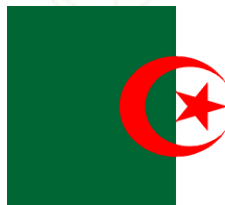


APRM COUNTRY
REVIEW REPORT NO. 4

AFRICAN PEER
REVIEW MECHANISM



**COUNTRY REVIEW REPORT OF THE
PEOPLE'S DEMOCRATIC REPUBLIC
OF ALGERIA**



September 2007

BACKGROUND

MODERN ALGERIA IN A HISTORICAL PERSPECTIVE: DOMECRATIC TRANSITION

From Colonisation to Independence

- 1.1 The colonisation of Algeria began in 1830, when French troops forced the Dey of Algiers to capitulate. They soon had to contend with the long and glorious resistance to their occupation from Emir Abdelkader, the founder of the modern Algerian State. Resistance to foreign occupation would end only with the attainment of national independence. The heroic struggle was waged in every part of the country with successive armed revolts. The failure of the peaceful option chosen by the political parties of the day helped convince the Algerian people of the inevitability of armed struggle against colonialism. The National Liberation Front (FLN) was established following these events and, convinced of the need for a war of liberation, initiated the armed insurrection against the colonial power on 1 November 1954.
- 1.2 For the Algerian people, the national liberation war had three major objectives. The first was to gain independence and dignity for the downtrodden people its nation. The second was to build a political Algerian nation in the face of the efforts of colonialists to destroy it in the very mind of the people. Finally, the third objective was to embark on development as a legitimate right of Algeria and its people so that they could free themselves from the misery to which colonisation had reduced them. This would enabled them to take over and enjoy their country's resources and the dividends of economic and social progress. Modern Algeria is marked by its awareness of these objectives and guards them jealously. The long struggle for independence, and affirmation of the country's dignity and political position, as well as the enormity of the development tasks ahead, resulted in the establishment of a socialist model of development.
- 1.3 In the immediate post-independence years, and in response to the people's deep aspirations during the liberation war, Algeria was faced with multiple challenges. For a young state just emerging from a long war of liberation, the hurdles to be overcome were enormous. Considerable efforts went into putting in place the political institutions, a public administration that represented a mechanism both for the development of the state and economic and social development, mastering and promoting an economic system and social institutions consistent with the legitimate aspirations and expectations of the people, and, lastly, creating a political and socio-economic dynamic in the country that would ensure its place on the African, Maghreb and world chessboard.

From Socialism to Liberal Reforms

- 1.4 Algeria's political journey since independence falls into three distinct periods: the era of socialist development(1962–1987); the period of socialist development crisis and the opposition of this model (1988–1998); the period of open commitment to, and implementation of reforms that go hand in hand with the liberal development (1999 to date), together with all the reforms this requires in political (democratic governance; multiparty politics), economic and corporate (reforms; transition towards a market economy) and social (grassroots involvement in political, economic and social development) terms.
- 1.5 After its experience of socialist development and the interim crisis of the period of terrorism, Algeria is currently in a phase of transition to a market economy, a transition that the country plans to undertake at its own pace without undue haste. The earliest structural and political reforms were launched by the authorities against a background of terrorist violence targeting the Algerian people, of threats to the very existence of the State and its institutions, of economic recession and social fatigue. After 1994, these reforms were followed by structural adjustment programmes.

- 1.6 To understand this path, it is necessary to refer to the origins of the crisis. Towards the beginning of the 1980s, cracks began to appear in the political model and its economic component. The people had finally had enough of the iron fist of the state machinery, its omnipresence in the lives of citizens, and its failures and weaknesses in the management of development, or at least in some of its key areas. This ultimately irritated the populations and frustrated some of the bone and sinew of the nation. Social inequalities, the weaknesses (if not downright failure) of a managed economy, and favouritism all created doubts about both the soundness of economic and political model adopted. What began as quiet murmurings quickly turned loud protests. The economic crisis lurking beneath the surface erupted, accompanied by the fall in oil prices in 1986. This resulted in widespread political opposition to the development model in force.
- 1.7 The decline in the revenues of the State contribution to reduced its intervention capacity, especially as regards some of the economic and social development functions that it had assumed until then. The displeasure felt by the population, who had developed a sort of syndrome of social dependency on the State, turned into an anti-government or anti-state structure, and, therefore, against the institutions and the socialist development model of development. The crisis of confidence in the country's political institutions, which had been brewing until then, was now out in the open. The state itself came to realise that it could no longer continue to carry out the same functions as before, because of the collapse of some of the economic sectors for which it had been responsible and also because of the reduction of its resources.
- 1.8 The situation was exploited by other forces using religion as a tool for taking over power, and the country went through the bitter experience of the "dark decade", marked by widespread violence and terrorist attacks. The terrorist violence and opposition to the socialist development model was exploited by some people to the extent of threatening the very foundations of the Algerian State. Democracy in Algeria was born through a tragic process, and this affected the chances of full democratization of the country's socio-economic development process.
- 1.9 Thus, Algeria, which had made considerable progress in building a modern State with solid political and administrative institutions, and had succeeded in distributing the economic and social dividends of its war of liberation among its people, faced problems it thought to have put behind it
- 1.10 Finally, in light of these facts, the authorities reviewed the situation. Political and socio-economic reform policies were designed and implemented to address the demands of the people and also to resolve the political, economic and social problems that were at the origin of the upheavals. At the same time, however, the authorities sought to keep the situation under control, aware of the dangers in hastily pushing for reforms. They, therefore, sought to maintain a balance between pressures for reforms from some quarters and resistance to reforms from others.

Way Forward

- 1.11 The Algerian authorities need to implement a policy that will: (i) consolidate civil peace, security and the stability of institutions as an basic condition for building democracy, improving the management of public affairs and strengthening the rule of law; (ii) revive the development process, basing it on relevant economic reforms and active partnership between the State, whose role is to create an enabling political and legal environment, the private sector, main creator of national wealth and employment, and the civil society which forges synergies between the political and social spheres, to ensure that the entire nation enjoys the appropriate dividends; (iii) improve the social situation with viable financial conditions, by intensifying reform in the social sectors and creating suitable conditions for sustained and sustainable growth that will stimulate job creation and ensure that the Algerian people enjoy the benefits thereof.
- 1.12 Despite the remarkable progress made in these areas, much still remains to be done in order to guarantee full enjoyment of civil liberties, citizen participation, grassroots democracy, a balance of powers and separation of powers, greater access to the media, as well as efficiency of the administration and the fight against corruption. These are major challenges to which greater attention must be given. In short, Algeria's past and more recent history is one of building a nation in the constant struggle to affirm its identity and uphold its dignity and sovereignty. Through its pride in its secular Amazighité, in being part of the Arab civilisation, in its African origins and its attachment to the spiritual values of Islam, Algeria claims to have met the challenges of globalisation in

the spirit of tolerance, openness and exchange, dictated by its long history. It was with the help of this precious capital, from where it drew its spiritual strength and moral energy in times of adversity, the Algerian nation was able to deal with the numerous and successive challenges that have marked its history.

MAIN OBSERVATIONS AND FINDINGS OF THE CRM ON THE THEMATIC AREAS

Democracy and Political Governance

- 2.1 On the issue of conflict, the CRM noted that, after being confronted by a decade of terrorism and indiscriminate violence, Algeria has managed to avoid the trap of civil war and for some years now, embarked on a phase of peace-building, which should be perpetuated. However, other internal conflicts of relative intensity should be mentioned. They concern the language, although the Tamazight language has been constitutionalised, socio-cultural diversity, human rights, employment and rural land. With the region, the controversy of over Western Sahara just at the doorstep of Algeria, and the issue of illegal immigration is potential source of conflict because, Algeria, which used to be a transit point, is now becoming the destination of immigrants from sub-Saharan Africa. There is also the issue of cross-border trafficking of drugs, arms, smuggled goods and counterfeit administrative documents, as well as prostitution, which constitute sources of tension.
- 2.2 Algeria has signed and ratified most of the legal international and African instruments that impact on the enjoyment of human rights. Some reservations were, however, made on some of the instruments.
- 2.3 As regards constitutional democracy, multiparty elections and ensuring rule of law, the return to democracy and electoral competition in itself is a victory for the Algerian nation. The country seems to have met the two main challenges imposed by some level of modernity: (1) the challenge of building a multiparty social democracy that guarantees political transition, the sovereign power of the people and grassroots democracy without sacrificing national unity, and (2) instituting the rule of law based on the republican model, which accommodates diversity in every form and guarantees citizen equal opportunity and effective participation in the management of public affairs.
- 2.4 The party and electoral system seems to draw lessons from the recent traumatic experiences of terrorism, in terms of the adoption of a prudent and progressive approach to the establishment of democracy and multi-party politics. Registered parties carry out their activities under relatively satisfactory conditions and have limited, supervised access to the main media organs (radio and television) under *de facto* state monopoly. Parties receive state funds only for their election campaigns. The organisation of elections has improved with each successive election. An independent constitutional judge (Constitutional Council) guarantees the supremacy of the Constitution and is developing a jurisprudence to ensure that legislation conforms to the Constitution and that the people have a sovereign right to choose their representatives. However, membership of the elected assemblies and top levels of administration is not always reflect a fair representation of the complexity of the country's geographical, linguistic and socio-cultural diversity, with low representation of women, young people, intellectuals and sociological groups.
- 2.5 The modernisation of the justice system is a highly-positive initiative and the practices that will devolve from it will no doubt contribute effectively to the final consolidation of a constitutional State. Equitable access to justice by all citizens is guaranteed by the Constitution and legal aid is available to any person or association unable to afford the cost of justice. Legal fees are moderate and the widespread decentralisation of (administrative and judicial) jurisdictions guarantees the location of a court within easy reach. There are services to assist those appearing in court and cases of violation are regularly dealt with by the courts. Alternative dispute resolution measures are in place to avoid problems associated with lengthy procedures and delays in decisions handed down by the courts. Over the past few years there has also been remarkable progress in defending human rights in prisoners.
- 2.6 Territorial decentralisation is one of the most hotly debated issues. Even though the Constitution stipulates that "the elected assembly shall be the seat of decentralisation and through which citizens participate in the management of public affairs", the powers of these assemblies appear to be counterbalanced by the strong

involvement of the deconcentrated authorities. They represent the state (notably, the Wali, the head of *dairas*) and are accountable solely to the Head of State and Government. Hence, a relativization and a depreciation of the decentralisation which operates more like participatory deconcentration notably concerning the *wilaya*, whose Wali is head of the Executive.

- 2.7 The participation of the civil society in management of public affairs constitutes one of the major challenges to democracy, and its development has been remarkable. However, the low representation of the majority of associations and the weakness of their institutional capacity should be highlighted.
- 2.8 The general situation regarding human rights has been positive over the past few years. Economic, social and cultural rights are adequately covered by Algerian law. The principle of equality is entrenched in the Constitution, as are the major economic, social and cultural rights, including equal access to employment and state functions, and the right to employment, education and health. The exercise of these rights is effective as regards freedom of association, the right to organise strikes, compulsory education for children from 6 to 16 years, protection and promotion of health, access to housing with priority to underprivileged sections of society, the right to cultural identity, etc. Special mention must be made of the right to education for all, which is underpinned by free education in public schools up to the tertiary level. It also noted that the restoration of peace and national reconciliation was accompanied by formal reaffirmation of civil and political rights guaranteed by the Constitution and many liberties: freedom of speech, association and assembly. While Islam is acknowledged as the state religion, the same applies to freedom of conscience and freedom of worship; and the protection that the public authorities give to Islam is extended to the other religions. Freedom of the print media is effectively guaranteed (Algeria has almost 130 publications, including 43 daily newspapers).
- 2.9 Special attention should, however, be paid to complaints about the “media clampdown” and the excesses of some elements of the security forces, who sometimes act contrary to the law or in blatant violation of human rights. This is notwithstanding the need to permanently contain terrorist attacks. Consequently, the Government and the entire society should pay greater attention to the indivisibility of human rights. The same goes for guaranteeing the right to peace, conditioned by social justice, democracy and sustainable development.
- 2.10 With regard to the separation of powers, although the CRM emphasised, with interest, the Constituent’s desire to establish and guarantee the independence of the judiciary, the fact remains that movement from one function to another and from one jurisdiction to another is by appointment of the President of the Republic, on the advice of the *Conseil Supérieur de la Magistrature* (CSM), which he chairs, with the Ministry of Justice, Keeper of the Seals as Co-Chair. The functional independence and effectiveness of parliament also attracted some comments and reservations. The President has the power to legislate, by order and without the prior authority of the Popular National Assembly (APN), even on financial matters. In addition, the Senate (*Conseil de la Nation*) has the authority to block laws from being passed, given that a four-fifths majority is required to approve laws passed by the upper chamber. (It should be noted that one third of the members of the Senate are appointed directly by the President of the Republic.).
- 2.11 The CRM also noted effective interference with the legislative and executive powers, resulting in a blurring of responsibilities of the elected representatives, who are the member of Parliament and the President of the Republic. In effect, even though he is elected by the entire nation, the President cannot impose his political programme without the support of the presidential and Parliamentary majority. Should political cohabitation with a Prime Minister from a different political group ever become necessary, there would probably be institutional conflicts with deleterious repercussions on governance of the State.
- 2.12 Public service reform is under way. Information and communication technologies and “e-governance” have been introduced, while the new statute aims to develop a modern, efficient and responsible administration. While conserving the career system for public servants, this statute focuses particularly on employment through a new contractual system adapted to the new missions of public administration. However, the acute problems of overstaffing and unattractive remuneration require urgency solution.
- 2.13 It is particularly difficult to obtain reliable data on corruption in politics. Corruption was nonetheless observed to be rife in political life and “deals” are not unusual in governance discourse.

- 2.14 In terms of the promotion and protection of women, tangible progress has been made in the different political, economic and social spheres as a result of committed action by Algerian women to promote gender and gender equality. However, inadequacies remain and numerous political, socio-economic, cultural and religious constraints need to be overcome.
- 2.15 The same observations can be made about the problem of abandoned children or children with unknown parents, young people facing serious problems of unemployment and exposed to violence, drugs and delinquency, and even temptation to migrate illegally, inadequate care and support for the elderly and the close to 3,000,000 disabled persons, just as in the case of the legal status of refugees and immigrants.
- 2.16 If the analysis of the current situation of Algeria shows real prospects for national reconciliation and development of constitutional democracy and rule of law, the fact still remains, that there is still much to be done in order to consolidate peace and stability and to promote human rights in general, with particular emphasis on gender, and the relationships between men and women, anticorruption campaigns, promotion of social dialogue, participation of citizens, and strengthening the effectiveness of the administration.
- 2.17 Algeria is at a crossroads, emerging from a decade of terror and denial of fundamental rights, which explains the magnitude and seriousness of the challenges it faces, notably the challenge of national reconciliation and consolidation of peace, the challenge of consolidating democracy and the rule of law and the society, the challenge of ensuring equal promotion and protection of human rights in everyday life, the challenge of promoting gender equality and protecting the youth and other groups, including the disabled, the elderly, immigrants and refugees; the challenge of reform and modernisation of public administration, including the fight against corruption – which even the country's leaders, one of the major scourges of the Algerian society.
- 2.18 The CRM observed a number of best practices in political governance in Algeria. They include notably: (i) national reconciliation in the context of the anti-terror campaign; (ii) community policing to ensure security and rebuild the social ties between citizens and the security services; (iii) the public service of the justice system in order to facilitate access of all to justice and protection of their rights; (iv) the Women Employment Observatory of the Ministry of Energy and Mines; (v) the National Association in Support of Children in Difficulty and in Institutions (ANSEDI).
- 2.19 In the light of the foregoing, the APR Panel recommends the following measures: (i) ratify outstanding international instruments (especially on the International Criminal Court) and lift all reservations on the international instruments already ratified, particularly those relating to international terrorism and other organised crimes; (ii) to pursue the peace and national reconciliation policy, strengthening the Police Station at à l'amazighité, establishing a legal and institutional framework for dealing with immigrants; (iii) strengthen the constitutional guarantees of separation and balance of powers by opting for a political system that reduces the risk of conflict between institutions and clarifies the political responsibilities of each organ of state; (iv) pursue measures for modernising the Public Service, notably by reorganising its services and defining functions and responsibilities, and also by introducing participatory, objective and effective staff assessment and motivation mechanism; (v) ensuring effective implementation of the national anti-corruption strategy strengthening the capacities of the National Anti-corruption Body established by Decree 06-413 of 22 November 2006 within the Presidency, as well as the structures responsible for public expenditure control and for fighting corruption.

Economic Governance and Management

- 2.20 Over the past ten years the Algerian economy has exhibited sustained growth, generally higher than 5%. Inflation, which had been contained below 3% until the end of 2006 has since experienced a peak due to the rise in food prices. Prudent management and revenue increases following the rise in international prices of oil and petroleum products prompted the authorities to strengthen an expansionist fiscal policy and implement two successive growth programmes (2001–2004 and 2005–2009). The improvement in its external accounts, combined with high oil prices, encouraged Algeria to accelerate the repayment of its debts, thus improving its public debt situation.

- 2.21 In relation to its macro-economic framework, Algeria has made remarkable progress in terms of growth, which has remained stable and high; savings and investment; unemployment rates (which has been reduced by 50%), inflation rate (reduced to 3%); balancing of public expenditure and external accounts (registering surplus), accelerated external debt repayments; and monetary stability. All these factors enhance the chances of other economic policies in Algeria and, in particular, reform policies. The major economic programmes launched in 2001 and 2005 seek to pave the way for achieving the aspiration to become an emerging market country. This will require effective macro-economic governance in terms of the optimal use of resources with a view to achieve the goals the authorities have set for human development, territorial and generational equilibrium, as well as the diversification of economic activities.
- 2.22 *Sectoral and micro-economic policies.* A sound macro-economic framework alone is not enough to create growth and development if, dynamic sector policies are not adopted to underpin the growth sectors. Faced with the imperative of accelerating growth and moving towards development, the Algerian government has made effort in this respect, but the actions taken have not been successful in terms of the investments made. The newly- articulated industrial strategy needs to respond to the problem of low utilisation of industrial capacity, which did not exceed 50% in 2004.
- 2.23 It would also have been appropriate to understand the major thrusts of the country's agricultural policy. It was not possible to consider this aspect in detail, but the Government has obviously provided active and massive support to reviving this sector, without mapping out a clear strategy for regaining the local market and gaining the foreign, essentially European, market. Finally, the Government must mobilize the necessary resources for formulating a consensual global vision of Algeria, from which sector strategies can draw inspiration, with consideration of the options of liberalisation, privatisation, diversification and reduction of the excessive dependence on hydrocarbons.
- 2.24 *Mobilisation of domestic resources and accumulation of capital.* The Algerian Government has adopted a prudent macro-financial approach. The oil boom, which it has been enjoying for several years and the immense expectations of the population could have compelled it to embark on improvisation and commitment of high level expenditures; that did not happen. Algeria preserved its surplus oil revenues through the Oil Stabilisation Fund (FRR). This achievement was made possible by a policy of prudent management, which minimises the deficit.
- 2.25 *Vulnerability to shocks.* An efficient economy cannot afford to be managed without anticipating actively on potential disruptions that could compel it to deviate from its course. Good governance requires that the country should anticipate internal and external shocks and develop mechanisms for detecting them, adopt mechanisms to cushion or avoid their impact, and the necessary accompanying measures. There is an urgent need to go beyond one-off responses and systemic analysis.
- 2.26 *Public authorities and administration.* In Algeria, more than elsewhere, the three-year budget as well as the anchorage of public expenditure to indicators are expected to be a significant breakthrough. The multi-year budget and the national public accounting plan, reconciled with budget nomenclature, are also an indication of progress. These reforms need to be implemented as a matter of urgency without being hurried through.
- 2.27 *Predictability.* The issue of predictability of economic policies is closely linked to the transparent of economic data, as well as the collaboration and consultation with the economic and social actors on the various government policies. It concerns various aspects of process, the content and meaning. The country's performance in this area is still poor; this is to be filled.
- 2.28 *Coordination of actions.* Even if one cannot talk of decentralisation, if the dearth of information available locally about major projects is anything to go by, it is possible at least to talk about effective devolution under the auspices of the Wali. Challenges noted related to insufficient capacity for planning, implementation of activities and budget and execution, which are exacerbated by the exceptionally high number and scale of ongoing projects. The citizen information system needs profound improvements.

2.29 *Public finance.* Algeria's budget performance over the past few years has been exceptional and the country has taken remarkable initiatives to reduce the impact of fluctuations in the oil price on its budget and its public external debt. These highly-positive initiatives notwithstanding, Algeria is vulnerable to external shocks (especially from the oil sector) and there are some shortcomings in the mechanisms put in place to guarantee transparency, the involvement of the citizenry, and control and accountability in public finance management. The CRM also took note of the extensive budgetary modernisation programme, in particular the adoption of results-based budgeting and reform of local taxation.

2.30 *Exceptional budget performance.* The state has seen its coffers considerably swollen as a result of the rise in oil prices. The overall treasury balance reached a surplus averaging over 9% of GDP in 2002–2005, whereas it was just about even in 2002. There was an increase in the current account surplus in excess of 18% of GDP, enabling the country to accumulate additional foreign exchange reserves. These reserves amounted to US\$80 billion in 2006, representing the equivalent of 4 years of imports. This is a new record to be compared with the US\$10 billion income generated in 2000 (4.6 months of imports). These reserves are projected to reach US\$100 billion in 2007/2008 if oil prices continue their upward spiral. This excellent budget performance enabled Algeria to reconstitute its foreign exchange reserves and implement public investment programmes to boost growth. The first support programme of this kind was implemented in 2001–2004 and was followed by a Growth Consolidation Plan for 2005–2009 for almost US\$120 billion.

2.31 *Algerian economy is still vulnerable to external shocks.* The Algerian economy, which is highly dependent on hydrocarbons, should be diversified. Indeed, the hydrocarbons sector accounts for 70% of government revenue, 45% of GDP, 97% of export revenue. The predominance of this sector has profoundly affected the structure and dampened all incentives to adopt an active policy of diversification. This has led to a weakness in the internal taxation system and vulnerability of public finance to possible external shocks.

2.32 Although corruption is widely acknowledged ill, there are no reliable figures to show the scale of the problem. Corruption emerged largely as a result of the administration's reluctance to introduce economic liberalization which generated benefits from positions overnight, since the period of instability in Algeria between 1992 and 2000 weakened the control institutions and encouraged parallel channels as well as contraband networks and corruption.

2.33 On the institutional level, the CRM noted the absence of any governmental institution (e.g. a national anticorruption commission) with the sole mandate to coordinate the Government's efforts in this area. A unit has been set up to combat money laundering and terrorism, but none for corruption. The CRM also noted that supervisory institutions were marginalised because of the grossly inadequate means of control provided by the Government to handle the amount of work that needs to be done.

2.34 *Regional Integration.* The objective here is not simply to be part of the international trend but to conceptualise an integration project which, while having a political vision, at the same time embodies an economic rationale by taking into consideration incentive mechanisms for private agents. It is this political vision that allows long-term strategic objectives to be considered and justifies the adoption, in the short term, of a proactive approach and of terms and conditions that are likely to encourage economic operators from different countries to trade among themselves. The position of the Algerian Government on regional integration is relevant, even if this vision is not clearly articulated. Algeria has an undeniable role to play in Africa, in the Maghreb and in the Mediterranean region.

2.35 The CRM noted Algeria's best practices in terms of governance and economic management. They are notably: (i) the creation of an FFR for hydrocarbons; (ii) the possibility of appeal procedures in the public procurement process; and (iii) regional cooperation.

2.36 Generally, Algeria will have to overcome the following challenges, resulting from the CRM's recommendations: (i) accelerating / succeeding the ongoing major structural reforms; (ii) diversifying the economy into other economic sectors such as industry, agriculture, tourism and new technologies, etc.; (iii) containing inflation and improving the balance of payments by diversifying exports; (iv) achieving the greatest possible degree of autonomy in public expenditure by becoming increasingly less dependent on revenue from hydrocarbons; (v)

organizing a successful transition from a welfare State to one that demands accountability from people in the social and economic spheres; (vi) combating corruption and establishing effective deterrent measures.

Corporate Governance

- 2.37 Algeria's passage from a centralised, subsistence economy to a market and production economy in order to ensure its integration into the world economy, its entry into the European Union free trade zone and its membership of the World Trade Organisation (WTO) are signs that the country is about to embark on another phase of profound mutation in terms of organisation, structures and modes of management that have been the hallmarks of corporate governance in Algeria. In fact, opening up the Algerian economy requires acceleration of priority reforms to encourage private investment, diversify the economy to make it less dependent hydrocarbons, and create employment.
- 2.38 The authorities have adopted international standards and undertaken structural reforms to create an effective environment and framework and to promote economic growth and sustainable development. These reforms are consistent with the liberal transition, highlighting the role expected of private enterprise in the new Algerian economic arena, through partnership between the State and this sector to overcome a number of constraints facing the country, namely: (i) to accelerate structural reforms to ensure better integration of Algeria into the world economy; (ii) to promote a healthy business climate by ensuring that Algeria puts theory into practice; (iii) to groom a generation of more successful private economic actors, who embrace the values of ethics and probity in business; and (iv) to promote better entrepreneurship and awareness of responsibilities among corporate leaders.
- 2.39 It was by studying these constraints and the challenges they pose, that the CRM in evaluating corporate governance in Algerian corporations analysed changes in this governance, as presented in the CSAR. The issue of this difficult transition was characterized by President of the CNES as follows: "the state is dragging its feet instead of leaving the areas it should leave to move to the strategic areas where it should be"
- 2.40 With regard to the implementation of standards and codes, the CRM noted that the Government had signed and ratified an impressive number of international standards. Although measures are being taken to implement these, the progress achieved so far is inadequate in terms of both quality and quantity. In the area of banking supervision, the country meets totally or virtually totally the international principles that governing standards and codes. Few corporations have adopted ISO 9000 and ISO 14001 standards.
- 2.41 The CRM well noted the numerous initiatives taken by Government to improve the business climate, as well as the mechanisms established to protect the environment and provide financial assistance to young entrepreneurs, such as the National Agency for Supporting the Employment of Young People (ANSEJ). The CRM recognised the numerous reforms the Government introduced in the financial and banking system to facilitate credit availability for corporations, especially small and medium-sized enterprises (SMEs), and its desire to help corporations upgrade themselves and adopt international codes and standards to improve their competitiveness. The delays in implementing the numerous reforms enacted into law by the Government, notably in facilitating access to land constitute an obstacle to economic dynamics.
- 2.42 The CRM observed that public corporations and large private corporations generally comply with existing laws on the protection of labour law, social responsibility towards the society, in which they operate, and the implementation of environmental standards. Many SMEs – mostly constituted by family businesses, are less sensitive to these values, except in the case of their contribution to Zakat. Mechanisms for resolving conflicts within these corporations are, generally, highly effective. However, ordinary courts lack adequate qualified human resources to handle trade disputes.
- 2.43 *Adoption and promotion of good business codes of ethics in achieving corporate objectives.* The CRM noted that in a context characterized by rapid transformations to a market economy and the prevalence of a

productive structure composed 90% by individual enterprises, and a non-structured sector controlling 30% of trading activities, and control institutions that have not yet attained a high level of efficiency, corruption and fraud are widespread. Both the CSAR and several stakeholders reported cases of corruption and collusion in the award of contracts and massive embezzlement of public and private assets. Non-compliance with the code of ethics is a serious problem in Algeria. The authorities are mindful of this and have introduced draconian measures to combat the problem, they cannot win this battle without the participation of the corporations themselves.

2.44 Most Algerian corporations have not yet developed adequate internal systems for providing information to their trading partners or shareholders. Again, the informal or almost totally family-owned nature of the majority of corporations is to blame. The provision of financial information, even for shareholders, is rare, except in the case of public corporations, where oversight by the supervisory authority is highly developed. Most of the shortcomings observed are due to the dearth of qualified accountants. Consumer associations are not adequately equipped to protect their right to have access to information on the quality of products offered or sold to them.

2.45 As regards the accountability of corporations, their directors and management, the legislative and regulatory texts governing public and private corporations, including the Commercial Code, spell out the duties of corporate structures vis-à-vis their shareholders. The CRM, however, noted that many heads of public corporations claim the right to take management decisions without risk of criminal sanctions for errors committed in the day-to-day management of the corporation or when these decisions are taken in good faith.

2.46 On the basis of these findings, the APR Panel makes the following recommendations: (i) rapid implementation of the most strategic reform measures, especially in the banking and finance sector; (ii) strengthening of measures relating to social security for employees, guaranteed minimum wages and the implementation of training programmes more suited to the employment market; (iii) provision of greater assistance to the different industries, enabling them to upgrade their performance, and implementation of environmental codes and standards by corporations; (iv) establishment of an anti-corruption agency, enhancement of the capacities of the observatory and commitment by the members of the Algerian Chamber of Commerce and Industry (CACI) to consider including clauses prohibiting corruption practices in their partnership contracts; and, more fundamentally, (v) acceleration of the privatisation of the numerous remaining public economic enterprises (EPEs) which still occupy a predominant place in the country's economic fabric.

Socio-Economic Development

2.47 Algeria is undergoing profound changes. After a decade of violence in the 1990s, which left more than 100 000 people dead, tens of thousands of orphans, widows and disabled persons, the country has recovered and initiated a vast programme of political, structural, social and economic reforms. Its achievements in socio-economic development are cogent indicators of the Government's desire to transform the life of Algerian citizens. The human development indicators contained in the document amply demonstrate this and represent social achieving the Millennium Development Goals (MDGs).

2.48 Because of its oil resources, the country has some degree of autonomy in the choice, elaboration and execution of its development programmes. Nevertheless, promoting co-responsibility by involving other partners and actors in socio-economic development (i.e. business and other members of civil society), would generally serve to improve ownership in this strategic areas.

2.49 Algeria has made significant progress in the social sector. As a result of its social policies and the oil boom, the country has radically improved access to basic services provided by the public sector and has put in place vast health, education and social protection systems. The population, which was mainly rural (70%) before independence, had only had very limited access to education, health and employment and its level of income was proportional to the low level of general economic activity. Under the pressure of increasing social demands, the development policy over the past three decades was aimed precisely at creating better conditions for the disadvantaged population groups.

- 2.50 Extensively supported by the State, prices of major consumer goods have been gradually liberalized, as was the case for fruit and vegetables in 1982, and then the vast majority of other products in 1989 and 1992. The removal of subsidies led to a significant hike in the prices of consumer goods, which affected all products, notably major consumer products. These increases adversely affected the purchasing power of households, thus swelling the ranks of the poor. It should, however, be noted that abject poverty, as described by international organisations in the context of the MDGs (less than US\$1 a day), is marginal and disappearing in Algeria, which is an achievement
- 2.51 Since the end of the so-called “dark decade” of the 1990s, poverty in Algeria has been declining. According to the Sixth National Human Development Report of 2006, presented by the CNES on 15 February 2007, the human poverty index went from 25.23% in 1995 to 16.6% in 2005, representing an average annual decline of 4%. Decreased poverty was also recorded, notably at the level of the decline of malnutrition, with the number of underweight children falling by 12.3% annually and, to a lesser extent, at the level of mortality among the under 40-year-olds, and a decrease in illiteracy.
- 2.52 In Algeria, poverty is largely a rural phenomenon. Pockets of poverty can still be found in the cities, however, which affect the displaced and vulnerable persons such as widows, orphans and victims of earthquakes.
- 2.53 Regional disparities are levelling off even more, following new programmes that specifically target the disadvantaged regions. Hence, less-developed wilayas in the South have benefited from particular programmes funded from a 2 and 3% levy on oil tax revenue. Development of the rural areas is also favoured by the agricultural boom, a sector that has consolidated its contribution over the past few years, thanks to the ongoing reforms in the sector. The Policy of Rural Development launched in 2006 and the National Sustainable Development Strategy launched in 2005 will be the ideal framework for supporting intervention in the rural areas in order to contribute to reinforcing social cohesion and balanced development of the territories.
- 2.54 The land situation in Algeria is complex and needs to be clarified in order to succeed the implementation of the Rural Development Policy and the National Sustainable Rural Development Strategy. This situation is translated in the field, notably by a diversity of legal provisions governing State lands and lack of legislation on private land.
- 2.55 In the 1990s, health structures were mostly located in the larger cities and public access to health care, particularly in rural areas, was relatively limited. After independence, the Government’s health policy was aimed specifically at improving the access of citizens to health care through the introduction of free medical care in 1974, on the one hand, and the provision of more health facilities countrywide, especially in rural areas, on the other hand.
- 2.56 Algeria has made spectacular progress in education in terms of numbers, infrastructure and services since it attained independence in 1962. Education is free for all Algerian children and is compulsory from the ages of 6 to 16. The country currently has 60 universities in 41 wilayas. By the end of the decade, Algeria expects to have 1.4 million university students. The objective of the Government is to provide quality education, enhance the skills of graduates, improve general performance in the educational system, and adapt the proposed training to economic and social development needs.
- 2.57 The principle of gender equality is entrenched in the Constitution. This equality also applies in the civil, penal, administrative and commercial domains. In both civil and criminal law, there is no discrimination between men and women. However, the place of women in economic and social life is still minimal, even though women have made significant progress these past years and parity in education has already been achieved. The proportion of girls in higher education is 57.5%. Despite the progress in education, women are still marginalised in the higher echelons of employment (except in the magistrates’ corps) and also in political representation.
- 2.58 The Family Code, which dates back to 1984, is constantly being revised to incorporate some realities of the 21st Century, following the opening of the country to the outside world. Its modification by Ordinance 05-02 of 27 February 2005 has enhanced the personal status of women. Women’s associations and public opinion are

very vocal in this area, especially since the ratification (although with some reservations) of the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) in 1996.

2.59 There is increasing stakeholder participation at every level of development, despite the poor involvement of the population in the process of socio-economic development process. The APR Panel recommends to the authorities to examine ways of further promoting a policy of democratisation and ownership of socio-economic development by the citizens. Rather than simply holding consultations to legitimise decisions taken from above, the focus should be on institutionalising mechanisms that will ensure popular participation, notably through village committees, which are the structures for dialogue between the authorities and the other stakeholders in society.

2.60 Based on its analyses and findings, the APR Panel recommends principally that: (i) lifting of all reservations on the ratification of the Copenhagen Convention on all forms of discrimination against women; (ii) rapidly examining and deciding, in a revision of the national sustainable development strategy the crucial issues relating to the nature and model of economic growth, in the definition of the basic or core sectors, and the relationship between them, and this in support or eventual substitution for the predominance of the hydrocarbons sector. The main sectors identified are agriculture, petro-chemicals, tourism and services. (iii) take particular care to ensure that growth is “pro- poor”, with an emphasis on job creation in appropriate areas; (iv) promoting some degree of shared responsibility among other socio-economic development partners and players in business and civil society components; (v) ensure clear articulation of a shared vision of the social construction project around which consensus must be built; (vi) clearly defining the policy of transition from a socialist to a liberal model of socio-economic development, with implementation milestones and modalities to speed up the process and help overcome entrenched habits.

2.61 The CRM observed a good number of exemplary and best practices in the area of socio-economic development. These include, among other things, the education of young girls’ education, the policy on social housing and assistance for the youth employment, eradication of mass sexually-transmitted diseases (which has significantly increased life expectancy, bringing it to the level of industrialised countries), the involvement of Muslim religious authorities in the fight against HIV/AIDS, the National Economic and Social Pact.

Overarching Issues

Overarching issues are general issues which, though treated under a particular section, cut across the other thematic areas and require a holistic approach in one or more countries assessed by the ARPM. These include:-

- Reform and modernisation of the State;
- Corruption and money laundering;
- Gender equality;
- Youth employment; and
- Town planning.

Good Practices

- Algeria’s historic Role in Pan-Africanism and the Decolonisation of Africa
- Personal Involvement of the President of the Republic in the Country’s Self-assessment Exercise.
- National Reconciliation and the Promotion of Peace and Unity.
- Tolerance in an Islamic Country

- Neighbourhood Police
- Information and Communication Technology, and Justice
- Amendment of the 1984 Family Code
- Observatory for the Employment of Women
- Fund for the Regulation of Revenues (FRR) from Hydrocarbons (Stabilisation Fund)
- Recourse in the Public Procurement Process
- Algerian Scholarship Programme for Africa
- Alger-Lagos trans-Saharan Route
- *Savoir et Vouloir Entreprendre* (SEVE)
- National Agency for Support of Youth Employment (ANSEJ)
- Sonelgaz Training Programme
- Algeria and the implementation of MDGs
- Public Mechanisms for Employment Promotion in Algeria
- Increased Life Expectancy at Birth
- Involvement of Religious Authorities in the Fight against HIV/AIDS
- Eradication of Mass or Communicable Diseases
- Efforts made in the area of Social Housing
- Girl's Education in Algeria
- National Economic and Social Pact (PNES)

CONCLUSION

For the purposes of the CSAR, Algeria prepared an outline of the Programme of Action (PoA) that is intends to implement in response to the challenges and inadequacies noted in both in the CSAR and CRM reports. The APR Panel has studied the PoA and shared its comments and recommendations with the Algerian authorities.

The Panel wishes to encourage the Algerian authorities to commit themselves to pursue implementation of the PoA in order to improve further the country's performance in the area of governance. It would include addressing issues relating to the areas "where it hurts", as President Bouteflika put it so admirably. Some of the achievements represent exemplary practices, which the Panel urges the country to earnestly pursue. Although there are still many constraints and challenges to be met, Algeria is endowed with many assets that will enable it to meet them.

Strengths

- Political will and commitment of the leadership to see through the institutional, political and economic reforms
- Gradual return to peace and stability
- National reconciliation policy
- Development of human resources through free and accessible education and health
- Immense natural resources, especially hydrocarbons
- Implementation of most MDGs and the capacity to meet the commitments made for 2015
- A nation with high life expectancy
- Solid and prudent management of financial resources
- Fund for Regulation of Revenue (FRR) from Hydrocarbons (Stabilisation Fund)
- Autonomy in the choice of funding of development programmes
- Algeria's commitment to the African and Maghreb causes through active and clear-sighted diplomacy
- Vibrant private press
- Emerging civil society
- Large number of universities (60 university institutions in 41 wilayas)

Challenges

- Reform and modernisation of the State
- Gender equality and socio-cultural traditions
- Unemployment among the youth
- Environmental issues and regional imbalances
- Extension of the growth base and diversification of economic sectors
- Containment of inflation
- Accountability of social and economic agents
- Protection of national reconciliation and consolidation of peace
- Fight against corruption
- Acceleration of structural reforms

- Adjustment of training/employment.