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From the Rentier State to the Developmental State: The Challenge of the Algerian Economy

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Abstract:
The rentier state is characterized by intrinsic specificities that lead to its own underdevelopment. It is a set of practices that denote the fragility of its institutions as a whole, such as corruption, clientelism, administrative delays, misappropriation of public funds, etc. The challenge for the Algerian state is the transition from a rentier state to a developmental state, while defining the levers of rupture with the oil rent, and this through the diversification of the Algerian economy.
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Introduction

The current economic situation of falling oil prices and the political crisis that Algeria has been experiencing since February 22, 2019, guide the academic debate and experts to reflect on the nature of the Algerian state and the possibility of rehabilitating it. The challenge for the Algerian state is the transition from a rentier state to a developmental state. We ask ourselves in this work as follows:

How much could the rentier state of Algeria change into a developmental state that helps the country's economy grow?

In other words:

What does it mean for Algeria to transition from a rentier state to a developmental state?

In order to provide answers to these questions, we will adopt the following plan:

1/Distinction between rentier and developmental states: conceptual insights
2/Characteristics of the developmental state
3/Characteristics of the Annuitant State
4/ Improve the investment climate to become a developer state.
5/ Incentives: a prerequisite for economic development

To begin, conceptual insights and definitional elements of the rentier and developmental states must be provided.

1- Distinction between rentier and developmental states: conceptual insights

In the economic literature, a distinction is made between states of allocation and states of production. This is based on empirical data from various countries.

The notion of the rentier state is developed through the theoretical constructions of Mahdavi in 1970, based on the experience of the Iranian state, and those of (Beblawi & Luciani, 1987), based on the experiences of Arab countries.

(Sid Ahmed , 2000) distinguishes between the concepts of the state of allocation and the state of production. States of allocation are designated the rentier states, involved in a simple redistribution of unproduced wealth, and states of production are described as the states involved in the actual production of wealth, whether or not they are endowed with natural resources. In this type of state, productive activities take precedence in relation to the activities of exporting wealth.

A "rentier state" is a country that receives significant amounts of external rent on a regular basis (Sid Ahmed , 2000). It should be noted here that the government remains the main beneficiary of the external rent, hence its fundamental role as distributor, and the rent is for the exclusive use of the state. The latter can be the owner of the subsoil and therefore of external rents from hydrocarbons, as is the case for Algeria. When this is not the case, the state heavily taxes the hydrocarbon sector and thus monopolizes substantial rents indirectly.

On the other hand, and in the opposite case, when the state derives its revenues from the surpluses produced by the domestic economy by maximizing the tax base through economic growth and through the productive sectors, we speak of a producer state, a capitalist state, or a developmental state.

The concept of the "developer state," or "developmental state," emerged primarily as a result of the "Asian miracle" of the 1960s, which saw the meteoric emergence of the economies of East Asian countries known at the time as NPI (New Industrialized Countries).

Developmentalism, based on the necessity of industrial development and the voluntarism of the state, was thought after the Second World War to be a paradigm of modernization, especially in Germany, Japan, and the Soviet Union, and to orient itself toward the experiences of the countries of the South. Today, observation and lessons learned from various successful and non-successful development experiences provide a universal basis on which development policies can be thought through and implemented with a view to emergence, particularly in African countries.

Attempts to transfer the experience of East Asian countries, in particular, to Africa have failed miserably for decades, if not half a century (UNCTAD, 1998).

Concerns and justifications for results revolve around the question of the nature of the state. Indeed, the Gordian knot of economic issues in these countries has become the state's ability to rigorously design and implement complex policies, more or less similar to those that made the NICs successful.

The corruption, greed, and greed of the leaders of these countries, the enormous embezzlement of the fruits of the rent derived mainly from the exploitation of natural resources, clientelism, the refusal of fair competition, etc., are considered to be the main factors in these failures.

Beyond institutional quality per se, the common feature of these approaches is the absence or insufficiency of manufacturing industries exploiting local raw materials and with a high intensity of skilled labor, which would have led to a major effort in training, upgrading, and a more intensive use of technologies.

It should be emphasized that even the most relevant, offensive economic policies geared toward emergence necessitate a certain level of legitimacy on the part of the political powers in order to persuade the entire population of their benefits and persuade it to accept certain social sacrifices. Some economists speak of the "ideological foundations of the state" (Mkandawire, 2001).

2- Characteristics of the developmental state

"The capitalist developmentalist state is based on the idea that government policy coexists with the market and does not direct it." Johnson Chalmers. Several authors, including (Chalmers, 1982) and (Leftwich, 1995), characterize the developmental state through the following features:

The relative autonomy of the state: the state has relative independence vis-à-vis pressure groups (class, sectoral, or regional) and places the national interest above these particular interests.

Economic bureaucracy: economic coordination and development are ensured by specific institutions (a ministry, for example, in charge of organizing the interactions between state and economy). They have real power and technical competence in the creation and implementation of development policies.

Relations with civil society: generally, the developmental state is set up in a context where civil society is weak. The state is strong, it controls civil society, and it is little troubled by opposition groups. Contrary to popular belief, economic prosperity has resulted in the (re-)emergence of a civil society active in these states.

Developmental states and economic interests: in these countries, the state is little influenced by private economic interests. This is because the power and autonomy of the state were consolidated before the capital became influential. Private interests are generally not an important force at the time of the formation of the developmental state.

Civil rights: In these states, civil rights are severely restricted. These are often non-democratic and repressive states, but paradoxically, they enjoy a relative legitimacy granted by their people. This can be explained by the fact that the benefits of growth are well redistributed (in education, health, and road infrastructure, for example).

(Akyuz, Chang, & Kozul-Wright, 1998) retain three (3) major characteristics:

- "First, institutional reforms and policies are based on the "profit-investment nexus," that is, on a dynamic of accumulation that is vital to the growth process.
- Second, there is a close and interdependent relationship with exports—the "export-investment nexus."

- Finally, "economic rents" must be managed in a way that serves development. (UNCTAD, "Domestic Resource Mobilization and the Development State").

(Thurbon, 2014) in turn raises the main assets to be brought together to guarantee a developmental process: "a meritocratic civil service; a pilot agency responsible for planning and coordinating industrial transformation; an economic administration relatively well insulated from political pressures that could compromise its long-term planning abilities; institutionalized and cooperative relations between the State and the business community facilitating the preparation and proper implementation of development plans; and the ability to ensure an adequate flow of resources to activities designated as strategic."

Finally, new trends relating to the redefinition of the contours of the concept are emerging and introduce the necessary respect for human rights by strongly criticizing "governmental authoritarianism as a factor of growth"!

The practice of authoritarianism (the case of China) can more or less slow down or hinder economic development in the long term, but states that claim to respect human rights but leave entire fringes in misery and backwardness develop narrow conceptions and policies of social injustice that ultimately lead to serious conflicts.

3- Characteristics of the rentier state

In the following, we present the characteristics, making the specificities of a rentier state clear.

3-1- Autonomy, at the origin of the authority of a rentier state

Rentier states are said to be autonomous, insofar as their income comes from exogenous resources and not from the taxation of domestic economic activity. In periods of indicative oil price increases, the country concerned may reduce the tax burden, hence the reduction in the relative share of the tax. As an exception, it is noted that in 1973–1974, Saudi Arabia went so far as to no longer collect income tax and corporate income tax. "Since substantial external rent makes this effort less necessary, it is reasonable to assume that the state will levy little or no tax" (Cottenet, 2000).

In the most frequent case, the structure of taxes in the various sectors of activity of an oil country would show that the tax base of the state is essentially the hydrocarbon sector, which occupies a very significant share of total taxes related to production. Thus, as long as the oil sector occupies such an important place in a country's resources, the importance of the share of oil taxation does not encourage a state to promote national productive effort and to consolidate its ordinary taxation. Moreover, the state is not obliged to be accountable to citizens for the use it makes of its resources since these do not come from citizens' contributions.

Thus, a rentier state, taking into account the importance of its oil tax revenues, does not need to set up a real tax system. As a result, there is no incentive to compromise with different social classes when there is nothing to ask of them and no one is accountable to them (Garon, 1994). something that makes the state autonomous in relation to different social classes while leading it to be dictatorial. Of course, with the reduction of the tax burden, the state also reduces the counterpart it must bring to the tax, in particular the answers it must normally provide to the demands of the citizens.

Also, the authoritarian character negatively affects the mode of governance established in a rentier state since it is not obliged to assume its responsibilities vis-à-vis society by ignoring its demand for better modes of governance (Guendouzi & Amnache - Chikh , 2013).

3-2- The Rentier State and the Redistribution of Wealth

In a rentier state, few people are involved in the genesis of rent, while a significant part of society is involved in its distribution and use. This is valid for the oil sector, which remains a highly capital-intensive sector.

Indeed, oil-exporting developing countries benefit from immediately available foreign exchange earnings, which the United States essentially distributes domestically. They are therefore referred to as "state distributors." "Since oil activity is highly capital-intensive and moreover takes place in some sort of enclave, the inhabitants of these countries, in their overwhelming majority, have no relation to the production of rent: they are content to use it." More importantly, this process has a mediator, the state (Yasuyuki, 2000).

The majority of so-called rentier distributors follow a standard scheme for distributing their rents: job creation (primarily in the service sector), societal benefits from social services, large transfers, and so on. With its role as distributor, the state manages to achieve social stability by deterring potential opponents, "buying" already existing political groups, and depoliticizing the elite. As a result, he received widespread approval. And then, distribution as defined in distributor rentier states is considered "alms," which makes citizens tolerant of inequality and corruption. Moreover, political stability is also achieved through arrangements with the elite and the distribution of material goods to the masses. It should be noted, in order to clarify concepts, that the notion of political stability refers to maintaining political institutions in a political system that does not change and that retains its foundations even if there is a change in the team in power (Beblawi & Luciani, 1987).

This worked for nearly two decades in the case of Algeria. On the other hand, Algeria has experienced a deep movement of citizens opposing this situation characteristic of the rentier state since February 22, 2019. This multidimensional crisis is first and foremost an economic crisis triggered by an unfavorable oil situation for the Algerian economy.

3-3- Importance of corrupt practices and embezzlement

A historical look reveals that in Algeria, corruptive practices feed on a rentier economy and an authoritarian and clientelist system. During the period when the socialist regime was chosen, an administered economic management fostered corruption.an economy characterized, from the outset, by its heavy dependence on oil revenues. In this respect, it should be noted that oil revenues represented, in the 1980s, nearly 98% of export revenues in Algeria. Already at that time, "oil revenues were used to maintain networks of clientele who, in return for their support for the regime, benefited from jobs, subsidies, and even state assets" (Garon, 1994).

This type of management has expanded the scope of public interventions and the opportunities to monetize a position in the state, creating rents in situations and, as a result, catalyzing rent-seeking behavior. At the end of the 1970s and during the 1980s, "Algeria had promoted all the provisions that encourage corruption: the distribution of free housing, land grants, medical care, access to positions of high responsibility, all subject to corruption, sometimes in full view of all." "The retrocession was realized in a material counterpart, either by obeying favoritism or nepotism actions" (Lamiri , 2013).

Paradoxically, this phenomenon is further accentuated in the context of the transition to a market economy, which opens up new avenues for embezzlement and corruption (through privatizations, for example).

The oil rent is being collected by the state, which can spend it as it wishes. This reinforces the patrimonial character of the power, which therefore resists any reform that could redefine this role. In addition, the rent from the hydrocarbon sector has allowed the constitution of a vast informal clientele organization operating under the cover of official institutions.

In comparison, political and institutional stability in Norway (the most frequently cited example of good oil revenue management) requires governments to take a long-term view. On the other hand, in Algeria, political instability and the weakness of the rule of law have favored rent-seeking behavior and short-term strategies.

Quite simply, "the difference between a developed economy and an underdeveloped economy can be seen in the state of the institutions of each of them." "Economic development cannot be reduced to an injection of financial resources, whatever its scale, or to the construction of infrastructure or even factories" (Bouzidi, 2011).

In addition, the NGO Transparency International regularly notes, through its comparative studies on corruption, that oil-producing countries are almost always among the worst ranked internationally.

That said, empirical reality confirms the causality between the existence of economic rent and corruption. Such a context favors the publication of situation reports. a fact catalyzed by the weakness of institutional quality.

On the other hand, the counter-examples that may exist highlight the importance of setting up appropriate economic and political structures, i.e., structures that are open to control. structures capable of carefully defining property rights and protecting them. those that organize and monitor legal competition in the markets for goods, services, and labor.

Thus, it can be concluded that corruption is not inevitable in an oil-rented economy, as long as the latter enjoys "good institutions."

Without this, corruptive practices are born, and oil revenues feed and sustain them. In other words, the financial wealth resulting from the export of natural resources "can be likely to whet appetites and increase corruption" (Boudjema, 2011). And this in a context of institutional weakness, in which corruptive practices become inevitable.

In this context, the situation in our country is described as an Algerian defect. This expression r country is described as an Algerian defect. This expression is used by (Dahmani, 2012), who considers that in Algeria, there is a particular configuration of the economy, society, and all social relations around rent.

In this context, the various economic agents are part of the circuits of access to rent, so the civic spirit fades and corruption becomes widespread. Faced with this state of affairs, the economic consequences of the rentier operation built on natural resources are harmful to investment.

During the 2000s, Algeria witnessed multiple cases of corruption and embezzlement of public money (Khalifa Bank in 2006, Brown & Roots Condor between 2001 and 2005, Algeria Telecom in 2007, bluefin tuna fishing in 2009, the National Bank of Algeria between 2002 and 2005, the East-West highway, illicit transfers of currency to Spain by importers in 2009, etc.).

More recently, Algeria has experienced one of the most puzzling scandals regarding the volume of money embezzled and the political and economic figures involved. The popular and peaceful insurgency, which has already lasted a year, is founded on the question of the nature of the state and its necessary refoundation. The developmental state is more than ever on the agenda, and the new government seems quite aware of its necessity.

Referring to the World Bank's report on growth entitled "Strategies in Support of Sustainable Growth and Inclusive Development," he elaborates on the substance of the government's program in three main areas: "At the political level, the urgency of profound revisions to the modes of governance that have widened the gap between an expensive state and entire sectors of society that are increasingly vulnerable; the loss of institutional credit, the loss of trust, and the difficulty of communicating are different aspects of the same reality."

At the social level, there is a need to put an end to the growing impoverishment of broad social strata, to guarantee equal opportunities in access to employment and official functions, and to create a climate of trust and acceptance. The new Algeria to which we aspire excludes no one.

At the economic level, it will also be necessary to reassure operators heavily impacted by the inappropriate nature of the choices made in terms of economic management by blocking competition mechanisms, but also by legislative instability and lack of visibility due in particular to legal uncertainty.

The systemic crisis facing our country is essentially political. It therefore requires a radical treatment of the mode of governance, the conditions of access to power, and its exercise, with a vigorous civil society and a political class worthy of the name.

This is why the government's action plan places the reconquest of freedoms at the top of its concerns.

3-4- The challenge of social stability: a priority in recent decades

The Arab revolution movement, which has challenged the political regimes in place in most cases, has long sparked debates in the economic, social, and political spheres about Algeria's vulnerability to such an event. In this regard, it was generally accepted that other social movements experienced in the past in Algeria (reference is made in particular to the so-called "black" 1990s and the Berber spring movement in Kabylia...), although damaged in the popular memory of Algerians, prevented such a revolution from being unleashed in Algeria (Boucekkine & Bouklia-Hassane, 2011).

It is worth noting that, in addition to the substantial rent generated by hydrocarbon exports, the Algerian rentier state provided itself with the means to suppress protests between 2000 and 2010.This is done by "buying" social stability.

To this end, since 2003, the state has devoted 50% of oil taxation to social transfers, which is equivalent to 13% of GDP. This very significant percentage of oil taxation has been used to increase civil servants' salaries, grant credits for the unemployed, subsidize foodstuffs, etc. The compensation of employees increased from 884.6 billion dinars to 4249.9 billion dinars, a multiplier of 4.80. This leads to an increase in the salaries of several categories of civil servants with retroactive effect over three years. Still, in the same context, several contract agents have been established in the public service. This is at the origin of additional expenditures contributing to the accentuation of the budget deficit in 2011. To "contain" the category of unemployed young people, ANSEJ is responsible for reactivating the credit system (between January and May 2011, 15,000 credits were granted in opacity). In this sense, let us remember that monetary ease avoids the concern for controlling expenditure and rejecting unprofitable projects, and the criteria for selecting projects in economic terms become less rigorous because of political pressures and institutional problems in terms of project evaluation.

In other words, the fear of the Algerian power seeing the shock wave of revolution spread in several Arab countries (Tunisia, Libya, Egypt, etc.) as well as the January 2011 riots in several Algerian cities pushed the authorities to lower the prices of certain basic products (sugar, oil, milk, etc.) while maintaining state subsidies (which are estimated at some €2.6 billion).

In total, it should be noted that "in the hands of the Algerian state, the rent functioned as a consensual and non-conflictual relationship since it allowed it to distribute to one part of society what the other part did not produce" (Benabdellah, 2009).

The identification of the autonomy of the Algerian rentier state would inevitably involve the consideration of certain figures, in particular those of the structure, in percentage, of the budgetary revenues of the state, which show that the tax base of the Algerian state is, essentially, the hydrocarbon sector, which occupies a very significant share of the total budgetary revenues.

(Benabdellah, 2018) notes that "On the strict level of economic magnitudes, the Algerian state responds perfectly to the characteristics of the rentier state."

In the early 1970s, the percentage share of oil taxation in total budget revenue was 21.4%. In the aftermath of the first oil shock, this share rose to 57.1%. In the period between the two positive oil shocks, the average annual share of oil taxation, in percentage terms, exceeded half of budget revenues. In the aftermath of the positive shock of 1979, this share developed positively, reaching a maximum value of 64.1% in 1981. During the period 1980–1985, the average share of hydrocarbon-related revenues was 55%. On the other hand, the fall in oil prices in 1986 was reflected in a significant fall in the percentage of oil taxation in total budget revenue to

22% in 1987. In addition, between this negative shock in oil prices and the third positive shock that occurred in the early 2000s, the average annual share of oil taxation in total state budget revenue is 48%. In 2000, hydrocarbon revenues accounted for 76.9 percent of total state budget revenue. During the period from 2000 to 2014, this share represented an average of 70%. On the other hand, it experienced a slight decline in 2009 (a date corresponding to a fall in oil prices). Beyond this date, the rate is 67.5% on average.

The share of oil taxation is dominant in the total revenue of the state budget. This is one of the essential factors explaining the lack of incentives to create other tax bases in Algeria and, therefore, the failure to "trigger" a process of economic diversification.

4- Improve the investment climate to become a developer state

In order to assess the investment environment in Algeria, we retain here the results provided by the World Bank and the World Economic Forum. According to the Doing Business 2020 Annual Report, in the MENA region, Algeria comes in 16th place, ahead of Morocco, Tunisia, Egypt, and Iran. Algeria is ahead only of Iraq, Syria, Libya, and Yemen. In Africa, Algeria comes in 33rd place, behind Morocco and Tunisia, which are ranked respectively 3rd and 5th. Algeria has not recorded any change compared to 2019, according to the same source.

On the other hand, WEF (World Economic Forum) reports since 2004 also classify Algeria as an uncompetitive economy. Today, it is from a hundred criteria and indices classified into 12 "pillars" that the assessment of the business climate is established: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, efficiency of the goods market, effectiveness of the labor market, development of the financial market, technological capabilities, market size, market sophistication, and innovation. In 2018, Algeria is still in 92nd place out of 140 countries with a score of 53.8/100, ranked among the "moribund" countries!

The creation of ANDI in 2001, which is the investment window, was an important step in the promotion and monitoring of investments. However, the perverse effects of institutional quality, bureaucratic functioning, and the extent of corruption are real obstacles to entrepreneurship in general.

During the trials of successive governments' top officials over the last two decades, it was revealed that tax and land benefits... were awarded to a few families who had monopolized the most important public contracts without developing the economic fabric.

In addition, Algeria's poor rankings should alert decision-makers to the need and urgency of effective implementation of important macroeconomic reforms and the realization of incentives for the proportion of investments that are the subject of Law 16-09 on investment promotion.

In addition, the decision to invest requires know-how and interpersonal skills. Algerian companies would benefit from adapting quickly to this condition. The spirit of rent, already existing during the 1970s during the phase of excessive investment by emphasizing public financing, intensified during the period of rising oil prices. Since creativity and innovation are prohibited, the search for opportunities is more oriented towards clientelism and the public market, as well as imports, than towards the acquisition of the qualities mentioned above and the long-term prosperity of the company. The dependence on the hydrocarbon sector seems to be a major constraint to the development of investments in Algeria.

Other constraints can be identified in this area. Indeed, industrial projects are penalized by the difficulty of accessing bank credit (moreover, the latter is both random and has deadlines considered long), which creates serious obstacles in terms of financing.

In addition, the difficulty of accessing industrial land bases is also a factor in eviction for industrial project promoters while being a source of rent for certain economic agents (a source of corruption).

Also, the threat of unfair competition from the informal sector is a deterrent to the formal market.

It should be noted that in Algeria, the conditions for fair competition are not met: the public sector still controls a significant part of economic activity, with strong administrative barriers, information asymmetry, and an inefficient legal and judicial system (Kerzabi, 2014).

To these limiting factors we add the considerable delay in integrating new technologies into the functioning of public administration, the banking system, etc. The development of digital and e-economy, which facilitate the daily lives of citizens, businesses, and, more importantly, government, is being slowed, which promotes the opacity of economic transactions and limits the transparency that is so important in modern economies. Online payment, internet speed, continuity, reduction of cash transactions, fluidity in communication... are the factors that today add or subtract value from competitiveness.

The World Bank, in its latest report on Algeria for 2019, estimates that the political instability of the country will have an impact on economic activity in general as well as on the attractiveness of national and international companies.

With this in mind, it would be foreseeable that more resources would be allocated to social measures to the detriment of public investment expenditure. This would certainly not help improve the overall framework for investment.

5- Incentives: a prerequisite for economic development

The productive base in Algeria is narrow, with an import activity much more developed than that of entrepreneurship. Of course, the oil boom of the 2000s reinforced the weight of the import sector to the detriment of the productive sector. In this context, there will always be forces of resistance hostile to in-depth reforms that could drive change (Djoufelkit, 2008).

(Goumeziane, 2018) notes that it is urgent for the case of Algeria "to consider political and economic alternatives in a peaceful and democratic way in order to move from a rentier authoritarianism to a democratic productive system." And to do this, mobilize "all the living forces of the nation anxious to rehabilitate the national productive economy with respect for the freedoms of each and all." This rightly coincides with the demands of the citizens' movement, which has already been a year old.

In order to encourage the emergence and consolidation of a developing state in Algeria, reforms are needed to improve institutional quality in general. Indeed, in Algeria, the existence of institutional blockages is an obstacle to the country's economic development.

Transaction costs that are too high are a major barrier to starting a business and to encouraging productive investment in general.

Network operation: In Algeria, the network replaces the legal framework. Instead of establishing a legal framework for the protection of property rights, the resolution of commercial disputes, and so on, it is the "connection" to a network that allows access to: a bank loan, approval, land, administrative authorization, and so on. Such an operation is the source of significant economic costs. since it leads to the elimination of competent and efficient companies because they are not part of this logic. As such, businessmen who are strongly in line with the logic of the network are able to keep many potential competitors out of the market. This discourages investment initiatives by creating barriers to entry.

Now, in the case of Algeria, the disincentives to the development of a productive sector are of great weight. Thus, "a managerial modernization of all the country's institutions (administrations, schools, hospitals, universities, and companies) is required, moving from task-based management to results-based management systems" (Lamiri , 2013).

In addition, and still in this area, the education system and the university should inculcate positive ethical values and thus "produce" formal and informal institutions of good quality. In addition, the independence of the judiciary is a pillar in the fight against corruption and, more generally, in institutional modernization.

Conclusion

To conclude, it must be remembered that in a rentier state, the government remains the main beneficiary of the external rent, hence its fundamental role as a distributor and a central actor in development. On the other hand, as long as the oil sector occupies such an important place in a country's resources, the state does not have the ambition to encourage the national productive effort and thus consolidate its ordinary taxation. The fiscal autonomy of the state vis-à-vis what could be its financial base (thus the domestic economy) would inevitably lead to its political autonomy vis-à-vis the citizens.

However, the vulnerability of rentier states (given the exhaustible nature of natural resources and the fluctuation of their prices) should encourage them to adopt long-term strategies to reduce their dependence on natural resources. while diversifying the economy.

It must also be said that, in terms of the institutional quality of countries rich in natural resources, more reassuring cases may exist. For example, Norway is still cited as a model for the proper management of its natural resources. This is because the Norwegian economy already had relatively high standards in terms of education, democracy, and institutional reliability at the end of the 1960s, which distanced it from the situation in which the Algerian economy was strengthened, characterized by weak institutions, and weakened further by the existence of a rent.

The imperative for the Algerian economy is to get out of its excessive dependence on oil and gas revenues, to become a competitive economy, and to integrate effectively into the world economy.

To do this, the establishment of a set of incentives is needed: macroeconomic incentives that concern the policy of investment in public goods and services and that would increase the profitability of the productive sector in an economy. Then microeconomic incentives promote the emergence and strengthening of the productive sector. And finally, the institutions must offer a framework conducive to the promotion of productive investment in Algeria.

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