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Clientelism and Predation in Algeria: Public versus Private Sector

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This paper aims to highlight the unique link between the public and private sectors in a rentier economy administratively regulated by an authoritarian political regime, such as the Algerian one, rather than by the laws of the market. The following questions are put forward: How can this situation be explained, and what impact does it have on the way the country's private sector operates?

- Our analysis is based on the assumption that the Algerian economy does not operate according to the laws of the market but according to the administrative injunctions of the state. The political regime born of independence in 1962 is authoritarian, turning economic resources into a political lever for the ruling elites to maintain power and to use state resources for personal ends.
- In the absence of a public space allowing for the expression of conflicting interests within civil society and demarcating the boundaries between the latter and the political system, the economy at large remains hijacked for political ends, serving the immediate interests of the ruling elite.
- Consequently, the public and private sectors are subjected to systematic exploitation by the regime's political elites. This undermines the profitability of capital and the productivity of the economy, thereby condemning the country to continued dependence on both oil revenues for foreign currency inflows and international markets for essential supplies.

CONTEXT

Economic theory defines the difference between the private and the public sector in terms of the legal ownership of capital. In other words, the public sector's means of production are owned by the community through the state while those of the private sector are in the hands of entrepreneurs, who are members of civil society. This distinction between the categories of "public" and "private," inspired by Western experience, appears insufficient to account for the reality of most countries whose state-building processes have followed paths different from those experienced in the Western world.



ALGERIA, THE “SOCIALIST” STATE: A PRIVATE SECTOR IN THE BENEVOLENT SHADOW OF THE STATE

In the aftermath of independence in 1962, although the newly established economic system officially drew inspiration from socialism with a strong public sector, the Algerian private sector continued to operate and even thrive, albeit primarily in trade and speculation. As Dahmani (1999: 13) highlights, “economic and financial speculation remained the two defining features of the Algerian bourgeoisie for many years after independence.”¹

Due to the context of its emergence and evolution, the interests of the Algerian private sector have been closely intertwined with those of the political elites (Ouchichi 2011). Given its commercial and speculative nature, the Algerian private sector has not been, as one might assume, a means through which civil society has created its own wealth. Rather, it has functioned as a sort of concession or “favour” from the political class, granted to select private individuals, particularly those with close ties to the regime. Moreover, it is crucial to emphasise that the Algerian private sector has been linked to the state not only by its ties to political personnel within the regime but also by its reliance on public, state-controlled contracts as well as by the monopolistic position it has enjoyed thanks to the protection of the national market from foreign competition.

In the early 1980s, the Algerian economy underwent a significant transformation. The new leadership brought an end to the so-called “industrialising industries” development strategy of the 1970s. Supported by both national and international contexts, the government embarked on a process of restructuring/dismantling the public economic sector, with a clear shift towards consumption at the expense of investment. This shift was reflected in the emergence of a new discourse on the private sector that is expected henceforth to play a more prominent role in the national development project. Additionally, there was growing recognition of the need to establish a new legal framework to support this initiative.

The financial crisis that hit the country following the drastic fall in international hydrocarbon prices in 1986 was a major turning point in the development of the Algerian private sector. Taking advantage of the development of the informal market caused by the decline in public investment and by recurrent shortfalls following the reduction in the financial resources of the state, private entrepreneurs collected colossal sums through speculation. The project of public enterprise autonomy and the partial liberalisation of the agricultural sector initiated in 1987 rightly aimed to reduce political interference in the management of the public economic sector, as such interference had led to deficits in public enterprises and the expansion of the informal economy, benefiting the private sector through collusion and “partnerships” with the political elite. Two years after the oil counter-shock of 1986, the riots of October 1988 erupted, marking a historic turning point in Algeria’s political and economic life.

ALGERIA, THE “LIBERAL” STATE: THE RISE OF A PRIVATE OLIGARCHY

The events of October 1988 inevitably accelerated the growing dominance of the private sector in the economic and political spheres. Abandoning the so-called socialist path, the 1989 Constitution granted employers the right to organise themselves as a social group. The new legal framework also abolished the distinction between public and private sectors (both national and foreign) and ended the state monopoly on foreign trade.

The agreements with the International Monetary Fund between 1994 and 1998 further accelerated this process of liberalisation and economic opening, particularly through the state’s withdrawal from the economic sphere and the implementation of a privatisation

¹ All quotations translated from the original French.

policy for the public sector. Several authors consider this privatisation to be a process of predation (Belalloufi 2012; Dahmani 1999; Hachemaoui 2013; Ouchichi 2011; Tlemçani 1999). As a result, new monopolies were formed within the commercial sphere, and huge fortunes were made.

The accession to power of President Abdelaziz Bouteflika in April 1999 ushered in a new era for private capital in Algeria, especially as it coincided with an unprecedented financial upturn. Indeed, between 2001 and 2019 Algeria allocated nearly USD 1 trillion to public investments, of which the private sector captured a significant portion. The reforms undertaken and the plans for economic recovery have facilitated an intensification of the private sector's dominance by a new class of entrepreneurs: the oligarchs. This private sector expanded exponentially, benefitting from public procurement and privileges. Some of these entrepreneurs had no business experience whatsoever (e.g. Haddad, Tahkout), while others consolidated their positions by diversifying their investments (e.g. Benamor, Metidji, Benhamadi). This period was characterised by new behaviour among this class of entrepreneurs, who began to display their wealth ostentatiously, publicly acknowledge their connections with politicians, establish print and audiovisual media outlets, and engage directly in political life (Djabi, Larabi, and Boudra 2022: 24).

No profitable niche, business opportunity, or flourishing business escaped the circle of businessmen close to the presidential entourage. This widespread predation of the country's economic resources with all that it generates – corruption and growth of inequalities – was among the main factors that triggered the popular movement of 22 February 2019, the Hirak (Ouchichi 2023). The power of private employers and oligarchs was temporarily halted due the pressure of the Hirak, which targeted the links between money and politics. The army command centre also took advantage of these popular demands to reclaim some of the power that was taken from private capital.

The lawsuits against the oligarchs at the height of the Hirak actions showed the extent of rapacity. For example, the investigators revealed a portion of the funds diverted by the Road, Water, and Buildings Works (ETRHB) group, which belongs to the president of the Business Leaders' Forum, Ali Haddad. The preliminary investigation concluded with some startling revelations: "We have learned that since 2000, coinciding with the arrival of Bouteflika, until 2019 [Bouteflika's resignation], the ETRHB group benefited from 124 public contracts (most between 2012 and 2018), for a total amount of 78.41 trillion centimes [more than EUR 6 million, according to the exchange rate, editor's note]" (Tlemçani 2020). This kind of practice is not only peculiar to a small group but affects the bulk of Algerian private employers "selected" on criteria of political allegiance and clientelism.

However, the political realignments following the presidential elections of 12 December 2019 once again integrated the private business elite into the regime's political equation. In fact, having lost its political hegemony over society due to the Hirak movement, the regime could only forge yet another pact with the business elite, not with a view to economic liberalisation, but once again to maintain its hold on power at the expense of the popular will.

As pointed out at the beginning of this paper, this situation is a striking illustration of the fundamental link between political power and the private sector through public contracts. This is evidently possible only thanks to the state's monopoly on oil revenues and the mechanisms for distributing them, which are based on political criteria.

CONCLUDING REMARKS: CIVIL SOCIETY AND THE PUBLIC SPHERE

The relationship between the Algerian public and private sectors and state power is both unique and complex. Despite their differences in legal identity, we have demonstrated

that both sectors were incorporated into the regime's political strategy and contributed to strengthening the power of the political class at the expense of civil society. For historical reasons, in Algeria the state apparatus has always been viewed as a semi-private asset, serving whichever political group is currently at the helm. In this context, economic resources have been the object of intense competition and greed.

The public economic sector in Algeria was not merely a part of the public sphere reflecting the collective desire to avoid the commercialisation of certain sectors or activities. It was conceived as a means of assimilating civil society into the political class. Its role was to provide a "state-controlled" income for citizens, who were otherwise prohibited from undertaking any economic initiative outside the purview of the state. In a sense, the mission of the public sector was to "bureaucratise" society as a whole. As long as individuals depend on the state for their livelihoods, a means to suppress any inclination towards dissent exists. In this sense, the Algerian state also assigned the public sector the unspoken objective of shielding it from opposition forces that could challenge its dominance – particularly entrepreneurial and union powers. Thus, the public sector's purpose was not, as one might assume, to compensate for a "failing" private sector incapable of implementing a development strategy, but rather to prevent the emergence of a civil society independent of state administration.

Moreover, in the absence of the rule of law to protect the public sphere, the Algerian public sector was subject to many forms of misuse. In addition to being diverted from its primary purpose to serve the immediate interests of the political regime, the public sector was constantly exposed to various forms of exploitation – more precisely, predatory practices – by several social forces, particularly those allied to political staff occupying senior positions in the state. Diverted from its economic purpose in favour of political legitimisation, and vulnerable to multiple forms of exploitation due to the lack of legal protections for the public sphere, the Algerian public sector faced the constant prospect of budget deficits.

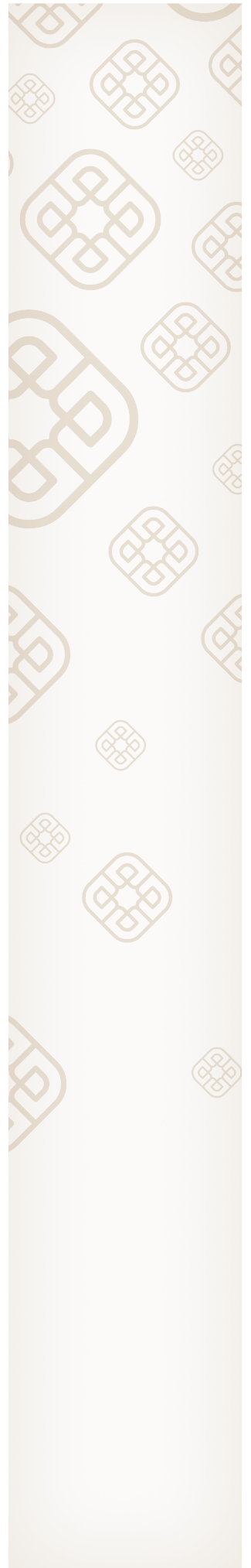
In addition, instead of the private sector theoretically being a factor in the emancipation of civil society, its links to the state's ruling elites have contributed to the consolidation of the regime's authoritarian nature. In the final analysis, private economic operators have understood that the accumulation of their capital can be achieved only at the expense of the democratic and social aspirations of the Algerian people.

We can clearly observe that when mechanically applied to the Algerian economy, the classical division of the economic sphere into public and private sectors may present challenges for the various reasons outlined above. This is particularly due to the misappropriation of the public sphere and its exclusive occupation by the political regime.

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