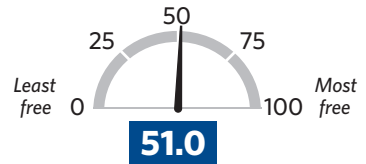


# ALGERIA

## Economic Freedom Score



World Rank: **140** Regional Rank: **15**

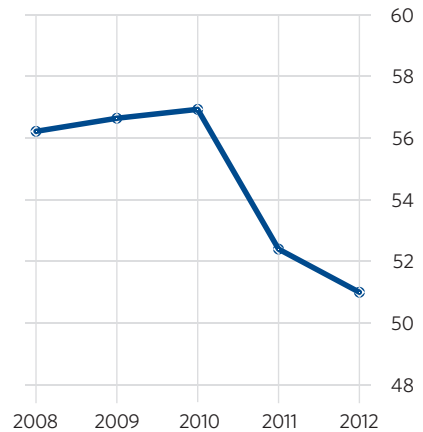
**A**lgeria's economic freedom score is 51, making its economy the 140th freest in the 2012 *Index*. Its overall score is 1.4 points lower than last year due to worsened government spending and business freedom scores. Algeria is ranked 15th among the 17 countries in the Middle East and North Africa region, and its score remains lower than both the regional and world averages.

The foundations of economic freedom are neither well established nor strongly protected in Algeria. The judiciary is vulnerable to political interference and corruption, and the protection of property rights remains weak, undermining sustainable economic development. Despite some progress, the government still faces challenges in improving fiscal governance and modernizing budget management.

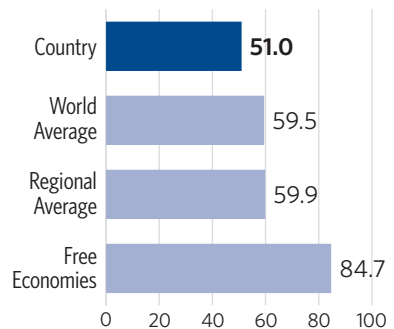
Structural reforms to diversify the economic base have achieved only marginal success. Overall regulatory efficiency continues to be undermined by years of ineffective reform. Due to ongoing political uncertainty and a negative attitude toward foreign investment, policies to promote or sustain open markets have been neglected or even reversed. In light of social unrest in early 2011, several emergency fiscal measures, including temporary suspension of some taxes, were introduced.

**BACKGROUND:** A peace accord in 1999 ended years of violent conflict between Islamist militants and the government. President Abdelaziz Bouteflika, who came to power that year with military backing, was elected to a third term in 2009 in an election criticized for irregularities and boycotted by some parties. Despite recent promises of political reform, many problems persist. Economic development has been hampered by the socialist policies adopted after Algeria gained its independence from France in 1962. Algeria is the world's fourth-largest exporter of natural gas and has the world's eighth-largest natural gas reserves and 16th-largest oil reserves. In 2010, the government began a five-year, \$286 billion program to modernize infrastructure and generate jobs. Its push to attract foreign and domestic private investment in non-energy sectors has done little to reduce high unemployment.

## Freedom Trend



## Country Comparisons



## Quick Facts

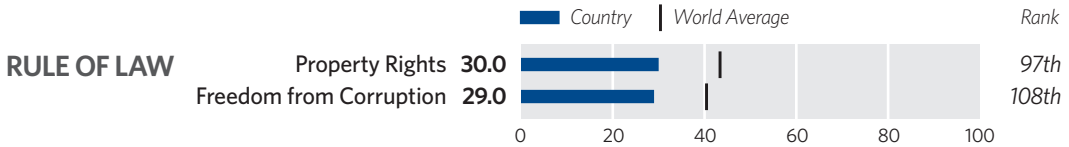
- Population:** 36.1 million
- GDP (PPP):** \$251.1 billion
- 3.3% growth in 2010
- 5-year compound annual growth 2.6%
- \$6,950 per capita
- Unemployment:** 9.9%
- Inflation (CPI):** 4.3%
- FDI Inflow:** \$2.3 billion
- Public Debt:** 10.4% of GDP

2010 data unless otherwise noted.  
Data compiled as of September 2011.

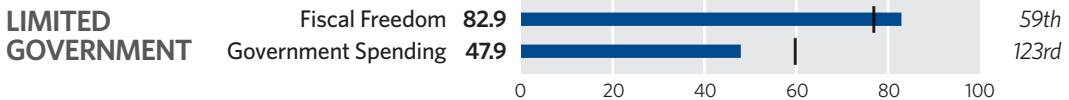
### How Do We Measure Economic Freedom?

See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

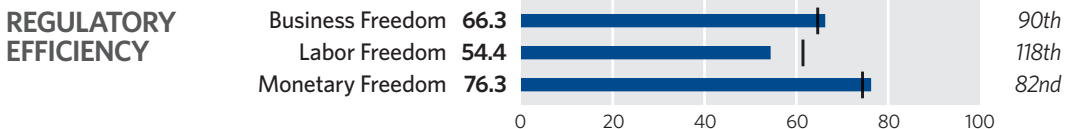
**THE TEN ECONOMIC FREEDOMS**



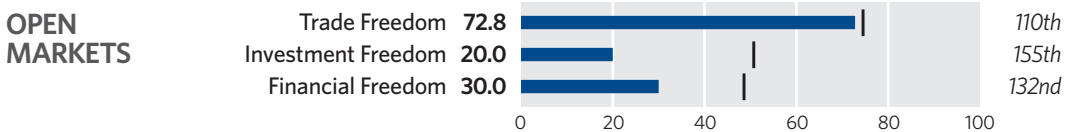
The constitution provides for an independent judiciary, but the legal system is inefficient, and the executive branch influences judicial actions. Implementation of legislation protecting copyright and related rights, trademarks, patents, and integrated circuits is inconsistent, and enforcement remains spotty. Despite some progress, the government’s effort to root out corruption in the customs services remains ongoing.



The top income tax rate is 35 percent. The top corporate tax rate is 25 percent for the service sector, though production and tourism are subject to a 19 percent rate. Other major taxes include a value-added tax (VAT), with the overall tax burden amounting to 11.1 percent of total domestic income. Public debt hovers around 10 percent of the economy, but government spending has swelled to 41.7 percent of GDP, with the budget balance turning to deficit.



Recent reforms include new regulations that streamline the process for licenses required in conducting business. However, an inefficient entrepreneurial environment and rigid labor market impede broader economic development and job creation. With over 70 percent of the unemployed younger than 30, youth unemployment remains persistently high. The government uses price ceilings, tariffs, and redistribution schemes to control prices.



The trade weighted tariff rate is 8.6 percent, with overall trade activity hampered by numerous non-tariff barriers. Algeria places many restrictions on foreign investment. A recently implemented investment law stipulates that a majority share of new foreign investments must be domestically owned. The level of financial intermediation through banks remains low, and about 16 percent of loans are categorized as non-performing.

**Score Changes**

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-0.6	Business Freedom	-3.1	Trade Freedom	0
Freedom from Corruption	+1.0	Government Spending	-14.5	Labor Freedom	+1.5	Investment Freedom	0
				Monetary Freedom	+0.9	Financial Freedom	0