

AFRICA RISK CONSULTING

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L'Autorité nationale indépendante des élections (independent national election authority) approves five candidates for the 12 December presidential election. All are seen as part of the ruling elite. Assemblée Populaire Nationale (al-Majlis al-Sha'abi al-Watani), the lower house of parliament, passes a new energy law aimed at attracting foreign investment into the oil and gas sector, but the 51% foreign ownership requirement remains unchanged. The defence ministry arrests eight people in the Ghardaia and Relizane provinces on their way to the Sahel region to join Islamist militants. The incident reflects the country's fight against terrorism, but not a growing risk of insecurity.

Presidential candidates approved

Algeria's **Autorité nationale indépendante des élections** (independent national election authority) on 3 November approved five candidates – **Abdelmadjid Tebboune**, **Ali Benflis**, **Azzedine Mihoubi**, **Abdelkader Bengrine** and **Abdelaziz Belaid** – for the 12 December presidential election.¹ The announcement was made despite thousands of **El Hirak** (the movement) activists, who have been protesting against the ruling class for the past nine months, vowing to boycott the vote. This indicates that the vote is likely to go ahead, but not without heavy contestation – especially since all the presidential candidates are seen as having close ties with the ruling elite.²

The announcement came two days after more than 100,000 Algerians, double the number attending recent weekly protests, marched for the anniversary of the 1954 uprising against **French** rule.³ However, despite possibly the largest number of anti-regime marchers on the street yet, the vice minister of defence and army chief of staff, lieutenant general **Ahmed Gaïd Salah**, Algeria's de facto leader, showed no signs of folding in.

If elections go ahead, there is likely to be very low turnout and allegations of election rigging. In the meantime, Gaïd Salah will continue arresting hundreds of protesters to weaken the movement and amplify the political vacuum, which will strengthen the hand of the ruling elite next month.

Hirak still appears as leader-less as when it first picked up steam, which could be its downfall if the election goes ahead. Hirak's strategy of putting all its eggs in one basket and boycotting the election, rather than submitting a presidential candidate, could compromise its impact.⁴ If Hirak changes its strategy, there are two individuals who have emerged as potential candidates, both of whom belong to the leftist **Front des Forces Socialistes (FFS)** party: **L'Union démocratique et sociale (UDS)** spokesman **Karim Tabou** and influential lawyer **Mostefa Bouchachi**.

All the presidential candidates are seen as having close ties with the establishment, despite some having pushed for reforms. A **Western** diplomat in **Algiers** said the five candidates were "*the softest version of Bouteflika's system*".⁵ Tebboune was prime minister under former president **Abdelaziz Bouteflika** (1999-2019) and has a long relationship with Gaïd Salah. Benflis was also prime minister

¹ Aljazeera, 3 Nov 2019

² ARC's Algeria analyst

³ Aljazeera, 1 Nov 2019

⁴ ARC's Algeria analyst

⁵ Reuters, 22 Nov 2019

under Bouteflika but later set up an opposition party and unsuccessfully ran against him in the 2014 election. Mihoubi was culture minister under Bouteflika for years and is believed to have been loyal to Bouteflika right up to the last minute. Belaid was a senior member of the **Front de Libération Nationale (FLN)**. Bengrina was tourism minister under Bouteflika.

The corruption campaign against some members of the old guard has left many of Algeria's very hierarchical companies without leadership. This business uncertainty has scared off investors. Foreign reserves slumped to \$68 billion at end-July, down from \$80 billion at end-December 2018. The depletion of reserves is pushing the government towards reducing imports and subsidies. For example, the **Office Algerien Interprofessionnel des Cereales (OAIC)** (Algerian interprofessional cereals office) on 21 November capped soft wheat imports at 4m tonnes a year, down from 6.2m tonnes, to curb the country's import bill.⁶

Parliament backs oil law reforms

Assemblée Populaire Nationale (al-Majlis al-Sha'abi al-Watani), the lower house of parliament, passed a new energy law on 20 November aimed at attracting foreign investment into the oil and gas sector, but the 51% foreign ownership requirement remains unchanged.⁷ The reforms are part of a new oil and gas law and the 2020 budget bill, which still need to be passed by **Conseil de la Nation** (majlis al'umma), the upper house. If passed, the law could help revive the sector, which has been damaged by falling energy earnings coupled with months of political turmoil. Protesters' opposition to the reforms, on the basis that the interim government should not pass any significant laws, will fall on deaf ears.⁸

The reforms allow foreign investors to take majority stakes in non-strategic sectors. They also enable the government to seek loans overseas. The new law introduces production sharing, participation and risk services as new types of contracts for companies partnering state energy firm **Sonatrach**, replacing the old concession contracts. It also provides tax incentives, simplifies the structure of fiscal terms and reduces administrative procedures.

The same day the legislature approved the new hydrocarbons bill, **Kamel Edine Chikhi** was appointed as Sonatrach's new head.⁹ Speaking at the ceremony to assume office, Chikhi noted the importance of meeting local demand.¹⁰ Algeria's oil and gas reserves have been declining for the last 10 years, while Sonatrach's primary responsibility is to renew these. Chikhi said discoveries must be developed and production maintained in the medium term, while more needs to be done in the longer term to increase reserves. Chikhi comes in as concerns rise about the sustainability of Algeria's oil and gas sector. There have been warnings that by 2025 the country's hydrocarbons earnings could be substantially reduced and gas exports may end by 2030.

Sonatrach renewed a gas export contract with France-based utility company **Engie** on 19 November for the "*medium and long term*".¹¹ Sonatrach did not specify how much gas it will deliver to Engie. There had been doubts over whether the Engie deal would be renewed due to Sonatrach's stagnant output and rising domestic demand. The political vacuum in the country would also have put pressure on Engie to look elsewhere.

Sonatrach reached an agreement with **Italy**-based energy group **Edison** on 12 November to extend a gas supply contract to 2027 and has also renewed gas export contracts this year with Italy-based **Enel**, Italy-based **Eni**, **Portugal**-based **Galp Energia**, **Turkey**-based **Botas** and **Spain**-based

⁶ Agricensus, 21 Nov 2019

⁷ Africa Oil & Power, 20 Nov 2019

⁸ ARC's Algeria analyst

⁹ Asharq Alawsat, 14 Nov 2019

¹⁰ Econostrum, 18 Nov 2019

¹¹ Asharq Aawsat, 19 Nov 2019

Naturgy.¹² Its total gas exports in 2018 were 51.4 billion cubic metres, with Italy and Spain accounting for two-thirds of the volume.

Energy minister **Mohamed Arkab** said on 28 October that oil and gas export volumes fell 9% in the first nine months of 2019 after a 2% drop in output and an 8% rise in domestic consumption.¹³ This is having a devastating effect on the entire economy. Finance minister **Mohamed Loukal** said on 1 October that the government would seek foreign loans in 2020 to fund economic projects and cut public spending to 9.2% to cope with pressure on state finances due to low revenue from energy sales.¹⁴ It will be the first time in years that the country has sought foreign loans. Oil and gas sales account for 60% of the state budget and 94% of exports, but they have fallen because of a reduction in crude prices since 2014 and higher domestic energy consumption.

Government figures published on 19 October show energy revenues dropped 11.91% in the first eight months of 2019, causing the trade deficit to rise by \$1.63 billion from the same period a year earlier (see *ARC Briefing Algeria October 2019*).¹⁵ Partly as a result of the drop in oil revenue, the **World Bank** forecast on 10 October that Algeria will grow at 1.3% in 2019, down from 1.5% in 2018, and lower than the government's estimate of 2.6%. The bank also cited "political uncertainty" as a reason for the slowdown.¹⁶

Islamist militants arrested in the south

The defence ministry said on 20 November that it arrested eight people in the **Ghardaia** and **Relizane** provinces heading to the **Sahel** region to join **Islamist** militants.¹⁷ While this incident shows the terrorism and security risks in Algeria, the remoteness of the location and the small scale of the incident mean it will not affect business in the country.¹⁸

Algeria has also deployed tens of thousands of troops on the southern and eastern borders in a bid to thwart the inflow of terrorists and arms amid instability in neighbouring **Mali** and **Libya**, where Islamist militants have carried out deadly attacks on civilians, businesses and government forces. The army has tightened security across the country's frontiers with the Sahel region and with Libya, and announced seizures of weapons during patrols this year. The defence ministry said on 19 October that the army destroyed five terrorist shelters in the **Batna** and **Skikda** provinces, 400-500km southeast of capital Algiers.

The security situation in Algeria has improved remarkably in the last decade, but clashes between security forces and terrorist groups are still occasionally reported. Algeria emerged from decade-long Islamist-linked violence in the 1990s when an estimated 200,000 people were killed following the cancellation of a legislative election an Islamist party was poised to win.

The **Institute for Economics and Peace's (IEP) 2019 Global Terrorism Index (GTI)**, which measures the impact of terrorism in the world, ranks Morocco 57th out of 163 countries (1st is highest impact of terrorism and 163rd is lowest impact of terrorism). The annual report is based on four main indexes: The total number of terrorist incidents in a given year, the total number of fatalities caused by terrorists in a given year, the total number of injuries in a given year and a measure of the total property damage from terrorist incidents in a given year.

¹² Reuters, 12 Nov 2019

¹³ Télévision Algérienne, 28 Oct 2019

¹⁴ Reuters, 1 Oct 2019

¹⁵ Reuters, 19 Oct 2019

¹⁶ Reuters, 10 Oct 2019

¹⁷ Daily Sabah, 20 Nov 2019

¹⁸ ARC's Algeria analyst

Planner

12 Dec 2019 **(Algeria)** Presidential election;

2019 **(Algeria)** *Trade ministry*. Diversification strategy for exports for 2019-2023;

Chronology

21 Nov 2019 **Algiers (Algeria)** *AgriCensus*. **Office Algérien Interprofessionnel des Céréales** caps soft wheat imports at 4m tonnes a year, down from 6.2m tonnes, to curb the country's import bill;

20 Nov 2019 **Algiers (Algeria)** *Africa Oil & Power*. Parliament approves a new hydrocarbons law aimed at attracting foreign investment into its oil and gas sector, but the 51% foreign ownership requirement remains;

20 Nov 2019 **Ghardaia province (Algeria)** *Daily Sabah*. Defence ministry says it arrested eight people in the **Ghardaia** and **Relizane** provinces heading to the **Sahel** region to join **Islamist** militants;

19 Nov 2019 **Algiers (Algeria)** *Asharq Aawsat*. State energy firm **Sonatrach** renews a gas export contract with **France**-based energy company **Engie** for the medium and long term;

17 Nov 2019 **Algiers (Algeria)** *Daily Sabah*. Presidential candidates began their campaigns for 12 December elections despite protesters vowing to boycott the polls;

14 Nov 2019 **Algiers (Algeria)** *Asharq Al-Awsat*. Lawmakers approve reforms to oil industry, including new **Banque d'Algerie** (central bank) governor, **Benabderahmane Ayman**, and new head of **Sonatrach**, **Kamel Edine Chikhi**;

12 Nov 2019 **Algiers (Algeria)** *Reuters*. **Sonatrach** reaches an agreement with **Italy**-based energy group **Edison** to extend a gas supply contract to 2027;

12 Nov 2019 **Algiers (Algeria)** *Daily Sabah*. An Algiers court sentences 21 protesters to six months in jail for "undermining national unity" by raising a flag symbolising the **Berber** ethnic group;

6 Nov 2019 **Algiers (Algeria)** *Aljazeera*. Striking judges return to work a day after the **National Magistrates' Syndicate** announce an end to a mass 10-day walkout over alleged executive interference in the judiciary;

4 Nov 2019 **Algiers (Algeria)** *Télévision Algérienne*. Supreme court places in custody former culture minister **Khalid Toumi** over corruption allegations under former President **Abdelaziz Bouteflika**;

3 Nov 2019 **Algiers (Algeria)** *Al Jazeera*. **L'Autorité nationale indépendante des élections** approves five candidates – **Abdelmadjid Tebboune**, **Ali Benflis**, **Azzedine Mihoubi**, **Abdelkader Bengrine**, and **Abdelaziz Belaid** – for the 12 December presidential elections;

1 Nov 2019 **Algiers (Algeria)** *Al Jazeera*. More than 100,000 Algerians, double the number attending recent weekly protests, march for the anniversary of the 1954 uprising against **French** rule;

28 Oct 2019 **Algiers (Algeria)** *Télévision Algérienne*. Energy minister **Mohamed Arkab** says oil and gas export volumes fell 9% in the first nine months of 2019 after a 2% drop in output and an 8% rise in domestic consumption;

23 Oct 2019 **Algiers (Algeria)** *AFP*. **Azzedine Mihoubi**, the leader of the **Rassemblement National Démocratique**, submits his candidacy for the 12 December presidential election;

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