

## Economic Corruption in Algeria

### الفساد الاقتصادي في الجزائر

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#### ملخص:

يهدف هذا البحث إلى دراسة واقع الفساد الاقتصادي في الجزائر، حيث يعرف على أنه سوء استعمال السلطة من أجل تحقيق مكاسب خاصة، ويلتهم الفساد أغلب الموارد المخصصة لتمويل التنمية وذلك عن طريق الرشاوى والصفقات المشبوهة واختلاس الأموال وتهريبها وإعادة تقييم المشاريع، والتهرب الضريبي والجمركي وغيرها. وما يؤكد انتشار الفساد في الجزائر هو الرتب المتدنية لها في مؤشرات الفساد العالمية حيث احتلت الجزائر المرتبة 108 ب 3.4 درجة من أصل 176 دولة سنة 2016 وهي مرتبة متأخرة جدا تعكس مدى تفشي الفساد في الدولة وأن معظم الصفقات والمشاريع التنموية خاضعة على الأقل لنوع من أنواع الفساد.

**الكلمات المفتاحية:** السوق السوداء، المخدرات، التهريب، الاختلاس، الرشوة، الشفافية.

#### Abstract:

The aim of this article is to study the reality of economic corruption in Algeria and its different forms. Corruption is defined as the abuse of power in order to achieve a private gain, Where corruption consumes most of the resources allocated to fund projects through bribes and suspicious transactions and misappropriation of funds and smuggling them and re-evaluation of projects, Tax and customs evasion, and What confirms this is a low-level of Algeria in the global corruption indicators Where Algeria occupied ranked 108 out of 176 countries in 2016, and It is too late arranged that reflect the extent of corruption in the state and most of the deals and development projects are subject to at least some kind of corruption.

**Key words:** Black market. Drugs. Smuggling. Embezzlement. Bribery. Transparency.

#### 1. Introduction:

Economic corruption is a serious phenomenon which is present in all developed and developing countries. Experts and observers of development issues consider that the reason of the failure of the most world development projects in the world and especially in developing countries, and the reason of spread of financial and economic crises, is the exacerbation of corruption in its various forms as being the most important aspect of the absence of good governance. This led to poor

management of the available resources and to the reduction of the efficiency and effectiveness of their usability, as well as the negative impact on distributive justice, and the deterioration of the economic, social and political conditions; and this is what threatens the development.

Algeria, like other countries in the world, suffers from rampant corruption and the wide spread of this phenomenon in all sectors, where corruption reached record levels, especially with the financial surpluses achieved as a result of the raise of oil prices and the magnitude of government projects. Although the huge financial resources, Algeria has not been able to achieve the desired economic and social development, and it still suffering from high levels of poverty, unemployment and low standard of living of large groups of people. This is mainly due to the inefficient use of these resources because they are wasted, stolen and/or embezzled, causing economic and social repercussions which have negative impact on the development and the performance of the Algerian economy in general.

From what is said above, we can ask the following question: **What is the reality of economic corruption in Algeria?**

## **2. Corruption in theory**

### **2.1 The concept of corruption:**

It is very difficult to give a comprehensive and uniform definition of corruption for several reasons including: the complexity of the phenomenon of corruption, the complexity of its features and causes, the different research methods, the multiplicity of forms of expression, the diversity of backgrounds of those involved in his discussion, as well as the different ways peoples look to this phenomenon.

#### **2.1.1 Definition of corruption:**

The term corruption is one of the most important words used in different communities and countries, especially in recent years where the World Bank defines corruption as "the abuse of power".

"Tanzi" states that corruption is a behavior based on the deviation from the official duties associated with the public job, whether this job is an elected or appointed one, in order to achieve personal or family private interest.<sup>1</sup>

Corruption can be also defined as a social behavior revealed by some indicators related to the absence of effective political and administrative organization, deviation from the social values and

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<sup>1</sup> - Antara Ben Marzouk, the dilemma of corruption in Algeria, the house publishing djeteli, Algeria, 2009, p26.

prevailing norms to satisfy financial ambitions, the misuse of financial authority, evasion of due charges and getting illegal benefits. Thus, corruption is the result of a behavior preceded by fraud and not its result; because of the absence of effective political and administrative organization and the deviation from the social values; which results in abuse of public power and authority, to obtain personal benefits illegally.<sup>1</sup>

Corruption is characterized by several properties and these are confidential. The multiplicity of parties involved, camouflage, betrayal of trust, deceit and fraud, breach of duties and responsibilities, the achievement of special interests at the expense of public interests and that harm the economic, social and political interests.

The problem of corruption in the society does not stop at being a phenomenon measured in numbers, but it is more serious. Corrupt practices lead to an imbalance in the behaviors and values of individuals in the society. It creates a state of mind in the individuals to justify corruption and find their excuses to justify its continuation and its widening circle of existence.

The most important elements and parameters related to political, institutional and administrative factors in the prosperity of corruption are summarized in one equation presented by "Robert Cletgard" as follows:<sup>2</sup>

**Corruption = degree of decision monopoly + discretion – accountability**

Specialists agreed that corruption is a technical term used for crimes related to trading in Public Servicing or to Public Funds abuse in the form of a phenomenon that the community suffers from. It leads to deterioration of competitiveness and decline of efficiency. Thus it reduces the volume of investment and as a consequence the unemployment and low wages. This leads back to more corruption within the framework of a vicious circle<sup>3</sup>. As shown in Figure (01):

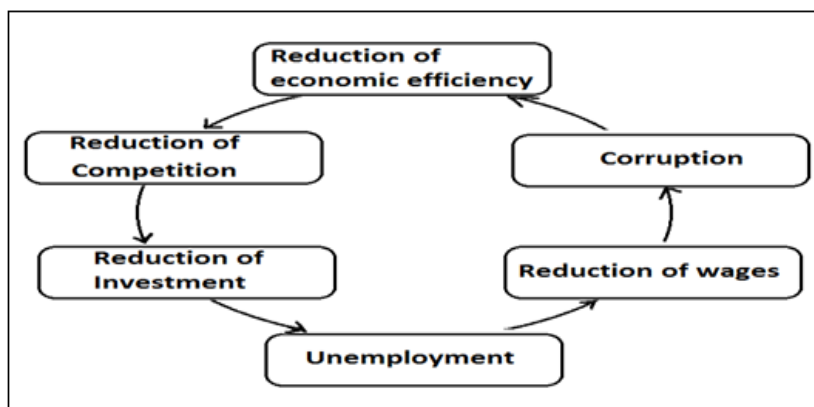
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<sup>1</sup> - Hamdi Abdel Adim, the globalization of corruption and the corruption of globalization, House Publishing University , Egypt, 2008, p17.

<sup>2</sup> - Antara Ben Marzouk, op.cit , p85.

<sup>3</sup> - Khalil Abdelkader, governance and bilateral transition and widespread corruption, magazine Arabic economic research, the number of 46 Spring 2009, p90.

**Figure (01)**  
**The vicious circle of corruption**



**Source :** Khalil Abdul Qadir, *Governance and bilateral transition and widespread corruption*, Arabic Economic Research Magazine, number 46, Spring 2009, p91.

## 2.2 Types of economic corruption:

- Accidental corruption (individual): sometimes corruption may be an occasional case of some individual politicians or public officials. It may be temporarily and it is not systematic.
- Institutionalized corruption: in other cases, corruption can be located in a particular institution or in specific sectors of economic activity other than other sectors. As the existence of some corrupted officials and employees in some ministries and in different sectors.
- - Systemic corruption: corruption in other times becomes a phenomenon affecting all classes of the society and affecting various transactions. This is what is meant by regular or extended corruption. This corruption affects the institutions and the behaviors of individuals at all political, economic and social levels of the system.

## 2.3 Forms of the economic corruption:

Corruption takes multiple forms and images. The most important forms begin with the abuse of power for personal gain. From that point, bribery, misappropriation of funds, fraud, favoritism and other practices, that cause harm on society and on the economy in one way or another, are all accepted.

- **Forms of corruption in the Financial field:** Theft, embezzlement, bribery, profiting from the job, exploitation of

wealth, usury, speculation, gambling and preventing "Zakat" and forms of dishonesty in financial transactions.

- **Forms of corruption in the Labor field:** Negligence, dereliction, infringement of labor supplies, lack of proficiency, lack of discipline and of commitment to work systems, nepotism, lack of equal opportunity and the understatement of workers rights.
- **Forms of corruption in the area of consumption and spending:** Extravagance, waste, recreational spending, phenotypic and lack of commitment to Islamic priorities.
- **Corruption in the field of trade and commerce:** Fraud and deceit, prejudice, ignorance, injustice and undervaluation, procrastination in the performance rights, monopoly, fictitious transactions, bribery and pseudo commissions.

### 3. Algeria in the corruption index

#### 3.1 Corruption Perceptions Index (CPI)

Transparency International<sup>1</sup> defines Corruption as abuse of power for private gain. It developed an international index to measure corruption in the world that covers a significant number of countries. This index has a value limited between zero and 10 degrees. This means that if a state got a rating of 10 degrees, this country is completely clean of corruption operations. If a state gets zero estimate, that means that all business transactions in this state is subject to corruption and bribery. Yet no country in the world did get the 10 or zero estimate<sup>2</sup>.

**Table (01)**

**The order of Algeria by the (CPI) for the years 2004 to 2015**

Year	Number of States	The index (CPI)	World ranking	Arab ranking	African rankings
2004	146	2.7	97	12	17
2005	159	2.8	97	11	15
2006	163	3.1	84	12	09
2007	180	3.0	99	09	10
2008	180	3.2	92	10	10
2009	180	2.8	111	10	18
2010	178	2.9	105	12	16
2011	183	2.9	112	10	12
2012	174	3.4	105	11	18

<sup>1</sup> - is an international Foundation non-governmental not-for-profit, founded in 1993.

<sup>2</sup> - [www.transparency.org](http://www.transparency.org)

2013	175	3.6	94	10	12
2014	174	3.6	100	10	14
2015	167	3.6	88	09	13
2016	176	3.4	108		

**Source:** Transparency International Annual Reports (2004-2016)

This report is based on how peoples look at the official transactions in their countries. Somalia has been ranked at the top of the list of most corrupted countries in the world with 0.88 points. It is followed by North Korea with 0.86 points. Countries like New Zealand, Denmark, Singapore and Sweden are the best countries in the world in the scale of corruption.

We may also note that Algeria occupies the lowest ranking in the world rankings. In 2004 Algeria got 2.7 points in the index and was ranked 97 worldwide from the total of 146 countries. This is due, according to the report, to the spread of the phenomenon of corruption, bribery, bureaucracy and smuggling, money laundering and repeated embezzlement... etc. In 2013 and 2015 years Algeria was ranked 100 worldwide by 3.6 points, which is a late rank. However, there is an improvement in its ranking from the classes 111 and 112 for the years 2009 and 2010, to the rank of 100 for the years 2013/2015.and ranked 108 in 2016.

In general, it can be said that the performance of Algeria in the corruption index is terrible. It means that the public order in Algeria suffers from severe corruption in various fields. It is translated in the outbreak of bribery, bureaucracy, nepotism, embezzlement, tax evasion, smuggling (both financial and commodity), money laundering and drug trafficking ... etc.

### 3.2 The World Bank's Corruption Index

The World Bank defines corruption as the abuse of power.

A corruption index is issued by the World Bank. It is an indicator that shows the status of the systems of governments in the states. The index tries to measure corruption between officials in government and business, and to which extent illegal funds are granted to officials and judges in the state. To which extent is the corruption found in the civil service. The index is limited to a value between -2.5 and +2.5, where the higher positives values are the best. The following table shows the global rating of Algeria in corruption control index issued by the World Bank during the period from 2003 to 2010.

**Table (02)**

**The adjust the corruption index in Algeria (2003-2012) :**

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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Index	0.61-	0.6-	0.42-	0.39-	0.47-	0.44-	0.49-	0.51-	0.51-	0.49-
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Source : <http://www.undp-aci.org>

In view of the reality of Algeria in its fight against corruption, and relying on the control of corruption index issued by the World Bank, we find that Algeria is still classified in the group of backward countries in this area. We can note the deterioration of its annually performance during the period from 2003 to 2012. The report issued by the World Bank includes also the governance condition, which is based on the measurement of the extent of the involvement of politicians, parliamentarians, judges, government officials, customs and tax officials in corruption and in bribery cases. The World Bank report has pointed out the weakness of public institutions in the state, the lack of transparency in public administration and finance, the impaired ability to reduce corrupted officials and the absence of independent judicial system that limits the immunity of the position and the influence of officials. It has pointed out also the lack of effectiveness and seriousness of the reforms undertaken by the government which caused a drop in the order of Algeria on the index of controlling corruption.

#### **4. THE STRUCTURE OF CORRUPTION IN ALGERIA**

##### **4.1 Tax Evasion**

Tax evasion means the behavior through which the legally taxpayers tries not to pay the tax due in whole or in part, without transferring its burden to someone else.

There are several reasons for resorting to tax fraud in Algeria. We may include administrative difficulties and complexities in obtaining the commercial register in order to engage in activity, humility of the tax management tools, not keeping with the modern styles of management and control. In 2011, Algeria ranked 136 in the world, according to Doing Business Index, and it ranked 168 (of 183 countries) in the payment of taxes Index. It is a rank that indicates corruption, complexity of the tax system and lack of flexibility. This took place although the reforms undertaken by Algeria in the tax system in order to achieve the effectiveness which is the indicator of the success of any system<sup>1</sup>.

Tax evasion contributes significantly to the reduction of the outcome of regular collection. This causes huge losses in the state treasury and tax audits reveal that. In 1998, as a result of the follow-up and the directing of fiscal control activities in the direction of taxpayers who engaged in imports and wholesalers activities, 2478

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<sup>1</sup> - [www.doingbusiness.org](http://www.doingbusiness.org)

evasion cases were counted by the state departments of Taxation. In addition to that, there were 1328 cases counted by mixed teams of control, as well as tax inspectorates. An amount of 87,359,515.84 DZA was restored in 1997 and 103,737,902.42 DZA was restored in 1998.

The value of evasion has reached about \$ 8.2 billion. This huge value includes the period from 1990 to 2007 and it is a very important rate that has a significant impact on the state budget.

Statistics also indicate that 33% of the Algerian institutions almost entirely evade the payment of taxes. The remaining percentage of institutions is not without style of fallacy in bills and tax vessels. The amount of tax evasion, according to statistics of the Ministry of Finance in 2005 is estimated to 600 billion DZA.<sup>1</sup>

#### **4.2 Customs Fraud**

It is the avoidance of paying the tariffs by hiding part or all of the goods imported or exported through legal channels. It means to pass through the customs offices.

The Customs is involved in fighting against the economic dealers who circumvent the law and the applicable regulations in order to avoid payment of duties and taxes, especially after the liberalization of the foreign trade and the entry of new economic dealers to the field of export and import. Their number rose dramatically from 6000 importers in 1990 to more than 35,000 importers in 2007, including 43% working with chartered records. From this situation, new practices and several imbalances has resulted because the majority of the private dealers are casual traders who re-sell imported goods in their original states and because of the lack the preparation and professionalism.

Some international environmental conventions were exploited and removed from their content and purpose to use them as a cover to some illegal practices, like the lack of the application of the agreements signed between the countries of the Maghreb. This has damaged the fiscal resources and the interests of national producers. The device promoting exports of local products to Russia in the framework the payment of debt was removed partially from its content and purpose as well. It has been tampered because of the conditioning procedure of withdraw funds from the public treasury and as a consequence the debt had accumulated on Algeria treasury in billions of Algerian Dinars.

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<sup>1</sup> - Hisham gharbi, the economic dimensions of money laundering, MA, University of Guelma, 2007,p15.



### 4.3 The black market of foreign currency

Since the issuance of the Algerian national currency in 1964, the Dinar's exchange rate is managed administratively. It was characterized by stability and consistency over a long period of over twenty years. This stability is justified within the prevailing system which required harnessing all economic instruments to achieve the goal of development plans by the central authorities.

The management of the Dinar's exchange rate in this manner leads to determine the administrative cost rather than economic cost of the foreign currency. It means that the Dinar's foreign exchange rate do not bound together with the performance and efficiency of the national economy. Thus the Dinar's exchange rate was separated from the economic reality. This has resulted in irrational behavior in the use of the most scarcity resources (foreign currency). Moreover, this method has given to the Dinar's exchange rate two values. The first is determined administratively by the monetary authorities and the second is set in the street, or what is known as the black market.<sup>1</sup>

**Table (03)**

**The development of the official exchange rate and the parallel rate in Algeria against the dollar:**

Year	1975	1985	1996	2000	2005	2010	2015
The official price	1.1	0.61	54.7	75.3	73.28	74.39	100.7
Parallel price	1.4	3	85	100	114	126.5	160
Value deviation	0.3	2.39	30	24.7	40.72	52.1	60

**Source:** Prepared by the researcher : Depending on : -Bank of Algeria

-Mohammed Ben Bouziane, The effectiveness of the parallel exchange rate in Algeria, Journal of Economics and Management University of Tlemcen, 2002, p217.

Through the table (03) we note that, after 1975, the parallel exchange market emerged in Algeria as a result of the increasing demand for Foreign Currency. The period between 1985 and 1996 experienced the biggest changes recorded and this resulted from two main reasons, the first one was the oil crisis in 1986 which reduced the level of income from exports to 56.5%, the second reason was the decision taken by the Currency and Credit Council to reduce the Dinar by 22%. The second reduction took place in 1994 to 40.17%. This is what makes the Dinar's exchange rate up to about 36 DZA per \$ 1.

### 4.4 The drug trade

<sup>1</sup> - Belazzouz Ben Ali, lectures on theories and policies monetary, the Office of university publications, 2006,pp(216.217)

The drug issue is considered as the thorniest issue, as result of several social and economic factors. Drug trafficking generates higher incomes than those generated by any other activities. The expected profit obtained from this trade represents an excellent incentive for individuals to do this trade. The drug problem has been exacerbated in Algeria since the beginning of the eighties where the ncreasing volume of drug crimes (smuggling, trafficking, consumption) during the period after the application of the structural adjustment program or the so-called the phase of economic openness. The first alarm record was in 1975 with the reservation of three (03) tons of Cannabis. The second warning was recorded in 1989 after booking more than two tones (02) of Rating Cannabis and the arrest of about 2,500 people throughout the year. Since this date, we note a constant development, year after year. These figures are related not only to cannabis resin. Nineties statistics explained that there was increasing development quantities of drugs seized annually and that does not constitute in fact only a small fraction of the amounts of traded drugs. The Reserve of cannabis resin in 2002 amounted to 6.332 tones. This important number translates the increase to what was booked over the past years. It also notes the high amount of cannabis seized for the year 2004 to 12.373 tons, which is the double of what was detained in 2002.<sup>1</sup>

The Algerian National Centre for the Fight Against Drugs monitored more than 211 tons of drugs seized in 2013, and about 12 thousand drug cases were referred to justice, while 181.942 tones of cannabis was booked in 2014. This is a clear evidence of the magnitude of the drug trade in Algeria.

The following table (04) shows the total amount seized in Algeria of various types of drugs. :

**Table (04)**  
**Shows the total amount seized in Algeria of various types of drugs.**

Year	The amount of drugs seized / ton	The number of cases
2004	12.373	5741
2005	9.644	6185
2006	10.046	6880
2007	16.595	7358
2008	38.037	6777
2009	74.643	7057
2010	23.041	6226
2011	53.323	7473
2012	157.382	10129

<sup>1</sup> - The National Office for Drug Control (<http://www.onlcdt.mjjustice.dz>)

2013	211.512	11651
2014	181.942	9116
2015	126.68	6714

**Source:** The National Office for Drug Control, the annual reports from 2004 to 2015.

Statistics indicate that the seized quantities represent only 10% of the total smuggled and traded quantities. Through the table (04), we note the high relatively amounts of drugs seized. The quantities seized was amounting in 2015 more than 126 tons. This percentage represents only 10% of the total quantities. The amount of drugs that entered Algeria in 2015 will be approximate 1260 tons, which is a very large amount to which we may pay attention. It also notes that the amount reserved for the year 2015 represented 14 times what was detained 10 years before.

#### 4.5 Bribery

Bribery is the most important expression of financial corruption. It is defined as the trafficking of a public employee or a civil servant in his work. As the general function assumes that the incumbent does not wait for a reward other than the wage or salary received as a result of the performance of his work. Algeria, like other countries in the world, did not get away with this dilemma; it suffers from the complexity of the laws and the multiplicity of routine procedures, making the economic activity suffering from many shortcomings and gaps. Getting rid of the bureaucracy is one of the main reasons for the elimination of bribery and corruption. The losses caused by bribery and corruption were estimated to \$ 43 billion between 1993 and 2001. The investment estimates indicate that more than 48 thousand candidate files for investment (Algerian and foreign investors) remained on the National Agency for Investment Promotion shelves, and that only 10% of the total project was able to avoid bureaucratic procedures.<sup>1</sup>

A study led in 2003 by the World Bank on corruption that included 1400 companies and investors, concluded that corruption in Algeria is a significant impediment to companies and investments, and that 75% of companies are exposed to the complexities and bargains during their activities. The study also found that 6% of the revenues of the companies are offered as bribes.<sup>2</sup>

#### 4.6 Embezzlement

<sup>1</sup> - zahra yakhlaf, approach bribery in Algeria, Master Thesis, University of Tlemcen, 2004, p154.

<sup>2</sup> - Global Corruption Report 2006. Country Reports p.124.

Embezzlement means the full possession of something, in its material or moral nature, without the owner permission and satisfaction. The facts of embezzlement occur in ministries, governments, financial and commercial factories, banks and in other institutions and companies which deal with money, even partially. The crime of embezzlement is a fraudulent crime that needs to happen the intelligence, the specialization, the production of mental and rationales justifications based on the position of the embezzler, which is usually an experienced and cultivated person with experience in financial and administrative management positions<sup>1</sup>.

The phenomenon of embezzlement is the most prominent manifestation of corruption in Algeria. The stated figures for the crimes of embezzlement represent only what is set, then it can not be relied upon to determine the magnitude of the phenomenon. There are many embezzlement operations that have not been discovered, however, it can be taken as a demonstration indicator to determine the seriousness of the phenomenon in Algeria, due to the lack of clear and accurate statistics on the size of the phenomenon. Statistics show that, in 1996, there were 1698 cases of embezzlement of \$ 0.9 billion, while the embezzlement of \$ 12 billion took place in 1997 in one case only (Cedar Foundation), and the embezzlement of 100 billion DZA in 1998 in El-Hajar's company.<sup>2</sup>

It can be inferred, on the extent of embezzlement, to the number of cases dealt with in the courts. It was announced by the Minister of Justice before the National Assembly on March 18<sup>th</sup>, 2010: "Justice has condemned in recent years 5575 accused (1789 people in 2007, 1669 person in 2008, 1162 person in 2009) of whom 55% had been convicted on crimes of embezzlement".<sup>3</sup>

#### **4.7 Smuggling**

Smuggling is defined as the import and export operations that happen outside the official channels and without going through the customs offices.

##### **➤ Commodity smuggling**

Commodity smuggling includes two types of goods. The first type is the legitimate goods that are smuggled in order to get rid of customs duties and taxes. The second type is the most dangerous and it

<sup>1</sup> - Hamdi Abdel Adim, op.cit, p27.

<sup>2</sup> - Boodlal ali, assess the total of the informal economy in Algeria, Ph.D., University of Tlemcen. 2007, p283.

<sup>3</sup> - The reality of integrity and corruption in the Arab world, the Organization of Parliamentarians Against Corruption, 2011, p42.

concerns the prohibited goods and corrupt commodities which cause danger to public health. Reports indicate that Algeria ranks seventh in the world in terms of consumption of counterfeit goods. In 2004, about 800,000 counterfeit products were seized by the Customs Administration, Customs statistics indicate that more than 40% of counterfeit goods are produced domestically and 41% are imported and the rest is from an unknown source.<sup>1</sup>

**Table (05)**

**The most important smuggled goods which have been booked in 2008**

Lockup	Value /Algerian Dinars	Quantity	Reserve
67% Tlemcen	1829567075.00	6442540 kg 904.498 hallucinogenic tablets	<b>Drug</b>
52% Algeria Port + Setif	75563655.00	352 809 Unit	<b>Fireworks</b>
16% Bashar + Ouargla	369979878.50	871 107 Cartridge	<b>Cigarettes</b>
Tlemcen + Tebessa	29844037.00	2800062 liter diesel 147 085 liters of gasoline	<b>Gasoline and diesel</b>
33% Tebessa + Annaba	14592676	1634 head	<b>Cattle</b>
	2588147321.50		<b>Total</b>

**Source :** *Infos douane* n°04 ,2009: «www.douane.dz»

Through the table (05) we note that the most important materials and goods that are smuggled, either into the interior such as drugs, cigarettes and fireworks, or those that are smuggled towards the outside like cattle and gasoline, amounted in 2008 to 2,588,147,321.5DZA. It is a very huge amount; especially if we take into account the amounts and quantities that slip annually through customs.

The smuggling in Algeria is the worst kind of smuggling. This is because it exports goods of high-value and high utility such as livestock and fuel and imports harmful and dangerous goods and materials, like cigarettes and drugs. This is what leads to a larger damage on economy and society.

#### ➤ **Smuggling money**

Algeria suffers significantly from the phenomenon of smuggling of money. It is due to the nature of the crises that Algeria faced and to

<sup>1</sup> - Chamber of Commerce, Industry and Services of Oujda, Annual Report 2005,p 14.

the spread of corruption and the behaviors that accompany it. The owners of large illegal incomes resort to smuggling their money to other countries in order to ensure that it will not be confiscated later. The report issued by the non-governmental organization US Financial Soundness has pointed that the size of funds that have been smuggled out of 4 four African countries which are Nigeria, Egypt, Algeria and Morocco, during the past four decades exceeded \$ 210 billion, of which \$ 25.7 billion were smuggled from Algeria.<sup>1</sup>

The World Bank estimates indicate that the total value of financial flows cross-border of the proceeds of criminal activities and corruption up to \$ 1.6 trillion a year. About 50% of them come from developing countries. These estimates indicate also that more than 500 million euros are evaded from Algeria per year.<sup>2</sup>

**Table (06)**

**The amount of money seized at airports in 2008**

Amount	Currency
36726839	Euro
1254330	American dollar
11000	AED
3044 ,25	Tunisian dinars
1736,25	Ld
5850	GBP
476373852	Algerian Dinar
<b>4 239 206 151</b>	<b>Total Algerian Dinars</b>

Source : *Infos douane*, n°04 ,2009 «www.douane.dz»

From the previous table we note the magnitude of the money that was booked and which was smuggled outward. Totaling more than 423 billion centimes, which is equivalent to 42 million euros.

The Euro currency dominates the total amount of money smuggled. It represents 86% of the total funds reserved. We can also note the diversity of reserved currencies and in different proportions.

The value of the currency reserved has a very low rate compared to what is annually smuggled. Other ways are also used to smuggle money across the land to Tunisia and then to other countries.

#### **4.8 Fraud in Social Security (evasion of registration in Social Security)**

<sup>1</sup> - Bilal bouhouche, the economic effects of money laundering, Arab Research and Studies Institute, Cairo 2010,p33.

<sup>2</sup> - Transparency International, a working paper "asset recovery and the problem of domain Dimension2011,p03.

The inspection and surveillance operations carried out by the General Inspectorate of Labor revealed that in 6320 work sites about 45% of the workers are not declared to the social security services during the period between 1997 and 2002. This ratio confirms the investigation carried out by the Centre for Research in Applied Economics (CREAD) on 7,500 small and medium-sized enterprises. It revealed that 41% of their workers are not declared and a percentage of 30% of their turnover evades from the tax.<sup>1</sup>

Among the 6,100 employers included in the investigation conducted by the National Social Fund, the survey shows that one employee of two is employed occasionally. The survey shows also that about two-thirds (2/3) of the employers pay salaries under the base minimum guaranteed wage (SMIG).

Enterprises and business owners resort to not declare a part of the workers to achieve several objectives:

- Evasion of payment of the contribution amount in Social Security which reaches up to 5,000DZA per month.
- Reduce the size of the declared business turnover, which will be revealed by the number of workers if they are declared. Thus the business owner evades from the tax by concealing the number of workers.

**Table (07)**

**The number of undeclared workers in the Social Security services (1997-2014)**

Year	The number of the monitored workplace	The total number of workers	The number of workers have authorized their social security	Number of hidden sector workers	Percentage
1997	5865	12853	7218	5635	43.9%
1998	7066	19945	11330	8615	43.19%
2001	7979	42310	24802	17508	41.38%
2002	6319	23320	15897	7423	31.83%
2007	9810	36297	2918	6678	18%
2012	8418	33740	32632	1107	32.81%
2014	11232	46612	29640	16971	36.41%

**Source:** Prepared by the researcher , Depending on -Ministry of Labor

- Boodlal Ali, assess the total of the informal economy in Algeria, Ph.D, University of Tlemcen,2007,p235.

Through the table (07) we note that among all the monitoring samples there is always the undeclared part of the workers and thus

<sup>1</sup> - National Economic and Social Council, the informal sector illusions Facts (Abstract),p21

evade the payment of contributions of Social Security. We note also that the rate of the undeclared is too high; more than 40% of the total number of workers. The Social Security Fund for Non-Wage Earners counted in 2002 more than 405 000 adherent who pay their contributions to the amount of 1.05 million DZA while the real number is estimated to about 02 million people. This difference shows the extent of the spread of corruption in the society. The Minister of Labor has stated that 27% of workers are not registered at the Social Security services.<sup>1</sup>

## 5. CONCLUSION

We have tried through this study to focus on the fact that the phenomenon of economic corruption has become pervasive in all organs of the state without exception. What confirms that is the low ranking of Algeria in the global corruption indicators where it is ranked 100 among 174 countries in 2014. This indicates the presence of corruption activities such as bribery, tax and customs evasion, embezzlement, drug trafficking, money laundering, bureaucracy ... etc. All these activities have serious negative effects on the state and on the society, which leads to growth obstruction, development delay, inequality in income distribution, poverty, unemployment and low efficiency of the use of resources, ... etc.

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