

Importance of PPP mechanism in developing of local investment in Algeria “Joint Ventures in manufacturing of agricultural equipment as case of study”

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Abstract: This study aims to illustrate the mechanism of public-private sector partnership and its role in promoting and developing of local investment, by highlighting the Algerian experience in the agricultural equipment industries sector, through concluding partnership agreements and establishing joint ventures, which were carried out by subsidiaries of the Algerian group of mechanics AGM Holding Spa in partnership with three international companies, namely, a Finnish company SAMPO, a Portuguese company Galucho, and finally a partnership with the American giant AGCO, owner of the Massey Ferguson brand for the manufacture of agricultural tractors. In this regard, we concluded that partnerships between public and private companies in Algeria (especially foreign ones), through the case studies treated in this article, are regarded as one of the most important mechanisms, since their primary objective is to benefit from the capabilities and experience of the private partner in various fields, especially those related to the industrial sector, which undoubtedly contributes to the relocation of industries, transfer of technology and increasing of investment volumes in the country.

Keywords: Public private partnership, Joint Venture, Investment

Jel Classification Codes: L24; L32; L64.

Résumé : Cette étude vise à illustrer le mécanisme de partenariat public-privé et son rôle dans la promotion et le développement de l'investissement local, en mettant en avant l'expérience algérienne dans le secteur des industries d'équipements agricoles, à travers la conclusion d'accords de partenariat et la création de joint-ventures, qui ont été réalisées par des filiales du groupe algérien AGM Holding Spa en partenariat avec trois sociétés internationales, à savoir : la société finlandaise SAMPO, l'entreprise portugaise Galucho, et enfin un partenariat avec le géant américain AGCO, propriétaire de la marque Massey Ferguson pour la fabrication de tracteurs agricoles. À cet égard, nous avons conclu que les partenariats entre les entreprises publiques et privées en Algérie (notamment les entreprises étrangères), à travers les études de cas traitées dans cet article, sont considérés comme l'un des mécanismes les plus importants, car son objectif premier est de bénéficier des capacités et de l'expérience du partenaire privé dans divers domaines, notamment ceux liés au secteur industriel, ce qui contribue sans aucun doute à la délocalisation des industries, au transfert de technologie et à l'augmentation des volumes d'investissement dans le pays.

Mots clés : Partenariat public privé, Joint-venture, investissement.

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I. Introduction:

Public private partnership is considered as an alternative and at the same time complementary mechanism to public investment; it allows governments and decision makers to achieve their development objectives. In the majority of cases, these contracts are well studied in terms of prices, costs, and risks; and their management is assigned to the part who has the best management methods, seeking for obtaining the best returns and avoiding various forms of disruption and bureaucracy, which are usually associated with public sector operators.

The different economic conditions that Algeria has experienced since its independence, have led to look for an alternative to public capital, and to encourage local investments by establishing numerous partnerships in many areas, whether with local or foreign private partners, in addition to work, through a set of mechanisms and laws, to improve the investment climate, with the aim of encouraging local and foreign investors and increasing their contribution to the national economy.

Consequently, the agricultural industries sector is regarded as one of the most important sectors that can be counted on to assist in the transition from an absolute dependence on the energy sector. In this context, Algeria has seen in recent years the conclusion of numerous partnership contracts with foreign investors with the objective of creating joint ventures in this sector.

Therefore, partnerships were concluded between the subsidiaries of the Algerian group of mechanics AGM and three giant foreign companies in the field of agricultural equipment, to create joint ventures of manufacturing of agricultural equipment intended for the local market.

I.1. The main question:

From what is said above, we ask the following question:

What is the importance of the PPP mechanism in developing of local investment in manufacturing of agricultural equipment, through the joint ventures created by the Algerian Group of mechanics AGM in partnership with foreign companies?

I.2. Aims of research :

This research aims to:

- Clarify more about the concept of public private partnership, its characteristics and different types.
- Identify the overall investment climate in Algeria, especially from its legal framework.
- Illustrate more about the investments of AGCO, SAMPO, and Galucho as foreign companies in Algeria, through the joint ventures created in partnership with different subsidiaries of AGM Holding Spa.

I.3. Division of research:

In order to answer the main question and achieve the aims of this research, we divided our work into four main sections:

- The first section was dedicated to talk about the concept of state and its role in the economy;
- The second one was devoted to the conceptual framework of Public Private Partnership;
- The third section was consecrated to the agricultural industry as well as the investment climate in Algeria through focusing mainly on the most important laws, and highlighting the incentives and barriers that can impede the development of this field in Algeria;
- The last section is the case study, in which we have tried to introduce in brief the three joint venture SAMPO Algérie Spa, Galucho Algérie Spa and ATC, and give some of illustrations about the main gains that can be achieved through these partnerships.

I.4. Review of previous studies: There are many studies that have dealt with the topic of Public-Private Partnership in Algeria under several aspects, among them, those that have treated the case of partnership between public and private companies through the creation of joint ventures, where we can cite two studies:

- The study of Moulai Ali, entitled: Public-private partnership in the Algerian public enterprise: the experience of the national cement sector; where the objective of the article was to present certain particularities of public-private partnership in Algeria, notably in the cement sector, in relation to its nature and legal form, with a basis relating to its theoretical foundation, notably the theory of public choices and that of efficiency X.
- Another study that has evoked the topic of joint ventures is that of Bouherhor Nour El-houda and Zebouchi Mohamed entitled: Evaluation of public-private partnership projects in the Algerian context: An overview of seven Joint Ventures active in particular sectors; In which the authors tried to highlight Joint Venture (JV) arrangements in the context of PPP mechanism operating in the mechanical industry, urban transport, pharmaceutical and gas production sectors, where the results of these partnerships, according to the study, were positive.

Perhaps, the main difference between these studies and my study lies in focusing on investment related to agricultural industries, which have great importance in two basic sectors in the country's economic structure, namely agriculture and industry.

II. The role of State in the economy

II.1. The concept of State and its historical development

II.1.1. A historical overview:

The state went through several phases until it reached its present form. "States have existed for more than 5000 years in the Old World. States exist today and provide a sense of familiarity that we extend, rightly and wrongly, into the past. Whether scaled down to individual city-states, particularized or "ethnicized" as nation-states, or scaled up to territorial states and empires, the idea of the state has proven both durable and elastic" (Joffe, 2017, p. 03).

The concept of State has evolved over the ages, and its perception has changed depending on the different determinants that control its existence. In this sense, and through a report on global development entitled *The State in a Changing World*, The World Bank indicated that: “States have come in all shapes and sizes, depending on a mix of factors including culture, natural endowments, opportunities for trade, and distribution of power.

The ancient Athenian state, for example, was underpinned by slavery and colonial spoils. Further east, elaborate state structures were built from early times on the basis of state ownership of land or, in Mughal India and imperial China, highly developed systems of administration and tax collection. The combination of public ownership of land and a complex bureaucracy long impeded the emergence of modern, market-based economies in these regions. Yet despite this diversity of origins, states over time came to acquire several common and defining features worldwide. Modern states have a consolidated territory and population, and within these they play a centralizing and coordinating role” (The World Bank, 1997, pp. 19-20).

Archeologists have employed a number of criteria to identify states in the past—most notably, evidence for specialized bureaucracy, hierarchical organization of settlements around a center, and unique symbols of power. Obviously, textual data that provides proof of the state's structure and functioning as well as its self-conception facilitates the process of identifying and recognizing states (Joffe, 2017, p. 04).

However, the question is: how states become states?

It is a question on which the answers differ between scholars and those interested in this research discipline, some have linked it to wars and competition for the control of resources; others have attributed it to development of cities and their large size, and therefore the need for an administration to manage them, while others see the various campaigns of colonialism through the ages and climate change, are the factors that have led to the creation of states. Consequently, the concept of the modern state began to rise to the existence, through a set of features that distinguished it from its predecessors, especially with the development that took place in the forms of authority and administration.

The contemporary state is the outcome of a distinct historical trajectory that transpired over several centuries in Western European societies, culminating in the formation of a centralized and unified power structure that asserts sovereign authority over a defined territory and population. Such a unique process of political institutionalization was possible due to the distinctive traits that region of the world developed during the feudal period. The patrimonial authority system of late European feudal society had a vast, decentralized, and homogeneous political framework that allocated power among multiple patrimonial lords (Peruzzotti, 2015, p. 01).

II.1.2. Definitions of state and government:

According to the World Bank, The state, in a broader context, denotes a collection of institutions that wield lawful coercive power over a specified territory and its

population, known as society. The state centralizes regulation authority within its territory via a structured government (The World Bank, 1997, p. 20). The term government is utilized in several contexts. It may denote the act of governance or the exertion of authority. As it can also refer to the presence of such process, indicating a state of "ordered rule." "Government" typically refers to the individuals occupying positions of authority in the state. Finally, the term may mean the way, manner, or system of governance within a society: to the structure and organization of offices and their relationship to the governed. While recognizing these distinctions, we frequently employ the terms government and state informally and sometimes interchangeably, as they are commonly utilized in discussion and writing around the world. The government is typically perceived as including three different branches of power, each designated with certain functions. One is the legislature, which is responsible for making laws. The second entity is the executive, often termed "the government," which is tasked with executing the law. The judiciary is the third branch, tasked with interpreting and applying the law (The World Bank, 1997, p. 20).

II.2. Motivation of interference of State in the economic activity

The justifications for state intervention in economic activities differ according to the economic system applied, and its role in the economy is often considered very important even under a free market economic system. The most important justifications addressed by various economists in recent years can be highlighted as follows:

II.2.1. Imperfect competition (JR, September 1986, p. 21) Many imperfections in some markets require the implication of public policies in order to reduce, if not to remove, them, to facilitate availability of information, and to lower barriers to entry and mobility.

II.2.2. Externalities (Helbling, 2010, p. 48): externalities are the indirect effects of different economic activities, consumption, production and investment of different economic agents like individuals, firms, households and so on. In this regard, we can talk about Negative externalities like pollution, which has an indirect cost on those who are harmed by it; there are also positive externalities of the production process like R&D activities. Therefore, the control of these externalities and their various effects can only be done through specific government intervention to curb negative externalities and limit them by using various mechanisms and procedures, including fiscal ones, and by supporting various positive externalities through various incentive measures that can also be fiscal.

II.2.3. Public Goods (The World Bank, 1997, p. 26) Public goods are characterized by non-rivalry (the consumption by one individual does not diminish the availability for others) and non-excludability (individuals cannot be prevented from utilizing the product). These features make it difficult to impose charges for the utilization of public goods, thereby diminishing the incentive for private providers to supply them.

II.2.4. Distributive Justice: Here we are talking mainly about the redistribution of income, especially under free economic systems, where in many cases it is necessary for

the state to intervene in order to save some of the vulnerable and poor groups in society by providing the most basic necessities and supporting some basic commodities for living.

II.2.5. Economic growth and Macroeconomic stability: the various crises that the capitalist system has known since its formation, especially the 1929-2008 crisis and the various economic and financial crises that the world has known, have predicted at which extent the necessity of state intervention in many cases to restore stability to the economic machine and revive it anew.

III. The conceptual framework of Public-Private Partnerships

III.1. Definition of Public-Private Partnerships

There are many definitions of the concept of Public-Private Partnerships (PPP), depending on their types, writers who write in this field, as well as the international institutions that have been interested in this investment and financing mechanism.

We can talk about the most important of them as following:

III.1.1. The World Bank definition:

The World Bank defines a public-private partnership as “an agreement between a government and a private firm under which the private firm delivers an asset, a service, or both, in return for payments contingent to some extent on the long-term quality or other characteristics of outputs delivered” (The world Bank, 2007, p. 02).

Through this definition we can say that the PPP can only be achieved by the presence of two parties, one governmental (public sector) and another which is the private sector, They agree under a contract linking them that the private part provide to the government part a particular service or accomplish and realize an asset (a particular project), as agreed in the contract between them (in quality, quantity as well as in time).

III.1.2. Definition of the International Monetary Fund:

The IMF sees that the Public-private partnerships (PPPs) refer to “the arrangements where the private sector supplies infrastructure assets and services that traditionally have been provided by the government. PPPs are involved in a wide range of social and economic infrastructure projects, but they are mainly used to build and operate hospitals, schools, prisons, roads, bridges and tunnels, light rail networks, air traffic control systems, and water and sanitation plants” (IMF, 2004, p. 04).

Through the IMF definition, it is clear that the PPP mechanism is seen as an alternative to the public sector investments, by abandoning some traditional tasks and entrusting them to the private sector, whether it is services provided by the government or even basic infrastructure projects such as Schools, Hospitals, Highways, and even prisons...etc.

III.1.3. Definition of the European Commission

The European Commission defines PPPs as “forms of cooperation between public authorities and the world of business which aim to ensure the funding, construction, renovation, management or maintenance of an infrastructure or the provision of a service” (Jakutyte, 2012, p. 12).

We notice that the term "**the world of business**" is the most significant aspect of this definition, as it refers to the second party that concludes the partnership contract with the public sector. This term demonstrates the primary motivation behind the government's pursuit of such partnerships, which is to secure funding sources for a variety of basic projects that may not be completed within a specific timeframe or to alleviate pressure on the public budget by utilizing this funding source.

According to the above, we can say:

- PPP is a mechanism through which the public sector resorts to the private sector in order to entrust him the task of carrying out investment or service projects under an agreement (contract) between the parties that determines the tasks of each party.
- PPP is a form of financing that enables the public party to complete the planned projects without resorting to traditional financing mechanisms; its main objective is to spare the public budget further pressure.
- PPP ensures the continuity of the provision of basic services and the construction of major infrastructure projects, far away from the financial situation of the public sector, and allows the participation of private one in the different projects of development.
- PPP provides an alternative to the public sector in carrying out a set of tasks that are believed to be one of the priorities of the this latter, and give it the opportunity to focus on setting of plans, strategies and future visions, and thus focus on the aspects of the whole development process in general, and assign the rest of the tasks to the private sector and only monitor and guide it.

III.2. Characteristics of PPP

Through the set of definitions reviewed in the first part, it is clear that the PPP is a participatory mechanism between the public and private sectors through which some of tasks that were entrusted to the public sector will be accomplished by the private one in accordance with a contract between them, which includes the tasks and responsibilities of each one. This mechanism differs from the rest of the formulas of public procurements and realization of projects; it is characterized by a set of basic features that can be highlighted in (Robinson, Carillo, Anumba, & Patel, 2010, pp. 5-6):

- Partnership includes two or more entities or organizations, from the public and private sector, which can involve the third sector, the so-called non-profit organizations.
- Partnership necessitates a competitive aspect to identify the best possible partner(s) and a level of collaboration post-selection, often termed co-opetition.
- A third feature is the presence of what is commonly termed an "**enduring and solid relationship**" among the participants. This is accomplished by collaboration, contractual commitments, and dedication, once partners are chosen in a competitive selection procedure.
- Fourthly, To fulfil their obligations, the contractual agreements delineate shared responsibilities for the resources and knowledge necessary to attain the project outcomes via precise delivery methods and activities. For example, planners, financiers, architects, engineers, surveyors, contractors and facilities management firms collaborate and work

together through many subcontracts to design, construct, and oversee a completed facility.

- Another key characteristic is that the private sector is typically incentivized and afforded considerable autonomy and freedom to deliver new solutions that align with the public sector's value based on the client's project or output specification.
- Finally, there exists a risk-reward framework depending on the private sector contributions, requirements of the public sector and the services provided by the private sector. The private sector entity receives compensation from the public sector, typically based on predetermined indicators of performance and a payment mechanism structured to reflect the risk distribution and incentives to avoid poor performance or quality degradation.

In addition, Grimsey and Lewis (Grimsey & Mervyn K., 2004, pp. 13-14) have developed a set of elements through which we can judge the agreements between the private and public sectors whether they belong to the PPP family or not:

- **Participants.** A Public-Private Partnership (PPP) clearly includes the involvement of two or more parties, with at least one being a public entity. Each entity, however, must function as a primary, able to negotiate and contract alone. All parties must demonstrate an organizational commitment to the collaboration.
- **Relationship.** Partnerships must be long-term and relational. Governments procure products and services, allocate subsidies, and impose fines and taxes. None of these transactions indicates any real continuity of behaviour. Frequent engagement of the same supplier by a public sector entity annually would not constitute a partnership. A government department that orders sandwiches daily for lunch from the same catering firm does not establish a partnership.
- **Resourcing.** Every participant must contribute something of worth to the collaboration. Public-Private Partnerships (PPPs) aim to leverage best skills, knowledge, and resources from both the public and private sectors to ensure cost-effective delivery of public infrastructure services. To facilitate this, each partner must allocate resources (financial assets, property, authority, reputation) to the arrangement.
- **Sharing.** Public-private partnerships require a distribution of responsibility and risk for outcomes (whether financial, economic, environmental, or social) within a collaborative framework.
- **Continuity.** The cooperation will be founded on a framework contract that defines the 'rules of engagement' and offers the partners a degree of certainty. Its existence allows the parties involved to make decisions without needing to begin anew each time and to develop the foundational principles that regulate these interactions.

III.3. Type of Public-Private Partnership:

PPP models and structures range from short-term, straightforward management contracts to long-term, complicated frameworks incorporating various stakeholders, finance arrangements, and ownership interests. These models primarily differ in capital asset ownership, investment responsibility, risk assumption, and contract duration. PPP

models can be classified into four major categories by evaluating the heightened involvement and assumption of risks by the private sector.

The basic classifications of participation are:

III.3.1. Management contracts:

A management contract via PPP is a contractual agreement for the private sector to manage all or part of a public organization. Management contracts facilitate the integration of private sector expertise into service design and delivery, operational monitoring, workforce management, and equipment procurement. In a management contract, the public sector maintains control of the facility and equipment. The private sector is assigned specific obligations to fulfil and typically does not undertake business risk. The private contractor receives compensation to supervise and operate services (UNESCAP, 2008, pp. 18-19).

III.3.2. Turnkey/ design and build: the turnkey project/procurement model is a conventional approach utilized by the public sector for infrastructure development. The private contractor constructs a facility for a predetermined fee, rate, or total cost, which is a crucial criterion in selecting the successful bid. The contractor undertakes the risks associated with the design and construction phases. The scale of private sector investment is often little and short-term in nature. This form of private sector involvement is referred to as design-and-build (UNESCAP, 2008, p. 21).

III.3.3. Leasing

In leasing, the private sector constructs and finances a facility that is subsequently leased to the public sector. The operator, representing the private sector, is accountable for the operation and maintenance of the infrastructure facility and services. This model is frequently utilized in conjunction with other models, such as build-rehabilitate-operate-transfer. By leasing, the private sector assumes the majority of the risks related to funding, developing, and managing the facilities, while the public sector entity acquires the facilities through lease (UNESCAP, 2008, p. 22).

III.3.4. Joint ventures:

The term Joint Venture (JV) refers to various business arrangements between two or more distinct entities. Each partner allocates resources to the enterprise, resulting in the establishment of a collaborative firm where the parties jointly share the related risks and benefits. A party may furnish land, capital, intellectual property, experienced personnel, equipment, or any other type of asset. Each participant often possesses a requisite competence essential for the development and success of the enterprise. It is also important that the partners should share the same vision about the objectives for creation of the joint venture (HM treasury, 2010, p. 4).

III.3.5. Build- operate- transfer:

Build-Operate-Transfer (BOT) refers to an agreement for the provision of infrastructure facilities between the public and private sectors, wherein the private sector assumes main responsibility for financing, developing, and managing the infrastructure. This agreement is established for a predetermined duration adequate for the private sector

to repay the funding and attain the necessary rate of return on its investment. After the end of the time, the project is transitioned to the public sector. This is arguably the best-recognized version of PPP. Its concept has been utilized (with some changes) in numerous distinct manners, including:

- Build, own, operate and transfer (BOOT) ;
- Build-rehabilitate- operate- transfer (BROT) ;
- Build-lease- transfer (BLT) ;
- Design, construct, manage and finance (DCMF) ;
- Design, build, operate and finance (DBOF).

All the aforementioned arrangements share something in common, the private sector invests and operates the facility for a specified duration, after which ownership reverts to the public sector.

III.3.6. Build- Own-Operate:

Build-Own-Operate (BOO) refers to a public-private partnership (PPP) contractual model in which the private entity has the ownership and control of the facilities, with no transfer of ownership to the public part. In this model, the private sector constructs, owns, and operates an infrastructure facility, thereafter selling the output or service to its users or beneficiaries. A typical use of BOO encompasses a project of electricity generation, whereby the government may or may not own a long-term power purchase agreement at a predetermined price with the project operator (UNESCAP, 2008, p. 27).

IV. The agricultural industry in Algeria and Investment Climate

In order to improve its investment climate and the attractiveness of the national economy, Algeria has adopted, in recent years, a set of laws and measures that would improve the economic performance of the country, and it will have an effective role in improving its investment image, and thus attracting the largest possible number of foreign investments.

IV.1. The investment climate in Algeria:

Many adjustments have been adopted on the Algerian legislation related to the investment, among them we can talk mainly about the removal of 49/51% rule, and the new investment law of 2022.

IV.1.1. Removal of the 51%/49% rule:

The removal of the 51/49% rule (which required majority shareholding by Algerian national residents) by the Supplemental Finance Law for 2020, as amended ("LFC 2020"), brought new opportunities for foreign investors. However, certain activities in strategic sectors (pharmaceutical industry, energy and mining and transportation according to Executive Decree No. 21-145 of April 17, 2021), as well as the activity of importation of products and merchandise for resale "as is" (regardless of the sector) and activities in the defense sector continue to be subject to the 51/49% rule (Zeebroeck, 2022, p. 01).

IV.1.2. New Investment Law of July 2022:

Algeria adopted a new Law N° 22-18 on 24 July 2022 relating to investment, replacing the prior investment law of 2016. The key features of the Law, especially those related to foreign investment are summarized below (the algerian official journal, 2022, pp. 05-10):

- The Law aims to identify the rules applied on the investments in economic activities of goods and services by individuals or legal entities, national or foreign, resident or non-resident.
- The law guarantees the freedom to choose their investments for individuals or legal entities, national or foreign, resident or non-resident, as well as transparency and equality in processing with these investments.
- Investors can benefit from the right of transfer of their capital invested or its revenues;
- The institutions charged in investment are: the national council of investment, and the Algerian investment promotion agency AIPA;
- The AIPA is created to replace the national investment promotion agency NIPA; and investments can benefit from many incentives during carrying out and operation of the project;
- These incentives are classified according to three categories: Incentives related to sector regime, incentives related to zone regime, and incentives related to structuring investment regime; They include, but not only: exemption from customs duties, exemption from VAT on goods imported or produced locally, directly involved in the realization of the project, exemption from transfer duty and land registration tax for all real estate acquisitions made in the context of the relevant investment, exemption from corporate income tax and tax on professional activity for a period of 3 to 5 years during the operation phase, which can be to 10 years for the investments under structuring investment regime

IV.1.3. Digital platform and the AIPA:

This new institution was created to replace the prior NIPA (ANDI in French), It is an administrative public institution, provided with a legal entity and a financial autonomy. It is placed under the tutelage of the Prime Minister, and its main office is located in Algiers. As part of its missions, the agency seeks to (Algerian official journal, 2022, pp. 6-12):

- Ensure, in all investment-related areas, a hospitality and information service for investors;
- Develop information systems allowing investors to access data of all kinds, necessary for their projects development; and manage the investor's digital platform;
- Set up databases related to business opportunities and potential resources at the local level; and manage in relation with the administrations and entities concerned a database about land availability intended for investment;

- undertake any action with public and private institutions in Algeria and abroad, to enhance investment in Algeria; and develop and propose a plan to enhance investment at national and local levels, and design, and take actions as well to mobilize funds necessary for its implementation;
- Deliver registration certificates for investors, and proceed, where applicable, to their modification;
- Manage, according to the regulations in force, cases of selling or transferring goods and services having benefited from advantages; and deliver value added tax exemption authorizations (VAT).
- Ensure, in relation with the administrations and entities concerned, that commitments taken by investors are respected; process petitions and complaints of investors, and develop an outreach and monitoring watch service for registered investments.

Therefore, a digital platform was developed to effectively manage all investment requests. The digital platform for investors is an electronic instrument that facilitates the registration, guidance, assistance, and follow-up of investment projects during all their phases.

The main objectives of this platform are (Algerian ministry of industry, 2022, pp. 13-14):

- Dealing with, streamlining, and facilitating enterprises and investments creation process;
- Enhancing communication between investors and economic administrations;
- Ensuring transparency of the procedures to carry out and the terms and modalities for investigating and processing the applications;
- Expediting the processing and examining investors' applications by the services concerned; - Helping investors to remotely follow the progress of their applications;
- Streamlining public service regarding the timelines, the outcome of staff, and the quality of services delivered as well;
- Enhancing the internal functioning of public services by making them more available and easier to access for investors;
- Organizing efficient collaboration among administrative services involved in the investment process;
- Allowing a direct and instant exchange between the administrative staff and entities concerned.

IV.2. Agriculture equipment industry in Algeria:

IV.2.1. An overview about the agriculture equipment industry in Algeria:

In its history, the mechanization of Algerian agriculture is passed through different phases; it first experienced a favorable period, particularly between 1974 and 1988; phase which corresponds to the entry into production of the agricultural machinery industry (CMA and CMT) and the phase which extends from 1988 to 1993 corresponding to a period of crisis (Khyar, Amara, & Harrad, 2007, p. 101).

However, the development of the mechanical industry in Algeria began in the 1970s following the advent of agrarian reform. The first series of agricultural equipment, manufactured by the Constantine tractor motor complex (CMT), was put on sale in 1974 (Nakib, Kaci, & Kadir, Juin 2013, p. 46).

Currently, and according to the results of the general agricultural census of RGA 2003 (Algerian ministry of agriculture, June 2003, p. 34), it appears that: Knowing that, the 2001-2003 census is the last agricultural census carried out; it was the second after that of 1973.

Also, note that a third census was launched in 2024; it began on May 19, 2024 and will continue until July 17, 2024 (Algérie presse service, 2024).

IV.2.2. The importance of agriculture equipment industry in Algeria:

Algeria is the largest country in Africa in terms of surface area, with very significant agricultural capacities. With an area of 238,174,100 hectares, Algeria is the second largest African country after Sudan. The land used by agriculture currently extends over 40,735,920 hectares, or 17.16% of the overall surface area (Bakreti, Bakreti Lakhdar, & Seffih, 2019, p. 792).

This sector can only function well with a structured industry that supports it.

Since independence, Algeria has tried to adopt an agricultural model based on the supply of necessary tools and equipment; in fact, this is the model of industry-agriculture integration undertaken since 1967 with the objective of industrialization of the economy (industrializing industries) and the transformation of agrarian structures (Hasiba & Djenane, 2018, p. 36).

IV.2.3. Presentation of the Algerian group of mechanics (AGM Holding Spa):

AGM Holding Spa is a public group; It has a share capital of 34,657,000,000 DA, an annual turnover of 40 billion DA, and a portfolio of 26 subsidiaries and sub-subsidiaries, including 6 joint ventures in partnership, with a workforce of 6,685 (AGM-Holding Spa, 2024, p. 02).

These subsidiaries are active in the Production and selling of:

- Agricultural equipment and fishing boats;
- Public Works Machinery and Handling Equipment;
- Industrial Equipment;
- Engines and Subcontracting.

The first division, Agricultural equipment and fishing boats, consists of the following subsidiaries (AGM-Holding Spa, 2024, p. 03):

Subsidiary	Field of activity
1. ENMAP	production and selling of agricultural and fishing machinery
2. ETRAG	Tractor production and subcontracting activities.
3. CMA	Manufacture of combine harvesters and agricultural equipment.

4. ECOREP	construction and repair of fishing boats and port services (steel, aluminum, fiberglass)
5. PMAT	Selling of agricultural equipment.
6. Joint Venture CMA-SAMPO	Production of SAMPO ROSENLEW combine harvesters.
7. Joint Venture ATC	Production of new generation Massey Fergusson tractors.
8. Joint Venture GALUCHO	Manufacture of agricultural equipment for soil cultivation and agricultural transport.

V. Partnership and joint ventures as mechanism of promotion of agricultural industry in Algeria (Sampo, Galucho and ATC as case of studies)

V.1. Partnership with Sampo Finland:

V.1.1. Presentation of SAMPO ROSENLEW LTD

Sampo Rosenlew Ltd (SAMPO ROSENLEW LTD, 2024) is a Finnish enterprise established in 1991, however its industrial origins trace back to 1853 with the founding of the family company Oy W. Rosenlew Ab. Currently, the company is recognized globally for its superior combine harvesters and forestry machinery.

Its manufacturing of combine harvesters began in 1957. For almost 60 years, the company has been present in about 50 countries, supplying more than 50,000 harvesters to these countries, and more than 90% of its products are exported. The company's main market regions are the Nordic countries, Europe, North Africa and the CIS countries.

Sampo Rosenlew allocates resources to product development and actively seeks prospective new markets for its offerings. Customized concepts are available for the developing countries. The company operates assembly operations in North Africa, Uzbekistan, and Azerbaijan, where frames imported from Finland are transformed into entire combine harvesters utilizing local labour. Subcontractor networks will, of course, facilitate the transfer of expertise to the target country to meet component and spare part requirements.

V.1.2. The joint venture SAMPO ALGERIE Spa:

This joint venture was created in 2010, in partnership with two subsidiaries of AGM Holding and the great Finnish company in the domain of manufacturing of harvesters SAMPO, in order to manufacture a range of harvesters in Algeria.

The main information about this joint venture can be summarized as follows:

Denomination	SAMPO Algerie Spa
Partners	EPE PMAT Spa (Algeria 27%) EPE CMA Spa (Algeria 35%) SAMPO ROSENLEW (Finland 38%)
Date of creation	July 2010
Date of launch	May 2011
Share capital	647 555 000 DA

products	Bin harvesters, Bag harvesters, and with option on demand (air-conditioned harvesters).
Workforce	160 agents
Objective	1000 harvesters/year

Source: by the researcher according to: presentation of SAMPO Algeria Spa, available on: www.sampo-algerie.com/presentation

V.2. Partnership with Galucho Portugal:

V.2.1. Introduction to Galucho company:

Galucho is a Portuguese company active in the field of agricultural equipment since 1920. It was founded by José Francisco Justino. The company has developed significantly, leading the agricultural mechanization process in the Iberian region. It has broadened its operational scope, focusing not just on agricultural equipment but also on the transportation sector. Galucho currently operates internationally, having manufacturing facilities in Portugal and Algeria. It possesses an extensive array of strategic partners that enable Galucho to operate on a global scale (Galucho, 2024).

Over the past decade, the company has finalized numerous partnership agreements, including the establishment of the GALUCHO Algeria joint venture with the Algerian government for local agricultural equipment manufacturing, as well as collaborations with Farming Agrícola (Spain) and AGCO (Massey Ferguson) targeting the African and Middle Eastern markets. In 2015, GALUCHO launched a refreshed image, a new logo, and a new slogan: Efficient Solutions. Inauguration of the Training Centre (2019) for the development of internal human resources and for the commercial and technical training of distributors.

V.2.2. The joint venture Galucho ALGERIE:

This partnership is part of the creation of a company for the manufacturing of agricultural equipment for soil works and agricultural transport. For this, the partnership was with a Portuguese company active in the field of production of this type of agricultural equipment. Therefore, the creation of this joint venture was according to the resolution no. 08/143/06/11/2014 of the State Shareholding Council relating to the partnership project between EPE CMA Spa, EPE PMAT Spa and the Portuguese company GALUCHO industries Metalomecanics. Hereafter, the key details about this joint venture.

Denomination	Galucho Algeria Spa
Partners	EPE PMAT Spa (Algeria 17%) EPE CMA Spa (Algeria 34%) SAMPO ROSENLEW (Finland 49%)
Date of creation	2015
Share capital	215 996 000.00 DA
products	Disc Plow, Reversible Bisoc Plow, Roadside Mower...etc

Workforce	20-49 workers
Objective	More than 5000 units/year of different agriculture equipment and machinery

Source: by the researcher according to Galucho Algeria, available on: galucho-algerie.com

And the web site Kompas, available on: <https://dz.kompass.com/c/galucho-algerie-spa>

V.3. The partnership with the American group AGCO:

V.3.1. About AGCO:

The American agriculture company AGCO was established in June 1990 by a management-led investment group to acquire the successor of Allis-Chalmers Corporation's agricultural equipment division, which commenced operations in the early 1900s. Established in 1990, AGCO is based in Duluth, Georgia, USA (AGCO, 2012, p. 12).

AGCO is a worldwide leader dedicated to the design, production, and sale of agricultural equipment. AGCO enhances agricultural productivity by offering a comprehensive range of tractors, combines, hay tools, sprayers, animal feed equipment, tillage implements, grain storage solutions, protein production systems, and associated replacement parts. AGCO products are marketed under reputable names such as Fendt®, GSI®, Massey Ferguson®, PTx, and Valtra®. In 2023, AGCO reported net sales of \$14.412 billion and allocated \$549 million on research and development, representing 3.8% of net sales. The corporation employs around 27,900 individuals internationally, with its products sold through 3,100 independent dealers and distributors across more than 140 countries (AGCO, 2023, p. 01).

V.3.2. The joint venture Algerian Tractors Company ATC:

ATC was created as part of an industrial and commercial partnership between ETRAG – PMAT (Algeria) and AGCO (USA) by creating a joint venture; a mixed company under Algerian law with the aim of better meeting of the needs of Algerian agriculture equipment, with manufacturing of a varied range of Massey Ferguson agricultural tractors ranging from 45 HP to 200 HP.

The objective of this joint venture, the different types of tractors produced and the main information about it can be summarized as following:

Denomination	Algerian Tractors Company ATC
Partners	EPE PMAT Spa (Algeria 15%) EPE ETRAG Spa (Algeria 36%) AGCO Massey Ferguson (USA 49%)
Date of creation	August 2012
Date of launch	December 2012
Share capital	1 146 608 000.00 DA
products	Different range of tractors like: Massy Ferguson MF 7614 of (140-150) HP, MF 8737 of 370 HP, MF 7618 of 180 HP, MF 7150 of 150 HP, MF 440 XTRA-D of 82 HP, MF 415 of 45 HP.

Workforce	170 agents
Objective	5000 tractors/year

Source: by the researcher according to ATC Algeria, available on: www.atc.dz

V.4. The most important gains that can be achieved through these partnerships:

The first observation through these partnerships is that, despite it's related to one sector, which is the agricultural sector, they are diverse because they include many aspects related to the manufacturing of various agricultural machines and equipment that the sector needs at all its stages, whether in pre- or post-production, which allows us to talk about many gains that can be expected from these partnerships; these gains can be categorized under:

V.4.1. Encouraging investment and diversifying products:

As these partnerships contribute significantly in increasing investment, especially in industries related to the agricultural sector, the most important gains in this context can be summarized as follows:

- Increasing the amount of investments in the agricultural industries sector;
- Diversify products in terms of different agricultural machinery and equipment;
- Responding to the growing local demand for agricultural equipment and machinery, particularly in light of the national strategy to increase investment in the agricultural sector.

V.4.2. Technology transfer and increasing of national integration rates: One of the most important objectives of these partnerships is the transfer of technologies and increase the integration rates of local investments. In this context, the most important benefits that can be derived from these investments can be highlighted as follows:

- Technology transfer is carried out mainly through partnerships with public companies active in the field of agricultural industries;
- Employing local agents and subjecting them to training cycles, as it is done in these three joint ventures, will undoubtedly contribute to increasing their skills and performance and will contribute to the technology transfer process;
- One of the most important goals announced through these partnerships is to increase the rates of local integration from one year to the next, which will contribute to making these industries largely local.

V.4.3. The geographical distribution of the three joint ventures contributes to the territorial equilibrium in terms of investment:

The distribution of these partnerships across several regions of the country raises the level of regional and territorial equilibrium in terms of various investment operations in this context. As the factories of these three joint ventures are mainly located in the eastern and western regions of Algeria; in addition to the presence of the national company specialized in selling and distributing of agricultural equipment EPE PMAT in several regions of the country, which will contribute to:

- Increasing the level of investment in many regions and not limiting it to one region rather than another, which allows for the creation of new job opportunities and the promotion of social and regional justice among the various regions of the country;
- The geographical distribution of these partnerships across the various regions allows them to provide their products to all operators in the agricultural sector in all regions of the country ;
- Raising the level of customer service by offering multiple points of sale and distribution, particularly those related to after-sales services.

VI. Conclusion:

In conclusion, it can be said that the public-private partnership mechanism is used mainly to encourage and promote investments; where various countries and governments utilize it to develop different economic sectors by concluding partnership contracts with private investors and companies (local and foreign), through the use of different types of this mechanism, which vary between construction and building, ownership, management and leasing contracts, as well as partnership contracts between public and private companies through which new joint ventures are created.

In this regard, Partnerships between public and private companies (local or foreign) are regarded as one of the most important mechanisms, since their primary objective is to benefit from the capabilities and experience of the private partner in various fields, especially those related to the industrial sector, which undoubtedly contributes to the relocation of industries, technology transfer and increasing of investment volumes.

Thus, this article has discussed the Algerian experience in the context of concluding partnerships with foreign companies active in the field of industries related to agricultural equipment, highlighting the three joint ventures that were created by subsidiaries of the Algerian group of mechanics AGM, in partnership with three international companies, namely: the Finnish SAMPO, specialized in the manufacture of combine harvesters, the Portuguese Galucho, specialized in the manufacture of agricultural equipment related to soil works as well as agricultural transportation, and the partnership with the American giant AGCO, owner of the Massey Ferguson brand, which manufactures agricultural tractors.

These three projects that have been concluded and implemented within the past decade, show, through this study, their significance in promoting investments in Algeria, particularly in the field of agricultural industries, which have a major role in the development of the agricultural sector, which has a great importance in Algeria, especially in recent years, as it is regarded as one of the most important sectors that can help in our getting rid of the absolute dependence on the oil sector. The most important advantages that can be obtained in this regard can be summarized as follows:

- Contribution in increasing of investment flows in Algeria;



- Relocation of industries related to agricultural equipment and contribution to technology transfer;
- Helping to reducing of the imports related to basic agricultural equipment; as well as improving the performance of the agricultural sector by providing the necessary equipment and machinery with the requisite technology and within the required timeframes;
- Enhancing the efficiency of public enterprises by concluding these partnerships with experienced foreign operators, thereby alleviating the stress on the public budget, particularly in the context of the assistance that the government provides to public enterprises that are experiencing financial difficulties.
- Establishing these joint ventures, in different regions of the nation, contributes to achieving regional equilibrium between the various parts of the country.

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