

Trends of Poverty in Algeria during 1962-2013

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Algeria tried, from the independence in 1962, to guarantee the living standard of the population through employment generation in the public sector, from 1973 to early 1980s, and during this time, progress in social indicators was impressive. But decline in the world oil prices in the 1980s, led to stagnation of the economy, resulting in a deterioration in living standards, high unemployment and an increase in the incidence of poverty. The purpose of this paper is to review the nature and extent of poverty in Algeria since the independence to 2013.

Keywords: Poverty, Algeria, Reform programs, Trends.

INTRODUCTION

From a social research's point of view, poverty is a complex phenomenon influenced by a large number of factors and which can be studied from many different perspectives. The study and interpretation of poverty isn't a simple task, as there are as many ways of measuring poverty as there are ways of defining it. The understanding and relief of poverty has been a major human preoccupation for many centuries, In this area, we can ask the following dilemma: *What are the trends of poverty in Algeria during 1962-2013?*

THE CONCEPT OF POVERTY

Although there are different definitions and approaches to measure poverty, this phenomenon is multidimensional and remains difficult to quantify.

For the World Bank and UNDP poverty results: "A lack of access to assets, insufficient or inappropriate economic growth and bad governance." The World Bank and UNDP (United Nations Development Programme) remain the two leading institutions in the fight against poverty. The two organizations agree on the causes of poverty, but still have differences over the definition of the latter and its quantification. UNDP specifically defines three concepts¹:

Extreme poverty or absolute poverty:

A person lives in conditions of extreme poverty if he does not have sufficient income to meet his basic food needs defined on the basis of minimum caloric needs (1,800 calories per day per person).

General poverty or relative poverty:

Someone lives in general poverty condition if he does not have sufficient income to meet his essential non-food needs: clothing, energy, housing, and food goods.

Human poverty

This is considered as the lack of basic human capabilities: illiteracy, malnutrition, reduced longevity, poor maternal health, preventable disease.

Thus UNDP favors a multidimensional approach where human poverty is defined as "the denial of opportunities and fundamental perspective underpinning all human development: living a long, healthy, constructive, and enjoy a decent standard of living, and the freedom, dignity, respect for oneself and for others."

As for the approach used by the World Bank, there is a monetary approach to poverty. It identifies two types of poverty: absolute and relative poverty. The monetary approach of the World Bank is "to be based on a criterion of income or consumption, then combines different areas that reinforce or worsen to decrease or to increase the level of indigence of the poor."

In 1990, the World Bank implemented a standard poverty line to measure extreme poverty in the developing world, was set at 1\$ a day, this measure is widely used today. But 1\$ in 1990 is not one dollar today, 1.25\$ a day poverty line measured in 2005 prices replaces the 1\$ a day poverty line².

Human Poverty Index (HPI)

This was developed by UN to complement the human development index and was first reported as part of the Human Development. It is a combined measure using the dimensions of human life already considered in the Human Development Index: life length, knowledge, a decent living standard³.

However, HPI, in 2010 was substituted by Multidimensional Poverty Index (MPI). MPI identifies deprivation across the same dimension as HPI, and shows the number of people who are Multidimensionally poor⁴.

Today's concept of poverty is multidimensional, and the key indicators are the Millennium Development Goals (MDGs), which are a part of the Millennium Declaration Developed by the United Nations in 2000.

Subjective poverty

The essential idea of this, is to ask individuals to rate their own welfare, or identify money metrics for pre-defined welfare levels. This provides new information for identifying a metric of welfare, including setting poverty line⁵.

The meaning and measurement of poverty has changed from 1960s, when poverty was economically determined and standards of living were measured as income per capita. The development of poverty concept is illustrated in table 1.

Poverty and the 8 Millennium Development Goals

The Millennium Development Goals (MDGs) were adopted by world leaders at the Millennium Summit, held from 6 to 8 September 2000, at United Nations Headquarters in New York. With the MDGs, the international community has agreed on concrete, numerical benchmarks and time-bound to tackle extreme poverty in all its dimensions. The MDGs are therefore an international framework that allows national governments and international development institutions to work together towards common goals. The MDGs have galvanized and unprecedented efforts to meet the needs of the poorest. These objectives are⁶:

- Eradicate extreme poverty and hunger.
- Achieve universal primary education.
- Promote gender equality and empower women
- Reduce child mortality.
- Improve maternal health.
- Combat HIV / AIDS, malaria and other diseases.
- Ensure environmental sustainability.
- Develop a global partnership for development.

UNDP has initiated a global conversation without precedent through which all citizens can help shape the next development agenda after the deadline of the Millennium Development Goals (MDGs) by 2015. Three of the eight Millennium Development Goals - on poverty, slums and water - have been achieved before the end of 2015, but much remains to be done. The next development framework - the post-2015 agenda - should draw on lessons learned from the work done to achieve the MDGs, which structured the United Nations development activities since the Millennium Summit in 2000. Voices around the world are demanding leadership on poverty, inequality and climate change. To turn these demands into actions, world leaders gathered on 25 September 2015, at the

United Nations in New York to adopt the 2030 Agenda for sustainable Development.

The 2030 Agenda comprises 17 new Sustainable Development Goals (SDGs), or Global Goals, which will guide policy and funding for the next 15 years, beginning with a historic pledge to end poverty. Everywhere, permanently. The SDGs replace the Millennium Development Goals (MDGs), which in September 2000 rallied the world around a common 15-year agenda to tackle the indignity of poverty.

The MDGs established measurable, universally-agreed objectives for eradicating extreme poverty and hunger, preventing deadly but treatable disease, and expanding educational opportunities to all children, among other development imperatives. The Sustainable Development Goals (SDGs)⁷:

- SDG1: No Poverty
- SDG2: Zero Hunger
- SDG3: Good Health and Well-Being.
- SDG4: Quality Education.
- SDG5: Gender Equality.
- SDG6: Clean Water and Sanitation.
- SDG7: Affordable and Clean Energy
- SDG8: Decent work and Economic Growth.
- SDG9: Industry, Innovation, Infrastructure.
- SDG10: Reduced Inequalities.
- SDG11: Sustainable cities and Communities.
- SDG12: Responsible Consumption, Production.
- SDG13: Climate Action.
- SDG14: Life Below Water.
- SDG15: Life on Land.
- SDG16: Peace, Justice and Strong Institutions.
- SDG17: Partnerships for The Goals.

POVERTY IN ALGERIA

The definition of poverty in Algeria

The definition of poverty adopted by the experts in Algeria is deficiency or insufficiency in food consumption in terms of quantity and quality, and not to satisfy the basic needs, housing, education and health, that this saturation is as a medium, at least, in addition to the physical aspects of poverty in Algeria, it has the dimensions of non-material.

Through this definition, we find that poverty can be confined in Algeria in three forms⁸:

Food poverty line

It is defined as the sum of money necessary to satisfy minimum food needs, which are estimated at 2100 calories per capita / day, and an estimate necessary for a basket of food that was able to obtain these circumstances amount of calories to 10943 dinars per person valuable year 1995 value, after the value is estimated at 2172 dinars in the year 1988.

Minimum poverty line

This line takes into account, in addition to the food poverty line, minimum food expenditure is the lowest level, these non-food items are added cost of the food poverty line. And as much as DJ B2791 per person per year in 1988.

Table 1. The development of poverty concept

Period	Concept of Poverty	Measurement of poverty
1960s	Economic	GDP per capita growth
1970s	Basic Needs	GDP per capita growth + basic goods.
1980s	Economic	GDP per capita
1990s	Human Development	Human Poverty Index
2000s	Multidimensional Freedom	Multidimensional Development GOALS.

Source: Camilla Ackermann, Reducing Poverty , Master Thesis, International Business, Copenhagen Business School , October, 2010, P10.

Table 2. Trends of poverty, unemployment and GDP in Algeria (1970-1999)

Years	1970	1975	1980	1985	1988	1990	1995	1998	1999
Poverty rate ¹⁰	48	40	28	19.7	15	23.8	25.23	24.67	23.35
Unemployment rate	22.5	21	15.8	16.9	21.8	19.8	28.1	28	29.3
Gdp growth rate	8.86	5.05	0.79	5.6	- 1.9	1.3	3.8	5.1	3.2

Source: World bank report, September, 2013.

Table 3. The evolution of economic indicators in Algeria (2001-2004)

Years	2001	2002	2003	2004
Growth rate of PIB%	3	5.6	7.2	4.3
Unemployment rate%	27.3	25.3	23.7	17.7
Inflation rate%	4.2	1.4	2.6	3.6
Poverty rate%	21.15	20.9	19.76	18.15
Price of oil \$	24.8	25.5	29.03	38.66

Source : World Bank Report, September,2013.

Inflation rate: Bank of Algeria, the annual reports for fiscal and monetary indicators, 2005.

Table 4. The effects of the Supplementary program for economic recovery

Years	2005	2006	2007	2008	2009
Real growth rate %	5.9	1.7	3.4	2	1.7
Inflation rate%	1.5	2.5	3.5	4.40	4.5
Unemployment rate%	15.3	12.5	13.8	11.3	10.2
Poverty rate%	16.6	18.95	18.23	17.16	15.4
Oil price \$	54.64	65.8	74.95	75.3	78.75

Source: World Bank, Ibid.

Inflation Rate: CNES, Summary of the Economic and Social Situation of Algeria, in 2008, P 4.

Table 5. The effects of the five-year development program

Years	2010	2011	2012	2013
Growth rate%	3.6	2.6	3.3	3.1
Unemployment rate%	10	10	10	10
Inflation rate%	3,91	4,52	8,9	3,3
Poverty rate%	12.3	10.8	10.5	9.8
Oil price \$	76	111.2	110	106

Source: World Bank Report, 2013.

Inflation Rate : The National Office of Statistics in Algeria, 2014.

The upper limit of the poverty line

This line takes into account, expenditure on non-food high-level user in the poverty line level of the minimum, and the estimated value for 3125 dinars per person per year in 1988, and to 18191 dinars per person per year in 1995.

And often use the general poverty line, which represents the poverty line minimum, and the method used to determine the poverty line in Algeria, is a method of basic needs, and that impose the necessary per capita dietary energy per day is estimated at 2100 calories, and defines the poverty line according to the way these circumstances on the basis of the cost of a basket of goods that must be provided 2100 calories per person per day, then add the cost of non-food items

necessary to lower the level of the food poverty line, we get the general poverty line.

International poverty line

Algeria adopts the international poverty line of \$ 1 a day, as it seeks to achieve the first objective of the MDGs.

The Human Poverty Index (HPI)

HPI was considered to better reflect the extent of Deprivation in developed countries compared to the HDI.

Roots of poverty in Algeria

The roots of poverty in Algeria can be traced back to the days of French Colonialism, because before the independence, between 65% -75% of the population of Algeria were poor. The french policy in Algeria was a deliberate destruction of the country's national identity and indigenous social system, which was based on the society's basic needs⁹.

By the independence in 1962, more than 70% of the population were considered poor. Like many centrally planned economies, Algeria tried, from independence, to guarantee the living standard of the population through employment generation in the public sector and extensive social sector investment and social protection schemes.

This was possible when oil prices were high, from 1973 to the early 1980s, and during this time progress in social indicators was impressive. The plans of economic development were based to provide employment, infrastructure and services through the centrally controlled planning system.

The successive development efforts implemented since the early 1970s, aimed at modernizing the economy, spurring growth and redistributing its fruits by installing a very generous social policy based on providing goods and services at subsidized prices and allowing free access to health, education and cheap housing rents. The egalitarian program was financed by oil windfall and external debt.

The collapse of the oil prices in 1986 magnified economic distortions and plunged the economy into a deep, long lasting recession and led to deterioration in living standards, high unemployment, and an increase in the incidence of poverty.

The cumulative impact of these effects has aggravated the country's present social crisis considerably. The government implemented initial reforms, in the late 1980s, to liberalize the system on both the political and economic fronts. However, mainly because of structural rigidities, uncompetitive business practices ingrained during 25 years of centralized planning, and lack of sufficient changes, the institutional reforms failed to reverse the economic decline during 1989-94. Efforts at structural adjustment were resumed and intensified since 1994. The incidence of poverty increased between 1988 and 1995.

The main causes of this increase were the lack of economic growth and the resulting decline in employment opportunities. Broad-based economic growth is crucial for reducing poverty in Algeria. International experience indicates that, during a transition from a centrally planned to a market economy, the private sector is the most sustainable engine of growth and for new jobs.

Therefore, while deepening the process of structural reform, achieving and maintaining macroeconomic stability, and promoting private sector development, Algeria needs to redefine its strategic objectives in such fields as education, health, and economic infrastructure so as not to undermine a broad-based economic recovery and to be able to fully meet the challenges of the future. To assist those who will be hurt by structural reform and facilitate the adjustment of vulnerable groups to the new economic environment, the government should continue to enhance safety net programs that will rely on more self-targeting.

By mid 1992 most of the food subsidies were eliminated, and the other goods like energy and public services were adjusted since 1990. Through the above, we can say that:

- All basic macroeconomic indicators continued to deteriorate from 1987 to 1995. Important reversals in economic policy during the first phase of transition to

a market economy (1989-94) resulted in prolonged economic recession, accompanied by increasing inflationary pressure, high external debt, growing unemployment, and mounting social discontent.

- During the second phase of the transition, beginning in 1994, Algeria introduced radical structural reforms, relaunched the stabilization and adjustment programs, and restored macroeconomic balances.
- The full effects of these changes and the implementation of further structural changes to the economy will take some time. The stop-and-go implementation of the reform programs since 1989 and the lack of economic growth until 1995 resulted in a substantial deterioration of living standards for all and increased the incidence of poverty¹¹.

ECONOMIC STRATEGIES FOR REDUCING POVERTY

A primary imperative for any poverty alleviation strategy should be employment creation through broad-based economic growth, ensuring that the benefits of growth are distributed across all income groups.

The program of reforms undertaken by Algeria since 2000 clearly affected poverty in particular, and the economic and social variables in general.

Phase of 2000-2014 is characterized by the improvement in economic and social indicators in Algeria after the application of the reform-oriented programs and of:

Economic recovery for the period (2001-2004)

This program was initiated to support public and private projects, and to improve public services in the field of mission and improve the living standards of the population and to support local and human development, the program has contributed to improving economic growth, unemployment and poverty. It was allocated \$ 7 billion.

From table 3, it is clear to us that what counts in fuel prices, starting from the year 2000 to rise, and was followed by most of the improvement in economic and social indicators included. Oil prices and fiscal deficits turned to large surpluses by 2001, inflation fell from over 20% in 1994 to 1.4% in 2002, Human poverty rate dropped, the government resolved to continue to maintain the stability of Hedda economy.

Supplementary program for economic recovery (2005 to 2009)

This program came to complete the programs and projects that have been implemented in the economic recovery program, this program came in strengthening investment and promoted, to face the informal economy, improve the status of financial institutions, improve the living standards of the population, the development of basic facilities through the development of the transport sector, public works, the creation of the provincial water resources, the development of public services and the development of communication technologies. This program was allocated more than \$ 150 billion.

Note that the growth rates in the non-hydrocarbon sectors rose over the five years to reach 4.7% in 2005 up to 9.3% in 2009 due to the growth in public works and services sector, and the agricultural sector. The reason for growth outside of fuel to the economic recovery program, which was designed to support production outside the hydrocarbon sector.

The unemployment rate declined in this period, and the reason is due to the increase of jobs provided by the economic sectors.

The rate of inflation rose during this period, The rise in the inflation rate due to the high international prices of imported agricultural products, in addition to increasing the size of the money supply and rising wages, and prices of products as fruits and vegetable.

The five-year development program (2010-2014)

This program complements the complementary program to support economic growth, and aims to improve the standard of living through the adoption of new projects. This program aims to complete the ongoing major projects, especially in the field of water accomplished, roads and railroad tracks, and allocated more than 40% of its resources for human development, in addition to the completion of transport related projects, public works, agriculture, industry, housing, health, isolation of remote areas. It is The largest program since independence, where has allocated \$ 286 billion.

The final objective of this program is to reduce poverty and achieve the OMDs in 2015. HPI was decreased from 12.3 % in 2010 to 9.8% in 2013. In addition to the economic policies that have been used to fight poverty, Algeria used a set of social policies.

CONCLUSION

Poverty is deeply rooted in Algeria since the days of colonialism. It is believed that before independence, between 65% and 75% of the Algerian population were living in destitute poverty. Post independence development efforts helped reduce poverty levels rapidly. The increase of oil prices and the substance of the development policy are the factors that make the fortune and misfortune of Algeria. Huge oil windfalls and central planning accelerated development noticeably and decreased poverty significantly.

The development strategy created unsustainable growth that collapsed with the reverse oil shock of 1986. Delays in implementing economic reforms and political turmoil contributed to complicate the economic and social decline. By 1995 poverty was again on the increase.

The implementation of the Algerian government's economic policy a different policy in the 1990s, shows the government's desire to get out of the crisis by the application of developmental programs since 2000 and supported by improvements defined by the price of oil, and that led to an improvement in the standard of living for individuals and the decline in unemployment and poverty. The policy followed during the past decade has allowed Algeria to have a stable macroeconomic framework, with strong economic and financial fundamentals.

However, the dependence of the economy on hydrocarbons and the role of the public economy are set to diversify the economy and presents itself as the main challenge and is also integrated into the strategic frame plan of 2010-2014 coopération.

Socially, the proactive policy that accompanied economic policy has led to a decline in unemployment, of poverty and an improvement in living conditions in a general way, although inequality persist.

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