Journal of Economics and Sustainable Development
ISSN 2222-1700 (Paper) ISSN 2222-2855 (Online)
Vol.7, No.10, 2016

Institutions towards Governance: How this Aspiration Shaped the Figure in Algeria?

Mostéfaoui Sofiane[1] & Bellal Boudjemaa[2]
[1] Department of Management, University of Ahmad Draia, Adrar, PO Box 67, Adrar, Algeria
[2] Department of Economics, University of Ahmad Draia, Adrar, PO Box 67, Adrar, Algeria

Abstract:
The recent fall in oil prices on the international market seems an opportunity to arise the debate about the institutions' reforms in Algeria. In this context, the state is no longer able to continue its dependence on the oil revenues; but it should negotiate seriously with the productive economic sector. The attempt of this strategy is to mobilize the unused resources and establish a real and an efficient business organization. The new institutional economics offers an insight of the institutions quality and the governance in conducting the economic development.
Moreover, the process of the institutional reform in Algeria began in the late 1980s. The diagnosis has presented a success of the reforms that targeted the stabilization of the economy, as evidenced by macroeconomic performance of the economy since 2000s. However, the real boom seems stuck in the status quo because of the latent structural reforms of the economy.
This paper highlights the impact of the budget constraint considered as an opportunity to deepen the reform process and encourage the productive investment.
Keywords: institution, governance, budget constraint, Algeria

1. Introduction:

The Statistics offered by IMF (a peak of 5.1 in 2004) about the growth in Algeria seem to be good and fair. This fact may allow Algeria to catch up the real economic development. However, Algerian economic growth shows a comprehensive dependence on the hydrocarbon sector; which is in reality a limited and inadequate source for a sound development.
This tells us about the delay in structural reforms of the economy. Thus, apart from the external liberalization which had undertaken a faster trend of progress (removal of the state monopoly on foreign trade, reduction of tariffs ...), the internal liberalization is marked by a slow and a doubtful process.
Since 2014 and by the fall of the barrel price which was under 65 dollars, the budget constraint was tightened and accordingly, the budget deficit widened compared to previous years. This picture argued that the Algerian economy cannot establish a real set off, and it continues to pay the development process by the oil revenues.
The issue raised in this context is to analyze the possibility of the economic development without a deep structural and an institutional change. It is true that the institutional interest of economic theory is relatively recent. In this sense, the new institutional economics offers a theoretical perspective on the importance of governance and institutions. Algeria for instance, witnessed a transition to a market economy, this seems to be dependent on the structural and the institutional reforms in line with a better incentive for these institutions to create wealth. In this field, it is worthwhile to mention that the reform process is not achieved without the state intervention to regulate and manage the shadows of the market economy. This means that the state changes its position in the economy from a development conductor to a development manager, neutral with respect to the interests that shape the society.
However, according to the abundance of the resources drawn from oil revenues, the state finds itself not induced to negotiate its place in the economy. This is why we question whether the current environment of falling oil prices and tighter fiscal constraint that results would not be a boon to continue the process of Algerian institutional reforms already began in 1990s.
To address this issue, the paper is organized by three sections. In the first section, we present the current situation of economic reforms in Algeria. The second section analyzes the importance of the institutions in the economy through a synthesis of the economic literature on the role of the institutions. The third section discusses the evolution of the investment reforms on the investment without tackling the issue of the state wealth management.

2. The transition of the Algerian economy: between successful economic stabilization and structural bottlenecks of development:

Macroeconomic performance in recent years reflects the relative success of economic stabilization policies undertaken since the early 1990s. However, the economic development within the meaning of the wealth creation by the different economic sectors remains below expectations.

2.1. The success of the economic stabilization:

The macroeconomic situation in Algeria has improved significantly in recent years. We can say that the stabilization is the field in which the reform has achieved a relative success. In the following table, we can see that the main macroeconomic indicators have improved or they are very good for some years.

Table 1: the economic situation in Algeria during the period 1998-2012

	1998	2000	2002	2004	2006	2008	2010	2012
Inflation %	5.0	0.3	1.4	3.5	2.5	4.8	3.9	8.9
Budgetary net value (Billion Dinars)	-101.3	400.0	52.6	337.9	1153.8	999.5	-74.0	-758.6
Economic growth %	1.8	2.6	4.7	5.1	2.0	2.4	3.3	3.3
Unemployment rate %	28.0	29.7	25.7	17.7	12.3	11.3	10.0	9.7
Net current account	-0.91	8.93	28.95	11.12	28.95	34.45	12.16	
Short-long term debts	30.26	25.09	22.540	21.411	5.062	4.841	3.903	2.479
Net reserves	6.84	11.90	23.11	43.11	77.78	143.10	162.22	190.66

Source: Bank of Algeria and National Office of Statistics (NOS)

The main macroeconomic indicators show convincing results. Thus, from the late 1990s, the macroeconomic situation is characterized by a declining net of inflation. Since 2000, this macroeconomic variable is managed by a level less than 5% except in 2012 where it was at 8.9%.

The rigorous management of public finances was due to the deficit. Consequently, Algeria passed by a deficit (-101.3) billion in 1998 to a surplus since 2000. The deficit recorded in 2010 represents just 0.95% of GDP. Despite the improvement of the financial situation of the country and following the increase in oil prices, public financial management continued to be oriented towards the objective of stabilizing. In 2012 the rigor had been relaxed; the fact that widened the deficit to 758.6 billion dinars. This concern for rigor can be evidenced by the establishment of the Revenue Stabilization Fund (RSF) in which the surplus is used to fund the infrastructure construction.

Additionally, the economic growth which is certainly boosted by the public spending has been positive during the 2000s, with a peak in 2004 of 5.1%. The unemployment rate has been trending to the continued decline, going from 29.7% in 2000 to 9.7% in 2012.

The situation of the foreign trade has also improved from a deficit in the current account to a surplus since 2000. Supported by the increase in revenue generated by oil, the external constraint witnessed a net relaxation since 1999. This has allowed Algeria to become a creditor to the world since 2002, as foreign exchange reserves exceeded the external debt. Consequently, Algeria in 2012 has been able to accumulate 190.66 billion dollars in foreign exchange reserves.

3. The structural obstacles to development:

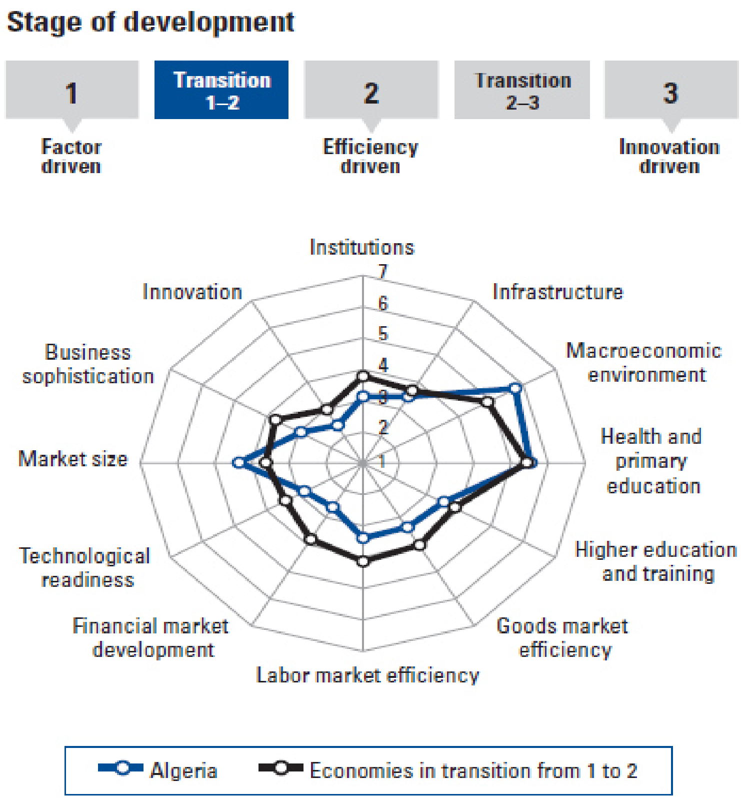
Thus, since the late 1980s, deindustrialization is a real fact in Algeria. It concerns in particular the public sector whose growth is generally negative since the late 1980. In 2004 for example, it decreased by 38 points from 1989, and its contribution to GDP was only 7%. The tariff dismantling process began after the signing of Association Agreements with the EU in 2002 and 2005. The agreement was likely to exacerbate de-industrialization by the loss of the domestic market share, without any expected conquest of foreign markets in the future.

The investment gap in a context marked by a banking liquidity surplus reveals the ineffectiveness of the banking sector in Algeria. Since 2000, the national savings rate is between 40% and 60%, while the investment rate hovers around 25%. The monetary authorities have no choice but to sterilize the excess savings. Such underperformance explains the missing growth.

At the level of the country rankings which is established according to the economic performance and the institutional potentialities, the investigations of the World Economic Forum of the World Bank confirm the rigidities of the institutional and the structural reforms in Algeria.

Furthermore, the World Economic Forum publishes annually reports on global competitiveness. It tries to evaluate the contribution to the growth of each of the twelve pillars adopted for measurement. So for the publishers of the Global Competitiveness Report 2011-2012: the institutional quality has a significant impact on competitiveness and growth. It influences investment decisions and organization of production. Of 142 countries surveyed, Algeria is ranked at the 127th position. Tunisia is at 41st place and Morocco at the 59th position. If we admit that the behavior generated by the use of the oil increasing wealth is the source of institutional shortcomings, the gap between Algeria and its two neighbors would be likely to ask the question of generalizing the theory of oil wealthier state on all the countries in the MENA region, as we have suggested above.

Picture.1. Development stage of the Algerian Economy



Source: World Economic Forum, The Global Competitiveness Report 2011-2012, p. 94

According to this assessment, the Algerian economy is still in extensive growth due to its institutional constraints which are added to other constraints concerning the human capital, innovation and efficiency of the labor market.

The Doing Business 2012 report validates and emphasizes the results of the World Economic survey, since the position of Algeria is at 148th out of 183 countries in terms of business climate. That is to say, Algeria is situated among the 40 countries where it is more difficult to do business.

Thus, the results suggest that the weakness of economic growth is not due to lack of financial resources, nor to macroeconomic imbalances. The Algerian economic flaw is in the institutional constraint in the broad sense. This confirms the conclusion of the study dealt by Nicolas Meisel & Ouled Aoudia J. (2007) about the growth and reforms in the countries of the southern shore of the Mediterranean. He concluded that the growth weakness is linked to deeper causes: it is the confused and doubtful resistance of the public and private elites, their practice of catching the condition that blocks any consideration or long term perspective of development, the weight of traditions that hinder the modernization of social relationships, a very moderate trust between the economic agents which raises transaction costs and finally the status of knowledge that inhibits creativity and limits learning. These constraints are followed by a poorly competitive and weakly cooperative economic machine.

3.1. The role of the state in the economy: the poor relation of the reform

In terms of the market economy transition, the reform of the state role in the economy envisages the condition to reform the status of the other economic agents. In this framework, it is important to affirm that the market economy does not mean the abolition of the state; On the contrary, the state is more necessary than ever in its implementation. A consensus seems to emerge around the same role of the state in a market economy, since even the international financial organizations which advocated fiercely the efficiency of the liberalism project to sustain development; they turned around and recognized that there is no development without the hands of the state. In a report published by the World Bank 1997, it is asserted that the state plays a key role in economic and social development not only as a direct interventionist agent, but as a partner, catalyst and promoter of the economic growth. This report has pleaded also for the state intervention by asserting that it is not bad in itself. On the contrary, it is essential in many ways if the economic potentialities are well exploited.

However, this does not work without the preliminary step looking at reforming the state in an attempt to make it more effective in its action by including it in the process of the good governance. According to A. Dahmani 1998, the Algerian experience of the transition was even a confirmation of this assertion. For the latter, in effect, the reforms undertaken in recent years in Algeria, or in the former socialist countries also, paradoxically demonstrate today that one of the key obstacles to the transition to the market economy is the lack of the modern state, defined by a flexible operation, with strong and credible institutions as well as flexible and transparent mechanisms which are relatively neutral vis-à-vis to the society and its interests.

Legitimized by the company's modernization paradigm and the society development which is exhausted by colonialism, the Algerian state exerted domination on the society. This domination led to the expansion of its own structures and powers, without being at the height of its original mission. This may be due to the historical and economic considerations that the reforms in the late 1980s, even if they touched directly or indirectly the state, have not considered it as an agent. It was only in 2001 that reforms were proposed by the structural committee and state missions. According to Belmihoub M. C. (2004; 2005), they consist of:

1. The definition of the new tasks of the state in the market economy and the globalization context. These tasks are mainly oriented towards the regulation, control and the appropriate definition of *sectorial* and *intersectorial* policy.
2. The reorganization of the central administration to support new missions effectively, identifying the poles of skills which will be configured on Government Organization and structuring of central governments. In this context, Belmihoub asserts that the central government still continues to take care of the routine tasks execution, when new missions (design, control ...) are still insufficiently implemented. In this field, some sectors (telecommunications, energy ...) experienced deregulation and the establishment of the competition. This issue is not without impact on the state role since the latter had already practiced the regulation of the economy via specified organs.
3. Decentralization and delegation are central axes of the reform. By this meaning, the reform focuses on the rehabilitation of existing local authorities (municipalities and towns), the emergence of a regional (regional administrative district) and the transfer of powers and responsibilities to those entities.
4. The development of human resources employed by the public sector through a reconfiguration of the rights and obligations of the employees and the requalification of skills. This is done by a national charter outlining the status of the employees via: performance, responsibility and ethics.

However, these guidelines are still awaiting their concrete implementation.

3.2. The institutional reform of the public enterprise: the incomplete process

The above literature about the public enterprise reform highlights a number of institutional shortcomings which deserve to be presented.

a. The limits of the autonomy exercise of the public enterprise (PE) and the principle of commerciality

The state of the art shows that the autonomy of the public enterprises is not effective as it was suggested, since most of their management decisions remain dependent on the state. Thus, as mentioned above, through the leadership structures (equity funds, Holdings or GSP), the state still exerts authority over the management of PE.

The principle of commerciality established theoretically is limited as it takes only a legal form represented by the provisions of Article 20 of the Law on the orientation of economic public companies (88-01 Act). Indeed, the article states that the property of the company, it means those corresponding to its net assets, is not transferable or assignable, nor seized. Moreover, the sale or disposition of the remaining assets of a public company is a transaction that it not possible to be concluded with a company or public sector organization. This means that the company's capital is not tradable. This statement represents a limit to the rule of commerciality. Furthermore, these provisions operate to the detriment of the independence proclamation of the public company.

b. Proprietary rights: an obstacle to the creation of value

The theory of corporate governance states that property rights play a fundamental role in motivating business leaders and in managing effectively and efficiently the company's capital. These rights should be clearly expressed, determined and defended. In this sense, Boutaleb K. (2004) asserts that the real involvement directors and managers of public companies passes by a concrete motivation letting them own a part of the capital of the enterprise. However, this is not the case in Algeria as the state is the sole owner of these corporations.

Additionally, the participation funds, Holdings, or the structures created by the state take the figure of shareholder in theory, but really they are considered as virtual owners, since their assets belong to the state. The latter may decide to change the property or decide to take another assignment concerning the assets at any time.

c. Mismatch between institutional arrangements and organizational arrangements of the companies:

In this context, a deep managerial reading in terms of adequacy and efficacy of institutional arrangements (ownership, operation rule ...) and organizational arrangements of businesses (work organization, production process, authority and hierarchy ...) shows a strong link between them (paradigm of inter-articulation). In the case of the Algerian public company, the independence of the organizational changes does not actually correspond to any institutional change. Thus, the efficiency of the reforms requires that the autonomy of public enterprises should be linked to appropriate and suitable institutional and organizational arrangements. These two arrangements are figured out by the notion of the legitimacy which should be expressed through property rights. This is even true that the organizational arrangements (work organization, authority and other contractual relationships within the company) determine the valuation of the company's assets and draw their efficiency in terms of institutional arrangements such as the rights of property, the legal structure of the company and other operating rules.

d. Weak incentives for transparency and control:

Transparency in the management and control involve a periodic publication of the certified management results by the auditors to the partners who are interested in the evolution of the company. Boutaleb. (2004) note that the auditors are responsible for ensuring the appropriate use of the PE capital. However, in reality their work is covered by a taint of ambiguity and a fear from reprisal. This means implicitly the prevention from going too far in the control processes.

In total, this section has shown that the transition process of the Algerian economy to the market economy is far from complete. The reform process initiated after the crisis of the 1980s was marked by successes in terms of stabilization but it is not the same as regards the structural adjustment of the economy.

4. The institutions and the development: the meaning of the Neo-Institutional theory:

The neo-institutional theory does not propose a specific and a precise recipe of development for the developing countries (North 2005). In this field, it confirms the importance of the institutional matrix as a factor to boost the development. This matrix is based on the performance, the order, the uncertainty management and an effective coordination between the economic agents.

4.1. Incentives and economic performance:

Institutions which are embedded by formal and informal constraints, define the incentive structure of societies and economies. In this sense, they represent the underlying economic factors for a good institutional and economic development. The time in this consideration constitutes the dimension in which the learning process of human beings shapes the evolution of institutions trajectory. This learning is passed from generation to generation, through the culture of a society. In other words, time is the present and the accumulated experience of the past and current experiences incorporated into the culture of a society.

In order to improve the economic performance which means lower costs of production, transaction and the ability to achieve the targets, the institutions should follow a suitable evolution. The latter is achieved by respecting the following steps:

1. The establishment of a uniform system of measures and codes in such a way to ensure a better specification of the property rights
2. The creation of an effective judicial system to reduce the costs related to the protection of contracts
3. The establishment of the institutions able to bring together dispersed knowledge in a society, to monitor and measure the contracts and resolve conflicts

However, it must be stressed that there is no standard and unique institutional model that provides better results in terms of development for all countries. North warns that institutions emerged in the Western world, such as property rights and judicial systems, are not to be faithfully copied and transmitted to developing countries. The key is in the incentive structure that is created and not in slavish imitation of Western institutions. China is often presented as an example of economy that has managed to achieve good economic performance in a distinctive incentive structure without recourse to the standard recipe of the West. The economies which do not possess incentive institutional matrix towards activities that improve productivity do not work well. This issue led Acemoglu. (2012) to assert that the ability of the institutions to influence the behavior and incentives in real life make them able to forge the success or failure of nations.

4.2. The institutions as a mean of struggle against uncertainty and disorder:

Throughout history, institutions have been designed by humans to create order and reduce uncertainty in transactions. Together with the standard constraints of economics, they define the choice and determine transaction costs and production and therefore they ensure the profitability and feasibility of engaging in real economic activities.

The importance of the order is that it implies a reduction of uncertainties inseparable from the human condition. The institutions in this field play a major role in predicting (clear visibility) and organizing the business relations between humans. In contrast, the disorders increase uncertainty and worsen the relations between the organizing institutions and the unstable economic markets and thus, they will not be able to preserve the rights and privileges of individuals and organizations who participate really in creating wealth.

In the order of natural state, the political system is used to regulate economic competition and create rents, which in turn manage the social relations and establish a social cooperation. The limited access model is defined by: a slow-growing economy vulnerable to shocks, political regimes without general consent of the population; a smaller and more centralized state; and a predominance of social relations organized on a personal mode, based on privileges, a social hierarchy of laws applied in individual cases, the rights of vulnerable properties and the assumption that all people are not equal. All this only increases the uncertainty of the economic agents. Currently, 85% of the world population lives in limited access orders.

In the open access order, personal relationships have their place, but impersonal categories of individuals, called citizens interact in broad areas of social behavior without necessarily having to know individual identity of their interlocutors. Unlimited access or open order is defined by a political and economic development; an economy that saves much less negative growth; a diverse and vigorous civil society, with a large number of organizations; a larger and more decentralized state; a web of impersonal social relations, including law, secure property rights, justice and equality, in which all individuals are treated by the same way. The open access order represents 15% of the world population.

Not far from the idea of North, Acemoglu examines the cause of the failure of nations by dividing the institutions into two types: the inclusive institutions and extractive institutions. The first permits and encourages the participation of the broad mass of the population in economic activities. As part of these institutions, individuals make the best use of their talents and skills and make the choices they want. This is the case of the institutions of South Korea and the United States. Extractive institutions operate in extracting the wealth of the biggest part of the population in favor of the ruling elite. This is the case of institutions in developing countries. According to the author, in some cases such as Argentina, Colombia, Egypt, failure takes the form of insufficient economic activity to their own advantage which suppresses any kind of independent economic activity. The latter is deemed to threaten the economic opportunities of the governing elite. In extreme cases, as in Zimbabwe and Sierra Leone, extractive institutions pave the way for the complete failure of the state, destroying not only the law and order, but also the most basic economic incentives.

In addition, to reduce transaction costs, one of the institutional innovations of human beings is the transformation of uncertainty into risk. Uncertainty is a situation in which we cannot determine the probability of an event and cannot therefore be safe against its results. For example, in the modern world, insurance and portfolio diversification are methods for converting uncertainty in risk and reduction of transaction costs, by providing a hedge against instability. Moreover, institutions can reduce the uncertainty that is related primarily to strategic behavior of agents who themselves define the nature of property rights and the diverse contracts.

4.3. The institutions as a mean of coordination between economic agents:

Institutions can facilitate and stimulate market competition; they foster innovation and economic growth. These institutions act on the cost of the business access to information and respect for property rights.

5. The institutional framework for the investment since 1962: an evolution in terms of the budget constraint:

We will use the evolution of the regulations governing investment in Algeria, and those relating to industrial land since 1962 in an attempt to characterize the institutional framework for investment in Algeria.

5.1. The instability of the institutional framework for investment:

Regulation of investment has undergone several revisions since 1962. In general, the financial constraint of the state was the paramount factor as shown by the following table:

Table. 2. Investment laws in Algeria

Period	Texts	Budget constraint	State versus Private Sector
1962-1982	Law 1963, Law 1963, Charter 1976, Law 1982	Relaxed	The private sector is diminished or not accepted
1983-2001	Law 1988, Law 1993, Law 2001	Constrained	Openness
2001-2015	Law 2001	Relaxed	The private sector is organized and oriented

Source: the researcher

5.1.1. Period of 1962-1982: the disappearance of the private sector

The first investment code was issued in 1963 in order to set up regulatory environment for investment. This code had rejected the national private sector as it does not recognize the freedom to invest. This freedom of doing business is addressed only to the legal and institutional national and foreign persons who are subjected to the public order and enacted laws. The intervention of the national private sector is restricted by the concession of the state or the state agencies.

The investment code confirms the intervention of the state through the creation of national societies. Yet there were tax exemption and other benefits, as well as guarantees in favor of foreign investors in respect of their contribution to the development of the national economy. This is an ambivalence or inconsistency between two conflicting options on the role of the private sector and the state in the economy. The state seems to recognize the private sector as a mean of creating wealth, but also wants to give an important place to the country's independence in order to master the process of building the national economy, taking account of the social values of equity and equality.

In this context, the vagueness characterizing the Investment Code of 1963 in relation to the domestic private sector, led the Algerian legislature to be clearer by enacting in 1966 a new investment code. This code aims to clarify the guidelines already contained in the code 1963. Thus, the state reserves the right to invest in vital and strategic sectors of the economy, it may, however, holds shares by taking partnership with the private sector. Indeed, national or foreign private sector may invest in other branches. However, investment conditions remain complicated and centralized, since any investment project is subject to the opinion of the Ministry of Finance, Planning and the ministry of the investment sector (agriculture, industry, tourism…)

The National Charter of 1976, which is a supreme source of national policy and laws of the state directed clearly the Algerian economy in the socialist perspective and considered the capitalist enterprise as incompatible with the development imperatives and economic independence. Thus, according to the lines of the charter, only the small national private enterprises are regarded as able entities to undertake the non-extractive businesses. Therefore, they are allowed to engage in business domains where their involvement is not likely to hinder the institution of the socialism adopted. In addition to this, the private sector development was reduced and confined to the management of foreign trade by the monopoly of the state.

It is true that the economic situation of the first oil shock and the international debt of the 1970s had increased the wave of restrictions imposed on the private sector relatively to what had been enacted by the code of 1966. The economic situation was in a financial comfort, the fact led to decrease the importance of the private savings in financing the development projects.

In addition to this, the enactment of the law No. 82-11 in 1982 concerned by the domestic economic investment was concomitant with the decrease of the oil prices at the international markets. This issue was considered as the onset of the economic reforms, or at least a law which intends to relax the restrictions imposed on the private sector already drafted in the charter of 1976. This law came to determine clearly the objectives and the responsibilities of the national private sector in Algeria.

For instance, the article No. 10 of this law presented the scope of private investment acceptance. This kind of investment must be subjected to prior approval which will be granted by a national commission. The latter classifies and arranges the investments according to their priorities, objectives and expectations of the national development.

This law limited the maximum capital for private investment to ten (10) million dinars for the individual companies or partnerships, and thirty (30) million dinars for the companies of limited responsibility.

The law 82-11 defined precisely the scope where the domestic private sector can intervene by prohibiting any form of vertical or horizontal concentration of any shareholders of the corporation categories cited by the law.

Overall, the analysis of the regulations on investments in the period 1963-1982, allows us to make two points that seem important. The first is that the regulations of the investments during the period (1962-1982) are unstable and ambivalent concerning the national and foreign private investment. The second is that the laws about the investment are generally subject to continual change according the budget constraint of the state which is dependent on the oil prices.

5.1.2. Period of 1982-2001: The onset of the economic openness

The law No. 88-25 about the orientation of national economic investment was enacted in the wake of the economic liberalization achieved during the year. This law had abolished the restrictions imposed on the private sector and these (limitations) had been replaced by the principle of orienting the businesses of the private sector. Indeed, according to this law, the private sector was no longer subjected to the prior approval by the state to start the economic activity but it is obliged to follow the general aspirations of the economic development.

The advent of this law cannot be separated from the economic conditions of the time. In fact, the change was forced. After the oil shock of 1986, the state was in debt and has the means to finance its investment projects contained in the Five-Year Plan (1985-1989). Then, it was an opportunity to mobilize private savings to offset the tightening of fiscal budget after the fall of the oil prices.

Legislative Decree No 93-12 of October 5th, 1993 was considered as the first legislation which enhanced the liberalization to invest without any reference to the development plan, and without any prior approval. Article No. 03 of the decree states that investments can be maintained without any subjection to the laws and the regulations.

The text presented an equal treatment between national and foreign private investors. According to this law, the foreigners have the full right to transfer their capitals and gain the revenues derived from their businesses. This text preserved the value of the sale or liquidation even if this amount is greater than the capital initially invested. In an attempt to encourage the national and the foreign private investment, the text offered a number of financial and tax benefits to the investors.

Eight years after the 1993 text, a new code was created in 2001. This is the ordinance 01-03 on the development of investment. This text has broadened the concept of investment in times of activities in the scope of the partial or full privatization.

5.1.3. Period 2001-2014: the phase of the investment direction

This period witnessed an unprecedented abundance of the financial resources. This issue called the state to organize the framework of investing especially the foreign businesses. In this context, the complementary finance act promulgated in 2009 modified the l aw 01-03 by establishing a rule that determines the property rights of the foreign direct investment. It is predicted that the foreign direct investments cannot be realized only within the limits of the partnership in which the national resident must hold at least 51% of the firm capital.

Conclusion:

This paper sheds light on some of the developments of the Algerian economy. It is argued that the fall of the oil prices cannot be considered only as an anathema to the economy but an opportunity. The focal point in this state is to know how to exploit rationally and efficiently the other resources and to incorporate them in the plans of the economic development. It is not difficult task but it needs a good faith.

Reference

Abadli Riad. (2011), *Processus d'ouverture e l'économie algérienne, vingt ans de transition: évolution et performance*, Doctorate Dissertation in Economics, University of Paris 8

Acemoglu D. & Robinson J. A. (2012), *Why Nations Fail: The Origins of Power and Poverty*, Crown Publisher, New York

Ahmed Dahmani. (1998), L'expérience algérienne des réformes: problématique d'une transition à l'économie de marché, *Annuaire de l'Afrique de nord XXXVII*: 125-147

Bellal S. (2011), *Essai sur la crise du régime rentier d'accumulation en Algérie: une approche en terme de régulation*, Doctorate Dissertation, University of Lyon 2, France

Brian McGrath. (1977), Implications of the Government Budget Constraint: A Comparison of Two Models, *Journal of Money, Credit and Banking* 9(2): 304-315

Belmihoub M. C. (2005), La réforme administrative en Algérie: Innovations proposées et contraintes de mise en œuvre, Euro-Mediterranean *Forum about the Innovation and Good Practices in the Administrations, Tunisia*: 1-27

Belmihoub M. C. (2004), Rapport sur les innovations dans l'administration et la gouvernance dans les pays méditerranéen: Cas de l'Algérie, *Working Paper*: 1-26

World Economic Report, The *Global Competitiveness Report*, 2011-2012,

Boutaleb Kouider. (2004), La problématique de la gouvernance d'entreprise en Algérie, *Working Paper*: 1-16

Benhassine M.L. (1992), *Essai d'économie politique du capitalisme dépendant*, Arab Institut for Education and Work Research, Algiers

Christopher M. Towe. (1989), Balanced Budget Constraints and the Time Consistency of Optimal Policy in a Non-Ricardian Economy, *Southern Economic Journal* 55(3): 547-558

Daron Acemoglu and Simon Johnson. (2005), Unbundling Institutions, *Journal of Political Economy* 113(5): 949-995

Dawood Mamoon and S. Mansoob Murshed. (2006), Trade Policy, Openness, Institutions, *The Pakistan Development Review* 45(1): 99-119

Douglass C. North. (1991), Institutions, *The Journal of Economic Perspectives* 5(1): 97-112

IMF Country Report No. 07/61. (2007), Algeria: Selected Issues, *International Monetary Fund*: 1-49

IMF Country Report No. 08/103. (2008), Algeria: Selected Issues, *International Monetary Fund*: 1-41

IMF Country Report No. 13/48. (2013), Algeria: Selected Issues, *International Monetary Fund*: 1-31

J. Humberto Lopez, K. Schmidt-Hebbel and Luis Servén. (2000), How Effective is Fiscal Policy in Raising National Saving? *The Review of Economics and Statistics* 82(2): 226-238

J. Kornai. (1980), Hard and Soft Budget Constraint, *Acta Oeconomica* 25(3/4): 231-245

Joshua Aizenman. (1993), Soft Budget Constraints, Taxes, and the Incentive to Cooperate, *International Economic Review* 34(4): 819-832

Justin Yifu Lin and Guofu Tan. (1999), Policy Burdens, Accountability, and the Soft Budget Constraint, *The American Economic Review* 89(2): 426-431

K. Staehr. (1993), The Soft Budget Constraint in the Transition Economy and the Prospect of Privatization, *Acta Oeconomica* 45(3): 241-261

Kassim Bouhou. (2009), L'Algérie des réformes économiques: un gout inachevé, *Politique étrangère* 2: 323-335

Klaus Gugler, Dennis C. Mueller and B. Burcin Yurtoglu. (2004), Corporate Governance and the Returns on Investment, *The Journal of Law & Economics* 47(2): 589-633

Law No 63/277 of July 26th, 1963

Law No 82/11 about the national investment

M. Idrees Khawaja and Sajawal Khan. (2009), Reforming Institutions: Where to Begin? *The Pakistan Development Review* 48(3): 241-267

Mark Souva, Dale L. Smith and Shawn Rowan. (2008), Promoting Trade: The Importance of Market Protecting Institutions, *The Journal of Politics* 70(2): 383-392

Mourad Ouchichi. (2011), *L'obstacle économique aux réformes économiques en Algérie, Doctorate Dissertation in Political Sciences*, University of Lyon 2, France

Nicolas Meisel & Jacques Ould Aoudia. (2007), La bonne gouvernance est-elle une bonne stratégie de développement? *Working Paper of DGTPE*: 1-67

North D. C, Wallis J. J & Weingast B. R. (2010), *Violence et orders sociaux*, Gallimard, Paris

Ordinance No 66/284 of September 15th, 1966

Ordinance No 76/57 of July 5th, 1976

Ordinance No 96/14 of June 24th, 1996

Ordinance 01/03 about the development of the investment

World Bank & International Finance Corporation. (2012), *Doing Business in a More Transparent World 2012*, WB & FC, Washington DC