

## **The Reform Path of Public Economic Institutions in Algeria and the Challenges of Good Governance**

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### **Summary:**

Algeria has sought to move beyond the stage of a socialist economy and align with global transformations in order to improve the management of public economic companies. To achieve sound governance of these companies, several reforms were implemented. This included the establishment of contribution funds and subsequently replacing state-owned holding companies with state contribution management companies. These measures aimed to establish effective governance by separating ownership from management and protecting the rights of shareholders and stakeholders. The reforms also emphasized the importance of transparency and disclosure in corporate governance.

In 2009, the Charter for Sound Governance of Algerian Institutions was issued, aligning with the principles of the Organization for Economic Cooperation and Development (OECD) for corporate governance. The charter aimed to enhance control measures, transparency, ethical practices of managers, and the sustainability of companies. However, despite significant legal frameworks promoting good governance, challenges persist, particularly concerning financing. Complex banking regulations hinder access to funding, and the prevalence of family-owned companies restricts access for local and foreign investors, limiting risk forecasting and long-term continuity.

To overcome these challenges, further efforts are required to establish practices that enhance corporate governance for economic institutions in Algeria and improve the country's development levels.

**Keywords:** Economic companies, contribution funds, state-owned holding companies, state contribution management companies, Charter for Sound Governance of Companies, Organization for Economic Cooperation and Development (OECD), economic development.

### **INTRODUCTION:**

The world has witnessed radical economic changes in the modern era, where companies have developed and expanded due to globalization and the liberalization of financial markets. These changes have significantly impacted the business climate and the management methods of companies and institutions. They have also brought about major challenges related to financial and administrative corruption, especially with the adoption of separating ownership from management to enhance management efficiency and improve the quality of production and services. However, this improvement in corporate performance was not without risks, as some companies in the United States and Europe experienced significant financial crises at the beginning of the twenty-first century. This raised the issue of corporate governance and the importance of transparent management practices, disclosure, and building trust among various stakeholders in companies, as well as their relationship with different state institutions.

These challenges led to the establishment of new rules for corporate governance, aiming to achieve higher levels of transparency and restore trust among all stakeholders, including

managers, shareholders, and government authorities, while avoiding the mistakes that led to the bankruptcy of many large companies.

Algeria is among the countries that have attempted to align with global frameworks, prompting it to introduce reforms to public economic companies and institutions. This has been achieved through the adoption of new management and oversight methods in response to development. These companies have witnessed different management and governance patterns, all aimed at achieving the objectives of the state's public policy.

To assess the effectiveness of these reforms in their content and legal frameworks, it is essential to examine their alignment with the principles of good governance advocated by the Organization for Economic Co-operation and Development (OECD). Additionally, the examination should cover the compliance of the regulatory framework and current laws with OECD principles and the extent to which the rights of different stakeholders in these companies are protected. Furthermore, it is crucial to determine whether these reforms meet society's aspirations and contribute to creating a favorable and transparent business environment that enhances economic and social development in the country. All of these factors necessitate seeking answers through monitoring and analyzing the reform path of public economic companies and institutions in Algeria, as outlined in the following.

### **I- Management and Administration of Public Economic Companies and Institutions in Algeria:**

We will address the context of managing Algerian public economic companies and institutions up until the year 2009, based on the historical development of the Charter of Good Governance for Public Economic Companies and Institutions.

The Algerian economy has undergone several stages, and the public economic institutions have been at the heart of these changes. They have experienced various periods concerning ownership, management methods, supervision, and control. These can be summarized as follows. The rest of the paragraph is missing. Please provide the complete text, and I'll be happy to translate it for you).

#### **I-A- Track of Managing Algerian National Economic Institutions :**

The economic institutions in Algeria have witnessed a fluctuating history spanning through different stages, surpassing challenges and changes in their organization and management methods. Initially, they operated under a socialist economic approach, where they were state-owned according to the Finance Law of 1971. There was direct coordination between these institutions, the public treasury, and the Algerian Development Bank, which provided long-term loans for financing. All of this was in line with the centralized political direction of the state.

However, this experiment did not achieve the desired results due to the difficulties faced by this management style, leading to repeated deficits for these public institutions and significant annual losses, despite the successive governments' implementation of numerous corrective measures. The desired profitability was not achieved.

For these reasons, the higher authorities in the country shifted towards adopting economic efficiency and adopted a reorganization of the organizational and financial structure of public economic institutions. Reforms were carried out within the framework of the Five-Year Development Plan for the period (1980-1984). Among its objectives were improving operating conditions, enhancing control over the production system, as well as defining and organizing the activities of these institutions in line with the goals of the national plan. These steps constituted a significant transformation in Algeria's economic administration, with a focus on strengthening efficiency and continuous improvement.

Despite the ongoing challenges facing the country, efforts were made to improve the performance of economic institutions and achieve alignment between their objectives and those of national development.

The restructuring of national public economic companies was carried out in two phases:

1. The first phase was organizational, involving the division of national economic companies into smaller public institutions. This was done to create a sense of specialization for each institution, define their geographic scope, and separate tasks within each of them to better control the means of production.

2. The second phase focused on the financial aspect of the companies. The state intervened to address the financial situations resulting from significant losses incurred by these companies. The public treasury took responsibility for settling debts among different companies and economic institutions. After these reforms were implemented in 1980, productivity, efficiency, and performance became fundamental objectives in a series of changes introduced to the management of these institutions. There was a pressing need to improve and develop administrative practices within these public economic institutions, which required organizational structural modifications based on expertise, competence, and the establishment of new goals.

All these efforts led to the creation of a new law that granted autonomy to the public economic institutions. As of January 1988, state-owned socialist companies (EPS) were transformed into public economic institutions (EPE) governed by commercial law and the principle of economic feasibility. This reform was based on the principle of separating ownership from administration. Thus, these institutions acquired capital with their shares owned by the state, and the rights of ownership were delegated to financial institutions and investment funds established for this purpose.

The reform of these public economic institutions continued by abolishing the Investment Funds (Les Fonds de participation). In June of 1996, Public Holding Companies (Les Holdings publics) were established, giving them the ability to transfer ownership of shares in each company. These holding companies became independent entities under state regulation, governed by specific legislative frameworks for these reforms. These reforms were based on several principles that differed from their predecessors, primarily including the following: [Please provide the principles you would like to include in the translation.]

- Reviewing the relationship between the state and companies by separating ownership and management of public economic institutions and establishing intermediary entities represented by investment funds.
- Reevaluating the system of supervision and organizing the national economy through proposing a comprehensive national planning system.

- Adapting to the legal forms of companies with capital (SPA - Joint Stock Companies) and limited liability companies (SARL - Limited Liability Companies).
- Managing public economic institutions based on commercial principles (productivity, profitability, sustainability, etc.).
- Typically integrating economic regulation tools (taxes, prices, credit, etc.) over administrative measures.
- Opening up investments in companies with the aim of managing these funds, aligning with economic logic, and facilitating foreign commercial transactions for public economic institutions.

After the general structure for managing state-owned enterprises was abolished through Law 90-11, and they officially became independent public shareholding companies, they gained the ability to:

- Establishing its organizational structure freely.
- Determining more suitable prices for its products without central government intervention.
- Choosing or organizing distribution chains according to its preferences.
- Having the freedom to negotiate wages and benefits for employees based on collectively agreed-upon agreements.
- Intervening in any part of contracts with consideration for the institution's interests without requiring authorization from the regulatory authority or the bank.

**I-B - Management Patterns of Public Economic Institutions:** Through the measures taken, public economic institutions have become separate entities from the state, with financial independence. The state established specialized structures known as investment funds to act as intermediaries between the state and the public economic institutions. Eight national-level investment funds were established.

**1- Investment Funds:** Investment funds were established by Executive Decree No. 119/88 dated 21/06/1988. They were introduced as intermediary structures between the state and public economic institutions to manage movable assets on behalf of the original owner, which is the state. The members of these funds hold the shareholder's rights on behalf of the state and for its benefit, following the rules stipulated by commercial law.

The funds are responsible for exercising ownership rights through delegation from the state, which includes monitoring responsibilities on one hand and acting as an agency between the state, these funds, and other public economic companies on the other hand.

It is emphasized that the shareholding of each investment fund in a public economic institution in the form of a shareholding company should not exceed 10% and should not exceed 40% of the total shares. The funds provide reports to the government about the decisions made in the ordinary and extraordinary general assemblies of each investment fund.

In summary, the tasks entrusted to the investment funds include the following: (Please provide the list of tasks you want to include in the translation).

- Enhancing decentralized management between the state owners and public economic companies.
- Encouraging public economic companies, through their administrative boards, to strive for maximizing profits.
- Building and elevating their capacities, enabling them to manage their investment portfolios.
- Encouraging the restructuring of public economic companies that lack significant efficiency.

The board of the fund consists of five directors, with the possibility for the state to appoint two additional directors to form a seven-member board. These directors are appointed by the government for a single five-year term. They are permanent members and receive salaries accordingly. These funds are subject to the provisions of commercial law.

**2- Holding Companies:** Holding companies have been introduced instead of investment funds with the purpose of contributing to solving management problems for public economic institutions. This new organization, according to Presidential Decree No. 02/195, has allowed the creation of 11 national holding companies and 5 regional holding companies.

These companies are responsible for transferring movable assets owned by the state or any other legal entity subject to public law in public economic institutions to the public holding companies. The transferred assets include shares, investment bonds, investment certificates, or any other movable assets. These holding companies take the form of joint-stock companies, where the state owns the entire capital or shares it with other legal entities subject to public law.

Holding companies must define and develop investment and financing strategies and policies in their subsidiaries. They are also entitled to devise any policies or strategies to restructure and reposition public economic institutions. However, they must ensure the financial independence of their commercial subsidiaries. Public holding companies also contribute to implementing the government's economic policies.

The public holding companies are supervised by a management board that is placed under the control of a supervisory board. The general assembly is responsible for electing the management board and members of the supervisory board for a renewable term of six years. Its members are selected from professionals who possess the qualities of competence and expertise. The law also stipulates that each board must allocate two seats for workers of each public holding company.

The supervisory board exercises continuous oversight over the operations deemed suitable for managing the public holding company. Additionally, it has the right to access documents it deems necessary to carry out its duties. The changes in the organization and management of economic institutions can be summarized as follows:

- Legally: A clear distinction must be made between ownership, management, and oversight as follows:

- The ownership of the capital is vested in the National Council for State Shareholdings (CNPE), while the responsibility for managing the public assets is entrusted to the management board of the public holding company. Oversight is ensured by the supervisory board and auditors, and a non-negotiable and non-transferable character is given to the capital of the public holding company. Meanwhile, public economic institutions were open to contributions.

- Economically: Holding companies take on the task of financial management of the financial asset portfolio and economic control of the companies' portfolio.
- Managerially: A collective management and joint operation of public sector activities have been established.

The aim of this organization is to pave the way for privatizing the public sector. However, the difficulties encountered in implementing this structure have revealed the need for further review and downsizing the number of national public holding companies from 11 to 5 while maintaining the original number of regional companies. The process of reviewing and reorganizing the national economy ultimately led to a new form of restructuring public institutions into State Shareholding Management Companies (SGP).

**3- State Shareholding Management Companies:** The establishment of State Shareholding Management Companies highlights the difficulties and delays in the privatization process. The holding companies were dissolved on 12/09/2001, and before that, other entities were established to manage public institutions under Order No. 01/283 dated 24/09/2001, related to the organization, management, and privatization of public economic institutions (EPE).

The management of State Shareholding Management Companies, which are joint-stock companies governed by Decree No. 01-183 dated 27/09/2001, introduces a more accurate and strict plan, especially concerning the executive apparatus. The State Shareholding Management Companies are entrusted with setting major directions, adopting strategies for managing state shareholdings, formulating development and privatization programs, and appointing members of the general assembly of public economic institutions.

According to this change, the public economic institution has been provided with two bodies: the General Assembly and the Board of Directors, consisting of three members, including the President. The President of the Board of Directors is granted broader powers to manage, administer, and supervise the public economic institution.

The State Shareholding Management Company decides to form the Board of Directors based on the tasks, nature of activities, and size of the public economic institution. The General Assembly is responsible for deciding on all matters related to the life of the institution, except for routine management decisions, particularly concerning the following:

- General activity programs, financial statements, and results.
- Increase or decrease of the social capital.
- Establishment of branches in Algeria or abroad and the freedom to engage in integration operations with other companies or separate from the parent company.
- Evaluation of assets and bonds, as well as their transfer or disposal.

- Rehabilitation and restructuring plans for the institution, including proposals for amending the articles of association and appointing auditors.

From the above, it is evident that public economic companies have consistently been at the center of successive reforms due to various shortcomings in their management and administration. The reforms began in 1988 when they were operating under the socialist system with the state dominating all aspects of public economic companies and burdening them with costs that hindered their effectiveness and improved economic conditions. Due to the successive setbacks faced by these institutions and public economic companies, the state intervened to improve their governance, leading to the establishment of the Corporate Governance Charter for Public Economic Companies in 2009, which marked the beginning of new reforms. Each time, the state's intervention aimed to reorient and enhance their effectiveness.

**I-C- Reforms for Good Governance:** The reforms discussed earlier have significantly contributed to regulating the relationship between companies and stakeholders by defining the rights and obligations of partners in the company. Several laws, including commercial law, tax law, and social security law, have been adopted to achieve this. The reforms have followed the management systems of public economic companies, starting from the socialist management system adopted before 1988, and the establishment of various management entities, beginning with investment funds, then followed by public holding companies in 1995, and State Shareholding Management Companies in 2001. These reforms aimed at moving towards the privatization of public economic institutions, theoretically separating ownership from management, contrary to the actual management and administration practices of these companies and institutions, which were far from the principles of good governance for economic institutions adopted by the Organization for Economic Cooperation and Development (OECD). These principles include:

- Ensuring an effective framework for corporate governance.
- Guaranteeing the rights of shareholders and the key functions of property rights holders.
- Providing equal treatment to different shareholders.
- Granting roles to stakeholders in corporate governance.
- Disclosure, transparency, and the responsibility of the Board of Directors.

Despite the numerous attempts by state authorities to establish effective mechanisms for achieving optimal management and good governance of public economic institutions, they have not fully succeeded in adhering to the principles of good governance set forth by the Organization for Economic Cooperation and Development (OECD).

The interests of shareholders are protected by commercial law, which grants them the right to exercise their rights in both ordinary and extraordinary general assemblies. It also ensures their access to any company documents to enable them to make decisions regarding the company's management. Additionally, shareholders have the right to appoint and dismiss members of the Board of Directors, choose auditors to ensure the integrity of financial documents, and enjoy several rights protected by various laws concerning creditors, suppliers, managers, employees, etc.

A range of legislations and laws, such as those related to management, organization, privatization of state-owned companies, civil law governing property contracts, consumer protection, labor relations, dispute resolution, union rights for protecting workers and employees, and provisions of commercial law that define the relationship between management and the company, all contribute to defining responsibilities and lay the foundation for the current concept of governance.

It should be noted that companies, credit institutions, financial and insurance companies, as well as public or private sector enterprises, are subject to commercial law and the regulations of the Monetary and Credit Council, insurance law, tax law, and are also subject to civil and criminal penalties established at that time. This represents the second aspect of the concept of good governance for public economic institutions, mainly focusing on accountability for any breach of responsibilities entrusted to each party involved in governance, including stakeholders. Public institutions comply with the standards set by State Shareholding Management Companies (SGP), to which they belong.

The State Shareholding Management Companies established in 2005 take the legal form of joint-stock companies, representing the state as the sole shareholder with the authority to determine the company's strategic direction. In this new organization of public companies, the Board of Directors plays a central role, and commercial law grants them extensive powers to act on behalf of the company in all circumstances. Article 610 of the Algerian Commercial Law states that the joint-stock company is managed by a Board of Directors composed of at least three members and up to twelve members. The Board of Directors deliberates and makes decisions according to the conditions specified in the articles of association and represents the company in its relations with others. The members of the Board of Directors are elected by the founding General Assembly or the ordinary General Assembly and their term is determined in the articles of association, not exceeding six years. This represents a dedication to the principle of shareholders exercising their rights in the principles of corporate governance.

The Board of Directors is also required to own at least 20% of the company's capital shares, and the articles of association determine the minimum number of shares each director must hold. These shares are entirely dedicated to ensure the management of all affairs, including those specific to one of the directors, and they are not transferable. This ensures the interests of various stakeholders, as mandated by the principles of good corporate governance.

## **II - Context of Reforms for Public Economic Companies and Their Alignment with Good Governance Principles:**

**II-1- Context of Reforms for Public Economic Companies and Reasons for Responding to Good Governance Principles:** The Algerian government has sought to achieve good governance for public economic companies by issuing the Algerian Code of Corporate Governance on 11/03/2009. This was aimed at enhancing economic growth following the transition from a centrally directed economy to a market-oriented economy, without establishing a legislative framework that ensures proper governance for both public and private companies. This lack of transparency in performance led to Algeria ranking 99th in the International Transparency Report issued on 26/09/2007, which highlighted the



prevalence of corruption and bribery in Algeria's economy, without the government taking any significant measures to curb these phenomena.

One of the primary goals of good governance for public economic companies was to reform the economy and ensure the efficient management of its chains to achieve comprehensive development. This was to be achieved through the establishment of a legislative and legal system that defines the mechanisms for organizing and managing companies while holding all involved parties accountable. The aim was to improve companies' performance, achieve profits, and foster positive growth that impacts overall development. This has been evident through the following measures:

- The authorities of the state have taken steps to improve the business environment and expand economic freedoms by reviewing and reforming the banking system.
- Simplification of the tax system.
- Activation of the financial market by encouraging companies to enter this market, promoting financial literacy among company executives, and providing transparency to the financial market.
- The state's adoption of a market economy and attempts to integrate into the global economy, which has led to various restrictions imposed by international organizations advocating transparency and competitiveness in the economy.

The Algerian government was forced to review the mechanisms of economic management and open up to the external environment, especially towards privatization and reducing state intervention in the economy. This led to an increase in the number of privatized public economic companies from 58 companies in 2003 to 110 companies in 2017.

- The Algerian accounting framework was reformed by adopting the Financial Accounting System, which was implemented from January 1, 2010, for all companies. This measure aimed to address the deficiencies of the National Accounting Plan of 1975 and coordinate national practices to meet international challenges, in line with the principles of corporate governance that call for establishing clear rules for disclosure processes, prioritizing the economic substance of operations according to the law.
- To enhance transparency, limited liability companies with business revenues exceeding 10 million Algerian dinars were required to have their annual accounts audited by an independent accredited accountant. This ensures the credibility and legitimacy of the company's presented accounts, achieving a fair presentation of the company's financial position.

From the above, it is evident that Algeria has adopted significant reforms to embrace the principles of good corporate governance and fulfill the legislative and regulatory requirements demanded by international and regional organizations. This is evident in the reform agenda, which focuses on privatizing companies, developing small projects, and removing obstacles for the private sector, as well as opening up investment opportunities for foreign companies in Algeria.

## **II-2- Corporate Governance Charter: Between Reality and Aspiration**

The initial initiative to draft the Corporate Governance Charter for public economic companies was led by what was called the "Business Consortium," consisting of three national public economic institutions: The Center for Thought and Action on Private Projects (CARE), the Institute of Corporate Leaders, and the Algerian Union of Beverage

Producers (APAB). The Charter was developed with the support of the International Finance Corporation (IFC) and the Global Corporate Governance Forum (GCGF), while the Center for International Private Enterprise is currently providing implementation support.

The International Conference on Good Governance of Enterprises held in Algeria in June 2007 served as the first nucleus where the idea of preparing an Algerian Charter for Good Corporate Governance was crystallized. Subsequently, a working group on corporate governance, consisting of eight members from the private sector, was formed. This idea received significant support from the highest state authorities, represented by the Ministry of Small and Medium-sized Enterprises.

The development of the Corporate Governance Charter for public economic companies was primarily based on the principles of corporate governance established by the Organization for Economic Cooperation and Development (OECD) in 2004. This charter takes into account the specificities of Algerian public economic companies.

Adherence to the principles of the Corporate Governance Charter is voluntary and non-binding. It is linked to the awareness of the need to establish governance principles within companies and to enhance their management and administration. The charter comprises two main parts:

1. The first part highlights the reasons behind the emergence of the concept of good corporate governance for economic institutions and the importance of Algerian companies.
2. The second part focuses on the relationships between the General Assembly and the Board of Directors of economic companies.

The Corporate Governance Charter particularly targets small and medium-sized enterprises (SMEs). The Ministry of Small and Medium-sized Enterprises has played a significant role in supporting this type of institution, considering their contribution to the national gross domestic product (GDP) outside the hydrocarbons sector and their role in providing employment opportunities in the Algerian economy

The charter aims to address various problems related to the management and administration of public economic companies, including:

- Deterioration of trust between public economic companies and financial institutions providing capital.
- Conflicts of interest among shareholders and violations of their rights and duties, necessitating the regulation of these relationships, especially between shareholders and executives, as well as protecting the rights of minority shareholders.
- Centralization of authorities, requiring clarification and definition of responsibilities within the executive team through an organizational structure to control powers and distribute functions accurately.
- Adversarial relationship between public economic companies and tax authorities, leading to a lack of transparency and honesty between the two parties.

Most public economic companies have faced similar challenges as mentioned above. Therefore, it is essential for these companies to start evaluating their internal and external

relationships based on the principles of good corporate governance adopted by advanced economies.

### **III- Challenges of the Corporate Governance Charter for Economic Companies in Algeria:**

The Corporate Governance Charter has had a significant impact on the Algerian business community, serving as a catalyst for the establishment of the Corporate Governance Center (Hawkamat - Eldjzair) in October 2010. This center serves as a reference for promoting transparency, accountability, and responsibility by raising public awareness about the importance of corporate governance and assisting companies in adhering to the principles of the charter, whether they are mandatory or voluntary. Its success lies in helping economic companies understand that adopting these principles gradually enhances their ethical practices for the benefit of both the public and private sectors, ultimately serving the public interest. Algeria's investment in corporate governance aims to strengthen control measures, transparency, disclosure, and ethical standards for executive managers while ensuring the continuity of companies, especially those of a family nature. However, this endeavor has posed numerous challenges at various levels, demanding significant effort to implement these measures and create a motivating environment for realizing effective corporate governance. Some of the most important challenges include:

#### **III-1- Providing Financing for Economic Companies:**

For companies to continue achieving their objectives, expanding their activities and networks, they must have sources to support their capital. This necessitates establishing transparency and dedicating financial controls to safeguard investors and attract a larger pool of them. A study conducted by McKinsey in collaboration with the World Bank revealed that investors are willing to pay a higher value for shares of companies that practice good governance compared to those lacking such practices. Moreover, regulating the relationship between the company and various stakeholders has a significant impact on the company's sustainability and enhances its capabilities to achieve better financial results and profits.

#### **III-2-Human Resource Empowerment:**

Human resources are the driving force and true capital on which economic companies rely, especially when they are empowered by ethical principles. Companies become preferred workplaces, attracting a workforce characterized by superior skills and higher productivity when they adhere to ethical guidelines. Moreover, instilling a sense of commitment towards the company and promoting integrity within the workforce, as they are stakeholders, can only be achieved through an effective governance system supported by transparent internal and external communication systems, relevant transaction policies, internal alignment plans, and comprehensive anti-corruption measures.

#### **III-3- Risk Anticipation:**

Anticipating risks requires vigilance towards corruption and fraud within companies, as these often increase exposure to risks, waste resources, and threaten company sustainability. Studies have shown that poor governance and management practices are among the reasons for the emergence and spread of fraudulent activities. Establishing a robust corporate governance framework that involves the participation of the board of directors and sets internal controls helps companies assess risks more effectively. Board members,

especially independent ones, can intervene to strategize risk mitigation or avoidance measures.

#### **III-4-Continuity of Family-Owned Companies:**

The Algerian business community is characterized by the prevalence of family-owned companies, which poses challenges regarding conflicts of interest among family members and increases the threat to the companies' continuity and longevity. Studies have shown that in many developing countries, around 30.90% of family-owned companies continue to the second generation, 12% to the third generation, and only 3% continue to the fourth and subsequent generations. This necessitates considering ways to open up companies and not limit them to a single family.

Indeed, some Algerian family-owned companies have opted to open their capital to foreign investors in hopes of developing and sustaining their businesses through risk anticipation and avoidance, particularly potential family disputes arising from generational inheritance divisions. Mitigating these effects can be achieved by having a strong board of directors within the company that encourages communication and transparency and establishes the necessary mechanisms for seamless generational transitions.

#### **Conclusion :**

Algeria's reforms in the field of corporate management and administration have contributed to the establishment of concepts such as separating ownership from management and protecting the rights of shareholders and various stakeholders in companies. These reforms have enabled them to access the information needed to make decisions by fostering a climate of transparency and disclosure. This was embodied in the Charter of Good Governance for Algerian Institutions issued in 2009, which took into account the principles set forth by the Organization for Economic Co-operation and Development (OECD) on corporate governance.

The Charter is expected to strengthen control measures, transparency, disclosure, and ethical practices of executives, ensuring the continuity of companies. It aims to facilitate access to financing for companies, regulate their workforce, and contribute to reducing fraudulent practices and anticipating risks. In line with this trajectory, numerous reforms have been implemented in the financial and accounting framework, applied since January 1, 2010. These reforms seek to enhance financial communication by promoting transparency in the data and information disclosed, aligning national practices with international standards.

International practices, through compliance with International Accounting Standards (IAS/IFRS), highlighted the role and importance of governance through the initial implementation of the financial accounting system. The need to activate governance mechanisms emerged, particularly through the Audit Committee and the role of the auditors in approving the transition process and certifying its compliance with laws and regulations in this regard, by scrutinizing processes, their credibility, and verifying their documentation.

Despite the significant legal frameworks adopted to establish sound governance for institutions and economic companies, they still face significant and diverse challenges, especially concerning financing. The current laws governing the Algerian banking system require complex guarantees and procedures for accessing financing, which presents a hurdle. Moreover, the prevalence of family ownership in most economic companies limits their

openness to local and foreign investors, restricting their ability to anticipate future risks and ensure continuity.

Addressing these challenges requires more efforts to find mechanisms that curb disruptive practices to achieve sound governance for companies and economic institutions to achieve national development."

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