

AFRICAN DEVELOPMENT BANK GROUP



**ALGERIA: REVIEW OF THE BANK'S EXPERIENCE IN
SUPPORTING STRUCTURAL ADJUSTMENT**

**OPERATIONS EVALUATION DEPARTMENT
(OPEV)**

26 September 2003

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This project has been prepared by Messrs T.T. KATOMBE and H. RAZAFINDRAMANANA, Evaluation Officers, following their mission to Algeria from 6 to 27 September 2001. Any questions concerning the report should be addressed to the Director, OPEV.

EXCHANGE RATE

Currency Equivalents

At Appraisal

On Completion

At Post-Evaluation

Economic Reforms Support Programme (ERP):

(July 1990)

(November 1998)

(September 2001)

UA 1 = DA 9.61216
UA 1 = \$US 1.31416
\$ US 1 = DA 7.31

UA 1 = DA 79.0554
UA 1 = \$US 1.38017
\$ US 1 = DA 57.2794

UA 1 = 98.7268 DA
UA 1 = 1.28823 \$EU
\$ US 1 = 76.6375

Foreign Trade and Taxation Adjustment Programme (PACEF):

(March 1992)

(30/04/97)

(September 2001)

UA 1 = DA 30.5996
UA 1 = US\$ 1.43043
\$ US 1 = DA 21.39

UA1 = DA 78.676800
UA1 = \$US 1.388140
\$ US 1 = DA 56.67

UA1 = DA 98.7268
UA1 = \$US 1.28823
\$US1 = DA 76.6375

Structural Adjustment Programme (SAP):

(October 1996)

(December 1999)

(September 2001)

UA1 = DA 80.4134
UA1 = US\$ 1,43937
\$US1 = 55.87 DA

UA1 = DA 93.0722
UA1 = US\$ 1.36963
\$US1 = DA 67.95 DA

UA1 = DA 98.7268
UA1 = US\$ 1.28823
\$US 1 = DA 76.6375

Fiscal Year

1st January – 31 December

ACRONYMS AND ABBREVIATIONS

ADS	:	Agence de développement social (Social Development Agency)
AFS	:	Allocation forfaitaire de solidarité (Lumpsum solidarity Allowance)
B.A.I.D	:	Banque Algérienne de développement (Algerian Development Bank)
BEA	:	Banque extérieure de l'Algérie (External Bank of Algeria)
IBRD	:	International Bank for Reconstruction and Development
BNA	:	Banque nationale d'Algérie (National Bank of Algeria)
CNPE	:	Conseil national de participation de l'Etat (National Council for State Shareholding)
D.A.	:	Algerian Dinar
E.P.E	:	Economic Public Enterprise
P.E.	:	Public Enterprise
L.P.E	:	Local Public Enterprise
FA	:	Fonds d'assainissement (Restructuring Fund)
IMF	:	International Monetary Fund
IAIG	:	Indemnité d'activité d'intérêt général (General Interest Activity Benefit)
WTO	:	World Trade Organization
PACEF	:	Foreign Trade Adjustment Programme
PAIG	:	Programme d'activité d'intérêt general (General Interest Activity Programme)
GDP	:	Gross Domestic Product
GNP	:	Gross National Product
UNDP	:	United Nations Development Programme
ERP	:	Economic Reform Programme
PSRE	:	Prêt de soutien à la réhabilitation économique (Economic Rehabilitation Support Loan)
SNMIG	:	Basic minimum wage
VAT	:	Value-added Tax
UA	:	Unit of Account
EU	:	European Union
UMA	:	Union du Maghreb arabe (Arab Maghreb Union)

PREFACE

1. This performance evaluation report concerns three reform support programmes financed in Algeria, covering the period 1990-1998 and for which the Bank granted three loans for a total cumulative amount of UA 450 million. The loans concerned are B/ALG/PRE/90/12, B/ALG/PACEF/92/17 and B/ALG/PAS/96/23, for the Economic Reforms Programme (ERP), the Foreign Trade and Tax Reform programme (PACEP) and SAP, each for UA 150 million.
2. The loans were intended, alongside the assistance provided by other donors, to cover the foreign exchange costs of the eligible goods and services imports of public and private Algerian operators over the period of implementation of the three programmes (1990-1998).
3. The Bank prepared the respective completion reports, in December 1998 in the case of the ERP, March 1998, for the PACEF and December 1999 for the SAP. Overall, these reports covered the aspects of preparation, appraisal, approval and implementation of programmes. These documents show that the programme implementation was overall satisfactory, despite the delays in PACEF disbursements and implementation of some of the structural measures envisaged. The programmes made it possible to rapidly restore the major macroeconomic balances and to lay the foundations for a market economy. However, the macroeconomic results obtained, considered impressive, have not been sufficient to aid diversification of the productive machinery, which is highly dependent on the hydrocarbon sector, and to trigger substantial and lasting private sector-led growth, to scale down unemployment. The delays in the structural reforms partly explain the poor performance of the hydrocarbon sector from the standpoint of investment and economic growth, and also the private sector's relatively small share of productive activities. There is need to take into account, in considering these performances, of the effects of exogenous factors such as the difficult socio-political and security climate the volatility of world hydrocarbon prices and of the dollar exchange rates, as well as the rainfall levels. In addition, certain major issues, mainly concerning the sustainability of all the programme outputs were not analyzed in the completion reports. Given these aspects, the Bank deemed it necessary to prepare a joint performance evaluation report for the three programmes.
4. This report has been drafted following the performance evaluation mission conducted in Algeria from 6 to 27 September 2001. It refers to the appraisal and completion reports and is based on (i) information available at Bank Headquarters; (ii) the information on the economic and social trends gathered during the mission; and (iii) the discussions and exchanges with the competent services of the Algerian administration, as well as the resident representations of UNDP and the European Union in Algeria.
5. The report supplements the observations, analyses and conclusions of the completion reports. It draws lessons and makes recommendations to the borrower and the Bank for the consolidation of the programme benefits.
6. Copies of the PPER have been transmitted for comment to the Algerian Government and the ADB Country Operations department. Both parties have replied that they have no particular observations concerning the report.

RATINGS

1. Relevance and quality	Satisfactory
2. Achievement of objectives and Outcomes	Satisfactory
3. Efficiency	Satisfactory
4. Institutional Development Impact	Satisfactory
5. Sustainability	Satisfactory
6. Aggregate Performance Indicator	Satisfactory
7. Borrower Performance	Unsatisfactory
8. Bank Performance	Unsatisfactory

BASIC PROGRAMME DATA

1. Economic Reform Programme (ERP):

Preliminary Data

Country : People's Democratic Republic of Algeria
 Programme : Economic Reform Support Programme
 Loan No : B/ALG/PRE/90/12
 Borrower : Government of Algeria
 Beneficiary : Government of Algeria
 Executing Agency : Algerian Development Bank

A. Loan Data

	Projected	Actual
Loan Amount (UA million) :	150	149,94
Loan Approval Date :	-	17/04/1990
Loan Signing Date :	-	30/05/1990
Effectiveness :	-	16/07/1990

B. Programme Data

Financing Plan: (UA million Equivalent)

	Projected		Actual	
	At appraisal	%	On completion	%
ADB	150.00	19.93	149.94	19.33
IBRD	228.28	30.33	228.28	30.33
IMF	374.38	49.74	374.38	49.74
Total	752.66	100.00	752.60	100.00

	Projected	Actual
Date of first disbursement	-	16/07/90
Date of last disbursement	31/12/92	30/06/94

C. Performance Indicators

Cost overruns/over-assessments : n.a.
 Extent behind/ahead of schedule: 35 months
 Slippage on effectiveness : n.a.
 Slippage on last disbursement : n.a.
 Number of extensions of last disbursement date : 2
 Programme Implementation Status: completed

D. Missions

N°	Type of mission	No. of missions	Date	No. of persons	Person/days
1	Identification	-	-	-	-
2	Preparation	1	n.a.	3	n.a.
3	Appraisal	1	n.a.	3	n.a.
4	Supervision, monitoring	1	n.a.	4	n.a.
5	Mid-term Review	1	n.a.	1	n.a.
6	Completion	1	n.a.	1	n.a.
7	Post-Evaluation	1	6 -27 Sept.2001	2	42

E. Disbursements (in 000 UA)Annual Disbursements (UA000 Equivalent)

	Projected	Actual
1990	-	74 786.07
1991	-	-
1992	-	-
1993	-	-
1994	-	75 160.14

F Other programmes financed by the Bank Group relating to sector/structural adjustment : None**2. Foreign Trade and Tax Adjustment Programme (PACEF):****Preliminary Data**

Country	:	Peoples' Democratic Republic of Algeria
Programme	:	Foreign Trade and Tax Adjustment Programme
Loan No.	:	B/ALG/PACEF/92/17
Borrower	:	Algerian Government
Beneficiary	:	Algerian Government
Executing Agency	:	Ministry of the Economy

A – Loan Data

	Projected	Actual
Loan Amount (UA Million)	150	147
Loan Approval Date	-	24/06/92
Date of loan signature	-	07/08/92
Date of effectiveness	-	10/12/92

B – Programme Data

Financing Plan (UA Equivalent)

		projected		Actual	
Source	At appraisal	%	On completion	%	
ADB	150.00	100.00	150.00	100.00	

	Projected	Actual
Date of first disbursement	-	10/12/92
Date of last disbursement	-	31/12/95

C – Implementation Performance Indicators

Cost overruns/over-assessments	:	n.a
Extent behind/ahead of schedule	:	42 months
Slippage on effectiveness	:	0
Slippage on first disbursement	:	0
Number of extensions of last disbursement date	:	2
Programme Implementation Status	:	Completed.

D – Missions

No	Types of missions	No missions	Date	No of persons	Person/days
1	Preparation	-	-	-	-
2	Appraisal	1	n.a.-	3	-
3	Supervision, Monitoring	-	-	-	?
4	Mid-term Review	2	n.a.	4	?
5	Completion	1	16-29 Oct. 97	1	13
6	Post-Evaluation	1	6-27 Sept. 2001	2	42

E – Disbursements (000 UA)Annual Disbursements (UA000 Equivalent)

	Projections	Actual
1993	-	33 175,16
1994	-	23 455,08
1995	-	25 593,82
1996	-	46 831,78
1997	-	17 963,68

F – Other programmes financed by the Bank Group in the sector

Programme	Year of approval	Loan (UA Million)	Status of implement	Date of compl.o	Status of PPER
ERP	1990	150	Completed	1994	Under preparation

3. Structural Adjustment Programme (SAP):

Preliminary Data

Country	:	Peoples' Democratic Republic of Algeria
Programme	:	SAP
Loan No.	:	B/ALG/PAS/96/23
Borrower	:	Algerian Government
Beneficiary	:	Algerian Government
Executing Agency	:	- Ministry in charge of Planning - Banque d'Algérie

A – Basic Data

	Projections	Actual
Loan Amount (UA Million)	150	150
Loan Approval Date	-	10/12/96
Loan Signing Date	-	27/03/97
Date of entry into force	-	29/05/97

B – Programme Data

Financing Plan (UA million Equivalent)

Sources	Projections		Actual	
	At appraisal	%	On completion	%
ADB	150	9.0	150	10.17
IBRD	278	16.8	278	18.85
IMF	1 000	60.5	1 000	67.83
European Union	89	5.4	46.15	3.13
Others (financing deficit)	136	8,3	-	
Total	1 653	100,00	1 474,15	99,98

	Projected	Actual
Date of first disbursement	-	08/07/97
Date of last disbursement	-	30/12/97

C – Implementation Performance Indicators

Cost overruns/overassessments	:	0
Extent behind/ahead of schedule	:	0
Slippage on effectiveness	:	0
Slippage on first disbursement	:	0
Number of extensions of last disbursement date	:	0
Programme Implementation Status	:	Completed.

D – Missions

N°	Type of mission	No. of missions	Date	No of persons	Person/days
1	Identification	-	-	-	-
2	Preparation	-	-	-	-
3	Appraisal	1		2	
4	Supervision, Monitoring term review	1		3	
5	Completion	1		2	
6	Post-Evaluation	1	6-27 Sept. 2001	2	42

E – Disbursements (UA 000)Annual disbursements (UA 000 Equivalent)

	Projections	Actual
1997	150 000	150 000
1998	-	-
Total	150 000	150 000

F– Other programmes financed by the Bank Group in the sector

Programme	Year of Approval	Loan (UA million)	Status of implem.	Completion Date	PPER Situation
ERP	1990	150	Completed	1994	Under preparation
PACEF	1992	150	Completed	1996	Under preparation

SUMMARY OF EVALUATION AND MATRIX OF RECOMMENDATIONS

1. **Objectives and scope**

1.1 This project performance evaluation report (PPER) concerns three structural adjustment programmes financed in Algeria over the period 1990-98. These are the Economic Reforms Support Programme (ERP), the Foreign Trade and Taxation Adjustment Programme (PACEF), and the Structural Adjustment Programme (SAP), which the Bank helped to finance for a total of UA 450 million, comprising UA 150 Million for each programme.

1.2 These programmes were part of the process initiated by the Algerian Government for transition from a centrally planned economy to a market economy. To that end, the objectives pursued were to reinforce macroeconomic and budgetary stability, promote substantial growth driven by the development of the private sector, with a view to reducing the unemployment and improving the population's standard of living, and lastly to protect the vulnerable groups. The programmes sought to lay the basis for sound and lasting growth and to restore the country's internal and external balances. The results expected from these programmes were notably to take the current account balance from deficit to surplus, to increase the level of non-hydrocarbon exports to over 20% of total revenue and to reduce the budgetary deficit to about 5% of GDP.

2. **Performance implementation**

The programmes were not affected by financial problems; all the amounts foreseen were mobilized. Throughout the adjustment process, the Algerian Government satisfactorily and rapidly met the conditions for release of the first tranches of the loans for the three programmes and they came to become effective without difficulty. The procurement procedures were complied with in the cases of the ERP and SAP. For the PACEF, however, the contract award procedures were not followed, resulting in the delay of some contracts and in disbursement as well as the conduct of certain measures. Generally speaking, the loans were disbursed in accordance with the stipulated procedures, despite the delayed disbursement of the PACEF loan. The number of missions concerning these programmes was insufficient and they were not conducted regularly: in eight years, despite the number and complexity of the measures, only eight missions were organized in respect of the three programmes, of which three for preparation of completion reports. According to the Algerian officials, the Bank's monitoring was lax and inefficient, particularly for the ERP and the PACEF, given the small number of missions, their inadequate duration and their irregularity, as well as their limited composition in terms of experts as well as expertise, considering the complexity of the programmes and measures. In the case of the SAP however, encouraged by the easing of the security constraint, the Bank made efforts to improve the situation, notably by reinforcing the channels of communication with the Ministry of Finance, which is the focal point for the coordination and management of the programmes. At the level of Government, there are special project and programme monitoring units, which are to be computerized to enable them to perform better in future. The implementation performance was overall satisfactory, taking into account the fact that the programmes fell behind schedule (35 months for the ERP and 42 months for the PACEF).

3. Institutional Performance

Performance of the Borrower

3.1 The Borrower's performance is deemed overall unsatisfactory, given the delays in the first two programmes and the freeze of the reforms in the case of the PACEF. Further, throughout the duration of the programmes, the Borrower neither prepared nor transmitted any quarterly progress reports or loan account audit reports and it should also be stressed that the completion reports it submitted to the Bank were inadequate. They only concerned the loan management and did not involve any analysis of the status of implementation of the programme measures, whereas the economic administration that was in charge of the programmes had gradually, through the successive programmes, acquired a technical capacity that was sufficient to handle the programme implementation. This can be explained by the difficult socio-political situation in which Algeria found itself during the programme period, and also the lack of the support from all the partners for the reform process and of a political consensus on certain measures such as the privatization and the Public Service reforms.

Bank Performance

3.2 The Bank's performance for the entire process is also not satisfactory; though it took part in the preparation and appraisal of programmes, its monitoring was not satisfactory in terms of the number, regularity and composition of missions. Moreover, though its rules regarding procurement of goods and services and transmission of quarterly implementation and loan accounting audit reports were not strictly respected, the Bank has remained passive and has not taken any particular initiative to bring the Algerian authorities to improve their performance. This passiveness is all the more surprising as the Bank has, in addition to its headquarters, a regional representation office in Morocco. The security aspects inherent in the country's internal situation, which have been mentioned at different points, are not enough to justify the problem. It should however be stressed that the Bank made remedial efforts during the SAP implementation.

4 Programme Impact

4.1 The macro-economic and financial performances of the three programmes are generally deemed satisfactory. Since the implementation of the programmes, the budget deficit has narrowed, owing to the expenditure restrictions and a marked earnings improvement, and the balance of payments instability has also reduced, owing to the increased trade balance surplus and the debt rescheduling and lastly because the inflation towards the end of the programmes attained the same levels as competitor countries, thanks to a rigorous monetary policy. The net external assets increased. There was also a return to positive growth rates, mainly reflecting the good results in the agricultural and industrial sectors and the substantial increase in world petroleum prices. However, these rates remained short of the targeted rate of 5% up to 1998. Moreover good macro-economic and financial results were only obtained owing to exogenous factors (good rainfall, high petroleum prices, appreciation of the dollar). The instability of these factors, over which the Government has no control, renders the overall satisfactory results fragile and thus unable to guarantee long-term sustainable growth.

4.2 The structural reforms undertaken have not been such as to trigger substantial growth in the non-hydrocarbon sectors, given the limited diversification of the productive

system. The application of the programme measures, such as the liberalization of external trade, particularly imports, added to the faltering investment owing to the reduction in expenditure had negative impacts on the enterprises, that aggravated their imbalance and led to the disestablishment of many of them. The serious consequences of this situation include the lack of creation of jobs at suitable levels, the worsening of unemployment, the degradation of public services and of the living conditions of the population, which in turn widened the social disparities.

5. Sustainability

5.1 The prime factor of sustainability of the programme outcomes lies in the Government's determination to pursue the reforms, which are expected to turn the Algerian economy into a real market economy. This determination is at times frustrated by a social and political climate that has not allowed for confidence on the part of private economic operators, especially foreign parties.

5.2 Algeria's gradual opening up as a result of the price and trade de-control is an inevitable process. This process has been strengthened by the WHO membership and the imminent signing of the European Union association agreement. It however needs to be supported through the pursuit of structural and policy reforms and by increasing the capacity of the economic, particularly private, operators. Indeed the pursuit of reforms concerning the restructuring of public enterprises, with a view to their privatization, and the establishment of a more favorable institutional and financial environment constitute encouraging factors of sustainability.

5.3 The macro-economic and financial results are certainly satisfactory, especially for the past five years, but are far from the being fully secured, especially considering that the country's economy is seriously sensitive to climatic vagaries and variations in the world hydrocarbon prices and dollar fluctuations. The sustainability of the programme effects will above all depend on social cohesion and reduction of the economic and social disparities, whereas, the worsening unemployment and increased risk of exclusion, especially for the youth, are burdening the social climate and represent a threat to the social cohesion.

6. Conclusion

The process of adjustment in Algeria has overall attained its macro-economic and financial objectives. The macro-economic and financial balances have been restored: reduction of fiscal and balance of payments instability and inflation and improvement of exchange reserves. However these encouraging results have largely been due rather to exogenous factors on which the programmes have had no effect, which render them fragile and make it necessary to pursue and deepen the structural and policy reform that alone can guarantee lasting growth. The Government will finalize the restructuring of public enterprises and speed up privatization, stimulate private sector development and define and strengthen sector policies- particularly in the social sector, as well as in the banking and financial sector – that are adapted to changes in the Algerian society and economy and will enable the country meet the challenges of the Maghreb market and that of globalization.

7. Lessons and Recommendations

7.1 The lessons to be drawn from the adjustment process in Algeria, for the Bank and the country, in addition to those already mentioned in the completion report, relate to the exogenous factors that weaken the outcome and performances of the programmes, to the prior support of the social partners to the programme objectives and measures, to the implementation of sector policies with a view to diversifying the productive system, to private sector development, to implementation of an effective social policy integrating the dimensions of employment, poverty, exclusion and access to basic social services, so as to ensure social cohesion.

7.2 To consolidate the adjustment process and the macro-economic and financial results obtained, it is recommended that the Government pursue and consolidate the structural and policy reforms, particularly in the banking and financial sector as well as the productive sectors (especially agriculture). It is also recommended that it speed up privatizations, develop and strengthen the private sector and put in place a coherent strategy and social policy with a view to absorbing unemployment and reducing poverty. The recommendation for the Bank is to amplify and give greater depth to the policy dialogue with the Government, in order to support its reform efforts.

7.3 The Government monitoring measures will primarily concern the privatization process and the implementation of coherent sector policies, especially social. For the Bank, the principal follow up measures will concern compliance with the loan agreement provisions and continued policy dialogue with the Government, to pursue and entrench the reforms.

I. PROGRAMMES

1.1 Economic Context

1.1.1 After recording an annual average GDP real-term growth of 5% in the 1970s through the first half of the eighties, Algeria suffered the effects of the 1986 petroleum crisis that brought about a decrease in petroleum prices, dollar rate fluctuations and a deficient management system, characterized by marked State intervention. This situation led to internal and external financial imbalance, increasing social dissatisfaction caused by major tension with regard to the goods and services demand and supply.

1.1.2 The petroleum crisis in fact had considerable repercussions on State income and on the balance of payments. The budgetary revenue went from DA 108.6 billion in 1985 to 92.4 billion in 1986 and stagnated at a little over 93 billion in 1998. The current balance showed a significant deficit of over US\$ 2.0 billion in 1988, compared with 2.2 billion in 1986. Moreover, the 1986-88 period was characterized by negative growth and an increasingly high debt service rate (approximately 6.5 billion dollars in 1988, compared to just over 5 billion in 1986).

1.1.3 In the face of this situation, the authorities decided to gradually follow a process of transition towards the market economy and, starting from 1989, to embark on a vast macro-economic stabilization and structural reform programme with the support of the donor community. ADB supported this programme of reforms with an UA 150 million loan. After this first phase of adjustment, the Algerian Government sought to focus its contribution on certain sectors requiring specific reforms, such as the financial and trade sector and the public enterprises sector. ADB, called upon to finance a foreign trade and taxation adjustment programme, contributed to it with another loan of UA 150 million. The aim of this programme was to put in place an incentive, stable and transparent framework for economic operators.

1.1.4 The sharp fall in petroleum prices in 1993, added to the exorbitant debt service, the intensification of social upheaval and the retraction of external financing pushed Algeria to the brink of financial doom in early 1994. The Government thus decided to put in place a new economic adjustment programme seeking to restore the major macro-economic and financial balances and the return to growth. ADB granted a 150 loan to finance this SAP.

1.1.5 In all, over the 1990-1998 period, alongside other donors, ADB contributed to the financing of the three programmes, namely the economic Reform Support Programme, the Foreign Trade and Taxation Adjustment Programme and the SAP, for a total of UA 450 million.

1.2 Programme Formulation

1.2.1 The three programmes supported by the Bank constituted the three successive phases of Algeria's transition from a centrally planned economy to a market economy. In this process, the programmes' objectives and components were consistent with the objectives pursued by the Algerian government with the support of the major donors, particularly IMF, the World Bank and the European Union. As the Algerian administration got greatly involved from the start of the formulation and implementation of the programmes, it gradually acquired new reflexes and behaviors that differed from those of the two previous decades of centralized planning. It should also be stressed that initially, the social partners were not unanimous on

the idea, the formulation and conduct of reforms. Each social group feared that the essential measures, particularly the DA devaluation would bring on adverse effects, detrimental to its interest. The trade unions feared that devaluation would have the effect of reducing the workers' purchasing power, given the decrease of real salaries, while, for the heads of enterprises, it was the increased cost of imports and of the external debt service and the ensuing decline in their activities that were to be feared.

1.2.2 ADB contributed to defining the content of the programmes that it financed. This contribution was facilitated by the coordination of the preparation of the programmes with the IMF and the World Bank. The Bank preparation-appraisal missions used the documents of these two institutions. The technical capacity and experience acquired by the Algerian government services during the implementation of the successive programmes enabled them to contribute positively to defining and designing the programmes and also to gradually acquire expertise in the adjustment process.

1.2.3 Overall, the programmes addressed the country's structural constraints, linked with the weaknesses and malfunctioning of the centralized economic system. The implementation of the programmes brought to light the major flaws in their formulation. Some sensitive measures had been formulated without taking into account the socio-political context and the rigidity of the structures that remained marked by the reflexes and practices inherited from previous policies. Furthermore, there was a lack of sufficient and systematic prior consultation with the social partners to bring them to support the reform process. The absence of political consensus around the idea of reform not only complicated the realization of certain sensitive measures, particularly privatizations; it also aggravated the social unrest. Moreover the exogenous factors such as the persistent social and political tension, the difficult security situation prevailing from 1992, the climatic vagaries affecting agriculture and the hydrocarbon price fluctuation and dollar volatility, were indeed taken into account but minimized, whereas they had a decisive impact on the programme performance. As a result there were significant delays and postponement of certain essential measures, which also affected the programmes' performance.

1.3 Objectives and Scope of Assessment

1.3.1 The overall programme objectives were to promote an orderly and rapid passage from a planned economy to a market economy. To that end, they aimed at: (i) reinforcing the stability of the fiscal and macroeconomic framework; (ii) promoting marked growth, driven by the private sector development, with a view to reducing unemployment and improving the population's standard of living; and iii) protecting vulnerable groups during the transition period and putting in place social safety nets and job promotion programmes.

1.3.2 Their specific objectives are stated in the respective project appraisal and completion reports. For the ERP, implemented in 1990-91, the objectives were to: lay the foundations for healthy and sustainable growth; ii) create a fresh environment and more effective and incentive economic system; and iii) allow for the autonomy of public enterprises.

1.3.3 The principle objectives of the PACEP, covering the period 1992-97 were: to simplify the taxation system and relieve fiscal pressure while preserving State revenue; ii) ensure improved functioning of the goods and services market and reduce the distortions due to subsidies; iii) streamline and harmonize the customs tariffs; iv) develop and liberalize foreign trade; v) set up a more fluid market for efficient allocation of human resources; and vi) provide selective support to vulnerable social segments.

1.3.4 As for the SAP 1997-98, its overall objectives were to: i) pursue the stabilization and other efforts aimed at ensuring balance of payments viability, while guaranteeing an adequate level of imports in keeping with the objectives of growth; ii) foster labour intensive private sector-driven growth, so as to reduce unemployment and improve the populations' standard of living; and iii) protect the vulnerable groups by establishing social safety nets and introducing employment-related programmes.

1.3.5 The risks identified at appraisal, as possible impediments to the sound implementation of the programmes are the following: delay in reform implementation, lack of support from the populations, poor or inexistent debt control, adverse exogenous factors (drastic decline in petroleum prices, erosion of the dollar...), rigidity of administrative structures, under-utilization of production capacity, deterioration of the political, social and security situation, high mobility of trained personnel within the administration and public enterprises. All these risks have marked the adjustment process in Algeria and have had an impact on the programme performances.

1.4 Financing

1.4.1 The three programmes were financed on ADB loans of UA 150 million each. The Economic Reform Support Programme and the Structural Adjustment loan were co-financed with the World Bank and the IMF, and also the European Union. The Bank was the sole source of financing for the PACEF. All the donors fulfilled their financial commitments.

1.4.2 In addition to the ERP, the World Bank also financed in 1991, for an amount of US\$ 350 million, a Financial Sector and Public Enterprises Adjustment Programme (EFSAL). The ERP and EFSAL were implemented based on a 1989 IMF Standby agreement for an amount of SDR 300 million. The European Union and Italy also granted Algeria exceptional aid, as part of its debt "reprofiling". Following on a one-year standby agreement, the IMF concluded another for three years, starting from May 1995, as part of the extended credit mechanism.

II. EVALUATION

2.1 Assessment Methodology and Approach

2.1.1 The information gathering for the purposes of evaluation consisted firstly in consulting the documentation available at Bank Headquarters concerning the programmes (appraisal and completion reports, mid-term review, portfolio review). On a mission to Algeria, information was collected from the different units, especially those of the National Statistics bureau, the Bank of Algeria and the Ministry of finance. These were supplemented and sifted in light of the realities through discussions with the Heads of the said units as well as missions with the UNDP and European Union resident representations.

2.1.2 The evaluation of the attainment of objectives and outcomes has been conducted using the «before-after» reforms approach. Since the three programmes were implemented successively, the periods 1990-93 and 1994-98 represent the two relevant time spans. The latter period was extended by two years (1999 and 2001), so as appreciate the trends with regard to the sustainability of the programme impacts.

2.2 Principal Performance Indicators

The programme appraisal and completion reports stated the principal performance indicators: the GDP growth rate, the growth rate for non-petroleum production, the inflation rate, the budgetary balance, the measures for assistance to and creation of jobs for the underprivileged segments. The available statistics do not always allow for an idea of the trends with regard to these indicators and to sufficiently measure the results obtained with regard to the objectives set.

III. IMPLEMENTATION PERFORMANCE

3.1 Loan Effectiveness, Launching and Implementation

3.1.1 Considering the overall adjustment process, the Algerian Government satisfactorily and rapidly met the conditions for release of the first tranches of the loans and for the three programmes. Effectiveness was thus problem-free. This celerity denotes the commitment to the reform process and desire to implement the measures defined with the assistance of the donors. The similarity of the basic conditions of the Bank and the World Bank, particularly in the cases of the ERP and the SAP, and the implementation of the World Bank programmes before those of the Bank largely facilitated the entry into force of the Bank loans and programme start up. In addition, certain conditions deemed fragile and difficult to meet immediately had already been reformulated during the loan agreement negotiations to facilitate their implementation.

3.1.2 According to the PCRs, despite the rapid commencement of these programmes, the ERP and the PACEF encountered serious difficulties. The lack of compliance with procurement procedures, which was at the root of this situation, delayed the conclusion of certain contracts, slowed the pace of disbursement and also the implementation of certain measures. This lag was amplified by the social strife, the political and security situation and the difficult economic environment that led the Government to decrease reform efforts in 1993 and 1994. The PACEF was most affected by this slackening: scheduled for completion in 1994, it was under implementation up to 1997. It was through the IMF stabilization programme initiated in 1994, that certain PACEF essential measures that had remained unimplemented were finally carried through. This stabilization programme was launched in response to the declining petroleum prices, a marked economic recession and high inflation rates, as well as insufficient external financing resources.

3.1.3 The implementation of the three ADB programmes was deemed on the whole unsatisfactory, because the ERF and PACEF fell behind schedule and the Government abandoned certain reforms scheduled under the PACEF for 1993 and 1994, even though they were brought back on track as indicated above. ADB did not show any initiative in taking the required action, pursuant to its regulations. It should actually have reformulated the programme concerned and adapted the data to the new socio-political context, to guarantee its performance or interrupted and cancelled the loan. The disbursements continued interrupted without taking into account this slack.

3.2 Adherence to cost, disbursement and Financial Provisions

The programmes did not encounter financial problems, since all the financial commitments were honored. Generally speaking, the loans were disbursed in accordance with the procedures laid down, despite the considerable delay noted for the PACEF, for the reasons previously cited. Only the European Union loan, which was intended to give priority to the privatization activities, was partly disbursed, since there was some difficulty in starting up the privatization. The major donors of the adjustment process in Algeria were the World Bank, IMF and ADB, and also the European Union, for the SAP.

3.3 Programme Management, reporting, monitoring/ evaluation

3.3.1 Programme management encountered institutional problems at several levels: 1° the coordination and implementation structures were not all established; 2° malfunctioning was observed in all the structures in place, in the absence of a clear definition of their respective functions and responsibilities; 3° lack of coordination between these different structures, particularly between the Ministry of Finance and the Algerian Development Bank, which was responsible for loan management. It is because of the weak institutional capacity that the Borrower did not prepare nor transmit any quarterly progress report or loan account audit report. It also explains the limited degree of control of the effective implementation and monitoring of the measures contained in the programmes.

3.3.2 There were a large number of programme measures to be implemented: 48 for ERP, 32 for PACEF and 39 for SAP. Some of these were complex, given the sociopolitical context. For this reason, and owing to the deficiency of the implementation agencies and the lack of experience noted at the start of the reform process, the programme management and implementation were difficult, particularly for the ERP and PACEF. In addition, the matrix of measures did not include specific implementation timetables. This limits any assessment of the implementation period and makes it difficult to monitor the programme implementation.

3.3.3 According to the Algerian officials, the Bank's monitoring was poor and inefficient, particularly for the ERP and the PACEF, owing to the limited number and duration of missions and their irregularity and inappropriate composition in terms of the number of experts and the range of expertise, considering the complexity of the programmes and measures. Throughout the period of the three programmes, there was an insufficient number of monitoring and mid-term review missions in Algeria: a total of five over eight years. This situation so often deplored by the Algerian Authorities, particularly during the ERP and PACEF implementation periods, did not allow for the regular and fruitful policy dialogue that would have ensured smooth implementation of the programme and appreciably better results than obtained. However, under SAP, the Bank, encouraged by the relaxation of security constraints, undertook efforts to improve this state of affairs, notably by reinforcing the means of communication with the Ministry of Finance, which is the focal point for coordination and management of programmes, and by increasing the number of missions. At the level of the Government, the special units responsible for monitoring projects and programmes will be computerized, to sharpen their future performances.

IV. PERFORMANCE EVALUATION AND RATINGS

4.1 Relevance of evaluation goals and objectives and quality at entry

4.1.1 Faced with a severe economic and financial crisis, following the slump of hydrocarbon prices as well as the poor functioning and shortcomings of the centralized economic management system, Algeria embarked on a vast programme of macroeconomic stabilization and structural reform, with the support of the development partners. This programme addressed the concern to significantly improve the particularly difficult economic and social situation and to switch from the highly centralized economy to a market economy. The three policy-based lending operations financed by ADB are in line with these efforts.

4.1.2 Their objectives, as defined in the appraisal and completion reports, were complementary and primarily aimed at setting up a stable macroeconomic framework to ensure lasting growth, driven by the private sector, stabilization of the balance of payments and protection of the vulnerable segments of the society.

4.1.3 The objectives and measures envisaged were fully justified and coherent. However, certain objectives were over-ambitious, considering the complexity of the process of transition from a centrally planned economy to a market economy, as well as the country's administrative capacity to manage such vast programmes cutting across several domains at a time within a relatively short period. The GDP growth rates, the outcomes of the public enterprise restructuring programmes, the Algerian private sector's response time and capacity with regard to the reforms for example, was overestimated. In addition, certain exogenous factors, already mentioned (socio-political situation, hydrocarbon price and dollar rate fluctuation, climatic vagaries) have affected the pace of implementation of the programmes and their performances.

4.1.4 These objectives and measures confirmed the fundamental choices in the vast programme of macroeconomic stabilization and structural reform. These choices reflected three thrusts:

- (i) Establishment of market mechanisms, which are a factor of private sector promotion and development;
- (ii) Gradual liberalization of the economy;
- (iii) Social solidarity as a component of social cohesion.

4.1.5 Though the reform programmes helped to prepare the economy for its transition from a market economy, in which the private sector, as yet timidly encouraged is called upon to play a preponderant role, there is still a long way to go. Algeria's ever-increasing exposure, with the WHO negotiations and the free trade with the European Union, commits it to particular efforts to upgrade the production machinery and define new export strategies, to strengthen human resources through training etc and to meet the challenges of competitiveness.

4.2 Achievement of objectives and Outcomes (Efficacy)

4.2.1 The transition to a market economy was the goal pursued through the adjustment process. Generally, in terms of concrete results, the aim was stabilize and strengthen the macro-economic framework, to set up market mechanisms and improve the redistributive effect of social transfers in favor of the least privileged categories, in order to cope with the negative effects of programmes.

Stabilization of macro-economic framework

- **GDP Growth**

4.2.2 The contrasting evolution of real-term GDP growth, from 1990 to 2000, is seen in three main periods:

- (i) In 1990-94 when real negative growth of -0.9% yearly was recorded, contrary the 1989-90 period during which positive growth averaging 2.8% was posted. The result is essentially due to the combined effects of the heavy slump in petroleum prices and the drought that brought about a substantial decline in agricultural production in 1994 especially. The same downward trend was noted in industrial production and there were major fluctuations in the overall demand level. Indeed, gross domestic investment and exports have declined notably, while the shares of public and private consumption in GDP have stagnated around 53% and 3% , respectively. The context of economic, policy and social crisis did not allow for a positive growth rate;
- (ii) 1995-98: starting from 1995, the macroeconomic situation stabilized significantly and growth resumed. It was maintained until 1996, however without attaining the target level of 4.5% . In 1997 however, the growth rate clearly slowed by 1.1% , as a result of drought the drastic reduction of hydrocarbon prices and also the negative transitional effects of the industrial restructuring. Throughout the period, only in 1998 was a real growth rate of 5.1% attained, exceeding the target. On average, the GDP in real terms attained approximately 3.4% yearly over the 1995-98 period, on the strength of the results obtained in the agricultural and industrial sectors, especially in 1998, as well as the substantial increase in petroleum rates. The agriculture sector results have been aided by, among other aspects, the reforms in the marketing and distribution channels for inputs, whose prices had been de-controlled, and the streamlining of financing circuits;
- (iii) 1999-2000: while remaining positive, the growth rate followed a downward trend, recording 3.3% and 2.4% owing to the heavy slump in petroleum prices.

4.2.3 For the entire period of the programmes, the growth rate observed fell largely below the targeted range of $4.5-5\%$, though real progress was noted during 1996-2000 period.

4.2.4 However, the evolution of the Algerian economy is better explained by exogenous factors affecting the supply than by fluctuation in the overall demand (investment, consumption, exports). It should actually be stressed that the reduction of imbalances and the return to positive growth were only obtained owing to relatively good rainfall over the 1995-98 period allowing for a notable increase in agricultural production, the increase in hydrocarbon prices and the appreciation of the dollar. Aside from petroleum, which has been decisive in Algeria's growth, it should be stressed the difficult socio-political and socio-political and internal security situation, which weakened the economic and social bases of disadvantaged population segments, and the climatic hazards that had a considerable effect on the agriculture sector, including stockbreeding.

- **Increase of non-petroleum-related Production**

4.2.5 The reforms implemented during the adjustment process have as yet not succeeded in stimulating substantial growth in the hydrocarbon sectors. Indeed, the economic activity remains marked by the limited diversification of the productive system, since the oil production always has a decisive effect on the economy. The share of the petroleum sector in total exports was around 90% between 1995 and 1998, while the petroleum revenue represented approximately 60% of the State budget, which is 18 to 20% of GDP (table 3, annex 4).

4.2.6 Though no target level was set in the programmes for non-hydrocarbon industrial production, it is noted that it declined during the programme period and only increased significantly in 1998, on account of the public sector restructuring process (table 6, Annex 4). It is estimated that the industrial production index, excluding hydrocarbon (base 100 in 1998) dived 11 points down between 1994 and 1997. It is the manufacturing industries that were most affected by the recession. Their value added, which had remained on the decline up to 1997 (-8.7% in 1996 and -3.8 in 1997) did not improve until 1998, with a surplus of 8.4%. This decline of manufacturing industries is notably attributable to the continued weakness of the public enterprises, their dependence on imported inputs and the successive exchange rate adjustments.

4.2.7 Among the structural problems encountered by Algerian industry, the obsolete and outdated equipment of most of the public enterprises and poor management are at the root of its fragile condition. In addition, the industry is facing problems of under-utilization of its installed capacities, varying from 45 to 65%, depending on the sector. Also to be stressed is the effect of the DA devaluations on the enterprises, given the higher cost of bank credit and the exchange losses that have burdened their bank overdrafts. According to the Algerian private sector heads, the exchange losses for the entire industrial sector are estimated at over 60 billion DA at end 1995. To these losses should be added approximately DA 25 billion of financial charges generated by the overdrafts. The industrial sector is characterized also by weak export capacity, which has resulted in a low rate of coverage of imports by industrial exports (4% average). The industry's difficulties have been amplified by the implementation of SAP measures, leading to the disestablishment of several enterprises, the laying off of numerous workers and the decline in gross domestic investment between 1990 and 1997.

4.2.8 Despite its not insignificant role in the Algerian economy, agriculture suffered a major deficit, in terms of its production as compared to the level of consumption of the population as well as its value added. This situation is primarily due to the climatic hazards to

which the sector is largely subjected, and the inadequate water resources as compared to the increasing needs of the sector. Following a marked increase in 1995 and 1996 (table 5, Annex 4), from 15% to 21.3%, the sector's value added showed a deficit in 1997 (-13.5%) and only showed a recovery in 1998 (11.4%). This structural problem of inadequate water resources affected the outcome of the programmes, since very little effort had been deployed to mobilize the water and hydro-geological resources, so as to lessen the effects of the rainfall fluctuations. However the agriculture sector also has persistent structural problems (legal status of farmland, chronic low average yields, reduced useable area, etc. The main problem in agriculture however remains that of land ownership. Specifically, (i) the absence of clearly established title deeds makes access to credit difficult and thus reduce the possibilities of investing in Agriculture, (ii) the limited capacity of the sector's technical units considerably hampers access to new technologies, thus contributing to the stagnation of agricultural productivity, and (iii) the existence of three legal systems governing land and property ownership (traditional law, Islamic law and substantive law) complicates the land problem, especially in certain regions where these three systems overlap.

4.2.9 As regards the BPW sector, its value increased substantially, between 1994 and 1996, from 0.9% to 4.5% and, subsequently, it showed a decline in 1998 to 2.4%, comparable to the level of the services in 1996 and 1997.

- **Inflation Control**

4.2.10 The stabilization and adjustment efforts resulted in remarkable progress with regard to inflation, which was gradually brought under control: by 28% in 1992, down from 39% in 1994, essentially owing to the Dinar devaluation, inflation fell to 6% in 1997 and in 1998 attained the targeted level of 5% (table 3, Annex 4). This effort was sustained, since the inflation fell under the 1% level in 2000. Slight slippage was noted in 2001, with a 5% rate. The reduction was the combined result of the significant depreciation of the Algerian Dinar and the successive price adjustments. It was also facilitated by Government efforts to gradually reduce the budget deficit, which worsened in 1993 (8.7% of GDP) owing to the clearing of the portfolio of claims on public enterprises, which resulted in the marked increase in credits to the State. However, the global budget balance (including the Rehabilitation Fund) once more showed surpluses in 1996 and 1997, of 3% and 2.4% respectively.

4.2.11 This positive trend was due to a rigorous fiscal policy that allowed for rationalization of the expenditure, maintained at an average of approximately 32% of GDP yearly, and the public service staff numbers were controlled during the programme period up to 1997. It is also due to the VAT review, mainly the broadening of its base to include petroleum products, a reduction of exonerations and of the number of rates from three to two. The VAT review made it possible to substantially raise the revenue level (from 28% of GDP in 1993 to 34% in 1997, see Table 3, Annex 4). The rigorous monetary policy put in place from 1994 also contributed to bringing down inflation, as seen from the decreased liquidity ratio up to 1997. The DA was in fact devalued and successively adjusted subsequently; credit squeeze and interest rate decontrol measures were also applied and the money supply increase contained at a level compatible with the inflation reduction target.

- **Improved External Position**

4.2.12 At the same time as the inflation control, the exchange reserves were reconstituted starting from 1994. Despite the interruption of the trend in 1995, due to the low petroleum prices, the reserves level improved again in 1996 (table 3, Annex 4), thanks to the exceptional financing of the balance of payments. It went up to 9 months of exports in 1997 (compared to

2 months in 1995) and 12 months in 2000, thus greatly improving Algeria's external position. These positive results derive from the increase in hydrocarbon export earnings as well as the beneficial impact of the external debt rescheduling (May 1994) and the decrease in the import demand.

4.2.13 The net exports showed a declining trend between 1991 and 1994 and between 1997 and 1998 (Table 3 Annex 4), and this is shown by the current account deficits of 1995 and 1998 (-4.4, -5.4% and -1.9% of GDP respectively, as illustrated in Table 1 of Annex 4). On the other hand, between 1996 and 1997, they registered a medium positive growth rate of 17% yearly, whereas imports declined to a negative growth rate of 9.8%, reflecting the weak internal demand for intermediary goods imported for the industrial sector. This situation gave rise to major surpluses of the trade balance and the current account balance level, reinforced by the commissioning of the new gazoducts and the effects of the policy of partnership with foreign companies. The trade balance surplus represented 7% of GDP in 1997, against 3% in 1996. Conversely, in 1998 and 1999, the current account and global balances showed deficits owing to the slump in hydrocarbon prices. The external debt service showed downward annual fluctuations following the rescheduling, whereas the debt service relating to exports, which averaged 70% over the 1986-1993 period went on the decline from 1994, attaining 29% in 1996 and 1997. However, the external debt burden remained considerable, since it was estimated at US\$30 billion in 1998, representing 64% of GDP.

4.2.14 By and large, the programmes attained the macroeconomic stabilization objectives, and the basic indicators attest the net reduction of the internal and external imbalance. The aspects of economic liberalization have shown remarkable progress, especially over the period 1994-1998. This relates to the consolidation of the flexible exchange rate system, the convertibility of the Dinar, the elimination of non-tariff barriers and of the import license system. The monetary conditions have been stabilized, with the liquidity ratio reduced through the budgetary austerity policy. Despite the progress in stabilization of the macroeconomic framework, achieved on the strength of the favorable hydrocarbon price trends, though there were a few periods of downward trends, the transition to the market economy is yet to be finalized through the pursuit and deepening of structural reforms (reform of the banking system, whose non-performing portfolio is estimated at some 300 billion DA, strengthening of sector policy, resumption of privatization, etc...).

Public enterprise Reform and private sector development

4.2.15 The stabilization and redeployment of public enterprises was at the heart of the economic reforms undertaken by the government. Over the ERP period, it focused its action on restructuring, in order to make them financially viable and ensure their efficiency and productivity. To this end, a financial adjustment programme was put in place for the enterprises, based on debt remission by the Treasury and conversion of non-productive debts into Government bonds, especially those of commercial banks. Through this operation, the majority of the enterprises either acquired autonomy, or were disestablished or privatized. However, at the same time, the enterprises encountered great difficulty arising from the application of the adjustment programme measures: reduction of their market shares as a result of the liberalization of external trade, as well as rising input prices following the DA depreciation aggravated their imbalance and several of them became unprofitable and were obliged to close down.

4.2.16 The restructuring was nevertheless necessary in order to restore industrial sector productivity; however it turned out to be quite costly from the social standpoint and also financially (approximately 17 billion dollars) and inadequate, since the enterprises continued to suffer further losses. Moreover the public sector, with its 350 000 jobs recorded value added of only 240 billion DA, according to the Conseil national des participations de l'Etat (National council for State shareholdings). Furthermore, the restructuring was never completed over the programme period, since there was continued uncertainty concerning the legal status of several enterprises that could not tell whether they would be made autonomous, liquidated or privatized. The restructuring was in fact carried out without the enterprises debts being covered and also without sufficiently capitalizing them. This climate of incertitude and these financial difficulties of the public enterprises weighed heavily on their economic and financial results. Their performances remained chequered, or actually declined up to 1998.

4.2.17 The above factors did not favor the privatization measures, which had nevertheless been envisaged since the 1990s. It was not until 1995 that the legislative texts relating to privatization were published. The ordinance of August 1995 concerning privatizations, that was supplemented in 1997, and that of October 1995 concerning the management of State commercial capital authorized the privatization or sale of shares of certain State enterprises. In accordance with these texts, a first privatization programme was launched in 1996, concerning 1 323 local public enterprises (LPE) and 2715 commune activities. In May 1998, the summary situation was as follows: 116 commune activities disestablished, 827 local public enterprises also disestablished, with 696 transferred to their employees. As at end 2000, nearly 1,000 LPE had been liquidated or disestablished, with 464 sold to employees. This sale of enterprises however concerned only 20% of the staff, which is approximately 50 000 persons. Despite the new privatization law of 1997, which concerned a list of 250 economic public enterprises (EPE), the programme stagnated, since not a single EPE was totally privatized. It should be stressed that the strategic sectors (energy, telecommunications, banks) remain excluded from the privatizations. The privatization programme has thus fallen behind schedule; however this delay served to assess the enterprises, prepare a new programme with studies, audits and reform operations, define the price brackets and lay down procedures, etc.

4.2.18 Several factors explain the bottlenecks in the privatization operations. Firstly, the privatization modalities were only stated in 1995, through the two ordinances concerning privatization and the management of the State commercial capital previously referred to. Next, in the absence of a plan of action, of a precise privatization schedule and procedure, and of back-up and post privatization measures, the existing implementation modalities were found to be of little effect. They did not make it possible to ensure transparency and integrity in the privatization and thus to generate stable prospects for the continuation of these operations, given the new context of opening up of markets as a result of the liberalization of the economy. Moreover, the internal weaknesses of the public enterprises, the eminently political character of the privatization act, requiring sensitive decisions, particularly from the social standpoint, in terms of the bureaucracy and the lack of consistency in the decisions taken by the Government, which tended to act more in function of the socio-political context, were so many impeding factors. In addition the problem of land ownership and the lack of financial and asset evaluation of enterprises prevented numerous privatizations from going through.

4.2.19 With the setting up in 2001, of a 5 billion DA partnership fund, intended to finance the cost of support of privatization operations, and an industrial competitiveness fund of DA 2 billion to assist the enterprises in their reform process, the new privatization programme is being finalized and is expected to be launched in 2003.

4.2.20 Overall, the privatization could only have had some chance of success, if due account had been taken of the sheer slack and the socio-political and technical complexity of the process. It would also have been necessary to take several other factors into account, such as the political and security context - which discouraged a number of buyers and investors, especially foreign - the support of the social partners, the effectiveness of the safety nets introduced, the existence of a dynamic financial market, the evaluation and prior stabilization of the enterprises identified for privatization and the financial and technical capacity of buyers. It is also indispensable to have clear sector strategies and policies so as to strengthen the country's productive capacities.

4.2.21 The financial sector reform process achieved noteworthy progress with the currency and credit law promulgated in April 1990, instituting the Bank's autonomy in Algeria, and placing it in control of currency creation, definition and monitoring of the national monetary policy. This reform brought about the return of real positive interest rates from 1996, owing to the combined effects of the interest rate deregulation and the slowed inflation, the recapitalization of five State banks and the conversion of bank claims on public enterprises into government bonds. It made it possible to clarify relations between the banks and the public enterprises and favored the consolidation of financial intermediation, with the banks being subject to prudential regulations (limitation of credits to a percentage of the equity). In addition, a credit squeeze was instituted and control agencies (Currency and credit council and banking commission) established. This intermediation however remains insufficient to and unsuited to the demands raised by the reforms, particularly for the private sector. Despite the de-monopolization of public sector banks, the State banks continue to dominate the sector, supplying over 90% of credits, by favoring only their traditional sectors of activity or the priority financing of the budget through 10-year bonds and the public enterprises through different means. The public sector banks however have problems of solvency, since their non-performing portfolio was estimated at DA 300 billion in 1998. For their refinancing, they drew from the Treasury US\$ 3.9 billion in 1999, compared to US\$ 2.8 billion in 1998 and 1.9 billion in 1997. They further reduced their credits to the economy: 30 billion dollars in 1998 and 28 billion in 1999. In addition, the public banks are behind with regard to plastic cards and computer systems; they still offer an insufficient number of modern financial products. As regards the private banking sector, it came into being with the currency and credit law of 1990. It is still at the stage of adaptation of its structures and functioning, following the economic reforms and the institutional transformation undertaken as part of the adjustment process. Its role is still marginal as compared to the public banking sector. Thus, this banking system is yet to play an active role in the financing of the economy and more especially private enterprises.

4.2.22 The change in the legal and regulatory framework initiated by the programmes as well as the system of incentives for economic operators have modified the economic playing field by creating an environment conducive to private sector development, and facilitating the free functioning of the market mechanisms. Indeed, the currency and credit laws recommending the opening of import-export operations to private national operators has led to the dismantling of import monopolies, the trade and investment codes established liberalized trade and investment, the single window simplified the procedures for

establishment of enterprises, etc. In addition, the role of the State was redefined with a view to bringing it back to its tasks of regulation, control and arbitration. With regard to monetary aspects, the substantial difference between the official and parallel exchange rates, even if it narrowed following the devaluation and successive adjustments, allowed for rapid progress in favor of private operators in the import of consumer goods, spare parts and intermediary goods. Similarly, the increased access to foreign exchange for the private sector enabled the private operators to make accelerated progress in external trade.

4.2.23 However, the promotion of the private sector in productive activities is a recent option in Algeria and its share is yet undersized. Indeed, according to the Algerian heads, the formal private sector still holds a marginal position and most of the private enterprises are SME/SMI: 820 of them counted in 1995 had staff of not more than 20 persons and they have been mainly concentrated in the agriculture, construction materials and textiles sectors. The contribution of private enterprise to the overall budget was only 200 billion DA in 1999, which is very modest, however it would appear that the private sector is gaining importance since it is expected to represent some 65% of GDP excluding petroleum in 2001.

4.2.24 The favorable reaction of private operators seen particularly in the increase in their numbers as opposed to the period preceding the programmes, was one significant aspect of progress with regard to liberalization. However, this should not mask the difficulties relating to the technical skill and professionalism of the private operators and the heavy and bureaucratic procedures for application of the laws and regulations, despite the establishment of the single window. The liberalization remained incomplete, especially as regards the export market requirements for several private operators (competition, the need to comply with the increasingly rigorous standards, the availability in sufficient quantities and the regularity of supply). It remained incomplete also owing to the socio-political and security environment that was still difficult, the land ownership situation, which, as already said, discouraged many foreign investors, the lackluster investment following the reduction of public expenditure, etc.

4.2.25 The investment promotion mechanism (new investment code of October 1993) obtained poor results owing to the country's political situation. There was however significant progress in direct foreign investment (DFI) from 1996. In 1999, Algeria received US\$ 530 million in DFI, compared to 500 million in 1998, most of which was invested in the hydrocarbon sector. The Investment, Support and Monitoring Agency (Agence pour la promotion et le suivi des investissements -APSI) claims to have received, up to February 2001, a total number of 40 000 investment dossiers (foreign and national) for a total of US\$ 40 billion, expected to create 1.5 million jobs, however it is observed that only 10% resulted in an operational project. This shortfall led the authorities to conduct a critical assessment and recasting of the legal and regulatory mechanism intended to promote foreign investment. Without doubt the Authorities encourage investment, but its development is still hampered notably by the tax system denounced by the private operators as being too heavy, a poorly performing banking system, dominated by public banks and still without adequate financing instruments and products and insufficient means of communication.

Socio-economic impact of programmes

4.2.26 The implementation of the three programmes has had many adverse social effects. The trade and price liberalization measures, the restructuring of public enterprises culminating in the privatization of only few of them, brought about a decline in economic activity with the attendant wave of retrenchment. This retrenchment has contributed to the aggravation of unemployment and placed large segments of the population in a precarious situation. Between 1994 and 1998, the public enterprise restructuring gave rise to massive lay offs of an estimated 500 000 employees. In addition, 450,000 employees were laid off following the liquidation of about 1000 small enterprises/units, representing a high social cost. To these factors should be added the notable absence of new investments, whether in public or private enterprises, as well as of a national employment policy. The real-term annual average GDP growth rate of 34% remained too low to bring about a significant decrease in unemployment and raise the standard of living of the populations, notably the poorest segments. Indeed, with an annual growth rate of the workforce recording approximately 4%, the GDP growth rate is too low to reduce unemployment.

4.2.27 To attenuate the transitory costs of adjustments on the poorest strata, the government set up several diversified mechanisms for social security as well as job promotion and creation. These mechanisms were instituted in 1992 and consisted firstly in the granting of subsidies in respect of major consumer goods prices, shortly after replaced by income subsidies, based on the establishment of a subsidy system in favor of incomeless social categories. Given the large number of persons who declared themselves income-less (over six million) and the low amounts of the grants made available and considering the cost of living, the system showed itself to be limited and ineffective. Its ineffectiveness was worsened by the fact that the real beneficiaries were neither determined nor identified. This system was abandoned in 1994.

4.2.28 Two new mechanisms have been introduced: indemnité pour activité d'intérêt général (IAIG) in October 1994 and the allocation familiale de solidarité (AFS), for which the allocations are provided from a social solidarity fund, «Fonds d'aide aux catégories sociales défavorisées».

4.2.29 The IAIG mechanism was, from 1994, based on the payment of a part of the benefit to able-bodied persons interested in taking up certain jobs such as maintenance of urban and rural infrastructure, social development activities (education, health, support for job creation through training, etc) and, also a lump sum allocation for solidarity with persons unable to work. The IAIG system was managed at the commune level. At end 1996, there were over 500 000 persons working in the public works programme and 277 000 aged and handicapped persons receiving allocations. Certain shortcomings noted in connection with the mechanism, mainly the limited local capacity for control and monitoring, the fact that the salaries were not indexed to inflation, its practically systematic approach as an employment programme specifically for the youth. Starting from 1997, the Government reinforced IAIG through a more structured public works programme aimed at improving the quality of the infrastructure in the rural areas by creating about 20 000 jobs annually. As for the AFS system, the direct beneficiaries, being the heads of households (aged and handicapped persons) and women without incomes, were estimated at nearly 450 000 in 1999, compared to over 500 000 in 1997/98. As it was never indexed on the inflation rate, since its initiation in 1996, AFS purchasing power declined considerably to the point that it became meaningless, considering the cost of living.

4.2.30 Regarding the job promotion mechanisms, a few programmes concerned the youth and workers laid off as a result of the economic restructuring. These were primarily the 'Emplois salariés d'Initiative Locale (ESIL)' programme run by the administrations and local enterprises, Travaux d'Utilité Publique à Haute Intensité de Main d'Oeuvre (TUPHIMO) programme, the Contrat Pré-Emploi (CPE) and the programme of assistance for establishment of microenterprises. All these were stopgap mechanisms and essentially provided temporary jobs that did not pay very well. They offered practically no lasting solutions to the youth and other jobless and retrenched groups.

4.2.31 Despite the efforts to more effectively target persons eligible for the transfer mechanisms, notably the AFS and the IAIG and the setting up of job promotion arrangements, the safety net put in place has not been enough to ensure adequate social protection for vulnerable groups. In the absence of marked growth such as will generate jobs, its impact on the social reality has been very limited. There has in fact been a decline of real incomes of households during the period of the three programmes (real salaries in the different sectors recorded a depreciation in the order of 35% between 1991 and 1998) and aggravation of the unemployment situation. According to a study on the workforce, conducted in 1997 by WHO, the unemployment rates were estimated at 27.8% and recent studies situated them at over 30% in 2000. It should be noted that in accordance with the 1998 data, about 80% of jobless are youth under 30, and 70% of them have no qualifications.

4.2.32 The budgetary restrictions brought about by the adjustment programmes as well as the cancellation of subsidies granted in the area of health care and medication have penalized the social sectors, particularly education and health, whose situation has deteriorated as seen in the gradual decrease of their respective share of the State operating expenditure during the programme period (from 23% in 1993 to 17.8% in 1997, for education; from 5.5 to 4.7% for the same period, for health).

4.2.33 All the mechanisms against unemployment or for promotion of jobs have been found to be either inadequate or ineffective in reducing the phenomenon of unemployment and exclusion of the youth from active life to a level compatible with the requirements for social cohesion and combat the constantly spreading poverty. It should be stressed that these mechanisms in fact proposed in terms of procedures and content, a social remedy rather than an economic remedy for the problem of unemployment, which limited their scope. Aware of this situation, the government put in place a new procedure more effectively address all these phenomena: it organized in October 2000, the first national poverty reduction conference, followed by the preparation of a poverty map to better target the populations, as well as a strategy to take the poverty dimension into account in the different sector programmes.

4.3 Efficiency

4.3.1 Based on the statistics available and the investment rate and the real growth rate of Algeria, the capital coefficient declined slightly between 1995 and 1996 (from 1.89 to 1.84) and slumped between 1997 and 1998 (from 6.72 to 1.49), thus improving the total productivity of the factors between the two periods. The steep decline in the economic growth rate in 1997, owing to a slump in hydrocarbon prices and drought, raised the capital coefficient to 6.72, further deteriorating the total productivity of factors. Since 1998, the capital coefficient has tended to rise, but just slightly, from 1.49 to 1.84 in 1999, then to 3.3 in 2000. Thus, overall there has been slight improvement in the economic efficacy on account of a certain degree of diversification of the productive system, particularly at the industrial level, however still limited.

4.3.2 It however remains difficult to attribute this evolution solely to the reforms implemented under the programmes financed by the Bank and other donors, or to consider that these programmes have improved the overall economic efficiency. The evolution of the Algerian economy, over the past six years has depended on exogenous including climatic factors (drought, floods) and persistent social and political strife. Above all, this economy is running nearly exclusively on the proceeds from petroleum, with a result that the central indicator pivotal to all the others is hydrocarbon. It is noted that the export earnings from petroleum products make up the greater part of the state fiscal reserves, on account of the oil taxation, and substantially all the State foreign exchange resources. However, it should be stressed that the oil taxation remains uncertain and cannot guarantee a regular flow over a long period of substantial fiscal resources. Given this situation, Algeria's evolution and growth rate has hardly anything to do with the reforms implemented under the programme.

4.3.3 Significant progress has been made with regard to macro-economic stabilization (positive growth, budget balance, replenishment of exchange reserves, inflation control) and strengthening the basis of a market economy. However these performances are still fragile and their assessment qualified, firstly, given this hold the hydrocarbon sector has over the country's economy, attracting the bulk of the public investments – which have had precious little effect on the development of the other productive activities- also due to the limited diversification of the productive system because the essential part of the real economy, with its poor results, has not really resumed growth and, lastly, owing to the substantial external debt burden.

4.3.4 The heavy debt burden with the high debt service levels (36% average over the 1994-97 period, around 48% in 1998 2000), tends to drastically constrain the country's import and investment capacities. The external debt thus constitutes one of the major obstacles to substantial and continuous growth, in the absence of a significant flow of direct foreign investment, whereas only such growth can maintain the capacity to generate wealth and jobs.

4.3.5 Concerning the results of the real economy, it is seen that the non-hydrocarbon industrial production has long remained stagnant, while agriculture recorded a major deficit in its production and value-added and the PWD and services sectors experienced major fluctuations.

4.3.6 Algeria has substantial productive potential and also good potential for improved economic efficacy, however, the development of this potential will only be fully realized if the Government deepens and speeds up the structural and policy reforms. These are notably the acceleration and implementation of the industrial sector privatization and rehabilitation programme in order to better use its installed capacity and improve its productivity. Also required are reforms in agriculture, principally concerning the legal status of farmlands, as well as in the financial sector on which the success of the economic reforms depends. At the same time, the reforms concerning the entire economy, particularly those of the legal and regulatory framework, aimed at consolidating and broadening the basis of the market economy will be pursued and accelerated. All these efforts can only be successful if the weight and pressure represented by the external debt are significantly scaled down.

4.4 Impact on institutional development

4.4.1 The implementation of the three correlated programmes, closely involving the officials of the ministries responsible for economic management, has contributed to strengthening the Algerian administration's capacities for analysis with regard to formulation as well as implementation of reforms. It is thus better equipped now to prepare new reform operations.

4.4.2 The currency and credit law brought about institutional transformation concerning the Bank of Algeria, which became autonomous, assumed responsibility for the currency creation and conduct of the monetary policy, credit control and saving mobilization. This reform made it possible to introduce indirect instruments for regulation of currency (money market, national credit plan, liberalization of creditor interest rates..) and the establishment of credit control agencies (Conseil de la monnaie et du crédit, Commission bancaire) that have considerably improved the financial intermediation. The public enterprises restructuring, entailing the establishment of the EPE and holdings, establishment of separate departments, the texts on the labour relations, application of the trade code and price decontrol measures, have all made it possible to modify the environment, the operation and the purposes of public enterprise, with a view to optimizing its performance. Similarly, the establishment of a single window has streamlined the procedures for inception of enterprises.

4.4.3 The multiple mechanisms set up to reduce unemployment and promote jobs have given new impetus to the efforts to contain the unemployment and exclusion, particularly amongst the youth, even if they have not really had the expected effects.

4.5 Sustainability

4.5.1 The prime factor of sustainability of the programme effects lies in the Algerian Government's commitment to carry out reforms, which is effective, and the fundamental orientation of the reforms (transition to market economy) no longer raise any problem; the debates rather concern the modalities of implementation and the stakes of the matter. The delay in certain reforms putting in place (banking sector, justice, hydrocarbon law, energy reform) and the government's prudence approach to practical implementation of certain programme measures are indicators that the debate is still on. To be noted, however, is the recent conclusion of certain reforms concern to open up the growth-leading telecommunications sector for privatization.

4.5.2 Algeria's gradual opening up, on account of the price and trade liberalization is an inevitable process. This process, reinforced by accession to WHO membership and the signing of the association Agreement with the European Union in the near future should however be supported through the pursuit of the structural and policy reforms and building the capacities of the economic operators, particularly the private ones. The pursuit of the reform for the PE restructuring and their ultimate privatization, as well as the development of a more conducive institutional environment constitute encouraging aspects in terms of sustainability.

4.5.3 The private sector's vitality and its increasing importance in the non-hydrocarbon growth is another factor of sustainability. This private sector impetus is however insufficient though slightly underestimated in official statistics, given the size of the informal sector. Thus, for example, there are most probably not 30 000 private enterprises, but 50 000 and certain economists estimate that the GDP should be reassessed as 15%, taking this phenomenon into account.

4.5.4 The economic results posted during the decade corresponding to the programme period are encouraging, especially for the past five years. They are however far from definitively secured, considering that the Algerian economy is very largely influenced by oil products, climate and petroleum price variations that could compromise the sustainability of the programme effects. Sustainability will above all be determined by social cohesion and reduction of economic and social disparities, whereas the worsening unemployment and the increased risk of exclusion (particularly for the youth) are burdening the social climate, with the risk of social explosion, and are detrimental to the durability of the programme outputs.

4.6 Aggregate Performance Rating

Performance rating tables are provided in the appendix. The overall programme performance has been deemed satisfactory, as has the attainment of objectives and outcomes. The efficiency and impact on the institutional support (rated 3 each) are also satisfactory. Despite the efforts made to guarantee their sustainability, the programme outputs remain fragile owing to the impact of the hydrocarbons on the country's economy, the limited diversification and the deficiency of the Algerian productive system, the climatic vagaries and the evolution of the social and security situation

4.7 The Borrower's Performance

On the whole, the Borrower's performance has been satisfactory (rated 3), aside from the difficult period when the 1993 reforms were frozen up to the first quarter of 1994. The preparation was properly conducted (3.25) and the implementation slightly less so (2.8) mainly because the quarterly progress and loan account auditing reports on the programmes were not submitted and owing to the shortcomings of the completion reports prepared by the borrower. These reports in fact concerned only the loan management and did not analyze the status of implementation of the programme measures. Nevertheless, on the whole, the economic administration responsible for the programmes had sufficient technical capacity to implement the programmes.

4.8 Bank Performance

4.8.1 The Bank participated in the programme preparation phase. For the first programme (ERP), a three-member preparation team examined with the country's authorities the content of the reforms envisaged. For PACEF and SAP, the preparatory phases did not include any specific missions; rather they entailed continued support to these programmes and implementation of the Bank CSP recommendations.

4.8.2 The programme appraisal was on the whole facilitated by the availability of documents concerning the support of IMF and the World Bank. However, for the PACEF, the appraisal report was not precise enough concerning the macro-economic refocusing and did not include loan conditions that would ensure the maintenance of a viable macroeconomic framework. The result was that the Bank continued disbursement, despite the government's suspension of the reforms from 1993 to the first quarter of 1994.

4.8.3 The analyses of problems and constraints were on the whole properly conducted. The same applies to the coordination with other donors (rated 3). The experience the Bank and the Algerian side accumulated over the programmes implementation period also represented an asset.

4.8.4 The supervision raised certain problems in the case of the ERP, owing to socio-political strife starting from 1991 (3 missions in 1991) while the SAP, given its short duration was better monitored (3 supervision missions, mid-term review and financial supervision missions in 1997 and 1998). However, though the problems arising during implementation were ultimately resolved, the limited number of supervision missions (only two in October 1993 and June 1997 owing to the insecurity in Algeria) for the PACEF no doubt explain why the programme fell so far behind schedule in disbursement and implementation that it compromised its performance. All the Bank missions were made up of a single economist, which is inadequate for rigorous and in-depth supervision of the numerous programme components.

4.9 Factors affecting the performance and outcome

First among the most significant factors detrimental to the programme implementation is the volatility of the petroleum prices on which all the development strategies over the past few years have been based and which has determined the attainment of the balances. Also to be mentioned are the climatic vagaries to which the agriculture sector is very sensitive, and the difficult socio-political and security situation that the country faced for a decade and which weakened certain segments of the population, as well as the basis of the Algerian economy and the social cohesion. The lack or absence of political consensus around major development options, particularly concerning privatization, did not make it possible to implement the essential structural measures. The external debt burden remains significant despite the rescheduling. The limited performance of the private sector, despite the authorities' encouragement, albeit timid, prevented this sector from playing a preponderant role in the economy. The inadequate information fluidity and lack of transparency constitute serious flaws that reduce the State and operators' aptitude to draw up coherent and effective strategies, especially against poverty and exclusion.

V CONCLUSIONS, LESSONS AND RECOMMENDATIONS

5.1 Conclusions

5.1.1 On the balance, the adjustment process conducted in Algeria during the 90s attained its objectives, especially starting from 1994; the macro-economic framework was stabilized and the macro-economic and financial balances were restored. In that context, the dinar depreciated following progressive adjustments after devaluations, policies were applied for budgetary and monetary rigor, leading to a marked fall in inflation and reduced balance of payments fluctuation. They further made it possible to replenish exchange reserves to a level that would ensure the country's credibility.

5.1.2 This situation has been possible owing mainly to the exogenous factors over which the programme had no control, mainly the favorable international hydrocarbon price trends, the appreciation of dollar in comparison with other currencies and good rainfall leading to a notable increase in agricultural production. This is to say that the outputs are actually very fragile.

5.1.3 However the programmes implemented had adverse effects on the public enterprises, whose cash-flow situation was destabilized, while their market shares dwindled. They had detrimental effects above all on the job situation, increasing the joblessness and poverty among the most vulnerable populations. The social sectors also declined, particularly health and education and all the mechanisms put in place became insufficient.

5.1.4 It is therefore indispensable to deepen and speed up structural reforms, particularly the privatization and banking and financial sector rehabilitation programmes, the private sector reinforcement and development and the definition of social policies corresponding to the changing Algerian society. Continuation of the reforms will make it possible to meet the challenges of the Maghreb regional market and globalization.

5.2 Lessons

Lessons from this adjustment experience, in addition to those from the three PCRs can be summed up as follows:

- The lack of political and social consensus on the reforms neither facilitates their implementation nor their successful outcome nor the adjustment process internalization (para. 1.2.3);
- The refusal to review a programme in event of a change in the sociopolitical context or the freezing of reforms will weaken any guarantee of their implementation and could compromise the outcomes and performances of this programme (para. 3.1.3);
- It is indispensable to put in place all the implementation structures of programmes beforehand, to ensure their success and guarantee control and effective implementation of measures (para. 3.3.1)
- The performances of a programme are also determined by the country's institutional capacities and the climate of security and trust (para. 4.1.3);
- Superposing legal systems (traditional, Islamic, substantive) does not allow for clarifying land ownership administration and it complicates the settlement of land disputes (para. 4.2.8);
- The lack of a structured financial sector is a major handicap for private sector development (para. 4.2.23)

5.3 Recommendations

5.3.1 To consolidate the outcomes of the three programmes, in addition to the generic recommendations concerning compliance with implementation schedules and certain provisions of the loan agreements (transmission of progress reports, conduct of loan account audits...) it is recommended that the Government:

- Reinforce the mechanisms and structures for dialogue among all socioeconomic partners concerning the reforms to be undertaken to secure their support;
- Comply with the loan agreement provisions, especially concerning the submission of quarterly implementation, audit and completion reports in accordance with the prescribed norms;
- Put in place mechanisms for resolving the land issues;
- Carry out banking and financial system reforms for optimal mobilization of internal savings and to attract the DFI and facilitate access of the private sector, particularly the SME/SMI, to sources of financing on favorable terms;
- Pursue and bolster the structural and policy reforms, particularly in the social sector, creating an environment conducive to poverty reduction;
- Pursue the public sector restructuring and accelerate the privatization.

5.3.2 In addition to the recommendations in the Completion report, it is recommended that the Bank:

- pursue the policy dialogue with the Algerian Government so as to support its structural and sectoral reform efforts;

5.4 Follow-up Actions

A. Government

- Comply with loan agreement conditions;
- Pursue structural reforms, especially in the banking and financial sectors;
- Speed up the privatization process, particularly for the EPE;
- Formulate and put in place a poverty reduction strategy;
- Formulate and implement land tenure policy guaranteeing and facilitating access to landed property for enterprises as well as individuals.

B. The Bank

- Implement the loan agreement provisions;
- Reinforce guidelines relating to supervision and mid-term review of programmes;
- Pursue policy dialogue, notably concerning privatizations, restructuring of the financial and banking sector well as the public service and poverty reduction;

ANNEXES

ALGERIA
PROGRAMME(ERP, FTTAP, SAP)
PERFORMANCE EVALUATION REPORT

MATRIX OF RECOMMENDATIONS AND FOLLOW-UP ACTION

Main observations and conclusions	Recommendations	Follow-up Action	Responsibility
Formulation and basis of programmes			
The programmes were formulated without taking the socio-political context and the environment of the moment into account	Take explicit account of the context at the time of formulating the programme	Plan action in function of the context	Government and Bank (Operations department)
Little or no prior consultations with the social partners with a view to ensuring actual ownership of the programmes	Have the different social partners participate in the design and preparation of the programmes	Establish structures for dialogue and consultation with the social partners	Government
Over-optimistic appraisal and failure to anticipate the consequences of exogenous factors that are likely to affect growth	Take account of the exogenous factors likely to affect the programme objectives	Conduct prior studies to assess the probable impacts of the exogenous factors and put in place alternative scenarios	Government
Programme Implementation			
Lack of compliance with the Bank rules and procedures gave rise to delays in the programme implementation	Ensure strict compliance with the Bank rules and procedures	Apply operational directives to ensure compliance with procedures	Bank (Operations Departments)
Certain key measures could not be implemented on time behind schedule	Put in place a monitoring-evaluation system	Establish a monitoring-evaluation structure	Government
The Programme management was affected by institutional problems: the fact that not all the coordination and implementation agencies were established; lack of coordination	Ensure compliance with institutional aspects of the programme	Establish the structures for the programme coordination and implementation	Government
The Executing agency did not submit any quarterly progress reports or loan account audit reports	Ensure compliance with the loan agreement provisions	Apply the operational directives to ensure compliance with the loan agreement provisions	Bank (Operations Departments)
The Bank's monitoring of the programmes was weak and ineffective	Regular and multidisciplinary monitoring of the programmes	-Programme multidisciplinary monitoring with a compulsory schedule -Apply operational directives to ensure the transmission of implementation and audit reports	Bank (Operations Departments) Bank (Operations Departments)

Main observations and conclusions	Recommendations	Follow-up Action	Responsibility
Programme performance evaluation			
The good macro-economic and financial results obtained remain fragile, since they depend largely on exogenous factors	Reinforce the macro-economic and financial framework	Formulate and implement coherent sector policies	Government
The industrial sector is experiencing structural changes that prevent it from improving its productivity and modernizing its equipment, poor management	Ensure that the industrial sector's productivity is increased	Sector reforms Increase in capacity of enterprises (Adequate human/financial resources)	Government
The agriculture sector is handicapped by the lack of clear legal provisions governing land	Address the problem of land ownership	Formulate and implement a legal framework governing land	Government
External debt remains considerable and impedes economic growth and job generation	Ensure that the debt burden is affordable	Formulate a debt reduction programme	Government
The effect of petroleum production on the economy remains preponderant and does not encourage diversification of the productive system	Diversify the productive system	Formulate and implement coherent sector policies	Government
The freezing of privatization operations did not stimulate private sector development	Pursue privatization programme	Implement the privatization programme	Government
Lack of social strategies to reduce unemployment and poverty	Formulate far-reaching structural reforms	Implement the necessary structural reforms	Government

ALGERIA
(ERP, PACEF, SAP) PROGRAMMES
PROGRAMME PERFORMANCE EVALUATION REPORT

PERFORMANCE EVALUATION RATINGS

N°	Indicators	Ratings (1 to 4)	Observations
1	Evaluation of relevance and quality at entry		
i)	Consistency with the country's development strategy	3	The programmes satisfied the country's new economic policy orientations going from a centrally planned economy to a market economy
ii)	Consistency with the Bank's aid strategy	3	The programmes met the Bank's concern to support and assist the Government in its reform efforts. This concern was explicitly highlighted in the Bank's strategy
iii)	Macro-economic policy	2	The enterprises' macro-economic policies were appropriate, given the programme objectives and yielded positive results, whose sustainability however required the deepening of structural and policy reforms
iv)	Sector policy	1	No sector policies were explicitly defined in the programmes with a view diversifying the productive basis. It remains to develop and reinforce the sector and policy strategies of the entire productive system
v)	Public sector reforms	2	Public sector reforms envisaged in the programmes could not be entirely implemented
vi)	Poverty reduction	1	Several poverty reduction measures put in place did not contribute to poverty reduction, which has actually worsened
vii)	Social and gender equality aspects	1	Despite all the poverty reduction and job promotion measures, unemployment has increased in worrying proportions, particularly among the youth and women
viii)	Environmental issues	N/A	
ix)	Human resource development	2	The involvement of national trained personnel in the programmes formulation and implementation has contributed to human resource upgrading

N°	Indicators	Rating (1 to 4)	Observations
x)	Institutional Development	2	The administration has benefited from the cumulative experience in the formulation and implementation of reforms and the institutional capacities have improved. The reorganization of Bank of Algeria and the liberalization of the banking system have improved financial intermediation, the restructuring of the public enterprises has modified their environment and functioning
xi)	Private sector development	2	The trade liberalization measures, the change in the legal and regulatory framework and the system of incentives (currency and credit law, trade code, single window...) have created an environment conducive to the development of the private sector. The sector is however facing enormous difficulty (financing, high cost factors, bureaucracy in the administration...)
xii)	Regional economic integration	1	The programme measures have given the Algerian economy the opportunity to open up and indirectly contribute to regional integration
xiii)	Quality at entry (including complexity, risks, etc.	2	The appraisal reports were considered to be of good quality, the programme risks were anticipated however no alternative growth scenario had been envisaged to take them into account
xiv)	Others specify (specify)		

N°	Indicators	Rating (1 to 4)	Observations
2	Achievement of objectives and outcomes (Efficacy)		
i)	Policy goals - Macroeconomic stabilization - Public Investments and Expenditure - Currency reforms - Debt management - Encouragement of private sector and incentives - Labour legislation - Goods and services procurement policy - Others (specify)	2.6 3 1 2 2 1 N/A N/A N/A	<p>The macro-economic and financial balances have been restored</p> <p>Slowed public investment, further to the expenditure reduction. Also limited by taxation and the banking system</p> <p>The currency and credit law, the consolidation of the flexible exchange rate system, the Dinar convertibility all stabilized the monetary situation and facilitated the free functioning of market mechanism</p> <p>The Government has set up a debt rescheduling programme. However, the debt burden remains considerable</p> <p>The legal and regulatory framework was changed and incentives given to economic operators (the law on currency and credit law, commerce and investment codes, single window, access to foreign exchange, etc...)</p>
ii)	Physical Objectives (product/outcomes)	n.a.	
iii)	Financial Objectives - Financial viability - Cost recovery - Restructuring - Others (specify)	n.a.	
iv	Institutional development objectives		

N°	Indicators	Rating (1 to 4)	Observations
v)	Social objectives <ul style="list-style-type: none"> - Poverty alleviation - Protection of vulnerable groups - Reduction of income disparity - Development of community participation - Gender equality - Access to and quality of services - Food and food security - Population settlement/resettlement - Improved health services 	1 1 1 N/A N/A 1	Poverty has worsened following the implementation of programme measures The social arrangements adopted proved insufficient and ineffective The programme measures widened the disparities, given the layoffs and unemployment that resulted from the closing of enterprises and investment reduction Decrease in credits in favor of the basic social infrastructure, following the expenditure reduction, did not favour access to and quality of services Deterioration of health services, given the reduction of health expenditure and population increase
vi)	Environmental goals <ul style="list-style-type: none"> - Natural resource management - Protection of biodiversity - Protection of soil, air and water quality - Quality of the urban environment - Other (specify) 	n.a.	

N°	Indicators	Rating (1 to 4)	Observations
vii)	Private sector development objectives - Legal framework for the private sector - Restructuring privatization of public enterprises - Financial sector development - Technical assistance to the private sector	2 1 1 N/A	Legal and regulatory framework reforms were formulated but some amount of difficulty has been encountered in their application Texts exist however privatization is marking time There were certain innovations in the financial sector
3)	Efficiency		
i)	Economic efficiency	2	Slight improvement of economic effectiveness in terms of capital co-efficient, owing to some degree of diversification of the productive system, particularly at the industrial level, though yet limited. Macro-economic stabilization, however the weight of hydrocarbon in the national debt remains substantial
ii)	Financial rate of return estimated at appraisal. Re-estimated on completion	N/A	

N°	Indicators	Rating (1 to 4)	Observations
4	Institutional development impact		
i)	<u>National Capacity</u> - Economic Management - Public service reform - Governance - Poverty alleviation - Financial intermediation - Legal system - Private sector - Environment and natural resources - Sector capacity - Other (specify)	2 2 N/A 1 2 N/A 1 N/A 1	<p>The administration has benefited from the experience accumulated in the formulation and implementation of reforms.</p> <p>Innovations in the institutional mechanism; reorganization of Bank of Algeria, banking system liberalization, public enterprise restructuring, multiple mechanisms against unemployment and for promotion of jobs</p> <p>Poverty reduction mechanisms and other social policies have been put in place, however with very limited effect</p> <p>The reorganization of the Bank of Algeria and its operation, through the introduction of direct instruments for regulation of currency (money market, national credit plan, liberalization of credit interest rates...) as well as de-control of the banking system have considerably improved financial intermediation</p> <p>The private sector has been stimulated through trade liberalization and privatization of certain units as well as other budgetary policies. However, it is facing several difficulties (financing, administrative, cost of factors of production, reforms... ..)</p> <p>Sector strategies and policies –industrial, agricultural and social- are yet to be defined, developed and strengthened, with a view to establishing the diversification of the productive system</p>

N°	Indicators	Rating (1 to 4)	Observations
5	Sustainability		
i)	Technical quality (including O&M facilitation, availability of spare parts)	N/A	
ii)	Continued commitments on the part of the Borrower (including the legal and regulatory framework)	3	The Government has shown determination in its reform efforts. However not all the measures could be implemented.
(iii)	Socio-political support (including participation of beneficiaries, protection of vulnerable groups, political stability)	1	Implementation of programmes did not favour the political consensus on the country's broad options and it has been difficult to obtain the participation of the social partners Despite the efforts made, the social cohesion has been shaken by the increased unemployment and poverty
iv)	Economic viability	2	The economic potential exists, however, additional structural measures should be envisaged to counter the effects of exogenous factors as well as the social factors that are likely to weaken the macro-economic framework
v)	Financial viability	N/A	
vi)	Institutional Arrangements (Organization and management)	2	The management structures have been established, however there has been some malfunctioning in the programme implementation
vii)	Environmental viability	N/A	
viii)	Resistance to exogenous factors	1	The Algerian economy is extremely sensitive to exogenous factors, which have a determinative impact
6	Overall assessment		

BORROWER'S PERFORMANCE

Indicators	Rating (1 to 5)	Observations
1. Quality at Preparation	2.25	
i) Control, participation of beneficiaries	2	The Government has played an active role, which has been strengthened as the process has evolved, in the preparation of programmes. The participation of social partners, on the other hand has been limited.
ii) Government commitment	3	The Government's commitment and determination have been effective despite a difficult situation
iii) Macro-economic and sector policies	2	Prior to the reforms, the economy was characterized by centralized public enterprises in most of the sectors and State farms in agriculture. In the long run, this strategy was not found to be very fruitful. Later, a macro-economic stabilization and reform programme was put in place.
iv) Institutional provisions (Counterpart financing)	2	The implementation agencies have been set up. They were malfunctioning owing to the unclear assignment of responsibilities, the government restructuring, the inexperience in the management of this type of programme
2. Implementation Quality	1.5	
i) Assignment of key staff	3	The key staff existed in the different programme management agencies, however the movements due to the government restructuring affected the programme implementation
ii) Performance of implementation agency management	1	Poor performance of the management agencies. Lack of compliance with the Bank's rules of procedure delayed the implementation of certain measures and therefore the programmes. Quarterly implementation reports and no account audits were presented to the Bank. This situation gradually improved
iii) Utilization of technical assistance component	1	No technical assistance component envisaged in the programmes
iv) Mid-term review	1	Mid-term review missions conducted, but limited only to verification of fulfillment of conditions for release of tranches. There were therefore no mid-term adjustments of programmes in light of the objectives, despite the reform freeze in 1993-94

BANK'S PERFORMANCE

Indicators	Rating (1 to 4)	Observations
At the identification stage		
i) Conformity of programmes with the Government development strategy	N/A	No identification of programmers
ii) Conformity of programmes with the Bank for the country	N/A	
iii) Government/beneficiary participation	N/A	
iv) Innovative character of programmes		
At the preparation stage		
- Justification of the Bank's support	2	Generally speaking, the Bank's support was pertinent economic and financial crisis the country was going through. This support came at the right moment with the resources
- Timely support from the Bank	2	
At the appraisal stage		
i) Quality of technical, financial institutional, environmental support	2	The appraisal reports covered all aspects and were of good quality The conditions did not all take into account the socio-political context and rigidity of structures the The quick-disbursing loans suited the urgency of the situation The financing plan corresponded to the to commitments made
ii) relevance of conditions and agreements	2	
iii) Appropriateness of lending instrument	3	
iv) Appropriateness of financial arrangements	3	

Indicators	Notes (1 to 4)	Observations
v) Quality of coordination with other donors/pa vi) Implementation and supervision plans (inclu performance, quality and S&E indicators)	3 2	Good coordination with the World Bank and the Government Imprecise implementation schedule; several macro-economic indicators given in the reports; little or no social indicators; no mentioning the report of programme supervision/monitoring
Supervision Stage i) Adequate input of Bank staff (skills, time and continuity) ii) Problem solving iii) Sensitivity to changing situation iv) Appropriate monitoring of recommendations/decisions v) Realistic ratings for portfolio review and evaluation reports vi) Attention to the probable impact of social development vii) Attention to sustainability problems	1 1 1 1 N/A 1 1	Inadequate number of experts and expertise for the missions; their frequency and duration did not take account of complexity of the programmes The insufficient number, irregularity and composition of missions did not make it possible to resolve all the problems No operational initiative to cope with the difficult and changing environment Not always The social component figured in the appraisal report, however its impact was not constantly monitored during implementation No measures taken despite the non – implementation of certain measures
<u>Evaluation of overall performance of the Bank</u>		

ALGERIA
(ERP, PACEF, SAP) PROGRAMME
PERFORMANCE EVALUATION REPORT

FACTORS AFFECTING IMPLEMENTATION AND OUTCOMES

Factors	Substantial	Partial	Negligible	N/A	Observations
1. Beyond the authorities' control					
1.1 World petroleum market prices	X				World petroleum rates have had a decisive impact
1.2 Natural events		X			Climatic vagaries have had a significant effect
1.3 The Bank's performance		X			Supervision and monitoring
1.4 Performance of contractors/consultants				X	
1.5 Civil war				X	No civil war
1.6 Others (security situation)		X			Implementation of measures slowed down owing to the civil war
2. Under the State's authority					
2.1 Macro-economic policies		X			Certain measures that did not take the context into account were not implemented
2.2 Sector policies	X				Lack of clear and coherent sector policies affected the performance
2.3 Government commitment			X		
2.4 Designation of key staff			X		
2.5 counterpart financing				X	
2.6 administrative Capacity		X			
2.7 Others (specify)				X	

Factors	Substantial	Partial	Negligible	N/O	Observations
3.Under the responsibility of the implementation agency					
3.1 management		X			
3.2 Staff strength		X			
3.3 Utilization of Technical Assistance				X	
3.4 Monitoring/evaluation	X				
3.5 Participation of beneficiaries	X				
3.6 Others (specify)				X	
4.Factors affecting the implementation					
4.1 Modification of scope/scale and project design				X	
Overestimated material inputs, base unit costs				X	
4.3 Insufficient contingency provisions				X	
4.4 Changes in exchange rates, financial and institutional measures		X			
4.5 Unrealistic Schedule of implementation			X		
4.6 Quality of management, financial management included			X		
4.7 Delays in selection of staff/ consultants/ entrepreneurs and in receiving counterpart funds				X	
4.8 Ineffective procedures for procurement and disbursement		X			
4.9 Others (specify)				X	

Table 1

ALGERIA
PRINCIPAL MACRO-ECONOMIC INDICATORS

Indicators	Unit	1995	1996	1997	1998	1999	2000
National accounts							
GDP at current market prices	US, \$ mil.	44 549.7	44 102.1	44 288.0	46 195.9	46 547.6	...
GDP per capita	US \$.	1 530	1 540	1 520	1 570	1 550	...
GDP at current prices	US \$ mil.	41 247.9	46 850.2	47 845.1	47 362.1	47 856.5	52 609.5
GDP at constant 1995 prices	US \$ mil.	41 247.9	42 815.3	43 286.3	45 493.9	46 949.7	48 733.8
GDP real term growth	%	3.8	3.8	1.1	5.1	3.2	3.8
GDP per capita real term growth	%	1.5	1.4	-1.3	2.8	0.9	1.5
Gross domestic investment	% of GDP	31.3	25.6	22.6	27.0	28.2	23.9
Public investment	% of GDP	7.4	6.8	7.3	7.6	5.9	7.1
Private investment	% of GDP	23.9	18.8	15.3	19.4	22.3	16.8
National savings	% of GDP	25.9	28.3	29.8	25.1	28.2	41.1
Price & Currency							
Inflation (CPI)	%	29.7	18.7	5.7	4.9	2.4	5.5
Exchange rate (average)	LC/ U.S \$	47.7	54.7	57.7	58.7	66.6	72.9
Real exchange rate index	1995 Basis	100.0	99.6	99.2	100.2	112.9	121.2
Money supply annual variations (M2)	%	9.2	14.4	18.6	18.9	13.7	16.6
Velocity (GDP/M2)	%	2.2	2.6	2.4	2.0	2.0	2.2
Public Finances							
Total revenue & grants of	% of GDP	30.6	32.2	33.5	27.8	30.0	38.2
Total expenditure & net loans	% of GDP	32.0	29.2	31.2	31.7	30.5	27.6
Deficit (-) / Global surplus (+)	% of GDP	-1.4	2.9	2.4	-3.9	-0.5	10.6
External Sector							
Variation in volume of exports (goods)	%	7.4	8.1	4.2	2.0	7.5	6.8
Variation in volume of imports (goods)	%	3.0	-15.9	0.1	7.1	-0.6	16.5
Trade term variations	%	0.7	11.4	12.3	-27.4	8.3	74.5
Current account balances	U \$ mil.	-2 236.9	1 247.6	3 450.0	-910.0	20.0	9 276.4
Current account balances	% of GDP	-5.4	2.7	7.2	-1.9	0.0	17.3
International Reserves	Months of import	2.7	6.0	12.3	9.9	6.4	8.6
Debt and financial flows							
Debt service	% of exports	80.7	51.7	41.4	47.0	37.5	19.8
Total ext. debt	% of GDP	79.5	71.4	64.6	64.3	59.4	46.2
Total net fin. flows	US, \$ mil.	547.9	1 875.6	-392.3	258.6	-933.4	...
Net official dev. aid	US\$	312.1	304.5	248.5	393.3	88.9	...
Net direct investment from abroad	US, \$ mil.	5.0	4.0	7.0	5.0	6.0	...

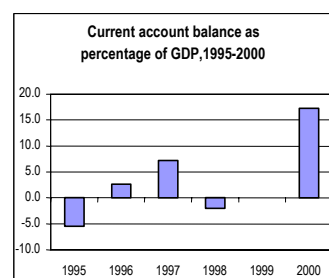
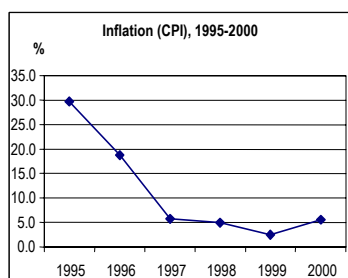
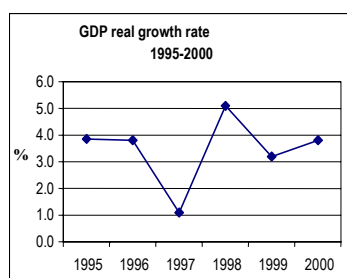


Table 2

ALGERIA: COMPARATIVE SOCIO-ECONOMIC INDICATORS						
Year	Algeria	Africa	Developing Countries	Developed Countries		
Basic Indicators						
Area ('000 Km ²)	2,382	30,061	80,976	54,658		
Total Population (millions)	1999 31.0	766.0	4,793.0	1,185.0		
Urban Population (% of Total)	1999 60.0	37.0	39.0	76.0		
Population Density (per Km ²)	1999 13.0	26.0	69.0	22.0		
GNI per Capita (US \$)	1999 1,550	684	1,250	25,890		
Labor Force Participation - Total (%)	1999 33.0	43.0		
Labor Force Participation - Female (%)	1999 18.0	35.0		
Gender - Related Development Index Value	1998 0.700	0.483	0.634	0.916		
Human Develop. Index (Rank among 174 countries)	1998 107	n.a.	n.a.	n.a.		
Popul. Living Below \$ 1 a Day (% of Population)	1995 1.8	45.0	32.2	...		
Demographic Indicators						
Population Growth Rate - Total (%)	1999 2.3	2.4	1.6	0.3		
Population Growth Rate - Urban (%)	1999 4.1	4.5	2.8	0.6		
Population < 15 years (%)	1999 37.1	42.7	32.8	18.5		
Population >= 65 years (%)	1999 3.7	3.2	5.0	14.0		
Dependency Ratio (%)	1999 82.2	86.1	61.0	48.6		
Sex Ratio (per 100 female)	1999 102.5	99.4	103.3	94.8		
Female Population 15-49 years (% of total population)	1999 7.7	181.1	151.8	297.2		
Life Expectancy at Birth - Total (years)	1999 70.0	52.7	64.5	76.5		
Life Expectancy at Birth - Female (years)	1999 71.5	53.5	66.0	79.2		
Crude Birth Rate (per 1,000)	1999 27.7	36.3	23.4	10.9		
Crude Death Rate (per 1,000)	1999 5.3	13.7	8.4	10.3		
Infant Mortality Rate (per 1,000)	1999 38.2	76.4	57.6	8.9		
Child Mortality Rate (per 1,000)	1999 42.8	116.4	79.8	10.2		
Maternal Mortality Rate (per 100,000)	1990-96 160	698	491	13		
Total Fertility Rate (per woman)	1999 3.4	4.8	2.8	1.6		
Women Using Contraception (%)	1990-99 62.0	...	56.0	70.0		
Health & Nutrition Indicators						
Physicians (per 100,000 people)	1992-97 85.0	36.0	78.0	287.0		
Nurses (per 100,000 people)	1992-97 297.0	107.0	98.0	782.0		
Births attended by Trained Health Personnel (%)	1992-98 77.0	38.0	58.0	99.0		
Access to Safe Water (% of Population)	1992-98 90.0	68.0	72.0	100.0		
Access to Health Services (% of Population)	1992-98 98.0	64.0	80.0	100.0		
Access to Sanitation (% of Population)	1990-97 91.0	58.0	44.0	100.0		
Percent. of Adults (aged 15-49) Living with HIV/AIDS	1997 0.0	6.0		
Incidence of Tuberculosis (per 100,000)	1997 46.0	201.0	157.0	24.0		
Child Immunization Against Tuberculosis (%)	1997 94.0	72.0	82.0	93.0		
Child Immunization Against Measles (%)	1997 74.0	64.0	79.0	90.0		
Underweight Children (% of children under 5 years)	1990-97 13.0	26.0	31.0	...		
Daily Calorie Supply per Capita	1998 3,020	2,439	2,663	3,380		
Public Expenditure on Health (as % of GDP)	1993-98 8.4	2.0	1.8	6.3		
Education Indicators						
Gross Enrolment Ratio (%)						
Primary School - Total	1996 107.5	80.7	100.7	102.3		
Primary School - Female	1996 101.6	73.4	94.5	101.9		
Secondary School - Total	1996 63.3	29.3	50.9	99.5		
Secondary School - Female	1996 61.6	25.7	45.8	100.8		
Primary School Female Teaching Staff (% of Total)	1990-97 44.8	40.9	51.0	82.0		
Adult Illiteracy Rate - Total (%)	1999 33.4	38.8	27.2	1.3		
Adult Illiteracy Rate - Male (%)	1999 22.7	30.7	19.5	0.9		
Adult Illiteracy Rate - Female (%)	1999 44.4	48.2	35.0	1.7		
Percentage of GDP Spent on Education	1990-97 5.1	3.5	3.9	5.9		
Environmental Indicators						
Land Use (Arable Land as % of Total Land Area)	1998 3.2	5.9	9.9	11.6		
Annual Rate of Deforestation (%)	1990-96 1.2	0.7	0.4	-0.2		
Annual Rate of Reforestation (%)	1981-90 5.0	4.0		
Per Capita CO2 Emissions (metric tons)	1996 3.3	1.1	2.1	12.5		

Source : Compiled by the Statistics Division from ADB databases; UNAIDS; World Bank Live Database and United Nations Population Division.

Notes: n.a. Not Applicable ; ... Data Not Available.

Table 3
ALGERIA: PRINCIPAL ECONOMIC INDICATORS

	UNITS	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
I. REAL SECTOR												
GDP at current market prices	DA BILL	321	789	1 045	1 162	1 475	1 967	2 565	2 762	2 782	3 168	4 012
GDP at constant 1990 markets	DA BILL	321.3	317.8	322.3	318.3	314.9	327.2	339.6	343.3	360.9	372.9	382.0
GDP growth in real terms	%	1.1	-1.1	1.4	-1.2	-1.1	3.9	3.8	1.1	5.1	3.3	2.4
GDP per capita	US.%	2 428.7	1 769.5	1 874.5	1 893.9	1 541.6	1 493.2	1 643.1	1 653.0	2 337.0	1 586.8	1 768.1
II. SUMMARY OF CENTRAL GOVERNMENT OPERATIONS												
Total fiscal revenue and grants	DA BILL	160.2	272.4	316.8	320.1	434.2	600.9	824.8	926.6	774.6	950.6	1578.1
Hydrocarbon revenue	DA BILL.	74.4	161.6	193.8	185.0	257.7	358.8	519.7	592.5	425.9	588.3	1213.2
Non hydrocarbon revenue and grants	DA BILL.	85.8	110.8	123.0	135.1	176.5	242.1	305.1	334.1	348.7	362.3	364.9
Total fiscal expenditure	DA BILL	142.5	235.3	308.7	390.5	461.9	589.1	724.6	845.1	876.0	961.7	1178.1
Current expenditure	DA BILL.	90.4	156.0	276.0	288.9	344.7	444.4	550.6	643.5	664.1	774.7	856.2
Capital expenditure	DA BILL.	52.1	79.3	32.7	101.6	117.2	144.7	174.0	201.6	211.9	187.0	321.9
Budget balance	DA BILL.	17.7	37.1	8.1	-70.4	-27.7	11.8	100.2	81.5	-101.4	-11.1	400.0
Special account balance	DA BILL.	-	-	-	5.6	1.1	-0.7	1.5	1.1	-6.9	-5.6	-0.7
Net loans to Treasury	DA BILL.	-	-	-	-11.5	-7.0	-2.4	-2.4	1.5	-0.1	0.3	-0.5
Allocation to Rehabilitation Fund	DA BILL.	-	-	-	24.3	31.7	36.9	24.4	18.0	0.0	0.0	0.0
Global balance (including rehabilitation Fund)	DA BILL.	20.2	18.6	-12.2	-100.6	-65.3	-28.2	74.9	66.1	-108.4	-16.4	398.8
Hydro-carbon Revenue/Total income	%	46	59	61	58	59	60	63	64	55	62	77
Hydro-carbon Revenue/GDP	%	23	20	19	16	17	18	20	21	15	19	30
Total budgetary income and grants/GDP	%	50	35	30	28	29	31	32	34	28	30	39
Total budgetary Expenditure/GDP	%	44	30	30	34	31	30	28	31	31	30	29
Global balance/GDP	%	6.3	2.4	-1.2	-8.7	-4.4	-1.4	2.9	2.4	-3.9	-0.5	9.9

ALGERIA: PRINCIPAL ECONOMIC INDICATORS (cont'd)

	UNITS	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
IV. BALANCE OF PAYMENTS												
Goods and nfs exports	MRDS \$	12.88	12.44	11.51	10.41	8.89	10.3	13.22	13.82	10.14	12.32	21.71
Of which hydrocarbon	MRDS \$	12.35	11.97	10.98	9.88	8.61	9.73	12.64	13.18	9.75	11.91	21.06
Hydro Export/Goods and nfs exports	%	92	93	91	89	90	89	91	89	89	91	94
Goods and nfs imports	MRDS \$	9.77	7.77	8.3	7.99	9.15	10.1	9.09	8.13	8.63	8.96	9.2
Current account balance	MRDS \$	3.11	4.67	3.21	2.42	-0.26	0.2	4.13	5.69	1.51	3.36	12.51
Capital account balance	MRDS \$	-1.57	-1.89	-1.07	-0.83	-2.44	-4.1	-2.09	1.16	-0.83	-2.4	-1.36
Balance of payments level	MRDS \$	1.54	2.78	2.14	1.59	-2.7	-3.9	2.04	6.85	0.68	0.96	11.15
Gross reserves	MRDS \$	0.77	1.61	1.51	1.5	2.64	2.11	4.23	8.05	6.84	4.41	11.91
Reserves in months of imports	Months	0.8	2.02	1.8	1.86	2.86	2.04	4.51	9.39	7.51	4.59	12.35
Ext. debt service ratio	%	66.4	73.4	75.5	82.2	48.6	42.5	28.7	29.3	44.8	39.6	20.9
Petroleum export price	\$/bbl	22.21	18.32	19.93	17.75	16.31	17.58	21.69	19.45	12.86	17.91	28.81
V. CURRENCY SITUATION												
Credit to economy	MRDS DA	247	325.7	412.3	220.2	305.8	565.6	776.8	741.3	731.1	935.1	
Net credit to State	MRDS DA	167	157.3	226.9	527.8	468.5	401.6	280.5	423.7	542.3	658.7	542.3
Fiduciary circulation	MRDS DA	134.9	155.9	184.9	211.3	223	249.8	290.9	337.6	390.8	444.9	
Sight deposits	MRDS DA	135.1	167.5	184.9	235.6	252.8	269.3	298.2	333.9	422.9	444.9	1 600.8
Term deposits	MRDS DA	72.9	90.3	146.2	180.5	247.7	280.5	326	409.9	474.2	578.6	
Money supply M2	MRDS DA	343	413.7	515.9	627.4	723.5	799.6	915.1	1 081.5	1 287.9	1 468.4	1 600.8
CNEP deposits	MRDS DA	84.3	93.3	106.9	125	141.9	148.9	165.4	181.9	192.9		
Money supply M3	MRDS DA	427.3	507	622.8	752.4	865.4	948.5	1 080.5	1 263.4	1 480.8	1 468.4	1 600.8
M2 variation	%	11.3	20.6	24.7	21.6	15.3	10.5	14.4	18.2	19.1	14	9
Liquidity Ratio	%	63	48	48	52.7	48.6	40	35.6	39	31.8	46.3	39.5
Fiduciary circulation/M2	%	39.3	37.7	35.8	33.7	30.8	31.2	31.8	31.2	30.3	30.3	
VI. PRICE												
Inflation (Annual average)	%	15.9	16.6	31.1	20.5	29.0	29.8	18.7	5.7	5.0	2.6	0.3
Inflation (Annual slippage)	%	34.3	25.5	28.0	16.1	38.5	21.8	15.1	6.1	4.9	1.2	0.1
VII. EXCHANGE RATE												
Average exchange rate	DA/US\$	9	19	21.8	23.4	35.1	47.7	54.8	57.7	58.7	66.6	75.3
Average rate change	%	17.7	112.1	14.9	7	50.2	35.9	14.9	5.4	1.7	13.5	13
Exchange rate at end of period	DA/US\$	12.2	21.4	22.8	24.1	42.9	52.2	56.2	58.4	60.4	69.3	75.3
Rate change at end of period	%	51.8	75.5	6.5	5.9	77.8	21.6	7.7	4	3.3	14.9	8.7

Source: Ministry of Finance/IMF

Table 4
1995-2000 Sector Distribution of GDP at current prices

	1995	1996	1997	1998	1999	2000
	(in Dinar Million)					
Hydrocarbon	503	733	819	640	882	1635
Other sectors	1282	1619	1723	1914	2056	2139
agriculture	190	278	261	309	336	324
Industry	208	222	236	270	283	292
Construction and public works	201	246	275	299	316	347
Non governmental services	453	560	607	662	718	752
Governmental services	230	313	344	374	403	424
Import taxes	181	212	221	226	230	237
GDP in real terms	1966	2564	2763	2780	3168	4011
	(In % GDP)					
Hydrocarbon	25.6	28.6	29.6	23.0	27.8	40.8
Other sectors	65.2	63.1	62.4	68.8	64.9	53.3
Of which						
agriculture	9.7	10.8	9.4	11.1	10.6	8.1
Industry	10.6	8.7	8.5	9.7	8.9	7.3
Governmental services	11.7	12.2	12.5	13.5	12.7	10.6
	(% of annual growth)					
Hydrocarbon	50.6	45.7	11.7	-21.9	37.8	85.4
Other sectors	16	26.3	6.4	11.1	7.4	4.0
Of which						
Agriculture	35.2	46.3	-6.1	18.4	8.7	-3.6
Industry	22.9	6.7	6.3	14.4	4.8	3.2
Governmental services	23.9	36.1	9.9	8.7	7.8	5.2
GDP in real terms	33.3	30.4	7.8	0.6	14.0	26.6

Sources: Algeria Authorities/(IMF)

Table 5
Sector distribution of GDP growth in real terms, 1995-2000

	1995	1996	1997	1998	1999	2000
	(in %)					
Hydrocarbon	4.4	6.3	6.0	4.0	6.1	4.9
Other sectors						
Agriculture	15.0	21.3	-13.5	11.4	2.7	-5.0
Mines	-1.6	-4.3	13.4	5.5	-3.0	6.5
Energy non-hydro-electric and water	-0.5	4.5	3.9	8.7	7.0	2.4
Public industries	-1.7	-13.4	-7.6	9.2	-0.8	-2.1
Private industries	0.4	0.0	5.0	5.0	8.0	5.3
GDP in real terms (constant 1990 prices)	3.9	3.8	1.1	5.1	3.3	2.4
Gross domestic absorption	2.7	-2.2	-0.2	6.6	2.2	-1.6
Export of non factor goods and services	6.3	7.7	6.3	1.6	6.0	7.4
Import of non factor goods and services	2.0	-13.3	2.4	6.5	1.8	-5.1
Real GDP per capita	1.8	2.0	-0.6	3.5	1.7	0.8

Sources Algeria Authorities/IMF

Table 6: ALGERIA: PUBLIC ENTERPRISES INDUSTRIAL PRODUCTION INDEX, 1996-2000

	<u>Weighting</u> (in %)	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
		(1989=100)				
Water and Energy	6.9	138.3	143.7	156.3	167.3	171.3
Hydrocarbon	17.8	113.2	118.2	119.2	121.5	128.6
Mines and Quarries	2.7	77.7	67.2	70.8	68.7	73.2
Mechanic and Electric	26.3	59.6	46.8	53.1	56.5	57.3
Construction materials	8.8	93.8	89	93.4	91.2	94.4
Chemicals	7	75	79.9	93.4	91.6	96.5
Agro-food	14.5	85.1	83.1	95.4	93.9	85.6
Textiles	9.2	53.3	48.6	48.1	39	33.8
Leather and Skins	2.2	29.3	23.7	22.4	16.5	15.9
Wood and Paper	4.6	48.5	47.3		38.8	35
General Index	100	81.1	78.2	83.8	84.1	84.9
General Index (hydrocarbon)		73.7	68.9	75.6	75.4	74.7
General Index of manufactured products		68.3	63.1	69	68	66.6

	(Annual percentage variation)				
Water and Energy	4.5	3.9	8.8	7	2.4
Hydrocarbon	5.2	4.4	0.8	1.9	5.8
Mines and Quarries	-4.2	-13.5	5.4	-3	6.6
Mechanical and Electrical	-20.4	-21.1	13.5	6.4	1.4
Construction materials	4.6	-5.1	4.9	-2.4	3.5
Chemical	-13	6.5	16.6	-1.7	5.3
Agro-food	-4.4	-2.4	14.8	-1.6	-8.8
Textiles	-27.1	-8.8	0.6	-18.9	-13.3
Leather and skin	-31.2	-19.1	-5.5	-26.3	-3.6
Wood and Paper	-19.3	-2.5	-4.2	-14.3	-9.8
General Index	-7.4	-3.6	7.2	0.4	1
General Index (excluding hydrocarbon)	-11.1	-6.5	9.7	-0.3	-0.9
General Index of manufactured products)	-13.4	-7.6	9.4	-1.4	-2.1

Source: Algerian Authorities

Table 7
ALGERIA: 1996-2000 CONSUMER PRICE INDEX I/

<u>Weighting</u> (in %)	1996	1997	1998	1999	2000
	<u>(1989=100)</u>				
Food, beverages and tobacco	44.1	510.6	539.7	570.6	572.8
Clothing and shoes	11.6	347.7	369.5	388.5	424
Housing	5.6	454	541.5	580.6	607.8
Household equipment expenditure	6.8	330.2	343.7	354.7	365.9
Health and personal care	3.4	479.6	527.7	556.7	603
Transport and Communication	11.5	432	452.5	459.5	483.9
Education and Leisure	6.5	520.4	500.5	496.8	461.7
Other services	10.5	522.3	551	590.9	648.2
General Index	100	468.2	494.9	519.4	533.1

	<u>(Average percentage variation)</u>				
Food, beverages and tobacco	19.9	5.7	5.7	1.2	-0.8
Clothing and shoes	13.5	6.3	5.1	7.7	1.4
Housing	26.1	19.3	7.2	2.9	1.7
Household equipment expenditure	8.2	4.1	3.2	2.3	0.9
Health and personal care	16.9	10	5.5	4.5	3.6
Transport and Communication	23	4.8	1.5	3	2.3
Education and Leisure	15	-3.8	-0.7	-2.8	-4.4
Other services	18.2	5.5	7.2	6.9	2.6
General Index	18.7	5.7	5	2.6	0.3

Source: Algerian Authorities

I/ Including 25 articles as well as Algiers region households

Table 8
ALGERIA: 1996-2000 HOUSEHOLD INCOME
(in Dinar billion)

	1996	1997	1998	1999	2000
Salaries and wages	666	721	781.1	826.5	866.1
Agriculture	33.3	33.3	37.4	39.3	39.2
Central Government	303.7	334.5	365.8	394	410.4
Other sectors	329.5	352.9	378	393.2	416.5
Self employment	617.8	635.9	723.3	792.9	825.4
Transfer	247.4	293.8	344.2	402.7	408.8
Gross revenue	1,532.00	1,650.00	1,843.70	2,022.10	2,100.30
Available revenue	1,377.40	1,479.30	1,663.60	1,838.20	1,879.40

Source: Algeria Authorities

Table 9
ALGERIA: 1996-99 LABOUR, JOBS AND UNEMPLOYMENT
(In thousands; unless otherwise indicated)

	1996	1997	1998	1999
Working population	7,811.00	8,072.00	8,326.00	8,583.00
Agriculture	1,154.00	1,144.00	1,180.00	1,185.00
Other sectors	6,657.00	6,928.00	7,146.00	7,398.00
Employees	4,641.00	4,719.00	4,858.00	4,898.00
Agriculture	1,154.00	1,144.00	1,180.00	1,185.00
Other sectors	3,487.00	3,575.00	3,678.00	3,713.00
Industry	502.00	487	493	493
Construction and public works	705.00	723	740	743
Government	1,326.00	1,378.00	1,415.00	1,420.00
Other sectors	954.00	987	1,030.00	1,057.00
Domestic work	984	1,096.00	1,135.00	1,175.00
Unemployed	2,186.00	2,257.00	2,333.00	2,510.00
(as percentages of the workforce)	28.00	28	28	29.2

Source: Algerian authorities (WHO survey)