Financial liberalization policies within the rentier state of Algeria: Democratizing economy

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Abstract

Last several years, the relationship between economic performance and political reform are so taken into attention among Economics and Political Science scientists lately. Like other developing countries, Algeria has committed to a program of reforms to establish a new logic of market laws and liberalization in all sectors of activity in order to improve its attractiveness to foreign and local investors. Whereas the various analyses relative to financial sector, notably liberalization of this last, in the developing countries focus on the business climate, this research paper aims to evaluate the effect of financial liberalization policies initiated in Algeria between necessity and refrain.

Keywords: Financial policies, economic security, social peace, reforms, capitalism

Jel Classification Codes : G28, P48, P16, D72.

INTRODUCTION:

Economic growth in Algeria is dependent on hydrocarbon exports and the fall in the price of oil in 1986 created an unprecedented financial crisis. The financial situation then deteriorated so much to the point of forcing Algeria to reschedule its external debt a few years later. The financial sector then being narrow and functioning as an instrument for financing investments in the economic sector with no real relationship between risk assessment and credit allocation. Financial markets were also almost non-existent due to the small size of the private sector which, moreover, was completely isolated from global financial markets. It is all these problems that prompted the public authorities to adopt a package of economic and financial reforms.

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In order to achieve economic growth beside Algeria, many developing countries sought in the seventies to apply government intervention, as they were able to provide economic advice, and were able to provide the capital necessary for development plans, and to cover the deficit in the financial markets. The government's interference in directing credit rates had a very bad effect on the political economy. This has resulted in lower interest rates on loans and deposits, and this has affected deposit rates.

Today financial liberalization is part of the global financial developments that are based on freedom from restrictions and obstacles, increased competition, use of advanced technological means of communication and information, implementation of the decisions of the Basel Committee (Goodhart, 2011), and access to (OMC) as a regulator of commercial relations between its members and editor of financial and banking services.

Many countries have opted, upon their independence, for a centrally planned economy system based on import substitution, with a central role of the state. Over the years, this management mode has evolved into a debt financing system, given the lack of diversification of these economies and the weakness of their productive systems. In contrast, economies which have opted for a system open to private initiative have, in general, achieved more appreciable levels of growth. Consequently, the new theories have all integrated the factor of economic and financial openness as an important determinant for growth, alongside technical progress and human capital, as long as traditional theories, making savings a prerequisite for growth, have proved insufficient to explain the low growth rates of some economies with high savings rates. Conversely, high growth rates are not necessarily fueled by high savings. (Boukhezer-Hammiche, 2013, p. 131)

This paper come to understand the direct and indirect effects of financial liberalization face welfare & social peace as well political rest average, with a focus on the Economic Policy, State and economic partner’s responsibility And invite us to rethinking about Financial Liberalization calls under Middle East and North Africa (MENA) eco-political environment. Pushing us to figure the truth behind that urgency on the promotion of financial policy in these countries, as well how can we conceptualize the nexus of financial liberalization and economic growth, and conditions for the successful implementation of the policy of financial liberalization, much more answering the following dilemma:

What reality is, of financial Liberalization although the institutional political deficit?

In order to answer to the dilemma at our hand, will based on six main axes:

- Overview on the Financial Liberalization.
- Financial Liberalization necessity:
- Financial liberalization application in Algeria:
- Effects of liberalization measures on financial policies:
- Conclusion

1. Overview on the Financial Liberalization.:

The issue of methods and policies for financing economies and methods of strengthening them has been discussed extensively in the literature of political economy, with the aim of finding the best explanation for the fundamentals of growth and its promotion, as the first theories were concerned with the formation of savings, to show the role they can play in financing economies, starting with the hypothesis of savings before investment and growth, They examined the best way for financial institutions to intervene in the economy in order to be able to encourage the creation of savings, which they will turn into investments that fuel growth. (Coakley et al., 1998; Edwards, 2001; Levine, 2005; Reisen & Soto, 2001)

In the third world countries, weak productive policies and lack of diversification are exacerbated by the scarcity of savings, which leads them to resort to external borrowing. The traditional theoretical approach to growth expressed by capital movements has always shown that foreign capital is what drives development in most cases, by providing Additional savings and technology, and stimulating the performance of local companies through competition, which allows for rapid growth of economies and the creation of beneficiaries, provided that this financing is in the form of an investment and not a loan. Because if this is the case, the external public debt will increase, prompting the state to reduce its spending, and burdening the private sector with taxes and restrictions, which will negatively affect public investment. (Agenor, 2003, 2003; Aglietta & Moatti, 2000; Levine & Zervos, 1999)

Financial liberalization can be defined as the set of measures that seek to reduce the degree of restrictions imposed on the financial sector and commercial competition.

The concept of financial liberalization appeared with the end of the sixties in the developed countries, followed by a later developing countries through a set of measures aimed at reforming the financial sector, which is considered among the most prominent global economic reform policies(Boukhezer-Hammiche, 2013, p. 131).

- According to Kaminsky & Schmukler (2003), the financial liberalization consists of the deregulation of the foreign sector capital account, the local financial sector, and the stock market sector viewed separately from the local financial sector (Philip & Asena , 2004, pp. 34-35).
- Financial liberalization is the process of breaking away from a state of financial repression. As financial repression has been most commonly associated with government fixing of interest rates and its adverse consequences on the financial sector as well as on the economy, financial liberalization, in turn, has come to be most commonly associated with freeing of interest rates (Murat , 2000, pp. 10-12).
- Financial liberalization is defined as a process of dismantling all forms of quantitative or qualitative regulatory control restrictive state-imposed on institutional structures, instruments and activities of various agents on segments of the financial sector, not only in internally but also internationally (Saoussen & Dominique , 2007, p. 24).

Through the previous we can say that the financial liberalization is the set of procedures that are working on the development of financial markets, which are taken by the State to eliminate or mitigate the degree of restrictions on the financial system, and this in order to enhance the level of efficiency and reform entirely, by opening the financial and capital markets to foreign companies.

2.1. Internal financial liberalization:

The theorists of financial liberalization, the best known of which are Mc Kinnon and Shaw, therefore believe that it is enough for financial repression to be

eliminated to promote development. Internal financial liberalization consists in centralizing savings in the hands of official financial intermediaries, centralization which will allow the unification of the financial market.
Advocates of financial liberalization believe that in a financial system that is overregulated and / or competition is limited, banks feel less of a need to seek new customers and attract deposits, while savers and potential borrowers do not 'not being solicited, are led to turn to parallel financial circuits. Financial repression appears to be a situation characterized by restrictions and dysfunctions which lead to a fragmentation of financial markets. Among these restrictions are:
The structure of interest rates reflects a deep imbalance:
The negative real interest rates observed for long periods have led to a decrease in the incentive to invest in banks and above all, have reinforced the rationing of traditional bank credit, which is nevertheless necessary for private investment spending.
The debt of the Treasury with the central bank: This indebtedness is linked to the budget deficit and the deficits of public enterprises, which creates crowding out effects vis-à-vis the private sector, particularly small units and results in bad debts forcing banks to give preference to loans at short term and with high guarantees.
The administrative burden: Management costs and disbursement delays: these prevent large organizations from reaching actors producing on a small scale.
We can cite as other forms of restrictions imposed by the government: exchange control, minimum reserve ratios, competition regulation, etc. According to Fry, who has leveled criticism of the financial crackdown, administering rates at levels below clear-market rates can negatively influence the economy through five channels:
-Low interest rates cause individuals to prefer immediate consumption over future consumption. This has the effect of reducing savings to a level below that which would be optimal from the point of view of the community as a whole.
-Low interest rates on bank deposits compared to the informal financial market rate can reduce the supply of funds in the banking system and promote disintermediation.
-Borrowers who can obtain the funds they need at low interest rates will tend to choose relatively capital-intensive projects given the low cost of their debt, a factor considered abundant in developing countries.
-Potential borrowers are entrepreneurs whose projects are relatively unprofitable and who do not wish to engage in loans at high rates.
-A poor allocation of loanable funds due to the reduced level of financial intermediation and the low level of accountability of banks in the credit grid.
According to Mr. Fry, these perverse effects of repression and the firm conviction in the positive relationship between economic growth and finance which marked out the Paradigm of financial liberalization and which constitute the backbone of the thesis of Mc Kinnon and Show.

In this context, freeing up the financial sector, increasing the level of real interest rates paid on deposits (by an increase in nominal rates or by a fall in inflation) will stimulate the accumulation of monetary balances (the savings) and therefore allow the growth of investment. This should also make it possible to increase banking intermediation; hence a reduction in intermediation fees between lenders and borrowers thanks to the achievement of economies of scale, better risk diversification, easier access for borrowers to loanable funds.

For Mc Kinnon and Shaw, financial liberalization has a positive impact on economic growth. This hypothesis is based on two arguments:

- On the one hand, the capping of interest rates at artificially low levels reduces savings, the supply of loanable funds, which leads to a rationing of investment and a slowdown in economic growth.

- On the other hand, the financial repression leads to a bad allocation of credits.

Other models based on the thesis of Mc Kinnon and Show, such as that of Bencivinga and Smith (1991), emphasize the positive role played by financial intermediaries in improving the efficiency of investment rather than the increase in the volume of savings and the resulting investment.

This driving role of financial intermediaries in propelling growth is due, according to Green Wood and Javanovic (1990), to the power of collecting relevant information on different projects and their functions of sharing and diversifying risk which can help their clients to make a more judicious choice of investment projects as well as their efficiency and productivity. Thus, financial liberalization is considered necessary to encourage several productive activities.

2.2. External financial liberalization:

The growth of international financial transactions and international movements of capital is one of the most striking characteristics of the economy at the end of the 20th century. This explosive growth has been fostered by powerful currents, notably the trend towards economic liberalization and the multilateralization of trade in both industrialized and developing countries.

Removing all restrictions on these transactions, in other words letting capital flow in and out of the country unchecked and unhindered, is called deregulating the movement of capital.

According to classical economic theory, international capital mobility allows countries with limited savings resources to attract financing for their internal investment projects, while investors can diversify their portfolios, as the risks are more widely. distributed and that inter-temporal exchanges ~ of goods today in exchange for goods tomorrow - are thereby favored. More precisely:

Households, businesses and even entire countries can borrow when their incomes are low and repay when they are high, smoothing the consumption curve. The ability to borrow abroad can thus smooth out fluctuations in the economic cycle by preventing households and businesses from having to limit too drastically their consumption and investment and thereby further reduce domestic demand, when production and domestic income fell.

By lending abroad, households and businesses can diversify the risks associated with disruptions that only threaten their own country / Businesses can protect themselves against costs and productivity shocks by investing in affiliates spread over several countries. Mobility of capital can thus enable investors to obtain higher, risk-adjusted rates of return / In return, higher rates of return can encourage savings and investment conducive to accelerating growth \ economic.

3. Financial Liberalization necessity:

Financial liberalization policy has many advantages, also has a lot of challenges and risks; In recent decades, there has been a gradual trend toward liberalization of capital flows, both inward and outward, among member countries. The trend has been particularly pronounced in emerging Europe, although systemically important emerging economies (including, for example, China and India) have also announced plans for further liberalization. The pace of liberalization moderated slightly in the wake of the global crisis, but the general trend across the world remains one of increasing openness to cross-border capital flows. Where authorities have intervened to influence capital flows, they have generally done so not by re-regulating permanently significant parts of the capital account but by targeting temporarily specific types of flows.

- It is recognized that CFMs can impose costs on the economy: They can reduce discipline in financial markets and public finances, tighten financing constraints by restricting the availability of foreign capital, and limit resident's options for diversifying their assets. They can also be costly to monitor and enforce, promote rent seeking behaviour and corruption, and facilitate repression of the financial sector, impeding financial development and distorting the allocation of capital.

- The move toward liberalization reflects countries' recognition of the benefits of capital flows under the right conditions: At a microeconomic level, capital flows can enhance the efficiency of resource allocation and the competitiveness of the local financial sector. Moreover, as countries develop they require more advanced financial systems, which often go hand in hand with greater cross-border capital flows.16 In addition, capital flows can facilitate the transfer of technology and management practices, particularly through foreign direct investment (FDI). Capital flow liberalization can have indirect or collateralو benefits for intermediate objectives, such as financial sector development, macroeconomic policy discipline, trade, and economic efficiency (Olivier , 2012, pp. 11-12).

3.1. Benefits and Risks of Financial Liberalization:

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3.2. Economic reform and Political change paradox:

A good deal is known about what makes for successful economic development, but very little is known about how to get there - that entails an understanding of the process of economic change.

Over the last two decades MENA countries as much of the developing countries have experienced a wave of liberalization of financial sector. For a long time, the primary task of financial system has been to finance the government needs, public enterprises, and priority sectors through mandatory holding of treasury bills and bonds issued by development banks.

This paper revisits the dynamic interaction between political and economic change, building on two ideas. The first idea concerns the economic effects of democracy. If democracy influences economic performance, to a large degree this must happen via investment decisions and hence through expectations. The prospects of future democracy are a crucial determinant of current economic performance. This means that, to correctly assess the economic consequences of democracy, we must look beyond the current regime. The stability of democracy, and the expectations about stability, are key.

Cross-national evidence on the impact of democracy on economic growth, and of democracy on equity, is highly inconclusive. Whereas all democracies may share some political traits that are economically consequential, non-democracies do not. In the latter case, many countries have had highly development oriented authoritarian regimes.

Many factors, which include rates of investment, infrastructure, quality of human capital, level of research and production of knowledge, quality of organization and management, and balance of intersectoral investments, influence economic growth. Since it is even difficult to assign weights to these proximate determinants of growth, the cross national quantitative studies, attempting to relate democracy systematically, are bound to remain highly inconclusive.

In financial liberalization theory, financial repression, i.e. distortions of financial prices such as interest rates, reduces the real size of the financial system relative to the non-financial, which leads to slow real rate of economic growth (McKinnon, 1973 and Shaw, 1973). The theory rests on the assumptions that saving is an increasing function of real rate of interest on deposits and real rate of growth in output and that investment is a decreasing function of the real loan rate of interest and an increasing function of the growth rate. At the initial repressed stage, the nominal interest rate is administratively fixed, and thus the real rate is kept below its equilibrium level.

There is a strong dependency relationship between a country's level of growth, economic democracy, and the strength of its financing system. Problems in the financial system can reduce the effectiveness of the monetary policy, strain the budget by bailing out financial institutions, cause capital flight, and deepen the recession.

For Algeria, reviving growth through investment is the main focus of reform programs that began in 1990 and related to political and social events. Therefore, it is the realization that the method of financing adopted since independence, based on foreign debt, was ineffective, as there could be no development and economic reform, except through the adoption of free and market policies and financial liberalization. Below we find a table for most of the studies that dealt with the relationship of development to financial liberalization and examining policies along with the nature of political systems

Table 1. Summary of a sample of studies on the relationship between financial liberalization, savings and growth

Author (s)	*Year*	*Country or region*	Purpose of the study	Results
Abida et Chekroun	*2007*	MENA	Integration and financial development	Positive
Alesina et *al.*	*1994*	20	Liberalization and growth	No effect
Arestis et Demetriades	*1997*	South Korea	Bank deposits and GDP	Positive
Artera et *al.*	*2001*	59	Liberalization and growth	Mixed
Barro	*2001*	40	Financial development and growth	Positive and meaningful
Bailliu	*2000*	40	Financial development and growth	
Bandiera et *al.*	*2000*	8 developing countries (DCs)	Financial reform and savings	Positive and meaningful
Bekaert et *al.*	*2001*	30	Liberalization and growth	
Bekaert et *al.*	*2005*	95, 75, 50 and 25	Liberalization and growth	Shade
Bonfiglioli	*2007*	70	Financial liberalization and growth	Positive
Boumeghar	*2007*	Algeria	Liberalization and household savings	Positive and meaningful
Demetriades et Luintel	*1996*	India	Bank deposits and GDP	Positive and meaningful
Diery et Yasim	*1993*	9 African countries	Savings and credit interest rate	Negative
Edison et *al.*	*2002*	Over 89	Liberalization and growth	Negative and significant
Edwards	*2001*	62	Liberalization and growth	Positive and meaningful
Fry	*1979*	Turkey	Interest rate, savings and growth liberalization	Significantly positive PED
Fuchs-Schundeln et	*2001*	54	Capital account liberalization and growth	Positive developed countries and

Funke				negative developing countries
Giovannini	*1983*	18 PED	Savings and real interest rates	Positive and meaningful
Grilli et Ferretti	*1995*	61	Capital account liberalization and growth	Positive and meaningful
Klein et Olivei	*1999*	92	Liberalization and growth	Mixed
Kose et *al.*	*2006*	71	Capital liberalization and growth	No effect
Lucas	*1988*	USA and India	Capital flows and growth	Positive
Mensi, Bassole et Mouanda	*2010*	UEMOA	Financial integration, instability and growth	Mixed
Quinn	*1997*	66	Liberalization and growth	Positive for capital factor
Reisen et Soto	*2001*	44	Liberalization and growth	Positive, stable and meaningful

Source: Boukhezer-Hammiche, N. (2013). Libéralisation financière et effet sur l'investissement en Algérie. *Mondes en développement*, 162(2), 131-146. https://doi.org/10.3917/med.162.0131

4. Financial liberalization application in Algeria:

Economic policy after independence relied on central investment schemes financed by public funds, and was working on allocating resources in an administrative capacity, and on a centralized price system.

The loans directed to financing the public sector were not subject to market rates, and thus all monetary and financial variables were canceled, and banks became mere banks for public institutions with the signature of the Treasury. It is the situation that Algeria lived in for a rather long time, which led to the deterioration of most economic institutions, and accordingly the thinking was about implementing economic reforms. These reforms began with the issuance of laws for the independence of institutions, starting in 1988, through price liberalization, and a gradual reduction of subsidies, and thus the thinking In economic liberalization.

In fact, Algeria has some of the highest investment rates in the world, with an average of 32% of GDP, versus 24% in North Africa / Middle East and 21% for the whole world, From 1971 to 1990.(Boukhezer-Hammiche, 2013, p. 137)

However, this investment did not translate into real wealth, due to the low profitability of factors, and the problem of choosing and making investments (Dillman, 2000), however, to the extent that public investment received all the regulatory and financial aid, the private sector was marginalized and controlled by identifying sectors for investment and even the limit. From the investment sums according to the rules of 1963 and 1966. To finance it, she had to resort to self-financing or informal resources. As for foreign participation in state-owned enterprises, it was determined, according to Law 82-13 of August 28, 1982 on mixed economy enterprises, at 49%, and in 1989 it increased to 65%. These conditions mean that the results of private investments under the 1966 law revealed a somewhat negative result, as only 916 projects were approved for an amount of 956.9 million dinars. The outcome of 1982 was more interesting with the relaxation of certain restrictions (amounts and sectors of investment, formalities ...) and the number of companies increased from 12,000 to more than 22,000, between 1984 and 1990 on the other hand, despite the huge investments devoted to public industry during the 1970s. Its share in industrial production decreased from 82% in 1974 to 46% in 1989. The low price of oil, and the desire to continue investment policies without taking into account financial difficulties led to a crisis in the balance of payments with declining growth and increasing debt.

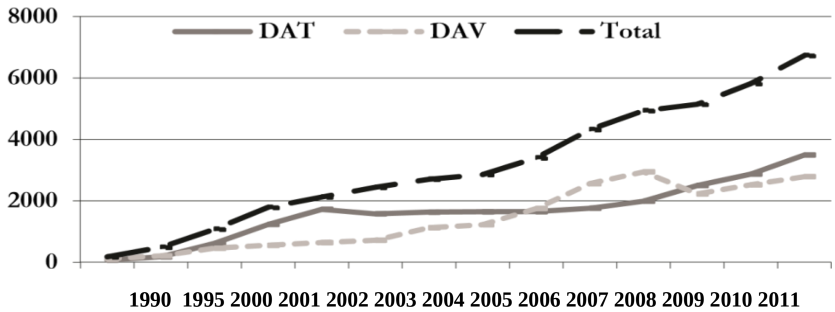
As early as 1988, certain measures were taken within the framework of the stabilization program, before being deepened by Law 90-10 on Money and Credit (LMC) of April 14, 1990, and, in 1991, the program of structural adjustment (SAP) accompanying the debt rescheduling. After 1993, economic liberalization resulted in the abandonment of many precepts that guided this massive investment policy financed by the increased recourse to debt. The transition to a market economy was marked by the abolition of all price controls and the liberalization of interest rates from 1990. At the same time, the refinancing rates of the BCA were increased from 10.5% to 15% between 1990 and 1994, with a view to encouraging banks to mobilize savings from households and companies, and to reduce hoarding.(Bouhou, 2009)

These openness and liberalization measures should enable Algeria to cope with the debt burden, by encouraging exports, limiting imports, and attracting private investments, particularly foreign ones. The provisions of the LMC and the complementary finance law for 1990 paved the way for the dismantling of the state's monopoly on foreign trade, and resulted in almos Accordingt total liberalization of imports (Règlement relatif au marché des changes., 1995). As for non-hydrocarbon exports, they are completely free and encouraged. After the strong devaluations of 1991 (100%) and 1994 (50%), in 1995 we witnessed the abandonment of the administrative fixing of the exchange rate, with the creation of an interbank foreign exchange market devoting the commercial convertibility of the dinar. Algeria continues, however, to control incoming capital (Talahite, 2000), promoting more stable investments such as FDI, and limiting short-term investments and investment by residents abroad, drawing lessons from the Asian crisis, caused through volatile investments. For the full convertibility of its currency, and in the absence of adequate accompanying measures, Algeria fears a destabilizing effect on the economy. It seems necessary to continue the reforms to prepare the Algerian financial system for its international integration and to diversify the economy before proceeding with further and gradual liberalization of capital movements.

5. Effects of liberalization measures on the financial policies:

At the level of Algerian banks, the liberalization measures undertaken have positively influenced savings policy. The amount of deposits collected increased from AD 489 billion in 1995, to 6,283 in 2011. After the situation of lack of resources from which the banks have always suffered, they have recorded, since 2001, a situation of growing excess liquidity, thanks to the improvement of the position of the oil market and the reforms introduced in the policy of financing the economy. The efforts of the banks in the collection of resources are assessed through the new services and products offered to customers, the improvement of the banks' investment conditions and the revision of rates, which results in the appreciation of the share. long and medium-term deposits in total resources rising from 40.9% to 70.6% between 1990 and 2003, before stabilizing around 45.4% from 2005 to 2011.

Graph 1: Evolution of bank resources

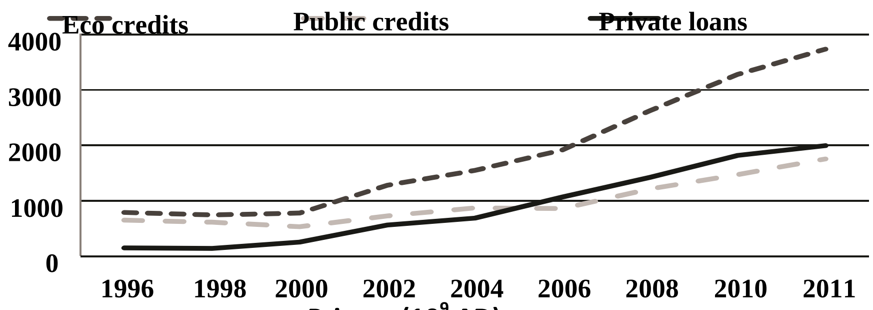


TTD : Term to deposits ; DTV : Deposits toView

Source: Boukhezer-Hammiche, Op. Cit, p.146. https://doi.org/10.3917/med.162.0131

The other channel through which liberalization acts on growth is that of the allocation of resources, which has received special attention, with emphasis on the requirement of profitability and solvency in the transformation of resources into credits. Helped by the favorable situation of oil prices, the variable of loans to the economy has recorded an increasing trend since 2000, combined with that of the share of medium and long-term loans which increased from 22.6% in 1996 to 46% in 2004, and 63.4% in 2011 of the total loans granted. If this development reflects a greater involvement of banks in the financing of investments, the fact remains that the amounts allocated to them remain low, penalizing companies seeking long resources, a situation which is aggravated by the absence of a dynamic financial market and specialized institutions to remedy it.(Boukhezer-Hammiche, 2013, p . 140)

Graph 2: Evolution of credits to the economy and their distribution public/



Private (10^9 AD)

Source: Boukhezer-Hammiche, N. (2013). Libéralisation financière et effet sur l'investissement en Algérie. Mondes en développement, 162(2), 131-146.

This performance has enabled Algeria to develop its resilience in the face of external shocks and reduce the risks of spreading financial instability, such as the 2008 financial crisis and the volatility of major currencies. Moreover, statistics for the various criteria showed that the effects of the reform program, which began in 1990, on the state of the financial sector, investment and growth, were not felt until around the year 2000. In order to benefit from the financial recovery during this period, Algeria embarked on a second phase to deepen reforms, by emphasizing the options for openness and international partnership that were undertaken within the framework of negotiations for its accession to the World Trade Organization (WTO), and the conclusion of an Association Agreement with the European Union. Through the latter, various regulations have been liberalized and modernized in order to benefit from financial and technical assistance from the Union and to enable accession to the Euro-Mediterranean Free Trade Area. At the same time, an ambitious government program has been launched, in which investment policy takes a first place. (Abbas, 2009; DJERMOUN, 2011)

Table 3: Evolution of indicators of overall investments made (2002-2011)

Years	Number	Jobs	Amount
2002	1 053	37 028	164 110
2003	2 805	54 948	306 028
2004	1 464	34 197	268 553
2005	1 160	53 010	420 923
2006	2 665	72 519	561 231
2007	5 091	97 355	684 507
2008	8 012	107 643	1 841 108
2009	9 471	82 149	517 604
2010	7 760	75 492	436 281
2011	7 803	140 110	1 378 177
Total	47 284	754 451	6 578 522

Source : ANDI (2012) *in* http://www.andi.dz

All these efforts have had repercussions on the dynamics of private investment, even if it is still weak relative to the country's potential. With an annual average of 5,000 projects and a value of 660 billion dinars, the total amount of investments declared reached 1,378,177 billion DA in 2011, against 164,110 in 2002 (table 3). This increase is accompanied by that of the rate of projects involving foreigners (alone or in partnership with Algerians) which was less than 10% during the first decade of the reform, and represents, in value, more than a third, in average, over the 2000s. On the other hand, in terms of number, the projects are 99% local, which means that foreigners are getting involved in large ones (Table 4).

Table 4: Distribution of investments declared by source of capital (2002-2011)

Investment projects	N°	*%*	Amount	*%*	Jobs	*%*
Local investments	46 833	*99,05*	4 414 144	*67,10*	672 921	*89,19*

Partnerships	209	*0,44*	851 473	*12,94*	26 106	*3,46*
IDE	242	*0,51*	1 312 905	*19,96*	55 424	*7,35*
Total foreign investments	451	*0,95*	2 164 378	*32,90*	81 530	*10,81*
Total	47 284	*100,0*	6578 522	*100,0*	754 451	*100,0*

Source : ANDI (2012) *in* http://www.andi.dz

The more substantial drop in amounts than in the number of projects, between 2008 and 2010, is explained by the very significant drop in foreign investment, mainly following the global economic slowdown, a consequence of the international financial crisis which particularly affected the major partners. from Algeria (Europe and America). It is also explained by the measures taken by Algeria in terms of the entry of foreign capital, henceforth obliging foreign investors to associate with national companies within the maximum limit of 49% of participation in the projects undertaken. in Algeria. These measures aroused reactions of mistrust on the part of foreign investors, initially, before the situation recovered in 2011, thanks to the relative recovery of the global economy, and the assimilation of these measures by foreigners who no longer see them as a threat (of nationalization), but rather as a guarantee of the commitment of Algerian companies. In fact, aware of their importance for the transfer of technologies and the improvement of innovation capacities, the Algerian authorities have defined a new industrial strategy launched in 2007, in which partnerships between national and foreign companies and sub-contracts were favored. -treatment between foreign subsidiaries and local small and medium-sized enterprises (SMEs), and training programs in new techniques or in new professions by foreign companies. (Boukhezer-Hammiche, 2013; MERZOUK, 2009)

Table 7: Ranking of Algeria in the ease of doing business out of 185 countries

	2009	2010	2011	2012
Doing business	136	134	150	152
Business creation	148	141	155	156
Building permit	110	113	137	138
Transfer of ownership	160	166	172	172
Obtaining loans	135	131	152	129
Investor protection	73	70	79	82
Payments of taxes	168	168	165	170
Cross-border trade	122	120	128	129
Execution of contracts	123	125	125	126
Insolvency settlement	51	51	62	60

Source: Boukhezer-Hammiche,Op. Cit, p 130.

Conclusion:

Financial liberalization and the free market is the main pillar of any economic and social development, as it is the main center for collecting savings from individuals, companies and public institutions, and directing them towards granting credit facilities and loans of various types and terms, as well as contributing to financing investments in various activities of the economic and social sectors owned by the state and the private sector. This is in order to help advance the requirements of economic and social growth. This calls for lifting governmental restrictions on his actions and activities.

In light of these changes, the financial systems in developing countries like Algeria found themselves facing several challenges, related to the scarcity of resources, the use of technology, customer requirements, the reliability of the media, the intensity of competition, the application of decentralization and specialization, the development of legislation or laws regulating its work, raising the professional level of workers.

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