

The Economic Function of Local Authorities in Algeria: New Stakes for Economic Decentralization – Roles and Mechanisms

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Abstract:

Local authorities occupy a central place in the state's agenda, serving as functional extensions of the central apparatus and as essential pillars in the pursuit of local development, with direct implications for national development. The effectiveness of this role hinges on the competence and integrity of these bodies and their ability to exercise their prerogatives across various domains, particularly through newly assigned roles that include the economic function. At the core of this study lies the dialectical shift from administrative to economic decentralization, a shift aimed at moving beyond bureaucratic approaches and toward economically grounded frameworks capable of breaking away from central dependency and fostering wealth creation at the local level through partnerships involving both the public and private sectors. This study examines the legislative framework governing this shift and interrogates the nature, tools, and functions underpinning this qualitative transformation. It also asks whether regional authorities can effectively reconcile these dual functions.

KEY WORDS: Local authorities; administrative decentralization; economic decentralization; local development; local investment.

Introduction:

The evolving responsibilities of local authorities and the modern tools now available to them signal a clear attempt to recast their role around economic dimensions. This reconfiguration is closely tied to the contemporary logic underpinning public economic policy, which increasingly calls on local entities—alongside the private sector—to take on economic functions once monopolized by the state. These changes emerge in response to the broader restructuring of the economy and its adaptation to global shifts in order to overcome prolonged fiscal crises.

Modern public management, with its emphasis on governance principles, performance-based efficiency, competition, partnership, wealth generation, and financial autonomy, now necessitates a redefinition of boundaries between the

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public and private sectors. It demands greater integration of local actors into economic and social dynamics. This, in turn, invites a reconceptualization of roles, responsibilities, and institutional functions to enable better use of shared expertise, resources, and development initiatives. The goal is to establish a new economic logic rooted in role-sharing and collective responsibility—one that decisively breaks with traditional models of public service management and with the rigid, outdated roles of local institutions. This break is particularly urgent given the current crisis in public service provision and its diminishing relevance.

Faced with this context, the economic function of local authorities is no longer a mere option but a strategic necessity. It is a methodological imperative to cultivate initiative, accountability, and openness to external environments—all in line with Algeria's new state philosophy and its commitment to strengthening economic decentralization and financial autonomy at the local level. This shift is further reinforced by global economic indicators and their domestic repercussions: falling oil prices, weak local tax collection, limited internal and external financing, and the resulting strain on local budgets and financial decision-making. These developments are intimately linked to the requirements of local democracy.

Building on this premise, the present paper seeks to clarify the conceptual framework surrounding local authorities. It identifies the legislative prerogatives granted to local institutions in Algeria to fulfill their economic role as potential economic partners. It further interrogates how these legislative tools impact the quality and scope of local development initiatives.

To deepen this investigation, the following research question is posed: What does the economic function of local authorities in Algeria entail under the new approaches to economic decentralization? What shifts can be observed in the distribution and nature of their roles?

1- Section One: The Conceptual and Organizational Framework of Local Authorities

It is worth clarifying how the notion of “local authorities” is understood within the Algerian administrative system. The two institutional pillars of administrative decentralization are the *commune* (municipality) and the *wilaya* (province). Despite some structural variations, these two entities display a high degree of similarity in terms of their institutional mechanisms and developmental roles. Their functioning relies on an organic complementarity between deliberative (elected) bodies and administrative (executive) apparatuses. This interdependence

makes it necessary to define the concept of local authorities and to distinguish it from other related terms.

1.1- Subsection One: The Concept of Local Authorities in Algeria

In Algeria, what is officially referred to as “local authorities” is also commonly known—both in academic literature and public discourse, including media and political circles—as *territorial collectivities*. These units are legally inseparable from the state. They are responsible for managing and developing all public facilities and services at the local level, acting as functional extensions of the central government. Although the two components of the expression *local authorities*—namely *authority* and *local*—suggest sociological units or community-based entities, these bodies do not, in and of themselves, constitute legal entities. They lack the legal means to autonomously establish themselves as juridical persons. Their legal existence is a derivative of their natural or social existence. Put differently, the local authority is a structural unit built around shared interests, and its legal personality is a formal recognition of a social reality. This juridical status entails rights, obligations, and consequences within the legal order.

From this perspective, Municipal Law No. 11-10, dated 22 December 2011¹, defines the *commune* in Article 1 as the “foundational territorial collectivity of the state,” established by law. The same logic applies to the *wilaya*, as defined in Article 1 of Law No. 12-07, dated 21 February 2012. Both derive their existence and powers from the Algerian Constitution of 2020 (which amended the 1996 Constitution), particularly Articles 15 through 19. In the same context, one may encounter terms that partially overlap with the expression *local authorities*, such as *local administration*, *democratic local governance*, and similar phrases. However, these must not be conflated. For instance, the *local administration* is merely an administrative apparatus placed at the disposal of local authorities to manage public affairs at the local level—it is not itself a local authority.

Continuing from this point, and in line with our objective, it is crucial to underscore that the competences and newly assigned roles of local authorities are deeply intertwined with the broader administrative and territorial organization of the state.

1.2- Subsection Two: Administrative and Territorial Organization as a Structural Foundation for the Economic Function of Local Authorities

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The relationship between administrative organization and the tasks and competences of local authorities remains one of the core concerns of administrative law. Unsurprisingly, many scholars and specialists exploring this field emphasize the inherent link between how a state structures its administration and how it distributes roles across its local units. In this context, administrative organization constitutes the basis for allocating both administrative and economic functions among local entities and between those entities and central state institutions. Globally, administrative organization tends to follow one of two principal models: administrative centralization and administrative decentralization. The first model, now considered more traditional, is based on the concentration of executive authority in the nation's capital. However, the evolution of state theory and the emergence of new responsibilities in managing public services have led most modern states to adopt decentralized models. These are grounded in a principle of distributing executive functions between central government and local authorities as decentralized legal bodies—and in many cases, even between the municipality and the province².

The expanding range of functions assumed by the modern state has forced it to adopt an administrative structure capable of implementing its increasingly diversified public policy agendas. These now extend across social, economic, cultural, and other domains. Thus, regardless of a country's political or economic orientation, its administrative structure invariably relies on a mix of centralized and decentralized institutions to carry out its functions.

Accordingly, administrative organization serves to define and regulate the scope of authority and domains of intervention for public institutions, particularly at the local level. It also governs matters that directly impact the rights and freedoms of citizens. At the same time, the territorial organization of the country provides an operational framework for assigning competences. It establishes a clear delineation between matters that remain within the exclusive purview of the central state—such as the justice system, national security in all its dimensions, and foreign policy—and those that fall within the autonomous remit of local authorities. These local entities, endowed with legal personality and financial autonomy, operate as independent legal actors.

For the purposes of this study, what matters most is that administrative organization functions as both the carrier and the regulatory framework for the economic role of local authorities. This role is explicitly supported by constitutional and legislative provisions that recognize and structure Algeria's regional and territorial organization. In response to both economic and social

considerations, administrative districts have been established within certain *wilayas*, with dedicated regulatory frameworks defined by Presidential Decree No. 15-141 and Presidential Decree No. 15-140 of 27 May 2015. These reforms led to the creation of administrative districts and delegated provinces (*wilayas déléguées*). Local authorities that adhere to principles of effective governance—those capable of institutional coordination, mobilizing actors around local development projects, and integrating into broader economic dynamics through structured partnerships with public and private sectors—are best positioned to fulfill the modern economic mandate expected of them. This constitutes one of the key stakes in Algeria’s recent push toward operationalizing economic decentralization.

In alignment with this logic, Law No. 19-12 of 11 December 2019, which amended and supplemented Law No. 84-09 of 4 February 1984 concerning the territorial organization of the country, formalized a new regional framework composed of 58 *wilayas* and 1,541 *communes*.

Given the strategic nature of comprehensive development—with its multiple components, actors, and objectives—it becomes evident that there are inevitable points of convergence between administrative development, economic development, and social progress³.

2- Section Two: The Role of Local Authorities in Stimulating Investment and the Local Economy

The reimagined role of local authorities increasingly centers on revitalizing the local economy and reactivating economic circulation within regional territories. This renewed focus has garnered considerable attention from both policymakers and researchers. Contemporary economic thinking now tends to build upon the foundations of local, national, and familial economies to achieve integrated and balanced growth, guided by local strategies that take into account demographic realities, geographical capacities, and available economic resources. In this sense, any serious developmental policy aiming to uplift the local level must treat local authorities as foundational infrastructure for development, and as focal points for economic and social dynamism. In Algeria, local authorities are far from equal in terms of financial flexibility or capacity to foster and upgrade the local—let alone national—economy. Yet, their involvement remains central to broader development goals. The part cannot be detached from the whole, especially when the overarching aim is sustainable development. Accordingly, a functional approach to local governance necessarily requires the reinforcement of local

competences in the fields of economic activation and investment support, through clearly defined roles and the creation of enabling environments.

2.1- Subsection One: The Role of Local Authorities in Supporting Local Investment

Most scholarly work on development accords priority to economic development, viewing it as the principal entry point for broader social and cultural progress. Within this framework, the focus on investment is particularly pronounced, as investment is widely regarded as a driving force for economic development. This prioritization stems from the evolution of modern economic science, which now treats investment as the pivotal element capable of propelling economic growth, due to its direct impact on productive activity. Investment thus plays a strategic role in shaping economic dynamics. It constitutes a complex equation requiring coordinated efforts and collective mobilization to be properly understood and addressed. If managed effectively, investment can serve as a structural engine for sustainable development. In this regard, local investment emerges as the central axis around which the local economy revolves—an economy that, in turn, supports and strengthens the national economy⁴.

Consistent with this outlook, the Algerian legislator has granted municipalities a clear mandate regarding local investment. Article 82 of the 2011 Municipal Code confers upon municipalities the right to take initiative in improving their revenue streams. Article 111 further stipulates that the Municipal People's Assembly has the right to stimulate and promote the development of economic activities in line with the municipality's resources and development plans. It also empowers local authorities to adopt any measures likely to encourage and enhance investment. To address financial needs, the legislator has established mechanisms to support local budgets via external financial assistance from the state and, where necessary, special funding from designated financial funds. In the event of shortfalls, municipalities are also authorized to receive donations, bequests, and even loans, as stipulated in Articles 170 and 171 of the same legal code.

Investment at the local level is now a key priority in economic policy, particularly in the context of strengthening economic decentralization. However, the pace of local investment has yet to reach expected levels, even across sectors, due to persistent structural and administrative barriers. To overcome these challenges, Law No. 22-18, dated 24 July 2022 and concerning investment, was enacted to address multiple obstacles facing all forms of investment—local, national, and foreign. Among its innovations is the reliance on a digital platform

designed to streamline investment procedures and manage applications through integrated information systems. This approach aligns with the broader objectives of the National Spatial Planning Strategy⁵.

Within this framework, investment has become one of the most attractive and urgent concerns for entrepreneurial municipalities seeking to optimize the use of available deposits and financial capital. Particular emphasis is placed on real estate and industrial investment, which represent the cornerstone for project realization and investor attraction. Parallel to this, emphasis is placed on local promotion and marketing as key tools to increase local competitiveness—an essential component of any serious local development strategy.

2.2- Subsection Two: Local Authorities and the Promotion of the Local Economy — Roles and Mechanisms

To bring about a structural transformation of the local economy—one that fosters economic dynamism, raises public–private partnership levels⁶, and enhances the quality of life for the local population—local authorities must play a proactive role in improving the delivery of public services, participating effectively in guiding development trajectories, and building inclusive frameworks. This ambition requires a solid legal foundation, accompanied by effective mechanisms to stimulate the economic functions of local institutions, to create participatory spaces with other local actors, and to strengthen cooperation between executive administrations and elected local councils. It also entails instituting sound governance mechanisms, reforming local finance, relaxing excessive administrative oversight, and ensuring a smooth transition from a traditional local administrative structure to a dynamic economic entity capable of generating wealth through diverse forms of investment, institutional creation, intercommunal partnerships, public service delegation, and broader economic engagement⁷.

It is already apparent, however, that economic decentralization remains an ideal model rather than an operational reality. This is largely due to the absence of a dedicated law that clearly defines the general and specific principles of economic decentralization and outlines the procedures for transferring economic decision-making authority to the local level. For now, references to this transition remain superficial and scattered, appearing only in a few articles of the 2011 Municipal Code and the 2012 Wilaya Code.

Nevertheless, the mechanisms for wealth creation and the philosophical underpinnings of the economic role of local authorities suggest a shift away from reliance on external state funding. Instead, it is expected that local authorities,

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through their economic initiatives, should contribute directly to national treasury resources.

In light of these considerations, it becomes clear that this issue remains a subject of intense debate—among political parties, local executive administrations, fiscal specialists, and technical stakeholders—regarding how to operationalize this new approach. The matter is currently under active discussion even in practical workshops established by the Ministry of the Interior, Local Authorities, and Urban Development, under the direction and instruction of the President of the Republic. The central challenge is how to translate this functional shift into concrete, field-level implementation.

To meet the expectations and strategic goals set by the Algerian government, transitional programs toward economic decentralization⁸ can succeed if the aforementioned barriers are addressed. This transformation also places responsibility on the local electorate, particularly during municipal elections, to choose representatives who understand and embrace this new economic role—representatives who act as budgetary authorities and as decision-makers in local development. This shift implies creating the right economic infrastructure to attract investors and economic operators. Accordingly, local authorities must focus on activating their economic function. The modern management of the local sector requires a shift from desk-bound administration to field-based economic engagement. It demands improvements in governance tools, a change in bureaucratic mindsets, and a transition from the logic of passive management to one centered on generating wealth, creating value, attracting capital, and producing employment opportunities. In this regard, initiative-taking becomes a decisive factor in achieving genuine local development. Furthermore, the digitization of local administration will allow for the daily monitoring of projects, clearer accountability, and the creation of reliable databases that help local authorities prioritize urgent needs.

Supporting this new orientation requires a revision of the legal framework governing local authorities. As emphasized by the Director of the Algerian Center for Economic Studies and Local Development Research, the local governance sector urgently needs a legal framework capable of translating development objectives into tangible outcomes. Despite the inclusion of such reforms in annual government plans and presidential commitments, progress has stalled. Since September 2021, a commission has been in place to revise the Municipal and Wilaya Codes, followed by a second commission in October 2022. Yet, no draft law has been published to date—raising questions about the causes of this

unjustified delay. The same applies to the long-delayed Basic Law for Wilaya Governors, which remains unpublished over a year after being announced. The Director argues that, like judges or diplomats, *walis* must be covered by a legal framework that defines their role and ensures parity with other state institutions. The same holds true for the statute of local authority personnel, which urgently needs to be updated to reflect the evolving demands of the sector⁹.

In addition, the Director noted that the central government's control over the majority of tax resources necessitates a comprehensive assessment of the current fiscal system. It is now imperative to reform fiscal legislation and establish a specific legal framework for local taxation. Doing so would improve tax efficiency, diversify collection mechanisms, and strengthen local revenue streams. Properly structuring and managing this fiscal base would, in turn, facilitate the economic function of local authorities—empowering them to build robust information systems that enable effective and autonomous financial decision-making. After all, in matters of governance, access to accurate information is tantamount to power.

3. Results

1. There is a pressing need to adopt legislative flexibility in a manner that grants local authorities real financial autonomy, enabling them to act independently and initiate their own development projects. Such autonomy would not only expand local investment capacity but also increase job opportunities for youth who are both willing and able to work in local public services. This, in turn, would contribute to raising living standards and advancing sustainable development at the local level.
2. Mechanisms for transitioning from administrative to productive economic decentralization must be simplified. It is essential to analyze and demonstrate the value of such a shift, clarify its underlying strategy, and outline the practical contours of this transformation for local bodies and their partners from both public and private sectors.
3. The local level remains the most appropriate space for implementing democratic principles in all their forms. It offers a proximity to citizens that makes it the most revealing environment for assessing the effectiveness and quality of legal frameworks—what might be termed legislative soundness—as well as the concrete application of political, administrative, organizational, and economic systems.

Conclusion

In conclusion, and notwithstanding the range of data, approaches, and analyses presented in this study, we can assert that decentralization in Algeria is progressively evolving from a purely executive and service-oriented function to a model rooted in financial and economic partnership. The aim is to render local authorities' genuine economic actors. The Algerian state remains firmly committed to this transformation and is actively working to provide the necessary legislative scaffolding to support it. At the same time, it is striving to raise awareness among local bodies of the importance of adopting this paradigm. The effectiveness of public management at the local level depends on embracing this shift—both institutionally and operationally—in order to accelerate local development and reinforce the principles of financial autonomy and administrative freedom for local authorities.

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