

Rethinking the privatization process in Algeria(Based on Algerian and international experience)

إعادة التفكير في عملية الخصخصة في الجزائر (في ضوء التجربة الجزائرية والدولية)

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Abstract:

This study analyzes Algeria's ownership transfer (privatization) policies since 1995, evaluating their alignment with international benchmarks and effectiveness in achieving socioeconomic objectives. Grounded in two hypotheses—the program's unrealistic design and the mismatch between mechanisms and Algeria's socioeconomic context—it argues for postponing large-scale privatization until market institutions are strengthened. Using a descriptive-analytical approach, the research links theoretical frameworks with empirical outcomes, revealing Algeria's limited progress (fewer than five major privatizations) and systemic barriers: political instability, weak legal frameworks, public sector dominance, and societal resistance. Findings indicate privatization was driven by external pressures (e.g., IMF mandates) rather than strategic planning. The study advocates a balanced model integrating market reforms with institutional capacity-building, emphasizing gradual implementation, social equity, and lessons from global cases (Eastern Europe/Latin America). It stresses the state's vital role in ensuring equitable transitions through national dialogue and structural preparedness.

Keywords: Transition Economies, ownership transfer, economic reforms, Institutional Capacity-Building, Socioeconomic Barriers.

JEL classification codes: P26, L33, O20, H11, P21

ملخص:

تهدف هذه الدراسة إلى تحليل تجربة الجزائر في نقل الملكية (الخصخصة) منذ 1995، ومدى توافقها مع النماذج الدولية وفعاليتها في تحقيق الأهداف الاقتصادية والاجتماعية. وانطلقت الدراسة من فرضيتين رئيسيتين: افتقار البرنامج للواقعية في التصميم وعدم ملائمة الآليات المستخدمة للسياق الاجتماعي-الاقتصادي، ما يُبرز الحاجة لتأجيل الخصخصة الواسعة حتى تعزيز المؤسسات السوقية. واعتمدت الدراسة منهجية وصفية-تحليلية، تربط بين الإطار النظري وتحليل النتائج الجزائرية مع مقارنة تجارب دولية (أوروبا الشرقية وأمريكا اللاتينية). كشفت النتائج عن تحديات هيكلية: عدم الاستقرار السياسي، ضعف الإطار القانوني، مقاومة مجتمعية، وهيمنة القطاع العام. كما أظهرت أن الخصخصة في الجزائر كانت رد فعل للضغوط الخارجية (المؤسسات المالية الدولية) أكثر من كونها خياراً استراتيجياً. وتوصي الدراسة بتبني نموذج متوازن يدمج الإصلاح السوقي مع التأهيل المؤسسي، ويُعزز الحوار الوطني لتوحيد الرؤى حول الإصلاحات. وتؤكد الدراسة أن نجاح نقل الملكية يتطلب تدرجاً زمنياً، استيعاباً للبعد الاجتماعي، واستخلاصاً لدروس من النماذج العالمية، مع الحفاظ على دور فاعل للدولة لضمان عدالة التحول.

الكلمات المفتاحية: عملية التحول، نقل الملكية، إصلاحات اقتصادية، بناء القدرات المؤسسية، الحواجز الاجتماعية والاقتصادية.

تصنيف JEL: P21, H11, O20, L33, P26

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INTRODUCTION:

The global economic landscape has undergone profound transformations in recent decades, driven by rapid variables necessitating structural reforms to address chronic deficiencies. Among the most pressing challenges is the dominance of the public sector and its low productive efficiency, particularly in developing economies or those transitioning from centralized systems. In this context, the transfer of ownership—often through privatization—has emerged as a pivotal mechanism for restructuring productive systems. This study investigates Algeria's experience with ownership transfer policies since 1995, critically assessing their alignment with international benchmarks and their effectiveness in achieving economic and social goals.

This study addresses two central questions:

1. Why did Algeria adopt ownership transfer policies?
2. To what extent have these policies achieved their stated objectives from 1995 to the present?

Additionally, it raises a critical inquiry: Would gradual progress in developing market mechanisms and restructuring the public sector have been a more viable precursor to large-scale privatization, particularly for major state-owned enterprises?

The research is guided by the following hypotheses:

1. Algeria's ownership transfer program lacked realism in both its design and ambitions.
2. The methods and technologies employed were misaligned with the country's socioeconomic context.

These assumptions lead to a broader hypothesis: Delaying large-scale privatization until after strengthening market institutions and public sector efficiency might have yielded more sustainable outcomes.

This study contributes to understanding Algeria's privatization policies and their role in comprehensive development. Its relevance stems from the scarcity of critical analyses bridging theory and practice in this domain, as well as the ongoing academic and policy debates surrounding privatization in transitional economies. The topic's novelty and the polarizing nature of ownership transfer—between proponents of rapid reform and advocates for structural preparedness—further underscore its importance.

The study aims to:

1. Identify prerequisites for successful ownership transfer models in achieving Algeria's economic and social objectives.
2. Explore pathways to modernize the Algerian economy amid structural challenges.
3. Diagnose obstacles hindering sustainable growth and quantify the sacrifices required for transition.
4. Extract lessons from international privatization experiences to inform Algeria's unique context.

A descriptive-analytical approaches employed, combining:

- Theoretical analysis: Examining frameworks underpinning public-to-private ownership transfer.
- Applied analysis: Evaluating Algeria's privatization outcomes against government-stated goals, supported by statistical tables, graphs, and timelines.
- Comparative benchmarking: Linking Algeria's experience to international case studies (e.g., Eastern Europe and Latin America) to derive contextual insights.

The paper is organized into three sections:

1. Theoretical Framework: Concepts of ownership transfer and a review of prior studies.
2. Algeria's Privatization Policies: An empirical analysis of strategies and outcomes since 1995.
3. International Case Studies: Successes and failures in global privatization efforts.

By dissecting Algeria's privatization journey through a dual theoretical and applied lens, this study seeks to advance the discourse on structural reform in transitional economies. It underscores the interdependence of market readiness, institutional restructuring, and phased privatization, offering a roadmap to align Algeria's economic transition with equitable and sustainable development goals.

1- Theoretical Framework and Previous Studies on Economic Transformation Processes:

1-1 Theoretical Framework

This analysis examines multiple theoretical perspectives that critique public ownership structures while emphasizing the operational advantages of private institutions. Key frameworks include:

1. Property Rights Theory

Rooted in the Coasean tradition, this theory posits that well-defined property rights are essential for incentivizing individual and collective initiative. As articulated by (Coase, The Problem of Social Cost, 1960) and further developed by scholars such as (Honoré, 1961) and (Alchian & Demsetz, 1973), property rights encompass three core elements:

- Usus: The right to use an asset.
- Usus Fructus: The right to derive income from an asset.
- Abusus: The right to transfer or dispose of an asset.

Full ownership grants maximal control over these rights, embodying what (Honoré, 1961) terms "full liberal ownership," which enables unrestricted asset utilization and aligns with Coase's emphasis on minimizing transaction costs through clear entitlements.

2. Public Choice Theory

This framework positions the state in contrast to market mechanisms, arguing that excessive state intervention stifles market efficiency. Foundational scholars like (Olson, 1965) emphasize that state expansion inherently distorts

incentives and undermines market autonomy, as governments lack the accountability mechanisms inherent in competitive markets.

3. X-Efficiency Theory (Leibenstein, 1966)

Leibenstein's seminal work challenges traditional efficiency paradigms by highlighting non-market factors (e.g., organizational slack, managerial inertia) as critical drivers of inefficiency. Subsequent studies, such as (Frantz, 1997) and (Altman, 2000), extend this framework to public institutions, identifying key underperformance triggers:

- Monopolistic protection: Absence of competitive pressure reduces incentives for optimal resource use (Leibenstein, 1966).
- State bailouts: Government financial rescues eliminate bankruptcy risks, fostering complacency (Frantz, 1997).
- Goal conflicts: Misaligned institutional objectives dilute accountability and productivity (Altman, 2000).

4. New Public Management (NPM)

Emerging in 1980s Britain under Thatcher, NPM advocates importing private-sector practices (e.g., efficiency, transparency) into public institutions. As argued by (Barzelay, 2001) and (Giauque, 2003), NPM played a pivotal role in legitimizing privatization programs by framing state inefficiency as a solvable problem through market-oriented reforms.

5. Transaction Cost Economics (Coase, Williamson)

This theory evaluates organizational efficiency by comparing market transaction costs with internal management costs. Building on (Coase, 1937) foundational insight about the boundaries of firms, (Williamson, 1985) frames institutions as governance structures within capitalist systems, prioritizing hierarchical coordination when market mechanisms incur high costs due to asset specificity, uncertainty, or opportunism.

6. Agency Theory (Berle & Means, 1932)

Focused on principal-agent dynamics, this theory examines conflicts arising from the separation of ownership (shareholders) and control (managers). As articulated in (Berle & Means, 1932) seminal work, the misalignment of incentives leads managers to prioritize personal or political agendas over institutional efficiency. In public enterprises, this problem intensifies due to weak accountability mechanisms and diffuse ownership structures (Eisenhardt, 1989).

While these theories advocate privatization, critiques highlight limitations:

- Ownership structure alone does not guarantee efficiency, as evidenced by underperforming private firms with detached management.
- Private entities may prioritize profit over public welfare, compromising service quality or abandoning high-cost services.
- Market competition, not ownership transfer, may better address public-sector inefficiencies.

1-2 Previous Empirical Studies

Comparative analyses of public and private enterprises yield mixed results:

- (Krueger & Tuncer, 1982): Turkish public-sector productivity growth (2.65%) outpaced private firms (1.84%), yet private firms demonstrated superior capital and labor efficiency.

- (Kim, 1981): Tanzanian private enterprises generated 14.4% higher output per capital unit and 7.7% greater value-added surplus than public counterparts, which incurred losses.

Empirical evidence reveals no consistent causal link between ownership type (public/private) and economic performance. Institutional context, regulatory frameworks, and market competition often outweigh ownership structure in determining efficiency. These findings challenge deterministic privatization narratives, advocating instead for hybrid models that balance ownership reform with systemic institutional and market adjustments.

2- The Applied Dimension of Economic Transformation: Algeria Case Study

2-1 Legal and Institutional Framework

Algeria's privatization framework originated with Order 95-22 (1995), revised by Amended Order 97-22 (1997) to enhance credibility. Subsequent reforms under Order 01-04 (2001) aimed to systematize public institution transfers. However, strategic clarity remained absent, as programming lacked defined objectives, stakeholder roles, or valuation criteria. Three legislative revisions (1995, 1997, 2001) reflected reactive policymaking, with laws often conflicting or overlapping, creating bureaucratic paralysis.

Table (1): Institutions whose ownership was transferred over the period 1995-2003

Institutions whose ownership has been transferred	Distributed activities	The given share of social capital	Used ownership transfer technology	Partner contribution
El-Aurassi Hotel	Tourism	%20	Introduction to the stock exchange	The yield of the waiver
SAIDAL	Chemistry/Parmacy	%20	Entry into the stock exchange	The yield of the waiver
ERIAS Sétif	Agri-food industry	%20	Entry into the stock exchange	The yield of the waiver

	(pastas)			
SIDER El Hadjar	Steel industry	70%	Social capital coverage for the Indian company LNM-ISPAT	Investments to renew resources in the range of 50 billion dinars and maintain 22,000 job positions.
ENAD	Detergents	60%	Social capital coverage for the German company Henkel	Contribution of investments, renewal and branding

Source: A table compiled according to different data from public administrations and holding companies

Table (2): Outcome of the transformation process in Algeria in the period 2003-2005:

Number of operations Quality of the ownership transfer process	2003	2004	2005	Total
Total ownership transfer	06	09	52	67
Partial ownership transfer > than 50 %	01	02	17	20
Partial ownership transfer < than 50 %	/	02	01	03
Takeover by workers	08	23	29	60
Assigning assets to private actors	02	15	26	43
Partnership	04	10	04	18
Transfer to public bodies	12	22	25	59
Total	33	83	154	270

Source: A table compiled according to different data from public administrations and holding companies.

From the table it is clear that the process of transferring ownership has witnessed a significant increase since the year 2004, as it increased from 33 transactions in 2003. To 83 years of operation 2004, then 154 transactions in 2005, which indicates a recovery in ownership transfer in Algeria.

Table (3): Proceeds of ownership transfer from 2001 until the end of August 2008

Number of operations	2001	2002	2003	2004	2005	2006	2007	2008	Total
Total ownership transfer		1	5	7	50	62	68	18	211
Partial ownership transfer > 50%			1	2	11	12	7	1	34
Partial ownership transfer < 50%								2	13
Takeover by workers			8	23	29	9		7	76
Partnership	5	3	4	10	4	2	9	1	38
Selling assets to private investors	1								92
Total	6	5	20	58	113	116	110	36	464

Source: A table compiled according to different data from public administrations and holding companies.

The outcome of the transformation process in Algeria is considered unsatisfactory: we can say that it is a complete failure from the point of view of transformation and transfer of material ownership of public institutions.

In fact, it shows that the cause of failure is due to the intersection of many causes of blockage, which were not taken into account during the process of preparing the legal and institutional framework and also during the process of determining the strategic choice regarding the transformation. These reasons were identified based on a process of analysis based on the level of the political, legal, institutional, economic, social and cultural dimensions.

2-2 Reasons for the failure of the ownership transfer process in Algeria:

In order to delve into analysing these reasons, we will group them into four reasons: political and ideological reasons, legal and institutional reasons, economic reasons, and social and cultural reasons.

One of the most important reasons for the faltering ownership transfer in Algeria, from our point of view, is that it was imposed on us like all other reforms, so that it did not result from the conviction of decision makers in Algeria of the importance of this process as a policy to encourage the private sector and achieve economic development. Therefore, the public authorities did not provide the conditions for the success of the ownership transfer process.

2-2-1 Political and Ideological Reasons:

- Political and ideological problems and complications: The market economy, to which all the ongoing transformations aspire, including the process of ownership transfer, cannot, in fact, be absorbed by the people as it is considered a passage into the unknown, as it combines the loss of collective ownership acquired

through great sacrifices, and a passage accompanied by unemployment, poverty and inequality. The collective perception is confirmed by the arbitrary, strict and severe financial measures, as well as the layoffs and liquidation of public institutions that the public authorities bet on at the beginning of the reforms, under the banner of the transformation process. So how can a people, whose character is built on the “all-state” culture (free school, free treatment, guaranteed job placement), not be one of the causes of the blockage? How can they believe, without reservation, the political discourse that affirms the requirements of the market economy, and consider it a new opportunity for development and an economy in which there is less crime and abuse of power?

Political problems and contradictions: The process of transferring ownership of the institution is deemed as “cutting off the branch on which some officials sit.” The process of transformation is equivalent to expropriation for them, so “all actions are permitted in order to cover up attempts that would save the institution from their influence, which is the largest part that explains the failure of the transformation processes.” In fact, it is difficult, for some circles of authority that own institutions, to accept the idea of relinquishing the authority to monitor public institutions in favour of private sector contractors who do not accept interference in the management of their institutions. In addition, competency struggles between different decision-making centres, duality of discourse, contradictions and declared disavowal among policy users regarding important questions related to how to implement the process of transition to the private sector are another reason to explain the failure. What was astonishing was when the Minister of Transformation and Transfer of Ownership officially announced the sale of 87 institutions with 100 % completed files, and at the same time the Prime Minister announced that there was no institution ready for the transformation process. This conflict made the Minister of Transformation and Transfer of Ownership, H. Temmar, say: “They want to make me a minister of thinking, while in reality I am a minister of privatization.” This conflict lasted nine months and ended with the resignation of the Prime Minister.

2-2-2 Legal and Institutional Reasons:

The absence of real discussions regarding transparency in preparing the texts specific to the transformation process has made the established legal apparatus itself become one of the causes of the blockage, and thus imposes many amendments, based on the urgent need. Three successive laws were granted for the transformation process (Law of 1995, 1997 and 2001). The law 95-22, relating to transformation and transfer of ownership, was in accordance with the “UGTA Recommendation” , and on 26 August 1995, by the former National Transitional Council, due to the lack of technical competence in this field.

This apparatus, which was amended in March 1997, before it was even implemented, was in fact a “non-privatization” apparatus, given the legal closure and multiple transformation and ownership transfer apparatuses it created. It was also in complete contradiction with the orders for quick and

effective privatization as confirmed by the intense political discourses. This device contained within it the seeds of failure. In fact, we can explain this legal blockage and the bureaucratic obstacles of the apparatus through the pressures imposed on the persons taking over, especially in the process of immediate payment of the gains, the prevention from changing activities, the absence of promotion for the benefit of the acquiring persons, and strict prior monitoring by the committee monitoring all deals.

Increasing criticism of the legal and institutional apparatus for privatization and the disruption of transformation and transfer of ownership has prompted public authorities to reconsider the rest of the legal mechanism through the issuance of a set of texts in 2001 relating to the management of the state's commercial capital regarding the privatization of public institutions. The amendments granted by the new texts of 2001 focus on the new method of decision-making authority, the implementation of transformation and ownership transfer programs, and the dissolution of public holding companies.

2-2-3 Economic and technical reasons:

The state of the institutions that can be transformed, the management capacity of the program, the local technical expertise called for in developing and preparing the institutions whose ownership has been transferred, the financial capacity of private national investors, the level of development of the financial market and the banking system, as well as the process of urging foreign investors, are in fact all other reasons that could create significant influence on the course and success of the transformation program.

2-2-3-1 The case of institutions that can be transformed into the private sector:

Algeria's choice to implement economic transformation and institutional restructuring for the benefit of potential beneficiaries of the national private sector, especially foreigners, can in fact be justified through at least three reasons:

The first reason: the failure of the initial measures for financial, industrial and social cleansing during the past years, which required about 2,000 billion dinars. However, if this significant cleansing does not achieve the desired results, it is due to its focus on restructuring the decision-making process related to institutions alone, without relying on a clear, specific strategy and goals and taking into account the new market requirements.

The second reason: The public treasury is unable to finance the accumulated deficit, given the disappointing results of the private sector, which are often structural. National groups are not ready to bear the additional fiscal costs directed to financing institutions that are unable to create jobs;

The third reason: The banking system is unable to finance debts, since it itself suffers from clear bankruptcy.

The delay in economic transformations in recent years has caused huge losses for public institutions. In fact, Algeria has wasted a lot of time, accompanied by a serious deterioration in the health condition of public institutions.

2-2-3-2 Difficult evaluation of public institutions capable of transformation

It was extremely difficult, in such an environment, to conduct an evaluation properly, with marginal errors, in the institutions whose ownership was transferred, while using advanced classical evaluation methods in countries where all the mechanisms of the market economy were strongly combined:

- Lack of credibility in media accounting: The accounting budget and inventory operations contain completely distorted historical values, since they were not completed in accordance with international accounting standards, and they are often not subject to examination (refusal of authentication by the auditor),
- What value do we give, in reality, to an institution whose full shares, revalued at market price, cannot cover even 25 % of its assets? The money earned through the sale of other properties (equipment and warehouses) and from paying off all outstanding debts actually covers barely 25 % of the outstanding debts;
- What value do we give to an institution that offers no prospect of serious financial gain without a comprehensive renewal of industrial capacity? In fact, many institutions are characterized by a completely neglected production system that does not provide any competitive advantages, and debt that has widely exceeded the controls provided through traditional finance, resulting in an annual cost that may absorb a large portion of the added value produced.

2-2-3-3 Weak participation of local reclaiming persons.

In Algeria, as is the case in developing countries, or in countries that are in a state of transition, the provision of the people is considered insufficient, while the financial capacity of the national private sector, compared to the shares that have been transferred, offers limited absorption, especially when it comes to selling large institutions.

The national private sector is absent, as since 1995 until the present day, there has been no serious transfer. However, in reality, only interest from investors has been registered, despite repeated calls from public authorities, which stress: “The Algerian private sector would benefit from shares when opening the capital of public institutions.”

This is due to many reasons: similar to the insufficiency of its financial capacity and the real blockages instigated by a contradictory environment, the private sector presents, in reality, limited administrative and entrepreneurial capacity, given that it is generally directed towards trade and small transfers, and because it usually adopts the traditional and family-based form of organization. It was never really confronted with market punishment (competition), but rather preferred, as was always the case, to live under the shadow of the public sector. Accordingly, “privatization of public institutions is not one of the demands of the national private sector.”

2-2-3-4 “Fear” of foreign investors.

As for foreign investment, it remains very weak given the limited number of public capital partnership openings completed since 1995 until the present day and the commercial partners who have not exceeded 300 projects, during the end of 1999. In fact, despite the improvement in security conditions, the foreign direct investments registered in Algeria, until the year 2003, in the process of acquiring public institutions “can be counted on the fingers of one hand.” Yes, there were some weak successes, such as the operation to recover Cedar Al-Hajar (steel industry) by the Indian group LNM-ISPAT and the operation to recover ENAD by Henkel, but these two symbolic operations remained isolated. The absence of a clear policy and objectives of public authorities is also a third reason for the confusion in the awareness of Algeria’s partners regarding transformation and transfer of ownership and regarding the real will to involve foreign capital. The contradiction that we witness in political discourses and within the application of ownership transfer laws, which explains the fear of foreign capital, appears to be very tangible in reality versus “a government that expresses its desire to transfer ownership, but does nothing about it.” Some estimate that the weakness of foreign investment is 60% due to bureaucratic obstacles.

The shortcomings of this transaction environment in Algeria are, in fact, confirmed by the American Foundation “The Legacy Foundation” and the Wall Street Journal, which ranked it in the 100th place out of 155 countries, in the ranking of 2004 in terms of “economic freedom.” Within this ranking, Algeria is considered a creditor with a note of 3.31 out of a total of 5 points, placing it among the countries where the economy is considered “acceptably repressed.” This note is calculated according to the approval of ten bodies related to economic life, including trade policy, fiscal policy, government intervention, the banking and financial sector, wages and prices, property laws, regulation and the unformed market.

2-2-4 Social and Cultural Reasons:**2-2-4-1 Poor communication**

The weakness of dialogue and communication regarding the efforts of public authorities has, in fact, created an environment of suspicion, caution and fear among workers, regarding the danger of reforms that may in reality only lead to more unemployment (layoffs and removal of job positions) and misery. The ambiguity surrounding the current economic fluctuations has, in fact, left widespread dissatisfaction among the popular classes in general and workers in particular. It has also raised many questions, which we can summarize into four major questions:

- What are the specific goals of the transformation process? The question should be directed as follows: What are the real goals hidden in the declared goals (which themselves are not clear and obvious)?

- Who will follow up on the social obligations undertaken by the reclaiming persons, once the purchase contract is concluded and how?
- What guaranties are given regarding economic development and job creation?
- What is the place we assign to the social partner within the transformation process?

All of these questions are, in fact, nothing but a direct result of: “The absence of a strong and lasting consensus among the nation regarding the content, importance and weight of the cost of the concessions granted to the reforms.”

2-2-4-2 Concealment the social and human dimension.

The concealment of the social and human dimension within the choice and treatment of transformation and transfer of ownership is considered another reason that doubled the social blockage that the transformation process witnessed.

In some cases, workers, if not even executives as well, were always surprised when the national media announced the privatization of their enterprises. This effort has created a sense of frustration among tenants, which has resulted in social behaviour of indifference.

2-2-4-3 Failure to take into account the cultural dimension:

The cultural dimension is considered a third reason that contributed greatly to the social blockage of the ownership transfer process. The absence of a dangerous culture and even a culture of contracts that was saturated and preserved through thirty years of the “state protection” system, in which the private sector was the victim of prejudices that characterized it as exploitative and monopolistic. Since the advent of reforms, a new class of parasitic bourgeoisie has emerged, consisting of more than 40,000 businessmen. And speculators for “export and import” captured more than 40 % of the market.

After we discussed the reasons for the failure of the transformation and ownership transfer process in Algeria, this leads us to ask a set of questions about the success of the ownership transfer in Algeria and the answer to it. In this aspect, the study also attempts to link the theory of ownership transfer and the models proposed by its theorists with various applications based on the case of Algeria.

At this paradox, and in view of the case of Algeria, the study raises three questions that we try to answer. They are questions close to those raised by Wladimir Andreff in his analysis of ownership transfers in Eastern European countries. These questions are:

The What: Is the transferable program adequately captured? Is it realistic in its content, size, and purpose?

The outcome of the transfer of ownership in Algeria and the reasons it includes are sufficient on their own, we believe, to prove that the program of transfer of ownership has not been properly limited, and lacks realism in its content, ambition, and purpose.

The How: Are the transportation methods and technologies that have been adopted appropriate for the economic and social conditions?

A- Although there has been a stock trading market since 1997, it has remained small in size to play a decisive role in the process of transferring ownership of large and medium-sized public institutions.

B- The national banking system constitutes a second obstacle to the use of unified methods and techniques for transferring ownership, as it suffers from a financial, technical, and human shortage to accompany and support the process of transferring ownership: The old methods of the Algerian banking system truly hinder investment.

C- The absence of sufficient and ready national savings compared to the mass of assets eligible for transfer of ownership because they are traditionally invested in speculation with no interest in investing in slow-return cycles. Therefore, it is difficult to mobilize them in the short and medium term in a situation characterized by the fragility of their stability and the weakness of the financial culture (ignorance of financial mechanisms and stock market mechanisms).

D- The absence of a private national sector and investors with sufficient financial and administrative capabilities and a real will to participate in the ownership transfer process by purchasing public institutions constitutes an obstacle.

E- The situation in which public institutions exist is another factor that makes it difficult to successfully implement the unified forms for transfer of ownership automatically.

The possibility of progress in establishing market mechanisms and restructuring the public sector before embarking on a broad program to transfer ownership of public institutions.

This question can only be answered with certainty and good agreement with his point of view. W. Andreff spoke about the experience of countries on the path of growth, noting that: "The experience of countries on the path of growth appears to prove that during the stages of reforms, the transfer of ownership must come after all the foundations of the market economy have been established."

The absence of the foundations of a market economy hinders the process of transferring ownership, and even if there is a transfer of ownership, the search for economic effectiveness through the ownership transfer program may not be achieved by simply transferring the ownership rights held by the state:

Possible solutions for transferring ownership of public institutions.

What should be done to save the transformation process?

What must be done to revive growth, create jobs, and reach social balance?

It is self-evident that the answer to these questions can only be found at the level of accelerating the implementation of the ongoing structural reforms aimed at laying the foundations of the market economy and recruiting private and foreign national investment.

2-2-4-4 Ownership transfer options in Algeria

The priorities and stakes revealed by the current economic and social situation in Algeria, especially the necessity of saving the Algerian institution and the urgent necessity of a strong recovery of growth, must inspire the political authorities with options for approaching the transfer of ownership that help in the search for economic effectiveness. The search for economic effectiveness as a first goal.

Doesn't research on such a goal require preconditions given the situation of public institutions eligible for transfer of ownership?

What possible ownership transfer methods best fit this goal?

What ownership transfer techniques should be preferred?

The option of leaning toward the ownership transfer approach helps economic efficiency, and we believe that it brings the necessity of restructuring procedures for many institutions before reconverting them, because it is easier to give up a public institution that has been restructured and purified and is generating profits, on the one hand.

We can conclude from this analysis that the options in the Algerian concept are limited, and accordingly, we must work to coordinate the methods in an effective and efficient legal manner, as we study matters case by case, taking into account the objectives set in the conversion process, as well as the size of the institution, needs and contradictions of the reclaiming people. The option of resorting to a case-by-case study remains mandatory, given that each institution has its own characteristics and thus makes it different from other institutions, such that it requires appropriate transformation techniques. This is, in fact, the situation that characterizes many Third World countries, where Each ownership transfer process "seems to have a history of its own, which prompts it to prefer that rapprochement that calls for addressing institutions case by case."

3- Comparative Analysis of Ownership Transfer Models in Eastern Europe: Lessons from Russia and Hungary

The major peculiarities lie in Hungary's rejection of the free or almost free distribution of shares to the population, as a mode of transfer of ownership of transferable enterprises, and its resort to foreign investors, and to the prior restructuring of many enterprises. In fact, these particularities characterize ownership transfer models whose objectives and results are different, with the aim of drawing lessons for their application in the case of Algeria.

The specificity of property transfers in Eastern Europe also appears in the goals assigned to the property transfer system in devising some of the approved transfer methods (or procedures). In addition to the goals of seeking economic efficiency and social equity, preserving employment and reducing pressure on the state budget, this is what we find in practically all ownership transfer programs and ownership transfers in Eastern Europe, and which we do not find in most countries on the path to growth (with the exception of countries that have a public economy plan like Algeria).

The transfer of ownership in the East is seen as a means that allows for a radical break with the regime that was installed with the ideology that justifies it.

Ownership transfer programs generally faced the same difficulties as all Eastern European countries, with three transfer methods for extensive ownership transfers: auction sale, consensual sale to strategic investors, and intensive ownership transfer (or large ownership transfer). Other methods have been adopted by many programs, including the return of real and non-financial assets to their old owners (transfer of ownership by return), liquidation with the sale of assets, recovery of institutions by their leaders or employees, transfer of management and the establishment of private companies (transfer of basic ownership).

Among the transfer methods used in Eastern European countries, two methods contribute significantly to strengthening the quality of their transfer programs compared to those of Western Europe and several developing countries: intensive transfer and transfer of ownership by returning assets to their old owners.

The transfer of intensive ownership is an innovative and different method from the transfer of partial ownership that many Eastern European countries, with the exception of Hungary, have adopted as the primary method of transfer. It offers many political and social advantages, including, in particular, the speed of its implementation in the large number of institutions referred to; the lack of obstacles related to prior evaluation and wide dissemination of guarantee contributions in the profits in order to accelerate the economic transitional period with strong political support and reduce the influence of the state in the management of economic affairs.

The ownership transfer program generally consists of giving or selling at a nominal price certificates or Vouchers to nominated participants who can exchange them directly for shares of public institutions or for the shares of financial intermediaries, for example, investment funds that collect Vouchers, and who submit their pledges to acquire shares of public institutions during their privatization.

Hungary was unique, compared to other Eastern European countries, in excluding from its ownership transfer program the free distribution of shares under the influence of budgetary pressures.

The transfer of intensive ownership through free or almost free distribution to workers in particular and the population in general of shares of the institutions subject to transfer of ownership has not been adopted by the Algerian state, as is the case in many countries that are on the path to development.

Algeria's refusal of this mode of transfer is explained by referring to the mixed results of the experiences of the Eastern countries, as is the case in countries on the path of growth and resorting to intensive ownership transfer, as K. Valtoukh stated about the Soviet Union's program, saying, "There is no effective transfer of ownership because a large part of the economy remains in one way or another part of state ownership."

Restoring real assets to their old owners (or transferring ownership by return). The issue of returning funds to their old owners was sharply raised, in order to change the political context and implement the state non-compliance system in most Eastern European countries, “as a moral demand and political necessity to compensate for the plunder committed by the old communist regime against the old owners.” Under the communist regimes, several countries carried out nationalizations of seizures, and confiscations of funds and private property, which were often carried out illegally and without compensating their owners. In these countries, requests to recover property from their owners not only led to obstructing the course of ownership transfer procedures that were raised about property rights, but also raised new political disputes.

The transfer of ownership by recovery has a real negative impact, in addition to the obstacles that burdened the ownership of assets by depriving them of the proceeds of the sale of the recovered assets, which makes the budget deficit serious in the case of financial compensation.

The major peculiarities lie in Hungary’s rejection of the free or almost free distribution of shares to the population, as a mode of transfer of ownership of transferable enterprises, and its resort to foreign investors, and to the prior restructuring of many enterprises. In fact, these particularities characterize ownership transfer models whose objectives and results are different, with the aim of drawing lessons for their application in the case of Algeria.

The process of ownership transfer in Russia aims to make it the largest industrial power in Eastern Europe, with an ambitious program of more than 31,000 enterprises nominated for transfer of ownership at the beginning of the transition period.

From a political standpoint: (the weakness of the state, strong social opposition, workers’ resistance, and intense political competition between Parliament and the president) are a reason for obstructing the entire process.

From a social and economic perspective (economic collapse, a distorted and non-adapted production system, a major distortion of capitalist realities, a great aversion to managers and workers as a result of inequality)

The ownership transfer process in Russia took place in a severe context of the economic crisis and political instability fuelled by the negative effects that resulted from the bombing of the former Soviet Union and Russia’s rise to the basic law of an independent state.

Despite the widening difficulties and obstacles, the Russian leaders chose a structural transformation through a rapid and comprehensive transfer of ownership in accordance with the strategy called “B” explained by J. Kornai, which lies in the rapid exclusion of state ownership. This transfer proposed seven goals, including rapidly increasing the efficiency of the transferable enterprises, reducing the budget deficit and stimulating investments, especially the formation of a class of owners of capital, responsible economists and entrepreneurs, and guarantors of the foundations of democracy in Russia.

By analysing the experience of the Russian Federation, it becomes clear to us that it succeeded in a satisfactory manner, and this is through the quantitative stage. By avoiding the transfer system being clogged simultaneously by the significant number of political opponents of ownership transfers and by technical obstacles due mainly to the weakness of existing savings, thus in January 1997, only 9% of institutions were fully controlled by the state.

The Russian Federation, which opted almost exclusively for transferring ownership by distributing a relative price of the voucher to the people according to the vouchers program, has achieved at least three strategic goals different from the official goals specified in the ownership transfer program: the majority of the people joining the ownership transfer program, social equality, and restoring justice to the people. Their sacrifice in terms of consumption allowed the implementation of huge investment programs and avoided the obstacles of weak financial capacity of national investors.

From a qualitative standpoint and through the opinions of some writers, including A. Schleifer, L. Fontanel, D. Treisman, S. Malakhov, A. Radiguet, "The Russian Federation has not achieved the desired goals of increasing the effectiveness of institutions and reviving investments, especially with regard to the formation of a class of capital owners from economists and entrepreneurs."

Transfer of property in Hungary, like many other Eastern European countries, was regulated mainly by the Transfer Law of 1989, with around 2,000 state enterprises nominated for transfer. The objectives, steps and techniques followed by the Hungarian transfer of property highlight some peculiarities that distinguish it from some other experiences of Eastern European countries, especially for the transfer of property in Russia.

Strategy "A" called "organic" developed by J. Kornai: This strategy is in fact based on increasing the size of the private sector in the national product by adopting prior supportive measures. For the growth of this sector, by selling (at a fair price) to state institutions, preference will be given to new investors, and with procedures that limit budgetary obstacles and the actual application of legislation and laws related to bankruptcy and accounting.

The organization of this procedure contains several stages and is based initially on two bodies for property transfer: The Agency for Property Transfer (AVU), established in 1990, and the Agency for State Property Management (AV RT), established in 1992 and tasked with managing the state's contributions to some institutions. These two agencies merged after the issuance of the law containing the redefinition of the objectives and tools of transfer of ownership in 1995, so that a single agency emerged from them, namely (APV Rt).

The main techniques used in the transfer of Hungarian ownership are repossession and compensation of the old owners, direct sale of assets to investors, auction sale to small enterprises, public offers, sale on the Budapest Stock Exchange (BUDAPEST) and arranged methods of sale and liquidation. At the end of 1994, these techniques allowed the transfer of ownership of 653

institutions out of a total of approximately 2,000 institutions nominated for ownership transfer, while we find 500 institutions that were the subject of liquidation and more than 451 large institutions that opened their capital to foreign participation.

Many writers agree that the Hungarian approach was effective in transferring property rights, namely Stanley Fischer and Rutna Sahay, who noted that closeness to this country appears to have given better results than the closeness adopted by other Eastern European countries

- Janos Kornai observed that the reality of this country adopting Strategy “A”, called “organic”, with regard to the transfer of ownership, the economic results were amazing. Finally, Norbert Holcblat noted the effectiveness of the approach that allowed this country to take over a private sector that occupies more than 55 % of the gross domestic product (GDP) in 1994 and that the decisions of economic agents are increasingly determined by a mechanism of incentives similar to a mechanism found in a capitalist market economy.

I. Tarafas, to confirm this superiority, supports that the transfer of ownership in Hungary was a “success story” and justifies his appreciation with the following results:

- The transfer of ownership took place in a very short period and the economic role of the state was quickly reduced to the same level as that of other nations of the dominant countries.
- The transfer of ownership made a beneficial and effective contribution to the modernization of the Hungarian economy and society.
- The transfer of ownership generated more than \$7 billion in foreign investments.
- The transfer of ownership made an important contribution to the economic stability of 1995-1996 in Hungary.
- The transfer of ownership has a significant positive impact on the growth of the Budapest Stock Exchange (BUDAPEST).

In addition to these positive points recognized and accepted by many writers, we note manifestations of inability in the process of transferring ownership, including:

- The multiple devices involved in the ownership transfer process was an obstacle to the smooth start of the process.

However, this deficit was corrected in 1995 by merging all agencies into a single institution, the APV Rt Agency.

- The compensation system for those who were dispossessed did not succeed, especially due to a lack of transparency, bureaucracy, and competition between different classes.
- The state agencies charged with managing state contributions did not succeed in doing a good job, especially in their inability to manage the remaining minority contributions in their portfolio.

Conclusion:

1. Development Prospects for Ownership Transfer

- Status Quo Continuation: Persisting with current strategies will likely result in stagnation. Limited external investor interest and inadequate restructuring of the public sector could force Algeria into one of three scenarios:

- Public Sector Collapse: Bankruptcy of over 700 debt-ridden institutions, exacerbated by a production apparatus unable to compete in import-dominated markets.

- Strategic Redirection: Adopting a realistic, technically sound program with clear objectives could revitalize privatization, achieving both quantitative and qualitative progress.

Contrary to reform rhetoric advocating reduced state intervention, Algeria's transformation process demands proactive governance. The state's withdrawal risks institutional chaos, as seen in other transitional economies. Market mechanisms cannot self-regulate in the absence of robust institutions, necessitating state stewardship to navigate structural stakes and safeguard national interests.

The study identifies persistent barriers to effective ownership transfer:

- Political Instability: Frequent changes in ministerial leadership disrupt policy continuity.

- Institutional Weaknesses: Lack of transparency, inadequate legal frameworks, and poor stakeholder communication.
- Economic Constraints: Insufficient domestic savings, an underdeveloped private sector, and a risk-averse banking system.
- Sociocultural Resistance: Public scepticism toward foreign investors and emotional attachment to state ownership.

4. Results and Reflections

Algeria's privatization outcomes remain underwhelming, with fewer than five major institutions partially transferred. The Algerian Stock Exchange, hampered by inefficiency, has failed to catalyse market-driven reforms. External pressures—such as debt crises and mandates from international financial institutions—rather than strategic choice, have driven privatization efforts, leading to fragmented implementation.

Final Inquiry: Is Ownership Transfer Desirable or Achievable?

While privatization is often framed as a panacea for economic inefficiency, its high psychological, economic, and social costs raise doubts. In Algeria, the process has been neither spontaneous nor holistic, reflecting reactive adaptation rather than visionary reform. The central question remains: Can ownership transfer align with Algeria's sociopolitical fabric and long-term development goals, or does it risk exacerbating existing disparities?

Algeria's privatization journey underscores the necessity of balancing market-driven reforms with institutional preparedness. A successful transition demands not only technical adjustments but also a coherent national dialogue to reconcile economic imperatives with social equity. Learning from global experiences—both successes and failures—Algeria must craft a context-sensitive model that prioritizes structural readiness, stakeholder inclusion, and strategic patience. Only then can ownership transfer evolve from a contested policy tool into a catalyst for sustainable, inclusive growth.

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