After thirty years of financial liberalization and reforms of the Algerian banking system, what impact on the financing of the Algerian economy?

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Abstract:

The aim of this article is to show how the financing of the Algerian economy has evolved. To this end, we have adopted a descriptive-analytical approach, based on the Bank of Algeria's annual reports and a review of the various reforms implemented as part of financial liberalization.

Nevertheless, given the fragilities and distortions that characterize its economy, the results are not commensurate with the reforms undertaken, and the country is still unable to diversify its sources of financing, which remain dependent on its hydrocarbon exports and a financial system that is still fragile and not sufficiently developed to meet its financial requirements.

Keywords: Financial liberalization, monetary policy, Algerian financial system, law on Money and Credit.

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1. Introduction:

The role of finance in economic activity has always attracted the interest of economists and public authorities. Its influence is increasingly highlighted as a sine qua non condition for economic development and occupying an important place in development and growth programs and strategies in most countries.

Algeria, like other countries, suffered from a lack of financing capacity, and found itself obliged to undertake a comprehensive change in its economic and social policy, opting for a market economy and financial liberalization in which the capital market plays a key role in providing the necessary financing for its economy. To this end, the State launched restructuring and reorganization programs, under which numerous reforms were undertaken in the various sectors of the Algerian economy, in the form of Structural Adjustment Programs (SAP) carried out in agreement with international institutions (IMF and World Bank). This enabled the country to re-establish macroeconomic equilibrium and liberalize its economy, with improved performance in terms of Gross Domestic Product (GDP) growth, private sector development and the integration of the Algerian economy into the globalization process.

Financial liberalization (FL) programs have included interest rate liberalization, financial deregulation, privatization and the opening up of the sector to foreign investment, with a view to improving efficiency and attracting capital to finance the economy.

The aim of this article is to answer the following question:

Have the monetary and financial reforms undertaken in the context of financial liberalization since the early 90s contributed to diversify sources of financing Algerian economy?

To answer this question, we made the following assumptions:

- **A1:** The economic recovery depends on the expansion of its financial sector, which provides various sources for financing investments that in turn enable the creation of value, the main function of companies;
- **A2:** The results are not commensurate with the reforms undertaken, and the country is still unable to diversify its sources of financing, which remain dependent on its hydrocarbon exports and a financial system that is still fragile and not sufficiently developed to meet its financial requirements.

This article is based on the following three principles points:

- The characteristics of financing the Algerian economy before the reforms;
- The monetary reforms and economic financing from 1990 onwards;
- The impact of the FL and reforms on the financing of the Algerian economy.

2. The characteristics of financing the Algerian economy before the reforms

The main aim of the financial liberalization program was to limit centralized planning at every level, particularly financial, and to promote the mechanisms of a market economy. In fact, during this period, the

Algerian banking and financial system was highly administered, particularly in the fields of capital outflows and credit for public investment. This was essentially due to the development plans drawn up by the State from the 1970s onwards, which ensured that the economy was financed by State resources derived from oil taxation and money creation. This made the State budget the main source of financing. At the same time, banks acted as simple transmission and accounting belts for flows between public companies and the PublicTreasury neglecting the role played by the private sector in the economy.

2.1. Limited scope of action for the private sector

The role of the private sector has been largely limited in the context of bank financing, what is highlighted by several factors:

- A private sector suffering from discrimination in terms of banking conditions and, in particular, the cost of credit, paying 8.5 to 10.5% for operating credit, compared with only 7% for the public sector between 1986 and 1989(Benissad, 1991, p.112);
- The banks hostility to private investment financing, which was limited at 30% of approved investment;
- In addition, refinancing procedures by the issuing bank for private investment loans were lengthy and unpredictable, further discouraging commercial banks.

2.2. Monopolistic position of public banks

The Algerian banking system was dominated by five state-owned banks. This monopoly was accentuated and maintained by the principle of a single domiciliation for public companies and the principle of specialization, whereby each financial institution was specialized by sector of activity, thus restricting the work-scope of banks, minimizing their experience and thereby preventing the emergence of any competition. As a result, their role was reduced to that of mere cash boxes, providing public companies with the liquidity they required.

2.3. Predominant role of the Public Treasury in financing investment

In addition to the limited role played by commercial banks, the Public Treasury was the main player in the financial sector, thanks to its important role in financing investment of the public companies.

In fact, the State intervenes in economic life primarily through its role as a major lender and investor, granting long-term loans and subsidies. This "banker" activity, attributed to the public treasury, was fed by:

- Budgetary savings linked to heavy tax pressure;
- Savings from non-monetary financial institutions (social security funds, insurance companies and pension funds) and deposits with the treasuries of the Caisse Nationale d'Epargne et de Prévoyance (CNEP) and postal cheques center;
- Domestic borrowing in the form of issues of treasury bills or vouchers equipement to households, businesses and banks;

- Monetary borrowings from the issuing institute contracted through the Public Treasury's current account at the Central Bank and the deposits in its account at the postal cheques center.

Tables (1) and (2) show the Public Treasury's role in financing the national economy, through its financial intermediation function direct investment operations.

Table (1): Public Treasury's share of investment

Years	1970-73	1974-77	1978-79	1980-84	1985-87	1988-89
Public Treasuryshare	**29,6 %**	**23,1 %**	**24,69 %**	**47,7 %**	**63,6 %**	**64 %**

Source: Benissad H., (1991). La réforme économique en Algérie. Office des Publications Universitaires, Alger, p.119.

Table (2): Direct Public Treasury investment/GDP

Years	1970-79	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Public Treasuryshare	**9,8 %**	**11,1 %**	**11,9 %**	**15 %**	**18,4 %**	**17 %**	**15,5 %**	**13,9 %**	**8,3 %**	**13,7 %**	**7 %**

Source: Source: Benissad H., (1991). La réforme économique en Algérie. Office des Publications Universitaires, Alger, p.120.

Added to this, an exclusively interbank money market involving only the banks that create scriptural money and the issuing bank as intermediary, enabling these banks to replenish their cash reserves or to invest their surplus liquidity, making rediscounting the preferred means of refinancing banks.

As a result of this planned management of the economy and the oil crisis of 1986, several imbalances, both on the macroeconomic and financial, were noted:

- An increase in public spending leading to a balance of payments deficit and a sharp increase in the external debt service ratio from 1986 onwards;
- A significant increase in the liquidity ratio, from 76% in 1985 to 84% in 1988, leading to higher inflation (Benissad, 1991, p.113).

Faced with this situation, which was dragging the country into an economic crisis and cessation of payments, it was necessary to embark on an in-depth reform of the entire system, in particular the financial and banking system, which was called upon to evolve in its credit policy including its management and control.

All these changes were outlined in Law 86-12 of 19.08.86 and Law 88-06 of 12.01.88, emphasis on the prerogatives of the Algerian Central Bank in formulating monetary policy and its instruments. These laws also emphasized the relationship between banks and public companies, placing a limit on the automatic granting of credit, which will be subject to the rules of solvency and project risk evaluation, in other words, the rules applied in banks in market economies.

However, this desire for reform has not led to the change expected by the public authorities showing that the reforms are limited and totally unsuited to the country's socio-economic context, particularly the fall in hydrocarbon prices and the value of the US dollar (the currency in which exports are invoiced), hence the need to implement a genuine policy of solid reforms, in line with international standards.

3. Monetary reforms and financing the economy from 1990 onwards

The reform process began in the early 90s, with the promulgation of Banking Law 90-10 of April 14, 1990, which established a real authority and benchmark in the field of money and credit, thus forming the cornerstone of Algeria's new financial and banking system.

3.1. Law 90-10 on money and credit

This law was drawn up on the basis of the principle of the Central Bank's independence from the executive branch, and sets out new rules for the creation and organization of banks.

The main provisions of this law can be summered as follows:

- Opening up of banking activities to domestic and foreign private capital;
- Affirmation of the autonomy of the Central Bank of Algéria, which became the Bank of Algeria and managed by the Currency and Credit Council (Conseil de la Monnaie et du Crédit) and reaffirming its role in the management of money and credit and the conduct of monetary policy;
- A new instrument was introduced by this law, namely, obligatory reserves, to a maximum of 28% of their deposits (Benissad, 1991, p.137);
- Liberalization of banking conditions, putting an end to specialization and giving banks freedom to choose their customers, products and organization. In addition, the creation of a Banking Commission as a supervisory authority to ensure compliance with the rules of the profession and banking ethics, with the power to impose sanctions up to and including withdrawal of approval;
- The organization of a real money market and its opening to other participants (non-banking financial institutions and other financial intermediaries), and limiting the Bank of Algeria's assistance to the public Treasury through the purchase of public bills to 20% of the previous year's ordinary budget revenues, thus marking the Bank of Algeria's independence from the Ministry of Finance;
- Regulate the foreign exchange market by relaxing exchange controls.

Since 1963, Algeria has operated a rigid and rigorous exchange control system, allowing no external convertibility of the dinar and only limited convertibility for residents. This law envisaged the revaluation of the dinar and the alleviation of pressure on international payments to enable the re-establishment of greater convertibility (internal and external), by opting for an exchange rate policy initially known as dinar's slide, in other words, a gentle or creeping devaluation, which then moved on to outright devaluation in September 1991, when the dinar was devalued by 25% compared to the US dollar. Thus, from September 1991 to the end of 1993, the average exchange rate was 1USD for 22.5 dinars (Naas, 2003, p.216);

- Diversify the sources of financing for economic agents, this Law set out the objective of creating a financial market, which was implemented with the promulgation of Legislative Decree n°93-10 of May 23, 1993 and the creation of the Stock Exchange, which did not become operational until 1999.

This will diversify sources of financing includes opening up to foreign capital, in particular Foreign Direct Investments (FDI). Indeed, since independence, Algeria has lived in a closed economy and reticent towards foreign capital, and that's why that the Law 90-10 facilitated the establishment and activity of several foreign banks and branches, and even foreign establishments. This has been encouraged by the new legislation on foreign investment and partnership, which allows foreign economic operators to benefit from the guarantees provided for in the international conventions that Algeria has ratified in the context of financial liberalization, in particular the repatriation of the proceeds of their financing (capital and dividends) (Bank of Algeria regulation 90-03 of 08/09/90).

In addition, liberalization and adjustment of interest rates have been undertaken, including:

- Raising the rediscount rate from 11.5 to 15% and setting a central intervention rate for the Bank of Algeria on the money market;
- Removal of the ceiling on the interbank market rate, which becomes freely negotiable;
- Limitation of the bank margin to 5% above the average cost of bank resources, which was lifted in 1995;
- Fixing obligatory reserve for banks and financial institutions at the Bank of Algeria at 2.5% of total deposits (sight deposits, term deposits, savings account, etc.).

But contrary to what was envisaged in this law, the Algerian economy is still considered to be a debt-based economy and has not been able to achieve the envisaged market economy objective.

Table (3): Financing of the economy by the Central Bank (in billions of AD)

Financing	Years				
	1989	**1990**	**1991**	**1992**	**1993**
Central Bank financing of which:	141,1	164,6	209,0	241,1	303,2
Treasurelending	110,4	98,9	100,6	162,8	273,8
Bank loans	30,7	65,7	108,4	78,3	29,4
Money supply M2	308,1	343,3	418,8	529,2	649,1
Central bankfinancing / money supply*	46 %	48 %	50 %	46 %	47 %

******Rates rounded by the author*

Source: Naas A., (2003). Le système bancaire algérien, de la décolonisation à l'économie de marché. Edition Maisonneuve et Larose, Paris, p.210.

Indeed, table (3) shows that the Central Bank (CB) continues to play a significant role in financing the economy. Over the period 1990-1993, itslendings to the economy, split between the Public Treasury and commercial banks, varied between 46% and 50% of the money supply, most of it in the form of advances to the State (nearly 90% in 1993).

This trend began to change and to decrease from 1996 onwards, after the introduction of the SAP, so that in 1998, this financing represented only 25% of the money supply M2, and a change in the distribution of credit between the public treasury and the banks was also noted, since those granted to the public Treasury now represent only 30% of total CB financing.

This change in financing method is linked to the policies outlined by the IMF, notably restrictive budgetary and monetary policies aimed at curbing public spending, thereby limiting the supply of credit to this sector. In addition, the share of commercial banks in financing the economy rose from 304.8 billion dinars in 1994 to 734.1 billion dinars in 1998, with a predominance of short-term loans accounting for around two-thirds of bank financing.

This approach of restricting financing has only made it more difficult and more restrictive for companies to access to bank financing and in the absence of a financial market; they found themselves unable to mobilize savings to ensure their operations. This led to a deterioration in the national economy, with a fall in production and a drop in investment, resulting in a high level of unemployment (almost 400,000 workers had become unemployed by the end of 1998) (Naas, 2003, p.243).

3.2. Strengthening the Law 90-10

The public authorities were called upon to launch other reforms and take other measures to strengthen the banking system and develop the capital market, making it a genuine tool and lever for financing the economy and promoting development, we can mention the Ordinances n°01-01 of February 27, 2001 and n°03-11 of August 26, 2003 which offer a new legal framework for banking operations.

The aim of these new texts was to strengthen financial security and improve the payment system and market quality by reinforcing the conditions for the establishment, supervision and control of banks and financial intermediaries.

The money market has also undergone changes in its organization and operation, diversifying and increasing the number its participants. During the period 2000-2001, the role of the Central Bank in financing the economy underwent a complete turnaround. In fact, this period saw a substantial increase in oil taxation linked to the rise in the price of a barrel of oil (from USD 12.9 per barrel in 1998 to USD 28.5 in 2000), and the public Treasury found itself, for the first time, in the position of a lender and no longer needing to turn to the Central Bank, whose financing fell from 25% in 2000 to 0% in 2001 (Naas, 2003, p.273).

Ordinance n°10-04 of August 26, 2010 was promulgated, incorporating the new investment and foreign capital measures set out in the 2009 Supplementary Finance Act. As a result, a number of measures have been taken, notably the establishment of foreign banks can only take place within the framework of a partnership in which the resident national shareholding is 51% of the banks' capital.

4. Impact evaluation of financial liberalization and reforms on the financing of the Algerian economy

Post-reform monetary policy has had repercussions on the terms and conditions financing of the national economy both by the Bank of Algeria and commercial banks.

4.1. Changes in the structure of the Algerian banking system

Before the reforms, Algerian banking system consisted of the Central Bank, five state-owned banks resulting from the nationalization of French banks in 1986, an investment bank and a savings bank.

To the present day, alongside the Bank of Algeria, it is composed of 28 public and private banks and financial institutions, so we have:

- 06 public banks whose capital is 100 % state-owned: BNA, BEA, CPA, BADR, BDL and CNEP;
- 14 private banks with 100% of its capital owned by the foreign banks or of a mixed nature. These banks include El Baraka Bank, Citibank Algérie, Arab Banking Corporation (ABC), Société Générale, BNP Paribas and others;
- 09 financial institutions, including: Arab Leasing Corporation (ALC), Caisse Nationale de Mutualité Agricole, Cetelem Algérie, etc., which are mainly responsible for leasing and housing acquisition financing.

Despite the fact that the Algerian financial and banking system has opened up to private capital, both domestic and foreign, it is still dominated by the 06 state-owned banks, particularly by the number of their agencies throughout the country which is represented in table (4).

Table (4): Distribution of bank agencies from 2005-2021

Agencies	Years								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public banks	1097	1126	1093	1057	1072	1077	1083	1091	1094
Privatebanks	130	152	194	244	252	290	343	387	500
Total	1227	1278	1287	1301	1324	1367	1426	1478	1594
Agencies	**Years**								
	2014	2015	2016	2017	2018	2019	2020	2021	
Public banks	1113	1123	1134	1142	1155	1172	1185	1202	
Privatebanks	332	346	356	359	370	379	390	401	
Total	1445	1469	1490	1501	1525	1551	1575	1603	

Source: Table compiled by using the data of the Bank of Algeria from 2005 to 2021.

4.2. Evolution of bank deposits

The volume of bank deposits has evolved significantly as a result of changes in the Algerian economy, as shown in table (5) below:

Table (5): Volume of bank deposits (in billions of AD)

Deposits	Years								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Demanddeposits	1224,4	1750,4	2560,8	2946,9	2502,9	2870,7	3495,8	3356,8	3537,5
Termdeposits	1632,9	1649,8	1761,0	1991,0	2228,9	2524,3	2787,5	3331,5	3691,7
Guaranteedeposits* (in euros)	103,3	116,3	195,5	223,9	414,6	424,1	449,7	548	558,2
Total	2960,6	3516,5	4517,3	5161,8	5146,4	5837,1	6733	7236	7787,4

Deposits	Years							
	2014	2015	2016	2017	2018	2019	2020	2021
Demanddeposits	4434,8	3891,7	3732,2	4499,	4880,5	4313,0	4159,1	5230,9
Termdeposits	4083,7	4443,4	4409,3	4708,5	5232,6	5531,4	5757,8	6457,2
Guaranteedeposits	599	865,7	938,4	1024,7	809,6	795,1	839,1	803,9
Total	9117,5	9200,8	9079,9	10232,2	10922,7	10639,5	10756	12492

** Signature commitments (documentary credits, endorsements and guarantees).*

Source: Table produced from the data of the Bank of Algeria annual reports (2005-2021).

We can see that deposits increased from 2005 onwards which is mainly attributed to the modernization of the payment system and the development of the banking network, facilitating access to banking services for a larger proportion of the population, but above all as a result of rising incomes, particularly in the public sector. Nevertheless, this progression remains weak compared to neighboring countries (Morocco and Tunisia), taking into account the ratio: *Deposits (demand and term) / currency in circulation*, which remains relatively low, equal to 3.1, whereas it is assessed at 4 for Morocco and 5.5 for Tunisia, reflecting the development of their financial markets by being genuine competitors for their banking systems, which is far from being the case for Algeria (Temmar, 2015, p.50).

In addition, the structure of bank resources is also characterized by the predominance of demand deposits which have recorded accelerated growth with the increase in hydrocarbon revenues. While the downward trend in term deposits is the result of a lack of confidence of the agents of Algerian banks, mainly following the bankruptcy of El Khalifa Bank in 2003, but also of households' preference for real estate investments and their high profitability over bank investments. However, this trend began to reverse in 2012, with term deposits increasing by 12.1% by the end of 2021 (Bank of Algeria report, 2022).

4.3. Changes in the structure of bank loans

Bank lending evolved significantly in the 2000s, under the impact of various reforms and shares and continues to evolve year to year.

4.3.1. Loans distribution by legal status

By legal status, outstanding loans to the public sector have always been the State's priority and remain dominant compared to the private sector. However, from 2005 onwards, the trend began to reverse and redirecting loans towards private industrial and commercial companies, as shown in the following table (6):

Table (6): Evolution of loans granted by the banking sector (in billions of AD)

Loans	Years								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public sector:	**882,9**	**848,1**	**989**	**1202,2**	**1486**	**1462**	**1742**	**2051**	**2434,3**
- Public banks	882	847	987	1200,3	1485	1461	1742	2051	2434,3
- Private banks	0,9	1,1	2	1,9	1,0	1,0	0,0	0,0	0,0
Private sector:	**896**	**1055**	**1214**	**1412**	**1599**	**1805**	**1982**	**2245**	**2720,1**
- Public banks	765	879	964	1087	1227	1374	1452	1675,5	2023,1
- Private banks	131	176	250	325	372	431	531	569,5	697
Total loans*	**1778,9**	**1903,1**	**2203**	**2614,2**	**3085**	**3267**	**3724**	**4296**	**5154,4**

Loans	Years							
	2014	2015	2016	2017	2018	2019	2020	2021
Public sector :	**3382,9**	**3689**	**3953,8**	**4311,8**	**4944,2**	**5636,6**	**5793,3**	**4262,6**
- Public banks	3373,4	3679,5	3944,3	4302,3	4934,7	5627,1	5778,5	4243,2
- Private banks	9,5	9,5	9,5	9,5	9,5	9,5	14,8	19,4
Private sector :	**3120**	**3586,6**	**3955**	**4566,1**	**5029,9**	**5219,1**	**5386,9**	**5574**
- Public banks	2338,7	2687,1	2982	3401,7	3701,4	3918,7	4093,6	4169,8
- Private banks	781,3	899,5	973	1164,4	1328,5	1300,4	1293,3	1404,2
Total loans*	**6502,9**	**7275,6**	**7908,8**	**8877,9**	**9974,1**	**10855,7**	**11180,2**	**9836,6**

**Amounts rounded by the Bank of Algeria.*

Source: Table produced from the data of the Bank of Algeria annual reports (2005-2021).

On the other side, loans granted by private banks are exclusively geared towards the private economic sector, with a significantly rapid increase from 131 billion AD at the end of 2005 to 1404.2 billion DA by the end of 2021. However, loans to the public sector remained very limited, particularly between 2005 and 2013, when they amounted to no more than 1 billion DA.

For their part, public banks continue to provide almost all the financing for the public sector, and financing the major projects of large public companies in the amount of 4243.2 billion DA or over 99% of total loans, and 4169.8 billion DA, or 74.81% for the private sector.

4.3.2. Credit distribution by maturity level

Despite the will expressed by the Algerian authorities to create an efficient financial market and have its place as a long-term market and meet the financing needs of the economy, we have to admit that this market remains almost non-existent in Algeria, despite being in place more than two decades ago.

Indeed, as a debt-based economy, most of the Algerian economy's financing has always relied and continues to rely on the banking system.

Therefore, Algerian bank financing is characterized by a dominance of short-term loans, but from 2005 onwards, medium and long-term loans began to expand and grow. This is explained by the major partnership projects launched by the State during this period, which are part of public spending programs, particularly in the hydrocarbons and energy sectors. Thus, for the year 2021, an analysis of the structure of loans granted by maturity gives a rate of 35.7% for ST loans to 64.27% for LMT loans (as shown in table 7).

Table (7): Structure of loans granted by maturity

Loans	Years								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
ST loans	923	916	1026	1189	1320	1311	1363	1361	1423,4
LMT loans	855	988	1178	1424	1765	1955	2361	2935	3731,1
Total*	**1778**	**1904**	**2204**	**2613**	**3085**	**3266**	**3724**	**4296**	**5154,5**

Loans	Years							
	2014	2015	2016	2017	2018	2019	2020	2021
ST loans	1608,7	1710,6	1914,2	2298	2687,1	3011,1	3203,7	3515
LMT loans	4894,2	5564,9	5993,6	6579,9	7287	7844,6	7967,5	6321,7
Total*	**6502,9**	**7275,5**	**7907,8**	**8877,9**	**9974,1**	**10855,7**	**11171,2**	**9836,7**

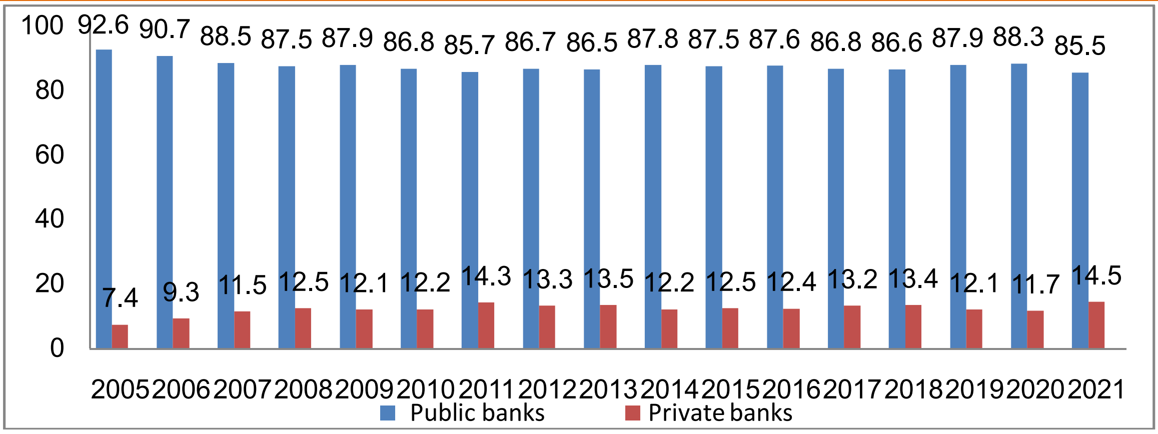
**Amounts rounded by the Bank of Algeria.*

Source: Table produced from the data of the Bank of Algeria annual reports (2005-2021).

4.3.3. The monopoly of public banks

We can thus see that the public banks predominate in the distribution of credit with market shares of 85% to 90%, while private banks are only present on a small scale, accounting for 12% to 14% of loans granted. As can be seen in the following distribution of loans in Algeria which characterized by the predominance of public banks, which account for the totality of loans granted, with rates ranging from 85.5 to more than 90% of market shares, compared with rates of 7.4 to 14.5% for private banks, as can be seen in the following diagram:

Diagramof the evolution in the share of public and private banks in total loans granted (%)



Source: Diagram based on data of the Bank of Algeria from 2005 to 2021.

5. Algeria faces new challenges

Algeria once again found itself facing major economic challenges, putting its economic policy to the severe test, particularly its financing policy, following the oil shock of 2014 and the sharp drop in hydrocarbon prices.

To deal with these new conditions, the authorities have proceeded to consolidate public spending and depreciate the currency in 2016, while also undertaking reforms to diversify the economy and reduce dependence on hydrocarbons.

The advent of the country's domestic political crisis in 2018-2019 has only aggravated the situation and so it was that during the period from 2013 to 2019, the budget deficit rose from 0.9% to 9.6% of GDP, the public debt has increased more than six-fold and the country's foreign exchange reserves have halved from 32 months to 17 months of imports.

Thus, at the end of 2017, the Bank of Algeria revised the Law on money and credit and authorized the monetary financing of the Treasury's needs and the repurchase of its receivables. This approach was widely criticized by the IMF in its report on the country's economic activity in 2018, which warned of the risks to inflation, foreign exchange reserves and the balance sheets of the Bank of Algeria which recorded a monetary financing rate of 32% of GDP in 2019.

In 2020, Algeria, like the rest of the world, was hit by the Covid-19 pandemic, aggravating its economic imbalances and further deteriorating its public finances, with an increase in spending by more than 1% of GDP to deal with the pandemic, bringing the global budget deficit to 11.7% of GDP in 2020. To ensure the long-term financing of the national economy, the Bank of Algeria has invested part of its own funds in three-year Treasury bonds in 2021 for an amount of 520 billion dinars, which corresponds to 2.3% of GDP, and has granted temporary advances to the Treasury of 335 billion dinars, or 1.5% of GDP.

In the same year, the country's monetary authority launched a special refinancing program worth 2100 billion dinars, equivalent to 9.3% of GDP and granted new loans to the State and the rest of economy by involving public banks and the Treasury.

Faced with these new developments, both nationally and internationally, a new draft law was presented to the National People's Assembly (APN) and unanimously adopted by the deputies on April 10, 2023. This new law is part of the reforms initiated to restructure the monetary and financial system, with the introduction of more than 30 amendments, focused mainly on:

- The extension of the term of office of the Governor and Vice-Governors of the Bank of Algeria to 5 years, renewable once only;
- The Islamic finance, whose services and products can be marketed through the counters of traditional banks and financial institutions. The Governor of the Bank of Algeria, Salah Eddine Taleb, sees this as a step that"could contribute to the development of financial inclusion and control the circulation of hoarded funds, putting them at the service of the national economy";
- In addition, these new reforms are designed to strengthen the performance of economic companies and support foreign investment by ensuring easier capital transfers and the opening of foreign exchange offices.

This law could represent an opportunity for the national economy, if the conditions for its implementation are met, in order to build a financial system at the service of economic growth and monetary stability.

6. Conclusion

In this work, we have shown the evolution of the Algerian economy's method of financing from independence to the present day, by reviewing the various reforms put in place, starting with the adoption of Law 90-10 of April 14, 1990 on money and credit. Nevertheless, despite all the efforts and changes made to the financial system, Algeria is still unable to diversify the sources of financing its economy, which remains dependent on its hydrocarbon exports and a banking system that is still fragile and insufficiently developed to meet the country's financial requirements.

A number of deficiencies that weaken the Algerian financial and banking system were identified, such as a lack of autonomy, since the State is a 100% shareholder in public banks, providing financing over 90% of the public sector and nearly 75% of the private sector which explains the lack of competitiveness in this sector.

Added to this, Algeria is lagging far behind in the creation and organization of an efficient financial market that would guarantee direct financing for companies. Indeed, after more than 20 years of existence, the Algiers stock exchange has only listed 4 companies: Alliance Assurance, Biopharm, El Aurassi and Saidal, and one small business (AOM Invest SPA), which specializes in financial investments. As a result, market capitalization is still less than 1% of GDP.

That’s why the Algerian government continues its efforts to promote direct financing for companies, and thus increase non-bank sources of financing, notably the financial market, which can play an important and additional role in attracting and capturing capital, by announcing the opening, through the Stock Exchange and up to 30% of the capital, of two public banks, namely, Crédit Populaire d'Algérie (CPA) and Banque de Développement Local (BDL) to institutional and individual investors. This represents a revolution in Algerian banking governance and an opportunity to revitalize the Algiers Stock Exchange, which can only benefit the Algerian economy by meeting the financing needs of companies aiming for growth and profitability.

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