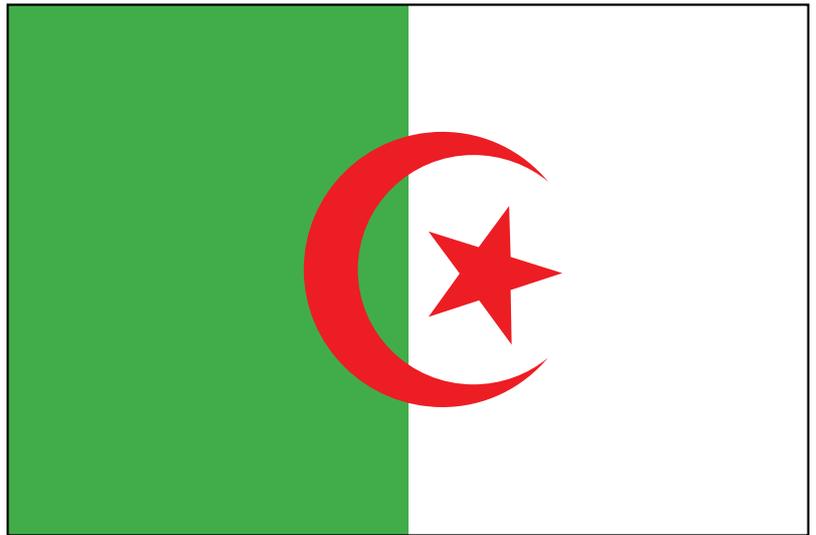




PEOPLE'S DEMOCRATIC
REPUBLIC OF ALGERIA



ALGERIA
1999
2008



A DECADE OF ACHIEVEMENTS

**Algeria's Summary Report
on Implementation of the
National Programme of
Action on Governance**

**NOVEMBER
2008**

APRM/ National Focal
Point Algeria

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INTRODUCTION

By establishing the African Peer Review Mechanism (APRM), Africa has undertaken to improve good governance in the various spheres of political, economic and social life of African countries. The instrument which is voluntarily acceded to operates on the basis of mutual review and aims at offering African countries the means to build on each other's experiences and open up new opportunities for promoting good governance in the continent.

Since its inception in 2003, under the New Partnership for Africa's Development (NEPAD), the Mechanism has already registered membership of 29 African countries that have agreed to submit their governance practices to the values, codes and standards developed in this instrument. Algeria is one of the very first African countries that have done so. Its self-assessment report, the fourth report of its kind to be considered by the Forum of participating Heads of State and Government, was presented by the President of the Republic, Mr Abdelaziz Bouteflika, at its seventh ordinary session, on July 1st, 2007 in Accra (Ghana).

Along with the self-assessment report, Algeria had submitted to the APR Forum a Program of Action (PoA) on behalf of the President of the Republic as a frame of reference to measures and actions designed to improve governance, by making up for shortcomings and consolidating good practices.

Based on the conclusions and recommendations made on the self-assessment report, Algeria issued its report on the state of implementation of this Programme of Action. This document was presented to the Forum of participating Heads of State and Government, on January 31st, 2009 in Addis Ababa (Ethiopia).

Like the self-assessment report, the Report on the implementation of the National PoA received a positive feedback from the APR Forum, which has acknowledged the considerable progress made by Algeria in the various fields of governance while highlighting the outstanding practices contained therein.

The experience gained by Algeria for the implementation of its program of action based on the incorporation of APRM principles and objectives into its government action programme and public policies, was unanimously welcomed as a model of ownership and internalization of this mechanism in the government programs of African countries.

In order to substantiate its governance enhancement policy which



requires, in essence, sustained effort, Algeria has developed a strategy over the short, medium and long terms.

It should be noted therefore that, through a dynamic and comprehensive approach, the report on the implementation of the national PoA captures the progress made by Algeria on account of the large reforms launched in the State, Justice and Education sectors as well as through development programs including the «Support Program for Economic Recovery « (PSRE) 2001-2004 and the « Complementary Support Program for Growth « (PCSC) 2004-2009, with special programmes for the «High Plateaux» and the «South».

The report on the implementation of the National PoA on governance is structured around four focal areas: democracy and political governance, economic governance and management, corporate governance and socio-economic development. The report basically outlines the progress made in Algeria in these areas, which this summary reports in a concise and illustrative manner:

- 1- Algeria has restored lasting security and stability as a precondition for a genuine revival of the country. Likewise, the experience of elections in the country can attest a true consolidation of democracy while the endeavour of consolidating the rule of law furthers deep-rooted democratic practice in the country and enhanced relationships between the State and the citizen;
- 2- The huge investments involved in the vital area of infrastructure, in particular, meet the conditions for Algeria's sustained and balanced economic development, contributing to the efficient implementation of the post-oil strategy. Moreover, with the prudent policy pursued in the management of oil revenues, the country is able to conduct new development programs designed to augment investments already made ;
- 3- Improving the environment and capabilities of Algerian enterprises helps to restore their role in creating wealth and promoting the emergence of a competitive national economy;
- 4- The progress made in economic and social development place Algeria among the few developing countries in a position to achieve, by 2015, the Millennium Development Goals (MDGs).

These advances in governance and socio-economic development, without being exclusive of other positive results outlined in the report, are all indicators and benchmarks for the path taken by the Algerian State to make sure that every Algerian citizen reaps the fruits of national development endeavours and plays the role devolved on the Algerian nation, i.e. confirming Algeria's status as an emerging country that is able to address the challenges of the 21st century.

I. DEMOCRACY AND POLITICAL GOVERNANCE

This part of the report on the implementation of the National PoA, includes the decisive advances made by Algeria with regard to the central issue of national reconciliation. Substantial progress and considerable efforts have equally been made to strengthen social cohesion, consolidate the rule of law and enhance democracy.

Addressing the Aftermath of National Tragedy :

Algeria carried on implementing the policy of national reconciliation to clear the aftermath of national tragedy. This action is still lent the highest attention by the State.

Three sections contained in the provisions of the Charter for Peace and National Reconciliation have been successfully taken care of:

- support measures to the policy addressing cases of missing persons (Presidential Decree No. 06-93 of 28 February 2006 on compensation of the victims of national tragedy) ;
- State assistance to unprivileged families affected by the involvement of one of their relatives in terrorism (died in the ranks of terrorist groups) under National Solidarity (Presidential Decree No. 06-94 of 28 February 2006 on State assistance to these families);
- Reinstatement or compensation of persons having been subject to administrative dismissal for acts related to the national tragedy (Presidential Decree No. 124-06 of 27 March 2006)

The implementation of measures adopted under the Charter for Peace and National Reconciliation has mobilized an overall financial allocation of AD 22 600 000 000, 00 by July 31st, 2008. The amount of compensation paid under the three aforementioned arrangements is AD 13 927 455 965, 00 by December 31st, 2008.

Combating Precariousness and Exclusion :

Public authorities have placed particular emphasis on the gradual achievement of the objective of the availability of housing for all and elimination of precarious or unhealthy dwelling.

Thus, as part of the implementation of the commitment by the President of the Republic to build one million homes by 2009, the number of houses -either funded or backed by the State-

built from 1999 to late 2008 totalled 1 520 845 units for a total of 1 700 billion Dinars of credits raised (\$23.2 billion). This progress is also remarkable in terms of improved comfort as the occupancy rate per dwelling fell from 5.79 in 1998 to 5.07 in April 2008 (General Census of Population and housing, 2008).

Significant financial allocations -some 800 million Dinars- have also been used to curb precarious housing, settle the problem of old buildings, and improve the quality of life of people living in degraded areas through an overhaul of 7 500 sites involving a budget of 300 billion Dinars. Improving serviceable infrastructure, which public authorities have got down to, has enabled Algeria to achieve, the Millennium Development Goals (MDGs) in this area.

It is worth noting that the State has strived to secure the best guarantees of objectivity, transparency and equity among citizens in terms of access to housing, be it backed up or financed from public funds, by means a fully digitized national data file on recipients regardless of the kind of program involved.

Social and vocational integration programs (labour-intensive public utility work Programs, the “Algérie Blanche” Program, pre-employment Program, local seasonal employment Program and a program for the construction of 100 premises per municipality) also increased significantly over 2007-2008. These primarily targeted the placement of young first-time applicants.

Mitigating Social Tensions:

Following the recommendation of the Tripartite (Government – Trade Union - Employers), public authorities have embarked on a revision of social welfare laws to map out a Labour Code incorporating international standards. The draft Code, which is being finalized, strengthens workers’ rights, especially women and child protection, and provides for a mechanism aimed at combating undeclared work and informal activities.

In terms of preventing social conflicts, the reorganization, streamlining and consolidation of human and material means of control services are noteworthy.

These measures, coupled with prevention and conciliation endeavours, have secured a stable social climate in the working environment.

As for the protection and enhancement of purchasing power, a series of presidential decrees were issued during 2007 in connection with the drastic rise in global prices of basic commodities, including :

- Decree on increasing minimum guaranteed national wages ;
- Decree on wage increase in the economic sector ;
- Decree on remuneration increase for officials.

Enhancing Constitutional Democracy :

On November 12th, 2008, the Parliament adopted, by an overwhelming majority, a revision of the Constitution intended, besides reaffirming national fundamental values, to :

- Clarify the relationships within the executive institution in the strict respect for the balance of power and more consistent and efficient operation of State institutions;
- amend Article 74 on presidential term, with the aim of allowing unrestricted expression of people's will, while respecting their sovereign right to freely choose their leaders, on the basis of optimal guarantees of equity , regularity and transparency ;
- Strengthen women's political rights by granting them further opportunities of access to representation in elected assemblies.



Constitutional council

In terms of consolidating the rule of law, the ratification by Algeria of all texts relating to the protection and promotion of human rights, and the submission of related periodic reports are worth noting. In this respect, Algeria has introduced and defended its report under the «Universal Periodic Review» before the UN Human Rights Council, on April 14th, 2008.

The legislative framework for the exercise of rights and freedoms has undergone significant developments, especially since the enactment of Law No. 06-22 of 20 December 2006 amending and supplementing Ordinance No. 66-155 of 8 June 1966 on the Code of Criminal Procedure, mainly through :



- Strengthening safeguards with regard to prosecution, including the conditions of custody ;
- reinforcing the presumption of innocence and reducing the period allowed for appeals concerning provisional custody and judicial supervision ;
- compensation in case of miscarriage of justice and wrongful provisional custody ;
- facilitating access of deprived people to justice ;
- Strengthening the rights of victims.

Elections :

Since 1999, Algeria has held five periodical elections and two referendums which have all allowed free expression of the people's will. It should be stressed in this respect, that public authorities have constantly strived to further a conducive environment for the expression of the voters' free choice, as evidenced by the successive amendments to the electoral law aimed at enhancing guarantees of regular and transparent election organization and procedure, including :

- Checking of the electoral roll by candidates or their representatives ;
- Submission of the minutes of the counting of votes to candidates or their representatives, following the counting operation.

In addition to such optimal guarantees in terms of election regularity and transparency, the provisions of the amended electoral law (namely in 2004 and 2007) are also underlain by the will of developing democratic practices, including within political organizations that have to compete so as to gain the voters' confidence.

Strengthening Decentralization :

The finalized draft-projects on the revision of laws relating to Communes and Wilayas (provinces) aim, inter alia, to promote participatory management to involve citizens in the conduct of the community affairs and develop intercommunality to strengthen solidarity among communes and pool their resources.

In terms of local community financial resources, a process is underway including the completion of first-stage local taxation reform through the devolution of tax base and tax collection services and broadening the share of VAT on planning permits to Communes.

Right to Information :

The actions led in favour of the information sector have achieved significant progress in terms of reaffirming the right of citizens to information and promoting community-based communication.

The adoption in 2007 of an Executive Order clarifying the professional relations of journalists is one of the notable achievements made with respect to the right to information.

Other Actions already completed or underway include the creation of new local radio and regional television stations as well as two printing offices in the south.

Access to Justice :

On legal aid, the draft amendment to Ordinance No. 71-57 of 5 August 1971 (adopted by Parliament on January 29th, 2009) aims to further consolidate the assistance provided to needy litigants, particularly victims of human trafficking, organ trafficking, smuggling of migrants, terrorism, and

disabled persons. Legal aid is automatically provided to these categories of litigants.

The considerable reduction of record processing time by criminal and civil courts is also worth noting.

In order to further bring the Justice and litigants together, 25 courthouses and 66 tribunals will be delivered by the end of 2009, under an overall construction program launched in the last years.

Competent, Efficient and Accountable Civil Service :

Improved performance of administration is illustrated by the significant progress in the development of electronic services intended for citizens especially in the areas of justice (creation of an Intranet-based National Centre for Criminal record ...), local authorities (digitisation of the civil status...), education (enrolment at the University ...) as well as banking, financial and postal services (smart cards...).

Civil Society Participatory Role :

The number of approved associations is 78928 at the local level and 948 at the national level.

Public authorities are endeavouring to further consolidate the associative movement, as they are convinced of the need to consult with civil society stakeholders to enable the expression of particular, professional and special interests, and seek convergence for the general interest.



Combating Corruption :

Action to prevent and combat corruption has resulted in the strengthening of national legislation and the means to fight against this phenomenon. It equally included the adaptation of national legislation to Algeria's international commitments in this matter.

In the context of the implementation of Law No. 06-01 of 20 February 2006 on the prevention and fight against corruption, the following cases were recorded:

- 680 cases tried by courts in 2006 and 930 individuals convicted;
- 1054 cases brought before courts of which 681 cases tried in 2007 and 1 789 individuals convicted;
- 622 cases brought before courts of which 484 cases tried in the first half of 2008, and 1 126 individuals convicted.



preventing and combating corruption

Promoting and Protecting Women's Rights

A major step forward has been made in this respect thanks to the constitutional revision of November 15th, 2008.

This advance has consolidated the changes already made in the legislation on the promotion and protection of women's rights (adaptation of national legislation to the Convention on the Elimination of All Forms of Discrimination against Women, bill amending the Criminal Code providing for the offence of trafficking in persons, especially women and children ..) and reinforced State's endeavours for the elimination of all forms of discrimination against women.

The implementation of the amended Family Code and Code of nationality has also helped consolidating the elimination of such forms of discrimination.



Presence of women in all fields of activities

Promoting and Protecting Rights of Children and Youth

The law relating to the protection of the rights of children and young people is very dense and covers all areas of promoting and protecting the rights of this category. (Penal Code, Code of Criminal Procedure, Family Code, the Ordinance on the Protection of Children and Adolescents, the ordinance establishing institutions and services responsible for safeguarding children and young people, the specific provisions contained in labour, education and training and health legislation). Moreover, a bill strengthening the judicial protection of children is under consideration.

Promoting and Protecting Vulnerable Groups' Rights

In the field of employment, the law on the promotion and protection of persons with disabilities requires any employer to earmark 1% of jobs to people with disabilities. Besides, a pension is awarded to needy disabled persons over 18 years, having congenital or acquired total invalidity.

Children temporarily or permanently deprived of family, are taken care of by State institutions and receive special assistance under the law relating to children and adolescents.

The elderly, especially the underprivileged ones, benefit from a series of measures such as upgrading the solidarity lump-sum allowance, which will increase from AD 1 000, 00 to AD3 000, 00 on February 28th, 2009, or setting up a hotline for information, guidance and support.

As for people in need and especially those living in the streets or the homeless, the authorities have established a « Social emergency rescue service » to provide emergency assistance as well as long-term solutions.



II. ECONOMIC GOVERNANCE AND MANAGEMENT

Over the 1999-2008 period, Algeria has shown significant and promising signs of an effective address of the issue of economic governance and management.

The economic situation in Algeria was characterized by the pursuit of macroeconomic stabilization and improvement of economic growth, which has impacted on the labour market and resulted in a significant decline in the unemployment rate.

The external financial position of the country has improved from the year 2000 in particular through the advance repayment of external debt since 2004.

Economic Growth Resumption

To stimulate growth, public authorities have carried out, over the period 2001-2004, a support program for economic recovery totalling AD 525 billion, equivalent to \$7 billion, to upgrade basic infrastructure and foster agriculture and rural development.

This program, which was funded by the State budget to supplement programs included in the annual budgets (2001-2004), helped to drive growth by increasing value added of the building industry, public works and services. In volume terms, growth in overall GDP rose from 2.7% in 2001 to 4.7% in 2002, 6.9% in 2003 and 5.2% in 2004.

These encouraging growth levels that impact positively on employment, a major concern for the government, deserved to be sustained.

It is in this prospect that the government has launched a new development program for 2005-2009, «Additional growth support Program» (PCSC) and special programs for the development of «Southern» and «High Plateaux» areas. These programs have totalled almost 17 000 billion, equivalent to \$240 billion aimed at developing infrastructure and meeting social needs.

This program has positively impacted on economic growth -excluding hydrocarbons- and the labour market. The GDP growth rates in volume, excluding hydrocarbons, have reached



4.7% in 2005, 5.6% in 2006, 6.3 in 2007 and 6.1% forecast for the end of 2008. The unemployment rate declined from 17.7% in 2004 to 15.3% in 2005, 12.3% in 2006, 11.8% in 2007 and 11.3% in 2008.

The execution of public equipment programs aims at achieving balanced regional infrastructure, which contribute to improving the business environment in the prospect of a spatial redeployment of economic activity in order to ease the problem of industrial land in the north.

Macroeconomic Stabilisation

Once characterized by significant internal and external imbalances, the economic situation is steadily improving owing to the reforms.

This reversed trend is noticeable in the following main macroeconomic and financial indicators and aggregates :

■ **Inflation** : the evolution of consumer price indexes is favourable with inflation rates maintained at acceptable levels. Average annual inflation rate stood at 3.6% in 2004, 1.6% in 2005, 2.5% in 2006 and 3.5% in 2007. In 2008, the rate reached 4.4%, against a backdrop of soaring international prices of commodities, expansion of public capital expenditure and overliquidity of the economy. Compared to global inflation in 2008, the inflation rate in Algeria was contained within limits deemed acceptable by the international financial institutions. This resulted both from monetary and fiscal policies and support by the government of certain commodity and food input prices.

■ **Public Finance** : given the predominance of the oil tax proceeds in the budgetary revenue and their vulnerability to fluctuating crude oil prices, the government decided in 2000 to establish the “Revenue Regulation Fund” to secure budget visibility.

Currently, the overall situation of Algeria’s public finances is satisfactory thanks to the available resources of this Fund and the internal and external debt relief policy.

The stock of internal and external public debt is shrinking, due to the advance payment of foreign debt on the one hand and advances of the Bank of Algeria to the Treasury, on the other hand. At the end of December 2008, outstanding domestic public debt reached AD 734 billion as against 1779.7 billion in 2006, and the external public debt was \$0.46 billion in 2008 as against more than \$20 billion in 2000. This debt relief policy was accompanied by a decision of the government to internalize the financing of economy, which has the double advantage of not regenerating an external debt and absorbing excess of liquidity in the economy.

■ **At the external level**, the accumulation of gross foreign exchange reserves reached appreciable levels: \$110 billion in 2007, i.e. almost forty-month imports of non-factor goods and services, as





Finances: bold reforms

against \$11.9 billion in 2000. The notable increase in exports and the decline of external debt stock have led to a favourable debt service ratio which was estimated at 2.3% in 2007 as against 21.2% in 2000.

In 2008, the external balance remains comfortable, although the level of disbursements in respect of imports is constantly rising. The gross foreign exchange reserves are in positive shifts annually and their stock was estimated at \$142 billion by the end of 2008.

■ **Reforms**, preserving macroeconomic balances has given rise to a conducive environment for in-depth reforms in order to adapt the economy to market opening and to conform our laws and regulations to international norms and standards. It is in this context that the following reforms have been conducted :

■ **Budget Reform** : aimed at streamlining budget systems, moving from resource budget to performance-based budget. This new budget approach has led to the review of the organic law on finance laws to harmonize it with the ongoing budget reform and ensure the required transparency.

■ **Tax Reform** : Tax authorities initiated an organizational reform in order to specialize collection entities and alleviate tax procedures to facilitate the relationship between the taxpayer and the administration. To this end, a Division for large enterprises, tax offices to liaise with SMEs and professions, and local tax offices for package taxpayers have been created. For a better traceability of taxpayers, the tax administration has introduced a tax ID and undertaken to issue magnetic cards to operators.



■ **Customs Reform** : tariff reform has been launched since 2002, based on the level of product processing. The customs administration is currently in the process of reviewing the Customs Code to make it compatible with international trade rules. It has started to work out a medium-term modernization plan (2007-2010) in order to address fraudulent practices (counterfeiting, customs fraud, illegal transfers of capital...)

■ **Banking Reform** : in banking, payment systems have been modernized with the introduction of payment instruments to ensure speedy and secure banking transactions. To improve risk management, strengthen prudential supervision and promote market discipline, the Bank of Algeria is currently in the process of implementing Basel 2 in a gradual manner and in consultation with the community of banks and financial institutions.

The structuring projects launched during the past decade such as the east-west highway, the completion of the Trans-Saharan road, modernization and strengthening of the railway and the development of port and airport infrastructure, to name but few examples, are intended to boost economic activity throughout the national territory and strengthen regional balances.

The restoration of macroeconomic and financial stability, the recovery and consolidation of economic growth have started to bear fruit in various spheres of activity.

The agriculture sector, whose role in the national economy is of strategic nature and which enjoys ambitious development programs, has grown from 1.9% in 2005 to 5% in 2007. This trend is backed by programs underway including the “Renewal of Agricultural Economics” (2009/2013) which is a sustainable

Algiers' seaport: Lung of the economy



development strategy aimed at strengthening food security, in particular. Rural renewal backed by the 2007-2013 support Program (PSRR) provides framework and modalities for a gradual revitalization of rural areas by boosting their economic activities through outreach projects for integrated rural development (PPDRI).

In the equally sensitive area of hydraulics, Algeria will have at the end of 2009, some 72 dams of which 22 were completed between 1999 and 2008. Several projects launched in 2004 throughout the country started operation in 2007. Water conveyance projects especially in the south or from south to north were launched in 2007 including a megaproject for the conveyance of water from In Salah Albian groundwater to Tamanrasset.

In terms of good water governance, 12 seawater desalination plants are planned (two are already in use in Arzew and Algiers) and water transfer projects are underway to meet household, industrial and agricultural needs, reduce losses and improve service quality, rehabilitate and develop sewerage and water purification infrastructure, and expand and modernize irrigated areas.

From the viewpoint of the direct impact of overall infrastructure development on people's living conditions, it should

President Bouteflika launches the water resources transfer project from In-Salah to Tamanrasset over a distance of more than 700 kilometers





be noted, among other things, that the rate of connection to the drinking water network rose from 78% in 1999 to 93% in 2007 while sewerage has increased from 72% to 86%. Connection to the power supply network reached 98% in 2008 compared to 84.6% in 1998. As for the development of renewable energy, 16 solar villages (photovoltaic electrification) and 50 solar centres are planned. The connection rate of gas rose from 30.2% in 1998 to 38.4% in 2006.



III. CORPORATE GOVERNANCE

In many ways, the progress made in economic governance and management has direct or indirect, immediate or future impact on enterprises and improvement of their environment.

Actions taken by the Algerian authorities to improve corporate governance are likely to create suitable conditions for Algerian enterprises to become socially responsible, create wealth and be competitive on the national and international economic scene.

1. Improving Investment Regulations

The economic and institutional reforms undertaken by the government and intended, among other things, to adapt the Algerian economy to market opening, are meant to help Algerian business achieve a reputable development and acquire or strengthen means of its own competitiveness.

In order to improve the business environment in Algeria, the authorities have introduced several changes in the regulatory framework for investment in order to streamline related administrative procedures. Thus, amendments were made to Ordinance 01-03 of 20-08-2001 through Ordinance 06-08 of 15-07-2006, and to legal texts governing the National Agency for Investment Development (ANDI).

These arrangements embody principles of freedom to invest, non-discrimination, investment protection and intangibility of granted advantages.

Such changes are designed to incorporate international best practices in view of improving the business climate, namely:

1. reintroduction of operating incentives for projects under the general scheme (exemption from corporate tax, exemption from tax on professional activity), which would attract more capital ;
2. introduction of identification criteria for projects under the derogatory scheme, for the sake of real transparency.

3. reintroduction of VAT exemption and customs duty exemptions to streamline procedures and take account of the ongoing customs duty dismantling for most of equipment imports.
4. reduce the time of issuance by the National Agency for Investment Development (ANDI) of the notification on incentives to 72 hours instead of 30 days.
5. greater protection of investor rights through the establishment of an Administrative Appeals Board which may take action on possible difficulties arising from the implementation of investment promotion arrangements by various administrations.

The National Investment Council (CNI), whose primary task is to monitor the implementation of the law, plays a key role in mapping out strategies for investment development. This explains the steady efforts of the Government to improve the investment climate.

The National Agency for Investment Development (ANDI) was redeployed and has refocused its mission. To provide better support / monitoring of investments, Ordinance 01-03 of 20 August 2001 was amended on July 15th, 2006. This has resulted in a significant improvement in the Agency's activities, mainly as :

- the number of investment projects registered during 2007 has doubled and reached 11 497 projects ;
- the total amount of investment has exceeded AD932 billion, i.e. 224 billion more than in 2006 ;
- Job creation estimates increased from 157 295 to 196 754 jobs expected ;
- Projects involving foreigners have numbered 134 as against 100 in 2006.

Legislative and regulatory measures have been taken to address the issue of land, which is the main constraint to investment. The authorities have put in place a land market. The following actions have been taken :



- confirmation of the principle of concession convertible by law into assignment in respect of land pertaining to the State private domain and destined for investment projects (Ordinance No. 08-04 of 01 September 2008) ;
- establishment of the National Land Agency ;
- creation of the Assistance Committee for investment localization and promotion, and land regulation.

Moreover, a National Agency for land intermediation and regulation (ANIREF) was created with the short-term aim of establishing an organized, transparent and regulated land and real estate market.

2. Improving Business Climate

It should be noted that many reforms had been undertaken to improve the business climate and the enterprise environment.

These reforms include :

The Commercial Code :

It has been adapted to reaffirm the commercial status of the enterprise by conferring liberal forms of business corporations (JSC, Partnership, One-person Limited Liability Company and others.)

Tax System :

It was revised to meet new economic requirements by introducing new types of taxes such as VAT, corporate tax and income tax while adopting a specific preferential scheme for investment.

On account of this reform, the administration is alleviating the tax burden on enterprises to reinforce their self-financing capacity and, consequently, their investment capacity. Lump-sum payment has been removed and the Tax on professional activity rate was reduced to 2% while the corporate tax rate dropped from 20% to 19% for the construction industry and tourism.

The new pricing introduced by the customs reform has reduced custom costs for companies importing raw materials or semi-products for their production needs. Raw and semi-finished products required for the production process are priced at a reduced custom rate of 5% or an intermediate rate of 15%.

As part of the privatization promotion policy, advantages are granted to investors –especially foreign takeover investors- to secure the free transfer of capital, protection against expropriation and possibility of recourse to international arbitration.

As a result, this reform process has led to the privatization of 458 enterprises, since the Law 01-04 of 20/8/2001 on the privatization of public enterprises was enacted. While only 89 operations were conducted between the years 2001 and 2004, rapid growth was registered between 2005 and 2006 as 113 operations occurred in 2005 and 116 in 2006.

This has led to the following economic results :



- 40000 jobs preserved ;
- 19000 new jobs planned over a five-year period ;
- 890 billion Dinars invested over a five-year period ;
- More than 136 billion Dinars in privatisation receipts ;
- 50 billion Dinars accounting for the debt of privatized companies taken over by investors.

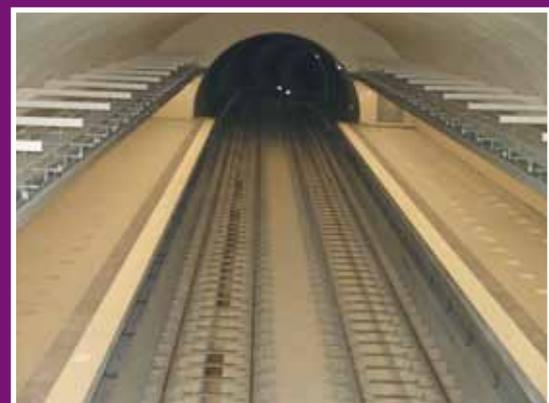
3. Improved Conditions for business organization and operation

a. Industrial Enterprise Upgrade Programme

1. Establishment of Trust Account No. 302-102 under Law No. 99-11 of 23 December 1999 (Article 92) on the Finance Law for 2000, entitled «Fund for Promotion of Industrial Competitiveness (FPCI) enshrining the principle of program sustainability in the term direct financial support for companies selected according to criteria and conditions set by the National Committee on Industrial Competitiveness.
2. Executive Decree No. 2000-192 of 16 July 2000 laying down conditions for the running of the Industrial Competitiveness National Committee, which is an interministerial body.

Since the launch and consolidation of the upgrade program in 2001 until the end of August 2008, 433 companies have applied to join the program of which 310 were accepted and diagnosed on the basis of specific eligibility criteria.

145 companies were selected to receive financial support from the Fund for the promotion of industrial competitiveness.





b. The main upgrade actions include :

In intangible terms :

1. Development of Commercial intelligence through training in marketing, setting up of appropriate computer tools, product promotion, communication development ...
2. Improvement of staff qualifications ;
3. Improvement of management efficiency ;
4. Establishment of analytical accounting and computer-assisted production and maintenance management systems. Computerization of the main functions ;
5. Use of new information and communication technologies (Intranet and Internet networks).

In tangible terms :

1. Investments for the preservation of the production plant ;
2. Investments for the modernisation of the production plant (modern technology improving competitiveness in terms of product quality and cost reduction) ;
3. Acquisition of laboratory and metrology equipment to improve product quality and compliance with standards ;
4. Acquisition of computer tools and introduction of the intranet.

c. SMEs and Handicrafts.

In addition to the law for promotion of SMEs (2001), which is being revised to fit economic environment requirements, the sector has been strengthened by the adoption of 46 implementing provisions aimed at facilitating access of SMEs to funding and developing support and facilitation measures for the creation of SMEs.

d. Creation of a National Quality System

The establishment of a national system of quality is an essential part of any industrial strategy and a prerequisite for any economy to be efficient and actively involved in globalization. Many countries have created this system to protect their economy and promote their products on world markets.



In Algeria, this system has been set up through the creation of appropriate structures (IANOR for standards, INAPI for industrial protection, ONML for legal metrology, ALGERAC for accreditation, ..) whose ultimate goal is to protect the national economy and strategic sectors in particular, guarantee the quality of Algerian services and products, promote domestic production on world markets and ultimately facilitate Algeria's accession both to the free trade zone with Europe, and the World Trade Organization.

4. Improving Regulations on Trade Practices :

A series of measures of general and specific scope have been taken including :

1. Adapting and modernizing legislation and regulations relating to competition, trade practices, commercial activities, trade registers and consumer protection
 - promulgation des lois relatives aux règles générales d'importation et d'exportation des marchandises, à la concurrence, aux pratiques commerciales et aux conditions d'exercice des activités commerciales...).
 - Adoption by the Council of Ministers of a draft law on consumer protection and fraud control. This text is currently under consideration by the National Assembly.

Steps have been taken with regard to quality control including establishment of the National Codex Alimentarius Committee and adjustment of procedures related to border checks on the conformity of imported product.

2. Strengthening market supervision and surveillance as well as consumer protection.



IV- SOCIO-ECONOMIC DEVELOPMENT

The socio-economic development pursued by Algeria is a good indicator of national governance and a response to strategic challenges rooted in the principle of social justice including meeting social needs of various categories of population, the challenge of continuous improvement of human development, the need to ensure regional balance and to place socio-economic development in the context of sustainable development securing the conditions of a harmonious adaptation of the country to global changes.

Employment :

In addition to raising the minimum guaranteed national wage from 6 000, 00 to 12 000, 00 dinars/month, the progress made in terms of economic growth helped sustain the downward trend in unemployment, which has significantly dropped from 29, 3% in 1999 to 11.8% in 2007 then 11, 3% in 2008, and 10% estimated for 2009/2010.

The employed population rose from 6 million in 1999 to 9.3 million in 2007 with 1 993 000 jobs created between 2004 and 2007, i.e. an increase of 65.5%, particularly in agriculture, industry, construction and public works, trade, administration and services.

In order to maintain and consolidate efficient employment, particularly in favour of first-time applicants with or without qualification, the Government adopted in April 2008 an Action Plan for employment promotion and unemployment control covering seven main areas, one of which is specifically devoted to the promotion of youth employment by means of a new mechanism for vocational integration (DAIP) designed for this category of job seekers. This includes training and tax incentives. More than 186 000 young people throughout the country's 48 Wilayas have benefited from this mechanism



since its launch on June 1st, 2008.

Le Pacte national économique et social :

The signing of the pact between the government and economic and social partners was a breakthrough in terms of social dialogue, paving the way for the conclusion of dozens of collective conventions and agreements. Besides, the adoption of general civil service regulations is a step further in the process of modernizing the State and enhancing good governance.

Education :

In 2008, the overall number of pupils reached 7 636 531 with a gender parity of about 98%. From 1999 to 2008, primary education enrolment has declined by more than 910 000, due to a birth rate drop (this trend should be reversed from 2011). In middle school education, enrolment has increased from 700 000 pupils to 2 595 748 including 1 280 541 girls, i.e. a 97, 36% parity. At the secondary level, where parity has reached 141%, the number far exceeded one million pupils since 2001 with the exception of 2007 when middle school time was extended from 3 to 4 years.

As for infrastructure, during the same period the number of primary schools rose from 15 729 to 18 740, of which 1536 were built within the period of January 1st, 2004 and December 31st, 2008. The number of secondary schools went up from 3 315 to 4 272 of which 904 were built between January 1st, 2004 and December 31st, 2008. As for high schools, the number rose from 1 218 to 1 671 including 321 built within the same period. Laboratories and workshops for practical work in middle school and secondary education amounted to 16 884 and 7 939 respectively. Each institution also has a computer lab.

The number of teachers grew from 326 584 in 1999 to 354 958 in 2008 with a parity that went up from 87.5% in 1999 to 116% of women, clearly marking the trend of teaching feminisation. This trend is more noticeable in secondary education with a rate of 122.41%. Out of a total of 116 000 teachers in 2008 (101 261 in 1999), 64 000 are women.

Supportive infrastructure has increased significantly. Textbook production is ensured by the Ministry of Education and the number of pupils using school canteens increased from 600 000 in 1999 to 2 381 364 in 2008. Credits allocated to school canteens, whose number rose from 4 589 in 1999 to 10 357 in 2008, have been multiplied by 15 in 8 years and went up from AD500 million to 11.80 billion. Day-boarders in middle and secondary levels estimated at 260 000 and 135 000 respectively in 2008 should account for one third of all pupils in 2015.



School solidarity actions are also conducted for disadvantaged pupils and/or living in deprived areas. These include school allowances (AD1000,00) raised to AD3 000,00, school transport, or provision of kits. For the academic year 2008/2009, some 563 buses were allocated to municipalities. From 1999 to 2008, municipalities have received about 2 721 buses. 1 000 minibuses are planned for the year 2008/2009 at a cost of \$2 billion. 500 000 kits have been distributed and 200 canteens installed in deprived areas.

Furthermore, in its literacy strategy, Algeria aims to eradicate by 2016 illiteracy affecting 6.2 million people in all categories. A reduction by 50% is expected in 2012.



Higher Education and Scientific Research :

Algeria has a network of 61 higher education institutions covering 41 Wilayas (out of 48), comprising 34 universities including one for continuing education, 13 university centres, 11 specialized schools and institutes and 04 teacher training colleges. The sector also includes 19 research institutes and 665 research laboratories within universities.

Higher education institutions have received during the academic year 2008/2009, 1 151 459 students. The number of graduates in June and September 2008 is 144 674 including 9 342 graduates of the new "LMD" teaching system.

448,032 students are housed at 254 residence halls. The average national accommodation rate is 47.1%. There are also 776 531 scholarship students representing a rate of 81.6% of all students enrolled in graduation.

Teaching is provided by 33 886 teachers, including 7 738 lecturers. Female teachers account for 38% i.e. 13 033 teachers.

Vocational Education and Training :

This sector has undergone an extensive reform program to restore its original purpose and secure the resources needed to meet the needs of national economy in terms of qualifications and skills taking into account the new knowledge-based economy.

Achievements recorded in the aforementioned support programs for economic recovery and growth enabled to double the number of facilities and increase training capacity. Vocational training institutions rose from 492 in 1999 to 1 035 in 2008 and teaching capacity from 160 000 to 248 000 posts. In the private sector, the number of institutions rose from 505 to 537 and teaching posts from 28 600 to 42 000, for the same period. Trainees and apprentices who numbered 269 750 in 1999 reached 474 000 in 2008 while the number of foreign trainees increased from 254 to 700 during the same period.



Continuing education has become one of the best instruments for business support. Until the first quarter of 2008, 7 framework agreements have been concluded resulting in the signing of 456 specific agreements under which 27 809 workers received training in various lines.

The modernization of this sector is noticeable through the widespread use of the Internet and "Intreanefp".

Health Care :

During the past decade, the medical profession has significantly grown: from 21 000 practitioners (including 4 000 specialists) in 1999 to 35 000 (13 000 specialists) in 2007. The number of beds per 1 000 inhabitants increased from 1.16 in 2000 to 1.94 in 2007, while the number of inhabitants per 1 physician (GP + specialist) dropped from 1 177 in 2000 to 786 in 2008. The number of beds increased from 57 110 in 2000 to 61 829 in 2007. The 1999-2008 period was characterized by a marked improvement in public health indicators including :

- continued decrease in mortality, from 4.72/1 000 in 1999 to 4.32/1 000 in 2008.
- decline in infant mortality from 39.4 to 26.2/1 000 in 2007.
- relative increase in the birth rate from 19.82 to 22.18 per thousand in 2007 ;

- appreciable increase in life expectancy from 72 years in 1999 to 75.7 years in 2007 ;
- Immunization coverage rates exceeding 95% for diphtheria, tetanus, pertussis and polio, and 99% for BCG ;

From 1999 to October 2008, the health sector has been strengthened with the completion of 22 hospitals, 84 polyclinics and 174 health care centres.

The new health organization introduced in January 2008 on the separation of hospitals and centres providing basic health care will help hospitals focus on their functions while ensuring prevention activities, basic health care and improvement of the relationship with citizens. This involved an investment of 244 billion Dinars. Health/GDP expenditure increased from 3.80% in 2000 to 6.77% in 2007.

Transmissible diseases, whose progression is related to the transition from a pre-industrial society to a modern society, are addressed by a specific structure within the Ministry of Health for the implementation of 26 prevention and care programs.

Social Security :

The social security sector has experienced a series of reforms that helped achieving the following main objectives: improving the quality of services, upgrading existing structures, establishing the social security contribution collection Fund and the national pension fund, and launching the use of the electronic insurance card (CHIFA) in sixteen Wilayas.

Inter-categorical and Intergenerational Fairness :

Algeria has already achieved the MDG on extreme poverty. A substantial reduction was recorded in terms of overall poverty.

In terms of micro-credit, budget allocations from the support Fund have considerably evolved from AD 500 million in 2005 to AD 3 billion in 2007.

Entrepreneurship :

New mechanisms have been set up such as the National Agency to support youth employment (ANSEJ), the National Micro Credit Agency (ANGEM) and National Fund for unemployment insurance (CNAC). New measures taken in July 2008 reinforced the effectiveness of such mechanisms through training, coaching promoters of projects to their completion, decentralizing the funding decision-making, ensuring a more effective involvement of banks and carrying out arrangements related to credit guarantee (guarantee fund).

About 94 000 micro-enterprise projects were funded between 1999 and 2007, generating nearly 260 000 direct jobs. The ANGEM set the objective of funding the creation of 100 000 business activities by the end of 2008.

Combating Poverty :

152 outreach units were set up in 2008 as against 105 in 2006 to develop programs for vulnerable groups living in poverty and exclusion. The number of such units will amount to 200 by the end of 2008.

In 2007, people who received standard solidarity allowance under the welfare and national solidarity

programme totalled 626 371 as against 589 297 in 2005 and 605 870 in 2006.

New structures for the promotion of social and professional integration of people with disabilities will soon be operational.

Social Support :

The State aid has considerably increased during the 1999-2008 period through various social support programs such as the “pre-employment contract” (CPE), “local seasonal employment” (ESIL) and “labour-intensive public utility work” (TUP-HIMO). A review of these programs was carried out in 2008. As a result, CPE was replaced by the “young graduate integration programme” (PID), the «social integration activity program” (PAIS) replaced the ESIL and the “program for collective needs” (ABC) superseded the TUP-HIMO.

State Aid to Deprived Categories :

This aid was designed for people with disabilities, children without families and children in care. It includes residential care for persons with disabilities and/or vulnerable persons, and the social safety net. This aid has materialized through the implementation of specific programs for a better adaptation to beneficiaries’ needs and strengthening measures to enable access to basic social services.

People with Disabilities :

The 100% monthly pension for persons with disabilities was raised in July 2007 from 3 000,00 to 4 000,00 dinars/month, while the number of beneficiaries increased from 140 181 in 2005 to 164 384 in 2007 and the financial allocation went up from 5 billion to 5.408 billion dinars. In 2008, 7.44 billion dinars were mobilized and benefited 180 000 people. This assistance has been extended to cover road and rail transport costs (AD 44 864 000, 00 for 600 580 people) and social security (AD 1 579 275 000, 00 for 170 765 people).

Children Without Family (not placed with Kafala) :

They are eligible for foster care paid to a person or family through an allocation of 1 300, 00 dinars/month, which is also granted to anyone over 19 years if a student or unmarried and unemployed woman. 180 million dinars were devoted to this population in 2008.

In 2008, residential care benefited 19 061 people in 276 establishments and cost more than 6.68 billion dinars. The





delivery of 139 new structures at a cost of AD 8.5 billion is scheduled for late 2008.

Safety Net :

It benefits people unable to work who receive the solidarity allowance (AFS) and the poor but able to work through the system of compensation for public interest activities (IAIG). In 2007, AFS, which is expected to increase from 1 000, 00 dinars/month to 3 000, 00 dinars/month, had already mobilized more than AD 12,917 billion in favour of 626 371 people. The IAIG benefited 252 980 people for a total of over 11,512 billion dinars.

Gender :

The participation of Algerian women became effective in all areas. The number of women appointed to senior positions has increased significantly. Considerable efforts have been made by the State to reduce female illiteracy rate which was of 90% in the wake of independence. This was reduced to 26.5% in 2003 and 23% in 2008. The strategy initiated in 2007 aims to halve the rate by 2012 and eradicate it by 2015. Another three-year strategy to promote women's integration was adopted in July 2008 with the dual purpose of rehabilitating women and helping them benefit more from development policies and programs taking into account their particular needs.

Housing :

In addition to data already referred to under «Democracy and Political Governance», it should be noted that the five-year housing program for 2005/2009 included the implementation of additional programs covering the southern part of the country (62 000 units) and the High Plateaux (98 000), in particular.



Culture :

Efforts made in implementing the cultural development policy over the past decade has enabled the sector to gain substantial increases in the budgets allocated to it and benefit from different development programs. Thus, cultural program authorisations have increased by 430% between 1998 and 2008 to reach AD 42.2 billion (as against AD 1.41 billion). The operating budget of this sector has grown alike.

Several projects for the development of culture have been launched in order to set up a national network of cultural infrastructure and upgrade their equipment. The protection and enhancement of the national tangible and intangible cultural heritage, as a means of strengthening national identity, were also lent special attention.

A «one commune, one library» project has been launched to create a network of such places of culture and knowledge throughout the national territory.

The number of cultural centres rose from 23 in 1999 to 43 in 2008, and 15 new artistic education and training centres have been created.

Three new museums have been created between 2004 and 2008 and six more are underway.

Two new regional theatres have been created during the same period.

Algeria has launched project studies relating to the Arab Centre of Archaeology and the Arab-South American Library.

Substantial financial assistance has been granted to 113 film projects since 2002 including 80 film productions in 2007 alone. Lyric arts have benefited from extensive recording and writing of the national musical repertoire, initiated in 1998 and strongly pushed forward during the «Algiers, Capital of Arab Culture, 2007» event.

93 cultural festivals are institutionalized including 16 international ones.

After having organized the «Algiers, Capital of Arab Culture» event, Algeria is preparing to host the 2nd edition of the Pan-



African Cultural Festival, in summer 2009.

Information and Communication Technologies :

The reforms launched since 2000 with an investment of nearly \$5 billion, by December 31st, 2007, have given rise to improved and more varied services. This helped to create about 135 000 jobs in the ICT sector, including postal services. The annual growth rate of fixed and mobile telephony is the highest in the Maghreb region, with nearly 72.5% from 2003 to 2007 and an overall telephone density increasing from 11.6% in 2003 to 92.6% in March 2008.

While 31 new post offices were completed in 2007 and another 800 rehabilitated and modernized, the ATM network has also been extended from 110 in 1999 to 460 in 2007.

The telecommunication market is driven by two operators in fixed telephony (3 068 000 subscribers in 2007 as against 1 600 000 in 1999) and 3 in mobile telephony (27 000 000 subscribers in 2007 as against only 54 000 in 1999). The national fibre optics network has reached nearly 66 000 km as against 7 000 km in 2000, and fixed telephony covers almost the entire national territory. The number of Internet users rose from 10 000 with 11 providers in 1999 to 3.2 million in 2007 with 76 providers, while access to broadband (ADSL), which was nil in 1999, reached 410 000 in 2007.

With regard to space activities, the already launched 2006-2020 national space program aims to master and develop space technology and applications in favour of sustainable development and strengthened national sovereignty. The first Algerian earth observation satellite (ALSAT 1) was launched into orbit in 2002. Others will be in 2011 and 2012.

In regional cooperation, Algeria participates in the production of two Arab and African earth observation satellite constellations.

In implementing its ICT development policy, Algeria has already launched two park projects in Algiers (centre) and Annaba (east) managed by the National Agency for the promotion and development of technology parks (ANPT). Another technopark is planned in the west (Oran). All such initiatives contribute to the establishment of an enabling environment to develop and further the use of ICTs, which will naturally consolidate the '2013 e-Algeria Strategy' that Algeria has decided to develop and implement.

