

THE GOVERNANCE OF ALGERIAN PUBLIC ENTERPRISES AND DECISIONAL RATIONALIZATION (CASE – EPA. SONATRACH-HYDROCARBON SECTOR)**Aimen AMIRA¹, Soumeya BACHA²**¹ Corporate governance & HRM, ORAN2 University, amira.aimen@univ-oran2.dz² International Trade / TIPAZA University, s.bacha@univ-boumerdes.dz*Received: 07/06/2019**Revised: 13/06/2019**Accepted: 30/06/2019***ABSTRACT.**

The purpose of this study will be to present the state of play of the governance of public enterprises in Algeria, through a description of the efforts made to develop and promote this theme (the Algerian code and system of governance, economic reforms, Performance, decision-making, etc.). Today, these companies (APE¹) must reach reliable and transparent economic plans, and effective and correct strategies to satisfy good governance. In the case of Algerian APE, the State is the sole shareholder and the managers are the controllers. And the rationality of the decision-making process remains an essential mechanism for good public management through good practices that present effective economic reforms, knowing that Algeria is adapting a bank-oriented GE system that plays a decisive role in the management and shareholder financing in this type of business. After the financial and ethical scandals and the mismanagement of the EPRs in Algeria, in particular the " **Sonatrach**", and the incapacity to take correct decisions in order to improve the economic results and the lucrative institutional sustainability. All this calls for the need to look for the impact of the Algerian corporate governance system and its role in streamlining the decision-making process.

Key words: governance, Algerian public enterprise, decision making, shareholder, CA, , APE *sonatrach* (hydrocarbon sector).

Jel Classification Codes: M1

RESUME.

Le but de cette étude sera de présenter l'état de la gouvernance des entreprises publiques en Algérie, en décrivant les efforts déployés pour développer et promouvoir ce thème (le code et le système de gouvernance algériens, les réformes économiques, les performances, les décisions prises..., etc).

Aujourd'hui, ces entreprises (EPE) doivent élaborer des plans économiques fiables et transparents, ainsi que des stratégies étudiées et appropriées pour satisfaire la bonne gouvernance d'entreprise.

Dans le cas d'EPE algérienne, l'État est le seul actionnaire et les dirigeants sont les contrôleurs. Et la rationalité du processus décisionnel reste un mécanisme essentiel pour une bonne gestion publique grâce à des bonnes pratiques qui présentent des réformes économiques efficaces, sachant que l'Algérie adapte un système de GE orienté vers les banques qui jouent un rôle décisif dans la gestion et le financement des actionnaires dans ce genre d'entreprise. Après les scandales financiers et éthiques et la mauvaise gestion des EPE en Algérie, en particulier la "Sonatrach", et l'incapacité de prendre des décisions correctes afin d'améliorer les résultats économiques et la durabilité institutionnelle lucrative. Tout cela appelle la nécessité de rechercher l'impact du système de gouvernement d'entreprise en Algérie et son rôle pour rationaliser le processus décisionnel.

Mots clés: gouvernance, entreprise publique algérienne, prise de décision, actionnaire, CA,, EPE *sonatrach* (secteur des hydrocarbures).

Codes de classification Jel: M1

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In the economic and managerial literature, the theme of corporate governance has grown due to numerous financial scandals in which business leaders have been questioned. The importance of these shortcomings, both nationally and internationally, has led to questions about the effectiveness of the modes of governance. This resulted in the emergence and dissemination of a set of practical recommendations, often formalized in the form of codes of good governance. (A. *Lamia*, K. *Ahmed*, (2015, 02).

Beginning in the 1990s, corporate governance was the subject of numerous theoretical studies, rapidly complemented by the emergence of the first personality reports on governance (*Cadbury-1992* report, *Vienot 1* reports in 1995 & *2* in 1999 and the report *Bouton-2002*, *Breeden* report ... for example). The financial scandals of the 2000s have sparked a growing awareness that governance should be stepped up to prevent economic enterprises as a whole from being swept into a recurrent maelstrom.

This wave of resounding bankruptcies has had the merit of encouraging shareholders to question the reliability of accounts and financial reports presented by management teams. The disappearance of economic giants such as ENRON, WORLDCOM or VIVENDI UNIVERSAL has taken the company's specialists to the limit and has engendered a process that we can only see as the first steps: the endless crisis of 2008 has raised questions about how Taken certain decisions (hut stone, 2013,02).

In a market economy, the company must comply with the rules of good governance, the main one being the complementarity between the technical and economic logic and the ethical requirement of the company. This new approach is based on the respective rights, obligations and responsibilities of internal and external stakeholders and their interrelationships. The practice of good governance thus makes it possible to favor the conditions of a seine and dynamic market economy with a network of efficient and competitive companies. (O. *Dahbia*, B. *Chabane*, 2015, 17).

After experiments in the management of Algerian public enterprises and the relationship of the owner state with these, it is important to note that this experience went through two major phases: the first spreading from Independence (1962) the first reforms of autonomy (1988), and the second since then. Each of these two phases is characterized by elements that resemble those of the corporate governance system.

In Algeria (especially), the Public sector remains dominant in the economy. This leaves very little room for the "Invisible Hand" to regulate the market. In Algeria, the terms of productivity, efficiency and performance continue to represent the essential goals of the series of changes that began in 1980, and subsequently in 1988 with the process of structural adjustment of the Algerian economy between 1995 and 1998, Or the restructuring of the Algerian public enterprise and the socialist management form a part. There was a need to improve and develop management practices in national societies, to improve and refine structures in the light of experience, the implementation of new objectives and the raising of the level of maturity workers.

After the failure and inability to make rational and effective managerial and financial decisions by the government and public management supervisors of the company "*Sonatrach*" to improve economic performance and institutional lucrative sustainability. All this called for the need to look for the effectiveness of the system of corporate governance in Algeria and the rationalization decision.

In light of these events and brief explanations on the subject, we arrive at the following dilemma for the study:

How does the governance of public enterprises in Algeria affect the decision-making process? And what is the reality of this relationship at Sonatrach level?

By the main dilemma, we can pose the following partial problematic:

- ✓ What type of managerial governance formalized by Algerian public enterprises? And the impact of theoretical approaches to corporate governance on decision-making?
- ✓ What type of relationship Between the Algerian sovereign powers (Government shareholder)? And decision-making (information system)? And good governance (management control, board of directors, senior management ...)? Within Algerian public enterprises?
- ✓ What is the degree of application of the concept of corporate governance at "Sonatrach" ?« And its impact on managerial decision-making rationalization in front of the managerial, financial and institutional scandals of "*sonatrach*" ?

1.1. The importance of study.

The importance of this study is linked to the topicality and concerns of the Algerian government because of the financial, ethical, managerial and organizational scandals in public management and particularly the Algerian public company, for example scandals 1 and 2 of the **Sonatrach**, as the APE governance system is a topical and recent concept and is being implemented on one side and is a measurable mechanism for evaluating and developing economic, organizational and structural reforms Efficiently on the other hand.

1.2. Study objectives.

These objectives are:

- ✓ Define the concept of corporate governance in Algeria, including emergence, theories and practices;
- ✓ Determine the reforms and economic policies of the Algerian EPs;
- ✓ Show the impact and need to apply corporate governance in Algeria, especially in the current economic crisis, due to lower oil prices;
- ✓ Identify the extent to which the principles of governance (at the level of the Algerian public institution Sonatrach) have been implemented, thereby contributing to the streamlining of the decision-making process, such as the degree of financial and accounting disclosure, symmetry of information Stakeholders and concepts of responsibility and accountability.

The fundamental objective is to determine the impact of upgrading the notion of governance on the APE and the role of this new form of public enterprise management in economic growth through the creation of added value, Improvement of institutional performance, social responsibility, and decisional rationalization ... etc.

2. The conceptual framework of governance.

The roots of the word "governance" go back to the Latin word "*gubernator*" which comes from the Greek "*Kubernetes*" relating to the individual holding the rudder of warships. The role of the gubernator was neither to row nor to decide on those who row or the combination, is its role to monitor the trajectory of the ship. Therefore the first definition of governance is to monitor and direct. (J. O'Grady, 2002).

According to *Jean-Pierre Gaudin* , the word "governance" meant in the thirteenth century the action of piloting something. The emergence of modern states from the sixteenth century onwards, and the reflection on this concept, led later to an empowerment of the notion of government in relation to that of governance. (*J.P. Gaudin, 2002*).

The first notion was associated with the idea of a hierarchical power, and the second took on the meaning of the science of government, that is, the proper way of managing a thing or a situation. It was according to this conception, more linked to the idea of management than to that of power, that governance was exported to the Anglo-Saxon world. This term refers, at present, to a pragmatic steering of powers.

In the 1970s, some economists will define governance as "devices implemented by the company to conduct internal coordination to reduce transaction costs generated by the market."

In the 1980s, international institutions seized the expression "good governance" to define and clarify the criteria for "good public administration" applicable to countries with strong incentives (in exchange for loans) to set up Institutional reforms for the success of their economic programs. They advocate good governance, a new public management based on an entrepreneurial logic. They advocate the waning of the welfare state, the targeting of beneficiaries of social policies, and the privatization of public services. *During the 1990s*, governance would be "a relational practice of cooperation's not predefined and always to reinvent, at a distance from hierarchical frameworks of the past and routine procedures". (J.P. Gaudin, 2002).

Governance is also defined as "*the set of actions and means adopted by society to promote collective action and to provide collective solutions in order to pursue common objectives*".

According to the *OECD*: "*Corporate governance specifies the distribution of rights and responsibilities through the various participants in the corporation, such as staff, managers, stakeholders and other stakeholders. (OECD, Principles of Corporate Governance, 2004).*

In this context, we return to the definition of corporate governance presented by *G. Charreaux* in order to clarify the nature of the debates related to this theme. At first glance, this definition applies to businesses, in their increasingly widespread form of corporations. The capital emanates from majority or scattered shareholders and this form of enterprise has an important and new characteristic, at least for the time; the dissociation of ownership and control. This is reflected on the managerial level where the company is headed by non-shareholders (*G.charreaux, 1997*).

On the Algerian accounting and financial level, this type of property is reflected in the division of capital into two categories: the active form and the passive form.

✓The active form: represents the values belonging to the company and;

✓The passive form, on the other hand, represents all the debts of which the contributions of the shareholders.

2.1. The main theories of corporate governance.

The most important corporate governance theories related to management control can be presented as follows:

2.1.1. The theory of property rights and the shareholder state (the sovereign power) of the public enterprise: To define more precisely property rights, emphasis must be placed on two dimensions, the right to residual yield and the right to control. Indeed, to own the right to own an asset is to have the right to the residual return resulting from the production or, in other words, to benefit from the profit. The person entitled to this return is, in the case of the firm's analysis, the owner of the firm. But there is also the right to residual control, that is to say, the right to take all decisions concerning the use of the asset with only the legal or contractual specifications.

The type of public enterprise is the antithesis of the model of capitalist enterprise; it is characterized by the non-transferability of a collective right of ownership. So we are in a situation where there are no negotiable rights on the assets. And the state owns (shareholder) and bears losses and profits. The theory of property rights is based on a relatively simple idea: the existence of well-defined property rights is an essential condition of individual initiative. (*KHERRAF H. 2014, 25*).

The conclusion is that the discretionary practices of managers will tend to be more important than in a private company, because there is no real control of the shareholder (the state), there is no threat of corporate takeover as well as in the private sector, and the traditional incentive mechanisms of managers cannot be put in place.

2.1.2. Agency Theory and Conflicts of Interest (Jensen & W.H. Meckling 1976): Distinguishing itself from the theory of the agency that privileges the notion of conflicts of interest. The traditional conflict between shareholders and managers, Jensen and Meckling's analysis also deals with the

established agency relationship with creditors. Indeed, the use of indebtedness allows the owner-manager to evade the discipline of shareholders, but creates another agency relationship with the creditors. The latter may protect themselves by contractual clauses or by the taking of guarantees. The bankruptcy procedure is also a control mechanism. (Charreaux, G. 1997, 1). **Jensen and Meckling** also cite the role of management's reputation in reducing agency costs and the control function of financial analysts. It can be said that the relationship between shareholders / managers / and financial creditors. It is then necessary to extend the analysis to all parties involved; this is what was done by Oliver Williamson in 1985 through the theory of transaction costs.

2.1.3. The theory of transaction costs and the opportunistic behavior of managers (Williamson 1981): The theory of transaction costs proposes a variant of what can be described as a contractual vision of the firm: the firm is defined as a system of contracts, of specific form, between individual economic agents. This is basically an explanation of the firm by the market failures deriving from information imperfections and asymmetries.

Opportunism: is central to the current reformulation of the analysis of Individual behaviors that aim to consider men "as they are", in an imperfect information context. Opportunistic behavior is to seek self-interest through cunning and various forms of cheating. Opportunism is based on an incomplete, distorted or falsified revelation of information by an agent, notably on its capacities, preferences or intentions, and therefore the existence of information asymmetries between agents (for example, on the quality of a product, or the vagaries of its production); it can go as far as pure and simple breach of its commitments. (**CORIAT, B. WEINSTEIN, O, 1995**).

2.1.4. The rooting theory and the discretionary power of managers: The theoretical framework describes the various mechanisms that delimit the discretionary space of managers, with the aim of limiting transaction costs, without questioning the behavior of managers. Indeed, in this theoretical framework, the role of the leader appears very discreet or even absent, yet the leaders are not passive, pursuing an objective of rooting, they seek to neutralize the various disciplinary mechanisms.

Leadership is for managers to value (for themselves) their presence within the company by making it expensive to revoke them and thus reducing their risk of replacement. The leader will then adopt strategies of rooting, that is to say make it indispensable to shareholders (**PARRAT, F. 1999**).

The manager increases the need for his role and know-how, exacerbating his status as a specific asset. This entails neutralizing the governance mechanisms imposed on the manager as the board of directors as a formal mechanism of market-driven control. Indeed, executives benefit from an asymmetry of information that allows them to make decisions that are not necessarily for the benefit of the shareholders and the stakeholders of the company, but these decisions reinforce the position of these leaders. (**Khaddouj, K. 2016,11**).

2.2. The principles of governance of SOEs according to the OECD (2015).

The Guidelines on Corporate Governance of Public Enterprises were first published in 2005. In 2014, the OECD Committee on Corporate Governance mandated its subsidiary body, the Working Party on Corporate Governance, and privatization, to review and revise the instrument in the light of the lessons learned from almost ten years of implementation. (OECD, 2015- Guidelines on Governance of Public Enterprises),

A. Reasons for public ownership: The State exercises its rights as a shareholder of public enterprises in the service of the public interest. It must carefully evaluate and make public the public policy objectives for its participation and submit them to periodic reviews.

B. The State in its role as a shareholder: The State must behave as an enlightened and active shareholder in order to ensure that governance of public enterprises is exercised in a transparent and accountable manner with a high degree of professionalism and efficiency.

C. Public undertakings on the market: In accordance with the grounds for public ownership, the legal and regulatory framework governing public enterprises must guarantee a level playing field when they are engaged in economic activities.

D. Equal treatment of shareholders and other external investors: When public enterprises are listed or have investors other than the State as their shareholders, the State and public enterprises must recognize the rights of all shareholders and ensure that, they receive fair treatment and equal access to company information.

E. Stakeholder relations and corporate accountability: The government must conduct a shareholder policy that takes full account of the responsibilities of public enterprises vis-à-vis the stakeholders and oblige public enterprises to report on their relations with Stakeholders. All State expectations of public enterprises regarding the responsible conduct of enterprises must be clearly stated.

F. Dissemination of information and transparency: State-owned enterprises must comply with stringent transparency standards and be subject to the same high standards of accounting, disclosure, compliance and auditing as listed companies.

G. Responsibilities of the boards of directors of public enterprises: The board of directors of a public company must have the necessary powers, competence and objectivity to carry out its strategic steering and supervisory functions. The Board of Directors must act with integrity and be accountable for the decisions it makes.

The conclusion that the Guidelines (OECD 2015) should continue to be a demanding source of inspiration for States and serve as a reference for reforming the public enterprise sector.

2.3. Corporate governance and shareholder / manager conflicts.

The agency theory aims to solve types of problems that arise in the relationship between the principal and the agent: (*Wassila, L. Melha, 2015,05*),

✓When the interests and goals of the principal and the agent differ and it is difficult and costly for the principal to verify what the agent does. The problem is that the principal cannot verify whether the agent is behaving adequately or not.

✓When the principal and the agent have different attitudes towards risk;

✓These agency conflicts induce significant costs grouped into three categories (*Jensen & Meckling, 1976*).

✓Costs of supervision by the principal to ensure that the agent does not act against his interests;

✓ the costs of self-discipline granted by the agent to show to the principal that he acts in accordance with his interests;

✓And lastly, the residual losses incurred by the principal arising from the fact that, although the agent is controlled and self-discipline, the contractual relationship results in a loss of utility.

Thus, in order to mitigate agency problems and the resulting costs, agency theory highlights the need for the establishment of tools and a mechanism for controlling managers.

2.4. The principle of separation between control and decision-making.

The separation of management and control roles is seen as a primary requirement of corporate governance, which must provide a clear and identifiable framework for each of the roles of the two stakeholders and the relationships between them. However, in Society Anonyms (SA), the Board of Directors plays an important role, which consists mainly of:

✓To determine the strategic axes of the company, its main action plans, budgets and programs of periodic activities;

✓To recruit and replace the principal officers (*mandataries*) responsible for managing the strategy and fixing their remuneration;

✓To follow the activities of the managers, to define the desired results and to check their adequacy with the forecasts. (*K. Aksil., A. Aissat. 2015, 02-03*).

The objective here is to guarantee the independence of the board of directors and its chairman whose decisions should not be influenced by the special interests of the general management but dictated solely by the objective of creating long-term shareholder value.

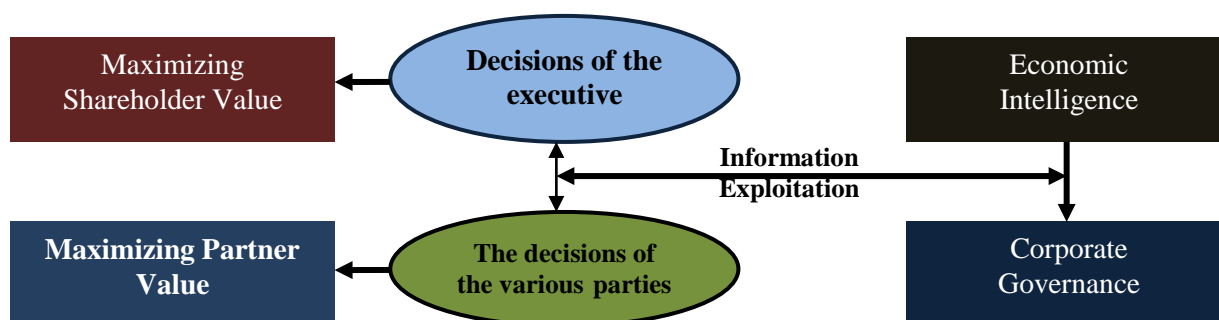
2.5. The role of information in decision-making through corporate governance.

The shareholder model of corporate governance advocates maximizing the appropriate profits by the shareholders of the company. To achieve this objective, they monitor the managers, and consequently impose on them the optimization of the sustainable management of the company. 'Business. Continuously taking decisions that materialize this imperative can be seen as a lever for the company's continuity.

The partnership model of governance also requires better decision-making by the various stakeholders, with the aim of generating a considerable organizational rent, which is intended to be distributed among the parties that contributed to its creation. Business decision-makers (managers and stakeholders) often have to make decisions, even when they do not have all the cards in their hands. They are forced to continue to make strategic decisions for their company, an exercise which is increasingly difficult in this new framework of evolution². (Coggia. V, 2009,11)

Economic intelligence helps the company's decision-maker to make strategic decisions that generate greater value (shareholder or partner). As shown in the following figure:

Figure (1) The use and role of information in decision-making according to models of disciplinary governance.



Source: Matmar. D., Naneche. F., (2015), *Economic Intelligence in the Service of Corporate Governance*, International Colloquium on Corporate Governance: New Approaches and Experiences, SECG- Laboratory LAREMO- Tizi ousou University, 23-24 November 2015, Algeria: 10.

As a result, economic intelligence is intended to inform decision-making within the enterprise, insofar as it provides decision-makers with information that enables them to make congruent decisions. In the shareholder model of governance, economic intelligence aims to assist the manager in creating maximum shareholder value. (Matmar D., Naneche, F., 2015, 10).

Economic intelligence also finds its legitimacy in the partnership model of governance, since through the information it drains allows the various stakeholders in the company to optimize their decision-making, to create a maximum organizational rent.

3. Corporate governance in Algeria.

The debate on governance in Algeria originated in the early 2000s with the bankruptcy of banks **ELKHALIFA** and **BCIA**, added to this the constraint of the market economy, the weight of structural adjustment on the " Algerian economy in general and enterprises in particular.

² - Coggia. V, (2009), « Intelligence économique et la prise de décision dans les PME », L'Harmattan, p 11.

All these factors have prompted governments to adopt the principles of good governance, particularly in public enterprises. Good governance, which before this period was a term almost at the margin, and on which new environmental data have emphasized and propelled its principles in this case, transparency; Equity, accountability and responsibility. The move was reflected in a significant public awareness through the promulgation of the Code of Commerce in the first place, but has also spread to the business community, which has increased its efforts to implement the rules of good governance and this through the establishment of the governance code for Algerian companies (first version in 2008 and then updated in 2009), the creation of an institute of governance (2010) but also through The need to investigate these companies. (*A.Malika, A.Khellodja, 2015, 06*)

In 2003, the World Bank launched a strategy to assist African countries, and especially Algeria, in fiscal 2004-2006, aimed at increasing the government's ability to regulate the market and encouraging the private sector to adopt good Practices through technical assistance.

In a 2004 Financial Sector Assessment, the World Bank noted that since the late 1980s the Algerian authorities have undertaken a broad and credible modernization of the laws and regulations governing financial intermediation. However, significant gaps remain with regard to laws and regulations, and Algeria lacks a modern governance framework. In addition, although shareholder rights appear to be well protected, the absence of corporate governance regulations weakens the protection of minority shareholders. (*World Bank, Algeria: Economic Monitoring Report, April 2016*).

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The 2007 report on the evaluation of African Peer Review Mechanisms and the new Partnership for Africa's Development Initiative. This report recommends that transparency and shareholder rights be improved in Algeria, that management instruments be streamlined and that private companies be encouraged to become joint stock companies. Ethics is developed for businesses at all levels and corruption is slowed down.

However, Algeria is not in the rest of the world in terms of corporate governance, even if the models pursued are not identical, and the aim remains the same: that of performance and profit for the Of all stakeholders.

Finally, we can emphasize that the development of good practices in corporate governance in Algeria should be based on a common sense rule that would avoid confusion and contradictions of interest.

3.1. The systems of corporate governance in Algeria:

Traditionally, there are two corporate governance systems in Algeria. In the first, attention is focused on the predominant role of financial markets as an instrument of regulation and control.

The second is a bank-oriented system. The latter bases its analysis on the incompleteness of the contracts to study the allocation of resources and residual decision rights and possibly the right of appropriation of the residual gains. If the authors have mentioned in their analysis the existence of two models of control, *Anglo-Saxon or German-Japanese*.

Existence of many mixed systems with a strong emphasis on shareholder sovereignty. Enterprises also create cross-shareholdings with the state, banks, markets and families. (MOERLAND, P.W. 1995, 17-34).

✓ **Market-oriented systems:** they are mainly found in Anglo-Saxon countries and are characterized by a dominance of the markets in the process of acquisition of financial funds or recruitment of directors ... etc. They are characterized by: low financial intermediation, strong dispersion of ownership, low participation of banks in the capital of companies, investors are looking for reliable information on the future profitability of the projects, And that in projects with better profitability according to the information communicated by the markets, takeover operations are quite frequent and very hostile (OPA, OPE ...).

✓ **Bank-oriented systems:** They are located in countries with debt-economies, where banks intervene more, such as Algeria. This type is characterized by: a strong presence of banks in the capital of companies, a higher debt-to-equity ratio, a smaller dispersion of shareholders, a greater concentration and homogenization of receivables, And companies build lasting relationships with banks that become partners and take on high risks, providing long-term credits and large sums of money. (Z. Lounis, C. Khedidja, 2015, 07).

3.2. What role does the government play in the consolidation of corporate governance?

The government can commit itself alongside companies as a benevolent guardian to strengthen their capacity for good governance by responding to three main objectives within the framework of the new governance instruments:

✓ **Anticipate:** the government, within the framework of the anticipation can become producer of prospective studies. It informs and informs companies, about the future in the medium / long term in the field of markets, techniques or mutations of the future likely to destabilize them.

✓ **Produce appropriate information and treatment:** focusing on the procedures and means of disseminating the state to enterprises in the context of EI.

✓ **Accompanying:** the government must make available to companies guidelines for action in order to conquer external markets.

3.3. Algerian Institute of Corporate Governance: Hawkamat El Djazair.

The Algerian Institute for Corporate Governance was launched by the Circle of Action and Reflection on the Company (Care). This project is part of the continuation of the Algerian Code of Corporate Governance, (See below), with the support of the Ministry of SMEs and crafts. It is an accomplishment that arose from a public / private initiative, addressing the company and all of these stakeholders. (Kheroua hind, 2015, 149).

Mission and objectives.

The mission of *Hawkama El Djazair*³ is to develop the performance of the economic fabric in Algeria by promoting good corporate governance practices through training, information, advice, studies and advocacy. Its objectives are to popularize and spread the principles of corporate governance, to support companies in the implementation of good governance practices and to encourage the introduction of the criterion of "governance" in access to finance. It also contributes to improving the legal and regulatory framework relating to corporate governance and contributing to the training of human resources in and around the company, also to involve the Algerian International dynamic of work and reflection on issues of governance and corporate social responsibility.

3.4. The Algerian code of governance.

³ - Algerian Institute of Corporate Governance - *HAWKAMA El Djazair*, "Study on Corporate Governance and Governance" pp 2-6, from www.hawkama-eldjazair.org

Any business is likely to live in original and unique governance issues. It is up to each Member State to undertake its self-assessment in this area and to take the necessary steps (*Algerian Corporate Governance Code, version 2009*).

The Algerian Code of Corporate Governance was drawn up by a Task Force, called GOAL 08, in reference to *GOVERNANCE ALGERIA 08*. This Task Force was created at the initiative of CARE (Circle of Action and Reflection on (FBA) and the APAB (Association of Algerian Beverage Producers). It brought together volunteer skills representative of the business and business world. Specifically, the purpose of the corporate governance code in Algeria is to address the following concerns:

- ✓How to improve the bank / business relationship?
- ✓How to attract external investors to the initial core, often family?
- ✓How to establish a relationship of trust with the accounting and tax administration?
- ✓How to clarify the relationship between shareholders and non-shareholder managers?
- ✓How to clarify responsibilities in the executive team?

By definition, the task of the Task Force is limited in time. It is contained in the elaboration of a code of corporate governance in Algeria. (*HAWKAMA El DJAZAIR- from www.hawkama-eldjazair.org*)

Figure (3) Principles of governance in Algeria.

Fairness (equity): The rights and duties of stakeholders, as well as the privileges and obligations attaching to them, must be equitably shared.	Transparency: these rights and duties, as well as the prerogatives and responsibilities arising from them, must be clear and explicit for all.
Responsibility: responsibilities, each other have specific, non-shared objects .	Accountability: Each stakeholder is responsible to another for the thing on which he is responsible.

Source: Algerian Corporate Governance Code, version 2009.

The standards of corporate governance in Algeria cover the relationships that are established between, on the one hand, the internal stakeholders of the company; on the other hand, between them and external stakeholders. These relationships are already largely governed and defined by the company's business law, the company's by-laws and the company's contracts and agreements with third parties. The "added value" provided by the standards of good governance consists in specifying how rigorously, ethically and efficiently in these different frameworks of intervention.

- ✓The standards of good governance apply to all legal forms of companies;
- ✓The most developed form of legal organization is the SPA. It is based on three distinct bodies:
- ✓ When its owners exercise their rights and prerogatives;
- ✓ Control of the company's activities; and the person responsible for carrying out these activities.

The denominations vary according to the formulas used. For purposes of simplification, reference is made here to the most commonly used in SPA⁴s:

- ✓ The General Meeting, which brings together all the shareholders;
- ✓ The board of directors, which brings together the directors;
- ✓ General management, which is provided by the management team.

3.5. Main stages of development of GOAL 08 (Algerian governance 2008).

- ✓*July 2007*: first international seminar on corporate governance in Algiers;
- ✓*November 2007*: first meeting of the Task Force (Working Group). Establishment of a select committee; ✓*November 2007 to October 2008*: work of GOAL 08;

⁴ - SPA: A company with shares or stock company

- ✓ **October 2008**: validation of the code with the initiators of the FCE, CARE and APAB project;
- ✓ **December 2008**: presentation of the corporate governance code to a panel of experts and to the Ministry of SMEs and Handicrafts;
- ✓ **January 2009**: edition of the code;
- ✓ **March 2009**: launch ceremony of the Algerian Code of Corporate Governance.

Aware of the need to disclose the principles of corporate governance in Algerian private and public companies, several efforts have been made by public authorities, business owners and various organizations, although for the time being all Incentive and leaves companies free to choose whether or not to adhere to the principles of corporate governance.

For example, managers of SOEs are invited to align themselves with the OECD Corporate Governance Principles in relation to the 2004 Guidelines, and private companies are encouraged to adopt the principles of corporate governance Algerian companies (GOAL 2008) update in 2009, to improve their management and optimize their performance. (A.Malika, A.Khellodja, 2015, 06) .

3.6. The Institutional and Organizational Devices of Corporate Governance in Algeria.

In Algeria, apart from the trade code adapted rather to the centralized economy and then re-adapted in its new version to the rules of market economy because of the opening of the economy, there is a single Algerian code of governance business. Edited in 2009 by an independent task force, "**Task Force Goal 08**", is aimed more at private SMEs than at public sector companies. The time has come to define the scope of the managerial concept of corporate governance, because today these codes are concerned with the harmonization of these institutional mechanisms, which take on an international dimension. (*F.sadaoui, A.badi, 2015, 10*).

Thus, in the current Algerian economic context, corporate governance goes beyond the interest of shareholders in the individual performance of their companies. It is recognition of the contribution that a quality corporate governance system can make to the stability of capital markets, investment dynamics and overall economic growth. In a different way, all financial institutions (banks and insurance companies, etc.), investors, collective investment undertakings have become aware of the role they can play in favor of good governance practices, business.

Harmonization of institutional arrangements takes place within a framework that can make these arrangements compatible. These include:

- ✓ Internal bodies and procedures constituting the company's own system;
- ✓ The external bodies and procedures constituting the support system;
- ✓ Organization and procedures for guardianship of appeals and arbitration constituting the regulatory mechanism;
- ✓ The operational instruments used by the various bodies in the procedures relating to corporate governance (*F.sadaoui., A.badi., 2015, 11*).

In the internal systems of corporate governance, certain issues relating to the fund of the problem of governance arise with acuity. At first glance, what is the degree of sovereignty of the general meeting of shareholders? What is the main role of the Board of Directors? Is it the administration of the enterprise or the control of the administration?

4. The Algerian public enterprise.

The Algerian public enterprise is currently a joint-stock company whose sole owner is the State. According to F.DEBLA, from this lack of ownership, all the overruns (administrative injunctions, clientelist choice of officials, abuse of social goods, etc.) that affect public enterprises prevent them from becoming genuine firms. (**F. DEBLA, 2007**).

Table (4) Evolution of the EPE status in Algeria.

Management body	Equity Fund	Holdings	GSP
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Number	7	11	28
Status	Trustee of Public Capital Management.	Management and Administration Of the merchant capital of the State.	Management and privatization State-owned enterprises
Organization	Board of Directors 5 to 9 members a Chairman of the Board elected a Designated Chief Executive Officer.	A board of 3 members including a CEO. A D supervisory board of seven members.	A board of 2 to 3 members including a CEO.
guardianship	General Assembly of Presided over by the Head of Government	National Council of State Participations (CNPE), chaired by the Head of Government	State Participation Council (EPC), chaired by the Prime Minister..
Legislative text	Laws 88-03 of 12 January 1988	Ordinance 95-25 of 25 September 1995	Ordinance 01-04 of 20 August 2001.
Mandate's duration	5 years, renewable.	6 years, renewable.	2 years, renewable

Source: Boussadia. H, (2014), *corporate governance and control of the executive: case of the Algerian public company*, Thesis of Doctorate -Option: Management of Organizations, Specialty: Audit and Management Control- Faculty of Economic, Commercial and Management Sciences- **Tlemcen** University -, **Algeria**, 2014, p.65.

The organization and tasks of these management bodies, which are subject to the external auditing of the statutory auditors, can be summarized as follows: (*Boussadia, H., 2014, pp.121.123*).

- ✓ These are EPE securities management companies. They may take shareholdings in any company or company established in Algeria or abroad;
- ✓ They contribute to the implementation of government policy;
- ✓ They act as fiduciary of the state to ensure the management of the public funds held by the FIEs and to make the necessary investments. They may optionally
- ✓ They are required to pay dividends.
- ✓ They were administered by a management board of 3 members, including a CEO and a seven-member supervisory board.) The appointment and renewal of the terms of office of the members of the Management Board and the Supervisory Board is made by the General Meeting of the Management Authority. They elect a president who is invested by decree; These appointments are endorsed by the government, through the National Council of State Participations (CNPE). The latter was replaced by the State Participation Council (CPE), under Ordinance 2001-04 of 20 August 2001, which is under the authority of the Head of Government, currently Prime Minister.
- ✓ The function of administrator is incompatible with the exercise of an authority function;
- ✓ The Board of Directors, or the Executive Board, appoints the persons of its choice to represent it at general meetings.

4.1. Public Enterprise (EP) and governance: as a new dimension of management in Algeria.

The governance of the public enterprise is now recognized as an important dimension of the company. It is she who is in a position to ensure sustainability and good financial health, although concerns over governance have arisen in recent years following the various financial scandals that have affected several major international companies (*Enron in the United States, Credit Lyonnais in France*, etc.). At the root of this growing enthusiasm there is the opportunism of managers and information asymmetry, the inefficiency of boards of directors, doubts about the integrity of audits ... etc.

However, the governance of Algerian public enterprises is still being sought. The relationship between the *government / shareholder* and the designated directorates is ambivalent. Before

discussing the governance of the public enterprise, it seems necessary to clarify the notion of public enterprise.

4.2. The reasons for the governance of the Algerian public enterprise.

The notion of a public company does not have a true definition in law. Commercial law speaks only of "company" and not business. However, the 1980 EEC Directive regards the public undertaking as:

'Any undertaking over which the public authorities may exercise a dominant influence by virtue of the financial participation or the rules governing the undertakings'. (M. Poyet, 2001, 35)

4.2.1. The government / public company contracting.

Established in January 1988, the Public Economic Enterprise (EPE) succeeded to its eldest Socialist Enterprise, which was administered within the framework of the Socialist Management of Enterprises. The FIEs are grouped by branch of activity and managed by government participation bodies (directory); their capital is held by the only SGP (Asset Management Company) and is grouped by activities: Public Works, Hydraulics, Construction, Industry, etc. There are twenty-eight (28) GSPs.

Public enterprises: subject to the accompanying control in place of prior control are linked to the government through program contracts.

Program contracts: define, for a multiannual period, in particular the commitments of the State and the contracting agency, the technical, economic and financial objectives assigned to the organization and the means to achieve them, of their execution. (A. Z. Malika & Chertouk, 2015, 04).

4.2.2. The shareholder state.

The State must behave as an enlightened and active shareholder and define a clear and coherent shareholder strategy in order to ensure that the government of public enterprises is exercised in a transparent and accountable manner, with all the necessary professionalism and efficiency.

- A.** The public authorities must draw up and publish a shareholder strategy defining the overall objectives of state ownership, its role in the governance of public enterprises and how it implements this shareholder strategy;
- B.** Public authorities should not be involved in the day-to-day management of public enterprises and should be given complete autonomy to achieve the objectives assigned to them;
- C.** The State must leave the boards of directors of public enterprises to exercise their responsibilities and respect their independence;
- D.** The exercise of the rights attached to shareholder status must be clearly identified within the administration. In order to facilitate this identification, it may be useful to set up a coordination body or, better still, to consolidate all the shareholder functions;
- E.** The coordinating entity or shareholder must report to the representative bodies, such as Parliament, and maintain clearly defined relations with the public bodies concerned, in particular the supreme audit institutions;
- F.** As an active shareholder, the State must exercise the rights attached to the shareholdings it holds in a manner adapted to the legal structure of each company.

4.2.3. Board of directors and decision-making.

It follows from the provisions of Article 638 of the Commercial Code that the Chairman of the Board of Directors also holds the post of Chief Executive Officer of the State Economic Enterprise (EPE).

However, since the adoption of Legislative Decree No. 93-08 of 25 April 1993, public

economic enterprises (EPE) may opt for the non-cumulation of the above two functions by setting up a Management Board and a Supervisory Board instead Of a board of directors. This alternative formula remained however: Marginal. (A. Lamia, K. Ahmed, (2015, 09).

The board of directors, as a management body, is the main control mechanism for EPE. (SPA) activities and the essential lever for corporate governance. The law confers very important prerogatives and powers on the board of directors, but this collegial body is far from covering and ensuring its missions fully and efficiently.

After giving an overview of the component of the board of directors of the Algerian public economic enterprise which consists of three categories. (C. Lahlou, .2015, 03),

✓ **A first category:** of external members including the members of the guardianship and the Holding. They are appointed either by the Holding or by the guardianship in order to control the leaders in the pursuit of the objectives of the State.

✓ **A second category:** no less important, consists of members of the company's senior management and its senior management. They may in some cases be members of the Governing Board.

✓ **Finally, a final category:** consisting of two statutory auditors responsible for certifying the parent company financial statements.

Responsibilities of the board of directors of Algerian public enterprise must have the powers, competences and objectivity necessary to ensure its strategic steering and supervisory role. The Board of Directors must act with integrity and be accountable for the decisions it makes.

4.2.4. The sovereignty of the general meeting of shareholders in Algeria.

In Algeria, as in many developing countries, their prerogatives of sovereignty are considered to exonerate the political leaders - and they alone - from all constraints in their choices, in particular from the constraints of rationality - economic or otherwise. This leads to the policy of norming the behavior of operators and decision-makers, which is perceived as a necessity to inscribe the choices made in a specific logic. This desire for standardization has a direct effect on the autonomy of the public enterprise. In fact, from the 1960s to the present: (F.sadaoui, A.badi, 2015, 10)

✓ The government does not admit the public enterprise as a place of power, admittedly "subordinate", but autonomous;

✓ As a result of the logic of GSE, which institutionalizes the direct dependence of the management of the company vis-à-vis the responsible minister and the criminal risk incurred, the managers of the public enterprises themselves rarely use the latitudes of Recognized by them (M.LIASSINE, 1996).

As a general rule, sovereignty belongs nominally to shareholders on the basis of the fundamental rule: "**one share = one vote**". This is not without indifference in the case of Algeria insofar as all the capital (assets), are held by the State through the participation committees of the State (CPE), then the holdings. As soon as the majority of votes, if not all, belong to the State, The internal devices of the enterprise become de facto devices belonging to the bodies and procedures of guardianship. (F.sadaoui, A.badi, 2015, 10.)

4.3. The management of Algerian public enterprises and the governance system.

After this overview of management experiences in Algerian public enterprises and the relationship of the owner state with these, it is important to note that this experience has gone through two major phases:

✓ **The first:** extending from Independence (1962) to the first reforms of autonomy (1988). Referring to the Algerian corporate governance models already cited, this experience can be placed in the oriented- Banks, it was characterized by the intervention of banks where the national economy was an economic system of indebtedness.

✓ **The second:** from this date until today. Each of these two phases is characterized by elements that resemble those of the corporate governance system. During the second phase (from 1988 to the

present), *the governance model of Algerian public enterprises* remains the same, with a slight improvement in the economic and legal environment conditions, which can prepare the conditions more or less adequate to The application of principles and theories of governance, in order to benefit from its effects. With regard to the question of the agency, it can be seen that the new forms of management of Algerian public enterprises and the preparation of a large majority of them for privatization go in the direction of the reunification of factors helping to empower business leaders to become agents. (F.sadaoui, A.badi, 2015, 13)

In another view, it is easy to see that the holding funds, the public holding companies, as intermediaries between the owner-state and the enterprise, gave birth to an agency relationship in two forms:

✓ *The first between the government and these agents*: who are mandated, to ensure the management and control of state holdings on the one hand?

✓ *The second one between these agents and the companies on the other*: These two agency relationships generate agency costs, which will increase the costs of Algerian national companies and the management costs, and consequently they decrease the added value of these enterprise, therefore their performance whether in terms of book values, or in shares of company shares ... etc. It is important to remember, however, that its two institutions are set up for a limited period and for a mission defined by legal texts in a framework of restructuring and reform of the national economy, a transitional phase.

4.4. The management of Algerian public enterprises and decision-making.

The notion of public enterprise has reconsidered that of property. The latter is characterized by two aspects:

The decision allocation aspect covers all decisions taken, mainly those related to the use of the company's assets. These decisions are not explicitly controlled by law, let alone allocated to other agents. It is the difference of a private company where the entrepreneur, the sole owner, makes the residual decisions and undergoes all of his decisions. The public enterprise is characterized in particular by the decisive role of the state or the public authorities in the designation of the leaders capable of the manager and giving them the relatively important decision latitude on the strategic options. With respect to executive compensation and the possibility of obtaining personal benefits, the various types of SOEs express only minor variations in the discretionary leeway granted to management. Thus, the remuneration of the chief executive officer of the public company falls within the area of regulation on the one hand and negotiation on the other hand as regards the mandate of the president and chief executive officer.

In the case of Algeria, public enterprises operate in a wide range of activities. They cover all sectors of economic activity. Some are derived from nationalization (hydrocarbons) and others are created during the various development plans. Historically, the reasons that have prompted the authorities to initiate this vague industrial process are ideological, political as well as macroeconomic. (F.sadaoui, A.badi, 2015, 09)

The Algerian public enterprise "sonatrach" common example of study.

The oil and gas group *Sonatrach* is involved in the exploration and production, pipeline transportation, processing and marketing of hydrocarbons and their derivatives. *Sonatrach* is also active in the fields of petrochemicals, electricity generation, new and renewable energies, seawater desalination and mining.

Based in Algeria, *Sonatrach* is active in several regions of the world, including Africa (Mali, Tunisia, Niger, Libya, Egypt, and Mauritania), Europe (Spain, Italy, Portugal, Great Britain, Peru) and the United States. The company employs 41,204 employees (120,000 with its subsidiaries), generating 30% of Algeria's gross national product (GNP). *Sonatrach* is an Algerian national company of international stature, and the cornerstone of the Algerian economy.

In 2005, its production was 232.3 million PET (tonne of oil equivalent), of which 11.7% (24 million PET) for the domestic market. And *Sonatrach* operates the largest oil field in Algeria, *Hassi Messaoud*, which produced about 440,000 bbl / d (70,000 m³ / d) of crude oil in 2006. *Sonatrach* also operates the *Hassi R'Mel* field (north of *Hassi Messaoud*, south of Algiers), which produces approximately 180,000 bbl / d (29,000 m³ / d) of crude oil. (*H. Malti, 2010, 99*)

5.1. The Organization of Sonatrach must be rethought.

Created on December 31, 1963, *Sonatrach* was amended three times by presidential decrees; the last one dated February 11, 1998, with the aim of bringing the statutes of *Sonatrach* (joint-stock companies) into line with the creation, In April 1995, of the National Energy Board.

Proved oil reserves in Algeria were estimated by BP at **1.5 billion tons** at the end of **2015 (12.2 billion barrels)**, ie 21 years of production at the rate of 2015. These reserves ranked Algeria 17th with **0.7%** of the world total and 4th in Africa behind Libya, Nigeria and Angola (*Balances for 2015, International Energy Agency*).

5.1.1. The degree of information disclosure at Sonatrach.

According to some experts, the prospects of *Sonatrach's* reserves can not be understood in the absence of real indicators such as internal costs, the international price vector and substitutable energies faced with the new model of energy consumption that is emerging around the world 2020.

Table (5) The degree of information disclosure at Sonatrach (Petroleum - Proven reserves – M/ of barrels)

years	1995s	2005s	2014s	2015s
Proven reserves	10000	12300	12200	12200

Algeria: Balances for 2015, International Energy Agency, 16 October 2016.

The repetitive review of the hydrocarbons law shows that the country does not have a national energy strategy given the instability of the petroleum jurisdiction, which only pays for the increase in hydrocarbon production. (*International Energy Agency*)

Sonatrach must respond to the concern to mobilize the resources of the oil revenue perceived very early as a driving force in the development of Algeria. Over the years, it has become a powerful element of national integration, stability and economic and social development.

5.1.2. Sonatrach's decision-making hierarchy

✓ **The General Assembly:** Composed of the Minister of Energy and Mines - the Minister of Finance - the Governor of the Bank of Algeria - the Delegate for Planning - a representative of the Presidency of the Republic. Article 9.3 specifies that the General Assembly is required to meet "at least twice a year in ordinary session" and in "extraordinary session on the initiative of its chairman or at the request of at least three of its members , The statutory auditor (s) or the Chairman and Chief Executive Officer of Sonatrach ". At the end of each session, the General Assembly is required to send its report to the President of the National Energy Council, which is the President of the Republic.

✓ **the Board of Directors:** which is composed of the Chairman and Chief Executive Officer of *Sonatrach*, the Chairman and Chief Executive Officer of *Sonelgaz*, Vice President Amont, Vice President Aval, Vice-President, Transport by pipeline, Vice- The Director General of Hydrocarbons of the Ministry - another representative of the Ministry - of two representatives of the union of *Sonatrach*. Finally comes the peg,

✓ **the Executive Committee:** the *Sonatrach* Workers' Committee of *Sonatrach's* President and CEO - *Sonatrach's* General Secretary - the Upstream, Downstream, Channeling and Marketing Vice-Presidents - of the Executive Director of Finance - the Executive Director of *Sonatrach*

Human Resources - from the Executive Director of Central Activities (DAG) - from the Strategy, Planning and Economics Director to the Executive Director Health, Safety and Environment. Not to mention the holding enterprises which are annexed to the vice-president. Thus, upstream is attached to the holding services oil and oil; for the downstream, the holding refining, hydrocarbon chemistry (example *Naftec*); for the marketing Sonatrach holding, it is attached to *Sonatrach holding* / recovery of hydrocarbons (example *Naftal*).

At the international level, the *Sonatrach Group* has set up a system for the reorganization of its activities through the grouping of foreign subsidiary companies around an International Holding Company (S.I.H.C) created in July 1999, which operates in different countries. (*A. Mebtoul, 2017*)

5.2. The slump in global oil prices since mid-2014 has led to deterioration in macroeconomic balances.

In 2015, growth slowed to **2.9 %** from **4.1 %** in 2014, hit by a falling average oil price from **\$100 p/b.** in 2014 to **\$59 p/b. in 2015**. Under initial expectations that the fall in oil prices would be short-lived, lack of fiscal consolidation led the budget deficit to double to **-15.9 %** of GDP in 2015. The current account deficit tripled to **-15.2 % of GDP in 2015**. Hydrocarbon exports amount to **95 %** of total exports and around two-thirds of government revenues. Hydrocarbon exports have fallen from a peak of **36 %** of GDP in **2011 to 19 % of GDP in 2015**, while hydrocarbon revenues have dropped from a peak of **27.4 %** of GDP to **14 %** of GDP. Due to very large draw downs, the size of the oil stabilization fund has fallen from **25.6 %** of GDP in 2014 to **16.2 %** of GDP. International reserves remain high at 28 months of imports, but are declining fast. Despite tight monetary policy, inflation rose to **4.8 %** as the partial result of pass-through effect from a **20 %** nominal depreciation of the dinar, aimed to correct the external imbalance. Unemployment rose to double digits and was acute among women and youth. (*La banque mondiale, 2016*).

Table (7) the oil drop and the need to adopt corporate governance in Algeria.

<i>Main Economic Indicators</i>	2014	2015e	2016e	2017p
<i>Real GDP growth (%)</i>	4.1	2.9	3.4	3.1
<i>Inflation rate (%)</i>	3.9	4.8	4.3	4.0
<i>Budget balance (% of GDP)</i>	-7.7	-15.9	-15.7	-12.6
<i>Current account balance (% of GDP)</i>	-4.6	-15.2	-16.2	-14.4

Source: World Bank, Algeria: **Economic Monitoring Report** (April 2016). On the website / <http://www.worldbank.org/en/country/algeria/publication/economic-outlo>, seen 21/03/2017 at 21:54.

In 2009, its turnover amounted to **\$ 77 billion**. It is ahead of the South African subsidiary of the insurer *Old Mutual*⁵, ranked second. *Sonatrach* is the 12th largest oil group in the world, the first in Africa and the Mediterranean basin, the 4th exporter of LNG (liquefied natural gas), the 3rd exporter of LPG (liquefied petroleum gas) and the 5th largest exporter of natural gas. (*H. Malti, 2010*)

At the end of 2016, Algeria had a trade deficit of **\$17.84 billion** (thanks to the oil sector), according to final statistics on foreign trade published by the General Directorate of Customs. Imports of the country amounted to **\$46.72 billion**, while exports were only **\$ 28.88 billion in 2017**.

The only significant document being the balance of payments, it would also be necessary to postpone to the outflow of foreign exchange services imports which between 2010/2015 of more than **10/12 billion** / year of services and **4/6 billion \$** / year of legal repatriations Of foreign firms. However, hydrocarbon exports are in free fall with non-hydrocarbon exports less than two billion dollars. Indeed, the Regulatory Fund was exhausted at the end of 2016 and foreign exchange reserves rose from **\$ 192 billion** at the end of **2014 to \$ 112 billion** at the end of 2016. (*The World Bank, April 2016*).

⁵ - *Old Mutual*: is an insurance company based in London, Great Britain.

To overcome the current situation, the new local and corporate governance, including that of *Sonatrach*, can not be based on the bureaucratic diktat but implies an understanding of the functioning of society taking into account the morphology of society, economic anthropology in The effectiveness of organizations and that influences public or private enterprise Institutions have a very important role on organizations and society. They constitute one of the determining factors in long-term economic growth, as an institution designating "the formal and informal rules governing human interactions" and also as "the rules of the game".

5.3. SONATRACH Code of Conduct (2011).

This code contains a message from the president, presents the values, practices and commitments of *Sonatrach* as well as the ethics charter of staff.

5.3.1. The core values of SONATRACH.

Engagement in the best interests of the country; Entrepreneurship ; Ethics; Professionalism; Confidence and team spirit; Exemplary governance; The quest for excellence; Fairness. (*Kheroua. hind, 2015, 156*).

5.3.2. Corporate values are.

- ✓ Training and skills development for employees;
- ✓ Monitoring and control of technology;
- ✓ Improvement and quality of the social environment;
- ✓ Customer satisfaction and marketing spirit and Respect for partners;
- ✓ Transfer of know-how to other Algerian companies and Respect for the environment and a sustainable development approach.

5.4. The governance of the common *sonatrach* context of decision making.

Sonatrach has known for several years changes of directors-general. *Sonatrach* being Algeria and Algeria being *Sonatrach*, the decline in its revenues has led to the deterioration of the balance of payments between 2015/2017. Algeria is not immune to the perils of the global crisis, notably through a drop in hydrocarbon prices, which can not continue to operate on the basis of \$ 110 per barrel, as between 2010/2015 and \$ 87 according to the *IMF in 2016*. Having spent more than 35 years in this structure, we come to the conclusion:

That these changes will have no impact on the revenues of Sonatrach, externalized, totally dependent on the evolution of the international market, despite its many skills, to improve its internal strategic management to reduce its costs.

So the central question asked for decades, what is the objective of the management of the company *Sonatrach*, the object of this contribution resulting from field surveys, referring to the urgency of the democratization of its management to streamline the decision-making process.

5.5. Corporate management is inseparable from the overall governance of *sonatrach*.

The organization of *Sonatrach* is an organization that combines both the hierarchical organization and the decision-making organization, which does not acquire the flexibility of its competitors at the international level, not to mention the rigidity of the banking system and especially the political interference, which is unique to any public enterprise even in developed countries. Of course, the CEOs of major public companies such as France are appointed by the President of the Republic in Council of Ministers, but with the notable difference, they are linked to a performance contract with the shareholder state, which is not the Often, for our country, the law on the autonomy of public enterprises of 1990 having little application. This is all the more true for

Algeria with the return to an administered economy that affects the majority of companies, as stressed by the Secretary General of the UGTA at the Tripartite of Annaba on 06 March 2017. (A. Mebtoul, 2017 on the website <https://www.algerie1.com/eclairage/change-de-pdg-urgence-d-nouveau-management>).

In this way, the regulatory government is confused with a market economy that can hold blocking minorities for certain segments considered strategic, this notion being historically dated, with the State as a whole. It is necessary to take into account the international environment and the issue of the new global gas strategy. In terms of financial results, for lack of clarity in the ***governance of Sonatrach***, it is not clear what is due to good internal management and what is attributable to the international contingencies that are decisive. This is because the growth or not of the world economy plays as an essential vector in the increase or decrease of the revenues of ***Sonatrach***. Thus, the analysis of how ***Sonatrach*** works can not be understood without replacing it in the new configuration of the world energy strategy, taking account of costs, which can uncover thousands of deposits but which are not financially profitable. Undepreciated costs of the new ecological challenge with a significant change in the pattern of energy consumption that is taking shape between **2017/2020/2030**.

The governance of a country is itself inseparable from the global changes that must therefore avoid isolating the micro-governance of the macro-governance that is inextricably linked. The current situation of the Algerian government makes strategic management more and more urgent and a transparency of the management of ***Sonatrach*** to be based for all scientific and operational procedures from the general to the particular, in order to grasp the interactions and be able to carry out actions by Successive keys.

Making Sonatrach more efficient requires several strategic actions:

- ✓ Replace it in the international and national context;
- ✓ A real-time organization system based on networks and no longer on the current organization marked mainly by a hierarchical vision, transparent cost centers including management of the partnership;
- ✓ A rational management of human resources and essential element of strategic management, to involve managers and to listen to the collective of workers through a permanent constructive dialogue. (A. Mebtoul, 2017).

All of these actions in fact refer to the establishment of the rule of law and the urgency of renewed governance. As demonstrated throughout this operational analysis, ***Sonatrach*** is currently assimilating to the entire Algerian economy, exporting 98% and accounting for more than 75% of our needs. The security of the country is posed; it implies the urgency of the political will to initiate a production and export without hydrocarbons far from the rentier logic, assuming a profound rearrangement of the logic of the power.

The global crisis is not the only explanation for the decline in ***Sonatrach's*** revenues. The main reasons are the bureaucratic system and the lack of visibility in the economic policy process through perpetual legal instability, the rent allowing GDP growth, a declining unemployment rate and an artificial social stability. So, for the time being, ***Sonatrach*** is assimilating to the entire Algerian economy, exporting **98%** and accounting for more than **75%** of our needs, being the largest Algerian company. It accounts for between **35% and 45%** of the gross domestic product, but in fact with the indirect effects of more than **80%** (public works, hydraulic and many other sectors being driven by public spending via hydrocarbons). The Group at the domestic level is thus the real engine of the Algerian economy, an essential supplier of income from exports, tax revenues and jobs. ***Sonatrach*** is therefore Algeria and Algeria is the ***Sonatrach*** and its management and its image directly affects the whole of Algerian society, hence the importance of drawing lines of action because unfortunately recently, ***Sonatrach*** has emerged from its core businesses despite the weakness of its human resources and, above all, duplicating its work with other ministerial

departments, notably in desalination of seawater, recently in cement production, aviation and planning to found Of the banks, this dispersion to want to do everything at the same time thanks to financial resources that are the property of the Nation, has also harmed its strategic global management.

5.6. Some examples for streamlining managerial decisions through governance at the sonatrach level:

✓ **For transparent accounting of Sonatrach:** To reduce costs an audit of tangible and intangible assets is urgently needed for *Sonatrach*. It should be recalled that, on a strictly accounting basis, tangible fixed assets include land, buildings, technical installations, industrial equipment and tools, as well as general facilities, fixtures, transport equipment, office equipment and computer equipment, furniture And Recoverable Packages In company accounting, only property owned by the enterprise is taken into account, with leased tangible assets not included in assets, which is a significant deficiency that some international Not having a biased balance sheet. Intangible assets include establishment costs, research and development costs, concessions and similar rights, patents, licenses, trademarks, processes and the right to commercial lease.

✓ **Evaluate contracts according to international standards and optimize the management of human resources:** The objective is the objective assessment of the balance sheet of contracts in terms of international standards, the partnership and the impact of the generalization of the tender notices and the contracts negotiated by law, Assessment of *Sonatrach's* financial position, prospects and operating cost structure, taking into account international comparisons. This will necessarily involve a description of the following operations: (A. Mebtoul, 2017).

* Evaluation of the financial position;

* Balance sheet structure, expenses (revenue), reconstitution of cost centers for operations, evaluation of management systems and identification of cost centers. Implementation of these necessary instruments in any international company ***should improve contract management and partnership development, economic and financial projections, and simulation / modeling, which should help to Decision-making in real time.***

In this context, it cannot be overstated that a new statutory auditors who have become public servants of the board of directors, by urgently issuing transparent tender notices for their recruitment, Not to exceed three to five years, both at the level of *Sonatrach's* general management, as well as of all its units wholly owned by its subsidiaries.

Finally Sonatrach's pillar, an audit of human resources management that must be based on ongoing dialogue. Indeed, the management of human resources is the foundation of the effectiveness of Sonatrach.

4.7. Good governance of sonatrach.

Sonatrach conducts its business and develops its relationships in a transparent manner, while making publicly available credible information about its results and performance.

Sonatrach exercises good corporate governance in accordance with national and international laws and regulations. Also in Algeria than in the countries where it operates.

Sonatrach respects the principles of fair competition and prohibits conduct that can be characterized as anti-competitive practices.

Sonatrach is the guarantor of the application and respect of the principles of ethics in the conduct of all the operations of its activities⁶. (*Sonatrach* code of conduct 2011, pp.6-7)

⁶ - Code of Conduct for Sonatrach Fr Ar 16/02 / 2011_ 19 04 ai sonatrach, pp.6-7 on the website https://www.sonatrach.com/docs/code_de_conduite.pdf

Integrity: *sonatrach* builds relationships with all its employees, suppliers, customers and partners on ethical principles closely related to honesty and integrity

Sonatrach rewards and knows the loyalty of its employees. It is a moral commitment demanding fidelity and respect.

Excellence: *sonatrach* strengthens the professionalism of its staff and encourages individual know-how, innovative spirit, creativity and initiative. It devotes a special effort to the training of its employees and to the improvement of its management mode of organization and the functioning of its structures of national development.

Recognition of skills and performance: *sonatrach* creates a healthy, serene, stimulating and supportive work environment for professional development and the development of a corporate culture based on Skills and Performance Recognition.

Respect for Individuals and Commitments: Encourages each member of staff to maintain honest, respectful and honest relationships with colleagues, clients, clients and partners.

Sonatrach honors its commitments to its customers, suppliers, partners and institutions.

Equity and equal opportunities: *Sonatrach* ensures that women and men have the same opportunities for employment, as well as professional and access development, with equal responsibilities at all levels of responsibility. She pays particular attention to the female staff, assuring her rights and dignity and recognizing her merit.

Sonatrach enshrines the principle of non-discrimination with respect to all its employees and candidates for employment.

6. Towards the adoption of corporate governance principles in Algeria.

Prior to the adoption of the good governance program initiated by the OECD in support of Economic and Social Development, a study published in November 2001 in Algeria on Corporate Governance was presented at the time in the hope that Principles of corporate governance would be introduced, at least in Practice, into Algerian corporate practice. The focus was then on two points:

- ✓ Expansion of the Board of Directors to "External Professional Directors";
- ✓ Establishment of an "audit committee".

Nearly four years later, before the reform of the public banks, there was nothing on the ground in terms of corporate governance.

6.1. The limits of the adoption of the principles of good governance of the enterprise in Algeria.

One may question the effectiveness of the Boards of Directors. Are public banks that have the reputation of having operated according to criteria of "*clientelists*" or on the injunction of people who are well established in the machinery of political power or profiting from its proximity, in so doing, these practices in the light of this reform? Is an administrator, a representative of the government, the antidote to the deep-seated evil that is plaguing the African banking community? Has it ended with doubtful debts, which some people rather like to describe as "syntactic" claims of "non-performing" claims?

There really are no principles of good corporate governance in Algeria. However, it can be assumed that the process already begun at the level of public banks and enterprises despite the shortcomings will have a contagion effect in other companies that continue to suffer financial mismanagement in many Algerian public enterprises.

The OECD's plan with the Arab States to implement the corporate governance principles should accelerate the movement.

6.2. The problems of the governance of the Algerian economic enterprise.

The state of progress of corporate governance in Algeria deserves to be scientifically identified by a survey of a sample of companies. However, the situation in the field is sufficiently well known to enable us to recall at the outset the main problems which arise in this field.

✓ **General problems:** Algerian public enterprises, as a whole, are confronted with the specter of the few issues traditionally covered by governance. But she saw them differently depending on whether she was concerned about survival or growth.

✓ **The specific problems:** these problems concern, to varying degrees, all EPEs and, in a specific way, the Algerian code of corporate governance aims to address the following concerns:

*How to improve banking relationships? And to attract external investors to the initial family nucleus?

*How to establish a relationship of trust with the tax administration? And how to clarify the relationship between shareholders?

*How to clarify the relations between shareholders and non-shareholder managers?

*How to clarify the responsibilities of the management team?

*How to solve succession problems?

7. Conclusion.

The Algerian authorities have signed and ratified a number of corporate governance codes that conform to international standards, although there has been insufficient progress to date in terms of implementation and compliance.

At the end of this presentation on the reality of corporate governance in Algeria, we can say that Algeria, like all developing countries, is called upon to promote good governance in the management of public economic affairs and the various policies Of development (**B. Riadh, 2008,08**).

Public enterprises in Algeria and large private companies generally comply with current legislation on workers' protection, social responsibility and compliance with environmental standards. Most Algerian companies have not yet developed adequate mechanisms for communicating information to their partners or shareholders.

Governance refers to limited rationality, the incompleteness of contracts, but also to the specificity of certain assets (which cannot be substituted) and taking into account the need to adapt organizations by introducing the importance of trust and Transparency and "social capital" as the cement of cooperation. All these actions in fact refer to the re-founding of the state based on the rule of law and the urgency of renewed governance. As demonstrated throughout this analysis, one must be realistic.

The multidimensional reforms of the APE are characterized by numerous hesitations where decision-makers advocate wait and see at times and stop and go by others. Through its budget, financed by the annuity, the government plays a central role in these reform contract managers.

Algeria will again depend on *Sonatrach's* recipes for many years. But the danger is that *Sonatrach* dedicates a growing fraction of its income to its own investments without real profitability in the medium term at the expense of the other inductive sectors allowing to gradually free itself from the dependency rentier. Hence the importance of a serene and passionate national debate, to concretely realize both the economic and energy transition (energy mix).

In this context, the government has put in place a rich legislative, regulatory and institutional framework to improve and promote good corporate governance at *sonatrach*. But the results held below those set by the State (**Z. Lounis, C. Khedidja, 2015**).

The question that arises of itself is why this discrepancy between texts and facts? In Algeria, like many countries in the world, the problem of good governance is hampered by the reform of the government and the political power that animates it (**B. Kouider**).

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