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## The Economic and Social Approach of Government subsidy Policy in Algeria

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### Abstract:

This researchThis research paper aims to evaluate and diagnose the government subsidy policy through an economic-social approach in Algeria, in order to highlight the extent to which it is able to respond to the criteria of economic efficiency on the one hand and achieve societal justice on the other, through this study, we have addressed the concept of government subsidies the we tried to assess the economic and social effects of this policy.

The study concluded that the government subsidy policy in Algeria was able to achieve its desired goals, but it was not subject to the criteria of economic efficiently and social justice.

**Keywords:** Government subsidies; Socio-economic approach; Economic efficiency; Social justice; Algeria.

**Jel Classification Codes:**H5, H7, P4

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## 1. Introduction:

The government subsidy policy in Algeria is an important tool used to achieve economic efficiency and social justice in society. Government support aims to promote economic growth and improve the quality of life of citizens by providing financial support and resources to vital sectors such as education, health and housing.

Economic efficiency is about the ability to use available resources effectively and achieve the highest degree of productivity and efficiency in economic sectors. It is also one of the mechanisms used to enhance this efficiency, as the use of financial support and tax facilities can boost investments, stimulate the private sector and promote economic development.

On the other hand, achieving social justice means distributing wealth and opportunities equitably among all members of society, where support is directed to the neediest groups and reducing social and economic disparities between different classes in society. So, the question is, has Algeria's **subsidy policy been able to achieve economic efficiency and social justice?**

Our study proceeds from the premise that the government support policy in Algeria has been able to achieve its desired goals.

This research aims to assess the impact of government subsidy policy on Algeria's economic growth and economic sustainability. This includes assessing the effectiveness of government policies in supporting various economic sectors, promoting investment and job creation. In addition to the impact of the government subsidy policy on the social aspect in Algeria, such as reducing poverty and promoting social equality. This includes analyzing the impact of government subsidies on the standard of living, jobs, education, healthcare, and infrastructure.

In order to take note of all aspects of the subject, we have divided our study into three axes, the **first axis** is related to the theoretical framework of government support, the **second axis** is devoted to the repercussions of government support policy on production, and with regard to the **third axis**, it is devoted to the contribution of government support policy in increasing real consumption, stabilizing prices, increasing incomes, and redistributing income.

## 2. Theoretical framework for government subsidies

Historically, governments began to adopt policies of financial support by subsidizing the agricultural sector at the beginning of the nineteenth century. These policies were extended in Europe and the United States during the two world wars with the aim of protecting domestic food production. Even today, these policies continue to be applied around the world. For example, in 2014, farmers in the United States received \$16 billion in direct support, while farmers in the European Union received \$45 billion in agricultural support.

## 2.1 The concept of government subsidies

Government subsidies are defined as any monetary or in-kind assistance provided by the government to private producers or consumers, provided that the government receives no financial compensation for such support. This support is usually linked to a specific performance that beneficiaries are required to implement or comply with specific conditions (Zine & zine el Abidin , 2013, p. 2)..

In addition, government subsidies are also defined as measures aimed at keeping product prices below the market level for consumers, keeping product prices above the market level for producers, or reducing costs for consumers and producers by granting direct or indirect subsidies. This is done by providing financial or tax facilities, or providing other resources such as land, technology or infrastructure to boost production or improve distribution and marketing capabilities (Bendaoudia Wahiba, 2017, p. 81).

### 2.1.1 Types and objectives of government subsidies

Governments in different countries have sought to provide support to different sectors of society, and government support can be in the field of economy, education, health, agriculture and other areas. The following are some of the common types of government support and their objectives.

#### ❖ Types of government subsidies

There are several types of government subsidies, and the following are the most important classifications (Tawfiq & El-Sayed Eleiwa, 2016)

▪ **Direct and implicit subsidies:** There are three types:

- **Direct subsidies:** It is the amounts that are allocated annually in the general budget of the state, with the aim of providing the necessary goods and services to citizens at prices lower than the cost of production or import. This support is directed to reduce the financial burden on consumers and improve the standard of living. Government subsidies typically include basic commodities such as food, energy, education, and healthcare. Government support also aims to promote social sustainability and promote social justice by providing equal access to social justice for all. Basic services.
- **Indirect subsidies:** It is the provision of selling prices for some goods produced by the public sector at prices lower than their actual cost. This is done with the aim of reducing consumer costs and providing an opportunity to obtain these goods at affordable prices. This type of support is part of the government's efforts to balance the commodity market and improve the purchasing power of citizens.
- **Implicit subsidies:** It is the difference between the selling prices of some locally produced goods and the prices of selling them in global markets. This is done to support local companies and motivate them to continue producing and provide local job opportunities. The costs of producing these goods may be higher than their prices in global markets, so companies are compensated for this difference through government subsidies. This

type of support is attributed to promoting self-sufficiency and achieving economic development in the country.

▪ **Cash and in-kind subsidies:** which is divided according to its nature into two types:

- **Cash subsidies:** Government support is the provision of liquid financing to citizens, with the aim of enhancing the purchasing power of the individual and improving the standard of living. Financial support is also provided to encourage investment and promote economic activity, and this type of support is known as incentive incentives for investors and exporters. Financial assistance is provided to investors and exporters with the aim of promoting economic growth, attracting foreign direct investment and promoting foreign trade. This support aims to promote economic development and create new job opportunities for citizens.

- **In-kind subsidies:** Government support consists in providing consumer products to citizens at prices lower than their actual cost. This includes basic commodities such as wheat, oil, sugar, natural gas, gasoline, and others. This is done by the government bearing part of the import or production prices of those goods. This support aims to reduce the cost of living and improve the purchasing power of citizens. Support is also provided in the form of providing inputs to production processes at prices below their actual cost, such as petroleum and diesel. This support is part of the government's efforts to balance markets and improve the standard of living of citizens.

▪ **Energy subsidies:** Energy subsidies consist of subsidies received by both producers and consumers.

Support is provided to producers when they have difficulty meeting the set reference prices, as suppliers receive prices above the specified reference price. This support is provided to producers by the government to help compensate for losses, ensure the sustainability of production and provide employment opportunities for citizens.

Consumer subsidies occur when the prices paid by consumers are below the set reference price. This subsidy is provided by the government with the aim of reducing the cost of living and improving the purchasing power of citizens. The government is bearing part of the costs to ensure that essential products are available to consumers at affordable prices and available to all.

▪ **Calculation of reference prices:** For energy products that fall under international trade commodities such as natural gas and petroleum products, the adjusted international price is used as the reference price in the subsidy calculation. This price is calculated based on the transportation and distribution costs associated with these products.

For non-commercial energy products such as electricity, the local product recovery price is used as a reference price. This price is calculated based on the costs incurred by electricity producers, including the natural return on capital invested in this sector (IMF, 2020).

### ❖ Government Support Objectives

Government support is an important tool to achieve many goals in various sectors and fields. Here are some of the general objectives of government support:

- **Promoting economic development:** Government support aims to support various economic sectors and promote economic growth. This is done by providing financing and assistance to SMEs, encouraging investments, and promoting internal and external trade.
  - **Job creation:** Government support promotes jobs and creates new jobs. This is done by supporting small and medium businesses, encouraging investments in promising sectors, skills development and vocational training.
  - **Improving the standard of living:** Government support aims to improve the standard of living of citizens. This is done by providing basic services such as healthcare, education and housing, providing support to needy families and improving social protection networks.
  - **Promoting social justice:** Government support works to reduce social and economic gaps between different groups in society. This is done by providing equal access for all to education, employment and basic services.
  - **Environmental protection and sustainable development:** Government support includes promoting sustainable environmental practices and protecting the environment. This is done by promoting the use of renewable sources of energy, promoting clean technologies, and implementing policies to conserve natural resources and biodiversity.
  - **Enhancing independence and national security:** Government support aims to enhance the independence and national security of the state. This is done through the development of vital national industries and the enhancement of national economic and technological capabilities.
- Supporting real incomes and fighting poverty by reducing the prices of widely consumed products (Amara, 2019, p. 62)
  - In oil states, the population views support for the distribution of resources as a policy to share the country's wealth.
  - Providing financial assistance to vital sectors that need support, such as agriculture, industry to encourage investment and employment in the private sector.
  - Subsidies find their justification for political considerations, as fuel subsidies are very popular to benefit a large segment of society and can be considered in oil-producing countries as a distribution of gas and oil rents (Zine & zine el Abidin , 2013, p. 4)
  - Wealth distribution and reduction of income inequality
  - Reducing price fluctuations of basic materials, supporting price stability, and supporting production and producers-Raising the competitiveness of local productive sectors (Ismail, 2018)

## 2.2 Government subsidy policy and its role in achieving economic and social development

Government subsidy policy plays a crucial role in achieving economic and social development. By channeling resources and providing financial and technical support, governments promote investment, develop vital sectors and balance society.

### 2.2.1 Role of government subsidy policy in achieving economic development

The role of government subsidy policy in achieving economic development is crucial. Government policies that provide appropriate support can contribute to boosting investment and stimulating economic growth.

- **First**, the government can provide support to vital sectors of the economy such as agriculture, industry and technology. This support can include tax reductions, soft loans for SMEs, and financial support for research and technological innovations. This support enhances the ability of companies and enterprises to grow and expand, thus contributing to economic development (Mahdi, Rahima, & Fadel, 2019).
- **Second**, the government can strengthen infrastructure and provide basic public services. Investment in infrastructure such as roads, bridges, airports and ports enhance the country's competitiveness and attracts more foreign direct investment (Ahmed & Muhammad, 2011, p. 148) The government can also provide public services such as education, health and public transport, thereby contributing to enhancing productivity and improving the quality of life for citizens.
- **Third**: The government can implement policies to encourage innovation and develop human capabilities. Investing in R&D and enhancing employment capacity can improve productivity, foster innovation and develop high-tech industries. The government can also provide support for vocational training and education and provide employment opportunities for young people, which enhances employment opportunities and improves the standard of living (Naima, 2018, p. 245)

The role of government in achieving economic development focuses on providing the appropriate environment and the legal framework that supports business and investments. Government support policies must be transparent and fair, with equal opportunities for all. It must also be flexible and adaptable to economic and social

### 2.2.2 Role of government support policy in achieving social development

Government subsidy policy plays a crucial role in achieving social development. The government can contribute to the promotion of social development through several important ways.

- **First**, and above all, the government can provide financial support and resources to vital social sectors such as education, health, and social welfare. This could include reducing tuition fees, providing scholarships, and improving the infrastructure of schools, hospitals, and community centers. This support helps improve the quality of life of citizens and increase access to basic services.

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- **Second**, the government can implement employment policies and provide job opportunities for young people and vulnerable and disadvantaged groups. This can include encouraging the establishment of small and medium enterprises and providing financial support, training and advice to start-ups. In addition, the government can implement public employment programs and promote training and vocational qualification opportunities for job seekers. This helps improve the standard of living and alleviate poverty and unemployment (Fawzi, 2019, p. 59)
  - **Third**, the government can promote community participation and promote social cohesion. It can support nonprofits, local associations, and community initiatives that promote collaboration and solidarity among community members. They can also encourage volunteering and organize activities and events that strengthen social ties and improve relations between members of society (Uday Salem, 2008, p. 133).

### 3. The repercussions of government subsidy policy on production in Algeria

Algeria's subsidy policy has significant implications for the country's production. This policy aims to promote local industries and enhance the competitiveness of Algerian companies.

#### 3.1 Government subsidy policy and production increase

The government subsidy system stimulates production and increases GDP in Algeria outside the oil sector in several ways. These methods include boosting final demand and reducing production costs in different sectors. In terms of boosting final demand, supporting needy families, retirees and the disabled is one of the most important measures that increase the purchasing power of families.

When individuals receive additional financial support, they have more purchasing power, increasing demand for local products and services. This, in turn, incentivizes companies to increase production to meet growing demand, contributing to an increase in GDP. As for reducing production costs, government subsidies contribute to reducing production costs in different sectors. This can include providing tax concessions, reducing energy costs, or supporting production technology. When production costs are reduced, it becomes possible to achieve greater competitiveness and increase productivity. This contributes to an increase in GDP outside the oil sector.

Among the sectors that benefit from government support to achieve an increase in GDP outside the oil sector are:

**The construction sector** is a vital sector in the Algerian economy and housing and education support is one of the policies that contribute to increasing demand in this sector and from 2000 to 2020, more than three million eight hundred thousand families in Algeria benefited from individual housing thanks to government support. About 40% of this support was directed to the rural population, which contributed to improving housing conditions in rural areas.

In addition to housing subsidies, education subsidies also contribute to increased demand in the construction sector. Residential facilities are being built for students with the aim of providing them with accommodation. By providing a bed of accommodation, students are catered for and encouraged to study at universities and educational institutions in the country. More than 700,000 beds were built from 2000 to 2018 thanks to government support.

**The construction equipment production** sector plays a vital role in strengthening the construction sector. When production increases in the construction sector, it increases the demand for building materials and construction equipment in general. This, in turn, encourages increased production in the construction equipment production sector. Cement, iron bars and other basic materials are known to be involved in construction processes. When there is an increasing demand for these materials, the construction equipment production sector needs to increase its production to meet this growing demand. Thus, there is a positive interaction between the construction sector and the construction equipment production sector, as each stimulates demand and production in the other.

**The transport sector** is one of the vital sectors in the economy, and depends heavily on the availability of energy at reasonable prices. In Algeria, government policy follows an energy subsidy policy, which aims to reduce the cost of services in the transport sector by reducing fuel prices. In Algeria, the price of energy is among the cheapest in the world. For example, in 2016, the price of a liter of gasoline at gas stations in Algeria was about \$0.28, while in Morocco it was \$0.99 and in Tunisia it was \$0.73. This means that fuel prices in Algeria are much lower than in neighboring countries, enhancing the availability of fuel at low costs for the transport sector and improving its ability to meet economic and social needs.

As for **the industrial sector**, it is an energy-intensive sector, and it benefits greatly from energy subsidies in a similar way to the transport sector. Reducing production costs in the industrial sector by reducing energy prices enhances its competitiveness in the local and global market. Thanks to energy subsidies, Algeria can incentivize investors, especially foreign investors, to invest in the industrial sector. This support boosts investment and increases production in this sector, contributing to the allocation of economic resources to promote the growth of the industrial sector.

Algeria is one of the countries that benefit from energy subsidies as a tool to boost the industrial sector, encouraging increased investment and the development of local industries. By saving fuel at a low cost, industrial companies in Algeria can achieve savings in production costs and improve their competitiveness in local and global markets. This boosts the export capacity of Algerian industries and serves to increase the country's sustainable revenues.

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Thus, the government support system works to stimulate production by increasing aggregate demand or reducing the costs of producing goods and services and the next table between the development of national production for sectors whose production has been stimulated.

From the table, we note the recovery of the construction, public works, transport sector and, to a lesser extent, the production of building materials, a remarkable growth was achieved in the sectors of industry, transport and production of building materials in Algeria during the period from 2000 to 2019.

The figures cited indicate that national production in these sectors has increased more than sevenfold in some cases. The industrial sector witnessed significant growth in national production, rising from 211 billion DZD in 2000 to 772 billion DZD in 2020, representing an increase of almost more than two and a half times.

This growth indicates the strength and development of Algerian industry and its ability to meet domestic needs and increase production for export. As for the transport sector, it also witnessed a remarkable growth in national production, rising from 276 billion dinars in 2000 to 2245 billion dinars in 2019, an increase of more than sevenfold.

This growth reflects the evolution of the transport sector in Algeria and the increase in investments in this sector to improve infrastructure and meet national and international transport needs. As for the building materials production sector, it has also witnessed a remarkable growth in national production with a more than threefold increase, rising from 26 billion dinars in 2000 to 117 billion dinars. This growth reflects the evolution of the building materials production sector in Algeria and the increase in investments in this sector to meet the growing demand for infrastructure and housing.

**Table N°1: Evolution of the national production of the construction sectors, production of building materials, transport and industry in the period 2000-2020 Unit: Million DZD**

National production of the sector industrialist	National Production of the Sector transportation	National production of materials production sector Construction	National production of the construction and occupancy sector Generality	Years
211 722.0	275 929.70	26 737.10	292 046.30	2000
224 322.0	303 693.50	32 476.80	320 507.10	2001
240 528.8	340 983.30	36 085.40	369 939.30	2002
251 117.7	390 551.20	33 331.70	401 014.40	2003
273 060.7	512 569.90	41 711.30	458 674.00	2004
291 198.5	645 028.90	45 970.70	505 423.90	2005
307 470.6	730 238.40	50 869.50	610 071.10	2006
322 992.5	808 380.90	58 482.30	732 720.70	2007
348 463.9	830 341.50	60 402.40	869 988.60	2008
399 542.1	865 214.50	66 864.80	1 000 054.90	2009
430 053.9	933 707.60	70 523.30	1 194 113.50	2010
459 199.5	1 074 147.70	74 846.90	1 262 566.70	2011
508 313.5	1 194 841.70	75 897.50	1 411 159.60	2012
536 828.3	1 462 802.20	80 347.10	1 569 313.50	2013
583 995.2	1 559 347.70	88 038.10	1 730 198.10	2014
629 451.5	1 665 379.80	109 152.20	1 859 784.50	2015
656 837.2	1 800 357.00	115 544.20	1 993 653.10	2016
694 106.2	1 973 037.90	121 221.20	2 117 392.90	2017
740 832.9	2 157 095.20	126 152.10	2 254 104.90	2018
787 134.7	2 244 879.10	117 010,50	2 400 389.60	2019
772 182.8	2 044 064.70	113 415.60	2 285 088.50	2020

Source: Prepared by researchers based on (ONS, 2019)

### 3.2 Government subsidy policy, increasing worker production efficiency and human capital accumulation

Government subsidy policy plays a vital role in increasing worker productivity efficiency and human capital accumulation in countries. By providing financial, technical and educational support, the government can promote economic development, improve employment opportunities, and develop skills and knowledge for workers. One prominent example of a government subsidy policy is the provision of free or low-cost higher education. Through this, students with financial constraints are enabled to obtain higher education and develop their skills and knowledge. This contributes to an increase in the efficiency of workers and the accumulation of human capital in society. In addition, the government can provide financial and technical support to SMEs and enterprises. By providing funding and technical assistance, these companies are empowered to develop skills and

use modern technology to increase their productivity. This contributes to enhancing the competitiveness of companies and strengthening the national economy.

Government subsidy policy is also important in creating jobs and promoting employment. The government can support the development of vital sectors and boost investments in them, leading to the creation of new jobs and the provision of stable and decent job opportunities for workers. This contributes to increasing the efficiency of worker productivity and improving the standard of living.

The following table shows the evolution of some of the outputs of the government support system in the indicators of investment in human capital.

**Table N°2: Evolution of Human Capital Investment Indicators in the Period 2001-2020**

Prevalence of undernutrition (million person)	Probability of survival when Parent (year)	Investing in human capital		
		Number of people who received University degrees	Illiteracy rate )%(	Years
8	72.4	65192	/	2001
7,3	73.4	72737	/	2002
7	73.9	77972	/	2003
7	74.8	91828	/	2004
6,7	74.6	107515	/	2005
6,4	75.7	112932	/	2006
5,9	75.7	121905	22.3	2007
5,6	75.6	146889	21.81	2008
5,3	75.5	150014	19.95	2009
4,6	76.3	199767	18.34	2010
4	76.5	246743	16.54	2011
3,3	76.4	233879	15.10	2012
3,1	77	288602	13.91	2013
2,9	77.2	271430	12.82	2014
2,8	77.1	311976	11.86	2015
2,8	77.6	/	10.99	2016
2,7	77.6	292683	10.16	2017
2,5	77.7	303100	9.44	2018
2,5	77.8	/	8.71	2019
/	76.3	/	8.71	2020

Source: Prepared by researchers based on(ONS, 2019)(ONS, 2017)

By analyzing the data presented in Table (02), we can see an improvement in human capital indicators. The illiteracy rate decreased from 22.3% to 8.71%, and although the education support policy was unable to completely eradicate this phenomenon, it succeeded in reducing the number of illiterate people to 2,946,549, including 968,018 people between the ages of 15 and 49. This helps improve workers' efficiency in production, as the literate worker is more efficient in production than the uneducated worker.

With regard to the higher education sector, we can observe an increase in the number of people acquiring scientific knowledge and advanced skills. The number of such people increased from 65,000 in 2001 to 303,000

in 2017, representing an increase of 9,636%. This has contributed to the accumulation of highly qualified human capital, numbering more than 3 million people from 2000 to 2017.

This information reflects the importance of focusing on the development of human capital in society, by improving illiteracy and increasing the number of people receiving higher education. This can improve worker efficiency and increase the productivity of the country's workforce.

Given the continuous rise in human survival, which increased from 72.4 years to 77.8 years in 2019, it can be confirmed that the health status of most members of society has improved. This high likelihood of survival reflects the efforts made in providing health care and promoting health awareness in the community.

Ensuring a minimum level of food by providing basic food commodities at low prices has led to a reduction in undernourishment from 8% to 2.5% of the population. This improvement in the physical safety of individuals points to the importance of providing food protection for all and promoting healthy nutrition in the community. Although the ratio still needs to be improved relative to the volume of social transfers, it shows progress in providing food to individuals in general.

In addition, support for education contributes to the development of individuals' scientific and skill human capacities and the enhancement of the physical and physical aspects of individuals. The provision of health care and housing also plays an important role in improving the quality of life and maintaining the health of individuals. By providing housing facilities and government support for rural housing, availability and access to adequate housing are enhanced.

These government policies and actions are considered an investment in human capital and contribute to its accumulation, leading to the promotion of comprehensive development and sustainability in society.

#### **4. The contribution of the government subsidy policy to increasing real consumption, stabilizing prices, increasing incomes and redistributing income in Algeria**

Algeria's subsidy policy has multiple effects on the economy and society. Among these effects, they could contribute to increasing real consumption, stabilizing prices, increasing incomes and redistributing income as follows:

##### **4.1 Government subsidy policy and increase real consumption**

It is known that the low-income and poor class has a tendency to consume more and therefore direct subsidy allocations will go to consumption. In order to know the repercussions of the government subsidy policy on consumption in Algeria, we must study it in terms of real consumption, not cash, and the following table shows the evolution of real consumption of individuals.

From Table (03), we can see a continuous increase in real and monetary consumption during the period studied, especially in the period from 2007 to 2015. Real consumption has grown significantly, rising from 2460 billion DZD in 2007 to 3906 billion DZD in 2015, an increase of 1446 billion DZD.

In addition, we noticed that per capita consumption also increased continuously during the period from 2000 to 2018, rising from 57,000 DZD to 97,000 DZD at a rate of 661.10. However, we observed a slight decline in 2019, and a decline greater than 5,000 DZD in 2020.

Based on this, we can say that the period from 2000 to 2020 saw an increase in the well-being of individuals through an increase in the level of consumption. From the table as well, we can observe the continuous rise in real and monetary consumption during the period studied, especially in the period from 2007 to 2015.

Real consumption has grown significantly, rising from 2460 billion DZD in 2007 to 3906 billion DZD in 2015, an increase of 1446 billion DZD. We also note that per capita consumption has increased continuously during the period from 2000 to 2018, rising from 57,000 DZD to 97,000 DZD at a rate of 661.10. However, we observed a slight decline in 2019, and a decline greater than 5,000 DZD in 2020. Based on this, we can conclude that the period from 2000 to 2020 witnessed an increase in the level of well-being of individuals through an increase in the level of consumption.

Thus, the increase in household income was not nominal, but real, and this is through the work of the government support system to increase the incomes of the poor and in return reduce the rise in prices by identifying some basic products for price stability, so we will address the role of price support policy in price stability and the resulting increase in real consumption and real income

**Table N°3: Evolution of Household Monetary and Real Final Consumption and Real Final Consumption per Capita in the Period 2000-2020 Unit: Million DZD**

Real per capita final consumption The one (DZD))	Real household final consumption	Price Index Consumer	Household cash final consumption	Years
57 720.08	1 755 614.05	95,97	1 684 862.80	2000
58 851.56	1 817 277.40	100	1 817 277.40	2001
61 475.15	1 927 676.23	101,43	1 955 242.00	2002
62 074,94	1 976 962.65	105,75	2 090 638.00	2003
65 568.91	2 122 072.31	109,95	2 33 218.50	2004
68 442.14	2 252 156.99	111,47	2 510 479.40	2005
69 320.39	2 320 916.00	114,05	2 647 004.70	2006
72 154.26	2 460 171.68	118,24	2 908 907.00	2007
76 349.30	2 640 998.47	123,98	3 274 309.90	2008
79 538.30	2 805 156.83	131,1	3 677 560.60	2009

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82 491.51	2 967 879.40	136,23	4 043 142.10	2010
85 512.54	3 139 764.10	142,39	4 470 710.10	2011
88 136.59	3 304 681.39	155,05	5 123 908.50	2012
92 546.94	3 544 270.14	160,10	5 674 376.50	2013
95 622.91	3 740 194.57	164,77	6 162 718.60	2014
97 763.47	3 906 921.63	172,65	6 745 300.20	2015
97 719.26	3 990 463.80	183,70	7 330 482.00	2016
97 783.55	4 079 627.67	193,97	7 913 253.80	2017
97 991.22	4 172 270.31	202,25	8 438 416.70	2018
97 699.28	4 242 493.50	206,20	8 748 021.60	2019
92 991.13	4 114 299.55	211,18	8 688 577.80	2020

Source: Prepared by researchers based on (Directorate of Assessment and Policies of the Algerian Ministry of Finance , 2019)

### 4.2 Government subsidy policy and price stability

The best way to know the impact of the commodity price subsidy policy in achieving price stability is to determine the consumer price index in the event of the removal of subsidies, and it is known that subsidized goods are imported in large proportions from international markets, such as table oil, sugar, grains and milk, and therefore their prices are directly affected by the prices of international markets, that is, whenever prices rise in international markets, prices rise in the local market and whenever prices fall, prices fall in the national market, and therefore the price index of these commodities in the markets International is the same as the price index in the national market in case of subsidy removal

The following table illustrates this by replacing the domestic price index with the international price index, taking into account that the latter is calculated in US dollars, where we changed it to Algerian dinars through the exchange rate rates that were in those years and we calculated the gap between the commodity price index between the application of subsidies and the removal of subsidies in each commodity and the results were in the next table.

**Table N°4: The Role of Government Support Policy in Price Stability in Algeria in the Period (2011-2020) Base Year 2001**

2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	
198,88	186,31	194,45	175,47	170,32	184,9	223,38	249,01	265	274,18	M-A-A1 Cereals in world markets (prices USD-A)
325,98	286,82	291,80	251,97	241,27	240,39	232,92	255,77	266,03	258,57	Cereals in world markets (prices in DZD))
159,27	156,19	153,13	148,41	147,04	139,1	132,62	130,42	126,59	121,98	Cereals in Algeria (Prices in DZD))
166,71	130,63	138,67	103,56	94,23	101,29	100,30	125,35	139,44	136,59	Cereal price index gap (prices in DZD))
167,26	168,89	176,2	177,41	135,76	143,15	213,88	231,46	183,41	213,37	Milk on world markets (prices USD-A)
274,15	260,00	264,41	254,75	192,31	186,11	223,01	237,75	184,12	201,22	Milk in international markets (prices in DZD))

152,06	150,66	147,81	142,34	140,81	138,35	133,98	125,69	124,27	121,32	Milk in Algeria (Prices in DZD))
122,09	109,34	116,60	112,41	51,50	47,76	89,03	112,06	59,85	79,90	Milk Price Index Gap
234,09	195,95	206,6	239,9	234,09	211,72	260,4	281,31	325,59	368,36	Oil and fats in world markets (prices USD-A)
383,69	301,66	310,03	344,49	331,60	275,26	271,52	288,95	326,85	347,39	Oil and fats in world markets (prices DJ)
198,84	196,84	194,71	191,35	189,78	189	188,46	186,51	181,35	174,49	Oil and fats in Algeria (Prices in DZD))
184,85	104,82	115,32	153,14	141,82	86,26	83,06	102,44	145,50	172,90	Oil and fat price index gap (prices in DZD))
148,74	147,04	144,75	185,36	208,75	155,56	196,75	204,69	249,34	300,92	Sugar and sugars in global markets (Prices in DZD)
243,79	226,36	217,22	266,16	295,71	202,25	205,15	210,26	250,30	283,79	Sugar and sugars in the world markets (Prices in DZD)
184,37	196,16	205,93	201,46	191,78	185,16	182,19	182,36	184,03	176,03	Sugar and sugars in Algeria (prices DJ)
59,42	30,20	11,29	64,70	103,93	17,09	22,96	27,90	66,27	107,76	Sugar and Sugar Price Index Gap

Source: Prepared by researchers based on (ONS, 2021)(FOA, 2020)

Table 04 shows that the price support policy has succeeded in mitigating the rise in food prices, especially with regard to cereals. Prices have fallen by almost half in 2011 and 2012, and also in the last three years. The gap is estimated at 138, 133 and 166 from 2018 to 2020. As for milk, the gap was smaller than cereals, but it was noticeable, as the policy managed to reduce prices by more than 112% in 2017, and up to 122% in 2020 compared to international prices. The same applies to the oil and fat sector, where prices in the global market in 2011 increased by 247% compared to 74% in the domestic market, resulting in a gap of 172%.

This gap continued to narrow due to the decline in prices in international markets until 2015. However, prices started rising again and the gap increased to 184 compared to global markets. As for sugar, the gap was not large, especially in 2018 when it stood at 11.29. The highest gap recorded was in 2015 at 103.93. Despite this, the policy has been able to maintain price stability compared to what is traded in global markets.

#### 4.3 Government subsidy policy and redistribution of income and wealth

Algeria's subsidy system is not only responsible for redistributing income, but also for distributing wealth. For example, the government relies on oil and gas revenues as the main source of revenue, allocating part of these revenues to support economic sectors and improve the standard of living of citizens. One of the tools used by the government in the distribution of income and wealth is the genetic coefficient, which is an important indicator for measuring the equitable distribution of income and wealth. The genetic coefficient measures the gap between individuals in terms of wealth or income, with coefficient values ranging from 0 to 1. A value of the genetic coefficient approaching 0 indicates a fair distribution of wealth or income, while a value approaching 1 indicates the accumulation of wealth or income in a few individuals.

Table N°5: Evolution of coefficient in the period 1995-2015

## The Economic and Social Approach of Government subsidy Policy in Algeria

2015	2011	1995	Years
28	27.6	35.3	Gini coefficient

Source: (Dandan, 2022\_2023, p. 320)

By analyzing Table 04, we can see that the genetic coefficient in Algeria improved during the period from 1955 to 2011. The coefficient fell from 35.3 in 1955 to 27.6 in 2011. This reflects a relative improvement in the distribution of wealth and income in the country. However, the genetic coefficient appears to have declined by 0.4 from 2011 to 2015. This decline may raise questions about the effectiveness of price support policy in redistributing income and benefits to low-income groups. This period saw an increase in financial allocations for this type of support, and the list of goods covered by the subsidy expanded, for example, to include sugar and table oil. Accordingly, re-evaluation and analysis may be needed to understand why the genetic coefficient declined during that period.

Indeed, the government's efforts to improve the distribution of income and wealth can be seen through Algeria's subsidy system. Emphasis has been placed on supporting areas that are most effective in achieving social justice, such as education, health and housing for low-income groups. Direct cash support has also been provided to the destitute, the disabled, small pensioners, the elderly and even the unemployed. These efforts have contributed to reducing social disparities and improving the distribution of income and wealth. The most vulnerable communities have been able to benefit from this support and improve their living conditions. At the same time, it limits the benefit of the rich from income, thus contributing to social justice.

### 5. Conclusion:

In conclusion, it can be said that the government subsidy policy in Algeria has positively affected the target social groups and the economy in general. By providing financial support and basic services, the policy contributes to improving the standard of living and promoting social justice. It also contributes to promoting economic growth, creating jobs and boosting investment.

However, it should be noted that there are challenges to the effective implementation of this policy. Among these challenges is the need to target support in a fair and effective manner to those most in need, and to ensure the long-term sustainability of policy.

### ❖ Study recommendations:

To improve the government subsidy policy and enhance its effectiveness, a number of recommendations can be proposed as follows:

- **Needs analysis:** The needs of target groups must be thoroughly analyzed to ensure that support is effectively and equitably directed. This can be done by conducting field studies and surveys to understand the needs and challenges of the target groups.

- **Focus on sustainability:** Policy must be sustainable in the long term, by directing support to projects and programs that promote sustainable development and achieve economic and social sustainability.
- **Enhancing transparency and participation:** Transparency in the direction and implementation of government subsidy policy should be enhanced by providing clear and publicly available information on policy and subsidy distribution mechanisms. The active participation of the community and beneficiary groups in the decision-making process related to support should also be encouraged.
- **Enhance efficiency and effectiveness:** Policy should be reviewed and evaluated regularly to ensure its efficiency and effectiveness. This can be achieved by applying tools and indicators to measure performance and identify areas that need improvement.
- **Raising awareness:** Awareness should be raised about the government subsidy policy and its benefits, through media and educational campaigns targeting the public and target groups. These efforts can include providing detailed information about supported programs and projects and how to benefit from them.
- **Cooperation and partnership:** The effectiveness of government support policy can be enhanced through cooperation and partnership with stakeholders, such as academic institutions, NGOs and the private sector. These partnerships can contribute to enhanced coordination, knowledge sharing and capacity enhancement

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