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The Rassemblement National Democratique (RND) and the Conseil de la Nation (upper house of parliament) publicly endorse a fifth mandate for President Abdelaziz Bouteflika (1999-present). The announcements come amidst party and high office reshuffling, following a political corruption scandal, opposition to the finance law 2018, and emerging protests in the south of the country. The Banque d'Algérie (central bank) reports concerns about a liquidity surplus created by non-conventional financing. Prime minister Ahmed Ouyahia announces decreasing foreign currency reserves. Finance minister Abderrahmane Raouia says the government will reform the system of state subsidies in 2019. State-owned oil company Sonatrach signs agreements with France-based Total, Italy-based ENI and Bonatti, and United Kingdom-based Petrofac.

Support grows for Bouteflika's fifth mandate amidst FLN political crisis...

There have been increasing calls from various sources in support of President **Abdelaziz Bouteflika's** (1999-present) participation in the 2019 presidential election. The public endorsements of Bouteflika's fifth mandate increasingly represent a strategic attempt to retain government positions and deflect opponents' criticism.¹ **Rassemblement National Democratique (RND)** secretary general and prime minister **Ahmed Ouyahia** announced during an ordinary session of the RND's national council on 22 June that the party will officially support a fifth mandate for Bouteflika.² The RND is a major partner of the presidential coalition. The RND's announcement follows that of Bouteflika's **Front de Liberation National (FLN)**, which has been preparing the public for a renewed presidential mandate for months (see *ARC Briefing Algeria May 2018*).³ **Conseil de la Nation** (senate) president **Abdelkader Bensalah** also called on 2 July for Bouteflika to run for a fifth mandate, following a majority vote within the senate. Bensalah said the senate is prioritising continuity and stability given the major economic challenges facing the country.⁴ However, Bensalah's public announcement surprised some members of the senate whom Bensalah had not consulted. The opposition **Front des Forces Socialistes (FFS)** had not yet announced its position on a fifth mandate.⁵ The FFS denounced the use of legislative bodies to promote a fifth mandate and called for the senate to tackle corruption cases within the government rather than try to shut down dissenting voices.⁶

Despite the general alignment behind Bouteflika, there is growing opposition within the government to continuity under a fifth mandate. The FLN is in the midst of a political crisis. FLN secretary general **Djamel Ould Abbas** fired 12 of the 16 members of the political bureau

¹ Jeune Afrique, 21 Jun 2018.

² Jeune Afrique, 21 Jun 2018.

³ Jeune Afrique, 21 Jun 2018.

⁴ Alg24, 2 Jul 2018.

⁵ TSA, 2 Jul 2018.

⁶ Liberté Algérie, 3 Jul 2018.

on 30 May.⁷ The reshuffling appears to reflect Ould Abbas' concern over losing control of the FLN after some party members independently called for Bouteflika's fifth mandate.⁸ The internal changes also sought to sanction party members who criticised government management of demonstrations, which Ould Abbas saw as a threat to government solidarity.⁹ Ould Abbas is wary of the influence of his predecessors, **Amar Saidani** and **Abdelaziz Belkhadem**, who both continue to cultivate strong relationships with party members and are looking to gain further influence.¹⁰ Fifteen new members entered the bureau including former health minister **Abdelmalek Boudiaf** and **Mustapha Karim Rahiel**, the former chief of staff of former prime minister **Abdelmalek Sellal**.¹¹ Eight of the dismissed members issued a press release on 18 June calling Ould Abbas' decision illegal and demanding that the central committee investigate the decision.¹² The dismissed members argue that Ould Abbas does not have the power to appoint or fire members.¹³ They claim that FLN party regulations provide that the central committee elects members of the political bureau on the recommendation of the secretary general.¹⁴ The aggrieved ministers took the decision outside of a session of the central committee, which has not held meetings for 20 months.

Further high-level changes sought to manage a political crisis involving a large drug seizure that incriminated allegedly corrupt officials. President Bouteflika dismissed police chief **Abdelghani Hamel**, as well as national **Gendarmerie** (police) head **Menab Nouba** on 4 July after the customs services, the navy and the police coastguard seized 701 kilogrammes of cocaine in the city of **Oran** on 26 May.¹⁵ The ensuing investigation involved magistrates and high-ranking figures in the government, including two influential businessmen who are close to government officials, especially to RND members and to **Ali Haddad**, the head of the **Forum des Chefs d'Entreprises (FCE)** (head of enterprises forum).¹⁶ RND member and billionaire **Mohamed Laid Benamor**, deputy head of the FCE and close to Haddad, is indirectly implicated in the scandal through his strong connection to **Kamel El Boucher**, the main suspect in the investigation.¹⁷ The other businessman, whose name has not been published yet, is reportedly also known for his strong RND connections.¹⁸ The dismissal of Hamel and Nouba represents an attempt by Bouteflika to distance his government from the drug seizure case.¹⁹

The opposition **Rassemblement pour la Culture et la Democratie (RCD)** demanded that the government withdraw an adopted proposal on the organic law of the Algerian **Tamazight (Berber)** language academy on 25 June.²⁰ The RCD members of parliament (MPs) claimed that the amendment was a step back and an attempt to avoid recognising Tamazight as an official language, as recommended in the draft legislation.²¹ Demonstrations occurred in the

⁷ TSA, 2 Jul 2018.

⁸ Algerie Patriotique, 30 May 2018.

⁹ Algerie Patriotique, 30 May 2018.

¹⁰ Algerie Patriotique, 30 May 2018.

¹¹ Jeune Afrique, 20 Jun 2018.

¹² TSA, 2 Jul 2018.

¹³ Jeune Afrique, 20 Jun 2018.

¹⁴ Jeune Afrique, 20 Jun 2018.

¹⁵ TSA, 25 Jun 2018.

¹⁶ Algerie Direct, 24 Jun 2018.

¹⁷ Algerie Direct, 24 Jun 2018.

¹⁸ Algerie Direct, 24 Jun 2018.

¹⁹ TSA, 25 Jun 2018.

²⁰ Algerie Patriotique, 25 Jun 2018.

²¹ TSA, 25 Jun 2018.

Bejaia region and around **Kabylia** in December when the finance commission rejected an amendment to promote the Tamazight culture and language in schools (see *ARC Briefing Algeria December 2017*).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 increasing popular discontent. Both the FFS and the RCD draw the majority of their support from the Berber heartlands.²³

Protests since Algeria's Independence Day on 5 July from the cities of **Bechar**, **El Oued** and **Jijel** have further highlighted waning popular support for the government.²⁴ Protestors are demanding the equitable distribution of social housing, and sufficient food and drinking water supplies. Inhabitants of the three cities claim the allocation of 55,000 social housing units was unfair and did not benefit their municipalities.²⁵ The media's silence and the government's lack of response have fuelled protestors' grievances about the lack of national interest in the challenges facing the south of the country.²⁶

Liquidity surplus and depleting foreign currency reserves cause concern

Banque d'Algerie (central bank) governor **Mohamed Loukal** indicated on 21 June that the main challenge for the central bank will be to ensure price stability in the context of a liquidity surplus.²⁷ The central bank printed 2,185 billion dinars (\$18.5 billion) at the end of October 2017, while a second emission in January amounted to 1,400 billion dinars (\$11.9 billion), creating a total of 3,585 billion dinars (\$30.4 billion).²⁸ The immediate impact is the rapid transition from a liquidity deficit to a substantial liquidity surplus.²⁹ Loukal said the central bank has "*adequate*" instruments to manage liquidity and is ready to use them.³⁰ These include weekly deposits with the Banque d'Algérie fixing the amount to be absorbed.³¹

The prime minister, Ahmed Ouyahia, said in a press conference following the RND national council on 23 June that Algeria's foreign currency reserves reached \$90 billion at the end of May and are expected to decrease to \$85 billion at the end of 2018, due to goods and services imports.³² **The Organization of the Petroleum Exporting Countries (OPEC)** agreement is likely to push oil prices down further, although the OPEC member states agreed to maintain a profitable barrel price on 20 June.³³ Foreign currency reserves have decreased since the beginning of 2018 despite oil price increases and government efforts to slow down imports.³⁴ Algeria had reserves of \$97.3 billion in December, showing a decrease of \$7.3 billion in five months.³⁵ Customs figures released on 21 June demonstrated that a \$2.5 billion trade deficit is the main cause.³⁶ The real trade deficit is higher if national defence imports are taken into

²² Maghreb Emergent, 11 Dec 2017

²³ Source, Algeria analyst, UK

²⁴ Maghreb Emergent, 7 Jul 2018.

²⁵ Maghreb Emergent, 7 Jul 2018.

²⁶ Maghreb Emergent, 7 Jul 2018.

²⁷ TSA, 25 Jun 2018.

²⁸ TSA, 25 Jun 2018.

²⁹ TSA, 25 Jun 2018.

³⁰ TSA, 25 Jun 2018.

³¹ TSA, 25 Jun 2018.

³² Algerie Patriotique 5 Jul 2018

³³ Algerie Patriotique 5 Jul 2018

³⁴ TSA, 24 Jun 2018

³⁵ TSA, 24 Jun 2018.

³⁶ TSA, 24 Jun 2018.

account.³⁷ During the first six months of 2017, the difference between the two measures of deficit was \$3 billion. The depleting foreign currency reserves is likely to negatively impact the value of the dinar, particularly if Algeria fails to effectively reduce its imports. Recovering oil prices should allow the country to increase its reserves, or at least maintain a steady level.

Finance minister approaches issue of state subsidies...

Finance minister **Abderrahmane Raouia** confirmed on 25 June that the government will maintain state subsidies for categories with the most pressing demand.³⁸ Raouia added on 2 July that the government will reform the subsidy system in 2019 and has drafted a list of products that includes electricity, oil and possibly water prices.³⁹ The commission responsible has been collaborating with the **World Bank** to develop the plan and the list of products.⁴⁰ Raouia said the main reason for subsidy reform was to promote social equality.⁴¹ During his RND party meeting on 7 July, prime minister Ahmed Ouyahia said the RND was seeking better control and allocation of subsidies.⁴²

Raouia also said the government will look for new custom duties on imported car parts destined for the local assembly line after it cancelled Article 6 of the 2018 finance law. The **Assemblée Nationale Populaire (APN)** voted on 20 June to withdraw Article 6, which provided that the government cancel the exemption from the 19% value added tax (VAT) for operators in the sector.⁴³ The move came in response to fears that increased prices for consumers would stoke already widespread social discontent. If the new tax is implemented, vehicle manufacturers are likely to protest as they are already complaining about an increasingly hostile environment.⁴⁴

The announcement falls in line with the proposed budget in the 2018 finance law which provides a return to budgetary discipline from 2019. Expenditure decreases from 8,600 billion dinars (\$73.2 billion) in 2018 to 7,500 billion dinars (\$63.8 billion) in 2019.⁴⁵ Budget cuts on equipment are expected to absorb the austerity measures, which reflect a 30% decrease in 2019.⁴⁶ The treasury deficit is expected to decline considerably to reach 55 billion dinars (\$468.3m) in 2019.⁴⁷

International financial institutions have responded with scepticism. The World Bank announced in April that it doubted the government's capacity to balance public finances.⁴⁸ The new measures will further decrease Algerian's purchasing power, raising the risk of popular discontent and providing more opportunities for the opposition to attack the current government. Islamist **Mouvement de la Société pour la Paix (MSP)** president **Abderrazak Mori** warned on 5 July that the withdrawal of state subsidies will shift millions of Algerians

³⁷ TSA, 24 Jun 2018.

³⁸ Algerie Patriotique, 5 Jul 2018.

³⁹ Algerie Patriotique, 5 Jul 2018.

⁴⁰ Algerie Patriotique, 5 Jul 2018.

⁴¹ Algerie Patriotique, 5 Jul 2018.

⁴² TSA, 7 Jul 2018.

⁴³ Algerie Patriotique, 5 Jul 2018.

⁴⁴ Algerie Patriotique, 30 Jun 2018.

⁴⁵ Algerie Patriotique, 5 Jul 2018.

⁴⁶ Algerie Patriotique, 5 Jul 2018.

⁴⁷ Algerie Patriotique, 5 Jul 2018.

⁴⁸ Algerie Patriotique, 5 Jul 2018

into a state of chronic poverty and accused foreign agents of taking advantage of Algeria's current political crisis to strip the country of its identity.⁴⁹

Sonatrach announces new partnerships and sales agreements

State-owned oil company **Société Nationale pour la Recherche, la Production, le Transport, la Transformation, et la Commercialisation des Hydrocarbures (Sonatrach)** has signed two significant deals for petrochemical projects. During a presentation on Sonatrach strategy **SH2030** on 13 June, CEO **Abdelmoumen Ould Kaddour** said the company has signed deals with a yet to be named **Turkish** partner and another with **Italy** based-**ENI**, following its deal with **France**-based oil company **Total**.⁵⁰ Ould Kaddour said petrochemical development is a crucial axis of Sonatrach's strategy and the two new ventures should start creating jobs within two years.⁵¹ Ould Kaddour also revealed the existence of Sonatrach investment proposals in **Bolivia** and **Iraq**.⁵² This follows Sonatrach's signing on 14 June of sales agreements of natural gas to **Spain**-based **Gas Natural Fenosa** until 2030.⁵³ The agreements aim to consolidate Sonatrach's position as the leading gas supplier in Spain and to strengthen cooperation with Fenosa.⁵⁴

Sonatrach inaugurated the **Alrar** gas field in the **Ouargla** wilaya (region) on the border with **Libya** on 2 July.⁵⁵ Ould Kaddour said that Alrar's production reached 24.7 million cubic meters per day following the \$545m expansion project in collaboration with **United Kingdom**-based **Petrofac** and Italy-based **Bonatti**.⁵⁶ There has been a series of gas field developments in 2017 and 2018, including **Reggane** and **Timimoune**. Sonatrach needs investments and partnerships to develop Algeria's oil sector, which produced 135 billion cubic meters of gas in 2017.⁵⁷ The majority of oil revenues will be in foreign currency, helping Algeria to manage its foreign currency reserve crisis.

⁴⁹ Algerie Patriotique, 5 Jul 2018.

⁵⁰ Maghreb Emergent, 14 Jun 2018.

⁵¹ Maghreb Emergent, 14 Jun 2018.

⁵² Maghreb Emergent, 14 Jun 2018.

⁵³ Maghreb Emergent, 14 Jun 2018.

⁵⁴ Maghreb Emergent, 14 Jun 2018.

⁵⁵ Maghreb Emergent, 14 Jun 2018.

⁵⁶ Maghreb Emergent, 14 Jun 2018.

⁵⁷ TSA, 2 Jul 2018.

Planner

January 2019 **(Algeria)** Expected new law on hydrocarbon to increase investments

January 2019 **(Algeria)** Beginning of programme of budget consolidation and decrease in public expenditure

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

Chronology

5-6 Jul 2018 **Bechar (Algeria)** *Maghreb Emergent*: Protestors denounce Algeria's social housing programme and lack of sufficient access to food and water;

4 Jul 2018 **Algiers (Algeria)** *TSA*: National Gendarmerie head **Menab Nouba** is dismissed following dismissal of police chief **Abdelghani Hamel** in drug seizure case in **Oran**;

3 Jul 2018 **Algiers (Algeria)** *TSA*: Industrial food group **Cevital** signs a partnership with **Germany**-based aroma and natural ingredients market leader **Dohler**, giving Cevital access to new markets;

2 Jul 2018 **Algiers (Algeria)** *TSA*: Senate president **Abdelkader Bensalah** declares his and his fellow senators' support for Bouteflika's candidacy for third term;

2 Jul 2018 **Alrar (Algeria)** *Maghreb Emergent*: **Société Nationale pour la Recherche, la Production, le Transport, la Transformation, et la Commercialisation des Hydrocarbures (Sonatrach)** CEO **Abdelmoumen Ould Kaddour** announces Alrar gas field production reached 24.7 million cubic meters;

2 Jul 2018 **Algiers (Algeria)** *Algerie Patriotique*: Finance minister **Abderrahmane Raouia** claims that the subsidy system will be reformed in 2019, according to a plan drafted in collaboration with the **World Bank**.

25 Jun 2018 **Algiers (Algeria)** *Algerie Patriotique*: Finance minister **Abderrahmane Raouia** states that state subsidies will be maintained for key categories;

22 Jun 2018 **Algiers (Algeria)** *Jeune Afrique*: Prime minister **Ahmed Ouyahia** announces **Rassemblement National Democratique (RND)** support for President **Abdelaziz Bouteflika's** fifth presidential mandate;

23 Jun 2018 **Algiers (Algeria)** *Algerie Patriotique*: Prime minister **Ahmed Ouyahia** states that foreign exchange reserves will decrease to \$85 billion by the end of 2018, despite import bans and restrictions;

21 Jun 2018 **Algiers (Algeria)** *TSA*: **Banque d'Algerie** (central bank) governor **Mohamed Loukal** shares concerns about the impact of non conventional financing, stating the risk of liquidity surplus;

18 Jun 2018 **Algiers (Algeria)** *TSA*: Twelve dismissed members of the political bureau of the **Front de Liberation National (FLN)** claim their dismissal is illegal and demand investigation of the decision;

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