

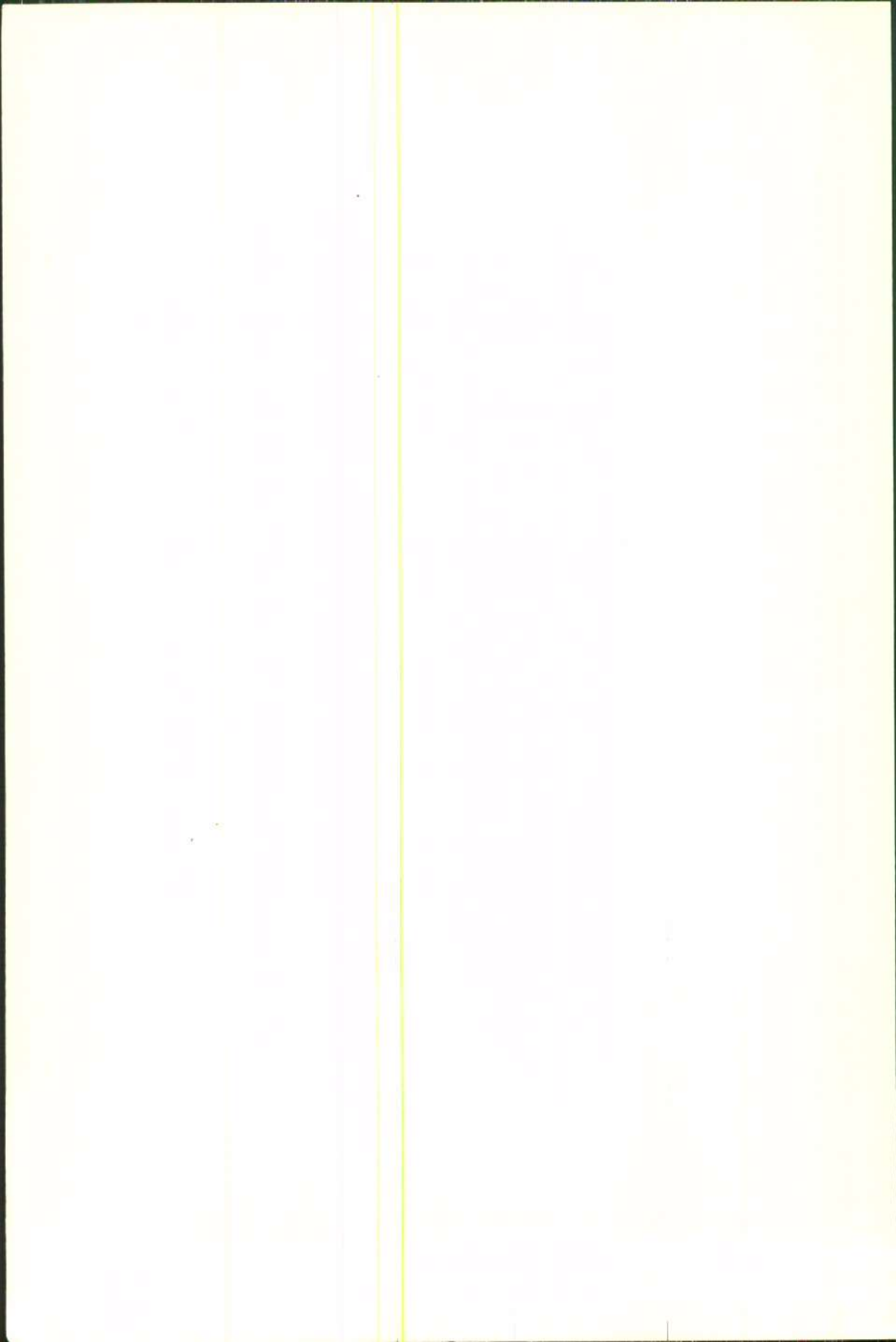
THE CREDIT MARKETS OF AFRICA
A series of monographs under
the general editorship of
Professor Giordano Dell'Amore

Bruno Rossignoli

THE BANKING SYSTEM OF ALGERIA



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THE CREDIT MARKETS OF AFRICA

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Professor Giordano Dell'Amore

SERIES OF MONOGRAPHS ON THE CREDIT MARKETS OF AFRICA:

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BRUNO ROSSIGNOLI

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OF ALGERIA

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I did, indeed, need all the help I could get, for the literature and other information published on the Algerian banking system by no means told me all I needed to know. They cover only the pre-independence period up to 1962, and no monetary and credit statistics are published at all, nor are the annual reports of the central bank. Some of the missing material I was able to assemble thanks to information gathered in repeated meetings with leading Algerian bankers, but unfortunately their natural reserve in some cases extended even to institutional matters. Nevertheless, I owe much gratitude to all those who kindly helped me with my research, and especially to M. Djillali Hachi, Manager of the General Administration Division of the *Banque Centrale de l'Algérie*, M.

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PART ONE

KEY ASPECTS OF THE ALGERIAN ECONOMY

1. THE ALGERIAN ECONOMY FROM THE DATE OF INDEPENDENCE
TO THE FOUR-YEAR PLAN 1970-1973

When Algeria gained its political independence on 1 July 1962, it inherited an economic system of typically colonial type. The economy was, furthermore, in a state of general depression, for the war and the political events of the time had caused many business closures and production stoppage on a large scale.

The new government at once set out to emancipate the economy from its dependence on France and to prepare the ground for independent economic development. To this end, private enterprise in production and in the financial field was increasingly brought under state control. The process of "Algerianization" began in agriculture and, having subsequently been extended to other branches of production and also to the entire credit system, culminated recently in the nationalization of French hydrocarbon interests.

The nationalization of the economic system¹ gave the Algerian government the means of giving effect to a development strategy based upon coercive planning. This economic policy first found expression in the three-year plan 1967-1969 and later in the current four-year plan 1970-1973.

¹ However, the events immediately following independence and the government's political and social orientation half-way between state capitalism and the brand of socialism typical of Arab countries resulted in a system in which the public sector is flanked by a so-called self-managing, or socialist, sector and by some surviving private enterprise, much reduced in scope.

The three-year plan represented the first attempt at comprehensive government intervention in the economy with a view to promoting such structural reforms as might speed up economic take-off. Its main emphasis was on industrialization and more especially on the development of industries based on the country's natural resources. Public investment in industry during the three years was to be 5,400 million dinars¹, roughly 48 per cent of total investment amounting to 11,081 million dinars. Agricultural investment was scheduled at 1,869 million, or 16 per cent of the total.

This investment plan was carried out only in part, for no more than 9,124 million dinars, or 82 per cent of total planned investment, was in fact spent. Nevertheless this proved enough to lift the economy out of the crisis which had bedevilled it since the last years of French domination, and enough, too, at least to mitigate some of its colonial features. In the years 1963 to 1967 Algeria's gross domestic product at market prices rose at an average annual rate of 6 per cent; it then spurted ahead by 12 per cent in 1968, followed by more than 9 per cent in 1969, thanks mainly to the growth of industrial and building output and the steady expansion of hydrocarbon production. The growth of GDP in the years 1964 to 1969 is shown in Table 1; the distribution of its use (Table 2) is remarkable for the sharp increase in the share of gross investment, from 16.6 per cent in 1967 to 23.3 per cent in 1969.

Over the same period, 1967-1969, there is evidence, too, of some changes in the structure of GDP, in the wake of the economic decolonization process initiated by the three-year plan. As Table 3

¹ Until August 1969, the Algerian dinar had the same parity as the French franc. After the franc devaluation, the new rate was 1.12499 French francs per dinar.

TABLE 1

GROSS DOMESTIC PRODUCT AT MARKET PRICES, 1964 TO 1969

GDP	1964	1965	1966	1967	1968	1969
Total (billion dinars)	13.3	14.1	15.1	16.2	18.1	19.3
Per head (dinars)	1,138	1,183	1,243	1,292	1,399	1,483

Source: The Economist Intelligence Unit, *Quarterly Economic Review*, Algeria, Annual Supplement 1971, p. 5 (quoting IMF, *International Financial Statistics*).

TABLE 2

EXPENDITURE ON GROSS DOMESTIC PRODUCT, 1967 AND 1969
(billion dinars)

Uses	1967		1969	
	Amount	Per cent of total	Amount	Per cent of total
Private consumption	10.1	62.5
Public consumption	3.1	19.1	3.3	17.1
Gross domestic investment	2.7	16.6	4.5	23.3
Exports less imports	0.3	1.8
GDP at market prices	16.2	100	19.3	100

Source: The Economist Intelligence Unit, *Quarterly Economic Review*, Algeria, Annual Supplement 1971, p. 6 (quoting U.S. Department of States estimates, quoted in U.S. Department of Commerce, *Overseas Business Reports*).

shows, the share of industry, construction and public works rose conspicuously, whereas that of public administration and of the tertiary sector fell.

Industrialization remained the keynote of the next plan, which covers the four-year period 1970-1973 (see Tables 4 and 5). No less than 45 per cent of total planned investment are earmarked for industry — 12,400 out of 27,740 million dinars. The three main priorities are: (1) exploration and exploitation of mineral resources with a view to export earnings needed to

TABLE 3

STRUCTURE OF GROSS DOMESTIC PRODUCT, 1967 AND 1969
(billion dinars)

Origin	1967		1969	
	Amount	Per cent of total	Amount	Per cent of total
Agriculture, forestry and fishing	2.3	14.2	2.4	12.4
Oil	3.3	20.4	3.7	19.2
Mining and power (other than oil)	0.3	1.8	0.4	2.1
Industry, construction and public works	2.4	14.8	4.3	22.3
Government services	2.2	13.6	2.2	11.4
Transport, trade and services	5.7	35.2	6.3	32.6
GDP at market prices	16.2	100	19.3	100

Source: The Economist Intelligence Unit, *Quarterly Economic Review*, Algeria, Annual Supplement 1971, p. 5 (quoting U.S. Department of States estimates, quoted in U.S. Department of Commerce, *Overseas Business Reports*).

TABLE 4

THE FOUR-YEAR PLAN 1970-1973: TIME SCHEDULE OF
PLANNED INVESTMENT BY SECTORS
(million dinars)

Sectors	1970	1971	1972	1973	Total	
					Amount	Per cent of total planned investment
Industry	3,100	3,100	3,100	3,100	12,400	45.0
Agriculture	720	910	1,110	1,400	4,140	15.0
Infrastructures	494	500	600	713	2,307	8.0
Education	650	665	682	721	2,720	10.0
Training	135	160	160	132	587	2.0
Housing	238	363	438	476	1,520	5.0
Transport	368	203	131	93	800	3.0
Tourism	165	170	180	185	700	2.5
Social and collective infrastructures	355	383	438	513	1,696	6.5
Public administration	210	210	220	230	870	3.0
Total	6,435	6,679	7,059	7,563	27,740	100

Source: Ministère des Finances, Secrétariat d'Etat au Plan, *Plan Quadriennal 1970-1973*, Rapport Général, p. 85.

TABLE 5

THE FOUR-YEAR PLAN 1970-1973: DISTRIBUTION OF
PLANNED INVESTMENT BY TYPES AND SECTORS
(million dinars)

Type of investment	Sector	Amount per sector	Total	
			Amount for all sectors	Per cent of total planned invest- ment
Directly productive	Agriculture	3,360		
	Industry	10,118	13,478	49.0
Exploration	Oil	1,310		
	Mining	267		
	Water	200	1,777	6.4
Modernization, major maintenance	Agriculture	780		
	Communications	455		
	Transport	250		
	Telecommunications	50	1,535	5.5
Infrastructures: cultural and economic	Education and training	3,307		
	Communications	557		
	Telecommunications	315		
	Water	600		
	Electricity	735		
	Industrial zones	100		
	Transport	550	6,164	22.0
Tourist and spa amenities	Tourism	700	700	2.5
Infrastructures: social and collective	Housing	1,520		
	Collective services	762		
	Health	934	3,216	11.5
Equipment for public administration	Public administration	870	870	3.1
Total planned investment			27,740	100

Source: Ministère des Finances, Secrétariat d'Etat au Plan, *Plan Quadriennal 1970-1973*, Rapport Général.

strengthen foreign exchange reserves; (2) increase in the domestic supply of base products needed for the modernization of agriculture and the development of industry (steel, construction materials,

chemicals, fertilizers); (3) increased production of consumer goods to meet primary necessities (food, textiles etc.). These priorities are reflected in the distribution of planned industrial investment, of which 36 per cent are assigned to hydrocarbons, 15 per cent to steel, 11 per cent to engineering and electricity, and 8 per cent to construction materials.

Agricultural investment is set at 4,140 million dinars for the planning period, or 15 per cent of total investment. Half of this amount is investment of a kind which should directly help to improve and expand production; another 26 per cent is to be spent on hydraulic works and 7 per cent on infrastructures.

The third-biggest item in the investment programme is education — 2,720 million dinars, or 10 per cent of planned investment.

Thanks to this ambitious and large-scale investment programme, it is hoped to achieve an annual average growth rate of 9 per cent, which should raise the gross domestic product at factor cost (excluding the product of Public Administration) from its 1969 level of 14,640 million dinars to 21,083 million in 1973.

2. AGRICULTURE

Although Algeria is going all out for industrialization, agriculture still looms large in its economy. It is the main livelihood of more than six million people and in 1970 contributed some 13 per cent to the formation of the gross domestic product.

Primitive, traditional farming still survives alongside a modern sector. This dualism finds expression in major disparities in the pattern of land ownership, the size and structure of farm enterprises, and the techniques employed.

The modern sector now consists of socialist, or, in Algerian parlance, "self-managing" farms. These sprang up *de facto* immediately after the independence referendum on 1 July 1962, as a stop-gap solution to keep production going on the farms abandoned by their European owners during the war. A series of measures promulgated in 1962 and 1963¹ gave legal and institutional sanction to the new system of collective farm management², until it was reorganized in 1967 and 1968 by reforms which also put relations with the state on a new basis.

Organizational reform is embodied in Ordinance No. 68-653, of 30 December 1968, which redefines the management structure on the basis of earlier provisions. On every self-managing estate a Workers' Collective (*collectif des travailleurs*) must be set up and include all those who take part in production and management. Under the rules, collective decisions are taken and implemented along the following lines of command:

(1) The General Assembly of Workers is the highest authority; it consists only of persons continuously employed on the farm, and elects the Chairman and the Workers' Council;

(2) the Workers' Council gives effect to the directives of the General Assembly, and elects and supervises the Management Committee;

(3) the Management Committee is responsible for the actual management of the farm;

¹ All land belonging to Europeans was nationalized by Decree No. 63-388, of 1 October 1963. Since then, land in Algeria may be owned only by individuals or juridical persons of Algerian nationality, or by the state which runs the farms through management committees.

² More will be said about this later, in connection with agricultural credit. For additional information see A. Tiano, *Le Maghreb entre les mythes*, Paris, P.U.F., 1967, p. 226-241; T. Tidafti, *L'agriculture algérienne et ses perspectives de développement*, Paris, F. Maspero, 1969; H. Temmar, "La marche vers l'autogestion agricole", *Algérie & Développement*, No. 5, January-February 1971, p. 22-26.

(4) the Chairman represents the Workers' Collective in all the affairs of the enterprise, and supervises the implementation of decisions taken higher up the line;

(5) the director, finally, represents the state and is responsible for the actual implementation of farm decisions, subject to his powers of opposition in case he judges any such decision not to be in accordance with the principles and the rules of self-management.

Relations with the state were reorganized by a series of measures from 1967 on. First of all, the Land Reform Board (*Office national de la réforme agraire* - O.N.R.A.), which had been set up on 18 March 1963¹, was abolished and responsibility for the self-managing farms passed directly to the Ministry of Agriculture and Land Reform. Secondly, the whole system was made more flexible by conceding greater autonomy to the socialist farms which, under O.N.R.A., had been hampered by undue concentration of decision-making powers and a great deal of red tape.

Apart from the institutional aspects of self-management, the modern farming sector in Algeria has several other distinctive features. Chief among them are the use of advanced production techniques, the location of its lands in the fertile areas on and near the coast where wine, fruit, vegetables and industrial crops can be grown for marketing and export, and the prevalence of large or at least medium-sized farm enterprises.

In all, the socialist farming sector comprises almost 2.4 hectares, and its approximately 2,000 farms employ 115,000 people on a continuous basis and another 100,000 for seasonal work (Table 7) — together about 20 per cent of the agricultural labour

¹ For its functions and activities see below, p. 165.

TABLE 6

STRUCTURE OF THE SELF-MANAGING FARM SECTOR

Size classes of farms	Farms		Area	
	Number	Per cent of total	Hectares	Per cent of total
Less than 100 ha.	67	3.06	3,730	0.16
100 ha. and under 500	683	31.21	213,130	9.14
500 ha. and under 1,000	620	28.34	447,715	19.14
1,000 ha. and under 2,000	510	23.31	711,155	30.48
2,000 ha. and more	308	14.08	957,130	41.03
Total	2,188	100	2,332,860	100

Source: Secrétariat d'Etat au Plan, *Tableaux de l'économie algérienne*, 1970, Table IX-2, p. 106.

TABLE 7

EMPLOYMENT IN THE SELF-MANAGING FARM SECTOR, 1967/1968

Length of labour contract	Number of persons employed		
	maximum	minimum	average
Continuous	120,500	109,800	114,620
Seasonal	170,300	83,400	119,730
Other	23,300	13,400	18,210
Total	303,900	207,600	252,860

Source: Secrétariat d'Etat au Plan, *Tableaux de l'économie algérienne*, 1970, Table V-2, p. 74.

force. This means that it provides a living for something like one million people.

As many as 1,303 farms, or 59.54 per cent of the total, have between 100 and 1,000 hectares (Table 6). But their combined area of 760,845 hectares accounts for only 28.32 per cent of the total, and thus for relatively less than either the 510 farms of between 1,000 and 2,000 hectares (23.30 per cent of all farms,

occupying 30.48 of the total area), or the 308 farms of more than 2,000 hectares (14.07 and 41.02 per cent respectively).

Traditional or private farms, on the other hand, are mostly on poor soil in inland areas with a dry, semi-continental climate. They use primitive methods and consume most of what they produce. Only at peak harvest time is some of the produce marketed, and only then does money enter into the economy of the traditional farms, except for the largest among them, which have much in common with the self-managing ones and are counted as belonging to the traditional sector merely because they are in private ownership.

The traditional farming sector supports some five million people and comprises about 5.8 million hectares, but the pattern of distribution is very different from that in the socialist sector. Of the total area, 26.58 per cent belong to 16,530 "large" farms (of more than 50 hectares), 50.81 per cent to 147,043 medium farms (between 10 and 50 hectares), and 13.74 per cent to 114,275 small ones (between 5 and 10 hectares), leaving only 8.83 per cent of the total area for 308,995 small fellah holdings of less than 5 hectares each.

Ever since 1963 there has been talk of land reform to do away with the dualism in Algerian farming, not only as concerns the differences between the modern and the traditional sector, but also within the latter, where some large estates belonging to absentee landlords coexist with a very large number of smallholdings whose owners are engaged in subsistence farming.

But in eight years of independence not one of the several land reform projects published so far has been approved. The latest of them, called *Charte de la Révolution Agraire*, was published in 1970 and revised in July 1971, and its two basic principles are a redistribution of land ownership ("la terre à

TABLE 8

STRUCTURE OF THE TRADITIONAL FARM SECTOR

Size classes of farms	Farms		Area	
	Number	Per cent of total	Hectares	Per cent of total
Less than 1 ha.	134,780	22.97	59,180	1.01
1 ha. and under 5	174,215	29.69	456,080	7.81
5 ha. and under 10	114,275	19.47	802,865	13.75
10 ha. and under 20	87,540	14.92	1,218,215	20.87
20 ha. and under 50	59,503	10.14	1,749,330	29.97
50 ha. and under 100	11,875	2.02	765,585	13.11
100 ha. and more	4,655	0.79	786,905	13.48
Total	586,843	100	5,838,160	100

Source: Secrétariat d'Etat au Plan, *Tableaux de l'économie algérienne*, 1970, Table IX-2, p. 108.

ceux qui la travaillent") and the establishment of agricultural co-operatives¹.

The modern and the traditional sector contribute in widely varying proportions to the national output of different crops².

¹ For a survey of the various texts of land reform projects and their aims, see "La Révolution agraire engage les campagnes dans la voie du socialisme", *Le Monde Diplomatique*, January 1972, and, for a more detailed analysis, T. Tidafi, *op. cit.*, p. 126-178.

² Not surprisingly, all the differences between modern and traditional farms are reflected in great disparities of yields. In 1969, for instance, the average yield of various grain crops was 8 quintals per hectare in the socialist sector and little more than half that much in the traditional one, and for citrus fruit the respective yields were about 112 and 70 quintals per hectare. There is virtually no difference in wine yields, on the other hand; socialist farms produce on the average 29 hectolitres per hectare, and traditional ones 28, but then wine-growing is concentrated in the fertile coastal strip and, among traditional farms, in the best-managed of them.

Socialist farms account for about 60 per cent of Algeria's total agricultural output, including about 90 per cent of wine and citrus fruit, and 87 per cent of industrial crops. Traditional farms, in their turn, produce 65 per cent of the country's grain crop and 63 per cent of all fruit other than citrus.

The main products of Algerian agriculture are grains, citrus fruit and wine (Table 9). Grain production falls short of domestic demand, and, because much of the crop is consumed on the farms which produce it, only part of it reaches the market anyway. Citrus and other fruit, on the other hand, are regularly exported, mainly to France. Grapes were the chief crop of Algeria until a few years ago, ranging the country among the world's foremost wine producers and exporters. Virtually all wine exports went to France. But the situation has changed since 1967, when it became difficult to find markets abroad, and especially in France¹.

In view of these difficulties the Algerian government recently decided to convert part of the vineyards to cereal growing, which should in addition help to make good the country's grain deficit. This fits in with the current four-year plan, which provides for a switch from export crops to food crops for domestic needs and to industrial crops.

Agricultural produce is stocked and distributed by marketing boards. These were set up, one after the other, from 1962 on,

¹ In 1967 the French government abrogated the trade agreements concerning imports of Algerian wine, and this caused enormous stocks to accumulate, even though production was cut down to 6.6 million hectolitres, compared with 18.6 million hl in 1966 and, subsequently, 10 million in 1968 and about 8 million in 1970. The opening of Soviet markets in 1968 brought only partial relief; it is true that under the trade agreement with the Soviet Union the latter was to take up roughly half of Algeria's wine output, but at prices almost 50 per cent lower than were obtainable in France. Early in 1971, France finally stopped all wine imports from Algeria, under Common Market rules on imports from non-member countries.

TABLE 9

STRUCTURE OF AGRICULTURAL OUTPUT, 1969

Products	Self-managing sector		Private sector		Total	
	Area 1,000 ha.	Output 1,000 q.	Area 1,000 ha.	Output 1,000 q.	Area 1,000 ha.	Output 1,000 q.
Winter grains	793	6,356	2,208	12,007	3,001	18,363
Summer grains	8	126	4	35	12	161
Pulses	49	219	41	207	90	426
Wine (1,000 hl.)	262	7,665	37	1,045	299	8,710
Citrus fruit	40	4,390	6	522	46	4,912
Fruit	52	1,455	152	2,545	204	4,000
Vegetables	49	3,390	61	3,423	110	6,813
Industrial crops	11	1,139	8	166	19	1,305

Source: Compiled from Secrétariat d'Etat au Plan, *Tableaux de l'économie algérienne*, 1970, Tables on p. 114-120.

until by now they have a monopoly covering the whole range of commodities¹, and the domestic as well as the international market.

One of the ideas behind the creation of these marketing boards was to take commercial functions out of the self-managing farms, leaving them responsible only for production. The risks of fluctuating export prices should thus be shifted to the marketing boards, but in practice these have been passing on to the domestic

¹ Algeria has marketing boards for fruit and vegetables (*Office des fruits et légumes d'Algérie* - O.F.L.A.), animal feed (*Office national des aliments du bétail* - O.N.A.B.), wine (*Office national de commercialisation du vin* - O.N.C.V.), milk (*Office national du lait* - O.N.A.LAIT), grain (*Office algérien interprofessionnel des céréales* - O.A.I.C.), alfa (*Office national de l'alfa* - O.N.ALFA), and vegetable oils (*Office national des produits oléicoles* - O.N.A.P.O.). For information on how these marketing boards work see "Un exemple: les offices nationaux algériens", *Jeune Afrique*, 3rd quarter 1971, supplement.

market any losses incurred abroad. In an attempt to remedy this situation, minimum producer prices were introduced for deliveries by socialist farms, without however giving them any control over marketing. As things are at present, the marketing boards sometimes act in a somewhat arbitrary manner and producers are sometimes kept waiting too long for the payments due to them¹.

3. INDUSTRY AND NATURAL RESOURCES

Right up to the last years of French domination, the pattern of Algerian industry was on the whole one of complementarity with French industry. This meant that Algeria had a number of industries with a comparatively very low capital/output ratio, such as food processing, milling, cement works or shoe factories, but no basic industry on any major scale — none for processing local natural resources, no steel or engineering industry, for instance.

The first steps towards industrial development were taken by the French Authorities only in 1958, with the Constantine Plan. The vacuum in basic industries was to be filled by three great projects, of which two, the Algiers refinery and the Arzew liquefaction plant for natural gas, were completed in 1964. The third, the El Hadjar (Bône) steel works, did not start producing until June 1969.

Once Algeria had gained its political independence, the government's immediate preoccupation was to equip the country with an industrial apparatus not only independent in its turn, but on a large enough scale to provide a launching pad for economic take-off. At the same time, the government assumed control of the means of production. The result was the emergence

¹ See "Un exemple: les offices nationaux algériens", *op. cit.*, p. XXIII.

of a large public sector in industry, which, after the nationalization of foreign companies¹, came eventually to cover all branches of production. It consists of a number of big national companies² under direct state control, and of some in mixed public and private ownership with a direct or indirect state majority holding.

However, the public sector of industry, while much the largest, does not control all the means of production, for there are also self-managing and private firms. The self-managing sector in industry, like that in agriculture, owes its origin to workers taking over firms abandoned by Europeans in 1962. At an estimate, some two thirds of the 240 factories working in 1961 were abandoned by their owners, which meant paralysing a large part of production. But these self-managing firms are of modest size and therefore not only account for a very much smaller part of industry than does the public sector subject to direct state control, but, in terms of employment, income and social significance, are also a good deal less important than their counterpart in agriculture.

Private industry finally, consists mostly of small and medium-sized enterprises corresponding, on the smaller scale, to the typical crafts of Mediterranean North Africa.

The structure of Algerian industry in terms of the legal status of firms and their share in the total number of enterprises and factories, as well as in industrial employment, sales and value added, is set out in Table 10.

¹ Leaving aside the nationalization of mining and hydrocarbon companies, 45 foreign manufacturing companies in key branches such as engineering, electrical appliances, fertilizers, construction materials and food, were nationalized in May and June 1968.

² Sometimes in the form of holding companies, with or without other functions.

The government's determination to create a national industry led it to make sure of control of the country's natural resources. Algerianization began in 1966 with mining companies¹ and later encompassed hydrocarbons². Since the nationalization of French

¹ All mining companies were nationalized on 8 May 1966 and handed over to one big new public company, the *Société Nationale de Recherche et d'Exploitation Minière* (SO.NA.R.E.M.).

² The story of the nationalization of Algerian hydrocarbons deserves to be told in much greater detail than can possibly be done within the scope of this study, which must limit itself to a very brief survey of relations with France. In these, one can distinguish three phases, culminating in nationalization in 1971. The first phase runs from independence to 29 July 1965, the date of the Franco-Algerian co-operation agreements with respect to industry and hydrocarbons. During that period nothing much changed in the *status quo* of colonial days, given that the sections dealing with hydrocarbons in the Evian agreements of 19 March 1962 confirmed the arrangements governed by the *Code pétrolier Sabarien*. In the existing system of concessions, the new state succeeded France in the exercise of the rights, prerogatives and obligations deriving from the public grant of a concession under the law governing mining and oil exploitation. This meant Algeria assumed the function of a raw material supplier, with corresponding powers of taxation.

These transitional arrangements were obviously unsatisfactory for Algeria. The July 1965 agreements were the beginning of the second phase and of a new system involving the compulsory combination of all concessions in a co-operative association (AS.COOP) of two joint corporations, one representing Algerian and the other French interests — the *Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures* (SO.NA.TRA.C.H.) on the Algerian side, and the French *Société Pétrolière Française en Algérie* (SO.PE.F.AL.), which was wholly state-owned through ERAP. This arrangement, too, was not to last. From 1967 on Algeria protested against the oil companies' transfer of capital funds and their posted prices, as well as against the whole basis of taxation. This was the beginning of the third phase, in the course of which the government acquired control of the oil resources and which ended on 24 February 1971 with the Algerian government's announcement that it was raising its participation in all French oil companies to a controlling 51 per cent, and was nationalizing the pipelines and the natural gas fields in French concessions. Soon afterwards, on 12 and 14 April 1971, the government unilaterally raised the posted prices of Algerian oil and fixed the compensation to be paid to the French oil companies, at the same time promulgating new legislation for the whole hydrocarbon sector.

TABLE 10

STRUCTURE OF INDUSTRY, 1968

Items	National companies	Other public firms	Private firms	Self-managing firms	Total
Number of enterprises	25	36	462	117	640
Number of factories	260	43	516	166	985
Number of employees	50,970	5,400	31,604	8,287	96,261
Sales (million dinars)	2,431	287	1,683	212	4,613
Value added at market prices (million dinars)	1,257	100	719	115	2,192

Note: The figures refer to the 1968 industrial survey. They exclude those for hydrocarbons, building and public works, as well as those relating to firms employing only 20 persons or less.

Source: Secrétariat d'Etat au Plan, *Tableaux de l'économie algérienne*, 1970, Table X-2, p. 137.

hydrocarbon interests on 24 February 1971, the whole sector is now controlled by an Algerian company called SO.NA.TRA.C.H.¹, which at present accounts for three quarters of oil production and the whole of natural gas production, and owns the entire domestic distribution network for hydrocarbon fuels and derivatives².

Oil and natural gas constitute Algeria's greatest wealth and occupy a strategic position in economic development and growth. They are, even now, the supply base of important gas liquefaction

¹ Article 1 of the hydrocarbon law of 12 April 1971 states that "Toute personne physique ou morale étrangère, désirant exercer des activités dans le domaine de la recherche et de l'exploitation des hydrocarbures liquides en Algérie, ne peut le faire qu'en association avec la société nationale SO.NA.TRA.C.H.", and Article 3 adds that "...le pourcentage d'intéressement de la société nationale SO.NA.TRA.C.H. doit y être de 51% au moins".

² Before nationalization on 24 February 1971, SO.NA.TRA.C.H. controlled 30 per cent of oil production, 25 per cent of natural gas production and just over half the network of oil and gas pipelines.

and petrochemical industries, whose exports, together with those of crude oil, go a fair way towards earning foreign exchange for capital goods imports needed for industrialization. These industries are at present concentrated in the Arzew complex, and a new centre is being planned for Skikda.

Barring the hydrocarbon industries and the El Hadjar (Bône) steel works, Algeria has at present no large-scale industry. The traditional pattern still predominates, with the emphasis on the processing of agricultural products, on textiles and construction materials. But a change is afoot under the current four-year plan.

Algeria's textile industry has already acquired five new factories since 1964. These were built with the help of Yugoslavia, Bulgaria, Egypt and France, and, so the government planners reckon, should be enough to meet domestic demand¹. Under the four-year plan, a spinning and weaving mill for wool is to be added, and also one for synthetic fibres. These should raise Algeria's production of woven materials from 60 to 110 million square metres.

The steel industry consists of a great integrated steel works of El Hadjar (Bône), which, under the four-year plan, is having its capacity raised by the addition of a second blast furnace and other plant, at an investment cost of 1,900 million dinars. This should eventually give the country a steel capacity of between 1.5 and 1.8 million tons.

In engineering, two major plants are under construction — one was started at Constantine in 1969 and is to produce up to 10,000 diesel engines and 5,000 tractors annually, and the other is a motor car factory at Oran, which was begun in 1970.

¹ Two of them are near Oran, two near Constantine and one in the area of Algiers.

The food industry (soft drinks, milling, pasta, etc.) already occupies an important position, and is to be further strengthened by the enlargement of 17 existing factories and the addition of 9 new ones.

Algeria's rich mineral resources, even apart from hydrocarbons, hold great promise for the development of mining and for industrialization generally. Iron ore and phosphates are already exported, and work is in hand on a project to exploit the iron ore deposits at Gara Djebilet, which are thought to be among the world's largest.

4. FOREIGN ECONOMIC RELATIONS

The chief points to be considered in connection with the relations between the Algerian economy and the rest of the world are trade, international co-operation and aid, and the investment code governing foreign investment.

Foreign trade is state-controlled in Algeria. All transactions are handled either by national monopoly boards or by national companies with a monopoly for the goods with which they are directly concerned. In addition, imports are subject to a strict system of quotas and permits, and, in the case especially of consumer goods, heavily taxed.

Apart from oil, the composition of foreign trade (Table 11) follows the typical pattern of many developing countries with a predominantly agricultural economy on the way to industrialization¹. On the import side, the main items are capital goods, together

¹ For a brief analysis of the situation and prospects of Algerian foreign trade by the Minister of Commerce, see Layachi Yaker, "Les échanges s'adaptent aux objectifs du développement économique", *Le Monde Diplomatique*, January 1972.

TABLE 11

COMPOSITION OF FOREIGN TRADE, 1968 AND 1969

Products	1968		1969	
	Million dinars	Per cent of total	Million dinars	Per cent of total
<i>Imports</i>				
Cereals	242	6.1	173	3.5
Sugar	86	2.1	36	0.7
Milk	119	2.9	120	2.4
Other food, drink and tobacco	265	6.6	298	6.0
Other consumer goods	841	20.9	992	20.0
Raw materials	240	5.9	292	5.9
Steel	346	8.6	470	9.4
Agricultural equipment	115	2.9	97	1.9
Industrial equipment	1,127	28.1	1,196	24.0
Others	641	15.9	1,307	26.2
Total	4,022	100	4,981	100
<i>Exports</i>				
Oil	2,811	68.6	2,720	59.0
Natural gas	148	3.7	171	3.7
Raw materials	235	5.8	196	4.2
Manufactured goods	129	3.1	182	4.0
Fruit and vegetables	227	5.5	255	5.5
Wine and beverages	384	9.3	600	13.0
Others	163	4.0	486	10.6
Total	4,097	100	4,610	100

Source: Secrétariat d'Etat au Plan, *Tableaux de l'économie algérienne*, 1970, Table XIV-3, p. 193; The Economist Intelligence Unit, *Quarterly Economic Review*, Algeria Annual Supplement 1971, p. 18 (quoting *Bulletin de Statistiques Générales*).

with raw materials and semi-manufactures for domestic industries, consumer goods (cars, electric household appliances, textiles), pharmaceuticals and some foods, including grain. Among exports, hydrocarbons are far in the lead, followed by wine, citrus and other fruit, and vegetables among agricultural products, and iron and phosphates among mining ones.

TABLE 12

TRADE BALANCE, 1955 TO 1970
(million dinars)

Year	Imports	Exports	Surplus (+) or deficit (—)	Year	Imports	Exports	Surplus (+) or deficit (—)
1955	2,439	1,620	— 819	1963	3,432	3,747	+ 315
1956	2,726	1,501	— 1,225	1964	3,472	3,589	+ 117
1957	3,829	1,717	— 2,112	1965	3,314	3,146	— 168
1958	4,788	2,051	— 2,737	1966	3,158	3,069	— 89
1959	5,631	1,804	— 3,827	1967	3,154	3,571	+ 417
1960	6,245	1,946	— 4,299	1968	4,022	4,097	+ 75
1961	5,057	1,821	— 3,236	1969	4,981	4,610	— 371
1962	3,682	3,781	+ 99	1970	6,205	4,980	— 1,225

Source: Secrétariat d'Etat au Plan, *Tableaux de l'économie algérienne*, 1970, Table E-13, p. 268.

The trade balance was always heavily in deficit from 1946 to 1961, but since independence the situation has much improved, thanks mainly to hydrocarbon exports. Foreign trade figures for the years 1955 to 1970 are shown in Table 12, but no information is published about the balance of payments and exchange reserves.

Although much has been done since independence to diversify Algeria's foreign trade and to enlarge its area, France is still the country's most important trading partner, and in 1970 accounted for 42.4 per cent of imports and 53.6 per cent of exports (Table 13). In increasingly lively trade with other European countries, the Common Market excluding France stands out with a share of 22.6 per cent in imports and 20 per cent in exports; there is growing trade too, with the countries behind the iron curtain, chief among them the Soviet Union.

TABLE 13

GEOGRAPHICAL DISTRIBUTION OF FOREIGN TRADE, 1970
(per cent)

Countries	Imports	Exports
France	42.4	53.6
Federal Republic of Germany	10.0	12.9
Italy	7.3	4.2
Benelux countries	5.3	2.9
Total EEC	65.0	73.6
United States	8.0	
Socialist countries	7.0	7.6
Other countries	20.0	18.8

Source: L. Yaker, « Les Echanges s'adaptent aux objectifs du développement économique », *Le Monde Diplomatique*, January 1972.

As regards international co-operation, the second aspect of Algeria's foreign economic relations, diversification has similarly been the watchword since independence. France is still prominent with cultural and technical co-operation, military and financial aid, etc., but Algeria now has many bilateral technical co-operation and financial aid agreements with other countries, including the Soviet Union, the United States, the United Kingdom, Western Germany and several socialist countries¹.

Algeria is a member of the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA) and the General Agreement on Tariffs and Trade (GATT), has contributed to the capital of the African Development Bank and,

¹ On the forms and channels of French co-operation, see P. Pascallon and J. F. De Laulanie, "L'Expérience monétaire algérienne: du satellisme à l'indépendance monétaire", *Revue algérienne des sciences juridiques, économiques et politiques*, No. 1, March 1971, p. 50-59.

as an oil-producer, in 1969 joined the Organization of Petroleum Exporting Countries (OPEC).

The final point of interest in the context of Algeria's foreign economic relations is the 1966 Investment Code which governs foreign investment¹. Its main points are as follows. (1) Any individual or juridical person of foreign (or Algerian) nationality is free to invest in industry and tourism; (2) in sectors "vital to the national economy", e.g. hydrocarbons, investment projects are the preserve of the state, which may for this purpose accept the participation of private national or foreign capital; (3) the state may, in all sectors, establish companies in mixed private and public ownership.

By law, any foreign investments made by prior agreement with the Algerian state enjoy various guarantees as well as fiscal and financial facilities, differentiated according to the scale and the technical and economic characteristics of the project concerned². So far, however, the investment code does not seem to have had much effect in attracting foreign capital, which, especially since the nationalization measures, remains nervous of political developments.

¹ Actually it is concerned with all private capital investment, whether of foreign or national origin. Generally speaking, it defines the government's position with respect to all aspects of private investment and treats "...du rôle, de la place, des modalités et des légitimes garanties du capital dans le cadre du développement économique", with reference to "le cadre dans lequel est organisé l'intervention du capital privé dans les diverses branches d'activité économique". See Ordinance No. 66-284 of 15 September 1966, "Portant Code des Investissements - Exposé des Motifs", in: Commission Nationale des Investissements, *Le Code des Investissements*, September 1967, p. 15.

² Investment projects and connected applications for special facilities have to be submitted to the National Investment Commission or to one of the three Regional Commissions (one each for Algiers, Oran and Constantine). On how these commissions work, see *Commission Nationale des Investissements*, *op. cit.*, where the relevant legislation is reproduced.

5. TERTIARY ACTIVITIES

(a) Trade

Institutionally speaking, the post-independence period brought the same sort of changes in Algeria's trade distribution as it did in agriculture and industry. Firms abandoned by their European owners were declared vacant and passed under self-management, and monopoly boards or companies were set up for trade in certain goods¹. In an effort to rationalize distribution channels and keep down prices, the government in addition set up a number of "pilot shops", which are run by the state, specialize in the retail sale of food, textile and other primary necessities, and get their supplies from a chain of wholesalers under the management of the *Office national de commercialisation* (O.N.A.CO.).

No figures are published, or indeed known, about the volume of domestic trade in separate groups of goods, nor about prices. Aggregate sales figures for major branches of wholesale trade are given in Table 14, together with details about the number and type of firms in each of them.

(b) Insurance

As in production, so in insurance private enterprise was gradually superseded by public control.

Insurance used to be entirely in the hands of foreign companies, public or private, until the state intervened. Two

¹ The most important of the marketing boards for non-agricultural products are the following: (1) *Office national de commercialisation* (O.N.A.CO.), (2) *Société Nationale des Nouvelles Galeries Algériennes* (S.N.N.G.A.), (3) *Société Nationale de Commercialisation des Textiles et des Cuir* (S.N.CO.TE.C.), (4) *Société Nationale de Commercialisation des Bois et Dérivés* (S.O.N.A.CO.B.), and (5) *Société Nationale de Transit et de Magasins Généraux* (S.N.T.M.G.).

TABLE 14

STRUCTURE OF WHOLESALE TRADE, 1969

Branches	Number of firms			Total	Sales (thousand dinars)
	Individ- ual	Partner- ships	Joint stock companies		
Agricultural commodities	27	13	1	41	26,609
Food	776	176	23	975	1,299,497
Personal equipment	435	206	5	646	540,418
Industrial equipment	390	153	40	583	861,540
Machines and accessories	59	55	35	149	447,781
Household equipment	72	89	16	177	351,930
Others	28	23	9	60	170,858
Total	1,787	715	129	2,631	3,698,633

Source: Secrétariat d'Etat au Plan, *Tableaux de l'économie algérienne*, 1970, pp. 186-187.

stages may be distinguished in this intervention. The first was the promulgation, on 8 June 1963, of a set of measures which introduced a system of obligatory reinsurance through a newly established national company, the *Caisse Algérienne d'Assurance et de Réassurance* (C.A.A.R.), and made insurers subject to a number of obligations and constraints¹. These, together with the departure of senior staff because of the war, caused some 80 per cent of insurance companies to withdraw from the market. By

¹ Risks had to be reinsured with the C.A.A.R. to the extent of 10 per cent of premiums received, the exercise of the insurance business was made subject to certain guarantees, insurance companies were put under the technical control of the Ministry of Finance and were required to adhere to certain rules in the investment of their reserves. Reserves originating in Algerian insurance policies and invested abroad had to be repatriated to Algeria.

TABLE 15

INSURANCE COMPANIES: PREMIUM RECEIPTS, CLAIMS PAID AND RESERVES, 1969

Risks insured	Premium receipts (thousand dinars)		Claims paid (dinars)	Reserves (dinars)
	C.A.A.R. S.A.A.	C.C.R.M.A.	C.A.A.R. S.A.A.	C.A.A.R. S.A.A.
Accidents:				
motoring	109,650	15,860	27,959	225,871
at work	243	23,613	4,297	2,862
others	2,572	—	3,174	8,354
Fire	20,683	7,804	2,305	7,876
Others (marine, transport, civil liabilities, life)	39,507	12,943	11,386	43,400
Total	172,655	60,220	49,121	288,363

Source: Secrétariat d'Etat au Plan, *Tableaux de l'économie algérienne*, 1970, pp. 231-233.

the end of 1964, Algeria had no more than 18 insurance companies, of which three incorporated under Algerian law.

To fill the gap, the C.A.A.R. was authorized by a decree of 26 February 1964 to handle all types of insurance business, and the government, with the help of Egyptian capital, set up a new insurance company in mixed private and public ownership. This was the *Société Algérienne d'Assurance* (S.A.A.), in which the state had a 61 per cent majority and the C.A.A.R. contributed another 10 per cent of the capital.

The second stage of government intervention began on 27 May 1966, when insurance became a state monopoly operated through national companies. On the same date the S.A.A. was nationalized and new legislation required the dissolution of foreign insurance companies, with the sole exception of those operating

on the mutual principle¹. These were allowed to carry on, provided the powers of the board of directors were handed over to an administrative committee.

At present, then, Algeria has three insurance companies, the C.A.A.R., the S.A.A. and the C.C.R.M.A., all public. Their activities are co-ordinated by a technical committee set up on 27 May 1966. Details of the figures involved are given in Table 15 for 1969.

¹ I.e., the *Caisse Centrale de Réassurance des Mutuelles Agricoles* (C.C.R.M.A.) and its 56 affiliated *Caisses Régionales d'Assurances Mutuelles Agricoles*, which insure typically agricultural and connected risks and reinsure them with the C.C.R.M.A.

On the C.C.R.M.A. and its regional affiliates, see A. Tahar, "La Caisse centrale de réassurance des mutuelles agricoles", *Algérie & Développement, Dossier Finances*, No. 6, 1971, p. 40 ff. On insurance in Algeria generally, see. A. Belbay, "Les activités d'assurance en Algérie", *ibid.*, p. 29 ff.

