Economic reforms and sustainable development in Algeria

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Abstract:

This research aims to study the reality of the Algerian economy within the framework of sustainable development, focusing on the role of economic and social reforms implemented to promote this development. It used descriptive and analytical methods, with data collected through the analysis of statistical reports.

The results showed that the economic and social reforms from 1988 to 1999 contributed to improving the non-hydrocarbon economy by creating and developing small and medium-sized enterprises through the economic recovery plans from 2000 to 2009, as well as emerging companies thanks to Decision 1275 of 2023, and contributing to the establishment of sustainable economic development.

The study concludes that small and medium-sized enterprises (SMEs) and start-ups in Algeria constitute a fundamental pillar in building a sustainable economy, and that support for these businesses is essential for strengthening the economy. It also recommends improving the regulatory framework and encouraging investment to ensure the sustainability of these companies and support economic growth in Algeria.

Keywords: Economic reforms, small and medium-sized enterprises, start-ups, sustainable development.

1. INTRODUCTION

Sustainable development now occupies a central place in the economic development of companies. Sustainable businesses are those that have a positive impact on society in environmental, social, and economic terms. Integrating sustainability issues at the core of their operations and strategies allows them to preserve their legitimacy by reducing costs and mitigating legal and regulatory risks and to identify new market opportunities. A truly responsible company must find the right balance among these three dimensions, thus reconciling three goals: economic prosperity, social justice, and environmental quality. Therefore, would it not be relevant to ask whether sustainable development of companies constitutes organizational innovation in every respect?

So:

To what extent have the reforms implemented contributed to achieving sustainable development?

Hypothesis

Small and medium-sized enterprises are a tool to achieve development.

2. THE CONCEPT OF ECONOMIC REFORMS

It concerns the implementation of the necessary economic adjustments to build the structure of the economy, in order to strengthen its ability to withstand external and internal shocks of all kinds by the concerned state that adopts an integrated set of economic policy tools, used to achieve the economic and social objectives of society, and these objectives are expressed in the form of target values for economic performance rates.

It can also be considered as a multidimensional structural adaptation process, whose main objective is to adapt to market mechanisms, which requires rethinking the method of managing the economy by moving from direct management to indirect management.

The concept of sustainable development is part of the convergence of two intellectual currents: development and environmental awareness.

Development is much broader than mere economic growth; it integrates social and cultural values and elements that classical economic calculations neglect, such as the value of natural resources and intangible heritage .Protecting the environment and natural resources has been apriority since the1970s,inordertocurb the was to generated by post-war rapid growth.

Many countries gathered at the Earth Summit of 1992 in Rio de Janeiro, Brazil, defined sustainable development as follows:

A development that reconciles environmental, economic and social development, creating a virtuous circle between these three pillars, is economically efficient, socially just and environmentally respectful. It is a development that respects natural resources and ecosystems, supports life on Earth, and ensures economic prosperity without neglecting the social objective manifested by the fight against poverty, unemployment and inequalities, and by the pursuit of justice. (OUFF, 1999, p. 271).

3. THE REALITY OF SUSTAINABLE DEVELOPMENT IN

ALGERIA THROUGH THE ECONOMIC REFORMS IMPLEMENTED

3.1 Programs and processes for the rehabilitation of Algerian

3.1.1 The concept of qualification:

Theconceptof'institutionalrehabilitation'wasbornfromtheaccompanyin gmeasures initiated by Portugal in 1988 for its accession to the European Union, through the strategic program for the modernization of the Portuguese economy. One of its main objectives was: (SALAH, 2002)

- Accelerate the pace of modernization of infrastructures supporting the industrial sector.
- Strengthen the foundations of vocational training.
- Direct funding towards productive investments for institutions, especially small and medium-sized enterprises.
- Improve the productivity and quality of industrial textiles.

The success of the Portuguese programs, illustrated by the emergence and growth of new economic sectors in Portugal, the development of high value-added activities, and job creation, prompted the European Union to develop similar programs for the Maghreb countries and certain Middle Eastern countries such as Egypt, Jordan, and Syria, alongside free trade agreements. All this stems from the 1995 Barcelona Conference, which led to the MEDA program, the main financial instrument of the European Union for the achievement of the Euro-Mediterranean partnership, aims to provide financial support and technique for reforming the economic and social structures of Mediterranean countries.

Company development programs are not aimed at industrializing a country, but rather at strengthening the competitiveness of existing companies to enable them to compete on an international scale. This international competition has become unavoidable in the context of economic globalization. Therefore, business development programs should be launched before and during the removal of tariff barriers.

The concept of qualification, from a microeconomic perspective, rests on two fundamental ideas: the idea of progress (progress) and the idea of comparison or benchmarking, so qualifying an institution can mean advancing it to reach at least the same level of competitiveness, efficiency

and efficacy as its institutional counterparts. (Abdelhak, 2003)

We can thus state that the main objective of rehabilitating institutions at the microeconomic level goes beyond the simple framework of an investment promotion policy or a program of support and rescue for financially troubled industrial institutions; it is a path of continuous development. The 'upgrading' consists of: introducing a method of improvement and progress, forecasting and anticipating, identifying the weaknesses and strengths of the organization.

The theoretical foundations on which qualification programs, aimed primarily at strengthening the competitiveness of institutions, are built revolve around two main axes: the theoretical analysis of what are called 'industrial clusters' (the second focuses on analyzing links between growth, employment and competitiveness.

3.2 The different dimensions of rehabilitation programs in Algeria:

Development programs, specifically designed for developing countries in general and Algeria in particular, can be defined as the set of measures likely to contribute to economic growth, job creation, and strengthening the competitiveness of enterprises. Accordingly, these programs often address several integrated aspects: business environment, infrastructure, financing, human resources, and institutions.

Fig N⁰(01)three dimensions, as illustrated in the following diagram:



Source: (Documents, 2003, p. 10)

3.3 General objectives of rehabilitation programs

Most rehabilitation programs and plans to achieve the following objectives:

- Update of the economic context.
- Strengthening support structures.
- Empowerment to develop the competitiveness of institutions.
- Modernization of equipment.
- Development of the organizational and management system.
- Development of production systems,
- Train workers, managers and administrators in modern methods.
- Help organizations improve quality and operate in accordance with international quality standards such as ISO".
- Modernize the marketing function, encourage organizations to use marketing strategies and seek new markets. (TEMMAR, 2011, p. 390)

3.4 The objectives of small business development programs and Algerian institution:

Among the main direct reasons for the development of Algerian small and medium enterprises, one can cite:

The Euro-Mediterranean Partnership Agreement between Algeria and the European Union was signed on April 22, 2002 and came into force in September 2005. This agreement provided for the elimination and reduction of customs duties over a 12-year period, the creation of a free trade area and, in its first phase, tax exemptions for all users. Semi-finished products and raw materials will be exempt from taxes until full exemption is obtained for all goods entering or leaving Algeria. This measure is reinforced by Algeria 'sup coming accession to the World Trade Organization and rapid technological progress.

To enable Algerian small and medium enterprises to keep pace with economic changes and become competitive, compared with international peers and given the challenges mentioned, the Ministry of Small and Medium Enterprises and Crafts has developed a national PME qualification programwithanannualbudgetofonebilliondinars,extendinguntil2013.

This program is supervised by the National Agency for SME Development (ANDPME), created by Executive Decree No.05-165 of May 3, 2005. It is a national program that applies to all SMEs as defined by Algerian law.

This national program for the development of small and medium enterprises mainly aims to:

- This has enabled these institutions to monitor technological progress and markets.
- Make these institutions competitive in terms of quality/price ratio.
- Create new added value,
- Create new and permanent jobs,
- Develop non-hydrocarbon exports,
- Reduction of weakness the regulatory framework for small and medium enterprises (SMEs).
- Reduce these verity of the informal economy,
- Situation Means to manage its districts in service of small and medium enterprises.
- Provide an information system Capable of tracking the activity of small and medium enterprises for the service of the State and the national economy.

There are other programs implemented by the Algerian authorities to qualify and support Algerian economic institutions in general, namely: (Promotion, 2008)

- **The National Program for the Development of Competitiveness**

Industrial competitiveness program is led by the Ministry of Industry. This program, which mainly aims to strengthen the competitiveness of industrial establishments of 20 employees or more, is characterized by its non-mandatory nature: companies are completely free to join or not. It is also characterized by the financial support provided by public authorities through the Industrial Establishments Promotion Fund. Industrial Competitiveness Promotion Fund (FPCI)

- **The program (EDPME(MEDA)) which is supervised by the Ministry of the Small and Medium Enterprises and Craftsmanship**: This program, which aims to strengthen the competitiveness of private industrial enterprises, is financed jointly by the European Union and the Algerian Ministry of Small and Medium Enterprises over a period of 5 years, and has been allocated an estimated budget of 62.9 million euros.

4. SOURCES OF FINANCING FOR INSTITUTIONAL REHABILITATION PROGRAMS

The sources of financing for institutional rehabilitation can be divided, depending on the program's funding source, into the following sources:

4.1 External financing sources(foreign)

The signing of the Euro-Mediterranean Partnership Agreement between the European Union and Algeria, as well as Algeria's forthcoming accession to the World Trade Organization, are among the most direct factors in the development of Algerian SMEs. As previously noted, external (foreign) financing constitutes one of the main sources of funding for SME development programs in Algeria. These sources include notably:

- **Organizations and international financial institutions, notably:**

– World Bank this is carried out under the program The North Africa Enterprise Development Program (NAED).

– United Nations Industrial Development Organization (ONUDI).

– Cooperation agreements Relationships between States and governments.

4.2 Local (national) sources of funding

In addition to external sources, local sources ranks condign terms of funding for the restructuring programs of Algerian small and medium-sized enterprises, and these are mainly state subsidies and aid, as well as loans from Algerian banking institutions.

5. Mechanisms and tools for financing institutional rehabilitation programs and plans

The use of available financing sources for the implementation of rehabilitation programs for Algerian SMEs – notably foreign and local sources – requires the development of compatible financing mechanisms and tools, on the one hand with the objectives of rehabilitation programs and on the other hand with the specific characteristics of small and medium-sized enterprises.

Among the most important financing mechanisms for the implementation of rehabilitation programs and plans, one can cite:

5.1 Foreign loan lines (foreign credit lines)

Algerian economic institutions, notably small and medium-sized enterprises (SMEs), have benefited from numerous foreign credit lines in the frame work of international cooperation between Algeria and other countries, with a view to their development. For example:

Foreign credit lines granted by the French Development Agency (The French Development Agency (AFD) provided it to the Credit Popular Algerian (CPA) in 1999 and 2003.

5.2 Local bank loans

Local bank loans are an essential financing mechanism for the recovery programs and plans of Algerian small and medium-sized enterprises.

Specifically, companies use the foreign credit lines mentioned above by transferring them to local Algerian banks, which then convert them into loans at their own expense.

In 2003, public banks contributed to the financing of Algerian small and medium-sized enterprises. This represents 555 billion DZD, or 40.60% of total financing, compared with 353 billion DZD in 2001, or 30.72% of total financing.

5.3 Special Rehabilitation Funds

In addition to foreign and national loan programs, Algerian authorities offer small and medium-sized enterprises (SMEs) financing mechanisms through various funds, intended for general financing purposes and the implementation of planned development programs. Among the most important of these funds are:

- **Fund for the Improvement of the Competitiveness of Industrial Enterprises (FPCI):**

This fund is the practical mechanism for implementing the National Program for the Development of Industrial Competitiveness led by the Ministry of Industry. It also represents a concrete financial tool that facilitates the provision of financial support from Algerian authorities. To benefit from this support, institutions wishing to implement the program must meet the following eligibility criteria:

- This abolishment must belong to the industrial sector.
- The institution must have an etas seta least equal to its share capital.
- The establishment must be registered in the trade register and have a tax identification number.
- -The organization must have been enactive for at least 3years.
- The organization must employ at least 20 workers

- **Eligible small and medium enterprises fund**

The Algerian Fund for SME rehabilitation is the main financing mechanism for implementing the National SME Rehabilitation Program. It is under the supervision of the National Agency for SME Development and is annually funded by one billion Algerian dinars (DZD) allocated by the government to implement the program. Its main missions are as follows:

- Contribute to financing operations related to improving the quality of training,
- -Financing sectoral studies,
- Provide support to technical centers,
- Contribute to all operations aimed at developing the competitiveness of Algerian small and medium enterprises.

- **Guarantee Fund:**

Guarantee funds are a financing mechanism that facilitates institutions access to local or foreign credit lines to finance their investments.

For this purpose, ***the National Fund for the Guarantee of Investments Loans for small and medium-sized enterprises*** was created by Presidential Decree No. 04-134 of 19 April 2004. It is a joint-stock company with a capital of 30 billion DZD, of which 20 billion DZD are subscribed (60% by the Treasury and 40% by the banks) and the remainder in the form of non-remunerated bonds held by the Fund on behalf of the Treasury.

The fund mainly guarantees bank loans intended for small and medium-sized enterprises (SMEs) to finance their investments, whether at their creation or during their development and modernization through qualification programs. The maximum amount of the guarantee is set at 50 million Algerian dinars (DZD), with a coverage rate of 80% for business creation and 60% in other cases. The duration of the guarantee is 7 years.

- **Venture capital(Capital risk):**

Given the limited financial resources available to small and medium-sized enterprises (SMEs), venture capital is regarded as an essential financing mechanism in most developed countries to address the financing challenge of creating, developing, and modernizing this type of enterprise. Algerian authorities have decided to create a venture capital fund with a capital of 3.5 billion Algerian dinars. The legal procedures related to its management and functions are being developed.

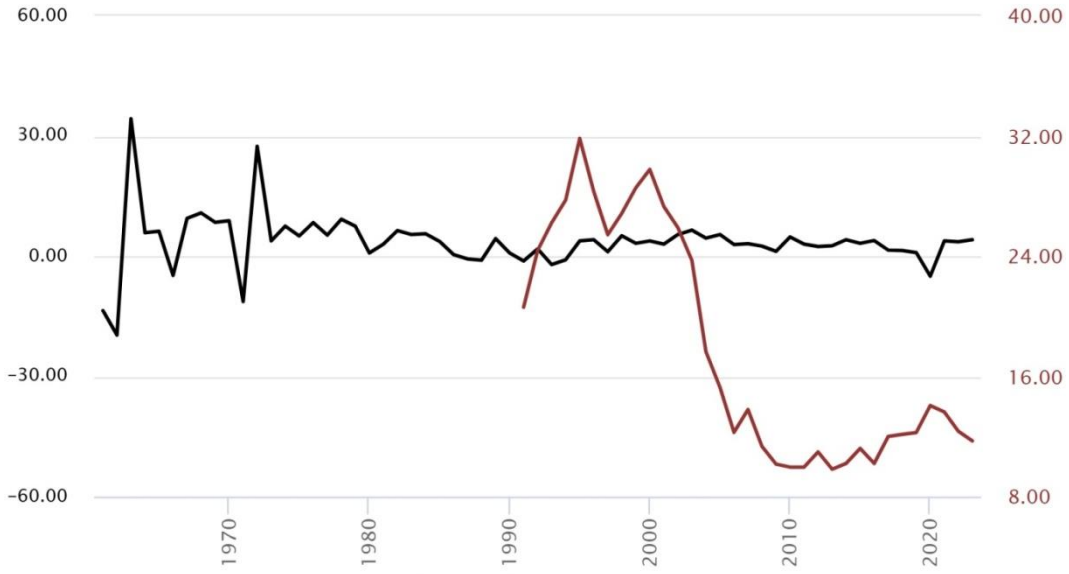
6. SUSTAINABLE DEVELOPMENT INDICATORS IN ALGERIA

6.1 Economic growth rate

Fig N⁰(02): Economic growth rate

Annual GDP growth (%),Algeria

Un employment (%of the total labor force),Algeria



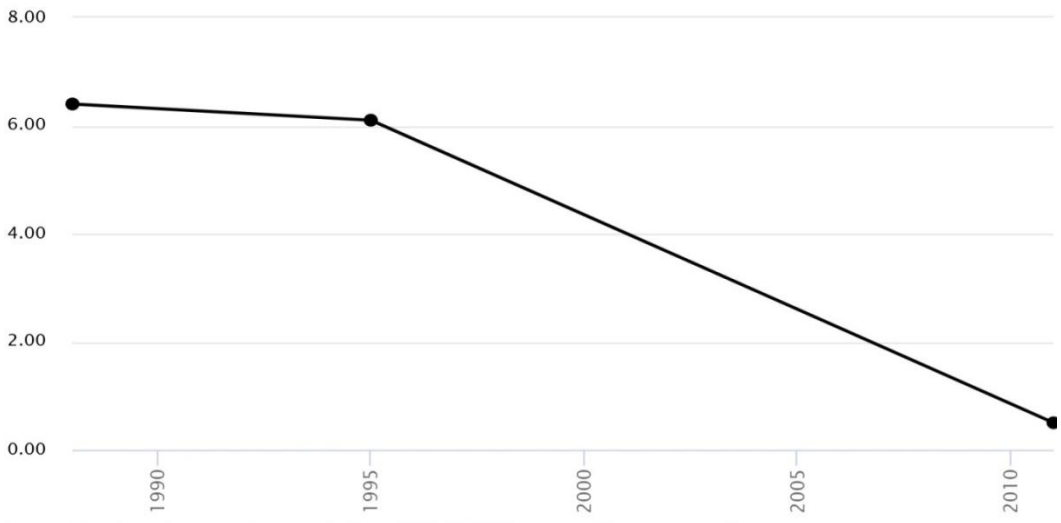
Source: (Mondiale, 2025)

The graph illustrates that the growth of the (GDP) has experienced fluctuations due to global crises and the Algerian economy's heavy reliance on the hydrocarbon sector. A significant increase was observed between 2019 and 2020, driven by the adoption of reforms and state policies aimed at upgrading small and medium-sized enterprises (SMEs).

Starting in 2020, the national economy underwent a contraction due to the COVID-19 pandemic. However, from 2021 onwards, the economy saw moderate growth and a recovery, recording positive growth rates. This trend is reflected in the decline of unemployment levels (except during the pandemic period), showcasing the state's shift toward creating job opportunities outside the hydrocarbon sector.

6.2 Poverty index:

Fig N^0(03): Poverty index:

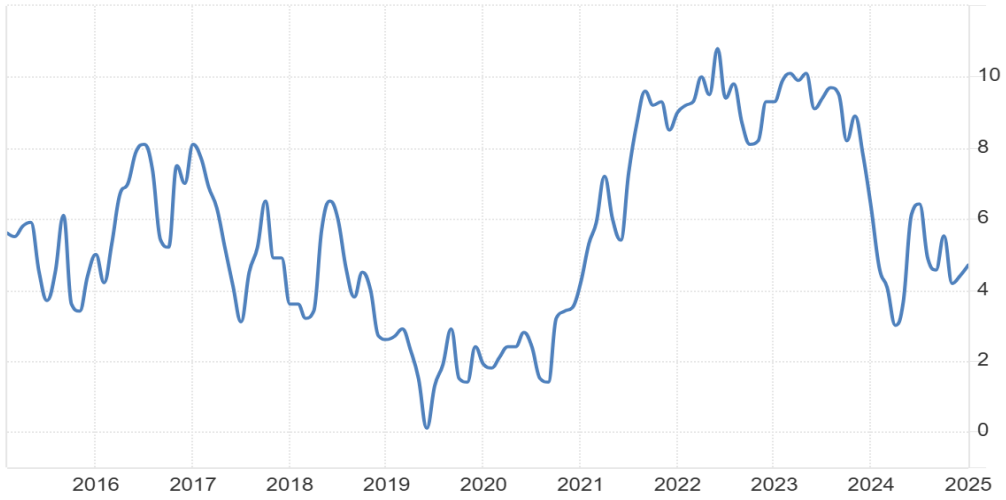


Source: (Mondiale, pauverty index, 2025)

The figure above shows a notable decrease in the poverty index in Algeria. This reflects the government's commitment to social support policies, such as the implementation of wage increases. However, these measures have conversely had a negative impact on the inflation rate, as illustrated in the following graph.

6.3 Inflation Rate

Fig N^0(04):Inflation Rate



Source: (ONS, 2025)

The inflation graph demonstrates that Algeria has gone through significant fluctuations, particularly following the pandemic covid-19, reaching its highest levels between 2021 and 2024. This is attributed to the implemented wage hikes, which led to an increase in the money supply, combined with rising import prices and weak local production.

6.4 Environmental Pollution Index

Algeria has made remarkable progress in the fight again stair pollution, compared to other Arab countries.

Algeria ranks last among Arab countries in terms of air pollution index, with an average concentration of pollutant particles estimated at 13.8 micrograms per cubic meter.

With this percentage, Algeria is considered the leading Arab country with the least air pollution, according to a ranking published by the agency. The Swiss organization "IQAir" ranked Algeria 78th in the world in terms of air pollution index. (Abba, 2022)

7. CONCLUSION

Algeria has succeeded in establishing financial and economic stability and in controlling key economic indicators (low inflation, low debt level, high foreign exchange reserves, positive external trade balance, reduced balance of payments deficit, etc.) in a relatively short period of time. However, we believe that achieving these objectives is largely due to the improvement of the country's financial situation, itself favored by the cancellation of external debt, the rise in oil prices on world markets, and the reduction of imports. Furthermore, the strong rate of economic growth results from the economic policies implemented by the government, which aim in particular to strengthen the competitiveness of companies and to support small and medium-sized enterprises (SMEs) and start-ups.

Study Results

Small and medium-sized enterprises (SMEs) are the bed rock of economic growth and sustainable development. To fulfill this role, they need reforms at the following levels:

- Legal,
- The level of banking operations, notably in terms of loan granting, and the level of training of managers regarding the importance of competition and the creation of a competitive advantage: this is what the Entrepreneurship House strives to implement.
- The best development goes hand in hand with the best governance.

Recommendations

- By strengthening the regulatory environment,
- Encourage investment and improve the investment climate.
- Strengthen the financial market and make it more flexible to meet the needs of small and medium-sized enterprises as well as emerging businesses.

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