

AFRICA RISK CONSULTING

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Algeria Summary 20 December 2017

Opposition leaders accuse the ruling Front de Liberation National (FLN) of electoral fraud following its victory in local elections. Tensions arise between the FLN and the Rassemblement National Democratique (RND) following electoral pacts made during the local election campaign. The Conseil de la Nation approves the 2018 finance law. Demonstrations follow the rejection of the amendment to promote Tamazight culture in schools. An increasing number of foreign companies announce the launch of production in Algeria, in line with the government's strategy to diversify the economy.

Opposition parties contest local election results

Opposition party leaders have contested the results of the 23 November local elections in which the ruling **Front de Liberation National (FLN)** won the majority of votes.¹² The results maintained the status quo in most regions, disappointing many who had hoped for political change. **Algeria** held local elections on 23 November for members of the **Assemblée Populaire Wilayale (APW)**, and the **Assemblée Populaire Communale (APC)** (see *ARC Briefing Algeria November 2017*). These are respectively the regional and local elected assemblies that legislate and control regional and local political issues. The opposition **Parti des Travailleurs (PT)** leader **Louisa Hanoune**, **Mouvement de la Société pour la Paix (MSP)** leader **Abdelmadjid Menasra**, **Ennahda** leader **Mohamed Douibi** and **Rassemblement pour la Culture et la Démocratie (RCD)** leader **Yassine Aissaoune** have alleged that electoral agents favoured the FLN and prevented their representatives from accessing many polling stations.³ The government has admitted some electoral violations and irregularities occurred during the vote, but maintains that the election as a whole was credible.⁴ In the **Dahra** commune (wilaya of **Chlef**), violence erupted between police and protesters camping at the headquarters of the **Assemblée Populaire Communale (APC)** after the announcement that the **Rassemblement National Democratique (RND)** had won a fourth successive victory. The post office, town hall and schools were subsequently closed in protest.⁵ In multiple wilayas, various opposition parties including the PT, RCD and MSP submitted legal appeals challenging the validity of the elections.⁶ The election organisation commission has rejected these appeals, leading opposition parties to question the neutrality of the legal system.⁷

The local elections have emphasised shifting power dynamics between and within Algeria's political parties, hinting at party strategies ahead of the 2019 presidential elections. The attempts of the FLN and the RND to create an outright majority in various **Assemblées Populaires Wilaya (APWs)** (wilaya assemblies) threaten the ruling alliance. The RND accused FLN general secretary

¹ Le Reporter 28 Nov 2017

² Le Reporter 28 Nov 2017

³ Le Reporter 28 Nov 2017

⁴ AA, 26 Nov 2017

⁵ El Watan, 4 Dec 2017.

⁶ El Watan, 4 Dec 2017.

⁷ El Watan, 4 Dec 2017.

Djamel Ould Abbas of treason, after criticising a deal that the FLN and the **El Moustakbal Front** struck in the wilaya of **Bordj Bou Arreridj** to create alliances in multiple APWs at national level.⁸ The prime minister, **Ahmed Ouyahia** (of the RND party), established alliances with the **Front des Forces Socialistes (FFS)** and le **Rassemblement Espoir de l'Algérie (Tajamou Amal el-Jazair, TAJ)**, which won six and five seats respectively in the local elections.⁹ The alliance enabled the RND to win the presidency of the **Bouira** wilaya, which the FLN had held onto for multiple elections.¹⁰ This was one of the FLN's biggest election losses and represents a shift in local power dynamics.¹¹ Political opponents have also accused the FLN of applying pressure to independent and opposition elected representatives in the APCs on the back of disappointing electoral results.¹² A growing number of representatives have joined the FLN since the elections, leading the party to gain a majority in over 700 APCs and control in 33 wilaya assemblies.¹³

Upper house adopts 2018 finance law ...

The **Conseil de la Nation** (upper house of parliament) adopted the 2018 finance law on 12 December.¹⁴ The law introduces a series of measures including an unpopular increase in fuel tax. In presenting the 2018 budget, finance minister **Abderrahmane Raouia** said that increased aid to the fisheries and agricultural sectors should offset the expected negative impact of the increased fuel tax on household consumption. Raouia said the country's high fuel consumption justified the increase; 23% of fuel is imported at a cost of 900 billion dinars (\$7.8 billion).¹⁵ The budget also allocates 1.8 trillion dinars (\$15.2 billion) for social transfers in 2018, an 8% increase from 2017.¹⁶

Raouia advocated continued tighter control on government expenditure, which has helped to reduce the budget deficit from 1.9 trillion dinars (\$16.4 billion) at the end of June 2016, to 380 billion dinars (\$3.2 billion) at the end of June 2017, largely due to the increased price of oil.¹⁷ The 2018 budget is based on an average exchange rate of 115 dinars to the dollar for 2018-2020, with inflation projected at 5.5% in 2018, 4.8% in 2019 and 3.5% in 2020.¹⁸ The budget forecasts hydrocarbons exports to reach \$34.4 billion in 2018, \$38.3 billion in 2019 and \$39.5 billion in 2020.¹⁹ Imports are expected to reach approximately \$43.6 billion in 2018, \$41.4 billion in 2019 and \$40.9 billion in 2020.²⁰

... as protests follow passing of budget

Demonstrations occurred in the **Bejaia** region and around **Kabylia** against the finance commission's rejection of an amendment to promote the **Tamazight (Berber)** culture and language in schools.²¹ This was the PT's fifteenth attempt since 2002, when the government recognised Tamazight as an official language following the death of 126 protesters in Kabylia that year.²² A 2016 constitutional revision codified Tamazight as an official language alongside Arabic but the absence of laws, regulations and financial support to apply it concretely have led to

⁸ El Watan, 4 Dec 2017.

⁹ El Watan, 4 Dec 2017

¹⁰ El Watan., 4 Dec 2017

¹¹ El Watan., 4 Dec 2017

¹² El Watan., 4 Dec 2017

¹³ El Watan, Dec 2017.

¹⁴ El Watan, 12 Dec 2017.

¹⁵ Le Maghreb 13 Dec 2017.

¹⁶ Le Maghreb 13 Dec 2017.

¹⁷ Le Maghreb ,13 Dec 2017.

¹⁸ Le Maghreb 13 Dec 2017.

¹⁹ Le Maghreb 13 Dec 2017.

²⁰ Maghreb Emergent, 11 Dec 2017.

²¹ Maghreb Emergent, 11 Dec 2017

²² TSA, 16 Dec 2017.

increasing popular discontent. This escalated to protesters in Bejaia and Kabylia demanding Kabylia's independence, showing growing discontent over declining purchasing power, two consecutive elections that failed to bring change, and the austerity measures adopted by the 2018 finance law.²³ PT national assembly deputy **Nadia Chouitem** proposed an amendment in November to the 2018 finance law after highlighting that the budget allocated to the **Haut Commissariat à l'Amazighite (HCA)** had decreased by 0.2%.²⁴ The HCA's mandate is to promote the Tamazight language and culture. The national assembly approved the proposition but the finance commission rejected it on 26 November.²⁵ Protesters on 13 December demanded the withdrawal of Kabyle deputies from parliament, and for solidarity from parties such as the **Forces du Front Socialiste (FFS)** and the RCD.²⁶ Both the FFS and the RCD draw the majority of their support from the Berber heartlands.²⁷

UN and national statistics office share optimistic growth prediction for 2018

The **Office National des Statistiques (ONS)** (national statistics office) announced that industrial production in the national public sector grew by 4.1% in the third quarter in 2017 compared to the same time last year.²⁸ This increase was mainly on the back of the textile, leather and shoe sectors, as well as food production, wood and paper industries.²⁹ The construction materials sector registered positive growth of 5.6% and 8% during the second and third quarters of 2017.³⁰ The energy sector posted 10.5% growth in the third quarter of 2017, compared to 1.5% in the same semester in 2016.³¹ However hydrocarbon production decreased by 1.6%, caused by a 2.9% decrease in crude oil and natural gas production and a 2.3% decrease in oil refining activity.³²

The **United Nations Department of Economic and Social Affairs (UN DESA)** shared the ONS' optimistic view of Algeria's economic growth citing increasing hydrocarbons prices and reforms towards economic diversification.³³ The UN DESA, however, assessed real gross domestic product (GDP) growth at 2.8% in 2017, down from 3.1% in 2016.³⁴ The UN DESA projects that Algeria's GDP growth will slow to 2.6% in 2018 and 2.2% in 2019.³⁵ These forecasts are higher than those the **International Monetary Fund (IMF)** made in October, when it projected GDP growth of 1.5% in 2017 and 0.8% in 2018.³⁶ The UN DESA predictions are in line with the **World Bank**, which predicts a net growth slow-down in 2018 as finance consolidation measures start taking effect.³⁷ The World Bank believes that with the stabilisation of oil production, global growth will slow down and the impact of increased taxes and limited import licences will negatively affect the non-hydrocarbon sector.

²³ Tamurt,, 14 Dec 2017.

²⁴ Jeune Afrique, 13 Dec 17.

²⁵ Jeune Afrique, 13 Dec 17.

²⁶ Tamurt,, 14 Dec 2017.

²⁷ Source, Algeria analyst, UK

²⁸ Maghreb Emergent,17 Dec 2017.

²⁹ Maghreb Emergent,17 Dec 2017.

³⁰ Maghreb Emergent,17 Dec 2017.

³¹ Maghreb Emergent,17 Dec 2017.

³² Cap Algerie, 16 Dec 2017.

³³ La Presse DZ, 12 Dec 2017.

³⁴ La Presse DZ, 12 Dec 2017.

³⁵ La Presse DZ, 12 Dec 2017.

³⁶ APS, 12 Dec 2017.

³⁷ APS, 12 Dec 2017.

Number of foreign companies producing in Algeria increases

Global Motors Industries (GMI), the Algerian subsidiary of South Korea-based **Hyundai Bus & Trucks**, delivered the first **County** model truck assembled at its **Batna** factory on 6 December.³⁸ The GMI factory will produce approximately 50 County trucks per month in 2018.³⁹ GMI's Batna factory can currently produce 5,500 units per year, with production growth predicted at approximately 10-20% for 2018.⁴⁰

GMI's increased production is in line with the government's aim to diversify the economy to reduce its dependence on oil revenue. The industry and mines minister, **Youcef Yousfi**, implemented new regulations for the production of automobiles and the creation of automobile assembly lines from 5 December under executive decree 17-344.⁴¹ The new regulations aim to keep the value added by the industrial production in country and increase the level of integration through job creation and partnership with local enterprises.⁴² Car production and assembly line activities are now restricted to companies with at least three years of experience in the automobile sector, and which possess the requisite certification from the government.⁴³ The application process to enter the market will now include a number of certifications, contracts with manufacturing partners, and the delivery of technical economic study of the project covering at least a period of five years.⁴⁴ In addition, new car manufacturers must own globally-known brands and production sites in at least two countries.⁴⁵ Manufacturers will be required to submit a form listing all suppliers that provide inputs to the project.⁴⁶

Other industries have also seen a recent increase in production partnerships. A collaboration between South Korea-based **LG Electronics** and Algeria-based **Bomare Company** resulted in the opening of Algeria's first mobile phone assembly plant on 21 November.⁴⁷ Algeria-based **IVAL Industries** group announced on 22 November the start of production of trucks for the **Iveco Daily** brand, in an assembly factory in **Ouled Haddadj** in **Boumerdes**.⁴⁸ On the same day, the **Tahkout** group inaugurated its brake pad factory outside of **Alger**.⁴⁹ South Korea-based mobile phone manufacturer **Samsung Electronics** announced on 11 December the opening of an assembly line factory through its Algerian subsidy **Samsung Algeria** and its distribution partner **Timecom**, with a production capacity expected to reach 1.5 million units per year.⁵⁰ The project has been approved following the government's economic reforms and the new growth model aiming to develop national production.

The announcement of the lift of the ban on concrete exports also boosted activity in the concrete industry. **Lafarge Holcim** exported its first shipment of 16,600 tonnes of grey concrete from its **Ogaz** concrete factory to **The Gambia** on 12 December.⁵¹ This follows the lifting of the ban on exports of concrete announced on 16 October, confirming the move towards economic

³⁸ TSA, 7 Dec 2017.

³⁹ TSA, 7 Dec 2017.

⁴⁰ TSA, 7 Dec 2017.

⁴¹ Cap Algérie.dz 5 Dec 2017.

⁴² Cap Algérie.dz 5 Dec 2017.

⁴³ Cap Algérie.dz 5 Dec 2017.

⁴⁴ Cap Algérie.dz 5 Dec 2017.

⁴⁵ TSA, 5 Dec 2017.

⁴⁶ TSA, 5 Dec 2017.

⁴⁷ Algeria Eco, 20 Nov 2017.

⁴⁸ Algeria Eco, 22 Nov 2017.

⁴⁹ Algeria Eco, 22 Nov 2017.

⁵⁰ Algeria Focus, 12 Dec 2017.

⁵¹ Maghreb Emergent, 12 Dec 2017.

diversification in non-hydrocarbon industries.⁵² The group aims to export between two to three million tonnes by 2020.⁵³ CEO **Jean-Jacques Gautier** announced that by 2020, Algeria will produce 40 million tonnes of concrete.⁵⁴ Domestic demand is only 25 million tonnes, leaving the balance for exports.⁵⁵ The prime minister, Ahmed Ouyahia, inaugurated a new cement plant in **Adrar** on 16 December as a result of a 21 billion dinar (\$181.8 million) **Chinese-Algerian** partnership.⁵⁶ The plant will initially have a production capacity of 1.5 million tonnes per year, reaching 3 million tonnes per year during the second phase of extension.⁵⁷ The **Société Privée de Travaux Generaux Sidi Moussa (STG siti Moussa)** has a 71%, and the **China Triumph International Engineering Company (CTIEC)** a 29% share in the partnership. CTIEC has a seven-year cooperation contract to help manage the factory, train the local work force, and transfer knowledge and technology in the field.⁵⁸

In the pharmaceutical sector, Algerian investment fund **ISLY Holding** signed a 20-25m euros (\$23.7- 29.7m) partnership agreement on 7 December with **French**-based biopharmaceutical group **Ipsen Laboratory**.⁵⁹ The agreement provides for the construction of a factory specialised in oncology pharmaceuticals.⁶⁰ The investment is expected to reduce imports and will give Ipsen the opportunity to export into **sub-Saharan Africa** from its Algerian base.⁶¹

Several developments in the aviation sector were also announced in December. **Belgium**-based airline company **TUI Fly** signed a collaboration agreement on 5 December with Algerian travel agency network **Soleil Voyages** to improve access for Algerian passengers to all five airlines that operate between Algeria and Belgium.⁶² The airline has been operating in Algeria for seven years and links five Algerian cities (**Alger, Bejaia, Constantine, Oran and Tlemcen**) to **Brussels**. Agreements were also signed during the second **Algerian-Hungarian Commission** on 5 December to increase bilateral trade in 21 different sectors. This follows agreements that inaugurated an airline between **Algiers** and **Budapest** by **Air Algerie** in 2016 and discussed the potential opening of a similar service by a **Hungarian** airline company.⁶³ **United Arab Emirates**-based **Emirates Airlines** announced on 6 December the launch of direct daily flights from Algiers from 13 December onwards. France-based **ASL Airlines France** announced on 14 December two new flights to **Oran** from summer 2018.⁶⁴ Although these developments may improve access for Algerians to Europe, they will also increase competition for **Air Algerie**, already in financial difficulty. However, Air Algerie CEO **Bakhouch Alleche** has denied rumours of the airline's bankruptcy and possible privatisation.⁶⁵

⁵² Maghreb Emergent, 12 Dec 2017

⁵³ Maghreb Emergent, 12 Dec 2017.

⁵⁴ Maghreb Emergent, 12 Dec 2017.

⁵⁵ Maghreb Emergent, 12 Dec 2017.

⁵⁶ Algerie Patriotique, 16 Dec 2017.

⁵⁷ Algerie Patriotique, 16 Dec 2017.

⁵⁸ Algerie Patriotique, 16 Dec 2017.

⁵⁹ El Watan, 7 Dec 2017

⁶⁰ El Watan, 7 Dec 2017.

⁶¹ Source, Algeria analyst, London

⁶² El Watan, 6 Dec 2017.

⁶³ APS, Dec 2017.

⁶⁴ Huffington Post Maghreb, 14 Dec 2017.

⁶⁵ TSA, 5 Dec 2017.

Planner

April 2019: Scheduled presidential elections;
 Jan 2018: Finance minister announces 2018/2019 budget

Chronology

17 December 2017 (Algeria), *ONS*: The **Office National des Statistiques** reports that industrial production in the national public sector grew by 4.1% in the third semester in 2017;

12 December 2017 (Algeria), *El Watan*: The **Conseil de la Nation** (upper house) approves the final step of the implementation of the 2018 budget;

11 December 2017: *La Presse DZ*: The **United Nations Department of Economic and Social Affairs** assesses **Algeria's** real GDP growth at around 2.8% in 2017 in its **World Economic Situation and Prospects**;

11 December 2017 (Algeria), *TSA*: Unprecedented demonstrations to support Tamazight culture take place in the three main cities of **Kabylia: Tizi Ouzou, Bouira and Bejaia**;

5 December 2017 (Algeria), *Cap Algerie*: Decree 17-344 implementing the new conditions for automobile manufacturing and automobile assembly line comes into effect;

29 Nov 2017 (Algeria), *TSA*: Demonstrations take place in the **Kabylia** region against the rejection of the opposition **Party des Travailleurs'** proposed amendment for the promotion of **Tamazight** language and culture;

26 Nov 2017 (Algeria), *Le Reporter*: Protests erupt across various wilayas, denouncing electoral fraud;

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

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