

Economic Impact of Government Support Policies in Algeria: Evidence from 2010 to 2020

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Abstract:

This study examines the economic effects of government support policies in Algeria between 2010 and 2020. It assesses their role in improving key indicators such as production growth, labor productivity, human capital accumulation, and price stability.

The findings show that these policies have supported economic activity and income redistribution but at a high fiscal cost to the public treasury. This financial burden raises concerns about long-term sustainability, particularly amid fluctuating oil revenues.

The study highlights the need for targeted support reforms that maintain social protection while enhancing economic efficiency. Overall, supports have had a mixed impact, stimulated short-term growth but posed risks to fiscal balance and resource allocation.

Keywords: Government support in Algeria, explicit support, implicit support, economic efficiency.

1. INTRODUCTION

For decades, government support policies have served as a crucial tool for many countries to achieve various political, social, and economic objectives, especially in developing nations. Due to several factors, these countries are in greater need of effective support systems and broader financial resources to face poverty and provide social protection for their populations as they progress toward development.

Like other nations worldwide, Algeria has given important attention to the issue of government support since its independence, particularly from the early 1970s to the present day. The country has adopted a social policy toward its citizens through an economic system with a social dimension, given the living standards of the Algerian people.

According to preliminary reports on finance laws, particularly the 2020 report, government support and social transfers accounted for approximately 8.4% of the Gross Domestic Product (GDP) and about 23% of the state budget. The cost of these supports has been steadily increasing each year, becoming a financial burden on public finances. Support policies continue to be a challenge to economic growth due to their competing expenses, including supports for healthcare, education, consumer goods, retirees, veterans, low-income individuals, and people with special needs. This challenge has been particularly appeared since the decline in oil prices in early 2015, as Algerian economy relies heavily on the hydrocarbons sector, which constitutes the largest share of its GDP.

Research Problem:

Based on the previously discussed points, the research problem can be formulated in the following question: **To what extent has government support policy contributed to improving certain economic indicators in Algeria during the period (2010-2020)?**

Research Hypothesis :

The research hypothesis is based on the premise that government support policies have a positive impact on key macroeconomic variables in Algeria. These policies contribute to improving economic sector production, increasing human capital accumulation, boosting real consumption, stabilizing prices, increasing real income for individuals, and improving income redistribution. However, they also impose a significant financial burden on the public treasury.

Research Objectives:

This research aims to clarify and analyze the following aspects:

- Gaining a comprehensive understanding of government support policies, including their conceptual foundations and the key arguments both in favor of and against their implementation.
- Exploring the different forms of government support in Algeria that can be implemented.
- Examining the reality of government support policies in Algeria, including both explicit and implicit support.
- Identifying the impact of government support policies in Algeria on key economic indicators during the period (2010-2020).

Research Methodology:

Given the nature and significance of the study, the research primarily relies on the deductive approach using descriptive and analytical methods. This approach is particularly useful in reviewing the concepts related to government support policies, analyzing the implementation of explicit and implicit support policies in Algeria, and assessing their impact on key economic variables such as production growth, human capital accumulation, real consumption, price stability, and income and wealth redistribution.

2. The Theoretical Framework of Government Support Policy.

Government support policies have long been a subject of debate among economists and economic systems, with both advocates and critics expressing their views throughout history. In recent years, the topic has gained significant attention, with increasing calls for reforms in government support policies, despite their crucial economic and social dimensions.

2.1 The Concept of Government Support:

The term "support" originates from the Latin word *Subsidium*, meaning assistance, aid, or protection. Support is a part of social policy aimed at protecting the poor and vulnerable from rising prices and ensuring wealth redistribution across society. Additionally, it is used to protect producers, encourage exports, shield emerging domestic industries from foreign competition, and support employment by reducing costs for businesses (Future, 2014, p. 02).

Given the various types and objectives of government support, its definitions differ. Below are some key definitions from major international organizations :

- World Bank Definition: Government support includes financial aid, social benefits, grants, and various non-repayable and uncompensated transfers in current accounts provided to public and private institutions. It also includes supports given to foreign countries and international organizations, as well as social assistance benefits, social security, and in-kind or monetary employer-provided social benefits (**Aloua, 2016, p. 09**).
- International Monetary Fund (IMF) Definition: Support refers to non-compensated current payments provided by government units to enterprises based on their level of production activity or the quantity, value, production, sale, export, or import of goods and services.
- World Trade Organization (WTO) Definition: A support is a sum of money allocated from public funds to support a specific sector or to maintain the price of a product or service at a low level (**WTO, 2006, p. 49**).
- Food and Agriculture Organization (FAO) Definition: Support is a cash or in-kind program aimed at reducing poverty through wealth redistribution and ensuring a minimum level of well-being by providing basic food needs or assisting families in managing financial risks (**Zaid, 2019, p. 157**).
- Economic Reform Programs Definition: Government support is defined as assistance provided to producers or consumers without compensation. It may take the form of credit through loans at interest rates lower than the government's borrowing rate, tax relief (tax supports), government purchases of goods and services at prices above market rates (supply supports), implicit payments through regulatory actions supporting market prices (regulatory support), or maintaining exchange rates higher than market rates (exchange rate supports) (**Al-Taie, 2014, p. 66**).

In general terms, government support may be defined as financial or in-kind assistance extended by the state, either directly or indirectly and without expectation of compensation, to individuals or groups within society, with the overarching aim of fulfilling specific, pre-established policy objectives.

2.2 Forms of Government Support :

The types and forms of government support vary depending on the nature of the subsidized goods and services, the beneficiary groups (whether consumers or producers), and the intended objectives. Price supports may be targeted at specific pre-defined groups or applied

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universally. Support can be cash-based or in-kind, and it may be provided directly or indirectly to eligible recipients.

The forms of supports, in terms of their burden on the general budget, are divided into direct or explicit supports, which consist of financial allocations included in the government's general budget for subsidized goods and services, and indirect or implicit supports, which involve the state foregoing a portion of its due public revenues to reduce the financial cost of subsidized goods and services below the supply and distribution cost (Ismail, 2018, p. 14).

Table 01: Forms of Government Support.

Type of Support	Definition	Objective
Direct Primary Distributive Support	Direct cash support to individuals and entities.	Redistributing national income and increasing individuals' purchasing power.
Indirect Primary Distributive Support	Providing goods and services at a price lower than their actual cost.	Indirectly influencing national income redistribution.
Direct Transfer Support	A support that shifts purchasing power by targeting specific individuals.	Increasing individuals' monetary income, such as social security benefits, disability allowances, and public debt interest supports.
Indirect Transfer Support	A support that alters purchasing power through free goods and services.	Increasing real income indirectly, such as supports for reduced credit costs or the distribution of free services.
Supplementary Government Support	A support provided by the government due to its social importance.	Meeting basic needs such as healthcare and education services.
Interventionist Government Support	A support for the production of specific goods or to direct individual productive activities.	Supporting the country's economic transition from a centrally planned economy to a market economy.
Direct Support	Cash support aimed at maintaining consumers' purchasing power.	Stabilizing prices, curbing inflation, and preserving real income for low-income individuals.
Indirect Support	The difference between the production cost of goods and services in the public sector and the price set by the government for selling them to individuals or businesses in both public and private sectors.	Reducing the production costs of goods and services, such as tax and customs exemptions for specific projects and institutions, as well as low-interest or interest-free loans.
Economic Credit Support	Cash support for producers to lower product prices and make them more accessible.	Reducing social inequalities between high- and low-income groups to achieve economic justice.

Social Credit Support	Cash support for government employees, funded by tax revenues from all citizens, and provided to low-income individuals without requiring any service in return.	Mitigating rising prices and helping large families cope with living expenses. This type of support is particularly applied in certain countries.
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Source: The Future Jordan Economic Observatory, Restructuring Supports: Economic and Social Impact, The Future Jordan Economic Observatory, Jordan, 2014, p. 02.

2.3 Government Supports: A Comparison Between Cash and In-Kind Support, and Rejection.

Opinions differ regarding the type of support that should be adopted. Some argue that cash supports are more effective than in-kind supports, while others hold the opposite view. Additionally, there are perspectives that oppose supports altogether. The arguments for and against supports can be summarized as follows (**Mendelson & Fellow, 2020, pp. 07-08**):

2.3.1 Arguments Supporting In-Kind Supports:

- Lack of accurate information makes it difficult to identify households that genuinely need support. In such cases, it is preferable to subsidize essential goods consumed by the most impoverished groups.
- High inflation rates erode the real value of cash supports, making them less effective in providing tangible support to low-income groups.
- Weak institutional and regulatory frameworks may lead to cash supports being misallocated to those who do not actually qualify for them.

2.3.2 Arguments Supporting Cash Supports :

- There is a significant challenge in accurately identifying eligible recipients for cash supports.
- There is a risk that some deserving individuals might be excluded from receiving support, while others who do not qualify may benefit instead.

2.3.3 Arguments Opposing Government Supports (Both Cash and In-Kind):

While some debates focus on whether cash or in-kind supports are more effective, certain perspectives reject government supports altogether. International organizations, such as the World Trade Organization (WTO), require member states to gradually phase out supports on goods involved in international trade as a prerequisite for membership.

Meanwhile, the International Monetary Fund (IMF) and the World Bank advocate for economic reforms centered on price liberalization and the gradual elimination of supports. Their recommendations include (**Al-Maqbali & Mohamed, 2012, p. 72**):

- Liberalizing prices for all goods and services.

- Deregulating interest rates, both on loans and deposits.
- Floating exchange rates, allowing them to be determined by market forces.
- Abolishing all forms of government supports on goods and services.

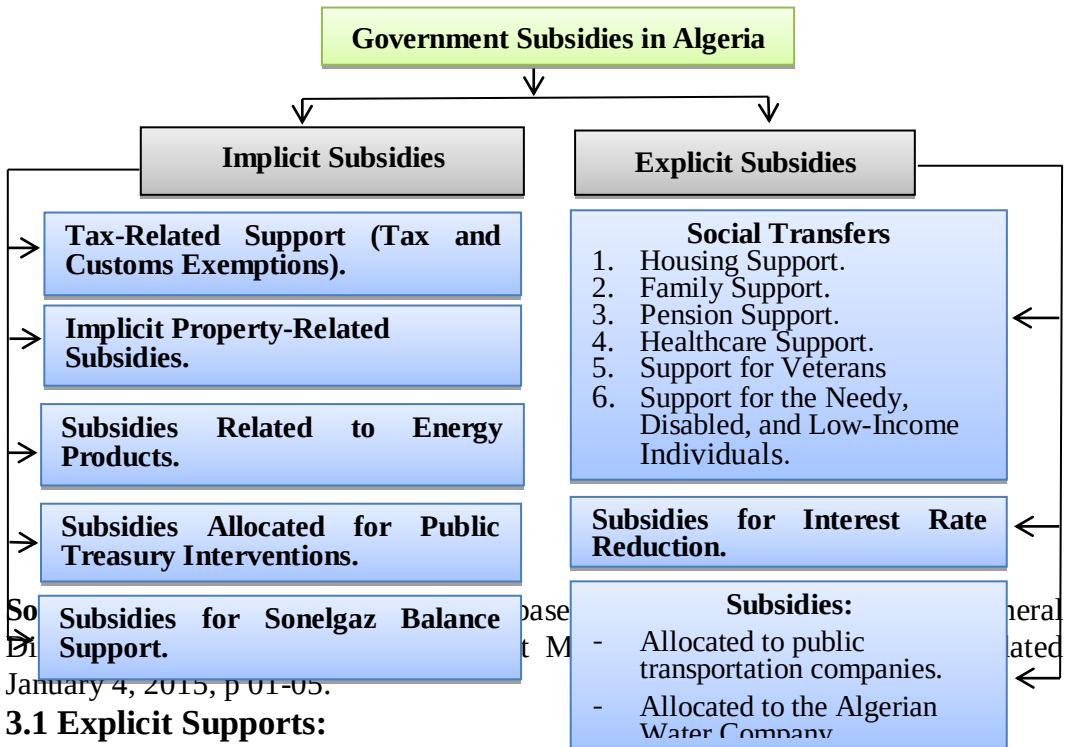
3. The Reality of Government Support Policy in Algeria (2010-2020).

The government support policy in Algeria is based on two primary forms of supports: explicit supports and implicit supports.

- **Explicit Supports:** These are direct financial aids included in the state budget and have a clear cost. They primarily cover housing, essential consumer food products, education, electricity, gas, water, interest rate supports, and healthcare services.
- **Implicit Supports:** These do not appear directly in the state budget despite their significant share of total supports and GDP. They include energy supports, housing assistance, and support for certain public institutions.

The following section provides a detailed overview of the key forms and mechanisms of government supports in Algeria.

Figure 01: Types of Government Supports in Algeria.



3.1 Explicit Supports:

These are public expenditures explicitly and clearly recorded in the general budget. This category is listed as an expense borne by the state's

general budget and consists of social transfers, supports aimed at reducing interest rates, and supports allocated to public companies. These will be detailed in the following tables.

Table No. (02): Explicit Supports in Algeria During The Period (2010-2020).

Unit : Billion DZD

Years		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Housing Support		324.52	754.15	461.71	250.63	255.19	403.28	471.29	304.93	396.07	396.98	384.33
Family Support	Family Allowances	44.43	41.64	41.41	41.89	42.48	41.81	42.72	41.59	36.30	34.33	41.84
	Education Support	87.60	89.23	90.19	100.31	103.01	109.48	114.43	116.72	111.84	121.46	130.81
	Price Support	96.15	279.12	215.63	197.41	213.69	246.82	224.50	182.13	197.72	208.41	198.79
	Electricity, Gas, and Water Support	90.45	82.37	76.02	65.97	62.96	81.52	62.84	65.11	81.75	88.85	81.92
	Total Family Support	318.63	492.37	423.24	405.58	422.14	479.64	444.48	405.54	427.59	453.05	453.36
Retirement Pension Support		144.03	139.52	249.95	257.94	252.10	251.31	243.51	236.78	256.21	281.97	288.38
Health Support		199.28	367.82	364.85	263.71	320.48	325.20	321.34	330.19	330.21	336.87	354.68
Veterans' Support		124.05	125.70	156.93	171.94	180.56	198.22	197.72	197.86	200.45	198.90	198.40
Support for the Needy and Disabled		128.76	185.53	211.82	224.57	178.66	172.67	163.22	149.63	153.29	153.00	168.37
Total Government Transfers		1239.26	2065.07	1868.50	1574.36	1609.12	1830.31	1841.57	1624.92	1763.82	1820.77	1847.52
Transfers as a Percentage of the General Budget (%)		26.6	34.8	24.1	22.9	21	20.9	23.1	23.6	20.4	21.3	23
Transfers as a Percentage of GDP (%)		10.3	14.3	11.6	9.5	9.3	11	9.8	8.7	8.7	8.8	8.4

Source: Ministry of Finance, Presentation Report on the Finance Law Project for (2015-2020).

From the table above, it is observed that social transfers exceeded one-fifth of the state budget during the period (2010-2020). Family support ranks first, including (compensations, education, prices of widely consumed goods, and electricity, gas, and water), with financial amounts ranging between 318 billion DZD and 453 billion DZD during the period. Housing support ranks second, with financial amounts ranging from 324 billion DZD

in 2013 to a peak of approximately 754 billion DZD in 2011, which is double the amounts recorded in other years.

Healthcare support ranks third, with the highest amount recorded in 2011 at approximately 367 billion DZD and the lowest at around 199 billion DZD in 2010. This is followed by pension support, then assistance to veterans, the needy, and low-income individuals. It is also worth noting that within family support, supports for essential goods (such as grains and milk) accounted for half of the total allocated amount, followed by education support, which represented a quarter of the total amount for families, and then supports for electricity, gas, and water.

As seen in Table (02), supports accounted for more than 20% of general budget expenditures between 2010 and 2020. Despite the decline in international oil prices after 2014 and the subsequent drop in revenues, supports continued to increase, reaching 21.3% of budget expenditures in 2019 and 23% in 2020, with a financial allocation of approximately 1847 billion DZD.

It is also evident that explicit supports account for between 8% and 14% of the Gross Domestic Product (GDP), benefiting various segments of society, including healthcare, education, and housing support, as well as aid for the needy, people with special needs, and veterans.

3.2 Implicit Supports:

This refers to implicit supports provided by the state through the waiver of due revenues or the repurchase of debts associated with financial imbalances of certain economic entities. Due to the lack of sufficient data on implicit support allocations for unknown reasons, we have chosen to discuss the available data for the period (2012-2015). The following table illustrates this.

**Table No. (03): Development of Implicit Support Allocations in Algeria
During the Period (2012-2015).**

Designation	2012	2013	2014	2015
Tax Exemptions	942.6	1081	957	867.484

Real Estate-Related Supports		65.8	66.85	56.3	//
Treasury Interventions		//	//	10	//
Implicit Supports for Energy Prices	- Implicit Fuel Price Support	777.5	818.20	630	//
	- Implicit Gas Price Support for Electricity Production	622	684.20	315	//
	Implicit Gas Price Support for Final Consumption	525.5	578.05	441	//
	Total (Energy-Related Implicit Supports)	1923	2080.45	1386	1300
Implicit Support for Sonelgaz Balance		0	0	154.3	0
Total Implicit Supports		2931.4	3228.3	2560.6	2167.48
Implicit Supports as a Percentage of GDP (%)		18.1	19.4	14.9	12.83

Unit : Billion DZD

Source: Hensal Aboubakr, Ben Ahmed Saadia, The Strategy of Government Supports Applied in Algeria from the Perspective of Economic Efficiency and Achieving Social Justice, Journal of Advanced Economic Studies, Vol. 03, No. 01, 2018, p. 122.

From Table No. (03), we observe that the value of implicit support reached approximately 2931.4 billion DZD, equivalent to 37.8 billion USD or 18.1% of the GDP in 2012. In 2013, it amounted to 3228.3 billion DZD, then decreased to 2560.6 billion DZD in 2014, and further declined to 2167.4 billion DZD in 2015, equating to 12.8% of the GDP.

Thus, implicit supports saw a significant increase between 2012 and 2013 but declined in 2014 and 2015. We also note that energy support represents the largest share of total implicit supports, accounting for more than 65% of total implicit support in 2012. Additionally, the total implicit support is heavily influenced by energy supports, which in turn are affected by global oil prices.

This is clearly evident in the decline recorded in 2014 and 2015, which was due to the decrease in energy support, influenced by the drop in global oil prices during the same period. Energy support in Algeria is impacted by the narrowing price gap of energy products upon import and the local subsidized price gap, which correlates positively with global oil prices.

Following energy support, tax exemptions rank second, constituting approximately 37% of total implicit support in 2014, more than 32% in 2012 and 2013, and around 40% in 2015.

4. The Economic Effects of the Government Support Policy in Algeria During the Period (2010-2020).

The government support system plays a positive role in improving economic indicators according to economic theory. These indicators include economic growth, unemployment reduction, price stability, consumption enhancement, increased welfare, and income redistribution.

4.1 The Contribution of Government Supports to Stimulating Production Growth:

The government support system encourages increased production, thereby boosting non-oil GDP growth. This is achieved by influencing either final demand or production costs. Supports provide additional purchasing power to households or serve as a form of supplementary income, such as assistance for low-income families, people with disabilities, and retirees. Additionally, supports help reduce production costs in sectors that benefit from non-imported support (Al-Khatib, 2008, p. 07).

Like other oil-producing nations, Algeria relies heavily on the support system to enhance household purchasing power through financial aid. It also reduces production costs across various sectors, ultimately contributing to non-oil GDP growth. Some of the key sectors benefiting from this support include:

- **Construction Sector:** Housing supports drive demand in the construction industry by making housing more affordable for different social groups. Between 2010 and 2020, more than 3.8 million families received individual housing units.
- **Building Materials Production:** This sector is closely linked to construction. Increased construction activity leads to higher demand for building materials such as cement, steel bars, and other essential materials, thereby stimulating production in this sector.
- **Transport Sector:** Energy supports aim to lower service costs in this sector. Fuel is a major production input in transportation and represents a significant expense. Lowering energy prices allows for better allocation of economic resources within this sector.
- **Industrial Sector:** This sector is energy-intensive and benefits from energy supports similarly to the transport sector. Reducing production costs through subsidized energy enhances the sector's competitiveness in local markets against foreign goods and improves its position in international markets. Algeria utilizes energy supports as an incentive to attract foreign

investors, promoting investment and increasing production in the industrial sector. This ultimately leads to better economic resource allocation in the sector.

Thus, the government support system stimulates production by either increasing overall demand or reducing the costs of producing goods and services. The following table illustrates the development of national production in the sectors that have been incentivized.

Table No. (04): Development of National Production in Key Sectors (2010-2020).

Unit : Million DZD.

Years	Construction & Public Works Sector Production	Building Materials Production Sector	Transport Sector Production	Industrial Sector Production
2010	1,194,113.50	70,523.30	933,707.60	430,053.90
2011	1,262,566.70	74,846.90	1,074,147.70	459,199.50
2012	1,411,159.60	75,897.50	1,194,841.70	508,313.50
2013	1,569,313.50	80,347.10	1,462,802.20	536,828.30
2014	1,730,198.10	88,038.10	1,559,347.70	583,995.20
2015	1,859,784.50	109,152.20	1,665,379.80	629,451.50
2016	1,993,653.10	115,544.20	1,800,357.00	656,837.20
2017	2,117,392.90	121,221.20	1,973,037.90	694,106.20
2018	2,254,104.90	126,152.10	2,157,095.20	740,832.90
2019	2,400,389.60	117,010.50	2,244,879.10	787,134.70
2020	2,285,088.50	113,415.60	2,044,064.70	772,182.80

Source: ONS, Retrospective of Economic Accounts (2010-2020).

From the previous table, we observe a significant recovery in the construction and public works sector as well as the transport sector, while the building materials production sector experienced a more moderate increase.

- Construction and Public Works Sector: National production in this sector rose from 1,194 billion DZD in 2010 to 2,400 billion DZD in 2019, more than doubling during this period.
- Transport Sector: Similarly, the sector saw production growth of more than twice its initial value, increasing from 933 billion DZD in 2010 to 2,245 billion DZD in 2019.
- Building Materials Production Sector: Production increased from 70 billion DZD in 2010 to 117 billion DZD in 2019, marking an increase of over 60%.

- Industrial Sector: National production grew by approximately 79%, rising from 430 billion DZD in 2010 to 772 billion DZD in 2020.

Thus, it can be concluded that government support policies have contributed to the increase in national production across these sectors, either by stimulating demand or reducing production costs. Consequently, these policies have played a key role in economic recovery and growth acceleration.

4.2 The Contribution of Government Supports to Increasing Worker Productivity and Human Capital Accumulation:

Human capital is defined as "a stock of economically productive human capabilities." The accumulation of human capital occurs through spending on education, training, skill acquisition, investment in healthcare, and nutrition. There is no faster or more effective way to improve living standards than direct investment in human well-being. A healthy and well-educated individual not only ensures a better quality of life for themselves and their family but also contributes to national wealth and progress.

Human capital consists of skills, knowledge, and health capacities developed throughout an individual's life. This process requires access to healthcare, nutrition, quality education, and skill-building opportunities. The government support system plays a crucial role in human capital investment, particularly in education, by striving to eradicate illiteracy and assisting students, especially those from disadvantaged backgrounds, in continuing their studies.

In addition to education, government supports enhance the practical and physical efficiency of individuals by providing free healthcare services, as mentioned earlier. A healthy worker is far more productive than one suffering from poor health. The better an individual's health, the higher their productivity; conversely, declining health leads to reduced production. Therefore, improving public health significantly boosts economic output.

Beyond healthcare, government supports also support social welfare by providing family allowances and retirement benefits through periodic increases in pensions. This is crucial for economic growth, as it contributes to social stability. Retirement is one of the major concerns that preoccupy individuals, increasing their anxiety about the future.

The following table (Table No. 05) illustrates the development of key government support outputs in human capital investment indicators.

**Table No. (05): Development of Human Capital Investment
Indicator (2010-2022).**

Years	Illiteracy Rate (%)	Probability of Survival at Birth (%)	Malnutrition Prevalence (% of Population)	Number of University Graduates
2010	18.34	76.3	4.6	199767
2011	16.54	76.5	4.0	246743
2012	15.10	76.4	3.3	233879
2013	13.91	77.0	3.1	288602
2014	12.82	77.2	2.9	271430
2015	11.86	77.1	2.8	311976
2016	10.99	77.6	2.8	292683
2017	10.16	77.6	2.7	303100
2018	9.44	77.7	2.5	362983
2019	8.71	77.8	2.5	//
2020	8.71	76.3	//	//

Source : ONS, Statistical Retrospective (2010-2020).

From the previous table, we observe an improvement in human capital indicators, as the illiteracy rate decreased from 18.34% to 8.71%. Although the education support policy has not entirely eradicated illiteracy, it has significantly reduced the number of individuals who are unable to read and write. This contributes to enhancing worker efficiency in production, as a literate worker has a higher marginal productivity than an illiterate one.

Regarding the higher education sector, there has been an increase in the number of individuals acquiring scientific knowledge and advanced skills. The number of university graduates rose from 199000 in 2010 to 362000 in 2018, marking an 81% increase. This has led to the accumulation of a highly skilled human capital pool of over 2.5 million people during the period (2010-2018).

As for healthcare services, we also observe a continuous rise in life expectancy, increasing from 76.3 in 2010 to 77.8 in 2019, before declining to 76.3 in 2020 due to the repercussions of the COVID-19 crisis. Despite this, the average life expectancy during the study period stood at 77.04 years, confirming a continuous improvement in the overall health of most individuals in society.

Moreover, ensuring a minimum level of nutrition through the provision of essential food commodities at lower prices has led to a decline in the malnutrition rate from 4.6% to 2.5% of the total population. This indicates an improvement in the physical well-being of individuals. Although the percentage is not ideal given the volume of social transfers, it has improved due to easier access to food.

In addition to education support contributing to the development of scientific and physical capabilities, government supports have played a role in providing healthcare, ensuring access to essential food at affordable prices, and facilitating housing acquisition—either through lower-cost housing programs or free housing in rural areas. This confirms that government support policies serve as a form of investment in human capital, leading to its continuous accumulation and growth.

4.3 The Contribution of Government Support Policy to Increasing Real Consumption:

It is well known that low-income and poor households have a higher propensity to consume. Therefore, direct support allocations are primarily directed toward consumption. To understand the impact of government support policies on consumption in Algeria, it is essential to analyze it in terms of real consumption rather than nominal consumption. The following table illustrates the evolution of real consumption per capita over time.

Table No. (06): Evolution of Final Nominal and Real Household Consumption and Final Real Consumption per Capita (2010-2022).

Unit : Million DZD

Years	Final Nominal Household Consumption	Consumer Price Index	Final Real Household Consumption	Final Real Consumption per Capita (DZD)
2010	4,043,142.10	136.23	2,967,879.40	82,491.51
2011	4,470,710.10	142.39	3,139,764.10	85,512.54
2012	5,123,908.50	155.05	3,304,681.39	88,136.59
2013	5,674,376.50	160.10	3,544,270.14	92,546.94
2014	6,162,718.60	164.77	3,740,194.57	95,622.91
2015	6,745,300.20	172.65	3,906,921.63	97,763.47
2016	7,330,482.00	183.70	3,990,463.80	97,719.26
2017	7,913,253.80	193.97	4,079,627.67	97,783.55
2018	8,438,416.70	202.25	4,172,270.31	97,991.22
2019	8,748,021.60	206.20	4,242,493.50	97,699.28
2020	8,688,577.80	215.21	4,114,299.55	92,991.13

Source: Prepared by the researcher based on:

- ONS : Rétrospective Statistique (2010-2020).
- Ministry of Finance: General Directorate of Forecasting and Policies.

From Table No. (06), it is evident that there has been a continuous increase in both real and nominal consumption. The period (2010-2015) witnessed higher growth in real consumption, ranging between 5% and 7%,

increasing from 2,967 billion DZD in 2010 to 3,906 billion DZD in 2015, marking a rise of 939 million DZD.

Additionally, individual consumption experienced a steady increase during the period (2010-2018), rising from 82,000 DZD to 97,000 DZD, with a growth rate of 18.29%. However, in 2019, there was a slight decline, followed by a more significant drop in 2020 of more than 5,000 DZD.

Thus, the period (2010-2022) saw an improvement in individuals' well-being through increased consumption levels. This indicates that the rise in household income was not merely nominal but real, achieved through the government support system by increasing the incomes of the poor while simultaneously controlling price hikes by stabilizing the prices of essential goods.

Therefore, we will now examine the role of price support policies in maintaining price stability and their impact on increasing real consumption and real income.

4.4 Government Support and Its Role in Price Stabilization and Increasing Real Incomes:

The best way to assess the impact of subsidizing essential goods on price stability is by determining the Consumer Price Index (CPI) in the absence of supports. It is well known that subsidized goods, such as table oil, sugar, grains, and milk, are largely imported from international markets. As a result, their prices are directly affected by global market fluctuations-when prices rise internationally, they also rise domestically, and vice versa.

Thus, if supports were removed, the price index of these goods in international markets would directly reflect in domestic market prices. The following table illustrates this scenario by replacing local price indices with international price indices, while considering the fact that the latter are calculated in U.S. dollars. To ensure accuracy, we converted them into Algerian dinars using the exchange rates of those years and calculated the price gap between subsidized and non-subsidized scenarios for each commodity. The results are presented in the following table.

Table No. (07): The Role of Government Support Policy in Price Stability in Algeria (2011-2020).

Indicator	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Consumer Price Index for Grains in Global Markets (DZD)	258.57	266.03	255.77	232.92	240.39	241.27	251.97	291.80	286.82	325.98

Economic Impact of Government Support Policies in Algeria: Evidence from 2010 to 2020

Consumer Price Index for Grains in Algeria (DZD)	121.98	126.59	130.42	132.62	139.10	147.04	148.41	153.13	156.19	159.27
Grain Price Gap	136.59	139.44	125.35	100.30	101.29	94.23	103.56	138.67	130.63	166.71
Consumer Price Index for Milk in Global Markets (DZD)	201.22	184.12	237.75	223.01	186.11	192.31	254.75	264.41	260.00	274.15
Consumer Price Index for Milk in Algeria (DZD)	121.32	124.27	125.69	133.98	138.35	140.81	142.34	147.81	150.66	152.06
Milk Price Gap	79.90	59.85	112.06	89.03	47.76	51.50	112.41	116.60	109.34	122.09
Consumer Price Index for Oils and Fats in Global Markets (DZD)	347.39	326.85	288.95	271.52	275.26	331.60	344.49	310.03	301.66	383.69
Consumer Price Index for Oils and Fats in Algeria (DZD)	174.49	181.35	186.51	188.46	189.00	189.78	191.35	194.71	196.84	198.84
Oils and Fats Price Gap	172.90	145.50	102.44	83.06	86.26	141.82	153.14	115.32	104.82	184.85
Consumer Price Index for Sugar and Confectionery in Global Markets (DZD)	283.79	250.30	210.26	205.15	202.25	295.71	266.16	217.22	226.36	243.79
Consumer Price Index for Sugar and Confectionery in Algeria (DZD)	176.03	184.03	182.36	182.19	185.16	191.78	201.46	205.93	196.16	184.37
Sugar and Confectionery Price Gap	107.76	66.27	27.90	22.96	17.09	103.93	64.70	11.29	30.20	59.42

Source: Prepared by the researcher based on:

- FAO : Food Price Index (2011–2020).
- Bank of Algeria: Exchange Rates by Currency (2011–2020).
- ONS : Consumer Price Index (2011–2020).

From the previous table, we observe that the price support policy has effectively mitigated price increases, particularly for cereals, where prices were reduced by nearly half, especially in 2011, 2012, and the last three years. The price gap was estimated at 138, 133, and 166 during the period (2018–2020).

For milk, the price gap was smaller than that of cereals but still significant, with a reduction of more than 112% in 2017, reaching 122% in 2020 compared to international market prices. Similarly, for oils and fats,

while international prices rose by 20% in 2016, domestic prices increased by only 0.4%, leading to a price gap of 141.82. This gap continued to widen, reaching 184.85 in 2020 compared to global market prices.

Regarding sugar, the price gap was relatively smaller, especially in 2018, when it was 11.29, with the highest gap recorded in 2015 at 103.93. However, the policy managed to maintain price stability compared to international market trends.

Thus, it can be concluded that the government's support system successfully mitigated price surges and ensured price stability, which plays a crucial role in increasing real consumption and real incomes, ultimately contributing to improving the well-being of society.

4.5 The Role of Government Support Policy in Income and Wealth Redistribution:

The role of the government support system in Algeria is not limited to income redistribution but also extends to wealth distribution. A significant portion of state revenues comes from oil revenue taxes, and approximately 22% of government expenditures are allocated to the support system. Therefore, government support also represents a form of income redistribution.

One of the key indicators used to measure fairness in income and wealth distribution is the Gini coefficient, which reflects the extent to which income or consumption expenditure distribution among individuals or households in an economy deviates from perfect equality (Pellegrino, 2024, p. 02). The following table illustrates the evolution of the Gini coefficient over time.

Table No. (08): Evolution of the Gini Coefficient in Algeria During the Period (1995-2018).

Years	1995	2011	2015	2018
Gini Coefficient	35.3	27.6	28.0	32.2

Source: Prepared by the researcher based on the World Bank and International Monetary Fund databases.

From the previous table, we observe that the Gini coefficient experienced a decline and improvement, reaching 27.6 in 2011, after being 35.3 in 1995. However, during the period 2015-2018, there was no further improvement; instead, the coefficient rose by 14.28% compared to 2011. This raises questions about the effectiveness of price support policies in redistributing income in favor of low-income groups, especially given the

significant financial allocations for such supports during this period and the expansion of the list of subsidized goods, including sugar and cooking oil.

Overall, it can be said that despite existing disparities in income distribution, there has been a reduction in social inequalities among different segments of society. The government support system has contributed to improving income and wealth distribution by focusing on the most effective areas, such as education and healthcare support, housing for low-income groups, and direct cash assistance for the needy, disabled individuals, retirees with low pensions, the elderly, and even the unemployed. These measures have helped in reducing social disparities.

5. CONCLUSION

Through this study, we conclude that the government support system implemented in Algeria has undergone several phases in response to the country's social and economic conditions. In recent years, it has taken various forms and has become increasingly costly for state expenditures, especially after 2010, due to factors such as rising financial resources from oil revenues. This policy has contributed to improving economic and social conditions by enhancing various economic indicators, including:

- Stimulating the national economy by increasing effective demand in the construction sector, where production doubled between 2010 and 2020, and in the building materials industry, which saw a 60% increase. Additionally, energy supports boosted transport sector production, which also doubled in the same period, while industrial production increased by approximately 79%.
- Enhancing human capital accumulation by reducing illiteracy from 18.34% in 2010 to 8.71% in 2020, and increasing the number of higher education graduates by approximately 2.5 million between 2010 and 2018.
- Increasing real individual consumption and stabilizing prices, leading to a real income increase of 16% to 30%.
- Improving income distribution, as reflected in the Gini coefficient, which dropped from 35.3 in 1995 to 27 in 2011, despite its stagnation between 2015 and 2018.
- Despite its positive impact on social and economic conditions, the government support system has placed a significant financial burden on public finances, raising concerns about its long-term effects on domestic and external economic indicators.

Recommendations:

Based on the previous results, the following recommendations can be made:

1. Gradual shift towards targeted supports while ensuring effective monitoring and regulation of the support system.
2. Revitalizing the national economy to boost household incomes, along with simultaneous wage system reforms to complement support adjustments.
3. Developing a strategy to reinvest funds saved from targeted supports into economic development and improving living standards.
4. Raising public awareness about the costs of supports and the need for reform, particularly regarding implicit supports not reflected in the budget, and ensuring favorable economic conditions before initiating gradual reform.

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