

AFRICAN DEVELOPMENT BANK



ALGERIA

2000-2002 COUNTRY STRATEGY PAPER

**COUNTRY DEPARTMENT
NORTH REGION
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CURRENCY EQUIVALENTS
(September 2000)

UA 1	=	US \$ 1.34522
UA 1	=	DA 99.1871

Fiscal Year : 1 January - 31 December

ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
ADF	:	African Development Fund
ANAT	:	National Country Planning Agency (Agence Nationale sur l'Aménagement du Territoire)
ANPE	:	National Environment Protection Agency (Agence Nationale sur la Protection de l'Environnement)
BADR	:	Agricultural and Rural Development Bank (Banque de l'Agriculture et du Développement Rural)
BDL	:	Local Development Bank (Banque de Développement Local)
BTP	:	Buildings and Public Works (Bâtiments et Travaux Publics)
BTPH	:	Buildings, Public Works and Housing (Bâtiments, Travaux Publics et Habitat)
CNEP	:	National Savings and Social Security Fund (Caisse Nationale d'Épargne et de Prévoyance)
CSP	:	Country Strategy Paper
DA	:	Algerian Dinar
DAS	:	Socialist Agricultural Holdings (Domaines Agricoles Socialistes)
EPL	:	Local Public Enterprises (Entreprises Publiques Locales)
EPN	:	National Public Enterprises (Entreprises Publiques Nationales)
GDB	:	Gross Domestic Product
GDP	:	Gross Domestic Product
ISMAIL	:	Advanced Institute of Maritime and Coastal Development Studies (Institut Supérieur des Sciences de la Mer et de l'Aménagement Littoral)
ISMMEE	:	Iron and Steel, Metallurgy, Mechanical, Electrical and Electronics Institute (Institut Sidérurgiques, Métallurgiques, Mécaniques, Electriques et Electroniques)
NGO	:	Non-Governmental Organizations
OPGI	:	Real Estate Promotion and Management Agencies (Offices de Promotion et de Gestion Immobilière)
SME	:	Small and Medium-Scale Enterprises
SMI	:	Small and Medium-Scale Industries
SNGC	:	National Coast Guard Department (Service National des Gardes-Côtes)
SONATRACH	:	Hydrocarbons Transport and Marketing Multilateral Corporation (Société Multinationale de Transport et de Commercialisation des Hydrocarbures)
UA	:	Unit of Account

ANALYTICAL SUMMARY

1. The 1996-1998 Country Strategy Paper (CSP) on Algeria was submitted for Board approval (document ADB/BD/WP/96/157) in December 1996. The CSP was first updated and presented to the Board on 27 October 1997 (document ADB/BD/WP/96/157/Add.1). The second update was distributed to the Board on 3 July 1998 (document ADB/BD/WP/96/157/Add.2). Over the 1996-1998 period, the Bank's strategy in Algeria principally focused on: (i) pursuing the macro-economic and sectoral adjustment programme; (ii) contributing to efforts to restructure the industrial sector and assist the private sector; and (iii) financing the agricultural, social and utilities sectors.
2. The Country Strategy Paper under discussion covers the 2000-2002 period. It was put together in the wake of a participatory approach-based preparation mission to Algeria from 23 June to 5 July 2000 during which a series of bilateral consultations were organized between Bank experts and managers of several ministries, about fifteen non-governmental organizations, vocational or sectoral associations and external development partners present in Algeria (UNDP and the European Union). The proposed Bank operating strategy draws inspiration from the general and sectoral thrusts set forth in the Government programme that the People's National Assembly adopted in January 2000.
3. The excessive public debt burden, combined with the sharp and consistent fall in oil prices in 1993, led the Algerian authorities to adopt a new economic adjustment programme in 1994, whose purpose was to restore the key macro-economic and financial balances. Thanks to the reforms undertaken from 1994, the major macro-economic and financial balances were restored and growth picked up.
4. Since 1995, in the heel of a long period of recession, Algeria has been back on the growth path. Over the 1995-1999 period, the real GDP growth rate recorded a net improvement of nearly 3.4% yearly. In 1999, the said growth rate at constant prices was estimated at 3.3% (a drop of 1.8 points compared with the 1998 level of 5.1%). The fall in the inflation rate noticeable in recent years was confirmed in 1999, the yearly average standing at about 2.6% compared with 29.8% in 1995. In 1999, the high petroleum tax rate (28%) combined with the fall in capital expenditure led to a considerable reduction in the general cash deficit which only represented 0.5% of the GDP in 1999, the rise in operating expenses notwithstanding.
5. Furthermore, due to the sharp rise in oil prices in 1999, the external position improved significantly, characterized by a significant commercial balance surplus and restoration of the external current account balance. Between 1995 and 1999, the foreign debt fell gradually from US \$ 32.5 billion to US \$ 28.3 billion. Over the same period, the increase in oil exports, together with the impact of falling debt service following rescheduling, substantially improved the debt-service ratio vis-à-vis export of non-factor goods and services (from 42.5% in 1994 to 29.3% in 1997). Owing mostly to the sharp fall in oil export receipts but also the insignificant amounts rescheduled, the 1998 debt-service ratio compared with export of non-factor goods and services rose considerably (44.8%). However, thanks to rising oil prices in 1999, the same ratio against export of non-factor goods and services took a downward turn to stand at 39.6% of the GDP.

6. The overall good macro-economic performance notwithstanding, the country still faces several major problems. The unemployment rate of nearly 30% is of major concern to the authorities, alongside other social and economic issues, namely: worsening poverty and housing shortage. The analysis of Algeria's recent economic trend highlights the constraints that the country faces in its drive to promote economic and social development. Such constraints range from macro-economic (relative vulnerability of the major macro-economic aggregates vis-à-vis exogenous factors, e.g. oil price fluctuations); sectoral (low agricultural and industrial productivity); structural (dominant and inefficient public sector); to institutional (low human capital productivity, internal and external inefficiency of the education system).

7. The economic and social development programme adopted by the People's National Assembly in January 2000 and which the Government plans to implement focuses on three core themes, summarized as follows: promotion of good governance; economic reorganization and recovery; and human development and reinforcement. In the programme, the Government undertook, among other things, to speed up and exhaustively pursue structural and sectoral reforms, especially privatization of public enterprises, liberalization of the infrastructure sector and reform of the banking and financial system, with a view to creating the enabling conditions for strong recovery and sustainable economic growth capable of reducing unemployment and poverty.

8. Generally, the Government programme identified the economic and social problems facing Algeria and proposed policy thrusts that could offer solutions to them. The programme was prepared for a five-year period ending February 2004. However, as passed, it lacks focus in terms of objectives and performance measures, only highlighting the quantitative objectives of policies in various sectors. For instance, the programme has no macro-economic framework, nor does it contain indications on resources needed to fund it and the specific schedule for implementing measures and reforms. However, a revised, better focused and more operational version of the Government programme is being prepared and will be submitted to the People's National Assembly for approval in a few weeks. Meanwhile, during recent consultations between Algeria and the IMF within the Article IV framework, some of the inadequacies contained in the Government programme were corrected.

9. In view of projections indicating steady world oil prices in the coming months, the Government's willingness to hasten economic reforms, and the incontestable consolidation of the climate of concord and peace within the country, Algeria's economic and social prospects for 2000 are bright. In the medium term, dynamic, sound, sustainable and income-generating recovery will largely depend on the political will to strengthen social peace, and the seriousness and diligence with which the economic and institutional reform programme that the Government initiated is conducted.

10. The Bank's operating strategy in Algeria as set forth in the 1996-98 CSP focused on consolidation of the transition to a market economy, especially by: (i) continuing economic reform support; and (ii) assistance to private sector development, particularly SMEs.

11. A UA 750 million envelop was set aside to fund projects and programmes over the period. In allocating its resources, the Bank was to give priority to economic and social reforms. The remaining resources were to go into financing operations in the agricultural, banking, social and industry sectors (especially through lines of credit) and support for private sector development.

12. In all, within the 1996-1998 framework (extended to 1999), the Bank approved five operations accounting for 76.1% of the total envelop allocated to project financing in Algeria during the operating cycle. The sectoral breakdown of amounts approved for the 1996-1999 period is as follows: 28.70% for utilities; 26.3% for multisectoral operations (economic reforms); 27.5% for agriculture; and 17.5% for industry. It is worth noting that the lending programme was temporarily suspended in 1997 for reasons of internal administrative reorganization in Algeria. Moreover, at the request of the Algerian authorities, two fully appraised and finalized projects were not submitted for Board consideration and approval.

13. Overall, operations funded were in sync with the Bank's operating strategy and Government priorities (restoration of the major macro-economic balances and support for private sector development within the context of transition towards a market economy).

14. In twenty-nine years of cooperation with Algeria, the Bank Group has approved 28 operations, of which 15 completed, 10 ongoing, 1 not yet effective and 2 cancelled, for a total amount net of cancellations of UA 1 499.19 million. The sectoral breakdown of allocations puts policy-based loans ahead with 31.3% of the total envelop. The agricultural, utilities and transport sectors received 25.5%, 17.1% and 12.3% of the total, respectively, while the industry and social sectors accounted for 9.8% and 4.1% thereof, in that order.

15. The previous report on the Bank's loan portfolio in Algeria (ADB/BD/WP/96/163 of 21 November 1999), prepared in 1999 following a Bank mission to the country from 7 to 20 May 1999 rated the overall portfolio performance as satisfactory (overall rating: 2.1).

16. Given the constraints and potentials identified and in the light of Government priorities and views from sections of the civil society contacted, it is proposed that the Bank's cooperation with Algeria focus on the following four priority areas:

- i) Support for structural and sectoral reforms aimed at consolidating the macro-economic framework, liberalizing certain sectors and sanitizing banking and financial structures. The urgent need to reform the banking and financial system and successfully conduct the privatization programme is unanimously acknowledged, with prospects of economic recovery powered by the private sector;
- ii) Support for infrastructure rehabilitation and development, with emphasis on telecommunications, water and transport;
- iii) Support for private sector development, especially SMEs/SMIs; and support for the local development programme initiated by the Government.

17. Pursuant to the new risk management framework approved by the Boards in May 2000, the overall lending envelop falls within a range of UA 108 to 225 million yearly for the 2000-2002 period. The lower figure is based on the assumption that all loans granted would be in the form of non-project operations, while the higher figure corresponds to a lending programme exclusively comprising project loans.

I INTRODUCTION

1.1 The 1996-1998 Country Strategy Paper on Algeria was submitted to the Board in December 1996 (document ADB/BD/WP/96/157). The first CSP update was presented to the Board on 27 October 1997 (document ADB/BD/WP/96/157/Add.1) and the second distributed on 3 July 1998 (document ADB/BD/WP/96/157/Add.2).

1.2 The CSP under consideration covers the 2000-2002 period. The operating strategy proposed draws inspiration from the general and sectoral thrusts contained in the Government programme adopted by the People's National Assembly in January 2000. CSP preparation used the participatory approach, i.e. information gathered in the wake of bilateral consultations between Bank experts and officials from several Algerian ministries and institutions as well as non-governmental organizations, civil society, vocational and sectoral associations during the mission to Algeria from 23 June to 5 July 2000 (see Inset 3). The CSP also tapped from several documents from other international institutions, especially the World Bank, the IMF, the European Union and the UNDP.

Inset 1 General Information on Algeria (1999)	
<p>North-West African country, Algeria with an areas of 2 381 741 km², is, after Sudan, the largest country in the continent and the tenth largest in the world. Its 1200 km coastline covers more than half of the south-western shores. The country's physical features are highly uneven. Tellian and steppe-like zones are found in the North over nearly 38 000 km². The desert to the South of the Saharan Atlas, dotted with gigantic ergs, covers 2 million km².</p> <p>The Mediterranean climate prevails in the country's North and coastal areas, the continental in the interior. To the South, the climate is tropical with vast temperature differences between day and night.</p> <p>In 1999, Algeria's population was estimated at 29.50 million. The population density stands at 12.38 inhabitants per km², against a ratio of 90 inhabitants per arable land. The active population is estimated at 7.60 million, 4.8 million of which find subsistence in agriculture. Classified among intermediate income countries with a GDP per capita of nearly US \$ 1 622.30 in 1999, Algeria is in transition towards a modern market economy.</p>	<p>Algiers, the administrative, economic and cultural capital, has a population of about 3 million. In terms of territorial administration, Algeria is divided into 48 Wilayas, subdivided in turn into 553 Daïras. Each Daira brings together several communes. Algeria has 1541 communes. A Wilaya is headed by a Wali, the State representative. Each commune's business is managed by an elected assembly. Members of the Wilaya and communal assemblies are elected via universal, direct and secret suffrage.</p> <p>Algeria is a multi-party republic. The constitution guarantees liberty to organize and associate.</p> <p>The President is elected by direct and secret ballot for a five-year renewable term. The last multi-party presidential elections were held on 14 April 1999. The political system has been bicameral since 1996 with a National Assembly and a multi-party National Council. Members of the National Assembly are elected via direct and secret universal suffrage for a five-year term.</p>

II RECENT ECONOMIC DEVELOPMENTS

2.1 Macro-Economic Context

2.1.1 **General Context:** the deterioration of external balances by end 1993 and high debt service (82.2% of the goods and services export receipts) constrained the authorities in 1994 to negotiate a "confirmation agreement" with the IMF, followed with a programme backed by an Enhanced Financing Facility. The same year, the Government adopted a comprehensive structural adjustment programme to restore the key macro-economic and financial balances. During the same period, the socioeconomic situation was marked by a significant increase in unemployment and a sharp decline in the living standard of large sections of the population, including part of the middle class. In the wake of the implementation of reforms initiated in 1994, Algeria succeeded in rapidly restoring the major macro-economic and financial balances.

2.1.2 **GDP Growth:** Since 1995, following a long period of recession, Algeria went back on the growth path. Over the 1995-1999 period, the average real GDP growth rate recorded a net improvement of nearly 3.4% per annum. During the same period, the real economic growth outstripped population growth (1.6% yearly). In 1999, the GDP growth rate at constant prices was estimated at 3.3% or a fall of nearly 1.8 points compared with the 1998 level (5.1%). The decline

in growth is mostly attributable to the significant downturn in the agricultural (consequence of drought) and industry sectors. After the 9.2% sharp increase in 1998, production in the public industrial sector declined substantially (-0.8%). The downturn in the public industrial sector which accounts for 80 to 85% of the national production is an indication that the sector's restructuring and rehabilitation process is yet to create the enabling and necessary conditions for sound and sustainable production recovery. Overall, the economic growth effective from 1995 remains fragile due, among other things, to the absence of strong investment recovery and marginal productivity gains in the non-hydrocarbons sector. In 1999, the investment ratio vis-à-vis the GDP remained at a relatively stable 27.4%, while the crude savings ratio against the GDP increased significantly to 44.43% from the 27.09% in 1998.

2.1.3 Inflation and Unemployment: falling inflation in recent years was confirmed in 1999 (annual average of 2.6% compared with 29.8% in 1995). Among other things, that performance is the combined result of the downtrend in money supply and exchange stabilization. However, the Government still needs to make efforts to attain its objective of bringing the country's inflation rate closer to those of its major European trading partners (under 1%). Notwithstanding the economic upturn over the past five years and the restoration of the major macro-economic and financial balances, the unemployment rate continues to be high (about 30% in 1999). Marginal new investment in the non-oil sector, the relatively low economic growth rate and the massive layoff in the wake the restructuring and closure of public enterprises contributed to keeping the unemployment rate at such a high level. Most of the unemployed are youths (80% under 30).

2.1.4 Public Finances: Since 1995, Government budget policy aims to generate a surplus by increasing fiscal and non-fiscal receipts and controlling expenditure. Oil income remains the State's main source of income, accounting for nearly 60% of the total. Hence the State budget is largely subject to exogenous factors. Up to 1997, total budgetary expenditure increased slower than receipts, thanks to which its GDP share stabilized somewhat. Overall, due to the strict budget policy especially with regard to public expenditure and the increase in oil and non-oil receipts, the general cash balance posted a surplus of 2.92% of the GDP in 1996 and 2.4% in 1998. However, in 1998, against the background of falling oil fiscal receipts and increasing public expenditure (particularly operating expenditure), the general cash balance showed a deficit estimated at 3.9% of the GDP. The sharp rise in oil prices in 1999 and the attendant increase in oil taxation (28%), together with the fall in capital expenditure, led to a significant fall in the general cash deficit (representing only 0.5% of the GDP in 1999 despite a 14.3% increase in operating expenditure). However, beyond these good results, it is worth noting that the breakdown of public operating and capital expenditure highlights two worrisome phenomena, namely the constant increase in operating expenditure (which is indicative of a certain inability to control public expenditure) and the steadily declining capital expenditure in a context marked by pressing need for new growth-boosting investment.

2.1.5 Money and Credit: the basic aim of the strict monetary policy enforced by the authorities since 1995 is to attain the set objectives in connection with inflation. As a result, inflation has fallen significantly to under 3%. However, it should be noted that in 1998, money supply grew substantially by 17.4% and the liquidity ratio (M2/PIB) increased from 39.2% in 1997 to 46.3%, thus halting the declining trend observed since 1995. The cash deficit funding and commercial bank refinancing accounted for most of the money expansion in 1998. The liquidity ratio stabilized in 1999 (46.1%). From 1995 to 1996, the crowding-out phenomenon reduced considerably owing to the sharp fall in State credit to the benefit of credit to the growing economy. In 1999, credit to the economy increased by 27.7%, thus putting an end to two consecutive years during which the crowding-out phenomenon resurged. These credit flows to the economy, of which the hydrocarbons and private sector were beneficiaries by 44% and 17%, respectively, were the key determinants of money expansion.

2.1.6 In 1999, in the wake of the deceleration in money expansion and inflation control, the Bank of Algeria decided to reduce the rediscount rate from 9.5 to 8.5% to encourage further bank involvement in developing investment as desired by economic operators. However, although that action was awaited with much anticipation and hope in the belief that it would give renewed impetus to investment, it is yet to bear all the expected fruits.

2.1.7 **Balance of Payments:** hydrocarbons which represent more than 95% of exports remains the locomotive of Algeria's external trade. From 1995 to 1997, the combined increase in oil export volume and prices and the decline in export generated surplus commercial balance and external balance of payments. However, in 1998, due to falling oil prices which brought down the total value of hydrocarbon exports sharply by 36.3% and of non-oil exports (about 35% decline), coupled with the increase in imports (nearly 5.8%), the export/import coverage rate deteriorated from 169.9% in 1997 to 117.4% in 1998.

2.1.8 The worsening commercial balance induced a current account and general balance deficit in 1998. The current account balance of payment for the year amounted to about 2% of the GDP, against a surplus equivalent to 7% in 1997. Thanks to the sharp increase in oil prices in 1999, the external situation improved considerably, characterized by a significant commercial balance surplus (US \$ 3.36 billion) and a return to the external current account balance. With the low mobilization of external credit (US \$ 1.1 billion) and the increase in medium and long-term net capital outflows attributable to the high debt service ratio, the capital account deficit (net of rescheduling and balance of payments support) expanded in 1999. Among other things, with exceptional financial inflow, exchange reserves increased from the equivalent of 2.1 months of import in 1995 to 9.4 months in 1997. Having served to offset the deteriorating balance of payments in 1998, the exchange reserves dropped slightly to 7.6 import months. The declining trend continued in 1999 since the reserves fell to 4.6 import months. Exceptional financing (Compensatory and Contingency Financing Facility) that the IMF and the Arab Monetary Fund extended to Algeria in 1999 amounted to US \$ 400 million, against US \$ 1 billion in 1998.

2.1.9 In 1998, the decline in the balance of payments brought strong pressure to bear on the Algerian Dinar exchange rate, as a result of which the national currency depreciated by 1.74% compared with the US dollar. In 1999, with the declining tension in bank liquidity and improvement of Algeria's external situation, the exchange rate stabilized at around 68 Dinars to the dollar and 10.8 Dinars to the French Franc. That performance contributed in no small measure to the relative price stability that prevailed in 1999.

2.1.10 **Foreign debt:** following several rescheduling agreements concluded by Algeria in 1995 and implementation of a sound debt management policy reflected, among other things, in the low level of new loans, the country's total debt fell steadily to US \$ 28.3 billion in 1999 (i.e. 59.1% of the GDP) from US \$ 32.5 billion in 1995 (76.1% of the GDP). Of the total foreign debt, the portion of short-term debt has gone down over time, from US \$ 256 million in 1995 to US \$ 175 million in 1999. One of the new factors resides in the change in the structure of the outstanding foreign debt. Between 1995 and 1998, the proportion of multilateral credit vis-à-vis the total medium and long-term debt increased from 15.1% in 1995 to 22.9% in 1999, even as rescheduled loans rose from 29.7% to 51.4%. Over the same period, bilateral loans which predominated until 1995 declined considerably from 44.8% in 1995 to 23.9% in 1999, the same as financial credit from 9.1% in 1995 to 1.2% in 1999. Uninsured commercial loans fell from 1.3% in 1995 to 0.6% in 1999. From 1995 to 1999, expanding hydrocarbon exports combined with the impact of the reduction in debt service following rescheduling led to significant improvements in the debt service ratio vis-à-vis export of non-factor goods and services (42.5% in 1995 to 29.3% in 1997). Due principally to the sharp decline in oil export receipts but also to the low amounts rescheduled, the debt service ratio over export of non-factor goods and services increased substantially in 1998 (44.8%). However, thanks

to the upswing in world oil prices in 1999, the debt service ratio over export of non-factor goods and services fell to 39.6% of the GDP. The Government initiated an active debt management policy whose aim, among others, is to repurchase, reimburse early or convert part of the foreign debt into investments or equity. Given the economic prospects that point to sustainability of the falling debt service ratio over export trend, the Government has no new plans to reschedule the foreign debt.

2.1.11 Domestic public debt: in 1999, total public debt under the Treasury's responsibility amounted to nearly DA 2 210 billion, of which DA 710 billion as domestic public debt. The debt contracted for public sector rehabilitation makes up the bulk of the domestic public debt (85%). Thanks to improvement in the public cashflow by end 1999, the Treasury was able to partly reimburse banks the 1999 debt service, i.e. interests on domestic public debt that the Treasury contracted from banks within the framework of offsetting non-performing bank loans.

Sectoral Overview

2.1.12 Agriculture: the agricultural sector, including livestock and fishing, play a central role in the Algerian economy, although secondary to the hydrocarbon and industry sectors, since it employs 25% of the active population and accounts for 10 to 12% of the GDP. In yearly average, the agricultural sector GDP records a 5% growth rate. Private production predominates the sector. Heavily subject to vagaries of the weather, Algerian agriculture is also characterized by low irrigation rate despite the State's investment in major irrigation schemes. So far, about a hundred average dams have been built, but barely forty are operational. Land use remains a complex issue in Algeria and is among the sector's top constraints that hamper the efficient and rational development of agricultural land. The competent authorities are in the process of reviewing several edicts and orders which, among other things, seek to regulate the use of State land, determine the privatization modalities and set up a land market. Agricultural output is low, ranging from 575-1385 kg/ha for cereals and from 350-620 kg/ha for vegetables, depending on the production zone.

2.1.13 Food security and rural poverty are the two main preoccupations of the Algerian authorities. Indeed, national agricultural production can only meet 20% of the country's food needs. Moreover, 19.3% of the population live below the poverty line.

2.1.14 Industry: given the rate of the active population employed (8.2%) and its contribution to the GDP formation (11.8%), the industrial sector (excluding hydrocarbons) is one of the key sectors of the Algerian economy. The public sector predominates (80 to 85% of the national production); the formal private sector only has a marginal share. Public enterprises account for the bulk of production of capital (mechanical industries) and intermediate goods (petrochemicals, iron and steel, construction materials). In contrast, private firms are active in consumer goods industries (leather and shoes, wood and paper, chemicals and plastic, textiles) and subsidiarily in the intermediate goods sector (construction materials).

2.1.15 Since 1989, the industrial sector has faced enormous difficulties connected, *inter alia*, with its low competitiveness and under-utilization of the installed capacity. As a result, the industrial production index has declined especially since 1990. The generally negative trend particularly struck the mining sector, the ISMMEEs (iron and steel, metallurgical, mechanical, electrical and electronics industries) as well as textiles and timber industry. The 8.4% growth rate posted by the public and private industrial sector in 1998 was merely a passing spell. For not completing its restructuring, industrial sector performance deteriorated anew with production downturn estimated at -0.8% in 1999. The bad result underscores the urgent need to accelerate the sector's upgrading, with a view to the signature of the association agreement between Algeria and the European Union.

2.1.16 Hydrocarbons: the hydrocarbons sector has been the locomotive of economic growth over the past five years, attaining a real average growth rate of 5.5%. The sector's central position in the Algerian economy is also ascribed to the fact that in 1999, for instance, it accounted for nearly 28% of the GDP, provided 95% and about 60% of the export and fiscal receipts, respectively. According to January 1999 estimates, proven recoverable hydrocarbon reserves amount to nearly 13.7 billion tonnes of oil equivalent (TOE). Natural gas makes up nearly two thirds of the reserves. Taking into account the current oil reserve level and the present extraction pace, serious concerns about the resources running out would only emerge in another 35 years. Algeria's annual crude oil production now stands at 35 million tonnes, more than half of which is exported. At today's output level, natural gas reserves would last another 70 years. Algeria is the fourth world exporter of natural gas with annual production amounting to more than 121 billion m³, about 40 billion m³ of which is exported. There are high prospects for exceeding 60 billion m³ of annual gas export and production of more than 50 million tonnes of hydrocarbon liquids. In 2000, due to the high dependency of the national budget on oil receipts (60%), the State set up an oil fund fueled by oil revenue above US \$ 19 per barrel in order to attenuate the impact of oil price volatility and guarantee stable supply to the public treasury. The annual energy demand growth rate of nearly 6% should explain the doubling of demand in the next decade. Consequently, the enormous capital needs should be met to prevent energy constraints from forcing the economy to slow down in the long term. The hydrocarbon sector financing needs are estimated at US \$ 30 billion over the 1997-2004 period, 50% of which should be from foreign sources.

2.1.17 Water: supply reaches a relatively high percentage of the population. Connection rate to the drinking water supply network stands at 87% in the urban area and 75% in the rural area. However, the water sector is characterized by limited ground water resources and little surface water on account of vagaries of the weather, inadequate service quality with frequent outage, low installation output (50%) and insufficient cost recovery. The country's water resources are managed by national or Wilaya agencies which cover 40% of communes (for such cities as Algiers, Oran, Constantine, Annaba, etc.) and a series of communal administrative departments that distribute water in 892 communes to 11.4 million residents in average-sized or small towns.

2.1.18 Telecommunications: Algeria's telecommunications and information infrastructure sector is characterized by low urban and rural penetration, a demand growth far above the installed capacity and frequent network breakdown. Moreover, the connection time ranges from several months to one year. With a density of 5 fixed lines to 100 people (1998) and 0.06 Internet connections per 1000 people, Algeria is far behind in developing the telecommunications sector compared with its neighbours in the Mediterranean basin.

2.1.19 Transport: apart from inland waterways, Algeria's transport system comprises road, rail, maritime and transmission networks (energy and fluids). The road network includes 56 000 km of tarred surface and transports nearly 310 million passengers and 52 million tonnes of merchandise. The rail network covers 3 800 km and accounts for the movement of the remaining 15% and 20% of passengers and goods, respectively. For external trade, Algeria currently conducts 98% of its business by sea. Port infrastructure includes 12 multipurpose harbours, 2 oil terminals and 10 fishing ports and stations. Port traffic amounts to nearly 80 million tonnes yearly, 65 million of which on hydrocarbons. Coastal shipping represents nearly 2.5 million tonnes. In such a vast country where transportation is difficult, local air transport is of cardinal importance. The country has 31 airports that handle passenger traffic, 7 of them international. It also has an oil and gas pipeline network of about 22 700 km..

2.1.20 The vast multi-mode transport network faces several problems: (i) a legal and regulatory framework unable to cope with the new mission of various transport systems; (ii) the marginal private sector participation; (iii) the low credit to the sector when compared with the needs; (iv) the deterioration of the maintenance service quality on the networks owing to a steady fall in the maintenance expenditure budget; (v) the compartmentation of various administrative structures in charge of managing the transport system; and (vi) lack of competition between the sector's public enterprises.

2.1.21 **The banking and finance sector:** in 1999, the sector comprised 21 financial establishments, of which six public and eight private banks in the hands of national and foreign investors. With a banking network made up of 1116 agencies for 30 million people, the country is relatively under-serviced. Since the 1990 passing of the edict on money and credit, all banks are now multi-purpose and can fund operations in all sectors. The credit portfolio of public banks was sanitized, followed with a recapitalization. Furthermore, they were granted decision-making autonomy. Notwithstanding the restructuring programme, the public-funded commercial banks still face several problems: bureaucracy, limited range of products, lack of international competition, a homogenous portfolio dominated by outstanding public enterprise debt (consolidated into medium-term credit) and low computerization. Difficulties in effectively attracting savings is a serious handicap to intermediation for short-term operations financing. Private banks accounting for only 5% of banking sector assets are unable to exercise reasonable influence especially on the competitive environment. Their activities are limited to Algiers and import/export operations which are considered more profitable.

2.1.22 To widen the range of financial instruments available, a stock market was set up and became operational in February 1998. So far, three public bond issues have been conducted. The development of the new stock market would offer additional financial support to the nascent Algerian private sector.

2.1.23 **Education and training:** under the State umbrella, Algerian authorities have focused constant attention on the education and training system. In 2000, 30% of the State budget is allocated to the sector; 80% of the resources so assigned will go to primary and secondary education, 16% to tertiary education and about 4% to vocational training. School is compulsory to all children up to age 16. In terms of access to education, this policy has had significant results: at the basic education level, the enrollment rate for children aged six now stands at 95%, even though there is some imbalance between the rural and urban area and from one socio-economic group to another. In any case, 70% of enrollment in the first year of primary education drop out before the end of the basic cycle (age nine). Currently, the country has 8 million pupils from primary to high school, 350 000 teachers in 23 000 schools (92% of which were rebuilt and are functional). However, regional, gender and income-level disparities exist at the secondary and tertiary level. Indeed, the crude urban and rural secondary enrollment rates fall to 82% and 64%, respectively, while the boy/girl ratio is only 75% in the urban area and 52% in the rural area. It should be noted that in the rural area, the average distance to the nearest school is 1 km for about 70 of those enrolled. Despite the existence of a regional network of universities, the access rate to that level ranges from 55% to 70%, depending on the region, and the reception capacity hardly exceeds 15% of applicants in certain Wilayas (Prefectures). The illiteracy rate (39.7%) had fallen substantially from the 85% recorded in the seventies. In 1997, 52.3% of women and 27.3% of men were unlettered.

2.1.24 Despite the reasonable quantitative results, the system still faces obstacles that hamper its internal efficiency and expected performance in attaining national development objectives. The constraints include lack of training of the teaching corps, non-review of the curriculum since the 1981 reform, lack of consistency between the textbooks and programmes that have become

obsolete and school wastage. The wastage rate (repeat and dropout) outside the compulsory education cycle is very high. For instance, nearly 70% drop out of the education system before completing high school (the high school success rate is currently about 24.8%). The graduate quality is low owing to a combination of factors especially related to the academic environment, the education and teaching strategies and interface between the education system and the social and economic environment. In the face of these difficulties, the authorities set up a commission to reform the education system – one of the key issues during the past presidential elections – with a view to the emergence of a “New Algerian School” under which new technology and budding private instruction would constitute the State’s main priority thrusts.

2.1.25 The public health system: the country’s hospital infrastructure (at times under-exploited in the rural area) is considerable. Public health financing is covered by the State budget and contributions from social security agencies. The “free care” principle introduced in 1994 has produced relatively convincing results. Indeed, the sector gave the following general picture in 1999: 52 000 beds, 35 000 doctors, 86 000 para-medics and 46 000 administrative staff, all categories combined.

2.1.26 The deterioration of the economic situation from 1986 led to a decline in funding from the State and the social security fund. Thus, although budgetary allocations to health increased in current value by 82% between 1993 and 1997, in constant terms they only represented 86% of 1993 allocations. Credit increased yearly by DA 3 to 4 billion, except in 1996 when it grew by DA 9.5 billion. In 1994, new roles were assigned in connection with health service financing. The system’s major constraints remain, namely: human and resource management, its capacity to meet the needs of various social categories that had lost faith in the usefulness and ability of modern medicine in the light of the quality of hospital services, hence the low consultation rate. There are two aspects to the system’s inefficiency: on the one hand, the inadequacy of public health policies, and on the other, the weak management capacity. The Government plans to remedy these weaknesses by applying the appropriate measures: liberalization with a view to increased private sector participation, resource use rationalization, reduction in uneven health cover, health-care access to all and greater access to emergency and family planning services for rural dwellers, and the fight to curb maternal mortality. Furthermore, special attention will be given to preventive medicine, staff training, service quality improvement, regionalization and establishment of a national, regional and local statistics information system. Such a national observatory and the creation of five (5) regional centres will provide more reliable indicators for improved management of the system and anticipation of major changes.

2.1.27 Housing: the housing sub-sector is characterized by the shortage of accommodation supply vis-à-vis the rapidly growing demand. In 1999, the housing stock was estimated at 4 million units for a population of nearly 29.50 million, putting Algeria among countries with the highest coefficient in the world. The large housing deficit is attributable to the combined impact of population growth, especially in the urban area, inadequate mechanisms to fund housing operations and the weak management and production capacity of public enterprises dominating the sub-sector to meet housing demand. Housing shortage came with deteriorating quality. The housing crisis is of major concern to the Government since it is a potential source of social tension.

2.1.28 Given its substantial social impact and the enormous potential to contribute to economic recovery, the Government has included housing among Algeria’s priority sectors. In a bid to set up an enabling environment for investment in housing, the Government set a sectoral liberalization process in motion (the financial and institutional framework has already improved). The new sectoral policy emphasizes: targeting State assistance beneficiaries, shanty-town eradication, removal of precarious housing, privatization of public construction firms and production of construction materials.

2.2 Condition of Private Sector Enterprises

2.2.1 The private sector is playing an increasing role in Algeria's economic growth. Official figures put the number of firms at 28 000 and private contractors at 800 000, in addition to informal production units and operators. Overall, the private sector employs 2.85 million, i.e. nearly half of total employment, and generates more than half of the GDP, hydrocarbons included. It contributes 72% of the GDP, exclusive of hydrocarbons. However, most private enterprises are small; less than 5% employ more than ten persons. Private firms are active in agriculture, construction materials, financial services, mechanical industries, information technology, small-scale hotel industry and other services. Public enterprises dominate the industrial sector.

2.2.2 Since 1990, the Government has introduced reforms to drop the central planning system and set up bases for a market economy, making the private sector the pivot of the country's development strategy. The reforms led to the passing of several legislative and regulatory texts to encourage private initiative, among which the edict on money and credit, the edict on competition, the investment code, texts on public enterprise privatization, etc. Within the context of Government reforms, measures were taken to liberalize economic activity, end State monopoly, set up a capital market, liberalize the financial sector and open the banking sector to private operators, privatize public firms and encourage direct foreign investment. The new investment code offers several incentives to firms (tax reduction or waiver, social contributions, customs duties adjusted to regions) and guarantees capital and income transfers as well as identical and indiscriminate treatment of all investors. Alongside these measure, institutional reforms were carried out to promote private sector development. A Private Investment Promotion and Monitoring Agency (Agence de Promotion et de Suivi des Investissements, APSI) was set up.

2.2.3 The reforms initiated led to improvements in the legal and regulatory environment for business. However, despite progress, major constraints continue to weigh on private investment growth. Hence, foreign private investment has stagnated at US \$ 500 million since 1998 even though it grew significantly from US \$ 250 million from 1996. The major constraints facing private enterprises in Algeria include: (i) overall low demand due to contraction in the purchasing power and public expenditure, and the high unemployment rate; (ii) inadequate infrastructure, especially telephone, water and electricity supply, and access to developed industrial zones; (iii) inadequate mechanisms for funding enterprises and the bare diversification of the financial sector which continues to be dominated by public institutions; (iv) difficulties that firms face to access foreign exchange – therefore raw materials and spare parts, forcing them to run at under-capacity; (v) difficult access to industrial and agricultural land; (vi) excessive taxation, despite efforts to reduce the tax pressure; (vii) labour-market rigidities; (viii) bureaucracy; (ix) inadequate legal and judicial system; (x) the security context; and (xi) delay in implementing the privatization programme – a situation that gives public enterprises unequal advantage and introduces distortions into the market. Almost six years after publication of the initial texts on privatization, only few limited operations have advanced as indicated in paragraph 3.1.12. That situation has robbed the private sector of real investment opportunities. In the light of constraints mentioned above, the Government should, as a matter of urgency, extend reforms with a view to improving the legal, institutional and regulatory framework for business, taking measures to accelerate privatization and eliminate or limit other obstacles that continue to hamper private investment.

2.3 Cross-Cutting Issues

2.3.1 **Population:** in 1999, Algeria's population was estimated at 29.50 million, spread over an area of 2.4 million km², i.e. a theoretical density of 12.38 inhabitants per km². In reality, the population distribution is very unbalanced. Indeed, only 9.6% of the population occupies 88% of the territory comprising Sahara desert areas, i.e. 1.2 inhabitants/km², against 90.4% of the population concentrated on the Northern section of the territory (i.e. 12%) which has the most fertile agricultural land and rich natural resources, and where the population density is 90 inh./km². Since 1997, in the wake of terrorism, 60% of the country's population live in urban and semi-urban areas. The population growth rate has fallen over the past decade, from 3.23% in 1985 to 1.03% in 1999. Most of the population are youths (50% under 19). The birth rate which was 5% in 1974 dropped to 4.4% in 1980 and 1.03% in 1999, attributable to the increase in the marital age and falling rate (the total fertility rate dropped from 7.8 children per woman in 1970 to 3.5 in 1998). Life expectancy improved from 65.4 years in 1987 to 67.5 in 1999 for the population as a whole. The structure and characteristics of the growing population will, in the medium term, increase social demands in connection with utilities – a major challenge to the Government, given the context of weak and fragile economic growth.

2.3.2 **Poverty control:** the deteriorating employment market in the wake of public enterprise restructuring, inadequate economic growth, the combined impact of price liberalization and end of subsidies for most essential goods, have considerably eroded the living standard, extending poverty to other vulnerable social categories. According to the conclusions of the survey conducted by the National Statistics Agency (Office National des Statistiques, ONS) on Algerian household consumption and living standard (1995 to 1998), 14% of the population live below the "lower" poverty line, estimated at US \$ 311 worth of goods and services per capita yearly. The same survey indicates that nearly 70% of the poor live in the rural area; the average poor household contains more than 8 members; and poverty is linked with low education and enrollment. Although urban poverty is growing, rural poverty (19%) is twice higher in comparison. Regarding the human development index (HDI), the country in 2000 ranked 107 out of 174. To stem poverty, the Algerian Government chose to strengthen social assistance programmes and set up a social protection net. Price liberalization was accompanied with a targeted social transfer policy. Several instruments were put to play, of which allocation to social categories without income, allocation to persons with a single source of income (Indemnité aux Personnes à Salaire Unique, IPSU), supplementary allocation to families (Indemnité Complémentaire d'Allocations Familiales, ICAF), Flat Common Allocation (Allocation Forfaitaire de Solidarité, AFS) and Allocation for Activity of Common Interest (Indemnité pour Activité d'Intérêt général, IAIG). In the rural area, specifically, the Government encouraged job creation through public utility and highly labour-intensive works. In all, the authorities allocated nearly DA 6 billion to various common solidarity funds of concern to about 1.2 million persons. These ad-hoc social protection programmes could not all attain the set objectives. Therefore, the new Government plans to "review its social policy by extending and including a strategic job creation objective under its social action umbrella to supplement employment promotion within the economic recovery context".

2.3.3 In connection with unequal income, the ONS 1995 survey on living standard revealed that consumption expenses for 20% of the least privileged only represented 8% while those for 20% (the most privileged) amounted to 43%, i.e. a ratio of 1 to 6.3. Beyond these indicators that speak for themselves, it is necessary to point out that an effective poverty policy control mechanism is difficult to implement in the face of a weak and inadequate mechanism for measuring poverty. Available household surveys are not only old but inadequate for precise measurement of the extent and trend of poverty in Algeria.

2.3.4 **Gender issues:** women make up an estimated 49.3% of the population and play a key role in the country's development. Algeria signed the International Convention on the Elimination of All Forms of Discrimination Against Women in 1981; it had previously signed the ILO Convention (No. 111) Against Job Discrimination. However, women continue to be discriminated against in certain sectors (policy-making and managerial level) and regions. Discrimination is less perceptible with regard to access to health services, and even less so in education. In the UNDP Human Development Report, Algeria is ranked 91st on the gender-specific human development index. The latter has the same components as the human development index (HDI) but differs from it in that it is adjusted to reflect the sociological disparities between men and women.

2.3.5 In 1996, the women's illiteracy rate stood at 33%, compared with 56% in 1987 – double the men's rate. In recent years, girls' enrollment has outstripped boys'. However, the enrollment of girls aged 6 to 14 stood at 86% in 1996 compared with 92% for boys, attributable to rapid awareness by illiterate mothers of the need to educate their daughters to spare them the socio-cultural difficulties that they (the mothers) had had to endure. Girls' education seems a judicious strategy both in terms of women's emancipation and control of population growth. Average birth per unlettered woman is 5.7, compared with 1.9 for women with secondary level or above..

2.3.6 Women made up 18% of the active population in 1996, of which 52% married. Obviously, in the face of galloping unemployment, today's rate is lower. Distribution by activity sector shows that 44% of such women are employed as health technicians, 33% as teachers, 19% in the private sector and 18% have administrative jobs; barely 17.7% are in the management cadre. In terms of labour legislation, the Algerian woman is a victim of salary discrimination. It is worth noting that the absence of full statistical data on the contribution of Algerian women to the economy is a major handicap to appreciating their part in development. However, it is easy to point out the relegation of Algerian women to the home and lower-ranking jobs, and their quasi-exclusion from politics. Seen from that angle, it may be inferred that women's paid labour does not necessarily improve the condition of Algerian women.

2.3.7 **Environment:** Algeria's ecological set up is characterized by a large variety of ecosystems extending from the Sahara desert zones to the fertile Mediterranean biotopes and the mountainous forested zones. Some have been especially fragilized owing to climatic contingencies, uneven population distribution, the presence of industrial pollutants, inadequate industrial and urban waste management, and unsuitable cropping and stock breeding methods. To protect the environment, the State should organize reforms. Moreover, the useful farm space (UFS) which currently stands at 0.32 ha/inh. will fall to 0.18 ha/inh in 2010 due to population growth.

2.3.8 Environmental protection is still regulated by Edict 83-03 of February 1983 and its enforcement decrees which should necessarily be made consistent with other legislation passed recently; new laws take into account the trend in the country's industrial complex, issues linked to urban and semi-urban expansion, and rural reorganization. Two major texts were recently prepared and relate to: (i) the obligation to undertaken preliminary impact assessment on certain kinds of projects (Edict 90-78 of 1990); the edict spells out the study content; and (ii) identification of 300 types of installations which could present certain dangers or disadvantages and which, for that reason, are subject to pre-establishment authorization. In addition to these provisions, several codes of good conduct have already been prepared and cover water, forestry, health, mining, marine life, etc., the standards of which draw inspiration from international recommendations. The current status of natural resource deterioration was drawn up in 1993.

2.3.9 The Directorate of Environment is aware of the fact that the sector is rapidly changing and that considerable effort is needed to bring its experts to the required level, adapt the legal framework and release the budget that it needs to implement various aspects of reform and increase the awareness of managers in related sectors on environmental deterioration. While awaiting the finalization of the National Environment Plan, Government priorities are set forth in the National Environment Action Plan and focus primarily on three sectors having a positive effect on factors that pauperize the people, enabling them to significantly and rapidly improve their socio-economic status. These include: (i) the set of issues related to the exploitation and protection of surface water and groundwater tables; (ii) soil protection and conservation actions (development of watersheds, reforestation, preventive measures against all kinds of erosion and desertification, etc.); (iii) management of industrial impact and pollution, management of liquid and solid wastes, and use of agro-chemicals, etc.

2.3.10 ***International labour standards:*** in view of Algeria's recent economic changes, some aspects of the labour legislation were reviewed, especially with regard to clarifying conditions for workers' participation in corporate life, review of the conditions for severing labour relations, measures for preserving jobs and protecting workers. Officially since 1990, the General Union of Algerian Workers no longer holds monopoly over labour representation. In an attempt to ensure and preserve good working conditions, Algeria ratified about forty ILO conventions, among which: the convention concerning the night work of young persons, the convention concerning the application of the weekly rest, the convention concerning union liberty and the protection of union rights, the convention concerning the rights of association and collective bargaining, the convention concerning equal remuneration, the convention concerning the abolition of forced labour, the convention concerning discrimination (employment and profession), the convention concerning the age of admission of children and the convention concerning tripartite consultations on international labour standards. By practicing the policy of dialogue and contact with socio-economic partners, the Government succeeded overall in maintaining social peace with labour, in a context of budgetary austerity and mass unemployment. However, the effective application of the conventions ratified is largely dependent on the economic situation, the goodwill of the State and vocational associations, and the determination and negotiating capacity of labour unions, especially the General Union of Algerian Workers (Union générale des travailleurs algériens, UGTA).

2.3.11 ***Regional Economic Integration:*** For the Algerian authorities, economic integration is a means of preserving the interest, place and role of their country in the Maghreb, in particular, and the world, in general. Within that purview, Algeria ratified in 1989 the Treaty establishing the Arab Maghreb Union (AMU). For the Government, the AMU is a key asset without alternative for all member countries in the face of the need for regionalization and globalization. The AMU successfully prepared about thirty conventions in several areas. However, most trade among AMU members is governed by bilateral agreements and commerce is marginal. As with most African economic groupings, the AMU as an integration mechanism is not yet operational. However, recent intensive diplomatic activities on bilateral cooperation among AMU countries suggests a revival of community awareness on the destiny of Maghreb countries in a globalizing world.

2.3.12 Algeria began negotiating an association agreement with the European Union (i.e. a Free Trade Agreement Between Algeria and the EU). Such a mechanism could help the Algerian economy to enhance its competitiveness, have easier access to the European market and further attract private investment.

2.3.13 ***Participatory development:*** since the 1989 Constitution democratized political life, and thanks to the extension of the right to association following the adoption in 1991 of the edict liberalizing the right to association, citizens have increasingly played a role in public life, beyond the formal structure of elected assemblies. The gradual emergence of the civil society enabled the

citizens to express their points of view and to work at problems facing their municipality. The participatory process led to the creation of several reflection, contact and consultation fora where ideas and policies on national development issues are discussed. The consultative bodies set up include: the National Economic and Social Council (Conseil national économique et social, CNES), established in 1994; the Higher Education Council (Conseil Supérieur de l'Éducation, 1995); the Higher Council of Youths (Conseil Supérieur de la Jeunesse, 1995); the Committee for Family Protection and Enhancement (Comité de Préservation et de la Promotion de la Famille, 1996). Political liberalization opened the way for the creation of several unions alongside the only one formerly authorized (the National Union of Algerian Workers [Union générale des travailleurs algériens], UGTA) and the institutionalization of regular “tripartite meetings” that provide an avenue for contact between various labour unions, employer associations (two employer federations) and the Government, and occasionally decision-making. The prevalence of consultation between leaders of opinion and civil society organizations, representatives of vocational associations and the Government is an indication of the growing participation of all concerned in reflecting and deciding on matters of national or local importance. A structure like the CNES under whose umbrella fall all civil society components, regularly issues high quality reports at the end of its deliberations, the analyses and recommendations of which stand out by their independence vis-à-vis the Government. An example is the highly celebrated half-yearly report on the “Economic and Social Situation”, presented solemnly in the presence of members of Government. Convinced that the participation of the civil society in policy preparation is a guarantee for smooth implementation, the Government plans to review the edict on associations with a view to widening their scope and capacity for action.

2.4 Major Development Constraints

2.4.1 An analysis of Algeria's recent economic and social trend highlights a number of constraints to the country's economic and social development. The constraints are macro-economic, sectoral, structural, institutional and security-related.

Macro-Economic Constraints

2.4.2 The first constraint facing the Algerian economy is the relative vulnerability of the major macro-economic aggregates vis-à-vis such exogenous or natural factors as fluctuating oil prices or rainfall (as it affects the agricultural sector). Indeed, the heavy dependence of the Algerian economy on hydrocarbon export is a major constraint in view of the fact that hydrocarbons make up the country's principal foreign exchange resource. Hydrocarbons provide nearly 28% of the GDP, 95% of the export receipts and 60% of the total budgetary income. That situation exposes the economy to external shocks, in particular fluctuations in oil prices and the value of the US dollar.

2.4.3 The second constraint facing the country is its very heavy foreign debt. Although the debt volume has declined in recent times, its servicing continues to limit the State's financial capacity to boost growth through public investment that is indispensable in certain key economic sectors. Hence, the need to accelerate reforms to improve the business climate and draw significant direct and non-debt generating foreign investment in the non-oil sectors.

Sectoral Constraints

2.4.4 Algeria's third economic constraint is the country's high dependence on food import owing to the large agricultural production deficit compared to local consumption. Algeria is the world's first importer of hard wheat; therefore, its economy is very vulnerable to fluctuations in world cereal prices. Local agricultural production barely meets 20% of the country's food needs. Agriculture suffers from the structural dependence on import of agricultural inputs, land constraints and exposure to vagaries of the weather.

2.4.5 The fourth constraint facing the Algerian economy relates to the structural inadequacies of the industrial sector. From 1990 to 1997, the industrial sector performed badly with sharp falls in production, especially in manufacturing. Although the situation changed somewhat in 1998, overall, the sector is still characterized, among other things, by low productivity of sectoral firms, the persisting fall in production capacity utilization rate and the heavy dependence on the outside world for supply of industrial input. With prospects of joining the WTO and the EU Free Trade Zone, the sector must necessarily upgrade and modernize to improve its competitiveness. Support from Algeria's foreign partners is essential.

2.4.6 The fifth constraint that Algeria should gradually overcome is related to its aging and inefficient infrastructure. The Government and operators are of the view that "the current status of transport, communications and telecommunications infrastructure is a major obstacle to investment, production, trade and attraction of foreign companies".

Structural Constraints

2.4.7 The sixth constraint facing the Algerian economy is the burden and encumbering role of public enterprises (generally poor performing) in such key sectors as industry, banks, electricity, transport and telecommunications. As a result, economic costs are very high and the formal private sector relatively marginalized. Despite efforts and sacrifices made to restructure public enterprises, privatization has had mixed results.

Institutional Constraints

2.4.8 The seventh constraint concerns the low human capital productivity in the national development process. Indeed, the public education and health system is faced with several problems, including: internal and external inefficiencies, public health problems (drug addiction, AIDS, cardio-vascular diseases) which, in tango with unemployment, shrink the contribution expected of the human resources sector.

Security Constraints

2.4.9 The eighth constraint relates to the security situation. Since 1992, Algeria's socio-economic situation has been marked by terrorist acts against State officials, citizens and infrastructure. That national tragedy cost the life of thousands of Algerians and caused considerable destruction to public and private property. The climate of insecurity generated by the situation also had a profound negative impact on national and foreign private investment decisions in exposed sectors such as transport, agriculture, tourism and industry. Thus, it prevented, among other things, mass capital inflow, knowledge and know-how transfer that should have come with direct foreign investment and partnership. Since the Government initiated the civil concord, massively voted and supported by the people during the 16 September 1999 referendum, the security situation has significantly improved. Witness, among other things: the record participation of Government delegations in the Algiers Summit of Heads of State of the Organization of African Unity in July

1999, the renewed interest of European tourists in the Algeria destination, the high hotel occupation rate and the presence of certain foreign pavilions at the Algiers International Trade Fair this year. The civil concord initiative without doubt put the country on the path to peace and civil concord the positive effects of which are tangible yet fragile. The consolidation of peace and civil concord which is one of the key factors for improving the enabling environment for private investment, especially direct foreign investment, is a challenge that the Government is determined to face, with the people's support.

III GOVERNMENT DEVELOPMENT PROGRAMME

3.1 Basic Components of Government Development Programme

The first Government under the President elected in April 1999 took office on 24 December 1999. The new Government submitted its programme to the People's National Assembly for approval in January 2000. The Government programme was designed more as an action plan to transpose *de facto* the presidential programme that was approved by most voters during the April 1999 presidential elections. The economic and social development programme that the Government intends to implement focuses on three central themes, namely: (i) governance; (ii) economic reorganization and recovery; and (iii) human development.

Policies and Programmes to Promote Good Governance

3.1.1 In the Government programme, promotion of good governance comes first by order of appearance, highlighting its cardinal importance. The good governance to which the Government aspires aims at "setting up an open, transparent and participatory institutional and social framework which enables and guarantees the exercise of public and individual liberties, guarantees political freedom, promotes associations representative of the civil society, ensures media multiplicity and divergence, and provides for considerable decentralization of authority". Government orientation in that regard focuses on two key factors: (i) consolidation of the rule of law; and (ii) the society.

3.1.2 Consolidation of the rule of law: in its programme the Government set for itself the objective of promoting the rule of law characterized by the separation of powers, the independence of the judiciary, the respect of the Constitution, laws and regulations, the defense of civic and political rights of the citizen and promotion of individual liberties. The advancement of the rule of law is also considered as means of ensuring institutional stability at all levels and safeguarding the continuity of public service. In that direction, the authorities plan to modernize the administration by simplifying its procedures in order to reduce bureaucracy, making the administration more citizen-friendly, impartial and efficient, offering every guarantee indispensable for the effective, transparent and positive exercise of political plurality and economic liberalism.

3.1.3 It is pertinent to note the enormous progress made. The process of setting up democratic institutions was initiated only in 1996 with the national referendum on the new Constitution. Multi-party legislative elections were held in June 1997, followed in October of the same year by multi-party communal and departmental elections. The Council of the Nation set up in the wake of these elections comprise deputies (parliamentarians and senators) from several political parties. In April 1999, Algeria organized early presidential elections thanks to which the country lived an enriching democratic experience. In September 1999, the political experience went even further with the holding of the referendum on the approach to achieving civil concord and peace.

3.1.4 Monitoring: in its policy of promoting the rule of law, the Government emphasizes State monitoring agencies. The key mission of such agencies will be to fight corruption, fraud, waste and poor management. There are plans to subject the administration regularly and at all levels to

internal and external monitoring, as well as constant performance evaluation. Recently, to demonstrate their determination to combat corruption and influence-peddling, the Algerian authorities strengthened the role and resources of their key instrument, the General Inspectorate of Finance (Inspection Générale des Finances, IGF) and set up a National Observatory for Corruption Surveillance and Prevention (Observatoire National de Surveillance et de Prévention de la Corruption, ONSPC). To further guarantee monitoring, efficiency and transparency with regard to public resource management, the Government also decided to finalize the regional deployment of the Court of Audit. The Court of Audit which became operational in 1998 presents a yearly public finance audit report to the President of the Republic.

3.1.5 The legal, legislative and regulatory framework: the third factor on which the State's policy to promote the rule of law is founded is the restoration of the credibility of justice and adaptation of its procedural codes and institutional structure to Algeria's ongoing economic and social changes. From 1997, to enable harmonious socio-economic changes engendered by the transition to a market economy, the Government laid down several organic projects in connection with the Council of State, the Supreme Court and administrative tribunals, even as it ordered the accelerated review of the Civil Code, the Code of Civil Procedure, the Penal Code and the Code of Penal Procedure. These projects will witness new developments during the implementation of the new Government programme.

3.1.6 Development of the civil society: the second factor which underscores the Government's good governance promotion policy is the development of the civil society through encouragement of all forms of citizen participation in the nation's political, economic, social and cultural life. The constitution and development of the civil society since 1990 is the result of political and trade union openness, as well as the liberalization of the rights of associations. Aware of the fact that the success of the economic liberalization process presupposes the strengthening of civil society participation in managing communal affairs, the Government has already authorized the establishment of 50 000 category-specific, charitable, humanitarian or sports associations. Moreover, the written press has enjoyed liberty as reflected in the tone and printing of about forty private and independent newspapers. It should be noted that in connection with the defense of human rights, Algeria has four human rights associations (including the local chapter of Amnesty International), three of which are characterized by total freedom of analysis and action vis-à-vis the Government. These associations produce reports, organize meetings, seminars or contacts on human rights issues.

3.1.7 Peace and security: the Government expressed its determination to stamp out terrorism by using all the legal means at its disposal, including prevention and sensitization measures. For "misled" terrorists, it extended "*Rahma*" provisions which consist in granting certain amnesty conditions to those sincerely repentant and who had not committed blood crimes. At the initiative of the new President, the desire to restore peace and security in Algeria was further manifest with the adoption in July 1999 of the Edict Establishing the Civil Concord which henceforth provides the legal framework for initiatives to restore civil peace and security in the country.

Economic Reorganization and Recovery

3.1.8 The second main focus of Government programme is economic reorganization and recovery. Despite significant progress in setting up market mechanisms, Algeria is still in transition towards a market economy. The basic principles of the economy are yet to fully regulate economic life and the institutional, legislative and regulatory environment. Hence, in order to strengthen the bases of the market economy, the Government plans to divest the State from productive activities and redirect its mission on its protective, regulatory and strategic role, to enable the full play of market forces and

structures. In that regard, plans have been made to adapt the institutional, legislative and regulatory framework to the State's new function.

3.1.9 In order to implement the market economy strengthening policy, the Government decided to emphasize three key areas, namely: (i) banking and financial system reform; (ii) private sector development; and (iii) reorganization of the public sector and privatization.

3.1.10 Reform of the banking and financial system: the said reform is a key Government priority. Economic operators are generally of the view that the structural lapses in the banking and financial system are the major obstacles facing business development. The banking and financial system wrestles with many problems: archaic and costly inter- and intra-bank payments, bureaucracy, reluctance to extend loans to private business, anachronistic management methods, excessive operating cost and charges, rudimentary computerization, poor supervision quality and lack of competition. Furthermore, the financial market which could have supplemented the money market in business financing is still at an embryonic stage despite the fact that most of the legal mechanism it needs to develop is in place. Hence, for the Government, it is imperative to urgently rehabilitate the banking system and develop the capital market.

3.1.11 Private sector development: Government's new programme forcefully reasserted the role and place of the private sector as a key actor in economic recovery. However, it is a known fact that the private sector remains relatively marginal and that its development faces several constraints. The authorities plan to pay special attention to those small and medium-scale enterprises considered as the key actors of employment growth and sources of innovation and creativity. The private sector development strategy seeks to put in place an enabling environment for business, characterized by: (i) free competition; (ii) liberty of investment, production, prices and contractual negotiation on the labour market; (iii) privatization of public enterprises; and (iv) State neutrality.

3.1.12 Reorganization of the public economic sector, participation and privatization: five years following the publication of the initial texts that set the privatization process on track, the results are mixed. The Privatization Council was given the responsibility to privatize all EPEs. So far, 89 EPEs have so been. However, negotiations with eventual buyers have dragged on. Only partial privatization via capital opening has advanced to some extent. In all, three capital opening operations have been conducted. Drawing lessons from several parastatal restructuring operations and their negative impact on the public finance situation and State debt, the Government considers that the autonomy of public enterprises, the restoration of their account balance and subsequent development can only be guaranteed through partnership with foreign firms and/or privatization. To successfully conduct the policy, a Ministry of Equity Participation and Reform Coordination was specially set up and the number of holdings charged with restructuring EPEs reduced from 11 to 5. The Government which extended the sectors to be privatized to infrastructure, mining, energy and banks also decided, with World Bank support, to implement a pilot privatization programme for 6 to 7 public enterprises, before proceeding further.

3.1.13 The establishment of conditions for strong, sound, sustainable and mass employment-generating economic recovery will be contingent on the implementation of certain structural and sectoral reforms: banking system reform, fiscal and customs reform, budgetary reform, judicial reform, deepening and acceleration of public enterprise restructuring/privatization and strengthening of the market economy. Economic reorganization and recovery during the five years under the programme will focus on the following four (4) key sectors: energy and mines, agriculture and fishing, housing and urbanization, and infrastructure. However, during the first two years, the Government will give priority to: 1. water mobilization and distribution; 2. banking and financial system reform; 3. modernization and liberalization of the telecommunications and mining sectors; 4. privatization 5. promotion of local development.

3.1.14 Agriculture: following evaluation of the agricultural situation, the Government retained the following priority objectives: (i) move from a strategy of food self-sufficiency to that of food security, especially by promoting production with proven comparative advantages; (ii) improve soil quality by restoring mountain land, increasing the irrigated area, reducing fallow and developing sahelian agriculture; (iii) strengthen the agricultural irrigation capacity; (iv) improve conditions of access to bank funding for agricultural operations; and (v) stabilize and render transparent the land-use system.

3.1.15 Water and drainage: to meet the constraints facing the water sector and the increasing demand, the Government plans to restructure it into 4 commercial companies: (i) a company to manage/operate the sector; (ii) a company in charge of drainage and purification; (iii) an irrigation company in accordance with the new responsibilities of the Ministry of Water Resources which henceforth is responsible for development of water resources for agrifood needs; and (iv) a dam construction and operation company. In that regard, the organization of public water service will be further adapted and lessors granted greater accountability over technical, commercial and financial management, especially by opening the sector to private operators in the form of management lease. Furthermore, the drainage department will be consolidated by adapting the existing regulatory framework, together with the gradual introduction of an adequate billing system.

3.1.16 Telecommunications: aware of the constraints that inadequacies in the sector pose to agricultural productivity and the country's opening to the European Community, the Government undertook to promote private sector participation in managing the sector. That commitment was recently materialized via the launching of a vast three-year sectoral reform programme with World Bank support, aimed at: (i) setting up an institutional, regulatory and legal framework more amenable to competition and the private sector; (ii) the gradual implementation of liberalization in all sector market segments; (iii) privatization of the historic operator by opening its capital to a strategic operator via international competitive bidding; and (iv) preparation of a strategy for developing the postal sector through its financial rehabilitation.

3.1.17 Alongside efforts to reform and restructure the historic operator, the Government began to prepare a set of investment target-projects to solve such urgent needs as a means of bringing the said operator to the required level to enable it to face a competitive market by 2004, pursuant to reforms. The Government is also concerned with ensuring that the transition to a competitive market through the anticipated participation of the private sector does not further reduce access of the underprivileged to basic telecommunications services. Hence, a component to strengthen network access and full rural and urban coverage was developed to contribute to reducing social inequalities and fight rural isolation.

3.1.18 The energy sector: the purpose of Government sectoral programme is to make the best use of locally sourced energy to exceed the 60 billion cubic metres of gas exported yearly, and the production of 50 million tonnes of hydrocarbon liquids. Hence, the Government plans to combine that comparative advantage with necessary measures to enable the energy and mining sector to adapt to the operating conditions of a free, open and competitive market economy. That would require giving back to the State its triple role as resource owner, investment promoter and public interest protector.

3.1.19 Within the same purview, the State plans to promote and diversify private sector promotion in the energy sector, acquiring technology and know-how with a view to enhanced access to foreign markets. The State's second point of interest is to encourage public enterprises to no longer resort to the former's guarantee, seeking the use of new mechanisms to mobilize the financing that it

needs to develop, including equity participation in their capital by private shareholders, although protecting the State's majority shareholding through legislation. Therefore, the principles set forth in the energy and mining sector policy would necessitate legislative, regulatory and institutional changes, as well as the State establishment of new regulatory bodies.

3.1.20 Transports: the situation in the sector is characterized by the urgent need to reverse the advanced deterioration of the road network (nearly 40%). The number of airports is relatively sufficient, but new ports should be built and some existing ones dredged. To remedy the situation, the Government plans to give priority to: (i) maintenance of existing infrastructure, including using partners and professionals in the field; and (ii) completing the outstanding major infrastructure projects, e.g. the East-West highway, using new forms of funding outside the public budget. To meet the emergency network maintenance and strengthening needs (the traffic volume has increased steadily), the Government set up a road fund financed by taxes and duties, in order to adequately increase road maintenance resources. Furthermore, the fund will sustain road maintenance throughout the country.

3.1.21 Industry: the constraints facing the industrial sector, especially its low productivity and competitiveness, led the authorities to put in place a sectoral restructuring policy aimed at revitalizing the sector by rehabilitating the major public enterprises within a competitive environment that makes room for market mechanisms. The sectoral strategy retained provides, among other things, for: (i) grouping of entities and activities of certain public enterprises; (ii) the partnership option through equity participation by national or foreign private capital in EPEs; (iii) total privatization of units and enterprises, especially those in highly competitive areas; and (iv) support to the development of new SMEs/SMIs.

3.1.22 Human resources: the State has always given priority to human resource development. Despite ongoing social and economic changes to hew out a modern and competitive market economy, the Government Programme plans to consolidate that dimension by: (i) improving the management of the public health system and supporting private medical initiative; (ii) consolidating and reorientating the social protection system by putting in place an enabling environment for self-development and employment generating activities; and (iii) reforming the education system to guarantee the future competitiveness of the national economy.

3.1.23 Poverty reduction and social protection:: Government efforts to reduce poverty have not yet produced the expected results in the absence of reliable statistics on the underprivileged. In the face of the obvious limits in managing the current social net mechanism, the Government plans to improve beneficiary targeting. Further, it will review the poverty control policy by emphasizing the strategic objective of creating permanent jobs within the context of the public utility and highly labour-intensive works (*travaux d'utilité publique et à haute intensité de main-d'oeuvre*, TUP-HIMO). In that connection, the Government will organize a national conference on poverty reduction, with the aim of preparing a national poverty and marginalization control for the next five years. The background documents being put together discuss several issues: micro-credit and micro-enterprise promotion, preparation of a social map and programmes to develop homestead property.

3.1.24 Local development: in its design, it is meant to be integrating, mostly put together and run by the base community within the framework of administrative decentralization. Such an approach presupposes a national willingness to develop and encourage regional and local potential and initiative. The Government is of the view that only a development strategy integrating all activity sectors and optimizing the human factor, making effective use of public and community resources, is able to bring about a more harmonious national development that takes regional or local specifics into account. From that angle, the approach aims at refocusing the issue, the same as the national

socio-economic development policies. Therefore, the national development process should be backed by constant improvement in the performance quality of public administration and local government services, with a view to greater and increasingly shared accountability. Close attention should be given to new information and communications technology, management and strategic planning techniques – all areas where the country is well behind.

3.1.25 **Medium-term prospects, 2000-2002:** the medium-term prospects of the Algerian economy depend on: the consolidation of the current climate of peace and civil concord, acceleration and deepening of macro-economic and structural reforms initiated in 1994, especially privatization, banking and financial system reform, fiscal reform, performance of the hydrocarbons sector and effective application of the infrastructure sector liberalization policy. During the period, the GDP in real terms is projected to grow at least 4.2% yearly. Economic growth over the three years should draw principally from increase in hydrocarbon export.

3.1.26 The current balance of payments, according to IMF estimates, based on an average US \$ 21 price per barrel of crude oil should post a surplus throughout the period (10.8% of the GDP in 2000, 5.6% in 2001 and 2.5% in 2002). The situation should provide Algeria with enough exchange reserves from 2000 to 2002 (equivalent to 10 import months per annum) with which to support the liberalization of the import system and guarantee the Dinar convertibility for current account transactions.

3.1.27 With regard to the foreign debt trend, the following estimates were retained: the debt service ratio on export of non-factor goods and services should continue the downward slide it took since 1999, from 39.6% to 29% in 2002. The fall in the debt stock should also continue, from 59.1% of the GDP in 1999 to 41.9% in 2002.

3.1.28 **External resource needs:** to achieve the above economic prospects, Algeria will need to source external funding. In the absence of full balance of payments projections for the 2000-2002 period that factor in the recent oil price trends, the external resources needs could not be determined. However, as soon as complete balance of payments estimates for 2000-2002 (now being prepared by the Bank of Algeria) are available, the external financing needs for the period in question will be fixed.

3.2 Programme Evaluation

3.2.1 The Government programme is evaluated on the basis of its relevance and consistency in: promoting good governance, maintaining a stable and predictable macro-economic framework, extending and deepening structural and sectoral reform; promoting strong and sustainable growth capable of significantly reducing the unemployment level and poverty; and taking cross-cutting issues into account.

3.2.2 **Promotion of good governance:** paragraphs 3.1.1 to 3.1.7 showed that since 1996, the Algerian authorities have gradually set up an institutional framework to promote and develop good governance.

3.2.3 Accountability has made enormous progress, thanks to democratization of public life. The Government demonstrated real political willingness in setting up monitoring mechanisms. Increasingly aware of the swelling information available to the public and the power of the ballot during elections, holders of public office pay closer attention to the management of public property. However, much is still required, especially in terms of accounting and public audit quality, to bring it up to international standards. Moreover, several weaknesses remain in connection with public enterprise reform and management, as well as public administration management.

3.2.2.2 Concerning transparency and information dissemination, significant progress has also been made in recent years. The abundant political, economic and social information that feeds the free and multi-sided debate of ideas in the independent press has contributed to the development of transparency since it enables the public to access Government policies and strategies. The now famous Wednesday parliamentary sessions during which deputies answer to questions by members of Government (transmitted live on national television), illustrates the authorities' willingness to nurture a transparent and accountable culture. Furthermore, for reasons of transparency, the Government, aware of the importance of individual and collective rights on human development and the country's international image, courageously extended official invitation to all international human rights organizations to visit Algeria to conduct uninhibited inquiry on the human rights situation and publish their findings. As a result, several organizations visited Algeria in 2000 to conduct surveys and gather information, among them the International Human Rights Federation, Amnesty International and *Reporters sans Frontier*. Moreover, to further demonstrate its readiness for transparency, the Government in July 2000 authorized the IMF to publish the conclusions from that Institution's Departments following Article IV consultations between both parties.

3.2.2.3 Regarding corruption, the Government has unflinchingly denounced the impact of graft on the country's development. As proof, the new President of the Republic who has made the struggle against bad governance in general and corruption in particular his battle cry, felt the need to propose an anti-corruption bill. Further, to etch his determination in the anti-corruption drive, the President has not hesitated, for instance, to dismiss senior officials, especially about fifteen Prefects (Walis). However, high and above sanctions against proven cases of corruption, the passing of the anti-corruption bill and its actual application through effective control mechanisms will give the anti-corruption drive its full force.

3.2.2.4 In connection with the participation of the civil society in general decision making, the multiplication of contact and consultation fora involving the civil society is indicative of progress in that connection. In both the independent press and at several colloquia and seminars organized throughout the country, the civil society has contributed quality ideas, making sound proposals in various areas.

3.2.2.5 With regard to the legal and judicial framework, in a bid to create an enabling legal system for good governance and development, the new authorities set up a National Justice Reform Commission in October 1999. The Commission recently handed its report over to the Minister of State in charge of Justice who is responsible for turning the recommendations in the report into draft edicts, decrees and administrative guidelines. Moreover, cooperatives are in full bloom, increasingly obtaining more liberty and possibility to act.

3.2.2.6 From the foregoing, notwithstanding the difficult socio-political context, considerable progress has been made on good governance. These encouraging results were obtained through a complex process marked by ups and downs. However, there is still much to do to improve good governance particularly in public enterprise and civil service management and reform, and the establishment of a predictable legal environment run by an objective, reliable and independent judiciary.

3.2.3 Maintenance of a stable and predictable macro-economic framework: since 1994, Government programme has emphasized the consolidation of the good performance obtained in connection with restoring the major macro-economic balances. Although Algeria no longer has a formal programme with the IMF, it continues to maintain close relations with that Institution, witness its regular consultations within the Article IV and IMF Statutes framework. As discussed under paragraphs 2.1.2 to 2.1.10 on recent macro-economic developments, the Government has

obtained very satisfactory results with regard to preserving a stable and predictable macro-economic framework.

3.2.4 Extension and deepening of structural and sectoral reforms: the Government understood that to stimulate strong and sustainable growth capable of reducing unemployment-induced social tension, more was needed than the mere rehabilitation of the macro-economic framework. The authorities also considered it indispensable to extend, deepen and speed up structural reforms in order to eliminate several constraints that continue to entrap the improvement of an environment suitable for broad-based private-sector propelled development. The structural reforms include: the restructuring and/or privatization of public enterprises, reform of the banking and financial system, tax reform, reform of the legal framework and judiciary system, and development of the agricultural and industrial land market. However, there has so far been no clear implementation schedule and time structuring of various reforms. For instance, despite some progress made in liberalizing the telecommunications and mining sector, the general status of implementation of structural reforms is unsatisfactory.

3.2.5 Impetus for strong and sustainable growth: aware of the fact that the economic growth recorded up to 1999 is too fragile to absorb the high unemployment rate, the Government rightly decided to do its utmost to bring the economic growth rate above the active population growth. Indeed, according to the National Economic and Social Council (Conseil National Economique et Social Algérien, CNES), taking into account the annual population growth and lay-off on the heel of public enterprise liquidation and restructuring, the Algerian economy needs to grow by not less than 6% over a 7 to 10-year period in all sectors (especially in the non-oil sector) if unemployment is to reduce significantly. If consolidated, the current improvement in the security climate should have a positive impact on private investment and activities in the exposed sectors (agriculture, transport and utilities). Furthermore, the rapid implementation of certain reforms, e.g. the privatization of EPEs and the liberalization of the infrastructure sector, should create conditions for inducing strong and sustainable growth nudged by the private sector.

3.2.6 Overall, the Government programme approved by the People's National Assembly in January 2000 clearly identified the major economic and social problems facing Algeria, and tried to find solutions to them. The programme also treated cross-cutting issues, paying particular attention to: environmental protection, sub-regional and regional economic integration, social solidarity, poverty control and social dialogue. The programme was prepared for a five-year period terminating February 2004. As designed, it gave priority to sectoral policies with set quantitative objectives. Hence it lacks performance indicators which would have made the monitoring of the effectiveness and efficiency of such policies easier. Furthermore, the Government programme contains no indications on the resources needed to finance it nor the exact schedule for implementing the measures and reforms. The programme also lacks a macro-economic framework integrating various policies. However, it should be noted that the Government programme is currently undergoing revision. The new version which will be submitted to the People's National Assembly should be more specific and operational. The preparation and publication of the detailed action plan is imperative for the sound conduct and follow-up of reforms. Meanwhile, consultations under Article IV concluded in July 2000 between the IMF and Algeria have probably helped in overcoming several programme inadequacies.

3.3 Challenges and Risks

3.3.1 The Government programme will face several fundamental challenges: the pursuit and consolidation of the climate of peace, *sine qua non* to restoring national and international investor confidence; attainment of a 6 to 7% economic growth rate for a few years (particular in the non-oil sectors) with a view to bringing down the unemployment rate from the current 30% and

significantly reducing poverty; accelerate and extend structural and sectoral reforms; set up a powerful and effective mechanism to promote and support non-oil exports; conduct economic reforms within a consistent, efficient and clear time-frame, preserving the synergy effect that the reforms are meant to generate; preserve macro-economic balances within a context of vulnerability to external shocks; ensure the inevitable upgrade of the economy in the face of the approaching deadlines for an association agreement with the European Union (EU) and membership of the World Trade Organization (WTO).

3.3.2 The major risks that could jeopardize the implementation and success of the ongoing economic programme: abandoning the economic reforms underway or further implementation delays; a sharp deterioration in the terms of trade following a drastic and lengthy fall in oil prices; and a serious rupture in the social balance in the wake of worsening unemployment, extreme deterioration in living standard or aggravating housing crisis. Delays in pursuing structural reforms or abandoning them would increase the social costs of adjustment and render impossible the attainment of sustainable strong economic growth founded on a broad sectoral base and driven by an emerging private sector. Furthermore, the prospects for a deteriorating social climate or aggravating unemployment following restructuring and privatization could lead the authorities to suspend the stringent pursuit of the programme.

3.3.3 The risks could be minimized by seeking larger national consensus and participation of a wider section of the civil society in decisions affecting the country's future. The structural reform programme should be propelled by strong and clearly stated political drive, strengthened by national consensus. The objectives of each structural reform should be matched with a specific action plan and a realistic implementation schedule. Structural reforms can only succeed within a specific institutional framework, with adequate financial and human resources. The risk relating to volatile oil prices can only be minimized through the voluntary implementation of an export diversification policy targeting the agricultural, tourism, mining and industrial sector. Furthermore, the strict and transparent implementation of the social housing construction and distribution policy, the multiplication of resettlement programmes for those put out of jobs and temporary mechanisms to check unemployment could contribute to controlling social tensions generated by housing shortages and worsening unemployment.

3.4 Strategic Partnership

3.4.1 In managing its relations and actions with international donors, Algeria uses no formal contact mechanisms (round table or consultative group). Instead, the authorities opt for bilateral cooperation with various donors operating in the country. Along the same lines, donor are invited as observers to attend certain national fora on major economic and social issues.

Inset 2. Algeria's Major Development Partners

Algeria's major development partners are the Arab Fund, the World Bank, the United Nations Development Programme (UNDP) and the African Development Bank.

The Arab Fund: as at end 1998, the Arab Fund financed 174 operations in Algeria amounting to US \$ 2432.96 million. These operations focused on four key sectors: transport and telecommunications, energy, water and drainage, agriculture and livestock, industry and mining. The bulk of the resources from the Arab Fund went into the agriculture and energy sectors.

The European Union: between 1978 and 1999, total European Commission financial protocol allocation (comprising the allocations from the Commission and the European Investment Bank) stood at Euros 949 million. Under the MEDA I budget line in favour of Algeria, the European Commission set aside an indicative envelop of 164 million to support the structural adjustment programme and the economic transition. Over the MEDA II period, the Commission's strategy will home in on four major components, namely: (i) sound public affairs management and strengthening of the civil society; (ii) support for economic and social reforms; (iii) private sector development; (iv) and (v) socio-economic balance and poverty control.

The UNDP: the current cooperation programme between Algeria and the UNDP covers the 1998-2000 period. The programme comprises three priority areas: i) poverty control; ii) human resource development; and iii) environmental management. To implement the programme, provision has been made to mobilize US \$ 4.37 million.

The World Bank: the World Bank's main operating sectors in Algeria are: agriculture, health, the private sector, transport (roads), energy (electricity), industry and banks, the social sector (social housing and social welfare), education and multisector (policy-based loans) To fund its 1999-2002 lending programme, the World Bank set aside an envelop of nearly US \$ 1300 million. The programmes under preparation should concentrate on the modernization of the banking and finance sectors, private sector development, the social sector, energy and water. In June 2000, the World Bank approved three loans for Algeria for a total of US \$ 97.6 million.

The African Development Bank: the Bank's major operating sectors in Algeria are: agriculture, multisector (policy-based loans), transport, utilities, education, industry and banking. In the past 29 years, the Bank Group has approved 28 operations for Algeria for a total amount net of cancellations of UA 1428.26 million.

UNIDO: UNIDO plans to prepare an industrial restructuring support programme that also takes the modernization of the regulatory framework into account.

Since 1997, following its internal administrative reorganization, the Ministry of Finance became donors' main interlocutor and the focal point of coordination and management of the country's debt portfolio. However, the absence of formal contact mechanism at Government level does not stop donors operating in the country from holding regular bilateral meetings (between the ADB and the Bretton Woods Institutions, the FAO, the UNDP and the European Union). During such meetings, information is shared and programmes compared with a view to the rational coordination of support to various economic sectors; possibilities for joint financing are identified and each donors' cumulative experiences related. At least twice yearly, the Bank's missions to Algeria hold working sessions with the UNDP resident mission and the EU delegation in the country on their operating programme in the country.

3.4.2 However, in the Bank's current portfolio, only one project is jointly financed with the Canadian agency SEE (part-funding of the "Hangar" component of the Air Algeria maintenance base project. So far, the Bank's key partners in Algeria are the World Bank and the IMF. From 1990 to 1996, the Bank jointly financed both the economic reform support programme and the structural adjustment programme with the World Bank. The two institutions cooperated satisfactorily during the appraisal and implementation of both programmes. In May 1999, the Bank undertook a mission to Saudi Arabia and Kuwait to study the introduction of a more active cooperation framework with Arab development finance institutions such as the AFESD and the Saudi Fund. Discussions are ongoing under good auspices. In any case, as in the recent past, joint financing is among the modalities for carrying out the Bank's future operations in Algeria.

IV BANK GROUP STRATEGY

4.1 Evaluation of the Previous Strategy

4.1.1 The Bank's operating strategy in Algeria, proposed in the 1996-98 CSP, focused on the process of transition towards a market economy especially through: (i) the pursuit of economic reforms; and (ii) development assistance to the private sector, particularly SMEs.

4.1.2 During the period, UA 750 million was set aside to finance projects and programmes. From 1996 to December 1999, the Bank approved five operations amounting to UA 570.78 million, of which UA 150 million for the structural adjustment programme, UA 100 million as line of credit to *Crédit Populaire d'Algérie* to fund SMEs/SMIs, UA 113.109 million for the gas transmission and distribution project, UA 50.74 million for the Sidi Bel Abbes Water Project and UA 156.93 million as second line of credit to *Banque de l'Agriculture et du Développement Rural* (BADR).

4.1.3 Overall, under the 1996-98 CSP, the Bank approved five operations for a total amount representing 76.1% of the general financial envelop allocated to project financing in Algeria during the operating cycle.

4.1.4 The sectoral breakdown of amounts approved for the 1996-1999 period is as follows: 28.70% for utilities; 26.3% for multisector (economic reforms); 27.5% for agriculture; and 17.5% for industry. It should be noted that the implementation of the lending programme was temporarily suspended in 1997 for reasons of internal administrative reorganization in Algeria. Moreover, at the request of the Algerian authorities, two project fully appraised and finalized (the Social Net Project and the Gargar Watershed Development Project) were not submitted to the Board for consideration and approval.

4.1.5 Overall, operations financed matched the Bank's operating strategy and Government priorities (restoration of the major macro-economic balances and support for the development of the private sector within the context of transition towards a market economy).

4.2 Bank Group Portfolio and Management

4.2.1 In 29 years of cooperation with Algeria, the Bank has approved 28 operations, 15 of which have been completed, 10 underway, 1 not yet effective and 2 cancelled for a total UA 1499.19 million, net of cancellations. These operations comprise: 19 projects, 1 study, 4 lines of credit, 1 institution building and 3 policy-based loans. Although approved by the ADF, two operations (the study and the institution building project) were subsequently cancelled. Furthermore, the ADF jointly financed the Technical Education Strengthening Project with the ADB for UA 0.61 million.

4.2.2 By source of finance, net Bank Group financing stands as follows: UA 1428.22 million for the ADB and UA 0.61 million for the ADF, or a total UA 1428.83 million. As at 10 July 2000, total disbursements stood at UA 959.45 million, representing a disbursement rate of 67.2% of net commitments.

4.2.3 According to the sectoral breakdown of financing in Table 4.1, policy-based loans took the lion share with 31.3% of the total envelop. The agricultural, utilities and transport sectors received 25.5%, 17.1% and 12.3% of resources allocated, respectively, while the industry and social sectors absorbed 9.8% and 4.1%, in that order. The primacy of policy-based operations reflects the priority that the Government has given to economic reforms.

4.2.4 The latest report reviewing the Bank's lending portfolio in Algeria, prepared in 1999 following a Bank mission to Algeria from 7 to 20 May 1999 gave a 2.1 satisfactory rating to the overall portfolio performance. The rating has improved considerably since 1997, especially in connection with project implementation and portfolio management. The 1996 portfolio review report (ADB/BD/WP/96/163 of 21 November 1996) rated the consolidated portfolio management performance an unsatisfactory 1.6. To improve the portfolio performance, the Bank initiated a series of actions, in particular: significant increase in the number of physical and financial supervision missions (on average each ongoing project received one physical supervision mission in 1998 and 1999); the use of local or regional consultants to carry out certain works on-site, whenever necessary (e.g. studies, data collection and processing); and strengthening the sharing of accumulated experiences in connection with operations follow-up and supervision with Algeria's other development partners. Moreover, the Bank successfully organized a seminar in Algiers on new lending products in December 1997, and another one on project management in October 1998. The impact of these actions is demonstrated in the significant improvement in overall portfolio performance.

4.2.5 However, the 1999 Portfolio Review Report noted that certain generic problems continue to hamper smooth project implementation. The problems were identified within the context of the matrix of generic problems and measure were proposed to solve them. Moreover, for the four problem-projects still in the portfolio, a quality improvement programme was prepared in August 1999. Actions recommended by the programme will be strictly implemented. During the dialogue mission from 12 to 18 May 2000, some operational aspects of the Bank Vision were presented to the public, including private and public operators.

Table 4.1: Sectoral Breakdown of Bank Commitments
As at 10 July 2000 (in UA million)

<u>Sector</u>	<u>Number of Operations</u>	<u>Net Commitments</u>	<u>Amount Disbursed</u>	<u>Percentage Disbursed</u>	<u>Sectoral Breakdown %</u>
Agriculture	8	363.98	175.16	48.1%	25.5
Transport	6	175.80	106.68	60.68%	12.3
Utilities	7	244.31	68.55	28.0%	17.1
Industry/Banks	3	139.42	116.40	83.5%	9.8
Social	1	58.37	45.71	79.2	4.1
Multisector	3	446.95	446.95	100%	31.3
TOTAL	28	1428.83	959.45	67.2%	100%

4.3 Bank Group Medium-Term Strategy

A. Public Sector

4.3.1 Bank Group operating strategy in Algeria which falls within the framework of national priorities and takes into account the country's development and implementation obstacles will focus on the following four areas: (i) support for structural and sectoral reforms aimed at consolidating the macro-economic framework, liberalizing certain sectors and sanitizing the banking and financial structures. The urgent need to reform the banking system and conduct privatization, enabling the private sector to propel economic recovery, is unanimously acknowledged; (ii) support for infrastructure rehabilitation and development (telecommunications, water infrastructure and transport); (iii) support for private sector development, especially SMEs/SMIs; and (iv) support for government-initiated local development programme.

4.3.2 In view of the scope of the economic reforms needed to speed up the transition towards a modern market economy, especially in banking and finance, the economic recovery programmes identified require close coordination and collaboration between the Bank and Algeria's various partners such as the World Bank, the IMF, the European Community, the Arab Fund and diverse bilateral assistance. The Bank would also be required to provide support in the form of technical assistance and study financing (by mobilizing bilateral resources at its disposal).

Sectoral Strategies

4.3.3 In industry, Government policy focuses on the development of small and medium-scale enterprises. The sector faces investment financing problems, especially in connection with imported equipment that require foreign exchange resources. Within the context of the current economic structure, the industrial, building and public works sectors (BTPH) have the highest growth and job-creation potential. The Bank will contribute to the rehabilitation of industrial activities by financing programmes to upgrade industrial enterprises, with a view to opening the economy to the outside (agreements with the World Trade Organization and the European Union); it will continue to grant lines of credit to viable financial establishments that promote private sector SMEs/SMIs.

4.3.4 In the agricultural sector, the Bank strategy will aim at: (i) developing and rehabilitating irrigation infrastructure; (ii) supporting the credit system for promoting private initiative in the agricultural and fishing sector; (iii) supporting production with proven comparative advantage in the international markets; and (iv) supporting programmes for developing new land and protecting watersheds.

4.3.5 In the water sector, the Bank will continue to support the Government in preparing and implementing the needed reforms by contributing to efforts to set up an appropriate judicial, legal and institutional framework, in addition to backing the public financing of basic infrastructure especially in rural and isolated areas.

4.3.6 In the telecommunications sector, in view of actions underway and those planned, the Government faces the key challenge of prioritizing its immediate investment plans and effectively managing ad-hoc and targeted operations in support of liberalization. The key issue will involve the upgrading of the historic operator to enable it to give priority attention to its urgent and strategic needs as soon as possible, without running an excessive financial risk vis-à-vis its asset and estate valuation during its privatization. The Bank will continue to dialogue with the Government on these matters as a way of effectively supporting the ongoing reform process.

4.3.7 In the social sector, the Bank will support Government effort in implementing its policies and programmes: (i) skills and human resources performance improvement; (ii) support for the education and training system reform; (iii) poverty control, especially in the rural area.

4.3.8 In terms of local development, the Bank will give financial support to high labour-intensive investments likely to create income opportunities for rural dwellers seriously affected by unemployment and poverty, and stem rural exodus (the latter has been amplified by the insecurity conditions of recent years).

B. The Private Sector

4.3.9 Under the private sector window, the Bank has so far not funded any project in Algeria. The situation is attributable to the business climate in the country, to constraints that continue to hinder the development of private investment and the security situation. Therefore, the development of private sector activities in Algeria will depend on Government pursuit of the reforms meant to enhance the legal, institutional and regulatory framework for business, and at speeding up public enterprise privatization. The Bank will seek to support the said reforms. Depending on the trend of reforms, it will intensify its efforts to identify investment opportunities in sectors with a high potential. The Bank will pay close attention to opportunities arising from the implementation of the privatization programme and the infrastructure sector where private operator participation is increasingly encouraged.

Inset 3. CSP Preparation Process

The Country Strategy Paper under discussion was prepared using the participatory approach. The preparation mission visited Algeria from 23 June to 05 July 2000. Similar to the Tunisia CSP 2000-2001, the participatory approach in Algeria also took the form of bilateral consultations.

During the series of bilateral consultations between the mission, civil society representative, the Government and development partners (UNDP and EU), the priority sectors were identified, Government policies, strategies and programmes reviewed for relevance, consistency and realism, especially those aimed at generating strong, sustainable and even growth, contributing to reducing poverty and promoting good governance, in addition to evaluating the commitment of the parties to Government programmes and policies. With the administration, the mission conducted working sessions with about fifteen key ministries and administrative structures cooperating with the Bank. In connection with non-governmental organizations and civil society associations, the mission also met with about fifteen bodies, namely Economist Associations, the National Literacy Association (IQRAA), the National Economic and Social Council, the Algerian Chamber of Commerce and Industry (CACI), the National Human Rights Observatory (ONDR), the Women-in-Distress SOS Association, the "Financière Algero-Européenne de Participation" (FINALEP), the National Centre of Planning Studies and Analyses (CENEAP), the National Association for Rural Development (ANPN), the Association for Reflection on the Environment and Development, the National Education and Training Federation, the National Association of Approved Training Establishments, the Population Initiatives for Peace Organization, the General Union of Algerian Workers (UGTA) and several private operators.

The working method consisted in a series of working sessions during which, after recalling the aim of the mission by the Bank delegation, views were freely exchanged on the Government programme, in general, and on the constraints, potentials and prospects of the sector or major field of interest for the interlocutors concerned, in particular. At the end of the exchange of views with Government and civil society representatives, the mission recommended the priority areas of operation as contained in Section 4.3 of this document. Mission recommendations confirmed the major strategic thrusts sketched by the Bank prior to the mission.

Overall, the CSP preparation mission based on the participatory approach (the first of its kind in Algeria) proved a success. The Government allowed the mission full liberty to contact and hold working sessions with associations, NGOs and private structures of its choice. Diverse sections of the civil society met welcomed the Bank's consultative approach and did not hesitate to frankly and clearly express their views on development issues submitted for their consideration. The process of participating in preparing the CSP enabled the civil society to know better what the bank had done and can yet do for Algeria, collaborating with the country to help it overcome the major constraints that it faces. The mission offered the Bank the opportunity of successfully testing the bilateral consultative mechanism which is a close participatory approach, and to extend its validation base in Algeria.

4.4 Lending Programme

4.4.1 During the portfolio dialogue and CSP 2000-2002 preparation missions (May and July 2000), as well as certain project supervision missions, several project ideas were submitted to the bank. The Government is yet to make a final decision on these projects which are at varying levels of development. Until then, only the 2000 indicative lending programme has been finalized, in concert with the Algerian authorities. The Bank and the Algerian authorities will pursue discussions to determine the 2001 and 2002 indicative lending programme. The Bank also plans to organize a general project identification mission to Algeria before the end of 2000.

4.4.2 In accordance with the new risk management policy approved by the Board in May 2000, the lending envelop should range from UA 108 to 225 million yearly over the 2000-2002 period.

4.5 Sustainability and Country Risk

4.5.1 Given its enormous hydrocarbon export gain potential and the bright prospects of world oil prices, Algeria should remain creditworthy throughout the 2000-2002 period. According to available projections (see Annex 8), five country risk exposure indicators will remain far below the respective critical thresholds from 2000 through 2002. For instance, the country's share of ADB's maximum sustainable portfolio should stand at 7%. The ADB debt service ratio compared to the multilateral debt service should range from 13% to 15%, against an ADB debt service ratio over the guaranteed debt and State disbursed public debt service of around 4%, and an ADB debt service ratio over export of goods and services of barely 1%. From 2001, the total outstanding debt over the GDP should continue to fall to nearly 42%, well below the 50% threshold. The total debt ratio over export will be considerably above the 80% critical threshold despite the falling trend since 1999. Moreover, the total debt service ratio over export of goods and services will begin a downward trend that should put it just below the 30% critical threshold by 2002.

4.5.2 Overall, although the country's foreign debt is still relatively high, it is becoming increasingly sustainable. Moreover, it should be noted that both in terms of loan reimbursement and subscription to the Bank's capital, Algeria has always met its commitments and has never been in arrears even when its external debt situation was extremely difficult. The analysis of these indicators reveals that despite one of the indicators exceeding the critical threshold (requiring close monitoring), Algeria is an acceptable risk for the Bank, against the background of the good economic prospects for the next three years. Thanks to the peace and civil concord initiative, as well as the economic measures taken by the new Government in 1999, other international donors and OECD foreign trade insurance companies (e.g. the Compagnie Française pour le Commerce Extérieur [Coface] or the German insurance agency "Hermes"), Algeria's country risk has been reviewed downwards.

4.6 Dialogue Issues

4.6.1 To better implement the recommended strategy, the Bank will pursue dialogue on issues where there is a persistent lack of transparency and action strategy on the part of public authorities. Dialogue will also concern matters related to key areas wherein results so far obtained fall short of expectations at the current phase of transition towards a market economy. Such areas include: banking and financial reform, privatization, good governance, export diversification, decentralization and local development.

V CONCLUSION AND RECOMMENDATION

5.1 Conclusion

5.1.1 Algeria's recent economic trend highlights the fact that the country is successfully back on the growth path, with the major macro-economic and financial balances restored. However, the encouraging performance should not mask the fact that the economy is yet to find strong, sustainable (between 6 and 7% of the real GDP) and employment-generating growth. To ensure strong and sustainable growth, combined with solid and viable external accounts, Algeria should do its best to speed up and deepen structural and sectoral reforms, and consolidate the current peaceful atmosphere to attract non-debt generating private capital mostly towards the non-oil sectors. The economic prospects are promising since the country has several assets and potentials the methodical development of which could generate strong, sustainable and employment-creating growth. Among such assets are: the sound macro-economic framework, the dynamism of the oil sector, capable of generating the resources necessary for pursuing reforms, the potentials of the agricultural, industrial and mining sector with regard to the development of non-oil exports, skilled and cheap manpower, and closeness to European and Arab Maghreb Union markets.

5.1.2 The aim of the Government strategy is to pursue and extend the sphere of reforms, rehabilitate investment and consolidate growth, develop the private sector, create jobs and carve a better place for the Algerian economy in the modern world economy. The Bank's operating strategy for the 2000-2002 period, compatible with those set forth by the Government, aims at supporting structural and sectoral reforms implemented, and at backing activities to create an enabling environment for private sector development. To maximize the socio-economic impact of its operations, the Bank will jointly finance suitable operations with its foreign development partners. At the end of the September 2000 dialogue mission on the 2000-2002 CSP, the Algerian authorities accepted the draft CSP submitted to them. During the occasion, it was also agreed that the 2001 CSP update will take into account the major changes contained in the revised Government programme.

5.2 Recommendation

The Board is invited to approve the Country Strategy Paper on Algeria for the 2000-2002 period.

COUNTRY STRATEGY PAPER MATRIX

Diagnosis/Issue	Government Strategy/Measure	Performance Measures	Implementation Schedule	Bank Group Instruments	
				Loans	Non-Loan
Macro-Economic Stability					
1. Income/Expenditure Low ordinary tax amount Growing operating expenditure	- Fiscal reform -Increase the ordinary tax receipts -Control public expenditure	Rate of increase of ordinary tax receipts Rate of increase of public expenditure	2001-2002		Dialogue with the authorities
2. Stability of the Financial Sector Low competition Inefficient payment system Inadequate monetics development Barely developed stock activity Limited financial instruments Inadequate computerization	-Strengthen competition within the banking system with regard to credit and services to customers - develop bank computerization -Modernize the payment system -Develop the capital markets, especially develop stock operations -Set up new activities, e.g. leasing and risk capital -Complete bank rehabilitation	Rate of increase of credit to the economy; Duration of circulation of means of payment within the system; Volume of transactions on the stock market; Rate of leasing and risk capital development; Portfolio quality of public banks	2001-2003		Dialogue with the authorities
3. External Trade and Debt Mono-exportation Heavy foreign debt charges	-Increase hydrocarbon export receipt -Diversify exports and increase non-oil exports -Prepare Algeria for integration into the world economy by promoting external competitiveness -Improve foreign debt management	Rate of increase of non-oil and hydrocarbon export receipts Status of application of the industrial upgrade programme Trend of the foreign debt structure	2000-2002		Dialogue with the authorities
4. Regional Integration	-Revitalize sub-regional (AMU) and Mediterranean cooperation (pursue discussions on the association agreement with the EU)	Volume of trade with AMU countries and the EU	2000-2002		Dialogue with the authorities
5. Environmental Protection -environmental deterioration	-Strengthen resources to prevent environmental deterioration.	Number and scope of information campaigns Number of active environmental NGOs	2000-2002		Dialogue with the authorities

CSP MATRIX

<u>Diagnosis/Issue</u>	Government Strategy/Measures	Performance Measure	Implementation Schedule	Bank Group Instruments	
				Loans	Non-Loan
Private Sector Development					
<u>1. Privatization Programme</u> Public sector still dominant	-Speed up implementation of the Public Enterprises Privatization Programme (EPE) and develop foreign partnership	Number of EPEs privatized and foreign partnership agreements signed	2000-2002		Dialogue with the authorities
<u>2. Economic Liberalization</u> High customs tariff Wide economic protectionism	-Thoroughly prepare negotiations on membership of the World Trade Organization (WTO) - Thoroughly prepare negotiations on signature of an Association Agreement with the EU.	Conclusion and signature of a membership agreement with the WTO and an association agreement with the EU	2000-2002		Dialogue with the authorities
3. Utilities and Infrastructure Antiquated and inefficient infrastructure Low investment	-develop infrastructure to rehabilitate investment -liberalize the infrastructure sector -encourage participation of foreign partners in financing the sector (lease, POT, etc.)	Number of liberalization edicts in the sectors New national and foreign investments in the sector	2000-2002		
<u>4. Capacity Building</u> Inadequate and unsuitable capacity	-Adapt public administration to its new vocation in a market economy -Sanitize and rationalize administration methods and resources -Strengthen economic information and orientation mechanisms -Further harmonize the existing legislative and regulatory mechanism	Actual implementation of administrative and legal reforms	2000-2002		Dialogue with the authorities

CSP MATRIX

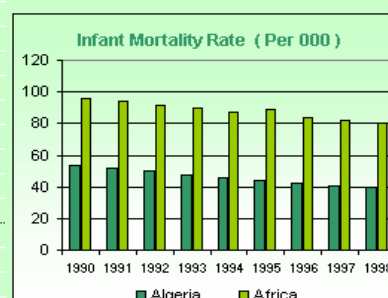
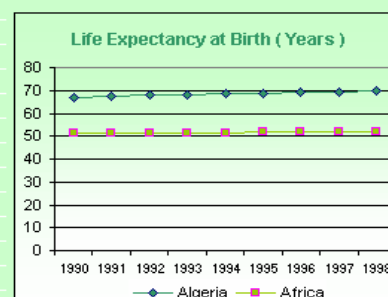
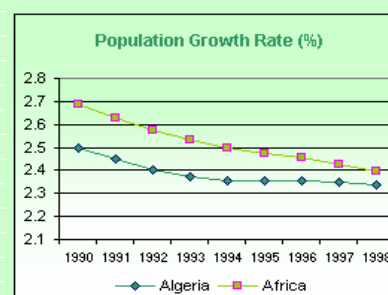
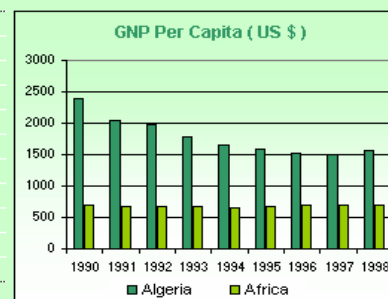
<u>Diagnosis/Issue</u>	Government Strategy and Measure	Performance Measures	Implementation Schedule	Bank Group Instruments	
				Loans	Non-Loan
Poverty Reduction					
1. Strengthening of the Human Capital Gap between training and new needs of the economy Increase in the attrition rate General deterioration in the education level and education output	-Adapt human capital development to the needs of the world economy -Make the public health management consistent with the new economic context -In public health, give priority to preventive care -Strengthen the capacity of basic healthcare structures -Pursue family planning activities Prepare and implement general and consistent reform of the education system	Activity report of the National Institute of Health Trend of the education indicators Trend of the fertility rate and the population growth rate	2000-2002		Dialogue with the authorities
2. Gender Equality Unequal chances in terms of education and employment	-Guarantee equal rights to women, including the right to education and employment -Strengthen the resources of the National Council of Women	Legislative texts passed Provisions of the labour code Activity Report of the National Council of Women	2000-2002		Dialogue with the authorities
3. Targeting of the Poor Inadequate resource allocation to the social net Problem of targeting the poor	-Improve methods for targeting the poor to avoid dissipation of resources allocated to the social net - Develop poverty reduction mechanisms - Prepare a consistent poverty reduction strategy - Organize a national poverty reduction conference	Annual Reports of the Social Development Agency Results of the ONS surveys on household living standard Conference deliberations	2000-2002		Dialogue with the authorities

CSP MATRIX

<u>Diagnosis/Issues</u>	Government Strategy/Measures	Performance Measures	Implementation Schedule	Bank Group Instruments	
				Loans	Non-Loan
Good Governance					
1. Peace and Security Residual terrorism	-Promote peace by using State prerogatives, including amnesty -Preserve free speech and democratic rights	Reference to the Amnesty Edict passed; number of private newspapers;	2000-2002		Dialogue with the authorities
2. Anti-Corruption Campaign	-Promote transparent management of public affairs -Systematize quality audit -Strengthen human and material resources of the General Inspectorate of Finance (IGF) -Take the corrupt and corrupters to court	Reports of the Court of Account and the General Inspectorate of Finance Reference to the anti-corruption bill passed	2000-2002		Dialogue with the authorities
3. Targeting of the Poor	- Set up a social management chart as an evaluation and monitoring tool, and implement social policies Reorientate the social net to fulfill the job-creation objective	Establishment of the “Social Management Chart” ONS surveys on poverty	2000-2002		Dialogue with the authorities
4. Accountability and Transparency	-Improve the quality of the public statistics information production system	Rhythm, quality and scope of the statistical information produced by the ONS	2000-2002		Dialogue with the authorities

ALGERIA : BASIC DATA SHEET
COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Algeria	Africa Developing Countries	Developed Countries
Basic Indicators				
Area ('000 Km ²)		2,382	30,061	80,976
Total Population (millions)	1998	30.1	748.0	4,718.9
Urban Population (% of Total)	1998	58.2	38.2	39.6
Population Density (per Km ²)	1998	12.6	24.9	58.3
GNP per Capita (US \$)	1998	1,570	637	1,250
Labor Force Participation - Total (%)	1998	33.0	43.7	...
Labor Force Participation - Female (%)	1998	8.7	37.0	...
Gender -Related Development Index Value	1997	0.6	0.5	0.6
Human Development Index (Rank among 174 countries)	1997	109	n.a.	n.a.
Population Living Below \$ 1 a Day (% of Population)	1995	1.8	45.0	32.2
Demographic Indicators				
Population Growth Rate - Total (%)	1998	2.3	2.4	1.6
Population Growth Rate - Urban (%)	1998	3.6	4.3	3.1
Population < 15 years (%)	1998	37.6	42.9	33.2
Population >= 65 years (%)	1998	3.7	3.2	19.7
Dependency Ratio (%)	1998	80.3	86.9	61.7
Sex Ratio (per 100 female)	1998	102.5	99.3	103.3
Female Population 15-49 years (millions)	1998	7.7	176.2	1,213.4
Life Expectancy at Birth - Total (years)	1998	69.7	52.7	64.0
Life Expectancy at Birth - Female (years)	1998	71.2	53.4	65.8
Crude Birth Rate (per 1,000)	1998	27.7	37.7	23.8
Crude Death Rate (per 1,000)	1998	5.3	13.7	8.4
Infant Mortality Rate (per 1,000)	1998	39.6	80.7	58.9
Child Mortality Rate (per 1,000)	1998	44.6	116.1	76.2
Maternal Mortality Rate (per 100,000)	1996	160	698	488
Total Fertility Rate (per woman)	1998	3.5	5.0	2.9
Women Using Contraception (%)	1992	50.9	...	56.0
Health & Nutrition Indicators				
Physicians (per 100,000 people)	1990-96	83	23	76
Nurses (per 100,000 people)	1988-96	303	89	85
Births attended by Trained Health Personnel (%)	1992	78	...	54
Access to Safe Water (% of Population)	1990-97	78	55	72
Access to Health Services (% of Population)	1995	98	60	80
Access to Sanitation (% of Population)	1990-97	91	45	43
Percentage of Adults (aged 15-49) Living with HIV/AIDS	1997	0.1	5.7	...
Incidence of Tuberculosis (per 100,000)	1995	53	201	157
Child Immunization Against Tuberculosis (%)	1996	94	77	88
Child Immunization Against Measles (%)	1996	74	63	79
Underweight Children (% of children under 5 years)	1990-97	13	26	31
Daily Calorie Supply	1996	3,004	2,406	2,650
Public Expenditure on Health (as % of GDP)	1995-97	5.4	1.4	1.8
Education Indicators				
Gross Enrolment Ratio (%)				
Primary School - Total	1996	107.5	79.5	100.0
Primary School - Female	1996	101.6	73.0	93.8
Secondary School - Total	1996	63.3	28.3	50.4
Secondary School - Female	1996	61.7	25.7	45.3
Primary School Female Teaching Staff (% of Total)	1996	44.8	45.0	51.0
Adult Illiteracy Rate - Total (%)	1997	39.7	43.5	28.2
Adult Illiteracy Rate - Male (%)	1997	27.3	33.0	19.6
Adult Illiteracy Rate - Female (%)	1997	52.3	51.6	35.8
Percentage of GDP Spent on Education	1995	...	3.5	3.9
Environmental Indicators				
Land Use (Arable Land as % of Total Land Area)	1996	3.2	5.9	9.9
Annual Rate of Deforestation (%)	1990-95	1.2	0.7	0.4
Annual Rate of Reforestation (%)	1980-90	6.0	4.0	...
Per Capita CO2 Emissions (metric tons)	1996	3.3	1.1	2.1



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

ALGERIA: ECONOMIC AND FINANCIAL INDICATORS, 1996-2000

1996 1997 1998 1999 2000
Project.

(Change in percentage)

National income and price					
GDP at constant prices	3.8	1.1	5.1	3.3	4.3
Hydrocarbons sector	6.3	6	4	6.2	4
Other sectors	3	-0.5	5.5	2.3	4.4
GDP deflator	25.7	6.5	-4.2	10.9	19.3
Consumer price index (average)	18.7	5.73	5	2.6	4
External sector					
Export f.o.b.	28.9	4.5	-26.6	21.5	57.7
including hydrocarbons	23	4.2	-25.9	21.9	58.7
Imports, f.o.b.	-10	-10.6	6.2	3.8	7
Terms of trade	16	3.7	-26.3	19.6	52.2
Effective real exchange rate	2.5	9.9	4.8	-8.0	
Money and credit					
External net assets	13.5	23.6	-6.4	-8.6	23.6
Internal credit	11.3	11.8	10	25	-7.2
Credit to the State (net)	-15.1	15.6	11	9.2	-1.9
Credit to the economy	37.3	-4.6	-1.4	27.7	-8.4
	(in GDP %)				
Overall budgetary balance (deficit -)	3	2.4	-3.9	-0.5	5
Income	32.2	33.5	27.8	29.8	33.1
Hydrocarbons	20.3	21.4	15.3	18.5	23.1
Excluding hydrocarbons	11.9	12.1	12.5	11.4	10
Expenditure	29.2	31.2	31.7	30.3	28.1
Recurrent expenditure	21.5	23.3	23.9	24.3	20.7
Investment	6.8	7.3	7.6	5.9	7.3
Others	0.9	0.6	0.2	0.2	0.1
Internal banking financing	-5.0	-3.9	3.4	2	-5.5
External current accounts (in GDP %)	2.7	7.2	-1.9	0	10.8
External debt (in GDP %)	71.9	65.2	64.3	59.1	47.9
External debt (in US \$ billion)	33.7	31.2	30.5	28.3	26.8

Sources : Algerian authorities and the IMF

ALGERIA – SUMMARY OF GOVERNMENT CENTRAL OPERATIONS**1994 – 2000 (in DA billion)**

	1994	1995	1996	1997	1998	1999	2000*
Summary of total budget and grants	434.2	600.9	824.8	926.6	775	950.5	1029
Income from hydrocarbons	257.7	358.8	519.7	592.5	426	588.3	569
Non-oil income	176.5	242.1	305.1	334.1	349	358.4	460
Fiscal receipts	163.2	233.2	290.5	313.9	330	314.7	426
Income and profit tax	42.8	53.6	67.5	81.8	88	72.2	109
Tax on goods and services	65.9	99.9	129.5	148	155	149.7	208
Customs duties	47.9	73.3	84.4	73.5	75	80.2	93
Non-fiscal receipts	13.3	8.9	14.6	20.2	19	12.7	16
Grants	0.0	0.0	0.0	0	0	3.9	0
Total budgetary expenditure	461.9	589.1	724.6	845.1	876	961.7	1112
Recurrent expenditure	344.7	444.4	550.6	643.5	664	774.7	822
Staff expenses	151.7	187.5	222.8	245.2	268.6	286	299
Current transfers	120.9	149.7	185.3	220	199	249	266
Debt service	41.1	62.2	89.0	109.4	111	126	146
Capital expenditure	117.2	144.7	174.0	201.6	212	187	290
Budget balance	-27.7	11.8	100.2	81.5	-101	-11	-83
Special account balance	1.1	0.7	1.5	1.1	-7	-6	-3
Net treasury loan	7.0	2.4	2	-2	0	0	0
Primary balance	-24.3	34.0	163.9	176	3	110	60
Overall balance, including the Rehabilitation Fund	-65.4	-28.2	74.9	66.1	-108	-16	-86
Financing	65.4	28.2	-74.9	-66.1	108	16	86
Banking	-99.8	106.6	-173	-107	96	64	
Non Banking	41.8	-14.7	-7	-23	0	25	
External	123.4	149.5	105	64	-8	-73	

* Projections

Sources: Algerian authorities and the IMF

Annex 5

ALGERIA, BALANCE OF PAYMENTS 1995-2000
(in US \$ billion)

	1995	1996	1997	1998	1999	2000	
							projections
Current balance of payments	-2.24	1.24	3.45	-0.91	0.02	6.05	
Commercial balance	0.16	4.12	5.69	1.51	3.36	9.84	
Exports (FOB)	10.26	13.21	13.82	10.14	12.32	19.43	
Hydrocarbons	9.73	12.64	13.18	9.77	11.91	18.9	
Others	0.64	0.57	0.64	0.37	0.41	0.53	
Imports (FOB)	-10.1	-9.09	-8.13	-8.63	-8.96	-9.58	
Non-factor services, nets	-1.33	-1.40	-1.08	-1.48	-1.84	-1.90	
Credit	0.68	0.75	1.07	0.74	0.72	0.78	
Debit	-2.01	-2.15	-2.15	-2.22	-2.56	-2.68	
Net factor income	-2.19	-2.36	-2.21	-2.00	-2.29	-2.77	
Credit	0.67	0.21	0.26	0.37	0.22	0.35	
Debit	-2.01	-2.56	-2.48	-2.37	-2.51	-3.12	
Interest paid	-2.31	-2.24	-2.11	-1.95	-1.85	-1.86	
Profit repatriated	0	-0.32	-0.37	-0.42	-0.66	-1.27	
Transfers, net	1.12	0.88	1.06	1.06	0.79	0.88	
Capital account balance	-4.08	-3.34	-2.29	-0.83	-2.40	-0.88	
Direct investment, net	0	0.27	0.26	0.5	0.46	0.66	
Public capital, net	-3.89	-3.40	-2.51	-1.33	-1.97	-1.75	
Drawdown	3.22	1.82	1.69	1.83	1.08	1.25	
Amortization	-7.11	-5.22	-4.2	-3.16	-3.04	-3.00	
Short-term credit, net							
Errors and omissions	-0.2	-0.21	-0.04	0	-0.89	0.21	
Overall balance	-6.32	-2.11	1.16	-1.74	-2.38	-5.17	
Financing	6.32	-2.11	-1.16	1.74	2.38	-5.17	
General reserve replenishment	0.53	-2.98	-4.42	1.2	2.4	-5.12	
IMF repurchase	-0.17	-0.14	-0.35	-0.45	-0.36	-0.10	
Exceptional financing	6.05	5.21	3.61	0.99	0.39	0.04	
Rescheduling	4.94	3.53	2.22	0.52	0	0	
Multilateral balance of payments support	0.63	4.2	0.8	0.13	0.08	0.04	
IMF purchase	0.47	0.74	0.59	0.34	0.31	0	
Aide-memoire							
General reserves (or excluded)	2.11	4.23	8	6.8	4.4	9.6	
In total import months	2.1	4.51	9.4	7.6	4.6	9.4	
Crude oil prices (US \$/barrel)	17.58	21.69	19.5	12.9	17.9	24.5	
Debt service/exports (%)	42.5	28.7	29.3	46.4	39.6	24.1	
Total debt stock (in US \$)	32.5	33.7	31.2	30.5	28.3	26.8	
Debt/GDP (%)	78.4	71.9	65.2	64.3	59.1	47.9	
Current account/GDP (%)	-5.4	2.7	7.2	-1.9	0	10.8	
GDP (in US \$ billion)		46.9	47.9	47.4	47.9	55.8	

Sources: Algerian authorities and the IMF

Annex 6

ALGERIA: Monetary Situation (1994-1999)

	(in DA billion by end of the period)					
	1994	1995	1996	1997	1998	1999
External net assets	60.4	26.3	134	350.3	280.7	169.4
Internal net assets	663.3	773.3	781.1	734	1007	1298.8
Internal credit	774.4	967.2	1057.4	1.165.0 0	1273	1593.8
Credit to the State (net)	468.6	401.6	280.5	423.7	542.2	658.7
Credit to the economy	305.8	565.6	776.8	741.3	731.2	935.1
Money and quasi-money (M2)	723.7	799.6	915	1084.3	1288	1468.4
Money	476	519.1	589.1	674.4	813.7	889.8
Quasi-money	247.7	280.5	326	337	390.8	578.6
	Percentage variation over a 12-month period					
Money and quasi-money (M2)	15.4	10.5	14.4	18.2	19.1	14.0
Incl.: money	6.6	9.1	13.5	14.0	21.2	9.4
Internal net assets of the banking system	9.2	16.6	1	-6.4	37.7	29.0
Credit to the economy	38.9	85	37.3	-4.6	-1.4	27.9
	(in percentage)					
Liquidity ratio (average of M2/GDP)	45.8	38.7	35.3	39.25	46.3	46
Currency in circulation/GDP	15.2	12.8	12	12.7	14	13.78
Credit to the economy/GDP	20.8	28.7	31.5	28.3	26.29	30.3

Sources: Algerian authorities and the IMF

ALGERIA : NATIONAL ACCOUNTS (1994-1999)

	Units	1994	1995	1996	1997	1998	1999
GDP	DA bill.	1371.4	1966.6	2564.8	2762.4	2781.6	3189.30
	US \$ bill.	39.0	41.19	46.84	47.87	47.35	47.86
Final consumption	DA bill.	1072.7	1407.1	1759.00	1872.40	2028.10	1772.20
Investment (including stock variation)	DA bill.	467.6	632.3	644.6	657.5	770.30	876.10
Crude savings	DA bill.	298.7	559.5	805.70	890.00	753.50	1417.10
Variation in GDP volume	%	-1.10	3.80	3.80	1.10	5.10	3.40
Investment/GDP	%	34.10	32.16	25.13	23.80	27.69	27.47
Crude savings/GDP	%	21.78	28.45	31.41	32.22	27.09	44.43

Source : Bank of Algeria (General Directorate of Studies)

Annex 8

TREND OF COUNTRY RISK EXPOSURE INDICATORS (1997-2002)

(in percentage)

Ratios	1997	1998	1999	2000	2001	2002	Critical Threshold
Share in the maximum portfolio sustainable by the ADB			8	7	7	7	15
ADB outstanding debt in Algeria/total outstanding debt	9	10	10	11	11	12	15
ADB debt service/multilateral debt service	8	10	12	14	13	15	35
ADB debt service/public guaranteed and disbursed State debt service	2	3	3	3		3	20
ADB debt service/export of goods and service	1	1	1	1		1	5
Debt service/export of goods and services	29	46	39.6	24.1	27.7	29	30
Total outstanding debt/GDP	66	59	59.1	47.9	45.4	41.9	50
Total outstanding debt/export of goods and services	192	242	217	197	182	169	80

Source: IMF/ADB

ALGERIA: LIST OF BANK GROUP OPERATIONS

AS AT 10 JULY 2000

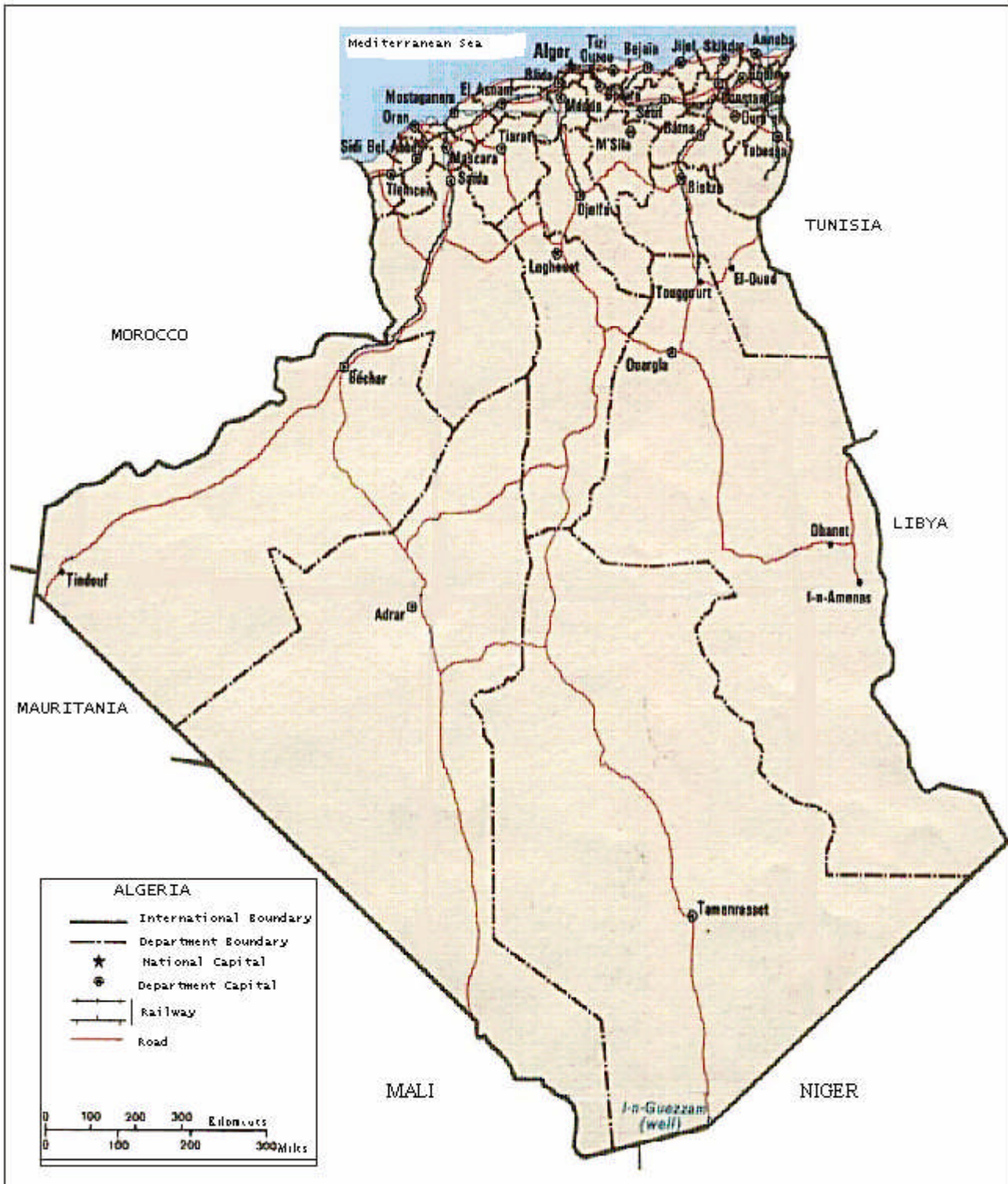
Annex 9

(Amount in UA million)

PROJECTS	GROSS LOANS		CANCELLATIONS		NET LOANS		DISBURSEMENTS		%DISBURSEMENT		APPROVAL	SIGNAT	EFFECTI.	CLOSURE	COMMENTS
	ADB	ADF	ADB	ADF	ADB	ADF	ADB **	ADF **	ADB *	ADF *					
1 AGRICULTURE															
BOUNAMOUSSA I	3.00	0.00	0.00	0.00	3.00	0.00	3.00	0.00	100.00	0.00	23/03/71	02/08/1972	30/06/72	31/12/75	Completed
BOUNAMOUSSA II	2.40	0.00	0.00	0.00	2.40	0.00	2.40	0.00	100.00	0.00	06/11/1973	16/01/74	10/06/1974	31/03/81	Completed
Line of Credit to BADR	60.00	0.00	4.70	0.00	55.30	0.00	55.30	0.00	100.00	0.00	22/12/86	10/03/1987	08/01/1988	31/12/94	Completed
Poultry Development Programme	96.80	0.00	1.88	0.00	94.92	0.00	94.92	0.00	100.00	0.00	14/12/87	24/01/89	04/09/1992	31/12/97	Completed/PCR prepared
Moy. Chelif Development Programme	68.16	0.00	53.32	0.00	14.83	0.00	14.83	0.00	46.70	0.00	18/04/89	30/03/90	24/05/91	31/12/98	Completed
Harba Irrigation Scheme Study	0.00	0.69	0.00	0.69	0.00	0.00	0.00	0.00	0.00	0.00	05/01/1993	08/02/1993			Cancelled
Sidi Ben Taiba Dam	50.60	0.00	14.00	0.00	36.60	0.00	4.71	0.00	12.87	0.00	31/08/93	17/09/93	24/05/94	31/12/00	Ongoing
Second Line of Credit to BADR	156.93	0.00	0.00	0.00	156.93	0.00	0.00	0.00	0.00	0.00	07/07/1999	06/06/2000		31/12/02	Not yet effective
Total	437.89	0.69	73.90	0.69	363.98	0.00	175.16	0.00	48.12	0.00					
2 TRANSPORTS															
El Goléa In Sala Road	3.00	0.00	0.00	0.00	3.00	0.00	3.00	0.00	100.00	0.00	21/07/71	08/02/1972	15/05/72	31/12/75	Completed
Air Algérie Maintenance Base	40.17	0.00	0.00	0.00	40.17	0.00	36.16	0.00	90.02	0.00	18/09/89	07/02/1991	27/08/91	31/12/00	Ongoing
New el Achir Tunnel	49.08	0.00	0.00	0.00	49.08	0.00	29.14	0.00	59.39	0.00	17/06/91	03/11/1991	03/06/1993	31/12/00	Ongoing
Road Reinforcement	36.00	0.00	0.00	0.00	36.00	0.00	15.28	0.00	99.75	0.00	25/03/92	26/11/92	06/05/1993	31/12/99	Completed
Djen Djen Port Infrastructure	21.80	0.00	0.00	0.00	21.80	0.00	17.13	0.00	78.61	0.00	24/11/93	31/03/94	15/06/95	30/06/00	Ongoing
Constantine Highway Bypass	25.75	0.00	0.00	0.00	25.75	0.00	5.97	0.00	23.19	0.00	22/11/95	15/05/96	13/02/97	31/12/00	Ongoing
Total	175.80	0.00	0.00	0.00	175.80	0.00	106.68	0.00	60.68	0.00					
3 Utilities															
Electricity I	5.00	0.00	0.00	0.00	5.00	0.00	5.00	0.00	100.00	0.00	10/02/1976	05/04/1976	30/05/78	31/12/80	Completed
Electricity II	5.00	0.00	1.62	0.00	3.38	0.00	3.38	0.00	100.00	0.00	28/12/77	13/02/78	30/10/80	31/12/80	Completed
Electricity III	5.00	0.00	0.67	0.00	4.33	0.00	4.33	0.00	100.00	0.00	31/08/93	23/10/78	30/11/81	31/12/80	Completed
Koudiat Acerdoune Dam	106.40	0.00	96.35	0.00	10.04	0.00	8.94	0.00	89.05	0.00	31/08/93	17/09/93	01/08/1994	31/12/99	Ongoing
Electricity IV Project	57.70	0.00	0.00	0.00	57.70	0.00	46.02	0.00	79.77	0.00	20/09/94	09/01/1995	04/09/1995	31/12/00	Ongoing
Gas Transmission and Distribution	113.11	0.00	0.00	0.00	113.11	0.00	0.88	0.00	0.81	0.00	07/08/1998	14/12/98	07/05/1999	31/12/04	Ongoing
Sidi Bel Abbes DWS	50.75	0.00	0.00	0.00	50.75	0.00	0.00	0.00	0.00	0.00	09/12/1998	27/05/99	04/05/2000	31/12/04	Ongoing
Total	342.96	0.00	98.64	0.00	244.31	0.00	68.55	0.00	28.05						
4 INDUSTRIES AND BANKS															
Line of Credit to CPA	40.00	0.00	0.58	0.00	39.42	0.00	39.42	0.00	100.00	0.00	23/08/88	10/02/1989	05/01/1990	30/06/95	Completed
Institution Building to CDTA		1.44	0.00	1.44	0.00	0.00	0.00	0.00	0.00	0.00	27/01/92	08/05/1992			Cancelled
2nd Line of Credit to CPA	100.00	0.00	0.00	0.00	100.00	0.00	76.98	0.00	76.98	0.00	10/12/1996	07/05/1997	18/07/97	31/12/00	Ongoing
Total	140.00	1.44	0.58	1.44	139.42	0.00	116.40	0.00	83.48						
5 SOCIAL															
Strengthening of Technical Education	81.00	0.61	23.24	0.00	57.76	0.61	45.71	0.00	79.15	0.00	18/12/89	26/07/91	12/06/1992	30/06/00	Ongoing
Total	81.00	0.61	23.24	0.00	57.76	0.61	45.71	0.00	79.15						
6 MULTISECTOR															
Economic Strengthening Programme	150.00	0.00	0.05	0.00	149.94	0.00	149.94	0.00	100.00	0.00	17/04/90	30/05/90	16/07/90	30/06/94	Completed/PCR prepared
PACEF	150.00	0.00	2.98	0.00	147.01	0.00	147.01	0.00	100.00	0.00	24/06/92	07/08/1992	10/12/1992	30/06/97	Completed/PCR prepared
Structural Adjustment Programme	150.00	0.00	0.00	0.00	150.00	0.00	150.00	0.00	100.00	0.00	10/12/1996	27/03/97	29/06/97	31/12/99	Completed/PCR prepared
Total	450.00	0.00	3.03	0.00	446.95	0.00	446.95	0.00	100.00	0.00					
GRAND TOTAL	1627.65	2.74	199.39	2.13	1428.22	0.61	959.45	0.00	67.17	0.00					

Annex

DEMOCRATIC PEOPLE'S REPUBLIC OF ALGERIA
ADMINISTRATIVE MAP



This map has been drawn exclusively for the use of the readers of the report to which it is attached. The names used and the borders shown do not imply on the part of the Bank Group and its members any judgement concerning the legal status of a territory or any approval or acceptance of these borders.

AFRICAN DEVELOPMENT BANK



ALGERIA

COUNTRY STRATEGY PAPER UPDATE
2000-2002

COUNTRY DEPARTMENT
NORTH, SOUTH AND EAST REGIONS
JUNE 2002

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- I Economic and Financial Indicators (1996-2001)
- II List of Bank Group Operations in Algeria as at 30/04/2002

I. INTRODUCTION

1.1 The Board of Directors approved the Country Strategy Paper (ADB/BD/WP/2000/102/Rev.1), for the 2000-2002 period on 18 October 2000. The purpose of this note is to update the Boards on the major socio-economic trends in Algeria since that date and to review the implementation of Bank Group operating strategy.

1.2 During Board consideration of the Country Strategy Paper, executive directors noted with satisfaction the good economic performance posted in the preceding five years. However, the Board also drew attention to the fact that such performance fell short of reducing the nearly 30% unemployment rate, bringing down poverty and improving the people's living standard especially in the face of acute housing shortage. Hence, the Board encouraged the Government to speed up economic reforms, renew investments and give impetus to strong and sustainable growth that would significantly reduce unemployment and poverty.

1.3 Among other things, this document draws from the results of IMF Report N° 01/182 on Algeria that was prepared in the wake of Article IV consultations with the authorities, and those of the dialogue mission on operations and preparation of the portfolio review report that the Bank conducted in Algeria in June and November 2001, respectively. This update seeks to inform the Board of socio-economic and political changes that Algeria has witnessed since October 2000, and the status of implementation of the Bank's operating strategy for the 2000-2002 period.

II. RECENT DEVELOPMENTS

2.1 Political Changes

2.1.1 At the socio-political front, 2001 was marked by socio-cultural protests which shook the Kabylie Region beginning April. Kabylie's demands revolve around cultural and identity rights for the Berber-speaking minority, the promotion of the Tamazight language to official status sanctioned as such by the Constitution and the liberation of Kabylie detainees. However, beyond mere cultural demands, the movement is also a reflection of the social malaise of the region's out-of-school and unemployed youths who see no bright prospects for the future. Faced with the persisting socio-political tension, the Government initiated dialogue with the citizens and delegates of Aârouch (village delegate for the Kabylie Region). Dialogue continues. Given the current context of mounting social tension especially among youths, it is urgent that Government open constructive dialogue to reduce tension and restore a climate conducive to peaceful economic development.

2.1.2 On 30 May 2002, legislative elections were held in Algeria under conditions that several national and international observers considered as generally transparent, regular and democratic. However, participation was "relatively low" (46.7%) mostly due to high abstention in Kabylie in protest over the continuing crisis in the region. The level of participation is the lowest ever recorded since independence. With participation at 1.70% in the Kabylie Region, abstention was practically total. Some parties with seats in the People's National Assembly during the last legislature refused to participate in the elections, reasoning that the country's prevailing socio-political conditions were not conducive to the organization of peaceful legislative polls. The National Liberation Front (FNL), formerly the only party, won nearly half the seats (199), thus becoming the majority party at the Assembly. In the wake of the legislative elections, a new relatively homogenous Government (in terms of the political parties participating) was formed. The new political reality from the elections is that the new Head of Government who is also the Secretary General of the majority party in the Assembly can now manoeuvre more comfortably to finalize structural reforms and work for the adoption of the legislative texts required for implementing Government programme.

2.2 Recent Economic and Social Trend

2.2.1 In 2001, the GDP growth at constant prices was estimated at 1.9%, that is to say a 0.5-point decline compared with the 2.4% recorded in 2000. The fall in growth is attributable to the decline in the hydrocarbons volume (-1.3% against 4.3% in 2000). Furthermore, principally as a result of the sharp drop in oil taxation (17.8%), the overall treasury balance was relatively lower compared with the preceding year (4% of the GDP in 2001 against 9.9% in 2000), albeit the fact that it posted a surplus.

2.2.2 Available estimates show that owing to the fall in export receipts in the wake of the relative decline in average oil and gas prices in 2001 (compared with 2000, average oil barrel price being US \$ 24.80 in 2001 against US \$ 28.59 in 2000), the balance of payments surplus dropped sharply to 12% of the GDP, against 16.8% in 2000. That decline notwithstanding, Algeria's external position remained relatively solid in 2001. The sound current balance of payments performance provided solid anchorage for the convertibility of the Dinar. Direct investments increased from US \$ 0.42 billion in 2000 to US \$ 1.18 billion in 2001. For the same year (2001), crude official reserves recorded another spectacular bound, standing at an estimated US \$ 17.9 billion or nearly 15.8 months of imports, against 12.2 months in 2000. Due to continuing rise in the exchange reserves, the inter-bank market balance was further consolidated. Within this context of relative price stability, the average Dinar/Euro rate stabilized at 69 Dinars to the Euro. Furthermore, Algeria continued to service its debts. The foreign debt as a proportion of the GDP fell from 49.7% in 2000 to 40.7% in 2001. The total outstanding foreign debt also continued its downward trend from US \$ 25.5 billion in 2000 to US \$ 23.3 billion in 2001. Owing to the relative fall in export earnings, the debt-service ratio increased slightly in 2001 to 21.6% from 20.9% in 2000.

2.2.3 In contrast, the annual average 18.7% fall in the inflation rate recorded since 1996 was not sustained beyond 2000. As at end 2001, following the combined impact of nearly 15% increase in salaries and the upswing in demand resulting from the effective start of the 2001-2004 Economic Recovery Support Programme, the annual inflation rate is estimated at 4.23% compared with 0.34% in 2000.

2.3 Implementation of Government Programme and Policy Changes

2.3.1 The Government's economic programme adopted on 27 September 2000 revolved around the following eleven key points: (i) overall economic integration with Algeria's entry into the World Trade Organization and signature of an association agreement with the European Union; (ii) promotion of investment and support to enterprises; (iii) reform of the public economic sector; (iv) reform and diversification of the banking and financial sector; (v) development of the energy and mining sector; (vi) development of food security; (vii) mobilization and management of water resources; (viii) development of housing supply; (ix) physical and infrastructural development; (x) environmental protection and natural resources conservation; and (xi) modernization of public finances.

2.3.2 To further take into account this social phenomenon in its poverty and exclusion control action, a few months following its adoption of its programme, the Government with the support of a number of international institutions organized Algeria's First National Poverty and Exclusion Control Conference in October 2000. At the end of the Conference, a national strategy to fight poverty and exclusion as well as an action plan for 2001-2005 were approved to complement the Government programme. Under the action plan, five national programmes were proposed, namely: (i) agricultural diversification and increased production; (ii) training of unemployed youths; (iii) housing; (iv) micro-credit for the poor; and (v) health. Furthermore, five pilot community development projects were prepared. In Algeria, more than 23% of the population lives in absolute poverty. In its Human Development Index, the UNDP classified Algeria 100th out of 174 countries. The national poverty reduction strategy is a booster to the Government programme.

2.3.3 Later in April 2001, in the light of the economic growth rate for 2001 projected at 1.9% and inadequate to end unemployment estimated at 70% among youths, the President of Algeria initiated a short- and medium-term economic recovery programme (2001-2004) with a financial envelope of DA 525 billion. The aim of the programme is to propel strong economic growth of between 5 and 6% yearly by stimulating internal demand by modernizing and developing the country's key economic and social infrastructure with a view to creating jobs and improving the people's living standard. By enhancing economic growth through the recovery programme, the Government hopes that businesses will relay its efforts. In that regard, it implemented relief measures to reduce compulsory deductions and social charges payable by businesses as well as measures to accommodate the restructuring of enterprises, including measures that would bolster the banking system.

2.3.4 It is obvious from the foregoing that since September 2000, the Government has continued to enhance and adjust its programme and policies to suit the socio-economic trend. At the end of nearly 21 months of implementation, it may be noted that although the major macro-economic indicators have improved considerably thanks to strengthening world oil prices and the security situation has shown a net improvement despite a few cases of terrorist violence, the performance of the productive sectors has remained inadequate vis-à-vis the set objectives. Indeed, even though positive, the 2001 economic growth rate is largely inadequate to reduce poverty and end unemployment (nearly 29% of the active population), even as the active population growth rate stands at about 4% yearly.

2.3.5 There has been considerable variations with regard to the implementation of structural reforms. Among the reforms that the Government has successfully conducted may be mentioned: the post and telecommunications reform, and reform of the mining sector which successfully contributed to the liberalization of both key sectors. The liberalization of the air, energy (electricity and gas) and fishing sectors has also made spectacular progress in two years. Concerning the promotion of national and foreign investment, the Government took a series of measures, the foremost being: the consolidation of peace and the civil concord, the accelerated review of certain provisions of the edict on the privatization of public enterprises, the review of the investment code and the edict on the market capital, the establishment of a new agency to promote direct foreign investments and access of non-residents to portfolio investment opportunities offered through the Algerian Stock Exchange. During the period under consideration, Algeria concluded negotiations for an association agreement with the European Union (EU) and revisited its request to join the World Trade Organization (WTO). The association agreement between Algeria and the European Union was signed on 21 March 2002 in Valencia. That agreement should advance Algeria's opening to the outside world. Moreover, in order to speed up the adoption of certain economic edicts, the Government resorted to issuing orders. Hence, the text on management, organization and privatization of public enterprises and those regarding investment and the new tariff code were promulgated by order and adopted without review by deputies. The bank and financial reform dossier was submitted recently to the Government for overview. The Government plans to implement the reform before end 2002. The process to prepare the fiscal reform, public finance reform and reform of the State's mission structures is ongoing. Overall, the implementation of the Government programme improved the country's rating among external trade insurance companies (from a high-risk to a low-risk rating), and restored the confidence of investors and commercial partners.

2.3.6 Among reforms that still encounter difficulties in obtaining the socio-political consensus necessary for their finalization and implementation include: the education reform, the reform of the legal system, land reform (especially agricultural land) and upgrading of the industrial sector. Delays in extending structural reforms are the main obstacle to strong and sustainable economic recovery, private sector development and upgrading of whole sections of the economy with a view to its opening to the outside world (association agreement with the EU and WTO membership). Indeed, recovery has run head on against structural problems. For instance, in the absence of land reform that would solve the issue of land ownership, it is difficult to considerably increase private investments in the agricultural and industrial sectors. In other words, the economic restructuring that would generate new

growth dynamics requires the prior implementation of a number of structural reforms. Given the configuration of political forces that prevailed until the 30 June 2002 legislative elections, the Algerian political set-up, in the absence of a large consensus, could not face the social shock attendant on such reforms (land reform and privatization of public enterprises). Now that the FLN is majority in the new Assembly and has its Secretary General as Head of Government, the Government can comfortably and successfully conduct the structural reforms, using an approach centered on social dialogue that broadly associates the multiple components of the civil society, especially the youths.

III. BANK'S ASSISTANCE

3.1 Bank's Portfolio

3.1.1 Since 1971, the Bank Group has funded 31 operations in Algeria, of which: 23 project loans, 4 lines of credit, 3 non-project loans and 1 study, for net commitments totaling UA 1 543.01 million. The sectoral breakdown of projects approved is as follows: multisectoral projects (28.96%), agriculture (23.58%), energy (14.32%), transport (11.32%), finance (9.03%), water and sanitation (8.37%) and social (3.19%). The portfolio of outstanding projects comprises nine operations, including a problem-project (construction of the Ben Taiba irrigation dam). The loan disbursement rate as at 30 April 2002 stood at 71.40%. The overall management and implementation of these operations recorded a net improvement, especially over the past two years. The Bank sent regular project follow-up missions throughout 2001. As a result, each ongoing project received more than one supervision mission on average.

3.1.2 In November 2001, the Bank conducted a mission in Algeria to prepare the Portfolio Review Report. At the end of the review, the two parties noted that most projects performed satisfactorily overall. The average consolidated portfolio performance as at end 2001 stood at about 2.3 – a relative improvement over the 2.1 recorded for 1999. Most projects will most probably attain their development objective and continue to perform better in terms of physical implementation. However, it should be pointed out that at the current status, the physical implementation of the Sidi Ben Taiba Irrigation Dam Construction Project is unsatisfactory.

3.1.3 The situation has also improved in connection with: the production of project activity and audit reports, the preparation and submission of project completion reports within the required timeframe and site supplies. Furthermore, the mission noted that henceforth it is possible to conduct short-term missions to project sites. It is also worth mentioning Algeria's highly satisfactory performance with regard to loan and interest reimbursements as well as capital subscription payments.

3.1.4 Notwithstanding the improvement in quality and performance, the portfolio faces a few problems, especially: (i) the few audit reports forwarded to the Bank; (ii) the difficulty in respecting loan disbursement and works planning schedules on certain projects. In order to improve the quality of audit reports produced by auditors from the General Inspectorate of Finance of the Ministry of Economy and Finance, the Bank organized a refresher course for them on project audit and accounting in Algiers in March 2002.

3.1.5 Since the adoption of the 2000-2002 CSP in October 2000, the Bank has financed two operations amounting to UA 89.24 million, of which UA 67.40 for the Koudiat Acerdoune Compacted Concrete Dam, UA 21.84 million for the New El Achir Tunnel Project Supplementary Loan, approved respectively in October and November 2000. The Bank of Algeria considered both as priority infrastructural projects.

3.1.6 Between 9 and 12 November 2001, heavy rains caused serious flooding in Northern Algeria, especially in Algiers. The Bank extended a grant of US \$ 500 000 as humanitarian assistance to the flood victims.

3.1.7 As for creditworthiness, given the country's sound financial situation attributable to the favourable price of hydrocarbons, Algeria will easily meet its financial commitments in the next two years. According to available projections, all country-risk exposure indicators for the 2002-2003 period will remain below the respective critical thresholds. For instance, the country's share in ADB's maximum sustainable portfolio should stand at 7% in 2002 and 8% in 2003, far below the 15% critical threshold. ADB debt service over the multilateral debt service should amount to 12% in 2002 and 2003, against a 35% threshold, and the Institution's debt service over goods and services export would hardly reach 1%. The total outstanding debt over the GDP should continue its downward trend to stand at nearly 32% at end 2003, compared with the 50% threshold. The total debt ratio over exports should remain above the 80% critical threshold until 2003 (85%) despite the steadily declining trend recorded since 1999. Moreover, the total debt service over goods and services export continued to decline in 2001 to stand at 20%, against the critical threshold of 30%.

3.2 General Development Support Activities

As part of its operating strategy in Algeria, the Bank also decided to support the country by supplying technical assistance and financing studies with the bilateral resources at its disposal. Although Algeria has not received any non-operations assistance from the Bank since October 2000, the Institution obtained a US \$ 120 000 grant from Spanish Cooperation to fund a feasibility study on the project to set up a training and information center for decision-makers and managers (CEFIDE). The Bank requested the Government to propose consultants in that regard. Following the November 2001 floods which caused enormous human and material damage, the Bank extended a US \$ 500 000 grant as humanitarian assistance to the disaster victims. Furthermore, at Government request, the Bank undertook to assist Algeria in setting up a reliable and viable micro-finance system as an effective means of inducting vulnerable groups into the economy (by funding a micro-finance study and seminar in 2002).

3.3 Dialogue Issues and New Development Initiatives

3.3.1 During the period under consideration and in the course of various missions to the country, the Bank held dialogue with the authorities on the key issues raised in the 2000-2002 CSP, namely the banking and financial reform, privatization, good governance, export diversification, decentralization and local development. In October 2001, the Bank conducted a top-level dialogue mission to assess its operations in Algeria. The mission mostly focused attention on Government's future commitments with regard to operations that the Bank would finance in the next two years.

3.3.2 Following a formal invitation from the Algerian authorities, the Bank Group President officially visited Algeria from 11 to 13 February 2001. That successful visit was an occasion to pursue a higher level of dialogue between Algeria and the Bank on issues of mutual concern.

IV. RECENT DEVELOPMENTS IN EXTERNAL ASSISTANCE COORDINATION

4.1 Outcome of External Assistance Coordination Meetings

Donors operating in Algeria have no formal consultation mechanism. Exchange of information and documents and bilateral meetings are the main forms of consultation and cooperation among donors. In 2001, a tripartite coordination and consultative meeting was held through video-conferencing between the World Bank, the European Union and the Bank. Furthermore, systematically and at least once per quarter, a Bank mission held a working session with donors represented in Algeria. It is worth noting that the number of donors represented in Algeria has steadily increased (European Union, UNDP, UNFPA, UNICEF, the World Bank, FAO). The permanent presence in the field has increasingly strengthened the informal consultative/coordination mechanism.

4.2 Co-financing

Within the framework of Bank cooperation with other donors operating in Algeria, co-financing possibilities are systematically explored. Despite the manifest goodwill shown by various development partners, the Bank has had no jointly-funded operation with another partner in the past two years (2000 and 2001). However, in February 2002, the Bank took the initiative to invite the World Bank and the European Union to jointly finance a competitiveness support programme in Algeria, with the prospect of further opening the economy in the wake of signature of the association agreement with the European Union. Furthermore, it should be noted that the Bank chose UNICEF as executing agency for the emergency humanitarian assistance for the November 2001 flood victims.

V. REVIEW OF BANK STRATEGY AND DIALOGUE

5.1 The Bank's operating strategy in Algeria as set forth in the 2000-2002 CSP targeted the following four priority areas: (i) support to structural and sectoral reforms; (ii) support to infrastructural rehabilitation and development; (iii) support to private sector development, especially small and medium-scale enterprises; and (iv) support to the local development programme. The aim of the strategy is to provide increased support to Government's implementation of its programme the core objective of which is to boost economic growth, with a view to reducing the unemployment rate. In that regard, the Bank in 2000 financed two infrastructure operations for a total UA 89.24 million. In 2001, the Bank funded no project in Algeria. Against the backdrop of the evolving economic situation, the status of implementation of the Government programme and the Bank's lending programme, it is proposed that the sectors of intervention be maintained as planned. The Bank's assistance will contribute to financing economic and project reforms as well as projects to modernize an economy on the verge of confronting international competition. The reforms will target the improvement of production in public and private enterprises.

5.2 Specifically, the Bank's action in 2002 will concentrate on supporting infrastructural development via the funding of three operations for a total of UA 250.92 million: the post and telecommunications sector support project (UA 87.68 million), the potable water supply and sanitation project (UA 66.63 million) and the East-West highway project/Ain El Bey-CW 133 trunk (UA 96.61 million). In 2003, operations will continue with focus on three priority areas, namely: support for economic reforms with the joint-financing of a competitiveness support programme to prepare entry of the Algerian economy into a free trade area with the European Union; support for infrastructural development with financing of a new central collector for Algiers; support for private sector development with a line of credit to promote SMEs/SMIs, support for privatization and establishment of new private leasing and life insurance companies; and support for rural poverty and exclusion control with the financing of a multi-sectoral local development project in three Wilayas. Generally, the Bank's operating strategy in 2002 and 2003 will seek to introduce enabling conditions for business development with a view to greater opening to the global economy. In accordance with the risk management framework, the total loan envelope for the 2001-2002 period would be within an annual range of UA 108 to 225 million, and for the 2002-2003 period between UA 217 to 450 million yearly. The increase in the total envelope is due to the combination of three factors: (i) the relatively modest level of Bank commitments in 2000; (ii) the absence of Bank commitments in 2001; and (iii) the improvement in the solvency and country-risk ratios.

VI. CONCLUSION AND RECOMMENDATION

6.1 Conclusion

During the period under review, Algeria lived a paradox characterized by good economic performance, exceptional financial ease offset by poor performance of the non-oil productive sector, a low economic growth rate and high unemployment. Despite significant advances in such areas as regional integration, liberalization of the post/telecommunications and mining sectors, revision of legislative texts on privatization, improvement of the environment for private sector development and investment, and liberalization of the transport sector, the Algerian economy performed unevenly due mostly to the inadequate implementation of structural reforms, non-completion of the public enterprise privatization process and liberalization of the infrastructure, banking and industry sectors. Within that framework, the Bank plans to support Government efforts by maintaining the operating strategy proposed in the 2000-2002 CSP for Algeria. Thus, the Bank will contribute to speeding up structural reforms, liberalizing infrastructure, improving the private sector environment and rendering the country's economy, especially the non-oil sectors, more efficient and competitive.

6.2 Recommendation

The Board is invited to take note of the Algeria CSP update for the 2000-2002 period.

Annex 1

ALGERIA : ECONOMIC AND FINANCIAL INDICATORS, 1996-2001

1996 1997 1998 1999 2000 2001
Project.

(percentage change)

National income and prices						
GDP at constant prices	3.8	1.1	5.1	3.2	2.4	1.9
Hydrocarbons sector	6.3	6	4.0	6.1	4.9	-0.7
Other sectors	3.0	-0.5	5.5	2.2	1.5	5.5
GDP deflator	25.7	6.5	-4.2	10.4	23.7	4.3
Consumer price index (average)	18.7	5.73	5.0	2.6	0.3	4.23
External sector						
Exports f.o.b.	28.9	4.5	-26.6	21.5	75.7	-2.0
including hydrocarbons	23	4.2	-25.9	21.9	76.8	-1.6
Imports, f.o.b.	-10	-10.6	6.2	3.8	4.2	19.5
Terms of trade	16	3.7	-26.3	19.6	75.7	-0.1
Effective real exchange rate	2.5	9.9	4.8	-8.0	-2.2	-
Money and credit						
Net external assets	13.5	23.6	-6.4	-8.6	41.3	29.0
Internal credit	11.3	11.8	10.0	25.0	-22.2	-9.5
State credit (net)	-15.1	15.6	11.0	9.2	-10.7	-14.7
Credit to the economy	37.3	-3.9	-0.9	15.7	-11.6	5.2
	(in GDP %)					
Overall budget balance (deficit -)	3.0	2.4	-3.9	-0.5	9.9	6.3
Income	32.2	33.5	27.8	30.0	39.3	38.2
Hydrocarbons	20.3	21.4	15.3	18.5	30.2	27.2
Excluding hydrocarbons	11.9	12.1	12.5	11.3	9.1	10.9
Expenditure	29.2	31.2	31.7	30.5	29.4	32.0
Recurrent expenditure	21.5	23.3	23.9	24.5	21.3	22.7
Investments	6.8	7.3	7.6	5.9	8.0	9.1
Others	0.9	0.6	0.2	0.2	0.0	0.2
Internal Bank financing	-5.0	-3.9	3.4	2.0	-10.2	-5.6
External current account (in GDP %)	2.7	7.2	-1.9	0.0	16.8	12.0
Foreign debt (in GDP %)	71.9	65.2	64.3	59.4	47.9	40.7
Foreign debt (US \$ billion)	33.7	31.2	30.5	28.3	25.5	23.3
Crude official reserves (end of period in \$)		8.0	6.8	4.4	11.9	17.9

Sources: Algerian authorities

ALGERIA: LIST OF BANK GROUP OPERATIONS
 (amount in UA million)

AS AT 30 APRIL 2002

PROJECTS	GROSS LOANS		CANCELLATIONS		NET LOANS		DISBURSMS.		%DISBURSM.		APPROVAL	SIGNAT	ENTR. FORC	CLOTURE	OBSERVATIONS
	ADB	ADF	ADB	ADF	ADB	ADF	ADB **	ADF **	ADB *	ADF *					
A. AGRICULTURE															
BOUNAMOUSA I	3,00	0,00	0,00	0,00	3,00	0,00	3,00	0,00	100,00	0,00	23/03/71	8/2/72	30/06/72	31/12/75	Achevé
BOUNAMOUSA II	2,40	0,00	0,00	0,00	2,40	0,00	2,40	0,00	100,00	0,00	11/6/73	16/01/74	6/10/74	31/03/81	Achevé
Line of credit to BADR	60,00	0,00	4,70	0,00	55,30	0,00	55,30	0,00	100,00	0,00	22/12/86	3/10/87	1/8/88	31/12/94	Achevé
Poultry farming development prog.	96,80	0,00	1,88	0,00	94,92	0,00	94,92	0,00	100,00	0,00	14/12/87	24/01/89	9/4/92	31/12/97	Achevé/RAP fait
Moyen Chelif development programme	68,16	0,00	53,32	0,00	14,83	0,00	14,83	0,00	46,70	0,00	18/04/89	30/03/90	24/05/91	31/12/98	Achevé
Harba irrigation scheme study	0,00	0,69	0,00	0,69	0,00	0,00	0,00	0,00	0,00	0,00	1/5/93	2/8/93			Annulé
Sidi Ben Taiba dam	50,60	0,00	14,00	0,00	36,60	0,00	9,34	0,00	21,47	0,00	31/08/93	17/09/93	24/05/94	31/12/02	En cours d'exécution
2nd line of credit to BADR	156,93	0,00	0,00	0,00	156,93	0,00	69,07	0,00	32,80	0,00	7/7/99	6/6/00	28/8/00	31/12/02	En cours d'exécution
Total	437,89	0,69	73,90	0,69	363,98	0,00	248,86	0,00	63,13	0,00					
D. TRANSPORT															
El Golea In Sala road	3,00	0,00	0,00	0,00	3,00	0,00	3,00	0,00	100,00	0,00	21/07/71	2/8/72	15/05/72	31/12/75	Achevé
Air Algeria maintenance base	40,17	0,00	0,00	0,00	40,17	0,00	37,41	0,00	92,63	0,00	18/09/89	2/7/91	27/08/91	30/6/02	En cours d'exécution
New El Achir tunnel	49,08	0,00	0,00	0,00	49,08	0,00	45,23	0,00	92,15	0,00	17/06/91	11/3/91	6/3/93	31/12/02	En cours d'exécution
New El Achir tunnel II	21,85	0,00	0,00	0,00	21,85	0,00	0,00	0,00	0,00	0,00	20/11/2000	10/5/01	3/12/02	31/12/03	En cours d'exécution
Road strengthening	36,00	0,00	20,68	0,00	15,32	0,00	15,29	0,00	99,80	0,00	25/03/92	26/11/92	5/6/93	31/12/99	Achevé
Djen Djen Port infrastructure	21,80	0,00	2,22	0,00	19,58	0,00	19,58	0,00	100,00	0,00	24/11/93	31/03/94	15/06/95	30/06/00	Achevé
Constantine highway bypass	25,75	0,00	0,00	0,00	25,75	0,00	14,64	0,00	46,64	0,00	22/11/95	15/05/96	13/02/97	31/12/02	En cours d'exécution
Total	197,65	0,00	22,90	0,00	174,75	0,00	135,15	0,00	75,71	0,00					
E. WATER AND SANITATION															
Koudiat Acerdoune dam	106,40	0,00	96,35	0,00	10,04	0,00	9,11	0,00	90,07	0,00	31/08/93	17/09/93	8/1/94	31/12/02	En cours d'exécution
K. compacted concrete dam	67,40	0,00	0,00	0,00	67,40	0,00	0,00	0,00	0,00	0,00	10/4/00	24/04/2001	8/1/01	31/12/05	En cours d'exécution
Sidi Bel Abbes DWS	70,04	0,00	0,00	0,00	70,04	0,00	6,56	0,00	9,12	0,00	12/9/98	27/05/99	5/4/00	31/12/04	En cours d'exécution
Total	225,63	0,00	96,35	0,00	129,27	0,00	15,67	0,00	11,24						
F. ENERGY															
Electricity I	5,00	0,00	0,00	0,00	5,00	0,00	5,00	0,00	100,00	0,00	2/10/76	4/5/76	30/05/78	31/12/80	Achevé
Electricity II	5,00	0,00	1,62	0,00	3,38	0,00	3,38	0,00	100,00	0,00	28/12/77	13/02/78	30/10/80	31/12/80	Achevé
Electricity III	5,00	0,00	0,67	0,00	4,33	0,00	4,33	0,00	100,00	0,00	31/08/93	23/10/78	30/11/81	31/12/80	Achevé
Electricity IV	57,70	0,00	0,00	0,00	57,70	0,00	54,64	0,00	94,70	0,00	20/09/94	1/9/95	9/4/95	30/6/01	Achevé
Gas transmission and distribution	150,61	0,00	0,00	0,00	150,61	0,00	11,92	0,00	7,42	0,00	8/7/98	14/12/98	5/7/99	31/12/04	En cours d'exécution
TOTAL	185,81	0,00	2,29	0,00	221,02	0,00	79,25	0,00	35,53						
H. FINANCES															
Line of credit to CPA	40,00	0,00	0,58	0,00	39,42	0,00	39,42	0,00	100,00	0,00	23/08/88	2/10/89	1/5/90	30/06/95	Achevé
CDTA institution building	0,00	1,44	0,00	1,44	0,00	0,00	0,00	0,00	0,00	0,00	27/01/92	5/8/92			Annulé
2nd line of credit to CPA	100,00	0,00	0,00	0,00	100,00	0,00	87,45	0,00	87,17	0,00	12/10/96	5/7/97	18/07/97	30/6/01	Achevé
Total	140,00	1,44	0,58	1,44	139,42	0,00	126,87	0,00	90,99	0,00					
I. SOCIAL															
Technical education strengthening	81,00	0,61	32,24	0,00	48,75	0,61	46,53	0,25	95,45	40,98	18/12/89	26/07/91	6/12/92	30/06/00	Achevé/RAP fait
Total	81,00	0,61	32,24	0,00	48,75	0,61	46,53	0,25	95,45	40,98					
K. MULTI-SECTOR															
Economic strengthening programme	150,00	0,00	0,05	0,00	149,94	0,00	149,94	0,00	100,00	0,00	17/04/90	30/05/90	16/07/90	30/06/94	Achevé/RAP fait
PACEF	150,00	0,00	2,98	0,00	147,01	0,00	147,01	0,00	100,00	0,00	24/06/92	8/7/92	12/10/92	30/06/97	Achevé/RAP fait
Structural adjustment programme	150,00	0,00	0,00	0,00	150,00	0,00	150,00	0,00	100,00	0,00	12/10/96	27/03/97	29/06/97	31/12/99	Achevé/RAP fait
Total	450,00	0,00	3,03	0,00	446,95	0,00	446,95	0,00	100,00	0,00					
GRAND TOTAL	1773,69	2,74	231,29	2,13	1542,40	0,61	1101,28	0,25	71,40	40,98					