

AFRICA RISK CONSULTING

Algeria Monthly Briefing June 2018

Algeria Summary 15 June 2018

President Abdelaziz Bouteflika (1999-present) officially starts his presidential campaign. Opposition to a fifth mandate becomes increasingly vocal inside and outside Algeria, as opponents launch a new political movement, Mouwatana, that represents a growing threat to Bouteflika's re-election in 2019. The opposition protests a new law to regulate the functions of the Assemblée Populaire Nationale (APN) (national assembly), arguing it will make debates more difficult to organise and disagreements less visible. The APN adopts the Projet de Loi de Finances Complémentaire (PLFC) 2018, an amendment to the 2018 budget law, replacing the import bans with high tax rates to discourage imports, and including a new budget control plan to make public spending more efficient. Energy and mines minister Youcef Yousfi announces a plan to partner with two Chinese companies to relaunch its phosphate exploitation programme. Nigeria-based African e-commerce leader Jumia reports that mobile phone penetration in Algeria has reached 119%, the highest rate in Africa.

Opposition launches Mouwatana movement against Bouteflika's fifth mandate ...

President **Abdelaziz Bouteflika** (1999-present) officially launched his presidential campaign on 15 May. Bouteflika visited a koranic school in the city of **Texeraine (Algiers Region)** and the great Mosque of **Algiers**, days before the holy month of **Ramadan**.¹ Bouteflika is attempting to exploit the growing religious population to harness political support. This was Bouteflika's fourth public appearance in a little over a month after years out of the public eye following a heart attack in 2013. The latest appearances may be an attempt by his party, the **Front de Liberation National (FLN)**, to defy the common perception that Bouteflika is not capable of presidential duties.² However, Bouteflika appeared weak and seemed unable to address the crowd.³

Mounting opposition to Bouteflika's participation in the 2019 presidential race may present a threat to a potential fifth mandate. Fourteen public figures published an open letter to Bouteflika on 26 May, demanding his withdrawal from the presidential election.⁴ Amongst those who signed the petition were former prime minister **Ahmed Benbitour**, opposition **Jil Jadid** party president **Sofiane Djilali**, prominent human rights lawyer **Salah Dabouze**, law professor **Fatiha Benabou** and writer **Yasmina Khadra**.⁵ The letter asked Bouteflika to act with reason and show that the fate of the country and its citizens is more important than his own ambitions.⁶ The signatories launched the *Mouwatana* movement on 10 June to broaden their reach to other civil society members.⁷ The movement claims to create a space for

¹ Jeune Afrique, 15 May 2018.

² Jeune Afrique, 15 May 2018.

³ Jeune Afrique, 15 May 2018.

⁴ L'Express, 26 May 2018.

⁵ L'Express, 26 May 2018.

⁶ L'Express, 26 May 2018.

⁷ Huff Post Maghreb, 10 June 2018.

practical initiatives and prepare the condition for a pacific political transition, maintaining that political and institutional reform is necessary.⁸ The fourteen founding members criticised the government's alleged suppression of freedom of speech, including the incarceration of journalists without trial and the repression of demonstrations.⁹ The group created a coordination body under Assoul's leadership to establish a **Programme Commun pour les Reformes Politiques** (a common programme for political reform), including the preparation of a new constitution model.¹⁰

An additional dissenting voice has given the opposition movement a more international scope. Algerian journalist **Layla Haddad** broadcast a video hostile to Bouteflika in the offices of the **European Parliament in Brussels** on 1 June. Haddad, a former national Algerian television correspondent to Brussels, accused Bouteflika of making the role of president a "*vacant position*" and calling for his withdrawal from politics.¹¹ The fact that the video was shot in the official headquarters of the European Parliament outraged the Algerian government as it interpreted this as **European Union (EU)** approval of the discrediting of Algerian institutions.¹² The Algerian foreign affair ministry summoned the EU ambassador to Algeria, **John O'Rourke**, on 3 June.¹³ O'Rourke responded that accredited journalists to the EU do not carry the voice of the institutions and have freedom to express themselves as they wish.¹⁴

The intensifying opposition to Bouteflika's reelection both inside and outside Algeria, as well as the formation of a concrete opposing political movement, represents an increasingly difficult challenge to his ambition of a fifth mandate.

National assembly adopts procedural and finance law amidst opposition criticism

Opposition parties and civil society groups have criticised a series of new laws and amendments that they say are an attempt to constrain parliament's voice against a potential presidential fifth mandate.¹⁵ The first of these, presented on 21 May, concerned an amendment to the regulation of the **Assemblée Populaire Nationale (APN)** (national assembly) itself.¹⁶ The APN's social and legal affairs commission's revision project has been in the pipeline since December and aims to fill legal gaps around the functions of members of parliament (MPs).¹⁷ However, opposition MPs contested most of the articles.¹⁸ One of the most criticised articles limits MPs' freedom of expression and their right to control government actions.¹⁹ According to the text, MPs will have no right to call on the constitutional council regarding unconstitutional or ambiguous law projects (as authorised in the constitution).²⁰ Another contentious point is the procedural requirements around initiating general debate around a current event.²¹ At present, 20 MPs' signatures are

⁸ Huff Post Maghreb, 10 June 2018.

⁹ Le Matin d'Algerie, 2 Jun 2018.

¹⁰ Le Matin d'Algerie, 2 Jun 2018.

¹¹ Algerie Presse Service, 5 Jun 2018.

¹² Algerie Presse Service, 5 Jun 2018.

¹³ Le Matin d'Algerie, 2 Jun 2018.

¹⁴ Algerie Patriotique, 4 Jun 2018.

¹⁵ Algerie Presse Service, 5 Jun 2018.

¹⁶ Algerie Presse Service, 5 Jun 2018.

¹⁷ Algerie Patriotique, 4 Jun 2018.

¹⁸ Algerie Patriotique, 4 Jun 2018.

¹⁹ Algerie Patriotique, 4 Jun 2018.

²⁰ Huff Post Maghreb 6 Jun 2018.

²¹ Huff Post Maghreb 6 Jun 2018

required to organise such a debate, which will increase to 60 under the new law.²² In addition, the new law requires the APN's authorisation to create a parliamentary investigation, and removes the deadline for government members to respond to written and oral questions.²³ **Djelloul Djoudi**, head of the opposition **Parti des Travailleurs (PT)**, claimed that parliament is censuring its own members and is now completely submitted to the executive.²⁴ The adoption of the law appears to underline government efforts to limit the scope of dissenting voices, in a context of rising opposition to Bouteflika's fifth mandate.

The 2018 Budget amendment, the **Projet de Loi de Finances Complémentaire (PLFC) 2018**, has caused further concern amongst the opposition.²⁵ The **Conseil des Ministres** (council of ministers) adopted the PLFC 2018 on 5 June.²⁶ Prime minister **Ahmed Ouyahia** said the PLFC 2018 would install a new import regulation mechanism and balance of payment protection to replace the temporary suspension of imports with rates between 30% and 200%.²⁷

The APN also voted on a proposal regarding budget control. The new text will reform the development of the finance law and state budget control.²⁸ The law will require the government to present an annual performance plan with specific goals.²⁹ The structure of the budget will be based on evaluation of results by a series of indicators rather than the current basis of expenditures, although public administrators will have to continue reporting on budget usage.³⁰

The PLFC 2018 represents the government's attempt to contain the budget crisis the country is facing, and to demonstrate the viability of its expansionary budget policy, which has attracted criticism from international financial institutions (see *ARC Briefing Algeria February, March, May 2018*).³¹

External trade figures show an increase in imports

The **Centre national de l'informatique et des statistiques des Douanes (CNIS)** (national centre of customs information and statistics) published external trade figures on 28 May that show a high import bill despite product import bans applied during the first months of 2018.³² Imports reached \$3.15 billion at 30 April, against the \$3.007 billion during the same period in 2017, registering an increase of \$148m (+4.02%).³³ Imports of the six main food products (cereals, dairy, sugar, coffee and tea, vegetables and meat) were \$2.33 billion during the first four months of 2018, compared to \$2.28 billion in 2017.³⁴ Medicine imports increased significantly, reaching \$709.55m during the first months of 2018, against \$480.87m in 2017, posting a 47.56% growth.³⁵

²² Huff Post Maghreb 6 Jun 2018.

²³ Huff Post Maghreb 6 Jun 2018

²⁴ Huff Post Maghreb 6 Jun 2018.

²⁵ Huff Post Maghreb 6 Jun 2018.

²⁶ Huff Post Maghreb 6 Jun 2018.

²⁷ Huff Post Maghreb 6 Jun 2018.

²⁸ Maghreb Emergent, 16 May 2018.

²⁹ Maghreb Emergent, 16 May 2018.

³⁰ Maghreb Emergent, 16 May 2018.

³¹ Source, analyst, London

³² Huff Post Maghreb, 28 May 2018

³³ Huff Post Maghreb, 28 May 2018.

³⁴ Huff Post Maghreb, 28 May 2018.

³⁵ TSA, 2 Jun 2018.

The increase in imports demonstrates the limits of Ouyahia's plan to reduce the trade deficit and promote national production through the implementation of import control mechanisms for various products.

IMF and Sonatrach diverge on the state of the hydrocarbon production...

The **International Monetary Fund (IMF)** announced on 1 June that Algeria still faces challenges four years after the crisis caused by the oil price decrease.³⁶ The IMF reported that decreased production is weighing on real GDP growth.³⁷ Unemployment rose to 11.7% in September 2017, against 10.5% the previous year, notably high amongst young people and women.³⁸ However, the average inflation rate settled at 5.6% in 2017 against 6.4% in 2016, due to the slowing down of the inflation for manufactured products and services.³⁹ Reserves decreased by \$17 billion to reach \$96 billion.⁴⁰

The IMF repeated its previous recommendations to the Algerian government, namely to continue the application of structural reforms in order to ease the growth model diversification and support the development of the private sector.⁴¹ The IMF restated its view that non-conventional financing and restriction bans could only offer a temporary respite to the economy and are likely to pose serious threats in the future.⁴² The IMF expects the government's approach to exacerbate budget disequilibrium, increase inflation, and accelerate the contraction of foreign currency reserve, which it says will increase the threat of financial stability and eventually create a growth slowdown.⁴³

State-owned oil company, **Société nationale pour la recherche, la production, le transport, la transformation, et la commercialisation des hydrocarbures (Sonatrach)**, has regularly contradicted the IMF's view that Algerian hydrocarbon production is decreasing.⁴⁴ Sonatrach executive director **Farid Ghezali** explained during the company's **Vision 2030** presentation that Sonatrach's total primary production grew by 2%, from 192.3 million tonnes of oil equivalent (TEP) in 2016 to 196.5 million TEP in 2017 as a result of the maintenance and natural gas recycling improvement programme.⁴⁵ Ghezali said oil production decreased slightly by 3% in 2017 because of the production quota imposed by the OPEC agreement.⁴⁶ Ghezali said Sonatrach's natural gas production grew by 5%, from 128.5 billion cubic meters in 2016 to 135 billion cubic meters in 2017.⁴⁷ However, investments have decreased significantly.⁴⁸ Sonatrach's invested \$8.1 billion in 2017, representing an 8% decrease from 2016.⁴⁹

³⁶ TSA, 2 Jun 2018.

³⁷ TSA, 2 Jun 2018.

³⁸ TSA, 2 Jun 2018.

³⁹ TSA, 2 Jun 2018.

⁴⁰ TSA, 2 Jun 2018.

⁴¹ TSA, 2 Jun 2018.

⁴² La Nouvelle République, 26 May 2018.

⁴³ La Nouvelle République, 26 May 2018.

⁴⁴ TSA, 2 Jun 2018.

⁴⁵ La Nouvelle République, 26 May 2018.

⁴⁶ La Nouvelle République, 26 May 2018.

⁴⁷ El Watan, 4 Jun 2018.

⁴⁸ El Watan, 4 Jun 2018.

⁴⁹ La Nouvelle République, 26 May 2018.

Algeria looks to expand its phosphate production ...

Algeria is seeking to invest in phosphate production, a sector that **Morocco**, the **United States** and **China** currently dominate.⁵⁰ The **Groupe Public Industriel Engrais et Produits Phytosanitaire (Asmidal)** announced on 4 June that a high level meeting will take place at the energy ministry of representatives of the energy, industries and mines, agriculture, finances, internal, water resources, and public works ministries to agree on an action plan for phosphate chemical transformation.⁵¹ Two China-based companies, **Cetic** and **Wingfu**, will participate in the elaboration of a project estimated to reach \$10 billion and which should increase phosphate production capacity to 11 million tonnes (compared to 1.5 million tonnes currently).⁵² The project will be located in an industrial complex in **Oued El Kerbit** in **Souk Ahras Province** in the east of Algeria and is expected to be operational in 2020.⁵³ Asmidal expects that Algeria will be able to supply international markets with 3 million tonnes annually of azote and phosphate fertilisers, which will position the country as global export leader.⁵⁴ The mines and energy ministry estimates that Algeria has 2 billion tonnes of phosphate reserves in the **Bled el Hadba** phosphate mine in Tebessa province reach.⁵⁵

Energy and mines minister **Youcef Yousfi** underlined the important economic impact of the project which he said could generate up to \$1 billion per year.⁵⁶ Yousfi said the investment will help to diversify the economy by moving away from oil revenue and will help to develop agriculture, ensure food security and create employment.⁵⁷ Algeria currently imports up to \$600m worth of phosphate derivatives to supply agricultural demand.⁵⁸

The project has been in the pipeline for several years. In 2008 then head of government Ahmed Ouyahia addressed the former heads of the **Ferphos Group**.⁵⁹ A joint venture was created between Sonatrach/ **Ferphos** (51%) and **Engro** (49%), which aimed to start producing phosphoric acid, sulfuric acid and intermediary products in 2012.⁶⁰ The government initially favoured the **Qatar-based Qatar Petroleum International (QPI)** group, before considering **Indonesia-based Indorama** as its business partner in 2016, and finally choosing its current Chinese partners.⁶¹

The government has unlocked capital to improve the infrastructure needed for the phosphate project.⁶² The APN agreed a budget of 75 billion dinars (\$643.2m) on 2 June to extend the **Port of Annaba** in order to increase the export volume of phosphate and urea fertiliser.⁶³ The government has awarded the **China Harbour Engineering Company** the project to extend the port.⁶⁴

⁵⁰ La Nouvelle République, 26 May 2018.

⁵¹ La Nouvelle République, 26 May 2018.

⁵² El Watan, 4 Jun 2018.

⁵³ El Watan, 4 Jun 2018.

⁵⁴ El Watan, 4 Jun 2018.

⁵⁵ The Arab Weekly, 25 Mar 2018.

⁵⁶ El Watan, 4 Jun 2018.

⁵⁷ El Watan, 4 Jun 2018.

⁵⁸ El Watan, 4 Jun 2018.

⁵⁹ Cap Algérie, 2 Jun 2018.

⁶⁰ Cap Algérie, 2 Jun 2018.

⁶¹ Cap Algérie, 2 Jun 2018.

⁶² Cap Algérie, 2 Jun 2018.

⁶³ Cap Algérie, 2 Jun 2018.

⁶⁴ Cap Algérie, 2 Jun 2018.

The investment has attracted criticism given the failure of previous attempts to expand the Algerian phosphate market. The scope of the government's investment seems unjustified in a context of the budget crisis.⁶⁵ Additionally, if the current project is successful, it could exacerbate existing tensions with Morocco, Algeria's neighbour and the world's leading phosphate producer.

... at it gains traction as a destination for mobile phone production

Nigeria-based **African** e-commerce leader **Jumia** reported on 4 June that mobile phone penetration in Algeria has reached 119%, the highest rate in Africa.⁶⁶ The average rate of mobile phone penetration in Africa is 82%.⁶⁷ According to the Jumia study, 49.7 million mobile phone contracts are registered in Algeria out of a total of 1.04 billion mobile contracts on the African continent.⁶⁸ The high rate is attributed to growing competitiveness between operators creating affordability.⁶⁹ Jumia said Algerian mobile phone production had played a key role in the democratisation of mobile phones by offering quality at low prices.⁷⁰

Internet usage grew by more than seven million new customers from 2016 to 2017, thanks to decreasing subscription prices and attractive offer.⁷¹ According to Jumia, 46% of Algerians use their mobile phone for internet navigation.⁷² Of those using a smartphone to go on the internet, 88% do so through prepaid cards and 12% through contracts.⁷³ Social media usage via mobile phones has increased by 19% since 2017.⁷⁴ Jumia lists Algeria's **Condor** and **China**-based **Huawei** as the current bestselling brands in Algeria.⁷⁵

The industry is expected to further grow following the adoption of the finance law 2018 (see above), which bans the import of mobile phones.⁷⁶ The government hopes this will encourage international brands to establish their production and supply chains in Algeria.⁷⁷ **South Korea**-based **LG Mobile** and **Samsung**, Huawei, and, more recently, **France**-based **Wiko** have announced the opening of assembly lines in Algeria.⁷⁸ It remains to be seen whether the government's importation ban on mobile phones will keep prices competitive for the Algerian consumer.

⁶⁵ Cap Algérie, 2 Jun 2018.

⁶⁶ El Watan, 4 Jun 2018.

⁶⁷ El Watan, 4 Jun 2018.

⁶⁸ El Watan, 4 Jun 2018.

⁶⁹ Huff Post Maghreb, 7 Jun 2018.

⁷⁰ Huff Post Maghreb, 7 Jun 2018.

⁷¹ El Watan, 4 Jun 2018.

⁷² El Watan, 4 Jun 2018.

⁷³ El Watan, 4 Jun 2018.

⁷⁴ Huff Post Maghreb, 7 Jun 2018.

⁷⁵ Huff Post Maghreb, 7 Jun 2018.

⁷⁶ El Watan, 4 Jun 2018.

⁷⁷ El Watan, 4 Jun 2018.

⁷⁸ El Watan, 4 Jun 2018.

Planner

April 2019: **(Algeria)** Scheduled presidential elections;

Chronology

10 June 2018 **Algiers (Algeria)** *Huff Post Maghreb*: Fourteen signatories launch the **Mouwatana** movement to mobilise against a fifth mandate for President **Abdelaziz Bouteflika**;

5 June 2018 **Algiers (Algeria)** *Huff Post Maghreb*: The council of ministers adopts the **Projet de Loi de Finances Complémentaire (PLFC) 2018**;

4 June 2018 **Algiers (Algeria)** *La Nouvelle Republique*: The **Groupe Public Industriel Engrais et Produits Phytosanitaire (Asmidal)** announces a meeting between various ministries and **China**-based **Cetic** and **Wingfu** to launch a phosphate chemical transformation programme;

4 June 2018 **Algiers (Algeria)** *El Watan*: **Nigeria**-based **Jumia** publishes a report showing that Algeria mobile phone penetration is the highest in Africa;

3 June 2018 **Algiers (Algeria)** *Le Matin d'Algerie*: The foreign affairs ministry summons **European Union (EU)** ambassador in Algeria **John O'Rourke** after the EU shares anti-Bouteflika views of former **Brussels** correspondent **Layla Haddad** ;

1 June 2018 **Brussels (Belgium)** *Le Matin d'Algerie*: National Algerian television correspondent **Layla Haddad** airs a video accusing President Bouteflika of ignoring the interests of the nation in re-running for presidency;

1 June 2018 **Algiers (Algeria)** *TSA*: The **International Monetary Fund (IMF)** reports that hydrocarbon production in Algeria is in difficulty, contradicting claims of state-owned oil company **Sonatrach** that the sector is doing well;

28 May 2018 **Algiers (Algeria)** *Huff Post Maghreb*: The **Centre national de l'informatique et des statistiques des Douanes (CNIS)** publishes external trade figures for the first months of 2018, showing a high import bills

26 May 2018 **Algiers (Algeria)** *L'Express*: Fourteen high-profile figures publish an open letter asking President **Abdelaziz Bouteflika** not to run for another presidential term;

21 May 2018 **Algiers (Algeria)** *Algerie Presse Service*: Opposition parties criticise provisions of a law revising the internal regulation of the **Assemblée Populaire Nationale (APN)** (national assembly);

15 May 2018 **Algiers (Algeria)** *Jeune Afrique*: President **Abdelaziz Bouteflika** visits a koranic school and a mosque as part of his presidential campaign debut;

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