

***The Algerian Economy Revisited: Reviewing Salient Trends***

**Ahmed Aghrout\*\* and Hakim Meliani\***

**\* University of Sétif, Algeria**

**\*\*European Studies Research Institute, University of Salford, UK**

<p><b>Abstract.</b> It is now an established fact that the Algerian economy has not performed as it should be. Significant investment efforts have been made thanks to the oil revenues. Yet the economy has not produced the increases in output that might be expected. This unsatisfactory economic performance is mainly due to the predominance of inefficient state-owned enterprises, a climate of regulations that are unhelpful to business and the market economy, and a lack of vital enthusiasm needed to reform the financial sector.</p>	<p><b>ملخص.</b> صار حليا الآن أن الاقتصاد الجزائري لم يأت بما كان منتظرا منه، فرغم كون عائدات النفط ساهمت في توليد جهود استثمارية كبيرة، إلا أن الاقتصاد لم يسفر عن الزيادات الإنتاجية الحقيقية المتوقعة. يرجع هذا الأداء الاقتصادي غير المرضي أساسا إلى عدم كفاءة الشركات المملوكة للدولة، وعدم ملاءمة مناخ الأنظمة لقطاع الأعمال واقتصاد السوق، وعدم وجود الحماس من الحيوية اللازمة لإصلاح القطاع المالي.</p>
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**Introduction**

The paper starts with a fairly long-term perspective that re-assesses Algeria's attempts over the years to reform its economy, highlighting the nature and progress. This is followed by an investigation of the broad challenges ahead that include, amongst other things, speeding up the process of privatising under-performing publicly-owned companies, introducing appropriate reforms needed in the financial sector, adjusting to a more open economy, and managing the oil sector. Careful planning will be necessary in order to avoid the hardships and social disturbances that economic reform habitually brings in its wake.

## **Phases of Reform**

What marked Algeria's development until the final years of the 1970s was the extensive intervention of the state in the economic sector. The state-led economic policy, supported by a large-scale of public investment and financed by means of revenues from oil exports and foreign borrowing, sought to promote an ambitious programme of economic and social development. The end result was the emergence of a large public sector represented for the most part by heavy industries and big farming units. In parallel with this, high levels of public spending had also targeted human development through the provision of a wide range of social services.

By the early 1980s, many of the economic activities in the public sector started to encounter mounting difficulties. Their deficiencies became manifest, and the size of investment required to support economic growth could not be sustained as in the past. Faced with a looming crisis, the decision makers, after spelling out the inadequacy of their predecessors' development policy, introduced some economic reforms that were fundamentally concerned with the restructuring of publicly owned enterprises and state agricultural sector. As a matter of fact, the change of leadership after the death of President Houari Boumediene in 1979 ushered in a quite different vision of how the country's economic affairs were to be conducted. The new political elite, in its evaluation of the previous strategy of economic and social development, contended that 'the conduct of our development was accompanied by grave distortions and profound imbalances both on the economic and social planes and even certain deviations which may compromise dangerously the construction and consolidation of our development'.<sup>1</sup> The process entailed reducing these companies' size to functional enterprises with a view to transforming them into manageable small entities and making easy their supervision.<sup>24</sup> The state farming sector, consisting of the self-managed farms and the agrarian reform production cooperatives, was also reorganized into large public units, the *Domaines*

*Agricoles Socialistes*. But by reason of their limited magnitude, these reforms did not have any noteworthy effect on the performance and direction of the country's economy in general.

The collapse in oil prices in the mid-1980s laid bare the vulnerability of the Algerian economy. As the socioeconomic situation started deteriorating – the yearly average GDP growth rate of less than 1 percent during the period 1986-1998 was a case in point – waves of social discontent started to come out in the open in various parts of the country. The culminating point was the uprising of October 1988, the most violent social disturbance since independence, and an event that revealed the dwindling ability to satisfy the needs of the society in a context marked by the dismal performance of the economy, predominantly under state management and control. It would seem that this had impelled Algeria to commit itself to a programme of political reform and economic liberalisation. A first phase of what was labelled 'self-imposed' reforms occurred during the government of Mouloud Hamrouche in the late 1980s. The series of legislative measures enacted were concerned with, among other things, the ending of state monopoly over external trade, liberalisation of prices, granting autonomy to public enterprises and subjecting them to market place discipline, establishing the independence of the central bank, and opening the financial sector to private investment. This phase could have enabled Algeria to be 'the first emerging country to implement a policy of structural adjustment without the assistance of the IMF'.<sup>3</sup> Much to the chagrin of Hamrouche's government, the course that political events were to take after the then short-lived experience of multipartism and the cancellation of elections in the early years of 1990s brought to a halt this first liberalisation attempt and weakened its prospects.

Not later than 1993, Algeria's economy was in the grip of a severe financial crisis that left the authorities with no other alternative than the inevitable rescheduling of the external debt and the undertaking of comprehensive economic reforms. With the debt service reaching more than \$9 billion –

representing about three-fourths of the value of exported goods and services – Algeria found it difficult to honour its debt commitments. This was to pave the way for the second phase of reforms, this time under the patronage of the International Monetary Fund (IMF). A standby agreement was concluded with this institution in April 1994. Other arrangements with the Paris and London Clubs enabled Algeria to reschedule significant part of its foreign debt. Under its Extended Fund Facility, the IMF agreed to a \$1.8 billion structural reform credit for a three-year period, 1995-1998.<sup>4</sup> The package of reforms, composed of a combination of macroeconomic stabilisation and medium-term structural adjustment measures introduced from 1994, sought to attain the following goals:

- Restoring sustainable economic growth and reducing unemployment;
- Bringing inflation down to reasonable levels;
- Improving the balance of payments situation;
- Attenuating the impact of the reforms on the most vulnerable sections of the society.

A number of policy measures, some of which already had been formulated during the time of Hamrouche premiership, were adopted with a view to achieving the reform programme targets. Their principal aspects consisted of the following:

- The realignment of relative prices, including the exchange rate, through rapid and progressive liberalisation;
- A tight monetary policy to reduce inflationary pressures and encourage domestic savings through the promotion of positive real interest rates, while ensuring sufficient credit to the productive sector;
- A strong fiscal adjustment aimed at ensuring a tight demand management by reforming the tax system and tightly controlling government expenditure, including the control of personnel expenditure, the elimination of subsidies, and the reduction of public investment;

- The liberalisation of the trade and payments systems;
- The liberalisation of the exchange regime;
- The restructuring of public enterprises and banks, including the implementation of a privatisation programme;
- Ensuring a more manageable debt profile through rescheduling and prudent debt management;
- The strengthening of the social safety net and the establishment of an unemployment insurance scheme.<sup>5</sup>

The international agencies, particularly the World Bank and the IMF, have on a number of instances complimented the Algerian authorities for their commitment to economic reforms and the progress they have made in this respect. Assessing the outcome of the four-year phase of stabilization and structural adjustment (1994-1998), the IMF considered that ‘despite the fact that the reform programme was launched [. . .] in a difficult social and political environment, it has been remarkably successful in restoring financial stability and establishing the building blocks for a market economy’.<sup>6</sup> Although these accomplishments have to be appreciated, one must also admit that the immediate post-adjustment era has not been followed by a strong and sustained economic recovery, which would have enabled the country to address the unemployment problem and the worsening living standards of large sections of the population. It is within this context of poor growth performance and growing social demands that the government, helped by the availability of financial resources, launched two successive economic recovery support plans (PSRE and PCSRE) for the periods 2001-2004 and 2005-2009.<sup>7</sup>

The \$7 billion allocated to the PSRE was aimed at favouring spending in areas such as the modernisation of infrastructure and services, the restructuring of public enterprises, the development of human capital, and the raising of living conditions. Without doubt, this plan has induced some improvement in terms of growth and job creation, but its long-term effect in this regard is not quite

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clear.<sup>8</sup> And the government was quick to point out that, taken as a whole, the PSRE's goal was 'to attenuate the negative effects of a deep crisis and create the conditions propitious for a genuine long-lasting development strategy'.<sup>9</sup> In other words, the authorities, mindful of the mixed results, drew up a more ambitious, successive five-year plan to consolidate and even enhance those results. In 2005, the PCSRE was earmarked the initial sum of \$60 billion, the greater part of which was intended to improve living conditions and develop infrastructure.<sup>10</sup> All things considered, it is what this public investment programme will deliver – that is, attaining its objectives – that matters most, something that will hinge on not only how rigorously the programme is carried out but also how efficient the structures involved in its implementation are.

### **The Critical Issues: What Lies Ahead?**

It is clear that the reform programme Algeria has embarked upon has enabled the country to make some progress toward a market economy. But the transitional phase is also bringing to light other important issues in the reform agenda that need to be seriously addressed. Delays and slow pace have marked the conduct and implementation of structural reforms. This is mainly true regarding the privatisation process and the reform of the financial sector. To put it briefly, policy reform in Algeria is faced with the challenge of integrating the country into the world economy as a strong and competitive partner, and that of dealing with current domestic economic and social difficulties.

### ***Stepping up structural reforms***

The privatisation of publicly owned enterprises was launched more than a decade ago as a major component of the broad structural reform arrangement with the IMF.<sup>11</sup> It started with a liquidation-privatisation operation that saw the bulk of local public enterprises and other state-owned big import and distribution agencies dissolved and the transfer of assets of some of these to

employees. This was followed by a limited number of more or less important transactions, such as the opening up of the capital of three public sector enterprises (Eriad in the agro-food, Saidal in the pharmaceuticals, and the El-Aurassi Hotel) on the Algiers Stock Exchange and the establishment of joint ventures with foreign companies in the area of steel industry, chemicals, and telecommunications. Apart from this, it seems that the privatisation process has lacked the necessary momentum behind it, not least because it has been subject to fluctuating policy priorities. Even after the revamping of the legal and institutional framework in 2001, there has been no significant headway in terms of actual implementation, partly because of resistance from some stakeholders – for instance, the bureaucracy managing the public enterprises and the trade unions – who consider their interests may be threatened in this process. As some observers have pertinently put it, ‘For most developing countries, the plans for privatisation greatly outweighed their implementation’.<sup>12</sup> Such observation is valid in the case of Algeria, where the privatisation policy has, until very recently, not moved beyond the stage of stated intentions and lists of public enterprises to be privatised being periodically announced.

At some point, nevertheless the government seemed determined to privatise virtually all existing public enterprises.<sup>13</sup> In an assessment of the situation, the minister in charge, Abdelhamid Temmar, expressed his overall satisfaction with the way the privatisation programme was handled. As maintained by him, 400 public enterprises had already been privatised and some 300 more enterprises were in the process of being privatised. However, for this process to advance, it has to be consistent with a programme that is clearly defined and properly adhered to. Furthermore, the authorities were advised by the IMF that ‘subjecting privatisation to the maintenance of employment and activity hinders a successful privatisation programme’.<sup>14</sup> In other words, the authorities’ insistence on preserving the original activity of and existing levels

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of jobs in the enterprises after privatisation are considered as serious hurdles, and the Bretton Woods institution has suggested their replacement with safety nets to accompany the programme in question. Another obstacle to privatisation, raised this time by one of the private sector organisations in Algeria, *Le Forum des Chefs d'Entreprises* (FCE), is the insufficiency of financing from the banking system.<sup>15</sup> The FCE considers that the banks continue to play a marginal role in the privatisation process, and more generally in the provision of credit despite the excess of liquidity, estimated at \$ 10 billion in 2005 – an amount that must be much bigger by now.<sup>16</sup> For years the banks have been lending mainly to the public sector; a trend that was radically inverted in 2006. Available figures from the Bank of Algeria show that the private sector received more credit from publicly-owned banks than the public sector did during this year. Over 90 percent of the total credit distributed originated from public banks; about 51 percent went to the private sector and the rest to the public sector.<sup>17</sup>

Until recently, the banking sector was entirely under state control.<sup>18</sup> The role of public banks has chiefly consisted of financing public sector enterprises, something that, over the years, has adversely affected their performance. In their provision of directed credit, these banks have, according to some sources, accumulated sizable losses, averaging over 4 percent of GDP per year during the period 1991-2002.<sup>19</sup> Thus a first step toward financial reform has been concerned with addressing the massive nonperforming loans to the country's many loss-making public enterprises. The banks saw a large influx of liquidity as the government implemented recapitalisation and debt takeover measures at high cost to the treasury, having reached some \$25 billion in the last fifteen-year period.<sup>20</sup>



Measures have also been taken to boost competition and improve the financial sector's performance, especially by permitting the establishment of new private banks and the gradual entry of foreign banks into the domestic market<sup>21</sup>. Since the end of the 1990s, several local and foreign private banks have started their operation. In a similar vein, the opening of the capital of existing state-owned banks to private participation has been encouraged, but no tangible progress has been made so far. It is not surprising, then, to see that the public banks still account for almost 92 percent of the Algerian financial system assets.<sup>22</sup>

The scandal associated with the collapse of Khalifa Bank and *Banque Commerciale et Industrielle d'Algérie* in 2003 has very much damaged public confidence in the private sector banks.<sup>23</sup> Fraud and money laundering were ostensibly the main reasons behind the authorities' decision to withdraw these banks' licences to operate and put them into administrative receivership in May and August 2003 respectively. This drew attention to the need for cautious and strict bank licensing and rigorous monitoring of their activities. To remedy these regulatory and supervision gaps, a new legislative bill on money and credit was adopted in 2003, and with the technical assistance of the IMF, the Bank of Algeria is now developing its supervisory capabilities.<sup>24</sup> However, one must admit that bringing the banking sector up to international standards is a long-term goal. The modernisation process to improve the system's overall operational capacity continues to face bureaucratic hindrance, yet the introduction of major changes to the sector is now one of the authorities' main priorities. The president himself was reported to have said, 'I expect the banks managers to speed up banking reforms in order to provide our economy with a framework that is favourable to growth and investment [ . . . ] For this reason,

the delay in the banking reforms is not tolerated any more'.<sup>25</sup> Reforms to allow for a greater role for the private sector in the banking system, especially through the quick selling of one healthy public bank to a reputable foreign one, had also been recommended by the IMF analysts who considered that this 'would be important for its demonstration effect, including by transferring know-how to the sector, and would help contain the cost of restructuring other public banks'.<sup>26</sup> The modernisation of the payments system and the privatisation of one state owned bank are at the moment in progress. In a nutshell, developing a modern and competitive banking system hinges on how effective the reforms affect its role and capacity in financing investment and growth.

***Managing the opening up to the global economy***

For numerous developing countries, the 1980s was marked by the undertaking of significant trade liberalisation with a view to furthering their integration into the world economy. Having already made substantial inroads into reforming its external trade regime, Algeria is now in the process of pressing ahead with its commitment to regional and multilateral liberalisation<sup>27</sup>. Like other southern Mediterranean countries, it concluded an association agreement in 2002 with the EU aimed at, among other things, the gradual phasing in of a free-trade area over a twelve-year period, starting in 2005.<sup>28</sup> In addition to this, Algeria's negotiations to join the World Trade Organisation are currently at an advanced stage, and its membership could likely be finalised in 2009. However, it is worth noting that the initiative to establish a United States (US)-North African Economic Partnership, engineered in 1998 by the then US secretary of state for economic affairs, Stuart Eizenstat, proved an abortive undertaking, especially in its attempt to bolster regional integration between the three countries (Algeria, Morocco, and Tunisia), mostly for reasons related to the unresolved

western Sahara conflict. Instead, more progress has been achieved in the area of trade and investment between the US and the individual countries of this region in recent years.

It should be noted that the potential impact of this opening up on the Algerian economy has still not been properly probed. A range of studies conducted on individual and/or groups of developing countries have come up with different conclusions regarding the potential benefits and costs associated with trade liberalisation. In the case of Algeria, there is no doubt that this will, at least in the short and medium term, prove disruptive to its economy, especially in sectors such as industry and agriculture, and may well prompt a displacement of labour force. As the ongoing course of liberalisation seems irreversible, assuaging its adverse effects requires considerable adjustment efforts. The evidence is not convincing that freer trade would, in all circumstances, result in efficiency and growth. For a country like Algeria, the almost exclusive reliance on the export of primary commodities (hydrocarbons), the existence of an industry not performing well and lacking competitiveness and a services sector still in very early development cannot guarantee a smooth and less damaging transition. Thus there is a strong rationale for the restructuring of a wide range of economic sectors with the aim of improving productivity and enhancing greater international competitiveness. In this regard, it is too early to judge whether the recent elaboration of a new strategy to boost the development of the country's troubled industrial sector can be seen as a step towards this aim.<sup>29</sup>

***Diversifying away from single commodity (hydrocarbons)***

The hydrocarbons sector is indeed the mainstay of the Algerian economy. By way of illustration, it accounted for nearly 98 percent of all export earnings, around 71 percent of government revenues and 38 percent of GDP in 2004.<sup>30</sup> The preponderance of this sector in the country's economy means that prospects for growth remain dependent on fluctuating oil prices in the international market. Even though the IMF predictions show a more or less

steady level of hydrocarbons revenue – an average of around \$39 billion over the period 2005-2009 – it is not immediately obvious that the world energy market conditions would remain favourable to secure such levels of export earnings.<sup>31</sup> This vulnerability was candidly echoed by an official who stated, ‘Our economy is based too much on hydrocarbons. We must diversify our economy. If not, Algeria will become lost in the global marketplace’.<sup>32</sup>

In principle, Algeria would be expected to benefit from trade openness on condition that it shifts its export base away from the high level of dependence on hydrocarbons. It is now a fact that its neighbours (Morocco and Tunisia) are moving away from being categorized as primary commodity economies. Both countries have made fairly significant strides in their effort to diversify their export structure, with the shares of manufactured goods and services rapidly growing. Altering the prevailing external trade orientation and ‘rent-seeking’ entails accelerating the structural reforms and improving the business environment. In particular, Algeria needs to maintain a level of exchange rate that is competitive enough to enable domestic production to compete with imports and allow non-oil exporters to compete on world markets. With the rising of its international reserve levels – favoured by world energy prices in recent years and estimated to have reached more than \$133 billion as of June 2008 – Algeria could use part of these resources to create the conditions that would foster both the development and competitiveness of its manufacturing and services sectors. Only an efficient economy with a diversified export base can cushion the possible adverse effects of exposure to the global economy and ensure a successful participation in the world markets.

#### ***Dealing with social hardship***

It is clear that the transitional phase of reform Algeria (see Table 1. for recent economic indicators) is going through has and will continue to have wider social implications. The restructuring and privatisation-liquidation of state-owned enterprises has meant cutting employment, which is part of a process aimed at reducing or even eliminating labour hoarding. The decline in the rate

of labour absorption within the public sector and the increasing numbers of first-time job seekers entering the labour market exacerbated unemployment, which, according to official sources, stood at approximately 30 percent in 1999.<sup>33</sup> Such a high level of unemployment has, to a great extent, been responsible for the deterioration in living conditions, with poverty having become in recent years a salient feature in society, predominantly in rural areas.<sup>34</sup> The rural population represented 41 percent of the whole population (32.4 million) in 2004.<sup>35</sup> It should be noted that the abolition of subsidies, the devaluation of the local currency, and the state's deficit in the provision of public services are among the factors that have also taken their toll on the purchasing power of large sections of the population. An accurate picture about the extent of poverty cannot be provided due to the variety of indicators used to measure it. Using the poverty line of two dollars per capita a day, UN sources have estimated the Algerian population living below this line to be an average of 15.1 percent over the period 1990-2004.<sup>36</sup> But according to a more recent Algerian source (*Centre National d'Etudes et d'Analyses pour la Population et le Développement*), the level of poverty (population living on one dollar a day) was 12.1 percent in 2000 and dropped to 5.7 percent in 2005.<sup>37</sup> Similarly, the unemployment rate fell to 12.3 percent in 2006 compared to 15.3 percent the previous year and 17.7 percent in 2004. In addition to the doubt expressed over these figures, it is worth mentioning that youth unemployment remains a serious problem, representing more than 70 percent of the unemployed. In spite of that the authorities insist on the improvement in social conditions which they consider being largely due to the positive impact of the PSRE, that is the generation of more jobs, increased social transfers, and boosted incomes.

*Table 1: Recent Socio-Economic Indicators, 2002-2006*

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	2002	2003	2004	2005	2006
GDP (billion dollars)	57.1	68.0	85.0	102.3	116.5
GDP growth rate (%)	5.0	7.0	5.0	5.0	2.0
GDP per head (dollars)	1,750	1,950	2,290	2,720	3,110
Imports (billion dollars)	12.0	13.4	18.0	19.9	20.7
Exports (billion dollars)	18.7	24.5	32.2	46.3	54.8
<i>of which</i>					
Hydrocarbons	18.1	24.0	31.6	45.6	53.6
Foreign Debt (billion dollars)	22.9	23.5	22.2	16.8	5.6
Population (million)	31.4	31.9	32.4	32.9	33.4
Total Labour Force (million)	9.3	9.5	9.8	10.0	10.3
Recorded Unemployment (%)	25.7	23.7	17.7	15.3	12.3

Sources: IMF, *Algeria Statistical Appendix*, 11 January 2008; available at: <http://www.imf.org/external/pubs/ft/scr/2008/cr08102.pdf>; World Bank, *Data and Statistics*, available at: <http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135>, both sources accessed on 28 October 2008.

The persistence of social tensions is nonetheless indicative of the limited impact the government programme has had on easing many of the pressures experienced by large sections of the society. It is the case that in the last couple of years growth has taken place, but it remains to be seen whether it can be boosted to ensure sustained levels of job creation, at least to bring the unemployment rate down to a more acceptable level. The current economic recovery plan has devoted almost 50 percent of its resources to address social problems (health, education, water, housing, and so forth), twelve times more than what was allocated during the first plan, the PSRE.<sup>38</sup> This, of course, is part of what is known as the ‘human side’ of the adjustment programmes,

which entail measures to maintain and improve the delivery of public services, particularly for the benefit of the poor. Investing in the social sector is, indeed, a requirement for development. In the final analysis, it is the extent of economic recovery and its sustainability that are of prime importance to any improvement in social conditions. Thus economic growth is the key vehicle for faster human development, which in turn helps maintain social peace and strengthen social cohesion. Recent data from the UN Development Programme show that Algeria has been experiencing some improvement in its human development, though at a moderate pace. Its human development index--an indicator measuring average achievement in three basic dimensions of human development, that is, long and healthy life, knowledge, and a decent standard of living--passed from 0.650 in 1990 to 0.728 in 2004.<sup>39</sup> Obviously, the decade-long instability and violence that plagued the country did nothing to advance the pace of social progress.

### ***Conclusion***

Algeria has made some progress over the past decade, and is currently witnessing an encouraging economic performance. Above all, Algeria must persevere with the political process that has seen the beginnings of a return to peace and stability. Without a secure environment, economic progress is impossible.

The key reforms now on the agenda are the privatisation of the still-substantial number of state-owned enterprises and the restructuring of the financial sector to include the introduction of international banks. Looking ahead, Algeria must prepare for the impact of a more open economy and the restructuring of production that this will involve. The privatisation process needs to be carefully designed to maximise the revenues to the government (which, hopefully, will use these revenues in a socially productive manner) and to avoid the excessive private sector wind-fall gains of the kinds resulting from the sell-off of state assets in Russia. It must also plan for less reliance on oil,

which is notoriously unstable as a source of revenue and unsustainable as deposits are eventually exhausted. The current high oil prices are generating a substantial windfall gain; a gain that can best be used to reinforce the impetus for reform by investing in socially desirable projects that can be constructed by labour-intensive methods (such as housing) and by providing a cushion against the social hardships arising from economic reforms.

It is now clear that economic growth reduces poverty while improving incomes at all levels in society. In the long term, Algeria must look to a liberalised market economy – stimulated by competition from international trade and boosted by foreign investment – to generate improved living standards for its citizens.

## NOTES

<sup>1</sup>Mahfoud Bennoune, *The Making of Contemporary Algeria, 1830-1987: Colonial Upheavals and Post-Independence Development* (Cambridge: Cambridge University Press, 1988), p. 263.

<sup>2</sup>*Ibid.*

<sup>3</sup>Omar Akala, 'L'économie algérienne, de l'ère des réformes (1989-1991) à celle de l'ajustement structurel (1994-1998)', in Ahmed Mahiou and Jean-Robert Henry (eds), *Où va l'Algérie* (Paris: Éditions Karthala, 2001), p. 166.

<sup>4</sup>IMF, 'IMF Approves Credit under Extended Fund Facility for Algeria', *Press Release*, 95/31, 22 May 1995.

<sup>5</sup>Abdelouahab Keramane, 'Algeria: Present Economic Situation and Prospects', *Euro-Mediterranean Partnership*, no. 2, 1997, p. 27. For more details on the policies adopted, see Karim A. Nashashibi, Patricia Alonso-Gamo, Stefania Bazzoni, Alain Feler, Nicole Laframboise and Sebastian Paris Horvitz, 'Algeria: Stabilisation and Transition to the Market', *IMF Occasional Paper*, no. 165, 6 August 1998), pp. 1-69; Brahim Guendouzi and Khelifa Kadri, 'Les retombées de l'ajustement structurel sur le développement local en Algérie', *Les Cahiers du Cread*, nos. 46-47, 1998, pp. 135-152.

<sup>6</sup>Martha Bonilla, 'Algeria's Reform Programme Promotes Economic Growth and Transition to the Market', *IMF Survey*, vol. 27, no. 17, 31 August 1998), p. 277.

<sup>7</sup>The abbreviations stand for Programme de Soutien à la Relance Economique (PSRE) and Programme Complémentaire de Soutien à la Relance Economique (PCSRE).

<sup>8</sup>According to the government, the PSRE generated 728,666 new jobs between September 2001 and December 2003. Cited in 'Plans de Relance Economique (PSRE et PCSRE) – Dans l'attente de résultats concrets', *El-Watan*, 11 April 2005, p. 2.

<sup>9</sup>*Ibid.*



<sup>10</sup> About 45.4 percent will go to raising living standards, 40.5 percent for the development of infrastructure, and the remaining is to be spent on support for economic restructuring, modernization in the public sector, and developing the use of information and communication technology. With the inclusion of two new programmes intended for the country's Southern and *Haut Plateau* regions, the financial package was increased to \$144 billions. See Algerian Embassy in France web site, [http://www.amb-algerie.fr/Economique/eco\\_p1.htm](http://www.amb-algerie.fr/Economique/eco_p1.htm) (February 8, 2007).

<sup>11</sup> For a detailed account on the privatisation process, see Ahmed Aghrout, Mohamed Bouhezza, and Khaled Sadaoui, 'Restructuring and Privatisation in Algeria', in Ahmed Aghrout (ed), *Algeria in Transition: Reforms and Development Prospects* (London: RoutledgeCurzon, 2004), pp. 120-135.

<sup>12</sup> Paul Cook and Colin Kirkpatrick, 'Privatisation policy and performance', in Paul Cook and Colin Kirkpatrick (eds), *Privatisation Policy and Performance – International Perspectives* (Hertfordshire: Prentice Hall/Harvester Wheatsheaf, 1995), p. 5.

<sup>13</sup> Considered 'strategic' public enterprises, Sonatrach (hydrocarbons), Sonelgaz (gas and electricity), and SNTF (railway transport) are not concerned.

<sup>14</sup> IMF, 'Algeria: Staff Report for the 2005 Article IV Consultation', *Country Report*, no. 06/93, March 2006, p. 19.

<sup>15</sup> Oxford Business Group, 'Focus on Privatisation – Algeria', Oxford Business Group Web site, <http://www.oxfordbusinessgroup.com/weekly01.asp?id=1260> (March 24, 2005).

<sup>16</sup> This figure was reported to have been mentioned by President Abdelaziz Bouteflika in his speech delivered on 7 April 2005; see 'Bouteflika accable les banques', *El-Watan*, 9 April 2005, p. 1 and 4.

<sup>17</sup> Bank of Algeria, *Rapport 2006: Evolution Economique et Sociale en Algérie* (Algiers: Bank of Algeria, 2007), p. 88.

<sup>18</sup> It was the Law no. 90-10 of 14 April 1990, on Money and Credit that, for the first time, allowed for the establishment of private banks.

<sup>19</sup> IMF, 'Financial System Stability Assessment', *Country Report*, no. 04/138, May 2004.

<sup>20</sup> See interview given by Abderrahmane Hadj Nacer, former governor of the Bank of Algeria, to *El-Watan*, 28 October 2006.

<sup>21</sup> Hakim Meliani, 'economic reforms and foreign direct investment in Algeria', in Ahmed Aghrout (ed), *Algeria in Transition: Reforms and Development Prospects* (London: RoutledgeCurzon, 2004), pp. 87-102.

<sup>22</sup> Speech by Mohammed Laksaci, governor of the Bank of Algeria, delivered to the Assemblée Populaire Nationale in November 2005, Bank of Algeria Web site, <http://www.bank-of-algeria.dz/communicat.htm> (February 10, 2007).

<sup>23</sup> The collapse of Khalifa Bank is believed to have caused the Algerian government a loss of \$1.5 billion. Algeria Interface, [http://www.algeria-interface.com/new/article.php?article\\_id=738](http://www.algeria-interface.com/new/article.php?article_id=738) (3 April 2005).

<sup>24</sup> Ordinance no. 03-11, 26 August 2003.

<sup>25</sup> Algerian Presidency Web site, <http://www.el-mouradia.dz/francais/president/activites/PresidentActi.htm> (9 April 2005).

<sup>26</sup> Jules J. De Vrijer, 'New Roles for Banks in Algeria', International Monetary Fund Web site, <http://www.imf.org/external/np/speeches/2005/020305.htm> (22 February 2005).

<sup>27</sup> Hakim Meliani, 'The tortuous and uncompleted privatisation process in Algeria', in Margaret A. Majumdar and Mohammed Saad (ed), *Transition and development in Algeria: Economic, social and cultural challenges* (intellect Books, Bristol 2005), pp 17-29

<sup>28</sup> Ahmed Aghrout, *From Preferential Status to Partnership: The Euro-Maghreb Relationship* (Aldershot: Ashgate Publishing, 2000).

<sup>29</sup> For further details see, 'Stratégies et politiques de relance et de développement industriels', *El-Moudjahid*, 20 December 2006, p. 3.

<sup>30</sup> Figures cited in IMF, 'Algeria: Staff Report for the 2005 Article IV Consultation', p. 12.

<sup>31</sup> IMF, 'Financial System Stability Assessment', p. 27.

<sup>32</sup> Speech delivered by Abdelhamid Temmar, ministre des participations et de la promotion des investissements, in a meeting with finance and trade leaders in Washington on 5 December 2004, [http://www.bilaterals.org/article.php3?id\\_article=1016](http://www.bilaterals.org/article.php3?id_article=1016) (25 March 2005).

<sup>33</sup> See statement made by Djamel Ould-Abbes, minister in charge of national solidarity and employment, during the first meeting of the National Observatory for Employment and Fight against Poverty on 28 February 2005, cited in *Le Soir d'Algérie*, 1 March 2005.

<sup>34</sup> World Bank, 'New Business Plan for Algeria to Focus on Fighting Poverty, Supporting Reform Programme', *News Release*, 2003/417/MENA, 12 June 2003; see also 'World Bank Loan to Fight Poverty in Rural Algeria with Job Creation', *News Release*, 2003/314/MENA, 29 April 2003.

<sup>35</sup> World Bank, *World Development Indicators 2006* (Washington, D.C.: World Bank, 2006), World Bank Web site, <http://devdata.worldbank.org/wdi2006/contents/Section3.htm> (14 February 2007).

<sup>36</sup> United Nations Development Programme, *Human Development Report 2006* (New York: United Nations, 2006), p. 293.

<sup>37</sup> 'La pauvreté et l'inégalité en baisse', *El-Watan*, 10 October 2006, pp. 1 and 6.

<sup>38</sup> From 155 billion Algerian dinars in the PSRE to more than 1,900 billion Algerian dinars under current PCSRE.

<sup>39</sup> United Nations Development Programme, *Human Development Report 2006*, p. 289

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