

Clientelism and Predation in Algeria: Public versus Private Sector

OUCHICHI Mourad

Department of Economic, Laboratory of Medical Informatics and Intelligent and Dynamic Environments(LIMED),
University of Bejaia, (Algeria)

Corresponding author : E-mail : mourad.ouchichi@univ-bejaia.dz

Received: 12-06-2024

Published: 22-11-2024

Abstract

This paper explores the distinctive relationship between the public and private sectors within Algeria's rentier economy, which is administratively controlled by an authoritarian political regime rather than driven by market forces. The following key questions are addressed: How can this situation be explained, and what impact does it have on the functioning of the private sector in the country?

- Our analysis is based on the premise that the Algerian economy operates not according to market principles, but through the state's administrative dictates. The political regime that emerged after Algeria's independence in 1962 is authoritarian, and it has transformed economic resources into a tool for the ruling elite to maintain power and pursue personal interests.
- The absence of a public space where conflicting interests can be expressed within civil society, and the lack of clear boundaries between civil society and the political system, have left the economy hostage to political goals. This situation serves the immediate interests of the ruling elite rather than fostering economic growth or development.
- As a result, both the public and private sectors are systematically exploited by the regime's political elite. This undermines capital profitability and productivity, thereby condemning the country to a continued reliance on oil revenues for foreign currency and on international markets for essential goods and services.

Keywords : Algeria, private sector, public sector, rent, clientelism

Introduction

Following Algeria's independence in 1962, the newly established state was faced with a dire economic and social situation after enduring a particularly violent period of colonization and a lengthy war of national liberation. A century and 32 years of colonization had deeply disrupted Algeria's economic and social structures, leaving the country's economy crippled and heavily dependent on France. Additionally, the political and military conflict that lasted

over seven years resulted in the destruction of thousands of villages and the mass deportation of populations.

For a variety of historical, economic, ideological, and populist reasons, Algeria adopted socialism and a “statist” development model. This decision was influenced by the ideological leanings of the country’s leaders at the time. Since independence, Algeria had been a strong proponent of the “pan-Arabist project,” which aligned with the golden age of “Arab socialism.” The influence of regional (Egypt) and international (Cuba and the USSR's support during the liberation war) liberation movements also played a key role in this choice. The preference for a “statist” development approach was also tied to the petty-bourgeois nature of Algeria's young political leadership, the structural weakness of the national bourgeoisie, and the egalitarian political culture of the dominant political elite (Lacheraf, 1965; Harbi, 1980).

In the face of numerous challenges, the government pursued a statist development project, later referred to as “specific socialism” (Hadjerès, 2010). The goal was to address the country's economic lag and modernize the economy. This led to major industrialization projects (industrializing industries), land reforms, and mass education initiatives. These ambitious development choices culminated in the nationalization of hydrocarbons in 1971, which was a critical move to finance investments. From then on, the Algerian Development Strategy (SAD) relied heavily on the hydrocarbon sector to fund development, either directly through export revenues or indirectly by using oil revenues as collateral for international loans.

However, authoritarianism, entrenched clientelism, the neopatrimonial nature of the state, and the instability of various class alliances hindered the effectiveness and coherence of the development project. These factors would later prompt reconsideration of earlier choices, particularly in the 1980s.

The Algerian state's development practices gave rise to a distorted economic environment. On one hand, the productive sector was subsumed by a rentier economy; on the other, the development of the public sector was often to the benefit of the private sector, which amassed wealth not through labor exploitation, but through speculative activities. These were made possible by the clientelist networks between private entrepreneurs and political power. Although this situation may seem paradoxical, we argue that it follows a different form of rationality, one shaped more by political rather than economic imperatives.

In economic theory, the public and private sectors are distinguished by the legal ownership of capital. The public sector's means of production are owned by the state on behalf of the community, while private-sector capital is held by individual entrepreneurs, members of civil society. While the public sector serves political society, the private sector is traditionally the channel through which civil society produces the goods and services it needs. This distinction, derived from Western economic theory, does not fully explain the realities of countries like Algeria, where the state-building process diverged significantly from Western models.

The difference between the public and private sectors in Algeria, and similar countries, is not merely legal. While private-sector capital in both Western and developing countries is owned by entrepreneurs, the crucial difference lies in the relationship between these sectors and the concept of public space.

In Western economies, public space is a historical construct, and the public sector differs from the private sector mainly in terms of legal ownership. Both sectors are subject to competition and operate under similar economic principles, with the public sector serving the interests of the "general public." The public sector is protected from extra-economic interference and state predation, allowing for the production of public goods and services. While public enterprises are generally subject to profitability and competition, there are exceptions, such as subsidies or moderate profit margins, in the interest of national solidarity. These exceptions are debated and managed through public institutions, ensuring transparency and accountability.

In contrast, many underdeveloped countries, particularly those with abundant natural resources, operate under political rather than market regulation. In these countries, the distinction between public and private sectors takes on a different meaning (Ouchichi, 2009). In the absence of a public space where the interests of civil society can be voiced and where boundaries between political and civil society are defined, both the public and private sectors become subordinated to the political regime. In this context, the public sector is not primarily intended to serve the "general public," but functions as a political tool to prevent the emergence of a civil society independent from the state.

The private sector in Algeria, instead of being an independent force against the political hegemony of the state, has been co-opted as a tool of the regime. Through the selective and discretionary allocation of operating licenses, credit, and other forms of support, the private sector has become an extension of political power. This shift in the role of the private sector can be understood as part of the larger strategy of neopatrimonialism, where economic power is closely linked to political patronage.

The political regime, holding a dominant position in both the political and economic spheres, has consistently positioned itself as the exclusive regulator of the country's political and economic life. Consequently, it has instilled a rentier mindset in economic and social actors, reinforcing its control, as the system relies almost entirely on oil revenues generated from hydrocarbon exports. While the public sector's direct dependence on the state for capital and management makes its political exploitation understandable, the integration of the private sector into the regime's neopatrimonial strategy is more complex. To understand this phenomenon, a historical review of the development of Algeria's private sector is essential.

We will argue that instead of being a catalyst for the emancipation of civil society, Algeria's private sector has, through its ties to the political elite, helped consolidate the authoritarian nature of the regime. By supporting the regime's neo-patrimonial strategy, the private sector

has become an accomplice in the maintenance of Algeria's political order, undermining the potential for democratic and social change.

1- From Independence to the Late 1970s: A Private Sector Under Surveillance, Yet in the Benevolent Shadow of the State

After gaining independence in 1962, although Algeria's economic system was officially inspired by socialism, the private sector continued to operate and even thrive, mainly in trade and speculation. As A. Dahmani notes, "economic and financial speculation were the two main characteristics of the Algerian bourgeoisie for many years after independence." Benefiting from a relatively favorable economic situation, between 1962 and 1970 foreign trade was largely controlled by private capital, yielding profits that far surpassed those of the public sector: in 1965, the private sector, contributing 68.2% of the total GDP, generated a net surplus of 88.3%, and 68.8% of total trade, with a net surplus of 73.3% (Dahmani, 1999, p. 13).

Given the post-independence context, the Algerian private sector in no way represented a means for civil society to gain autonomy from political power. On the contrary, its interests were closely aligned with those of the state's political elite. Due to its commercial and speculative nature, the Algerian private sector was not a vehicle for wealth creation within civil society, but rather a concession, a "favor" granted by the political sphere to select private individuals, largely based on their proximity to political actors.

It is also important to note that the Algerian private sector depended on the state not only through its connections with the regime's political personnel but also through access to public markets controlled by the state, as well as through its supply of capital and its monopoly position protected from foreign competition. As G. Hidouci highlights, Algerian private enterprises benefited from "significant privileges, upstream, in the form of initial capital obtained through very low-interest loans; and downstream, through exclusive concessions for manufacturing work, shielded from both internal and external competition" (Hidouci, 1995, p. 45). Along similar lines, D. Djerbal explains that "the private sector, subordinate to the public sector for the supply of raw materials and renewal of equipment, depended on its ability to access a 'scarcity-structured' market. This led to the creation of virtual monopolies in the purchasing of secondhand goods. State intervention, its monopoly companies, and financial institutions in charge of transactions with the global market (cash payments, direct debits, import licenses, and permits) did the rest. In short, the development of the Algerian private sector occurred under the benevolent shadow of the public sector" (Djerbal, 2003).

In other words, private sector wealth accumulation was consolidated under the protective and benevolent shadow of the State.

2- The 1980s Turning Point

The period from 1980 to 1988 marked a pivotal transformation in Algeria's socio-political landscape, drastically altering the country's trajectory. Known for intense political protests and challenges to the existing power structure, this era also saw a major economic shift, overturning earlier economic strategies. This change, commonly referred to as the "infatih" or "Sadatization" (a term derived from Egyptian President Anwar Sadat's policies, echoed in Algeria by Chadli Bendjedid), was marked by new alliances with sections of the bourgeoisie, fundamentally shifting the social foundations of the political regime. "From the late 1970s and particularly throughout the 1980s, we witnessed a transformation in the social base of the state. Those who gained significant influence and connections with the ruling class at this time would leave a lasting impact on modern Algeria" (Chikhi, 1992, p. 84). This shift brought with it a new discourse around the private sector, now tasked with a central role in the national development agenda, along with plans to create a supportive legal framework. "The private sector became integral to the state's economic reforms, recognized as an essential economic and social force. The state included the private sector in two five-year plans, overseeing and guiding it towards areas of economic and social value... This new legal framework quickly restored trust between the state and the national private sector, leading to a notable expansion of small production units" (Derras, 1997).

3- Post-1988 Reforms

The October 1988 riots and subsequent power shifts accelerated the private sector's growing influence in both the economy and politics. With the abandonment of the socialist model, the 1989 Constitution granted employers the right to organize as a collective entity and formalized an institutional economic system. New legal reforms erased distinctions between public and private (both domestic and foreign) sectors (Djabi et al., 2022) and ended the state's monopoly on foreign trade.

Agreements with the IMF in 1994 furthered this liberalization and economic openness, which included the state's gradual withdrawal from direct economic involvement and the launch of privatization policies for state enterprises that continue today. Some authors consider this privatization a form of economic predation (Belalloufi, 2012; Dahmani, 1999; Hachemaoui, 2013; Ouchichi 2011; Tlemçani, 1999). New market monopolies emerged, and vast fortunes were accumulated. In 1997, Rachid Tlemçani observed that "around 7,100 Algerian companies, including 5,500 private firms, controlled non-hydrocarbon foreign trade. These companies, which largely operate only in imports, brought in goods valued at \$9 billion in 1996. Most of these firms belong to former state officials who accumulated valuable connections during their careers" (quoted in Bellaloufi, 2012).

On another front, private sector leaders strengthened their influence not only economically but also politically, as various employer organizations emerged, participating in regular "tripartite" discussions between the government, the UGTA union, and employer associations.

4- Bouteflika Era: Rise of Rent-Seeking and the Birth of a Private Oligarchy

President Abdelaziz Bouteflika's rise to power marked a new era for private capital in Algeria, coinciding with an unprecedented economic boom and a marked improvement in security conditions. Between 2001 and 2019, Algeria allocated nearly USD 1,000 billion to public investments, a significant portion of which benefited the private sector. The reforms and economic recovery plans led to the growth of a private sector dominated by a new class of entrepreneurs: the oligarchs. This sector expanded rapidly, fueled by public contracts and privileges. Some of these entrepreneurs had no prior business experience (e.g., Haddad, Tahkout), while others strengthened their positions through diversification (e.g., Benamor, Metidji, Benhamadi). This era was marked by a shift in the behavior of these entrepreneurs, who openly flaunted their wealth, publicly acknowledged their political connections, created media outlets, and even ventured into politics (Djabi et al., 2022, p. 24).

One of the key mechanisms behind this siphoning off of public funds can be illustrated by an investigative report published just before the February 19, 2019 popular uprising. The French-language daily *El Watan* on July 29-30, 2018, carried a detailed exposé titled *La république des fils de...* ("The Republic of the Sons of..."). The article, written by Mohand Aziri, highlighted the pervasive influence of oligarchs in various sectors. According to Aziri, "They dominate the import sector—\$60 billion per year in service imports alone, \$12 billion per year in communications and events, maritime transport with a fleet partly acquired from the state-owned CNAN, real estate, consulting, design offices, shopping malls, catering, car dealerships, franchises, and security firms. In total, \$7 billion is controlled by retired and active generals, high-ranking government officials, or their children, such as in the 'Vigie Plus' security company, which employs 50,000 agents and is linked to the son of former Prime Minister Abdelmalek Sellal." The article portrays a system in which no lucrative niche or business opportunity is beyond their reach. These oligarchs, addicted to public money, privileges, and rents, have entrenched themselves in every corner of the economy.

The investigations that followed the popular *Hirak* movement revealed the full extent of this pillaging. Among the most notable cases was the investigation into the ETRHP group, owned by Ali Haddad, president of the Forum des chefs d'entreprises. The preliminary findings highlighted the vast sums of money extracted by Haddad's group, underscoring the deep corruption that flourished during this period.

5- Employers in Search of Political Power

In Algeria's social and political history, private capital remained largely on the periphery of the political sphere in the years following independence. The private sector, having been weak and lacking the political weight to serve as a counterpoint to the ruling political class, failed to emerge as a key social and political force. It wasn't until the early 1980s that private capital began to surface, though only tentatively. Initially, its focus was primarily on creating pressure groups within the administration (Peneff, 1982).

The real turning point for private employers came after the reforms that followed the October 1988 riots, granting them the right to organize and giving them more visibility. By 2021, there were 55 employer unions in Algeria, active in various sectors, with construction, public works, and irrigation accounting for 22% of the unions, and health covering nearly 19%. This period saw a rapid increase in the number of employer organizations, with seven new unions created in 2021, matching the highest number seen in 1990 (CNESE, 2021).

With the formation of these organizations and their growing connections within state institutions, private employers began exerting considerable influence through strategic lobbying. Their ambitions expanded beyond economic success, leading them to directly engage in state institutions and media outlets (Djabi et al., 2022). By the 1990s, figures like Reda Hamiani, former president of the Employers' Forum (FCE), began making their way into government, and Djillali Mehri entered parliament in 1997, backed by the Islamist MSP party.

However, it was under President Abdelaziz Bouteflika's rule that private capital's political involvement truly flourished. For the first time in post-independence Algeria, private capital wielded significant power, influencing both political and economic decision-making. The private sector, led by influential oligarchs, leveraged its relationships to challenge the dominant bureaucratic and military powers. The infamous cocaine scandal in 2018, which involved both military and political elites, revealed the degree to which private capital had infiltrated the state apparatus, shaping political decisions and enjoying privileged access to economic resources (Djabi, 2022).

An example of this power struggle can be seen in the dramatic dismissal of Prime Minister Abdelmadjid Tebboune in 2017. Tebboune, known for his strong stance against the "import barons" (entrepreneurs with political connections who monopolized import licenses), was removed after just three months in office. His actions, such as suspending imports to address the growing trade deficit, disrupted entrenched business interests. Tebboune's removal was reportedly orchestrated by Ali Haddad and the powerful FCE. Ultimately, the private oligarchs' influence was momentarily curtailed by the popular Hirak movement, which targeted the corrupt entanglement of business and politics. However, the political landscape shifted again after the 2019 elections, with private employers reintegrated into the regime's political framework.

Conclusion

The relationship between Algeria's public and private sectors and the state power is both unique and complex. Despite their distinct legal identities, both sectors are integrated into the neo-patrimonial strategy of the regime, reinforcing the dominance of political society over civil society. Paradoxically, the private sector has consistently allied with the regime to prevent the emergence of an autonomous civil society. This raises a crucial question: does Algeria have a "public space" in the Western sense of the term? In the Western model, public

space is the arena where private conflicting interests are expressed, with disputes managed by the rule of law. It serves as the platform for civil society's interactions with the state and plays a key role in the material reproduction of society, ensuring the functioning of market dynamics. The sanctity of this public space must be protected from privatization or feudalization, as emphasized in Western state-building theory (Addi, 1990).

In contrast, Algeria's state was built on a fundamentally different logic. Operating within a pure neopatrimonial framework, the state apparatus has been treated as a semi-private entity, serving the political group in power. Economic resources became a source of intense competition and, as a result, one of the first actions taken by the Algerian state after independence was the nationalization of wealth and the formal prohibition of civil society members from engaging in economic activities.

The public sector in Algeria was not merely an expression of the community's wish to avoid the "commodification" of certain sectors but was designed to assimilate civil society into political society. Its role was to guarantee state-controlled income for citizens while restricting any economic initiatives outside of state oversight. Essentially, the public sector aimed to "civilize" society by making citizens dependent on the state for their livelihoods, thereby stifling dissent. This strategy effectively neutralized opposition from countervailing powers, such as economic elites or trade unions, and prevented the formation of an independent civil society.

In the absence of a modern state to protect public space, the public sector became vulnerable to misappropriation. Beyond its diversion for the political regime's interests, the public sector—known in Algeria as the "economic sector"—was regularly subject to exploitation by various social forces, especially those aligned with political elites. Stripped of its original economic function and redirected toward political legitimacy, the public sector was perpetually exposed to multiple forms of predation, contributing to its structural deficit.

Similarly, the private sector in Algeria faced predatory interference, with access to administrative operating permits, import licenses, and other resources often "monetized," fueling widespread corruption. While the private sector may have been less directly impacted than the public sector—thanks to strong protection from regime-linked "private entrepreneurs" and compensation strategies that shifted the burden of these "levies" onto consumers—predatory behavior was still prevalent.

Thus, the traditional division between public and private sectors, when applied to the Algerian economy, becomes problematic. The monopolization of public space by the political regime distorts the boundaries between these sectors, limiting their independent functions. Rather than fostering the autonomy of civil society, the private sector has instead participated in the regime's neo-patrimonial strategy, supporting the consolidation of authoritarian rule. Ultimately, private entrepreneurs have understood that their wealth accumulation is dependent on undermining the democratic and social aspirations of the Algerian people.

Bibliography

1. Addi, L. (1990). *L'impasse du populisme. L'Algérie : collectivité politique et État en construction*. Alger : ENAL.
2. Belalloufi, H. (2012). *La démocratie en Algérie : Réforme ou révolution ? Sur la crise algérienne et les moyens d'en sortir*. Alger : APIC et Lazhari Labter.
3. Chikhi, S. (1992). L'exclu, l'intellectuel et l'État. Premières remarques sur le livre de M'Hammed Boukhobza : "Octobre 88 : Évolution ou rupture". *NAQD*, 2(1), 80-89. <https://doi.org/10.3917/naqd.002.0080>
4. Dahmani, A. (1999). *L'Algérie à l'épreuve : Économie politique des réformes 1988-1997*. Alger : Casbah Éditions, 1999.
5. Derras, O. (1997). Place du secteur privé industriel national dans l'économie algérienne, *Insaniyat*, n° 1, 156-174. <https://doi.org/10.4000/insaniyat.11473>
6. Djabi, N., Larabi, S., & Boudra, A. (2022). *Algérie : Le mouvement syndical dans le secteur privé. État des lieux, acteurs et perspectives*. Étude pour la Fondation Friedrich Ebert Stiftung, Collection « Travail et justice sociale ». <https://library.fes.de/pdf-files/bueros/algerien/19030.pdf>
7. Djerbal, D. (2003). Les intérêts privés ont investi l'exécutif et les assemblées élus. *Algéria-interface*, 8 mai 2003.
8. Hachemaoui, M. (2013). *Clientélisme et patronage dans l'Algérie contemporaine*. Paris : Éditions Karthala.
9. Hadjerès, S. (2010). Réflexions autour de trois décennies de « socialisme spécifique » en Algérie. In F. Arzalier (Éd.), *Expériences socialistes en Afrique : 1960-1990* (pp. 129 à 148). Pantin: Temps des cerises.
10. Harbi, M. (1980). *Le FLN, mirage et réalité. Des origines à la prise du pouvoir (1945-1962)*. Paris : Editions Jeune Afrique.
11. Henni, A. (2018). *Économie de l'Algérie coloniale 1830-1954*. Alger : Chihab.
12. Hidouci, G. (1995). *Algérie : la libération inachevée*. Paris : La Découverte.
13. International Crisis Group, (2018). *Surmonter la paralysie économique de l'Algérie*. Rapport Moyen-Orient et Afrique du Nord, n° 192. <https://www.crisisgroup.org/fr/middle-east-north-africa/north-africa/algeria/192-breaking-algerias-economic-paralysis>
14. Lacheraf, M. (1965). *L'Algérie : Nation et Société*. Paris : François Maspéro.
15. Liabes, D. (1984). *Capital privé et patrons d'industrie en Algérie (1962-1982) : propositions pour l'analyse de couches sociales en formation*. Alger : CREA.
16. Ouchichi, M. (2009). *État et marché : rapports et dynamiques dans les pays maghrébin, cas de l'Algérie*. In Colloque International « Crise financière internationale et ses répercussions sur l'économie algérienne », Université de Bejaïa, 11-12 octobre 2009.
17. Ouchichi, M. (2011). *L'obstacle politique aux réforme économiques en Algérie*. Thèse de doctorat ès Sciences Politiques, Université de Lyon 2. <https://www.theses.fr/2011LYO20067>

18. Peneff, J. (1982). Carrières et trajectoires sociales des patrons algériens. *Actes de la recherche en sciences sociales*, 41(1), 61-72. <https://doi.org/10.3406/arss.1982.2143>
19. Tlemçani, R. (1999). *État, bazar et globalisation : L'aventure de l'infitah en Algérie*. Alger : Hikma.