



# Algeria

## Algeria: Conclusion

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Chart 38: Policy recommendations

# **Recommendations:**

- Invest in the agricultural sector to increase productivity.
- Liberalise the economy by reducing barriers to market entry, hence reducing informal sector size.
- Diversify the economy to vary the country's sources of revenues and improve employment prospects.
- Undertake reforms in the business environment aimed at reducing costs and risks; improve quality of business regulation.
- Promote Foreign Direct Investment (FDI) and Research and Development (R&D) downstream beneficiation of its natural capital resources.
- Promote infrastructure development and promote digitalisation.
- Accelerate the implementation of the AfCFTA, an avenue for Algeria to diversify its exports away from hydrocarbon.
- Enhance access to and quality of healthcare and education.
- Promote good governance and increase capacity to mobilise revenue.

Chart 38 summarises the policy recommendations for the geography.

The potential of Algeria to be a major player in the global economy due to its human capital and natural resource endowments remains unfulfilled. The report highlighted the development issues faced by Algeria and modelled ambitious yet realistic scenarios across eight sectors. Algeria, the largest country in Africa, faces unique challenges and opportunities due to its large desert area, dependency on hydrocarbons and a complex socio-political history.

The Current Path (or business as usual) analysis reveals that poor agriculture yields, lack of economic diversification, weak governance and health systems are holding back development and prosperity in Algeria. The Current Path forecast shows that the country will not achieve the aspirational objective of the SDGs to end preventable deaths of newborns and children under five years of age by 2030. Although the country's population has a low growth and a favourable ratio of working-age population to dependants, unemployment remains high.

Tackling these issues is crucial to Algeria on a path of sustained growth and shared prosperity. The country's ability to leverage its demographic potential, diversify its economy, improve governance, and invest in infrastructure and education will be crucial. The Combined scenario highlights the transformative potential of coordinated, multi-sectoral development efforts, positioning Algeria for sustainable growth and improved living standards.

The government of Algeria must take decisive targeted actions on the priority policies outlined below:

- Invest in the agricultural sector to increase productivity. The first priority should be to ensure food security. Thus, efforts should be made to increase crop yield through better land-use management practices and the adoption of new and climate-smart technologies. The government should facilitate access to high-yield, disease- and drought-resistant seedlings; fertiliser and credit guarantees for farmers;
- Liberalise the economy by reducing barriers to market entry, hence reducing informal sector size. Most major businesses and banks are largely in the hands of the state.
- Diversify the economy by reducing the country's dependency on hydrocarbons by promoting the development of other sectors such as manufacturing, agriculture, and services.
- Undertake reforms in the business environment aimed at reducing business costs and risks by improving the quality of business regulation. Simplifying administrative procedures and formalities makes it easier for firms, specifically small- and medium-sized enterprises (SMEs) to do business.
- Promote Foreign Direct Investment (FDI) and Research and Development (R&D) in the country's large stock of natural capital i.e. renewable energy (solar, wind, geothermic), fossil energy (oil and gas) and mineral resources (iron, helium, uranium).
- Improve infrastructure by investing in road infrastructure, renewable energy and expanding access to electricity, especially in rural areas. Enhance digital infrastructure by increasing mobile and fixed broadband access, facilitating economic growth and better governance.
- Improve the accessibility, affordability and quality of healthcare and roll out a National Health Insurance Scheme across the entire country. This should go hand in hand with efforts to improve access to safe WASH facilities to prevent the spread of communicable diseases.
- The Algerian ministry of trade and export promotion should make an effort in identifying and expanding new export markets for 'made in Algeria' goods. In this regard, the ministry should refine the National Vision Plan in line with AfCFTA and accelerate its implementation. AfCFTA is an avenue for Algeria to diversify its exports away from the hydrocarbon sector.
- Improve domestic tax revenue mobilisation. Digitisation can help boost domestic revenue mobilisation by enhancing tax efficiency. More efficiently use public resources is essential to navigating the global challenges safely and put Algeria on the path of a sustainable and inclusive growth.

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## About the authors

**Dr Blessing Chipanda** joined the African Futures and Innovation (AFI) programme in January 2023. Before joining the ISS he worked as an assistant lecturer/research assistant at the University of Pretoria, Department of Economics. He is particularly interested in tasks within the wider realm of international trade, development economics, public policy, monetary policy, and econometric modelling. Equally interested in economic and socio-economic activities that impact social welfare. Blessing has a PhD in economics from the University of Pretoria, South Africa.

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