



# Stagnation or Growth? Algeria's development pathway to 2040

## Combined impact of the Algerian Dream Scenario

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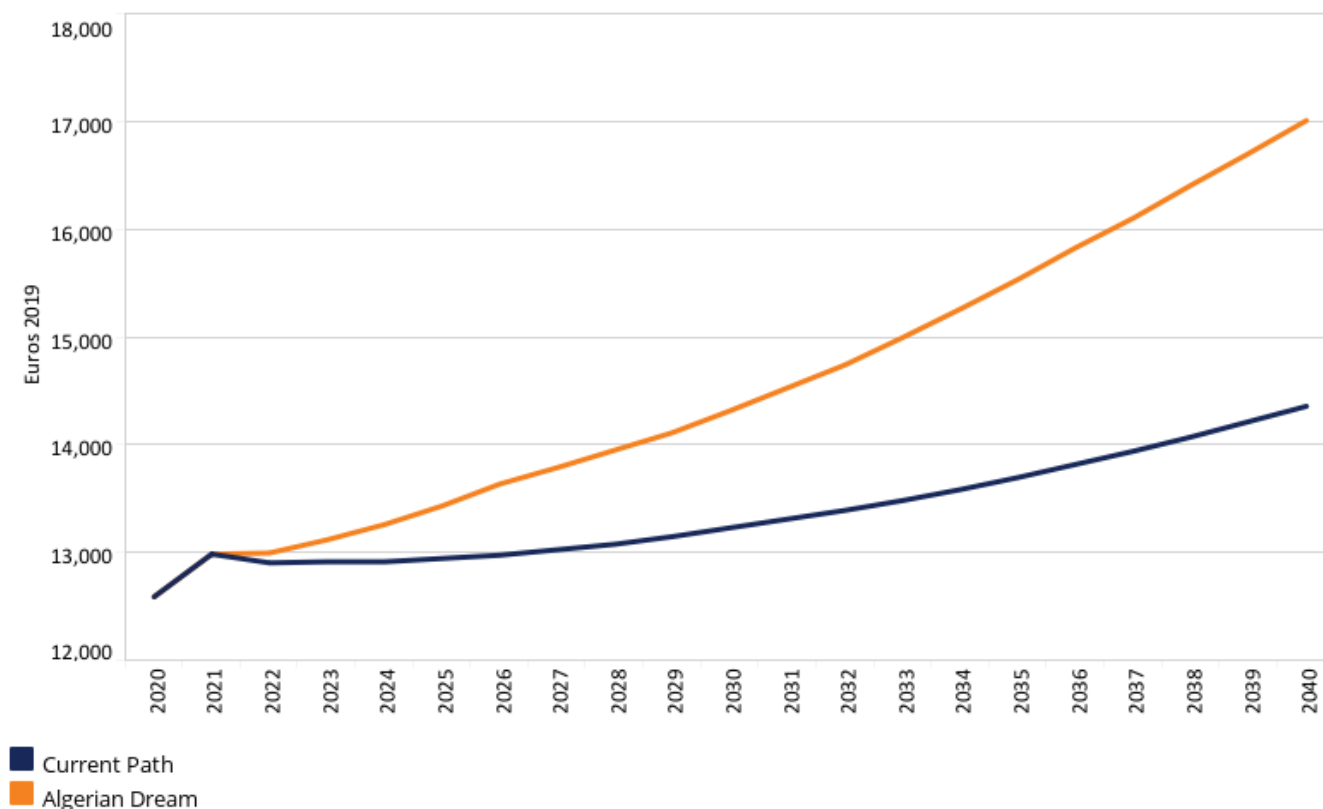
## Combined impact of the Algerian Dream Scenario

The Algerian Dream scenario combines the four components analysed above to simulate a future where the government pushes for holistic reforms and policy interventions in all four component areas. The country is able to set itself on a new economic and governance pathway under a government that has created a social compact and substantively improved democracy and accountability, to the benefit of all Algerians.

In the Algerian Dream, by 2040 Algeria's economy is €103.2 billion larger than when compared to the Current Path. Since the four components complement one another, their combined effect is significantly larger than their individual contributions.

Per capita income also increases by nearly 18.5%, making Algerians about US\$2 652 richer in this scenario than in the projected Current Path in 2040.

Chart 20: GDP per capita, Current Path and Algerian Dream by 2040



Source: IFs version 7.53, historical data from World Bank data

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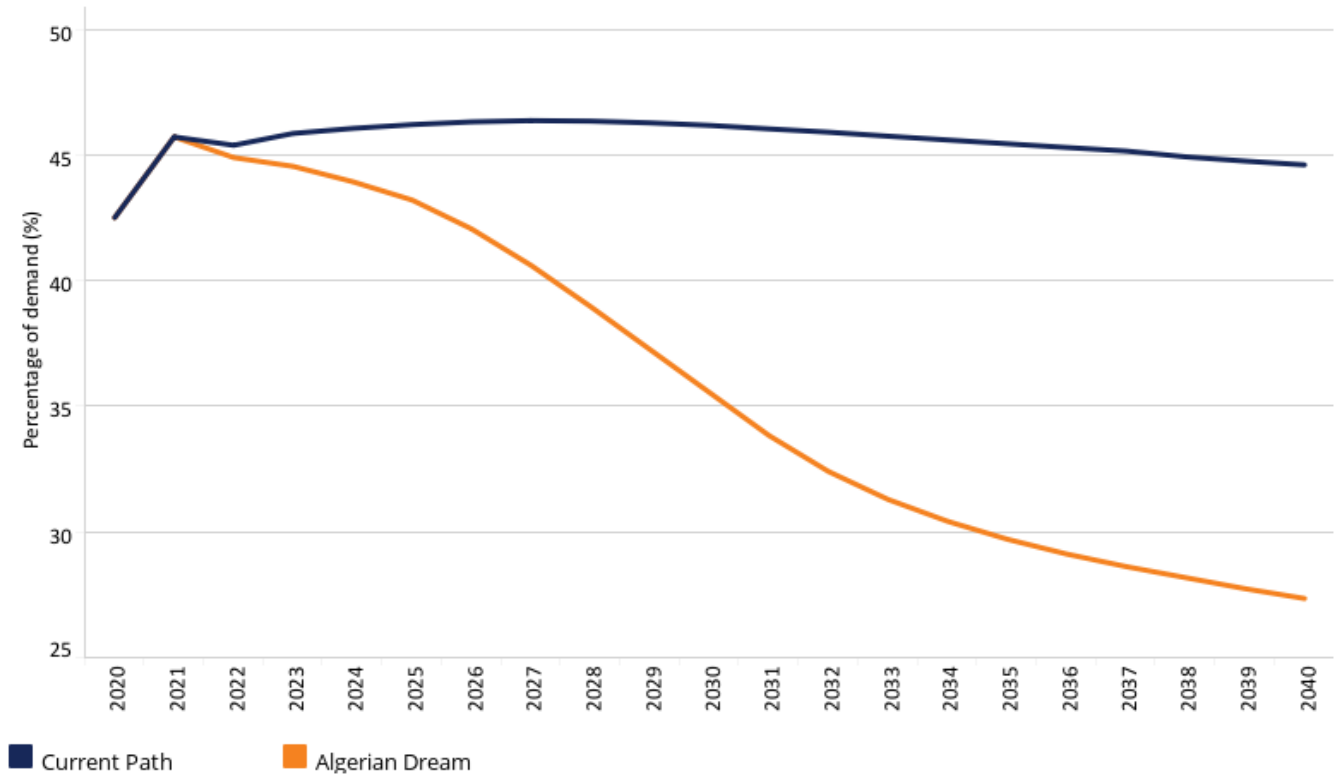
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This scenario also has a significant impact on food security in Algeria. By 2040, import dependence as a per cent of net demand reduces by over 17 percentage points to roughly 27.4% in the Algerian Dream relative to Current Path.

Food security is crucial to ensure that the country is not vulnerable to international price shocks and supply chain disruptions, as is being witnessed with the COVID-19 pandemic. Additionally, having a more productive agricultural system

and less dependence on foodstuff imports could release funds and divert its dwindling foreign reserves to other productive investments in its economy.

Chart 21: Import dependence



Source: IFs version 7.53, historical data from Food and Agriculture Organization data

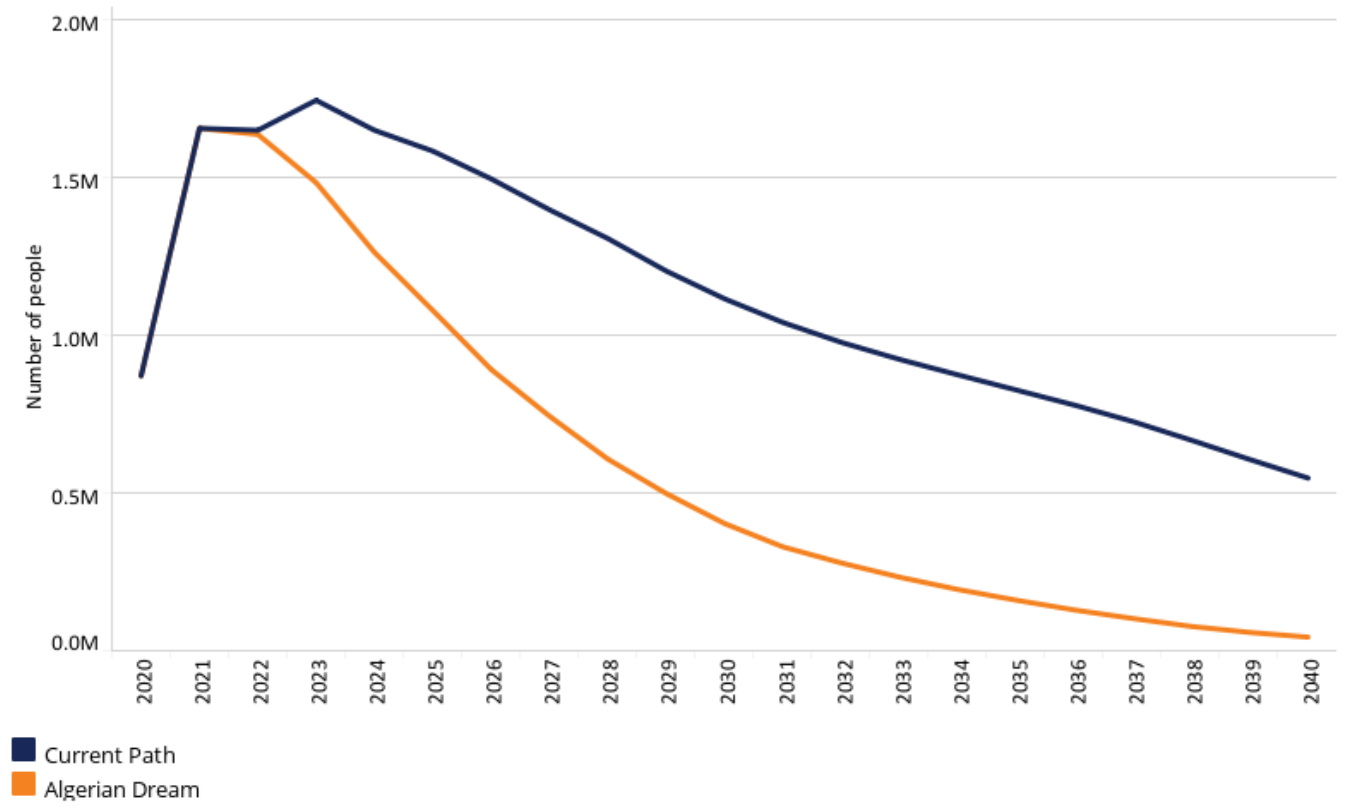
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Change in extreme poverty at the US\$3.20 level per person per day follows the patterns of reduced economic growth resulting from the impact of COVID-19 on economies in coming years. A shift in investment into productive sectors of the economy will see a bump in the number of people in poverty before the benefits of investment in economic growth can have an impact.

Thereafter, the trajectory of poverty starts to decline in the Algerian Dream, as shown in Chart 22. By 2040, extreme poverty is significantly reduced, with just over 500 000 fewer people living in poverty than in the Current Path. The extreme poverty rate in this scenario represents about 0.08% of the population in 2040, compared to 1% in the Current Path in the same year.

In 2040, inequality declines from 0.246 in the Current Path to 0.215, a 12.6% improvement in the Gini coefficient index.

Chart 22: Extreme poverty (US\$3.20), Current Path and Algerian Dream by 2040



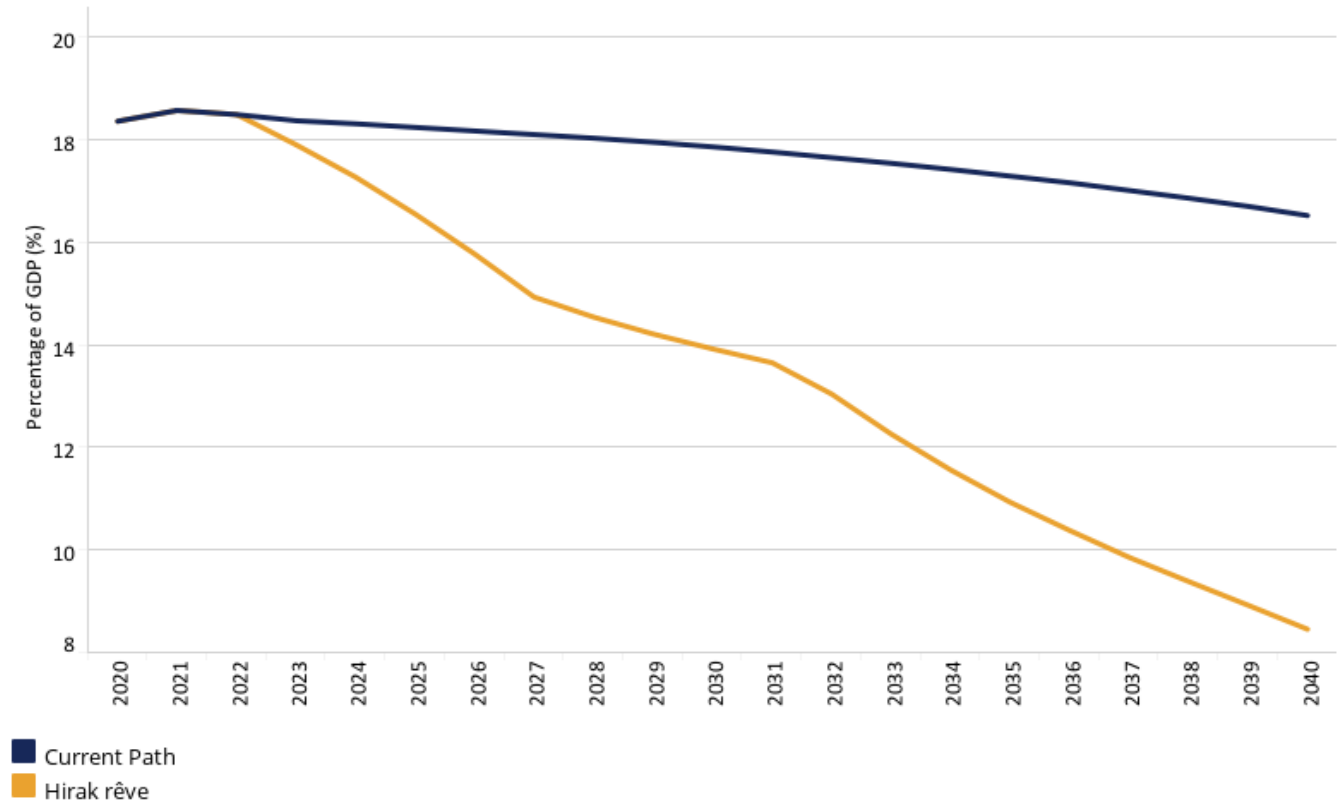
Source: IFs version 7.53, historical data from World Bank data

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Following improvements in the country’s economic growth, the food security situation (owing to improved agricultural productivity) and the extreme poverty level, this scenario also has a positive impact on the size of the informal sector in Algeria.

By 2040, the share of the informal economy as a per cent of GDP drops to about 8.5% compared to the current projection of over 16.5% in the Current Path. This shows that greater economic freedom, gradually diversifying away from hydrocarbons, good governance and access to opportunities in the overall economic system can encourage formalisation. This in turn expands the revenue base of Algeria.

Chart 23: Informal economy, Current Path and Algerian Dream by 2040

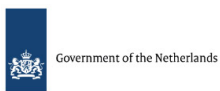


Source: IFs version 7.53, historical data from United Nations Economic Commission for Europe, Schneider & Elgin

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## About the authors

Dr Jakkie Cilliers is the ISS's founder and former executive director of the ISS. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria office of the ISS. His 2017 best-seller *Fate of the Nation* addresses South Africa's futures from political, economic and social perspectives. His three most recent books, *Africa First! Igniting a Growth Revolution* (March 2020), *The Future of Africa: Challenges and Opportunities* (April 2021), and *Africa Tomorrow: Pathways to Prosperity* (June 2022) take a rigorous look at the continent as a whole.

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