

Privatisation: the next phase

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HAMID TEMMAR received a doctorate in economics from the University of Paris and a doctorate in management economics from the London Graduate School of Business Studies. He was a professor of economics at the University of Algiers and became dean of the Faculty of Law and Economics. Mr Temmar also served within the UN Secretariat General as Interregional Advisor in development economics and economic policy management. He was appointed Chief Economic Advisor to the President of the Republic and was appointed for a second time as Minister of Participation and Investment Promotion following legislative elections in 2002.

There are three main parts to the present strategy for the promotion and mobilisation of investments in Algeria: First, to present the Algerian economy as a potential area for investment. Thanks to this, our economy can be considered today as one of the main economies of our region. The second part is the most critical. It involves not merely the setting-up of an exemplary macro-economic environment but the complete transformation of the framework in which the national economy functions. Finally, given the time limits required for the transformation of our economy to take effect, we must encourage local and foreign investment by means of policies to mobilise appropriate resources.

It is a fact that investors have legitimate concerns to do with the business climate and the conditions in which they will set up their businesses. Improving this business climate, however, can only be done through macro-economics. On this level, the policy implemented by the government has enabled favourable macro-economic indicators to be at the forefront. The business environment is moreover a milieu for company action. Investment is made having identified the constraints – for example, access to credit; availability of building land in certain cities; problems linked to a lack of transparency; market competition, and obstacles created by government.

The government has therefore already begun to initiate the following actions:

- Overhauling the commercial property market;
- Reforming the banking sector, boosting the Stock Exchange and setting up investment and capital risk firms;
- Ensuring that the market is transparent and competitive and implementing new laws, especially against counterfeiting and illegal commercial practices.

The government has adopted new measures relating to investment expansion in order to change tax relief to a self-assessment system, to ensure its transparency and to simplify eligibility for tax relief. Important reductions in the tax burden will be introduced. The

tax relief system will also change. It will concern the investment phase but also the operating phase, as in other countries.

A great deal of money was invested in the Algerian public sector during the seventies. This investment involved practically all branches of Algerian industry, from the manufacturing and processing, food, textiles, cork, leather and timber industries, to the huge ISMMEE (Iron and Steel, Metals, Mechanical and Electrical) industries, not forgetting the potential of the chemical and petrochemical industries, which, when one considers Algeria's possibilities, have barely been broached. This policy was motivated by a determined effort and an independent economic development strategy, based upon a policy of substitution of home-grown products for imports.

Today, in a globalised market, public sector companies can no longer be competitive, as the costs of maintaining their activities are too high. They must look for private industrialists to take them over, to inject capital and install the appropriate management in the context of a new strategy of import substitution which is now possible through increased productivity and competitiveness.

The model of privatisation that we have agreed upon is based on an industrial logic which puts firms up for sale according to their activities. The acquisition of their capital can be either partial or total, either by direct transfer, through the Stock Exchange or by direct transfer and an increase in capital. In the case of joint ventures, contributions are either in kind and/or financial. The process is now perfectly coordinated between The Management and Participation Companies which function as privatisation agencies and the Ministry for Participation and Investment Promotion. The latter is also responsible for the Secretariat of the Council of State Participation (CPE). The CPE examines the dossiers and makes the final decision, which is then confirmed by the Council of Ministers.

In statistical terms, at the end of 2005, a total of 270 privatisations had gone through, with 154 in 2005 alone, mainly during the last six months. These privatisations have enabled 19,000 jobs to be safeguarded and hold out the possibility of 9,000 other jobs, or 28,000 jobs in all.

There are at present 10 large companies and 352 small and medium-sized companies being privatised. A total of 550 privatisation dossiers have been submitted to the CPE this year.

Algeria's Privatisation Programme

- 270 privatisations up to 2005
- 28,000 jobs secured