institution through special allocation account 302-062, entitled ‘Interest rate reduction on investment’.
- **Loan guarantee fund for Small and Medium-sized Enterprises:** Established by Executive Decree No. 02-373 of 11 November 2002, as amended by Executive Decree No. 17 - 193 of 11 June 2017. The Loan Guarantee Fund aims to guarantee investment loans obtained by small and medium-sized enterprises by providing guarantees for loans granted by banks and financial institutions to small and medium-sized enterprises in the following areas: business start-ups, equipment renewal, business expansion, equity investments, and support, particularly for export operations. The Loan guarantee fund also pays compensation to cover any outstanding guaranteed loans.
- **Loan guarantee fund for Investments by Small and Medium-sized Enterprises:** It was established by Presidential Decree No. 04-134 dated 19 April 2004, which contains the Fund’s founding law. It is a joint-stock company with a capital of 30 billion dinars.

The Fund aims to guarantee the repayment of bank loans taken out by small and medium-sized enterprises to finance investments in goods and services relating to the establishment, expansion and modernisation of the enterprise’s facilities. The maximum amount of loans eligible for guarantee is 250 million dinars; the risks covered by the Loan guarantee fund include non-repayment of loans granted and judicial settlement or liquidation.

c. Tax and customs exemptions for extractive activities:

The laws governing hydrocarbon activities (Law No. 19-13 of 11 December 2019) and mining (Law No. 14-05 of 24 February 2014) grant exemptions from customs duties, fees and value-added tax relating to equipment, materials, products and services associated with these activities, in addition to exemptions from other taxes and fees.

3.4 The impact of Government economic support on economic sectors

The industry sector in Algeria is facing a number of problems and difficulties that have prevented it from developing and achieving its set economic objectives which necessitates the adoption of a series of measures to overcome these problems.

a. Obstacles to the transforming industry:

The transforming industry sector in Algeria faces difficult conditions due to numerous problems and obstacles that have hindered its development and growth, thereby increasing reliance on foreign imports to meet the basic needs of the population. Among these obstacles are:

- Problems relating to the failure to enforce legislation and laws;
- Financing issues;
- Marketing-related issues. (Zerman Mohamed and Gardi Mohamed, 2020, p. 16)

b. Tourism:

Despite the support programmes from which the Tourism sector has benefited, the sector remains stagnant, with its contribution to gross domestic product (GDP) not exceeding 1.7%, which is roughly the same as the figure at the start of the millennium (1.8%).

According to a report issued by the World Tourism Organisation (UNWTO) for 2022, tourism in Algeria contributes around 1.5% of Gross domestic product. This percentage is considered relatively low compared to many countries that rely heavily on tourism as a main source of income. (Erm, 2025)

3.5 Mechanisms for the transition from universal support to targeted support in Algeria

Despite the effectiveness of support in reducing poverty rates and providing housing support, studies indicate the inefficiency of the current system (universal support) and the misappropriation of part of it by ineligible groups, which has prompted the government to move towards reforming the system to provide targeted support to those who are eligible. The transition from universal Government support to selective targeted support can be achieved by following the following mechanisms:

a. Identifying the target group that is eligible for support:

The target group eligible for support is considered to be the poor in society, who suffer from a severe reduction in their income level or a complete lack thereof. This group is divided into two categories: The first is the group living in poverty, and the second is the group living below the poverty line, a group that lacks the ability to meet even the most basic needs on the hierarchy of human needs.

b. Identifying mechanisms for targeting those eligible for support:

Support policy is vital to ensure that support reaches those who deserve it, particularly in light of the significant rise in prices. Efforts must be made to improve living standards in a scientific and systematic manner, which requires conducting accurate scientific studies aimed at rationalising

support policy, in addition to tightening control over all stages of the movement of subsidised goods. (Hamad Arafa, 2005, pp. 17-18)

c. Financial Capacity Index or Household Income Index:

The minimum income threshold allowing a household to benefit from subsidies is determined through a mechanism based on collecting information regarding the gross income of households or individuals. This requires either a visit by an official from the office overseeing the allocation of subsidies to the home of the family or individual wishing to benefit, or a visit by the person concerned to the office designated for the programme. Electronic registration may also be used for this purpose.

d. Transition from a comprehensive support system to a Smart card system:

To increase the chances of success of subsidy reform, the state can transition from a comprehensive support system to a Smart card system, or what is known as ration cards or in-kind support. These are cards issued to the eligible target group, specifying the types of goods (foodstuffs, energy commodities) and the quantities that can be purchased at subsidised prices through them. Among the countries that follow this system are Iraq, Kuwait and Egypt. In Egypt, for example: began using ration cards in the mid-1960s, and through this system, the International Monetary Fund's proposals to replace universal subsidies with direct Cash subsidies were adopted. (Miloud Nasser and Merki Abdullah, 2023, pp. 574-575)

Conclusion

Given the decline in purchasing power and living standards, particularly during the period of economic reform, coupled with high levels of Inflation in the Algerian economy and the latter's heavy reliance on oil revenues, and in order to meet and provide for people's basic needs—such as education, housing, healthcare and food—and others in a manner commensurate with their limited income, the state had to intervene in the Algerian economy through Government support policies, either by providing these services at low cost or free of charge, or by offering support either to producers through reduced production costs or to consumers through lower prices for basic goods, or by providing direct cash transfers to those in need.

The results of our assessment of the Government support policy, based on an economic approach, indicate that the policy played a role in:

- Algeria relies heavily on the Government support policy as a tool for providing social protection and sharing the wealth derived from natural resources;
- Government support policy in Algeria places significant pressure on the state budget and the balance of payments;

- In implementing its government support policy, the Algerian state relies on the principle of consumption subsidy at the expense of production, resulting in an irrational consumption pattern of subsidised products;
- The state allocates more than a fifth of its budget to subsidies, which take the form of final expenditure that adds no value to the economy and contributes significantly to keeping current expenditure at high levels;
- A decline in the consumption efficiency of the price support policy, as it leads to excessive consumption and waste of subsidised goods due to their low prices;
- The Government support system, in its current form, is largely regressive and benefits wealthy households more than poor ones.

Finally, we conclude with some **recommendations** aimed at reconciling Government support with the stimulation of investments, which we summarise as follows:

- Reforming the comprehensive subsidy system by using direct subsidies or ration cards, which has become an urgent necessity, particularly if the government genuinely intends to implement fiscal consolidation measures to resolve the Public budget deficit
- Reform the Investment Law (16-09): introduce tax and customs incentives and exemptions for investment projects to reduce reliance on rentier income.
- Accelerate the pace of project establishment and facilitate access to affordable property and investment licences.
- Redirecting support towards small and medium-sized enterprises: funding innovative and start-up projects instead of direct consumption subsidies, and equipping enterprises to boost national production.
- Public-private partnership: involving the private sector in major projects (infrastructure, energy, renewable energy) to promote economic diversification.
- Modernising the banking system: Facilitating bank loans and digitalisation to ensure transparency and the effective channelling of support to actual projects.

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