# Evaluation of the Algerian Experience in Implementing the Local Production System (LPS) Program in the Traditional Industry and Crafts Sector

DERBAL Soumeia[1,*]
[1] University of El Oued (Algeria),derbal-soumeia@univ-eloued.dz

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**Summary:** This research paper aims to address the issue of implementing the Local Production System (LPS) program in Algeria and its role in developing the traditional industry and crafts sector. The program is a cornerstone for executing the developmental plan to advance this sector. Answering the research question required using an analytical method to assess the effectiveness of the program's implementation on the ground.

The analysis confirmed the program's success in developing Algeria's the traditional industry and crafts sector. This was fulfilled by facilitating the role of responsible bodies in organizing and supervising joint projects among craftsmen, building trust, and fostering cooperation among several actors within each local production system. Additionally, the program enabled craftsmen to secure projects and achieve local accomplishments. Expanding the implementation of this program across different sector activities and throughout all provinces would help ensure sustainable development for the traditional industry and crafts sector.

**Keywords:** local production system, traditional industry, artisans, local development

**Jel Classification Codes :** L11; L16; P25; Q32

## I- Introduction :

The Local Production System (LSP) is one of the approaches implemented in several countries in diverse ways, seeking to enhance collective participation among stakeholders and fulfill local development. It is regarded as one of the most effective methods globally for fostering small and medium-sized industries. This system was adopted in Algeria to promote the strategy established for developing its traditional crafts and artisanal sector, adapting it to modern advancements. In 2007, the Ministry of Small and Medium Enterprises and Traditional Industry (formerly) adapted its intervention strategy by employing the Local Production Systems (LSP) approach in the traditional crafts and artisanal sector.

This research paper seeks to explore the following problem statement:

**Is implementing the Local Production System (LPS) program in Algeria's traditional industry and crafts sector capable of promoting craft activities and achieving sustainable development for the sector?**

To analyze and address this problem statement, we have devided it into the following sub-questions:

- What does the Local Production System mean, and what is its significance?
- Will public efforts toward applying this system contribute to developing the selected craft activities?
- Can the implementation of this system be adapted to every craft cluster across all sector activities?

Answering the studied problem statement requires testing the validity of several hypotheses, which serve as preliminary answers to the sub-questions:

1. The Local Production System is a cluster of small enterprises within a specific geographic area, through which the clustered enterprises benefit from several positive advantages.
2. The initial outcomes of implementing the Local Production System program in Algeria have demonstrated encouraging results, reflecting the considerable efforts made by the state to assign the sector its rightful role in driving development.
3. Based on the established program, developing artisanal clusters into local production systems depends on the maturity of local projects and their contribution to local and national development. Successfully transforming craft clusters into local production systems and expanding these efforts to other craft activities across the country would ensure sustainable development for the traditional industry and crafts sector.

To define the scope of the problem statement and establish a general framework for accurately understanding the proposed approach and the methodology for testing its hypotheses, we employed various methods tailored to the nature of the subject and its components. Specifically, a historical approach was used in sections addressing historical development, a descriptive and survey-based approach in parts introducing concepts, highlighting their importance, or reviewing international models. Additionally, an analytical approach was applied in sections evaluating the implementation of the Local Production System program in Algeria’s traditional industry and crafts sector.

Regarding the literature review, several studies have explored the topic of the Local Production System, including:"

- **Nathalie Mudard-Frassen:** *The Question of “Localized Production Systems”*, a study presented in February 2001, published by the *Industrial Redeployment. and Innovation* laboratory at *Littoral Côte d’Opale* University in Denmark. In this study, the researcher examined the theoretical literature on Local Production Systems.

- **Jean-Marc Zuliani, Michel Grossetti, Guy Jalabert**: The Toulouse Agglomeration: A Local System of Competences, originally published as a chapter in the book Globalisation, Productive Systems, and Territorial Dynamics, released by L'Harmattan in Paris in 2005. This study examines whether urban clusters specializing in research and development activities can be considered local productive systems, and explores the extent to which specialization in such activities can be identified.
- **Djalila Ben Laamoudi:** Development Strategy for the Traditional Industry and Crafts Sector in Algeria for the Period 2003-2010: A Case Study on Developing a Local Production System in Traditional Weaving Crafts in the Touggourt Region, a master's thesis submitted in June 2012 to the Faculty of Economic, Commercial, and Management Sciences at Kasdi Merbah University, Ouargla. The study examines the traditional industry and crafts sector in Algeria and the development strategy designed for the period up to 2010, with a particular focus on the Local Production System (LPS) as a key mechanism for implementing this strategy.

To analyze and study our topic, we have divided the research into the following sections:

1. Theoretical framework of local production systems;
2. International experience in supporting and developing local production systems;
3. The Algerian experience in developing local production systems.

## II. Theoretical Framework of Local Production Systems:

Numerous terms are employed to refer to a cluster of small specialized institutions centered in a specific region, such as industrial or technological districts, competitive clusters, regional enterprise networks, clusters, and others. Although the terminology differs relying on the region, all these terms refer to this type of clustering ( DITTER , 2005A, P1). This study will use the term "Local Production Systems (LPS)" as a comprehensive concept to describe this type of organization.

### II.1. The Historical Basis of the Local Production System:

The theory of local production systems is rooted in industrial economics (BELKHIRIA, 2006, P5), developed by Alfred Marshall. This model focuses on the relationship between industrial dynamics and the region in which the industry operates. It emerged from theoretical sources and empirical studies in central and northeastern Italy during the 1960s and 1970s (COURLET , 2002, P28),

This movement led to the emergence of industrial areas and clusters worldwide, a subject of academic study by scholars like Bagnasco (1977), De Brusco (1982), G. Garofoli (1981-1983), De Fua, and Zacchia (1985). The researchers conducted studies in Italy during the 1970s and 1980s, examining the economic development in various Italian regions (COURLET Claude et al., P9),

The study highlights a dichotomy: between industrialized north and agricultural south, with small enterprises in northeastern and central regions thriving in traditional industries like textiles, clothing, footwear, furniture, and ceramics (AZROUL,2006, P9 )

Becattini's research on industrial districts between 1979 and 1987 emphasized the importance of internal development dynamics and unique social features in explaining economic success, reintroducing the term and observing competition, integration, and cooperation among SMEs, closely mirroring Marshall's model (MARC-URBAIN Proulx, 1998, P51).

Numerous studies have defined organizational forms similar to local production systems, particularly in Italian regions. Origins of these organizations often trace back to earlier industrialization periods, while more modern models have emerged in Southern European countries like Portugal and Spain, which adopted industrialization more recently (COURLET , 2002, PP30-31).

Researchers' contributions to the concept of the industrial district led to the development of the term "Local Production System (LPS)," resulting from a combination of theoretical and empirical studies.

## II.2. The Concept of Local Production Systems:

Numerous writers and international organizations have employed the term "local production system" in various forms and titles. Despite some differences, empirical evidence has demonstrated that all these variations fall under one framework. Below, we will present several concepts associated with this framework.

- As previously mentioned, the innovator behind the concept of local production systems was Alfred Marshall in 1920. He argued that the geographical concentration of small and medium-sized specialized enterprises forms an industrial district and creates an industrial atmosphere that facilitates learning among individuals and the acquisition and dissemination of skills and technology (DITTER, 2005, P38).
- In 1992, Bicattini also employed the term "industrial district" to describe the concentration of small enterprises in Italy's northeastern and central regions. It is defined as: "A socio-regional unit distinguished by the active presence of a group of individuals and small enterprises working in the same craft or on the same product in a specific geographical and historical area (COURLET , 2002, P30)."
- In 1990, Porter defined the term "cluster" as: "A specific organizational pattern where competitiveness is based on the existence of close relationships among actors who share common or complementary objectives rooted in a specific region (DITTER, Clusters and Territories: Localized Productive Systems in the Wine Sector, Reflets et Perspectives, Burgundy, 2005, P3)." He added that it is: "A geographical concentration of interconnected units: specialized suppliers, service providers, enterprises operating in related industries, and organizations (universities, certification bodies, training centers...) that work in a specific area in an integrated and collaborative manner (mediterranee-technologies.com/dev/med-tech-fr/clusters/glossaire.htm, 2010). "
- In 2002, under the work of the French Agency for Regional Planning and Regional Action (DATAR), the Local Production System was defined as: "A specific production organization situated in a region that generally represents a labor basin, operating as a network of interconnected units engaged in similar or complementary activities and sharing work (small-scale production or service enterprises, research centers, training organizations, support bodies, universities, technology watch centers, etc.) ( DITTER , Local Wine Production Systems: Concepts, Examples, and Possible Lessons for France and Burgundy, 2005A, P3)."

Another researcher, A. Markusen (2000), introduced three other types of clusters, which he referred to as "places of attraction", defining them as follows:

- A cluster of small enterprises centered around a large enterprise, much like rays around a center. Examples include Seattle with Boeing in the USA, Toyota City in Japan, and Ulsan and Pohang in South Korea. In these cases, the large enterprise is not part of the local system formed by these small enterprises, yet it maintains important relationships with them and external entities.
- The branches of large foreign companies in the host country also form an attractive cluster, even though they are not affiliated with local enterprises, and their products are directed toward external markets (COURLET , 2002,P31).

However, the successive expansion of research on the clustering of enterprises and the continuous extension of the definition led to a loss of theoretical precision. Thus, the essential components that define a Local Production System can be summarized as follows:

- A defined and relatively small region with a high density of enterprises that satisfy the needs of its population, with a variety of enterprise sizes, none exceeding that of a medium-sized company.

- Specialization in a single traditional industry (textiles, food products, etc.) or integrated activities enables the region to fulfill significant turnover and gain substantial market shares locally and internationally.
- Control by these enterprises of local industrial knowledge, deeply rooted in the region, enables the creation of a value chain between highly specialized and integrated independent activities.
- Support from local organizations and bodies close to the cluster of enterprises can play a coordinating and facilitating role between the actors in the production system.
- Availability of a wide range of service providers (suppliers of raw materials and equipment, training centers, research, funding, local development banks, transport services, designers, export services, etc.), ensuring that the basic needs of the region's enterprises are met.

**II.3. Significance of the Local Production System**:

Several empirical studies have confirmed that the Local Production System is the optimal means governments should follow in their economic development policies due to its various benefits. This is evident through:

**II.3.1. External Economies Resulting from Clustering**:

The clustering of specialized businesses in close proximity generates numerous advantages known as external economies. According to Marshall, these are "free services provided by neighboring businesses to each other due to their operation in the same environment, deeply rooted in the region, and shaped by the historical and social characteristics of the area." In the context of industries concentrated in specific regions, Marshall observed that the proximity of businesses creates an industrial climate, which is a key factor for integrating and transferring competencies within systems (COURLET , 2002, P29).

Thus, the Local Production System has a positive impact on workers, businesses, and the regions where they are concentrated. It increases employment opportunities by boosting productivity and allows workers to develop their skills. It also promotes the economic efficiency of the businesses involved, creating a competitive advantage for the region. This is because local specialization in a specific industry enhances success in that field, contributing to the overall national production. For instance, in Italy, productivity in specific areas increased by 2 to 4%, and by the mid-1990s, about 60% of the U.S. output came from 380 industrial clusters (Datar-OCDE, 2001, P8).

**II.3.2. A Key Tool for Stimulating Innovation**:

Another often-overlooked benefit of proximity is its role in developing and spreading technologies, which promotes local competitiveness. The need for competition through differentiation drives the development of new technologies and products, made possible by a network of local stakeholders (service providers, universities, local communities, etc.). This network ensures the survival and sustainability of small businesses, enhancing cooperation between companies and facilitating shared experiences. Through their interactions, these businesses create a learning dynamic that allows skill shifts and adaptation to new conditions, ultimately stimulating innovation (LOREK , 2008, P5). If learning is a product of activity, it implies that it involves implicit knowledge (LOREK, 2008, P5 ). The knowledge dynamics emerging from the Local Production System distinguish regional actors by their ability to alter behaviors and adapt to environmental changes over time. This leads to the circulation and exchange of knowledge, which results in the reproduction of technical culture and, consequently, the environment itself (COURLET Claude et al., 1993, P9).

**II.3.3 The Local Production System and the Development of Rural Areas**:

Small enterprises play a crucial role in developing rural areas by contributing to job creation and meeting the basic needs of rural populations. Studies in Europe and South America have demonstrated that rural development can be fulfilled by supporting this type of business through the

Local Production System approach. This system plays an essential role in the development of these areas due to the advantages it generates, as previously outlined. Furthermore, it helps reduce regional disparities by supporting areas and sectors facing challenges, thereby diminishing the excessive concentration of economic activities in certain regions (Datar, 2005, PP27-28). A good example is the role of rural excellence hubs in fostering development, creating jobs, and strengthening the unique features of these regions, thereby fostering their competitiveness.

**II.3.4. Building a Regional Competitive Advantage**:

The Local Production System plays a crucial role in areas and regions that seek to establish links beyond local exchange, specifically in building a unique competitive advantage. According to P. Krugman (1991-1992), the interaction of Marshallian economies and increasing returns will distinguish some regions from others. History has a major impact on the regional organization of these activities, making these externalities irreversible and deeply rooted in the region.

Another extension of this analysis, inspired by works on the dynamics of technological change, was brought forward by W.B. Arthur (1990), who studied the theoretical conditions for a region to monopolize a specific industry. He emphasized the significance of clustering economies, the benefits of specializing in a particular industry in a defined region, and the crucial role of historical events in local dynamics. This analysis enabled Arthur to establish a theoretical presence of multiple equilibria connected to the region's cumulative path of historical externalities. He argued that the local space provides sufficient advantages to exclude alternative regions or concentrations, thereby establishing a monopoly position in the industry through Marshallian externalities and innovation. This creates a competitive advantage for the region and fosters national competitiveness (Datar, 2005, PP34-35).

## III. International Experience in Supporting and Developing Local Production Systems

It is useful to highlight some leading international experiences in this field to better understand the benefits and positive impacts of any organized cluster of Small and Medium Enterprises (SMEs) within a specific geographical area. Thus, we will address the experiences of Italy, France, and India below.

### III.1. Italian Industrial Areas:

The Italian experience is the most well-known example of a successful application of local industrial clusters for small enterprises. It offered a methodological framework for several experimental works and allowed for the identification of the critical characteristics of local industrial dynamics.

#### III.1.1. The Emergence of Industrial Areas in Italy:

The appearance of industrial areas in Italy occurred in the late 1960s and early 1970s in the northeastern and central regions, known as "Third Italy". These regions specialized in traditional activities, and their emergence resulted from the agricultural crisis and the difficulties encountered by large enterprises due to Fordist production (COURLET & FERGUENE, PP101-103).

Initially, industrial areas emerged spontaneously, without any government support or accompanying programs, due to the prevailing socio-economic conditions at that time (COURLET Claude et al., 1993, PP10-11). These factors allowed the appearance of organized industrial areas including networks of small enterprises. Through their specialization and the performance of subcontracting operations, these enterprises shared the labor force required to manufacture the same product or related products. These regions are also distinguished by a close link between industrial activity and the social and cultural features of the region, creating a blend of old and new, which became the source of their dynamism.

#### III.1.2. The Concept of Industrial Areas in Italy:

The legal definition of Italian industrial areas was established only in 1991. These areas represent clusters of spontaneous cooperation and integration among enterprises engaged in the

same craft or market. The enterprises are technically interconnected and collectively contribute to producing a specific product, which is identified as an industrial product of the region. Moreover, the socio-cultural and historical features of these areas facilitated the creation of more organized and stable relationships between enterprises. The presence of both competitive and cooperative relations among these enterprises makes their connections interactive and complex. This organization enables businesses to achieve significant economies of scale, overcome challenges related to insufficient critical mass by specializing in specific stages of production, and benefit from shared services or forms of horizontal and vertical cooperation (BALESTRI, 2003, P6).

**III.1.3. The Significance of Industrial Areas in Italy:**

Industrial areas are regarded as one of the most significant factors of competitiveness and flexibility for the Italian industry. As of 2015 (Italian Union of Chambers of Commerce, 2015, P9), there were 279 industrial areas, up from 200 in 2008 (AZROUL , 2006, P10). These areas also play a crucial role in the Italian economy, employing approximately 4.9 million workers (Italian Union of Chambers of Commerce, 2015, P9), compared to 2.2 million workers in 2008 (AZROUL , 2006, P10), representing more than a doubling of the number of jobs. The role of industrial areas in the Italian economy can be indicated by observing Figure (1).

**Figure 1: Development of Percentage Rates for Turnover, Employment, and Exports Indicators for Enterprises in Italian Industrial Areas from 2010 to 2014**

**SOURCE: The Italian Union of Chambers of Commerce, National Observatory on Italian Districts - The New Breath of Districts Between Recovery and Repositioning, ITALIAN INDUSTRIAL DISTRICTS, Italian Report 2015.**

By observing the chart, it is clear that the role of industrial districts in Italy's economic development is significant. This role largely stems from the presence of a robust institutional framework composed of small and medium-sized enterprises (SMEs) that contribute effectively to development. These clusters also offer a substantial number of jobs for Italians.

In addition, industrial districts contribute to the country's national income through their export revenues. The starting point of the entire analysis relates to the recently fulfilled economic situation. The survey conducted on companies within the industrial districts highlights a clear recovery starting from 2013 compared to 2012, marked by an increase in the number of district entreprises, which led to a rise in turnover that same year. Furthermore, exports from these districts saw a notable increase, unlike before.

Regarding employment, the situation also enhanced during the same period. The available study demonstrated that district companies witnessed an employment increase of 30% in 2013, a remarkably high rate considering the low percentage achieved during the recession period, which was less than 10% (Italian Union of Chambers of Commerce, 2015, P11).

The study also shows that 40% of district companies recorded an increase in turnover, 42% saw higher demand for their products, and 37% fulfilled a rise in production (Italian Union of Chambers of Commerce, 2015, P15).

Overall, the 2015 survey conducted on businesses in Italy's central industrial districts demonstrates the end of the crisis these regions witnessed in 2012 due to the recession and the beginning of a recovery phase starting in 2013, which has been enhanced in subsequent years. In fact, according to the most recent surveys (2013, 2014), the percentage of the studied indicators showed a gradual increase.

In terms of numbers, 2014 statistics demonstrate that turnover increased by nearly 44%, the employment rate rose from 12.8% to 26.7%, and exports increased from 36.4% to 42.4% (Italian Union of Chambers of Commerce, 2015, P16). As a result, industrial district products have become the most important contributor to the country's exports, holding the lion's share of the "Made in Italy" label (ZOCCHETTO François et al, 2006, PP25-28). These figures align with the quantitative analysis we addressed earlier, confirming that 2013, in particular, marked a turning point in the economic cycle.

Therefore, Italy's industrial districts have managed to transcend national borders, establishing themselves globally, leading many scholars to refer to them as the "Italian Miracle." The key to their success lies in combining culture, history, tradition, and craftsmanship, blended with modern technologies. This unique blend has made them a source of distinction and raised many questions about the possibility of replicating or generalizing this model.

### III.2. French Local Production Systems:

The French experience developing local clusters of small businesses is also a rich example, similar to the Italian experience, except for certain peculiarities due to historical and cultural differences between the two countries. The French model has attracted significant attention, particularly considering the substantial similarities between the French and Algerian concepts of local production systems.

#### III.2.1. Emergence of Local Production Systems in France:

Despite France's long industrial tradition and status as a leading industrial country, its focus on connecting small and medium-sized enterprises (SMEs) and micro-enterprises through networks only occurred in the early 1990s. Official work concerning the role of networks and regions in fulfilling competitiveness emerged during this period. The French authorities' interest in establishing a strategy for local production systems was driven by two main factors: the rise of local development policies in the early 1980s and the recognition of the role of small businesses as a critical driver of economic development. It was noted that there were local productive clusters of small firms concentrated in specific regions, similar to the industrial districts of Italy. These clusters employed shared services and managed to resist economic challenges positively. Examples include the Choletais cluster in textiles and clothing and the Oyonnax cluster in plastics. The term utilized to describe this organization in France is "**Local Production System**".

The French local development policy began on December 15, 1997, when the French Commission for Planning and Regional Development (Datar) announced the launch of a project to develop existing local production systems and enhance the creation of new ones. This led to the formation of 96 local production systems spread across French territory, with half of these being clusters of pre-existing businesses (POMMIER , 2004, P12).

#### III.2.2. The Concept of Local Production Systems in France:

In contrast to Italy's industrial districts, the local production system in France is a geographical concentration of small businesses working within the same industry, along with institutional entities. These businesses cooperate within the system to effectively satisfy market demands. It represents a method of organizing based on direct relationships between economic actors within the same sector. These relationships are geographically concentrated, historically built, and institutionally regulated (France Clusters, 2010).

#### III.2.3. Significance of Local Production Systems in France:

The appearance of a network logic among businesses organized within local production systems has been highly successful in France. Reports from the National Institute of Statistics and Economic Studies (INSEE) demonstrate that the number of local business clusters reached 230 local industrial clusters by 2014, up from 160 in 2010 (ISEE, 2017, P2). These systems include more than 28,000 businesses and over 336,000 workers (AZROUL , 2006, PP16-17). Table (1) distributes the specialization of these local production systems, the number of businesses, and the number of workers employed in these systems.

**Table (1): Distribution of the Number of Workers and Enterprises Forming Local Production Systems in France by Sector of Activity**

| Activity sector | Local systems Nº | Enterprises Nº | Workers Nº |
|---|---|---|---|
| Mechanics and Metals | 72 | 13000 | 40270 |
| Textiles, Clothing, and Leather | 33 | 1295 | 45630 |
| Chemical Products | 6 | 618 | 93400 |
| Food Products | 17 | 996 | 26845 |
| Electronic and Electrical Products | 5 | 4499 | 77103 |
| Seafood | 16 | 462 | 16700 |
| Breed | 16 | 4290 | 4700 |
| Environmental Products | 20 | 1495 | 1876 |
| Medical Technology | 38 | 283 | 27400 |
| Jewelry and Gemstone Industry | 1 | 25 | 268 |
| Shipbuilding Industry | 2 | 270 | 3800 |
| Perfume Industry | 4 | 1010 | 1780 |
| **Total** | 230 | 28243 | 339772 |

**Source: ISEE, Structure of the Production System, France, 2017 Edition.**

From the table above, we can note that local production systems in France play a crucial role in the country's economic development. They offer a broad base of small and medium-sized enterprises, which in turn create a large number of jobs for French citizens and serve as a significant source of new employment opportunities. This reinforces the view of local production systems as an essential source of job creation.

Furthermore, many local production systems have successfully transcended national borders and gained international recognition, becoming a vital part of France's economy through their contributions to national income and employment. Examples include:

- **The Local Production System of OYONNAX**: An industrial cluster of small enterprises specializing in plastic manufacturing, with 600 businesses employing 8,079 workers in 2016.
- **The Local Production System of LA VENDEE** is an internationally renowned central hub for shipbuilding, with 122 businesses employing 2,700 workers.
- **The Local Production System of Lunetiers du Jura**: Specializing in eyewear and its accessories, this local production system consists of 40 businesses with 3,500 workers, ranking sixth worldwide in this industry.
- **The Arve Valley Industrial Zone**: Specializing in precision engineering and mechanical engineering dating back to the 19th century, it is regarded as one of the first local production systems to emerge in France. According to 2014 statistics (ISEE, 2017, P2), this area contains 970 businesses employing approximately 35,000 workers.

After recognizing the important role that local production systems play in its economic development, France has undertaken various initiatives to foster further and qualify these systems. These systems have been instrumental in shaping the country's economic competitiveness and regional balance.

### III.3. Indian Clusters:

Indian clusters represent a noteworthy example due to the impressive performance of the Indian economy over the past decade, driven by the dynamism of its Small and Medium Enterprises (SMEs), which have received special attention from the Indian government.

### III.3.1. Concept of Indian Clusters:

The term "Cluster" has various meanings in English. In the context of our study, it refers to "a group of institutions working in the same sector and situated in the same region or geographical area." There are two types of clusters:

- **Induced Clusters**: These are clusters created with public authorities' intervention.
- **Spontaneous Clusters**: These clusters are naturally due to the prevailing economic and social conditions in a specific region and time.

In India, the majority of clusters are spontaneous and have developed naturally (ISEE, 2017, P7).

### III.3.2. Indian Government's Interest in Clusters:

The focus on clusters in India began in 1991 when the Indian government started its economic reform program. The government launched the Cluster Development Program (CDP) to promote the SME sector, which required considerable infrastructure, technology, innovation, and marketing support. To apply the CDP, Indian authorities concentrated on supporting existing clusters and establishing new ones with the assistance of the UNIDO program. This organization also focused on fostering local groups that would take the lead in these projects (ISEE, 2017, P7).

### III.3.3. Role of Clusters in the Indian Economy:

Indian clusters play a crucial economic role by offering job opportunities, contributing to national income, and enhancing regional balance across different areas. According to 2014 statistics, India has approximately 1,416 industrial SME clusters and 4,231 rural and artisanal clusters specializing in different sectors ( Ministry of Textiles, 2017, P12).

The products of these clusters are crucial to the country's exports, representing the lion's share of India's total manufactured goods exports. Notable clusters that greatly contribute to overall exports include:

- **Varanasi Cluster (Uttar Pradesh Province)**: This cluster contains 1,214 SMEs specializing in tourism, providing jobs for 10,010 workers.
- **Ludhiana Cluster (Kamlasagar, Daman, and Diu Province)**: This cluster includes 17,000 institutions and contributes 70% of the country's agricultural products.

In addition to these clusters, others have shown remarkable dynamism, including:

- **Bangalore** (specialized in household appliances),
- **Ahmedabad** (pharmaceuticals),
- **Tiruchirappalli** (jewelry),
- **Jaipur** (textiles),
- **Pune** (food products) (Cluster Observatory, Kamlasagar, 2018).

Moreover, there are many others, all of which exemplify this dynamism. By examining the sectoral specialization of Indian clusters, we note the following in Table 2.

**Table 2: Sectoral Specialization of Indian Clusters**

| Activity sector | Clusters Nº | Entreprises Nº |
|---|---|---|
| Industrial Clusters | 1416 | 230.000 |
| Handicraft Clusters (Artisans) | 3403 | 6.886.000 |
| Handwoven Textile Clusters (Artisans) | 608 | 4.330.000 |
| Micro-Enterprise Clusters | 154 | 7504 |
| Service Clusters | 66 | 35.000 |
| **Total** | 5647 | 11.488.504 |

**Source:** cluster observatory, **cluster in India**, 07/05/2018, http://www.clusterobservatory.in/clustermap.php

These networks of small businesses contribute to job creation, income, and local needs. However, cluster statistics in India face challenges due to the lack of a law regulating clusters and the diverse criteria used in censuses. Thus, a cluster platform called the "Cluster Observatory," was established in 2005. This platform involves data on the estimated number of businesses in clusters. So far, it has collected information on 60% of industrial clusters, 80% of handloom clusters, and only 25% of crafts clusters(Cluster Observatory, Kamlasagar, 2018), demonstrating that the actual statistics for Indian clusters are much higher.

India has numerous business clusters specializing in metal products, materials, accessories, spare parts, textiles, and The In. Developing countries like Algeria have also developed similar organizational structures, focusing on developing traditional industries and crafts.

## IV. The Algerian Experience in Developing Local Production Systems in the Traditional Industry and Crafts Sector:

Craftsmen's individual work and reluctance to share methods and markets limit their development and opportunities. They struggle to achieve economies of scale, produce quality products, and meet delivery deadlines, leading to dependence on state aid. The difficulties stem from their isolation rather than size. Promoting cooperation between craftsmen and stakeholders is crucial for local development. Small artisanal activities play a crucial role in economic growth and

regional development. A study by Ecotechnics revealed that approximately 25.5% of artisanal projects in Algeria are inactive due to the obstacles they face (Ecotechnics, 2010, P50).
Therefore, The Local Production Systems program was implemented to address challenges faced by traditional industries and crafts, promoting local development and ensuring demographic stability.

This research focuses on the adoption of the Local Production Systems program in our country as a tool for sector development, ignoring traditional industry and crafts challenges.

**IV.1. Local Production Systems from the Artisans' Perspective:**

The system involves a group of artisanal entrepreneurs in the same craft activity or production sector, connected by cooperative relationships, working together under support structures like chambers or professional associations, aiming to improve individual and sectoral competitiveness (Ben Laamoudi, 2012, P132).

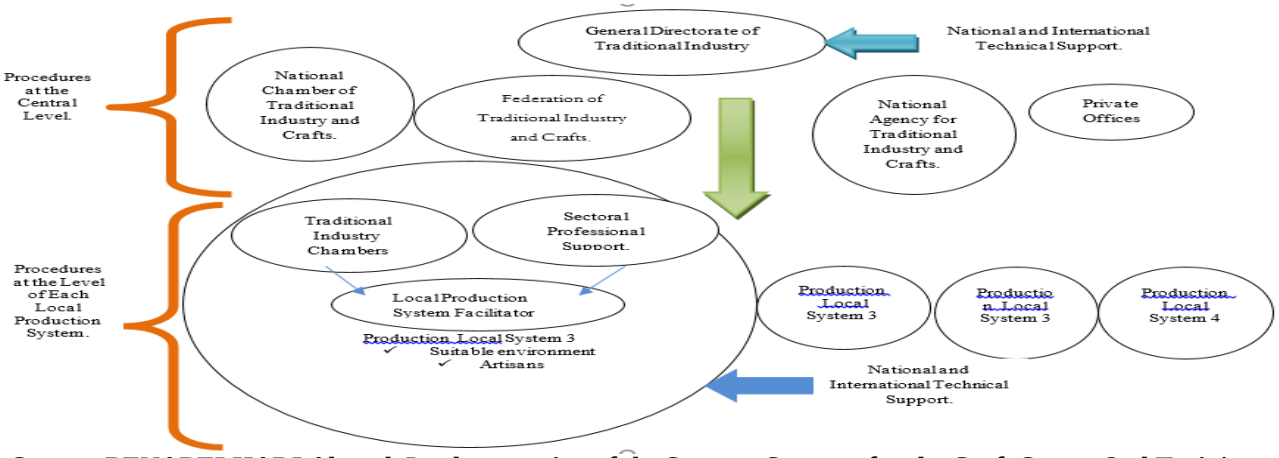
**IV.2. The Launch of the Local Production Systems Program:**

The Local Production Systems program in Algeria was launched in 2007, and the state followed these steps for its implementation:

- The selection of the desired production systems consists of five to seven groups for targeted support after a study proposed by seventeen traditional industry and crafts chambers.
- Analyzing the strengths and weaknesses of the groups to determine the actions that should be implemented through the program to support them.
- Training coordinators for artisans clusters.
- Developing sectoral professional associations.

This approach effectively connects local, intermediate, and central levels by coordinating national framing processes and local dynamics, fostering cooperation among artisans, supporting organizations, and implementing shared strategies, enabling stakeholders to initiate self-improvement processes, as indicated in Figure 2.

**Figure 2: Implementation of Local Production Programs in the Traditional Industry Sector in Algeria.**




**Source: BENABELHADI Ahmed, Implementation of the Support Strategy for the Craft Sector, 2nd Training Seminar on Local Productive Systems, Ouargla, May 3-4, 2008.**

The Ministry of SMEs and Traditional Industries has developed a strategy promoting continuous cooperation between public and private sectors through delegation and binding performance contracts (Ministry of SMEs and Traditional Industry, 2010, P19), with the aim of:

**IV.2.1 Direct Support for Artisans:** This includes:

✓ Fostering artisanal products through:

- Organizing workshops on research, development, and technological consulting (once a year);
- Organizing creativity competitions semi-annually and preparing for national and international exhibitions three times a year;
- Offering exhibition spaces for traditional product display and sales;
- Forming an export union led by a coordinator.

✓ Developing public services directed at artisan entrepreneurs through:

- Training according to the Cree-Germe program and promoting the number of trainers in this program, seeking to provide 15 trainers annually;
- Training master artisans with an average of 20 trainers annually;
- Organizing quality competitions and developing support mechanisms for enterprises;

✓ eveloping private services and facilitating access to loans through:

- Coordinating with qualification programs and facilitating artisans' access to them;
- Coordinating with existing support mechanisms and allowing artisans to access guarantee funds.

✓ Fostering cooperation among artisans and raising awareness about its significance, followed by pioneering actions to structure crafts clusters and encourage large enterprises to subcontract with them (BENABELHADI , 2008, PP15-17).

**IV.2.2. Institutional Support:** This includes:

- Conducting strategic studies on productive sectors in the country to identify their developmental capacities alongside local studies on raw materials, equipment, production methods, training systems, etc.;
- Activating connections within local artisanal productive systems by training coordinators to oversee them (six agents annually), as well as energizing pioneering local production systems, each managed by a dedicated coordinator, and establishing a consultative framework within each organization;
- Promoting public support structures by training their human resources in collective governance and developing public services specialized in (training, consulting, information, etc.);
- Fostering and enhancing professional associations for artisans and supporting emerging ones;
- Developing an information system for artisans to be made available on the Internet, creating a national network providing information about national centers, support bodies, and other stakeholders, and establishing an e-learning platform (BENABELHADI , 2008, PP21-26).

**IV.2.3. Improving the General Framework of the Sector:** This involves:

Activating dialogue between artisans and the government by organizing regional and national workshops and creating a permanent dialogue space for them;

- Adapting the legislative, regulatory, and incentive framework for the sector according to new developments;
- Establishing grassroots structures for artisans, such as traditional industry houses across the provinces, vocational training centers, museums, etc. (BENABELHADI , 2008, P28).

**IV.2.4. Meeting the Financial Needs of the Program:** The financial needs for the period from 2008 to 2011 have been estimated, as outlined in the table, to fund local production groups.

**Table No. (3)_ Estimated Financial Needs for the Local Production System Program (2008-2011)**

**Unit: Thousand Dinars**

| | Central budget | Budget for each LPS group | General budget |
|---|---|---|---|
| **Direct support for artisans** | 139.820 | 139.320 | 1.115.060 |
| **Institutional support** | 150.920 | 71.400 | 65.070 |
| **Improving the general framework of the sector** | 22.200 | 3940 | 49.780 |
| **Total** | 312.940 | 214.660 | 1.815.766 |

**Source: Chibane Asia, "The Role of Small and Medium Enterprises in Economic Development: A Case Study of Traditional Industries and Crafts in Algeria",** Unpublished Master's Thesis, Faculty of Economic Sciences and Management, University of Algiers, Algeria, 2009.

Selected branches of traditional industries, selected based on their potential for development, have been supported by transforming them into local production (Ministry of SMEs and Traditional Industry, 2010, P23), systems starting at the end of 2007 in seven provinces. By the end of 2008, the number of these systems had increased to 15; by 2010, it had reached 20 local production systems across several provinces of the country (Benzarour , 2014, P1).

Each production system benefits from support from a trained professional coordinator, who assists stakeholders within the production systems in the following ways:

- The cooperative committee for local production systems facilitates communication among various stakeholders, including artisan associations, professional associations, traditional chambers, public support institutions, and local communities.
- Implementing priority projects within the local production systems by securing appropriate funding to facilitate implementation and ensuring proper follow-up (Ministry of SMEs and Traditional Industry, 2010, P22).
- The program's success relied on the collaboration of various stakeholders, including activation structures, artisans, professional associations, public and private institutions, local state institutions, service providers, training institutions, research centers, financial support institutions, banks, and guarantee funds.

Therefore, the challenge remains to expand the implementation of more local production systems across other craft clusters, based on their level of maturity, in other regions of the country.

**IV.3. Evaluation of the Local Production Systems Developed in the Traditional Industry and Crafts Sector:**

In 2014, Chokri Ben Zaarour conducted a study to gather data on craftsmen in local production systems, aiming to organize and evaluate these systems within a unified framework, involving twenty chambers of traditional industry and crafts.

The study revealed that the implementation of the Local Production Systems program led to positive outcomes, with initial results highlighting the following achievements:

- **Successful development of Local Production Systems (LPSs)** as centers for local economic integration that enhance cultural and tourism wealth: Within each cluster, there is an exchange of expertise and skills, and artisans conduct subcontracting operations with one another.
- **Building trust among craftsmen as partners:** The Local People's Project (LPP) framework has enabled artisans in clusters to secure local projects and contracts, with 351 deals made in 2012 with national and private institutions.
- **Collective purchase of raw materials and equipment at negotiated prices**: Five collective purchase projects, including leather, building restoration, palm derivatives, gypsum, wool, and carpets, cost 5,620,000 DZD, with equipment purchases also included.
- **Significant increase in the number of craftsmen enrolled in developed Local Production Systems**: The number of registered artisans increased from 2,076 in 2010 to 2,939 in 2014, primarily male due to traditionally male-dominated trades. 52% are young, 48% over 40.
- **Collective participation of artisans in training courses** on establishing and managing businesses organized by the Chambers of Traditional Industry and Crafts: These courses were led by trainers accredited by the International Labour Organization. A total of 441 artisans benefited from these training programs.
- **Collective participation in promotional events**: In 2012, 368 artisans participated in local, national, and international events, including 29 abroad, 42 in the International Traditional Crafts Salon, and 297 in domestic exhibitions.
- **Establishment of professional associations for artisans**: From 2010 to 2014, artisans and traditional industry chambers made significant efforts to improve task organization and goal alignment, establishing 26 accredited and 10 unaccredited associations.
- **Facilitation of communication between artisans**: Out of 20 LPSs, 20 coordinators are in place, 8 of whom were trained by GTZ (GTZ, Germany), experts within the framework of Algerian-German cooperation, while 12 coordinators still need training. This primarily concerns the Local Production Systems established between 2009 and 2010 (Benzarour , 2014 , PP2-4).

Following the analysis of the results from the previous study, it can be concluded that, despite the achievements, several shortcomings were identified in the implementation of the program, the most significant are:

- Despite initial studies proving their developmental potential, some craft clusters still needed to be developed into Local Production Systems. These include LPS plumbing in Sétif, blacksmithing and carpentry in Tlemcen, sandblasting in Béchar, saddle making in Tiaret, Mostaganem construction, and restoration in Oran.

- Low participation of artisans from local production systems in various national and international promotional events.
- Although artisans in the Local Production Systems secured several joint projects, the market shares acquired by these systems are minimal.
- The spirit of cooperative work has yet to mature, as can be observed from the individualistic tendencies still dominant among most artisans concerning consultation and sharing information and knowledge.
- The number of artisans leaving the established production systems is increasing. In 2015, 96 artisans left, and the number of artisans removed from the systems that year reached 81, according to statistics from the same year.
- Limited participation of relevant local bodies and administrations in supporting the developed Local Production Systems within their geographical boundaries.
- The role of financial support bodies and banks in these collective initiatives could be more extensive.
- The 15% participation rate of artisans from production systems in training courses is low when compared to the total number of registered artisans.
- Failure to develop the knowledge and capabilities of coordinators of Local Production Systems who have not benefited from training on facilitating artisan clusters.

## V. Conclusion:

In addressing the topic of Local Production Systems in the craft and traditional industry sector in Algeria, we aimed to examine the research problem, which centers on whether the process of supporting the development of Local Production Systems in this sector has succeeded in enhancing craft activities and achieving sustainable development. To achieve this, we approached the subject in three parts, covering the various fundamental dimensions, starting with three main hypotheses confirmed as valid in this study.

From our analysis of the research in its various phases, the following results concerning the validity of the hypotheses were observed:

- **First hypothesis**, The study confirms the Local Production System, a cluster of specialized institutions in a specific region, with a size of medium-sized companies. These clusters benefit from positive external economies, stimulate innovation, contribute to local development, and create a competitive advantage for the region, as confirmed by experiences in the second section.
- **Second hypothesis:** The Local Production System program in Algeria has shown positive outcomes, as it facilitates joint projects and cooperation among artisans. Grouping artisans in the same geographical area allows for better organization and structuring, forming regional associations and fostering collaboration. This public utility group ensures local projects and success.
- **Third hypothesis**: The hypothesis suggests that the successful development of Local Production Systems requires thorough analysis of artisans' professional environments, intensifying cooperation among stakeholders, and promoting participatory work. Expanding these systems across various craft activities will enable artisans to benefit from positive external economies, aligning with local resources and contributing to local development. This approach will also lead to sustainable development of craft and traditional industry sectors.
- **In light of the above, a set of recommendations can be presented, summarized as follows:**
- The paper reveals shortcomings in the Local Production Systems (LPS) program's implementation in the craft and traditional industry sector due to the large scale of work and government attention delay. However, the program is progressing, suggesting achieving the ideal model is achievable with consistent efforts and reforms.

- The craft and traditional industry sector, previously supervised by the Ministry of Small and Medium Enterprises, has been transferred to the Ministry of Tourism and Regional Planning, requiring ongoing reforms and ongoing efforts to unlock its potential.
- The success of this program will open doors for the responsible authorities to develop production systems in other activities and spread the concept of local development across different regions of the country. Furthermore, successfully integrating several local stakeholders in this project will facilitate cooperation with them in other local projects.
- Expanding the Local Production System across provinces will be highly productive, requiring awareness among stakeholders and coordination. Efforts should be made to overcome isolation among artisans, organizing them into cohesive systems to compete in markets with competitive rules and new challenges.
- Strategic studies should be conducted on the country's production branches to identify livelihood activities for artisans and contribute to the local economy, while diagnostic studies should be conducted in supply, training, marketing, and production methods.

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