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Algeria and the Washington Consensus: Debtor-Creditor Relation Re-Examined

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Abstract Algeria's experience with liberal economic reforms occurred while the country faced its worst crisis due to the civil conflict between the army and Islamist insurgents. The study of Algeria's debt relief process, from loan negotiation to the implementation of adjustment packages, is key to understand how the aid received enabled the Algerian authorities to survive the crisis and renew their patronage networks. Focusing on Algerian relation with International Financial Institutions, this paper provides a political analysis of this process. As a result, the creditors' favour for stabilisation and their political priorities emerge as factors that increased the leverages of the Algerian authorities.

Keywords Algeria. World Bank. International Monetary Fund. Washington Consensus. Debt Relief.

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1 Introduction

Algeria started to receive economic assistance from International Financial Institutions (IFIs) in 1989, when the International Monetary Fund (IMF) and the World Bank (WB) initiated their first adjustment projects in the North African country. Coming in the middle of a societal meltdown and a dramatic civil conflict, IFIs assistance to Algeria contributed to the survival of the Algerian regime and to the reaffirmation of its control over the country. The academic studies of Algerian neo-liberal reforms have focused on the economic assessment of the adjustment programmes implemented throughout roughly a decade. However, to understand how these programmes were formulated and what factors influenced policy makers, both Algerian and international, attention should be shifted to the relations between Algeria and its creditors. This paper argues that the Algerian authorities exploited its creditors' political and economic exposure in the country, to preserve their position in a time of violent political contestation. Factors such as European economic exchanges with Algeria, in both directions and in different sectors, from energy to manufacturing, played in favour of the North African country when negotiations over debt relief were held. Similarly, the new global, notably Western, concern over the rise of transnational jihadism in the mid-nineties, lent more leverage to the Algerian authorities who, while negotiating with Western-dominated IFIs, were also fighting a jihadist insurgency.

After a survey of the existing literature and an overview of how the Algerian debt crisis emerged, attention is put on the evolution of Algeria's contacts with the IFIs and on the negotiation process leading to the financial assistance programmes. This allows to highlight the political significance that the IFIs attached to the Algerian reforms, a factor that justified the outstanding financial support received by Algeria in a relatively short time span. Besides, the paper also underscores the IFIs' shortcomings in the formulation of their reform packages and in the monitoring of reforms due to their lack of acquaintance with Algerian politics and state structure. The study of Algeria-IFIs relations entails a close observation of the changing attitudes displayed by the Algerian authorities during the period under scrutiny. From the first 1988 reformist government to the post-January 1992 pragmatic cabinets, Algerian positions towards reforms varied considerably. The development of the relations and negotiations with the IFIs thus reflected the divisions within the Algerian

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State, emphasising the emergences of several power groups. While identifying these forces, the paper stresses the ability of the ruling bureaucratic and military elites to cope with the country's economic and political crisis and survive it with renewed strength. Their awareness of the IFIs' macroeconomic priorities allowed the Algerian elites to secure external financings while watering down the impact of structural reforms such as trade liberalization and privatization. Thanks to their dominant position within State institutions and IFIs' political limits, the Algerian bureaucratic and military elites rebalanced the creditor-debtor relation in their own favour.

This paper, presenting the preliminary result of an ongoing research project, is based on declassified WB and IMF official documents produced during the negotiation and implementation of their sponsored reform programmes, namely between 1988 and 1998. Some documents, such as WB final assessment of single programme, are available online, through the WB archive web site. Other, more specific material, such as minutes of negotiations and progression reports were retrieved from the WB archives in Washington, D.C. The IMF documents quoted herein are all available online at the IMF archives website, while other still classified material is going through disclosure procedures. The use of Algerian official sources is among the goals of the research project, but due to the lack of formal procedures to access public archives, state official documents could not be used for the present paper. Nonetheless, texts authored by former Algerian officials provided some context on the authorities' perspective on the reforming process.

2 Reassessing the Trail of the Washington Consensus in Algeria

Similarly to several of its North African neighbours, Algeria's experience with the implementation of Washington Consensus measures is strictly related to its debt crisis whose first symptoms emerged in the mid-eighties after the unprecedented drop in oil prices. Difficulties in repaying its foreign debt pushed the country's authorities to seek a closer relation with IFIs, not only to obtain financial assistance, but also to reassure both public and private creditors. However, as seen below, academic attention on this subject and historical phase is characterised by an emphasis on the study of reforms themselves rather than on the relations between Algeria and the IFIs. Therefore, it appears that more weight should be granted to the evaluation of how this relation shaped the reform process and where the parties involved stood concerning the formulation of neo-liberal policies.

The parallel experiments in economic liberalization happening all over North Africa and beyond since the late eighties prompted early

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assessments of neo-liberal reform packages implemented by regional governments. Throughout the nineties to the early 2000s, economists and political scientists evaluated the performance of governments in the realm of reforms particularly through collective works. These studies not only provide comprehensive accounts of state reforming efforts, but also touch on the socio-political dimension of neo-liberal reforms.[1] Besides regional, and even global perspectives, some authors also focused on single country case studies, among which Tunisia for instance, has been one of the most studied (Zartman 1991; Murphy 1999).

Given the gigantic sizes of the public sector in several countries, attention has been focused on the withdrawal of the state from industrial production through liquidation of state enterprises, a dynamic that did not exempt Algeria (Harik, Sullivan 1992; Celasun 2001). The ostensible link between economic and political liberalizations stimulated analyses trying to prove the existence of an actual relation between the implementation of neo-liberal agendas and the transition to more democratic polities (Layachi 1998; Nonneman 1996). In this framework, Clement M. Henry argued that the liberal reform of the financial sector and the empowerment of private commercial banks could have been a vehicle for democratization. The integration into global financial markets and reduced state control over credit allocation represented some promising conditions for the appearance of pluralist politics (1996). Nonetheless, in the case of Algeria, later works looking at the performance of Middle East and North African economies in an age of further globalisation observed the substantial immobilism in terms of economic and political transformation (Lowi 2009; Henry, Springborg 2010).

The uncertain progression of IMF and WB-sponsored programmes in Algeria, occurring in the midst of a parallel crisis of state institutions and society, pushed scholars to scrutinise the specific Algerian experience with reforms. Attention on the private sector remained high, since its relation with the state continued to be seen as a major tangle reuniting the threads of multiple structural problems, such as the persistence of monopolies in different economic sectors (Dillman 2000). The high stakes of economic reform predictably stimulated a heated academic debate in Algeria itself. Despite different starting points, the final judgment on Algeria's reform process throughout its different phases is often negative. Indeed, the persistence of deep-seated distortions like the oil-based rentier economy and its related neo-patrimonial conducts, are highlighted as fundamental causes of the poor implementation of reforms. The ensuing economic decline is thus pointed out as the main reason behind the collapse of Algerian institutions (Boudersa 1993; Dahmani 1999).

1 Haggard, Kaufman 1992; Vandewalle 1996; Bensabat Kleinberg, Clark 2000.

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The assessment of Algeria's economic performance during its age of reforms also came from those 'technicians' who held official positions at different times during the adjustments period. Throughout the nineties and the early 2000s, Algerian former Ministers, Heads of Government and Central Bank Governors gave their own account of Algeria's reforms during the previous decades. Despite the academic training of most of these former officials, these essays could be rather seen as personal memories in which the authors defend their record in office. Therefore, such accounts provide valuable insights into the divisions within the Algerian State, the changing positions towards IFIs as well as the functioning and positioning of the different institutions towards reforms. Indeed, from proponents of continued state-led development (Bennoune, El-Kenz 1990; Hadj-Nacer 2011), to early reformers (Brahimi 1991; Goumeziane 1994; Hidouci 1995) and officials with IMF or WB backgrounds (Benachenhou M. 1993), all provided their testimony on the reforms and their diagnosis for Algeria's economic and political dysfunctions.

The assessment of economic performance amid structural adjustment is a fundamental area of research, nonetheless more attention should be paid to the political dimension of this process. Moreover, since one of the core ideas behind neo-liberal reform is opening a country to economic globalisation, the study of international relations in the framework of structural adjustment acquires a greater importance. Harrigan and Said approached the issue by highlighting the political rationales behind IMF and WB support to several Middle Eastern countries (2009). Unfortunately, Algeria was not chosen as one of their case studies that makes a survey of this country's experience even more urgent. The present paper aims at starting to fill such gap through an overview of Algeria's relations with the IMF and the WB between 1989 and 1999, namely the period of IFIs' assistance to the North African country. This approach thus allows to shed light on the political priorities, beyond stated economic principles, that prompted IFIs support for Algeria, especially as it came before a full-fledged debt crisis. A further goal is to assess the balance of forces between debtor country and creditor institutions, looking at what strategy Algeria adopted in order to obtain the most from IFIs' assistance programmes. Finally, the analysis of this relation appears fundamental to understand how the Algerian military elites managed to survive throughout the civil conflict and how they reorganised their power leverages, also thanks to international economic support. Additional importance is lent to this aspect, in light of the political instability that characterised most of North Africa in the recent years and that apparently spared Algeria until spring 2019, when wide popular protests led to the unexpected deposition of President Bouteflika, opening a new phase of uncertainty in the political future of the country.

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3 From Boumedienne's Industrialization to Chadli's Adjustments

The Algerian State has been dominating the economy since independence in 1962, but only after Houari Boumedienne's coup and access to power (1965-78) did it pursue a full-fledged strategy of import substituting industrialization (ISI), specifically named 'industrialising industries'. Relying on the revenues of the hydrocarbon sector, the State prioritized the development of heavy industries which were deemed capable of promoting growth in other economic sectors, from agriculture, to infrastructure and light industries (Tlemçani 1986, 111-13). Nonetheless, due to several factors, such as the lack of clear regulatory frameworks and internal competition within the ruling clan, the industrialising effort suffered from poor planning. Moreover, new state industries operated in monopolistic and highly protected environments while being run at high costs and low productivity rates. They quickly became means for state managers to funnel patronage thanks to the massive investments they received and exert pressure on the central government. At the same time, agriculture was neglected both because of its ancillary role in ISI doctrine, and due to the authorities' will to deactivate the political potential of the rural population that the urban state bureaucracy continuously regarded with concern (Tlemçani 1986, 124-33, 160-2).

By the mid-seventies, the Algerian economy was already showing substantial structural problems. The lack of adequate agricultural policies and funding compromised the linkage mechanism upon which the Algerian ISI strategy was based. If, in theory, agriculture was to be the main market for the products of new industries such as fertilizers and tractors, in fact this sector could not generate the needed income and demands for industrial products (Richards, Waterbury 2008, 19). Furthermore, instead of emancipating the country in terms of food provision, state agricultural policies made Algeria even more dependent on food imports. In sum, agricultural insufficient output, especially in light of a rapidly growing population and the inability of State-Owned Enterprises (SOEs) to compete internationally, exacerbated Algeria's dependence on world markets for capital accumulation. Indeed, hydrocarbon sale, emigrants' remittances and loans were the sole sources of foreign exchange, thus dangerously exposing Algerian finances to uncontrolled external dynamics (Lowi 2009, 91-2; Tlemçani 1986, 114-15). The 1973 and 1979 oil shocks allowed the authorities to keep the flow of public spending up, ensuring the survival of a loss-making industrial apparatus while sustaining a wide system of subsidies and allowances. Nonetheless, by the end of the seventies it was clear that the Algerian economy suffered from those shortcomings, such as lack of diversification and overdependence on global markets, that would later ensure a debt crisis.

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When President Boumedienne suddenly died in December 1978, the Algerian authorities, or at least a significant part of the ruling establishment, were persuaded of the need to reform the national economy. For instance, despite regular servicing, the authorities became increasingly worried about the country's growing external debt. In the early eighties, SOEs started to look for credit from sources other than the government in order to support their wide financial needs This, alongside the already mentioned dependence on food import and a fall in export revenues, entailed a debt servicing of 3.9 $ billion in 1982, with a projected ratio exceeding the 30% of the GDP (Willis 1996, 200; Murphy 1996, 184; IMF 1982, 11-12).

The new President, Chadli Benjedid, showed almost immediately his willingness to put economic and political reforms high on his agenda as he spoke of the need "to evaluate regularly what has been achieved" and "introduce improvements" where necessary (Murphy 1996, 181). Indeed, Chadli launched in 1980 a five-year social and economic plan accompanied by the slogan 'for a better life'. The main goal of the programme was to improve the efficiency of the economy by favouring consumptions after decades of restrictions, downsizing giant SOEs through division into smaller, autonomous firms, restructuring the agricultural sector and encouraging private initiative (Lowi 2009, 105).

While mounting debt and balance of payment were the main concerns of Algeria's external sector, the most pressing domestic problem was the coming to age of an educated and numerous work force. Large swaths of young people flocked to the main urban centres where most of the industries were based to later realise that the economy could not absorb such outstanding employment demand. Moreover, the state was also unable to meet the housing demand thus aggravating the crisis of an unemployed youth living in poor conditions (Richards, Waterbury 2008, 252). In this respect, the first reforms, notably the dinar devaluation started as early as 1980, further worsened the conditions of the general population that experienced a significant drop in purchase power. Consequently, on the one hand, support for the reform effort appeared eroded because the authorities stopped respecting the traditional social pact according to which the State was to provide a wide set of social services and ensure the improvement of living conditions. On the other, some of the reform measures affected also the cadres in the state sector thus creating the premises for resistance to liberalization among managerial staff within public enterprises (Benachenhou A. 1992, 179, 182-3).

Chadli's reforms were not only meant to redress Algerian economy, thus responding to social urgencies, but they also aimed at distinguishing the new course from the old one. The new economic orientations coupled with a political reshuffle whose purpose was to consolidate Chadli's position and limit the influence of Boumediennist

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rivals. For instance, the restructuring of SOEs while targeting productivity also aimed at curtailing the influence of top regime members who enjoyed wide power and wealth deriving from the control of industrial complexes (Dahmani 1999, 70-2). The most glaring examples were the removals of Belaid Abdesselam and Abdelaziz Bouteflika, respectively Minister of Industry and Energy and of Foreign Affairs under Boumedienne, both accused of corruption in 1982 along other top bureaucrats (Richards, Waterbury 2008, 282).

Despite the wide range of reforms, the plan did not achieve much of its goals. For instance, the new smaller SOEs did not improve their productivity and continued to feature significant budget deficits. The liberalization of imports did not produce positive results either. The relaxation of government restrictions on products increased the disbursement of hard currency needed to pay imported items, thus fuelling state deficit. The reorganization of import licences led to the 'democratization' of corruption and clienteles as smaller monopolies within the different sectors of external trade replaced the old, larger ones but continued to function on the same corruptive patterns (Dahmani 1999, 74-6). Notwithstanding such shortcomings, the authorities managed to cope with the situation as far as the revenues from hydrocarbons could cover the deficit. However, the mid-eighties conjuncture of negative external conditions definitely compromised Algeria's ability to avoid debt accumulation while strained its servicing effort. Oil prices collapsed in the mid-eighties, and the Algerian crude reached the record low of 14 US $ per barrel in early 1986 (World Bank 1989c, 4). In addition, following the Plaza agreements that same year, the value of US dollar declined, a particularly negative development for Algeria. Indeed, most of the Algerian foreign debt was denominated in US dollar and at the same time, being the currency of oil trade, Algeria saw its external revenues reduced by 23% compared to 1985. Finally, interest rates on loans peaked, further debilitating Algeria's financial position and contributing to a 2 billion US $ external debt increase. As a consequence, the country was thrown into its worst economic crisis and its debt payment ability appeared in severe jeopardy (McDougall 2017, 280; Benachenhou A. 1992, 181). This forced the government to severely cut imports, which not only hurt consumption but also undermined the overall industrial production that depended heavily on external supplies. In this context, despite payments to creditors were ensured, thus preventing a full-blown debt crisis, growth slowed, reaching negative terms in 1987 and 1988 (IMF 1989a, 6).

However, the economic crisis also represented an opportunity for the authorities to further economic liberal reforms, particularly as a group of like-minded technocrats gathered to promote economic adjustment. High cadres such as Ghazi Hidouci or Smail Goumeziane started to work first informally and later within a governmen-

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tal framework in favour of broad economic liberalization measures. Such group reached its largest influence when one of its members, Mouloud Hamrouche was appointed Prime Minister in 1989 and other reformist technocrats, like Hidouci held key ministries (Tlemçani 1999, 24-6; McDougall 2017, 282-3). While the oil-countershock prompted the formation of the reformist group, the shock of the 1988 riots propelled the reformists into government. On 5 October a general strike was called but riots erupted in suburban Algiers and the violent response of the army led to hundreds of casualties. The 1988 riots resulted from the build-up of popular grievances due to widespread regime corruption and the deterioration of living conditions. Indeed, the country not only faced deep unemployment and housing crises, but was also hit by severe droughts and a locust invasion in the preceding years that pushed large sectors of the population on the brink of famine (Vandewalle 1992, 710; Swearingen 1990, 21). As factions within the regime started to be more vocal in their criticisms of Chadli's policies, the Algerian President met social and political challenges by deepening and widening his reformist agenda. While political reforms peaked with the approval in early 1989 of a new constitution, abandoning the one-party system, economic adjustment culminated with the appointment of reformist technocrats at the head of government and the Central Bank in September (McDougall 2017, 284-5).

4 The Hamrouche Government and the IFIs: A Short-Lived Honeymoon

The IMF and the WB agreed to release four loans each to Algeria between 1989 and 1999, resulting respectively in almost SDR 2 billion and 1.1 billion US $ of financial assistance. Such loans would later lead to debt rescheduling by the Paris and London clubs, namely public and private creditors agreed to extend the repayment terms of the Algerian sovereign debt. This financial assistance not only avoided an Algerian default but also supported the regime in the middle of a civil war (Harrigan, Al-Said 2009, 197-8). Such lifeline provided by foreign creditors remained constant throughout the 'black decade' despite ruling elites in Algeria alternated over the years, proposing varying economic agendas.

IMF and WB assistance to Algeria started on positive grounds as both the first Stand-by Arrangement (SBA) and the Economic Reform Support Loan (ERSL) were granted to Hamrouche's reformist government. The IMF welcomed the Algerian request as it did not come on the verge of a debt crisis, but it sought international support and legitimization for a deep reform programme launched in complete autonomy (IMF 1989b, 8). The WB believed that Algeria could avoid

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"shock therapy", hence the loans were "an acknowledgment of the liberalization measures already taken" and "an incentive for pursuing the reforms" (World Bank 1994, 5). Moreover, the WB realised the political significance of Algeria's shift to market economy as contacts for assistance came before the fall of the Berlin wall (World Bank 1994, 5). These aspects also emerged in WB meetings with US officials from the Treasury and the Federal Reserve as well as with US representatives within the WB during the preparation of the first ERSL to Algeria. The WB Country Economist stressed several times to US officials that in light of the measures already implemented by Algerian authorities, concerns over vague conditionalities and unclear sequencing could be put aside (World Bank 1989b). In August 1989, US support for the WB operation in Algeria was already secured as the staff of the US Executive Director at the WB confirmed that Washington would make "appropriate laudatory noise" to accompany the operation (World Bank 1989a).

Between 1989 and 1991, the Harmouche government pursued far-reaching reforms, ranging from price liberalization and the creation of holding companies supposed to run SOEs, to the promulgation of a new "currency and credit law" meant to empower the central bank vis-à-vis the government and create a suitable environment for private investments (IMF 1991, 5-16). Predictably, the government faced opposition from wide sections of the Algerian economic, social and political apparatuses. All those cadres and functionaries who used to benefit, both in political and economic terms, from state monopolies and redistributive policies tried to jeopardize the action of the Hamrouche government. According to Hidouci, the reformists had to deflect attacks from a hostile parliament, smear campaigns in the press and win over the resistances of Algeria's main trade unions (Hidouci 1995, 215-18, 284-5).

Ultimately, the Hamrouche government fell under the burden of the tense political situation. Political liberalization led to the creation of a myriad of parties among which the *Front Islamique du Salut* (FIS) capitalized on popular discontent due to the unresolved problems of inflation, unemployment and deteriorating living standards. This became clear when the FIS won the 1990 local elections, securing more than half of total votes and taking over a majority of the renewed municipal councils (Rouzeik 1992, 38-9). In June 1991, taking advantage of a prolonged FIS-led strike, the regime military leaders imposed on Chadli the declaration of the state of emergency and a government reshuffle that Hamrouche refused, leading to the end of his reforming experience (McDougall 2017, 286-9). The WB apparently had little understanding of Algerian political turbulences: a few days before Hamrouche's resignations, the report for the second WB adjustment loan saw no risks in Algeria's political liberalization as "all the major parties [were] committed to the broad goals of econom-

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ic liberalization" (World Bank 1991b, 5). Significantly, even after the fall of the Hamrouche government, the WB team following the second loan to Algeria, apparently believed in continued "support from a wide political spectrum" (World Bank 1991a, 4) within the country. In their preparatory documents for presentation to the Executive Board, the team members seemed to think that such statement would be enough to appease possible concerns coming from the Directors (World Bank 1991a).

The new government led by Sid Ahmed Ghozali continued the reform process although with major inconsistencies, particularly concerning privatizations which were virtually stopped (Dahmani 1999, 165-70). The first contrasts with the IFIs also emerged, as the Algerian authorities appeared reluctant in the implementation of two key measures that the IMF recommended, namely total exchange rate liberalization and debt rescheduling. Algerian enterprises did not welcome the 1991 exchange rate adjustment that was lived as a "traumatic event", hence the pressure on the authorities to avoid further liberalization (IMF 1993a, 16). Besides, the government refused to reschedule its debt that, while not particularly heavy, was mainly composed of short-term loans. Debt rescheduling represented a highly polarizing issue in Algerian politics since the beginning of the first IFIs-sponsored programmes. The acceptance of debt rescheduling and consequently of full-fledged adjustment programmes amounted to ceding national sovereignty to foreign institutions. Therefore, opposition to debt rescheduling was not only due to the refusal of more far-reaching economic reforms, but also to the attack it represented to the Algerian regime 'nationalist' legitimacy. Such reluctance was matter of concern for the IFIs and other creditors both in political and economic terms. The rejection of rescheduling led to the adoption of more control measures to limit expenditures, such as import compression, thus harming, according to the IMF, the 'spirit' of a reform process aimed at reducing state involvement. Moreover, these measures could also jeopardise the overall economy, casting more doubts on Algeria's future ability to service its debt (IMF 1993b, 21, 25-6, 37).

Algeria remained steadfast in its refusal, seeking bilateral debt reprofiling instead, confident that creditors' exposure to Algeria would serve its interests. The authorities believed that such strategy would allow the country to resist negative circumstances, particularly low oil prices, until a new improvement in the external economic environment. Their concern was avoiding a formal IFIs-sponsored rescheduling, a move that could hurt nationalist sensibility in Algeria and that had been recently evoked to attack the previous reformist government. Indeed, some successful debt renegotiation inspired confidence in the Algerian authorities. In spring 1991 France had already agreed to reprofile Algeria's debt despite its stated favour for rescheduling. In fact, reprofiling was the last act of French assistance to Algeria

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in the late eighties and early nineties: worried about the conditions of its southern Small-Medium Enterprises (SME) that made most of their revenues from supply trade with Algeria, Paris consistently ensured credit for Algerian purchases from French enterprises. In this framework, the reprofiling operation was worth 5.9 US $ billion and entailed public-private collaboration between the Ministry of Economy and the *Crédit Lyonnais* banking group, which was significantly involved in the financing of French SME selling their products across the Mediterranean (Ardouin 1995, 20). Moreover, in the same year, the Algerian authorities also managed to obtain a refinancing of their trade credits amounting to 2.7 US $ billion from the Italian government as well as a similar agreement with the US worth 1.5 US $ billion (World Bank 1992). Nonetheless, these measures did not enable Algeria to wait until a new surge of oil prices that remained low throughout the early nineties, eventually pushing the authorities to make those concessions that they had staunchly rejected.

5 Wartime Financial Assistance: Reforming to Preserve

Ghozali's half-hearted reform process ended abruptly in January 1992, in the wake of the FIS shocking victory in the first round of the legislative elections in December 1991. Fearing an Islamist takeover, the military stepped in, pushing Chadli to resign, cancelling the elections' second round and forming a Haut Comité d'Etat (HCE) to preside over the transition period. The military intervention prompted a radical response from the multi-faceted Islamist movement and fuelled its insurgent fringes: the country quickly descended into a civil war that would last for the rest of the nineties. In the context of such unprecedented existential threat, one of the keys to regime survival was indeed its ability to ensure foreign financial aid in which the IFIs adjustment programmes played a fundamental role (McDougall 2017, 299-302, 320).

Initially, the *janviéristes*[2] tried a return to traditional planned economy bringing back Belaid Abdesselam as prime minister. Despite his past as architect of Algeria's ISI strategy, the WB hoped that Abdesselam's centralising attitude would speed up the implementation of the agreed reforms. Six months after his appointment, the WB officials had come to realise that their hopes were clearly misplaced. A WB mission to Algeria in December 1992 found that 'uncertainty' and a 'wait-and-see attitude' dominated the action of the Abdesselam government. Moreover, his attempt to revive state intervention, combined with his autocratic governance, undermined the efforts

2 The generals who led the coup in January 1992.

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of those functionaries who tried to abide by the reform programme while antagonised important segments of the institutions. The WB mission report also affirmed that, as a result, Algeria was left in a:

> no-man's land between central planning and market economy arguably exposing the country to the worst of both and the best of neither. (World Bank 1993, 2-3)

In this context, the Algerian economy continued to deteriorate, and debt servicing became particularly burdensome, reaching the 70% of the GDP in 1993. Therefore, the military leaders realised that debt rescheduling guaranteed by a traditional IMF-sponsored adjustment programme was necessary to secure badly needed external financing. Throughout 1994, a new government quickly found an agreement for an SBA to be followed by an Extended Facility Fund (EFF) in 1995, accompanied by Paris and London Clubs rescheduling. The WB for its part released another ERSL in 1994 and a Structural Adjustment Loan (SAL) in 1996 while more credits were secured from the European Union, Japan and other public sources (World Bank 1998, 1-2). Despite having opposed reforming technocrats before the 1991-92 crisis, the ruling clique behind, first HCE Chairman Ali Kafi and, since 1995, President Liamine Zeroual, placed functionaries with similar profiles in charge of negotiating with the IMF and the WB. Figures such as Mourad Benachenhou and Ahmed Benbitour, who had held executive positions within the WB and the IMF respectively, occupied several economic ministries between 1993 and 1996 and oversaw the negotiation and implementation of IFIs-backed projects. Nonetheless, the military leaders held in check these technocrats, sometimes limiting their action, as former HCE member Redha Malek and later Boumedienne-era bureaucrat Mokdad Sifi became Prime Ministers (Dillman 1997, 164-5; McDougall 2017, 320-1).

This double approach was clear in how the authorities addressed the objectives of the IMF and WB programmes. Macroeconomic stabilization was the top priority since foreign financing not only supported the overall economy but also provided resources for the war effort and for clienteles' networks (Werenfels 2007, 140-1). The EFF programme was meant to achieve such stability and, indeed, Algeria not only met the main programmemed targets, but exceeded them in a couple of years. By the end of 1996, balance of payments deficits was lower than expected, foreign currency reserves increased, inflation decelerated, and growth recovered. External developments such as surges in oil prices and in agricultural output due to favourable weather conditions contributed to the success. Nonetheless, the government would have met the EFF goals in any case due to a prolonged public service wage freeze, improved tax administration and liquidation of some public enterprises among other measures (IMF 1996, 6-12, 20-2).

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The determination to achieve macroeconomic stability was not matched by a similar take on privatizations and other structural measures that represented the core of the second phase of IMF and WB programmes. Algerian reluctance to privatise was long-standing as even the Hamrouche government did not envision privatization when drafting a reform programme for the 1991 EFSAL (Hidouci 1991, 2). Such reluctance emerged also when discussions on the first WB-sponsored SAL were underway and as a WB pre-appraisal mission denounced, Algeria did not adhere to the agreed steps needed to prepare the adjustment loan. Despite their promises, the Algeria authorities did not include a privatization programme in their draft programme and they planned to retain the banking sector altogether in public hands (World Bank 1995, 2). Ultimately, the Algerian government did make some steps to meet WB requirements such as passing a new privatization law, opening public enterprises to private equities and launching a pilot privatization programme (World Bank 1996a, 14-15). Nonetheless, these structural adjustment measures hardly made consensus within the Algerian institutions, consequently, resistances and ambiguities continued throughout the whole duration of post-rescheduling IFI's assistance programmes.

Technocrats and other groups favourable to privatizations could not always win over the opposition of those clans and figures within the Algeria state that benefitted from control of SOEs. For instance, oligopolies working within the framework of SOEs in the import sectors opposed real privatization and market competition as this would curtail their ability to administer the rent derived from their bureaucratic control of such SOEs (Werenfels 2002, 13-14). Similarly, at the *wilaya* level, governors tended to oppose the liquidation of loss-making SOEs, even blocking the operations in a first phase, as they were afraid of the "social implications" that these could have in the area they governed (World Bank 1996b, 1-2). The liquidation could indeed create some problems for the governors, from increasing unemployment to curtailing their patronage channels. Even in those areas where reforms were actually implemented, the groups that dominated the economy through public institutions managed to preserve their control and economic benefits. In the import sector, high-ranking military officers continued to enjoy monopolistic control thanks to their penetration of public enterprises, of the informal areas of the economy and of state bureaucracy. Consequently, privatizations and liberalizations were formally carried out but did not result in a real redistribution of economic power and revenues (Werenfels 2007, 49-50).

As progresses were made on the macroeconomic front while structural adjustment went through continuous slippages, the WB final assessment of its SAL contrasted the IMF evaluation of its own programme and described Algeria performance as disappointing. The

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WB pointed out that privatization of SOEs never started despite the existence of a broad legal framework: the problem laid in the sequencing of adjustment measures which prioritized macroeconomic stabilization, thus steps like trade and exchange rate liberalization, without a parallel effort to privatise unproductive SOEs. Algeria authorities adopted a gradual approach stopping at liquidation and rehabilitation measures thus contributing to de-industrialisation. In this context, unemployment remained on high levels, erecting further obstacle to a privatization process that would entail massive layoffs (World Bank 1998, 10-11).

By the late nineties, the conflict wound down and the Algerian polity started to recompose as legislative elections were held in 1997 and a new presidential ballot took place in 1999, selecting Abdelaziz Bouteflika as new Head of State. Such development was the result of the regime military campaign and the insurgents' shortcomings but also of external events. During the 'black decade' Algerian-US relations improved significantly achieving the status of a strategic alliance in the early 2000s. In this regard, both the hydrocarbon and the security sectors played a prominent role. US firms working on hydrocarbon exploration and production were increasingly involved in Algeria since the late eighties. In addition, the emergence of jihadism as new global threat compacted foreign support, notably American, for a regime that had apparently faced a jihadist insurgency with success. This led to the expansion of Algerian-US security cooperation, particularly as Washington extended the range and scope of counter-terrorism activities in the Sahel region, identifying in the Algerian regime a strategic ally for its 'War on Terror' in the post-9/11 phase. It is therefore clear, that the US were interested, throughout the nineties and after, in ensuring the stability of the Algerian regime (Lowi 2009, 142-3). Moreover, as Harrigan and Said suggested, given the voting weight of the US and its Western allies within the IFIs, these strategic interests may have had an influence on the IMF and WB positions towards Algeria during the period of economic reform (2009, 25-7, 33-5). Finally, as far as external factors are concerned, with the stabilization of oil prices and their rise in early 2000s the regime could resume "spending and patronage on a grand scale again", thus renewing its patronage networks constituting the bedrock of its stability since at least, the Boumedienne-era (McDougall 2017, 320-3).

6 Conclusions

Thanks to renewed hydrocarbon profits, the Algerian authorities have been able to avoid liberal adjustment in the following years. For instance, wide privatizations plans were never resumed despite some cases of technical collaboration with the WB in that field (e.g.

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World Bank 2004). Algeria's experience with Washington Consensus measures gave similar results to those of other neighbouring countries, such as Egypt, although the path towards them differed consistently. The state bureaucracies remained the dominant forces within the economy and, when transition to a market system was attempted, it followed clienteles' networks and created or renewed monopolistic environments (Richards, Waterbury 2008, 256).

However, the survey of Algeria's relation with the IFIs highlights some noteworthy aspects. Notwithstanding internal divisions, the Algerian military elites, managed to navigate through a financial crisis and a military conflict, resorting to IFIs assistance to achieve their goals. When the reformist initiative was out of their control, these elites managed to thwart the pursuit of a deep adjustment that would have threatened their access to rent. When later external financial backing could not be secured eschewing IFIs assistance and debt rescheduling, the authorities took advantage of IMF and WB prioritization of macroeconomic stability to obtain credits and later avoid further structural measures. Algeria successfully mixed political and economic arguments in order to secure IFIs finances and support with other private and public creditors. As it was shown, European industrial ties with Algeria secured debt refinancing, even when debt rescheduling would have been preferred by French or Italian Economy Ministries. On the political side, the significance of pushing Algeria towards market-oriented globalisation, deeply resonated with both the IFIs and national governments, particularly the US. Moreover, as Algeria spiralled down towards civil war, growing global concern for jihadism, ensured Western support to the country's military elite.

On their part, the IFIs apparently showed limited understanding of the Algerian evolving political scenario while did not fully realise the impact of their financial assistance. For instance, the WB assessments of the situation on the ground, oscillated from confidence that all political actors in Algeria would pursue the reforming effort to hoping that Boumedienne-era bureaucrats would not only embrace but even speed up the adjustment process. The events disavowed both these evaluations, highlighting a difficulty to grasp from Washington the functioning of Algerian politics. Furthermore, the IFIs stress on macroeconomic stabilization also reflected the shortcomings of preconceived adjustment packages. Algeria's respect of macroeconomic conditionalities guaranteed an impressive flow of funds from public and private creditors throughout less than a decade. These funds ultimately fostered the reproduction of patronage based on rent-seeking, which in turn strengthened obstacles to the actual restructuring of the Algerian economy. Moreover, IFIs' frameworks for liberalizing some sectors were skilfully exploited by Algerian elites to reorganise their clientele networks.

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In conclusion Algeria's experience with the Washington Consensus ended when abundant hydrocarbon revenues were restored in the early 2000s. By then, adjustment programmes had not addressed the historical shortcomings of the Algerian economy, while they had helped the preservation of neo-patrimonial patterns preventing political change. Neo-liberal reforms thus contributed to the stabilization of the Algerian polity through a *de-facto* support to the reorganization of traditional power patterns. This in turn, summed with unresolved economic problems, set the grounds for a return of political contestation and destabilization.

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