

## AFRICA RISK CONSULTING

### Algeria Monthly Briefing November 2017

---

#### Algeria Summary 24 November 2017

Senior figures in the ruling **Front de Libération National (FLN)** move away from supporting a fifth term for president **Abdelaziz Bouetflika** (1999-present) while campaigning for local elections. The FLN and coalition partner **Rassemblement National Démocratique (RND)** both make gains in the local elections. The prime minister, **Ahmed Ouyahia**, tells businesses that the government will revive internal investment and growth through a \$40 billion capital investment plan. France-based carmaker **Groupe PSA** signs an agreement with three local firms to develop a car manufacturing plant in Algeria.

---

#### Tensions rise over Bouteflika fifth term as local elections polarise vote

Senior figures in **Algeria's** ruling **Front de Libération National (FLN)** moved away from supporting a fifth term for President **Abdelaziz Bouetflika** (1999-present) on the campaign trail for local elections.<sup>1</sup> Algeria held local elections on 23 November for members of the **Assemblée Populaire Wilayale (APW)**, and the **Assemblée Populaire Communale (APC)**. These are respectively the regional and local elected assemblies that legislate and control regional and local political issues. The campaigning was more contentious than for legislative elections in April, and indicated splits between Bouteflika and the FLN. Both the FLN and coalition allies **Rassemblement National Démocratique (RND)** supported Bouteflika's platform in his candidacy in previous elections.<sup>2</sup> However, the FLN now appears to be splitting from the presidency over Bouteflika's potential fifth term, and the RND may also run a separate candidate, making 2019 the first competitive presidential election since Bouteflika came to power in 1999.<sup>3</sup>

Turnout for local elections was at a record high of 36.53% for APC elections and 30.96% for APW elections, up from 28% and 27% respectively in 2012 and the highest since 1999.<sup>4</sup> The FLN won 30.65% of the APC vote, controlling 638 of 1,541 assemblies in total, an increase from 528 in 2012.<sup>5</sup> The RND won 26.21% of seats, an increase from 21.89% in 2012.<sup>6</sup> In the APW elections the FLN won 701 seats (35.48%), up from 685 seats in 2012, and the RND won 527 seats, up from 487 seats in 2012.<sup>7</sup> The elections show that voters are increasingly voting for either the FLN or RND as other opposition parties pose less desirable choices.<sup>8</sup> The next largest party was the nationalist **Front National Algérien (FNA)** with 6.2%, but the FNA only won 51 seats in the WPA elections.<sup>9</sup>

*"The combination of increased turnout and boosts for both major parties support the theory that voters believe there is a genuine choice between them, defying the predictions that turnout would fall to a record low."<sup>10</sup>*

---

<sup>1</sup> Middle East Online, 5 Nov 2017.

<sup>2</sup> AFP, 22 Oct 2017.

<sup>3</sup> Middle East Online, 5 Nov 2017.

<sup>4</sup> TSA, 24 Nov 2017.

<sup>5</sup> TSA, 24 Nov 2017.

<sup>6</sup> TSA, 24 Nov 2017.

<sup>7</sup> TSA, 24 Nov 2017.

<sup>8</sup> Source, Algeria analyst, UK

<sup>9</sup> TSA, 24 Nov 2017.

<sup>10</sup> Source, journalist, Algiers

FLN figures used the local election campaigns to test potential presidential candidates for the 2019 elections.<sup>11</sup> FLN leader **Djamel Ould Abbas**, on 5 November, told the media that the FLN did not have a candidate for the 2019 presidential elections, effectively withdrawing support for a fifth term for Bouteflika.<sup>12</sup> Abbas has previously stated that Bouteflika is the FLN's presidential candidate, despite concerns from senior FLN members as well as opposition activists that Bouteflika's poor health makes him unfit to govern.<sup>13</sup> Abbas' moving away from a default position of supporting Bouteflika starts a race for a candidate from within the FLN, and local media reports that Abbas himself is positioning for a presidential bid.<sup>14</sup> Abbas later said "*only God could tell*"<sup>15</sup> if Bouteflika would run for a fifth term, again avoiding an FLN endorsement.<sup>16</sup> This also demonstrates the growing split between the FLN and the presidency.<sup>17</sup> Bouteflika's fifth term became a contentious campaign issue. **Farouk Ksentini**, the former chair of human rights commission, the **Commission nationale consultative pour la protection et la promotion des droits de l'Homme (CNCPPDH)**, told the media that he had met Bouteflika, whom he has known for other thirty years, and noticed

*"... a great desire to stand for a fifth term...he wants to remain at the service of his country until his death."*<sup>18</sup>

Ksentini issued the statement as a message of support for Bouteflika, however local media presented largely hostile coverage.<sup>19</sup> The presidency released a statement on 19 November denying that the meeting ever took place and Ksentini's version of events as "*pure fabrication*".<sup>20</sup>

Other allies of the prime minister, **Ahmed Ouyahia**, are also pushing their agenda in the local elections. Ouyahia is close to Bouteflika, but is the secretary general of the RND, which is in coalition with the FLN.<sup>21</sup> Ouyahia is also close to Bouteflika's influential adviser and brother, **Said Bouteflika**, whom senior FLN figures publicly accused in October of running Algeria using Bouteflika as a figurehead (*see ARC Briefing Algeria October 2017*).<sup>22</sup> Ouyahia led several RND rallies during local election campaigns, suggesting that he is also preparing a presidential bid, running against an FLN candidate.<sup>23</sup>

Another group behind the split between the FLN and the presidency could be the armed forces.<sup>24</sup> The presidency issued a warning in November for the army to stay out of politics. However, many senior figures in the FLN hold military ranks, including Abbas, who is a general.<sup>25</sup> Abbas campaigned on the FLN's track record of ruling Algeria since independence in 1962, telling a rally that:

*"I say and repeat that it is the FLN that has historic legitimacy...the FLN is the founder of the state and we are always here."*<sup>26</sup>

Analysts in Algeria believe that the primary reason Bouteflika would run for a fifth term would be to prevent an undesirable replacement from gaining power.<sup>27</sup> However, there is increasing resentment from within the FLN and from other major political parties that Bouteflika has stagnated Algeria's

<sup>11</sup> Source, Algeria analyst, United Kingdom

<sup>12</sup> Middle East Online, 5 Nov 2017.

<sup>13</sup> Middle East Online, Nov 2017.

<sup>14</sup> Middle East Online, 5 Nov 2017.

<sup>15</sup> Middle East Online, 5 Nov 2017.

<sup>16</sup> Middle East Online, 5 Nov 2017.

<sup>17</sup> Source, Algeria analyst, United Kingdom

<sup>18</sup> TSA, 18 Nov 2017.

<sup>19</sup> TSA, 18 Nov 2017.

<sup>20</sup> TSA, 19 Oct 2017

<sup>21</sup> Middle East Online, 5 Nov 2017.

<sup>22</sup> Middle East Online, 5 Nov 2017.

<sup>23</sup> Middle East Online, 5 Nov 2017.

<sup>24</sup> Source, Algeria analyst, United Kingdom

<sup>25</sup> Middle East Online, 5 Nov 2017.

<sup>26</sup> Middle East Online, 5 Nov 2017.

<sup>27</sup> Source, political analyst, Algiers

political life. The local election results provide a different narrative to the story of increased voter dissatisfaction and declining vote participation in legislative elections earlier this year. They show that only the FLN and RND have the resources to mount a truly national campaign, capturing significant numbers of APC and WPA seats. If there is to be a democratic challenge to the established order in Algeria it will come from a split between the FLN and RND. The local election results place the FLN firmly in the lead but a Bouteflika endorsement for Ouyahia could even out the race in 2019.

### Ouyahia outlines \$40 billion plans to revive Algerian industry

The prime minister, Ahmed Ouyahia, told businesses on 19 October that the government would revive internal investment and growth in 2018 through a \$40 billion capital investment plan.<sup>28</sup> The new plans prioritise Algerian businesses over international investment, addressing the concerns of some within the business community that Ouyahia was too internationalist in outlook.<sup>29</sup> Ouyahia told members of the business consultative body, the **Forum des Chefs d'Entreprise (FCE)**, that the government would spend the \$40 billion on targeted measures to improve the process of economic recovery.<sup>30</sup> **Ali Haddad**, CEO of construction company **ETHRB Haddad**, chairs the FCE and is close to President Bouteflika.<sup>31</sup> Specific measures that Ouyahia mentioned were programmes to encourage and develop local production, notably in the agricultural sector and in improving local distribution chains across a range of sectors.<sup>32</sup> The government will also reactivate the **Fonds National d'Investissement (FNI)** (national investment fund) that will co-invest in Algerian-led production increases and provide low interest rate loans to Algerian businesses.<sup>33</sup> Ouyahia also outlined measures to protect the domestic Algerian market by reducing import quotas, and said that the government intended to safeguard foreign exchange reserves.<sup>34</sup> The government has spent \$30 billion on similar measures in 2017.<sup>35</sup>

Economic observers are concerned that Algeria will fund this investment programme by borrowing directly from the **Banque d'Algerie (BdA)** (central bank), potentially destabilising the economy.<sup>36</sup> Ouyahia specified that the BdA would print \$60 billion in order to lend directly to the treasury.<sup>37</sup> Borrowing from the BdA is a short-term solution that depletes Algeria's vital foreign exchange reserves.<sup>38</sup> Printing money in order to facilitate that is a strategy that risks devaluing the Algerian dinar.<sup>39</sup> However, FCE members told the media that they were impressed with Ouyahia's strategy.<sup>40</sup> **Laid Benamor**, the CEO of food producer **Groupe Benamor**, told the media that Ouyahia clearly understands the complexities of the economic situation and that the capital spend would "lend new impetus to our economy."<sup>41</sup> **Aomar Habes**, the managing director of hygienic products producer **Faderco**, said that:

*"... for once, ministers have listened to our assessment of the situation and have produced a sensible and realistic plan."*<sup>42</sup>

However, other businesses are more circumspect about the investment plan.<sup>43</sup> **Mourad Ramdani**, the managing director of information technology services firm **RAS Algerie**, said he doubted that the

<sup>28</sup> TSA, 19 Oct 2017

<sup>29</sup> Source, Algeria analyst, United Kingdom

<sup>30</sup> TSA, 19 Oct 2017

<sup>31</sup> TSA, 20 Oct 2017.

<sup>32</sup> TSA, 19 Oct 2017

<sup>33</sup> TSA, 19 Oct 2017.

<sup>34</sup> TSA, 19 Oct 2017.

<sup>35</sup> TSA, 19 Oct 2017

<sup>36</sup> North Africa Post, 20 Oct 2017.

<sup>37</sup> Xinhua, 10 Oct 2017.

<sup>38</sup> North Africa Post, 20 Oct 2017.

<sup>39</sup> North Africa Post, 20 Oct 2017.

<sup>40</sup> TSA, 20 Oct 2017.

<sup>41</sup> TSA, 20 Oct 2017.

<sup>42</sup> TSA, 20 Oct 2017.

spending would be implemented efficiently.<sup>44</sup> Ramdani pointed out that Algeria has laid 64,000km of optical fibre cable which has yet to be properly connected.<sup>45</sup> He told the media that, *“political announcements aside, we will wait to see the facts.”*<sup>46</sup>

Ouyahia has a delicate balance to strike between keeping Algerian businesses happy and ensuring enough foreign investment inflows to boost economic growth. Algerian businesses have successfully pushed the government to keep protectionist measures to ensure they are not outcompeted by cheaper imports. The government has had more success with the latter (see below), but has struggled to encourage local growth in the secondary and tertiary sectors. The new \$40 billion investment plan is focused on the agricultural sector, suggesting that Ouyahia’s primary concern is stability rather than growth. Algeria is highly reliant on food imports; boosting domestic production will insulate a vital part of the consumer economy from currency fluctuations tied to the fluctuating price of oil and gas that remain the country’s primary exports.

### PSA signs 75,000 vehicle per year car plant deal with Algerian government

France-based carmaker **Groupe PSA** signed an agreement with three local firms on 12 November to develop a car manufacturing plant in Algeria.<sup>47</sup> Algeria is seeking foreign investment to diversify its economic activity as base for manufacturing.<sup>48</sup> PSA, which manufactures the **Peugeot, Citroen, Opel** and **Vauxhall** brands, will operate a plant in the port city of **Oran**.<sup>49</sup> Under Algerian investment regulations PSA will own 49% of the operation, but will split the remaining 51% between three domestic companies: **Condor Electronics, Palpa Pro** and **Entreprise Nationale de Production de Machine-Outils (PMO)**.<sup>50</sup> All three of these companies will be involved in supply parts and processes for the production lines.<sup>51</sup> The plant will come online in 2019 and will create 1,000 direct jobs for the local community.<sup>52</sup> PSA estimates that it will produce 75,000 Peugeot and Citroen model cars from 2019 to 2024.<sup>53</sup> The vehicles will be for the local market, which is one of the largest in **North Africa**.<sup>54</sup> PSA is expanding across the region to sell 700,000 vehicles per year across the **Middle East** and North Africa by 2021, and one million vehicles by 2025.<sup>55</sup>

*“PSA is one of the few companies that operate in both Algeria and Morocco, banking on developing deep local markets across the region. It is a mode of direct investment that works in Algeria where all products can remain in the local economy.”*<sup>56</sup>

PSA and the French and Algerian governments have spent two years negotiating the terms of the deal.<sup>57</sup> Algerian foreign minister **Abdelkader Messahel** and industry minister **Youcef Yousofi** attended the signing ceremony as did French foreign minister **Jean-Yves Le Drian** and economy minister **Bruno Le Maire**.<sup>58</sup>

The PSA deal became politically delicate in Algeria in September when newly instated prime minister Ouyahia challenged the policy of his predecessor, **Abdelmajid Tebboune**, to support Algerian importers who are strongly opposed to the deal which will see their market share and profits

<sup>43</sup> Source, Algeria analyst, United Kingdom

<sup>44</sup> TSA, 20 Oct 2017.

<sup>45</sup> TSA, 20 Oct 2017.

<sup>46</sup> TSA, 20 Oct 2017.

<sup>47</sup> TSA, 12 Nov 2017.

<sup>48</sup> Source, Algeria analyst, United Kingdom

<sup>49</sup> TSA, 12 Nov 2017.

<sup>50</sup> TSA, 12 Nov 2017.

<sup>51</sup> AFP, 13 Nov 2017.

<sup>52</sup> TSA, 12 Nov 2017.

<sup>53</sup> TSA, 12 Nov 2017.

<sup>54</sup> TSA, 12 Nov 2017.

<sup>55</sup> AFP, 13 Nov 2017.

<sup>56</sup> Source, business intelligence analyst, Cairo

<sup>57</sup> AFP, 13 Nov 2017.

<sup>58</sup> AFP, 13 Nov 2017.

decrease.<sup>59</sup> Ouyahia initially supported retaining imports, but has reportedly given the PSA deal his full support.<sup>60</sup> The deal is of strategic and economic importance – it will reduce the cost of automobiles in the domestic market and the Algerian government hopes it will pave the way for further major investments by French companies.<sup>61</sup> French president **Emmanuel Macron** (2017-present) will visit Algeria on 6 December, and will be accompanied by a business delegation looking to make further investments.<sup>62</sup>

## Planner

April 2019: Scheduled presidential elections

Jan 2018: Finance minister announces 2018/2019 budget

## Chronology

23 Nov 2017 (**Algeria**) *TSA*. Algerians vote in local elections for local and provincial assemblies increasing the vote share for the ruling **Front de Libération National (FLN)** and coalition partner **Rassemblement National Démocratique (RND)**;

15 Nov 2017 (**Libya**) *Al-Ahram*. Foreign ministers of **Algeria, Egypt and Tunisia** meet in **Cairo** to discuss resolution of the Libyan crisis, and to communicate their commitment to political reconciliation and imminent organisation of parliamentary and presidential elections in 2018;

14 Nov 2017 **Algiers (Algeria)** *El Watan*. France-based **Schneider Electric SA** signs a joint venture agreement for operation of the **Sidi Bel Abbès** electrical equipment factory with state-owned electrical industry group **Entreprise Nationale des Industries Electroniques** and the **Groupe Industriel des Ciments d'Algérie SPA**, with 49%, 34% and 14% of equity respectively;

12 Nov 2017 **Oran (Algeria)** *AFP*. France-based carmaker **Groupe PSA** signs an agreement with three local firms to develop a car manufacturing plant in Algeria;

12 Nov 2017 (**Algeria, Egypt, Nigeria**) *Press Release*. France-based **Total SA** acquires French minority state-owned **ENGIE SA's** upstream liquid natural gas (LNG) portfolio for \$1.49 billion, including a 5% stake in the **Idku LNG** project in Egypt, and long-term LNG purchase and sale contracts in Algeria and Nigeria;

9 Nov 2017 **Algiers (Algeria)** *APS*. State-owned **Sonatrach** and **United States-based Baker Hughes a GE Co** sign a \$200m joint venture agreement to develop an oil and gas equipment plant, to be operational from 2019;

27 Oct 2017 **Algiers (Algeria)** *TSA*. Energy minister **Mustapha Guitouni** says that domestic oil consumption has doubled in the last seven years, from 210,000 barrels per day to 420,000 barrels per day;

25 Oct 2017 **Algiers (Algeria)** *Reuters*. State-owned energy group **Sonatrach** CEO **Abdelmoumene Ould Kaddour** says that the launch of the **Touat** gas field will be delayed until the first quarter of 2018;

19 Oct 2017 **Algiers (Algeria)** *TSA*. Prime minister **Ahmed Ouyahia** tells businesses that the government will revive internal investment and growth through a \$40 billion capital investment plan;

<sup>59</sup> AFP, 13 Nov 2017.

<sup>60</sup> AFP, 13 Nov 2017.

<sup>61</sup> AFP, 13 Nov 2017.

<sup>62</sup> APS, 14 Nov 2017.

### About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

**ARC's** core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

### About ARC Briefing:

**ARC Briefing** is ARC's essential online business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

**ARC Briefing** is an online information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

### Getting in touch

Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com) or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)