

AFRICA RISK CONSULTING

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Algeria Summary 24 July 2020

The Sidi Mhamed court at the Tribunal d'Alger (Algiers Tribunal) hands lengthy prison sentences to supporters of former President Abdelaziz Bouteflika (1999-2019), including business tycoon Ali Haddad and Mahieddine Tahkout, former prime ministers Ahmed Ouyahia and Abdelmalek Sellal, and several other former cabinet ministers for convictions on corruption-related charges. Prime minister Abdelaziz Djerad announces the extension of partial lockdown measures in 29 wilayas (prefectures) to contain the spread of covid-19. President Abdelmadjid Tebboune (2019-present) reiterates the need for economic reform and diversification amidst Algeria's economic recession. State-owned hydrocarbons company Sonatrach signs three gas sale agreements and a Memorandum of Understanding (MoU) with Italy-based Eni and three-year liquefied natural gas (LNG) delivery agreement with France-based Total.

Heavy prison sentences for Bouteflika-era supporters

Business tycoon **Ali Haddad** and former prime ministers **Ahmed Ouyahia** and **Abdelmalek Sellal** have received lengthy prison sentences and fines, along with several other ministers and high-ranking officials from the regime of deposed former president **Abdelaziz Bouteflika** (1999-2019).¹ The **Sidi Mhamed** court at the **Tribunal d'Alger** (Algiers Tribunal) sentenced Haddad on 1 July to an 18-year prison term and fined him 8m dinars (\$62,600) after finding him guilty of charges related to obtaining privileges, benefits and public contracts in violation of the law, squandering public funds, abuse of office, conflict of interests and corruption in the conclusion of public contracts.² The court also ordered the seizure of Haddad's assets.³ Haddad's four brothers were sentenced to two years in prison and cumulatively fined 32m dinars (\$250,500) and their companies seized.⁴

Haddad was formerly the president of Algeria's largest business lobby group, the **Forum des Chefs d'Entreprises (FCE)** (entrepreneurs' forum). He reportedly owned 55 companies, including the **ETRHB** public works group, which obtained 275 contracts from 2000-2019, worth \$814.5m.⁵ Haddad was a supporter of former president Bouteflika and an ally of his junior brother and regime fixer, **Said Bouteflika**. Like many prominent Bouteflika supporters, Haddad was arrested in March 2019 and in June 2019 convicted on charges of possessing two passports.⁶

Former prime ministers Ouyahia and Salek were both sentenced to 12 years' imprisonment and fined 1m dinars (\$7,830) on the same charges as Haddad.⁷ During a separate trial at the Sidi Mhamed court at the Tribunal d'Alger on 16 July, Ouyahia and Sellal were sentenced to an additional 10 years for crimes involving corruption, money laundering, influence trafficking and conflict of interest.⁸

The court also sentenced seven Bouteflika-era cabinet ministers:

¹ Eco Algerie, 1 Jul 2020

² Agence Ecofin, 2 Jul 2020

³ Eco Algerie, 1 Jul 2020

⁴ Agence Ecofin, 2 Jul 2020

⁵ El Watan, 1 Jul 2020

⁶ Jeune Afrique, 17 Jun 2019

⁷ El Watan, 1 Jul 2020

⁸ Middle East Monitor, 16 Jul 2020

	Sentence	Former cabinet position ⁹
Ammar Ghoul	10 years	Public Works
Abdelghani Zaalane	3 years	Transport
Amara Benyounes	3 years	Industry
Boudjemaa Talai	3 years	Public Works
Youcef Yousfi	2 years	Energy and Mines
Mahdjoub Bedda	2 years	Industry and Mines
Abdessalem Bouhouareb	20 years	Industry and Mines

Prominent businessman **Mahieddine Tahkout** received a 16-year prison sentence and an 8m dinar (\$7,830) fine. Two of his companies, **Cima Motors** and **Sarl TMC**, were each fined 32m dinars.¹⁰ Two of Tahkout's brothers received sentences of seven year' imprisonment, while another of his siblings received a three-year prison sentence, with fines of 8m dinars (\$7,830). Their companies were fined 32m dinars (\$250,500) and have been banned from public procurement processes for the next five years and their company's funds seized.¹¹ Despite the arrest of many high-ranking officials and noteworthy Bouteflika supporters, it remains to be seen whether Bouteflika himself, who has been out of public view since his overthrow in 2019, will be pursued for corruption-related crimes committed during his presidency.¹²

Restrictive measures reintroduced ...

Prime minister **Abdelaziz Djerab** has reintroduced **Covid-19** restrictive measures, following a spike in positive cases ahead of the Muslim religious holiday Eid Al Adha.¹³ On 16 July, after consultation with the **Commission Nationale de Suivi de l'évolution du Coronavirus** (coronavirus national evaluation committee), Djerab announced the reintroduction of partial confinement measures across 29 wilayas (prefectures).¹⁴ The partial lockdown, which will end on 31 July, will run from 8pm to 5 am.¹⁵ The ban on road traffic, as well as travel to and from the 29 wilayas, which was established on 9 March, was also extended for an additional 10 days, except for the transport of personnel and essential goods and services.¹⁶ Affected Wilayas include **Algiers, Ain Defla, Blida, Médéa, Sétif, Oran, Tizi Ouzou, Tipaza, Bejaia** and **Tlemcen**, which have registered the most cases since the beginning of the pandemic.¹⁷ Djerab said wilaya authorities maintained the prerogative to intensify or relax restrictions in municipalities and neighbourhoods under their jurisdiction.¹⁸

Djerab's decision to reintroduce restrictive measures was an about-face from his earlier decision on 29 June to end confinement measures across 19 wilayas.¹⁹ The reintroduction of the confinement rules appeared to be in anticipation of the Eid Al Adha feast, celebrated on 31 July this year. According to Dr **Djamel Fourar**, spokesperson for the coronavirus national evaluation committee, the Eid El Fitr celebrations in May were followed by an exponential increase in Covid-19 cases.²⁰ Fourar added that Algerians were not taking steps to halt the transmission of the virus such as wearing protective

⁹ Eco Algerie, 1 Jul 2020

¹⁰ El Watan, 16 Jul 2020

¹¹ El Watan, 16 Jul 2020

¹² ARC Algeria Analyst

¹³ TSA-Algerie, 16 Jul 2020

¹⁴ TSA-Algerie, 16 Jul 2020

¹⁵ TSA-Algerie, 16 Jul 2020

¹⁶ TSA-Algerie, 16 Jul 2020

¹⁷ TSA-Algerie, 16 Jul 2020

¹⁸ TSA-Algerie, 16 Jul 2020

¹⁹ Algeria Eco, 29 Jun 2020

²⁰ Algeria Presse Service, 15 Jul 2020

masks. Djerab echoed Fourar's complaint during a 14 July visit to the locality of **Sidi Bel-Abbes**, berating those who fail to respect mask-wearing protocols and question the existence of Covid-19.²¹

Djerab called on the media and civil society organisations to help create awareness of the importance of respecting the Covid-19 measures.²² The pharmaceutical industry ministry announced on 15 July that five local operators are producing 400,000 protective masks per day and that a sixth operator will start production of 100 masks daily before the end of the month.²³ The pharmaceutical industry department said it aimed to increase production to 2 million masks per day by the end of August.

Algeria has arranged for the repatriation of 11,083 citizens trapped abroad in 23 countries. The interior ministry said it would undertake this operation from 21 July to 30 July. The **European Union (EU)** announced on 29 June that Algerian citizens were authorised to travel to the **Schengen Zone** on when the EU reopened its borders on 1 July.²⁴

Tebboune reiterates need to pursue economic diversification ...

As Algeria increasingly feels the effects of the economic crisis, President **Abdelmadjid Tebboune** (2019-present) and prime minister Djerab have stressed the need for reform of the national economy. During a meeting with business and union leaders on 18 July, Djerab admitted Algeria is facing an unprecedented economic downturn.²⁵ According to the **International Monetary Fund (IMF)**, Algeria is set to experience a 5.2% drop in gross domestic product (GDP) in 2020 (see *ARC Briefing Algeria May 2020*).²⁶ The supplementary finance law, adopted in June, lowers Algeria's economic growth projections for 2020 from the initially estimated -1.86% to -2.63%.²⁷ However, the **World Bank** in its 2020 **World Economic Outlook**, published on 8 June, predicts Algeria's economy will contract by 6.4% in 2020 (see *ARC Briefing Algeria June 2020*).²⁸

The immediate cause of Algeria's current economic crisis is the significant drop in global oil prices, which has confronted the industry since March. Algeria depends on oil production for 60% of its annual budget and upwards of 93% of export revenue. As a result of plummeting demand and falling oil prices, the finance ministry has reduced budget expenditure by 6% from 7,823.1 billion dinars (\$60.29 billion) to 7,372.2 billion dinars (\$56.8 billion) (see *ARC Briefing Algeria June 2020*).²⁹

The slowdown in domestic economic activity due to the ongoing Covid-19 pandemic has compounded Algeria's economic woes. Finance minister **Ayman Benabderrahmane** estimates that state-owned airline **Air Algerie** will lose 35 billion dinars (\$272m) in 2020 due to the current grounding of domestic and international flights, with the exception of emergency and repatriation flights.³⁰ Djerab said state-owned enterprises (SOEs) have lost around \$1.02 billion to date, due to the health crisis.³¹ However, Djerab said that structural issues inherited from the previous regime were the greatest problem facing Algeria's economy.³²

Over the past months President Tebboune has emphasised the need for Algeria to embrace economic diversification (see *ARC Briefing Algeria April 2020*).³³ The cabinet reshuffle on 23 June, which mainly affected government departments with an economic orientation, including the agriculture, energy, finance, higher education, tourism and transport ministries, indicated this objective (see *ARC Briefing*

²¹ Algerie Presse Service, 14 Jul 2020

²² Algerie Presse Service, 14 Jul 2020

²³ Algerie Presse Service, 15 Jul 2020

²⁴ North African Post, 30 Jun 2020

²⁵ RFI, 19 Jul 2020

²⁶ Financial Afrik, 3 May 2020

²⁷ El Watan, 8 Jun 2020

²⁸ World Bank, 8 Jun 2020

²⁹ El Watan, 8 Jun 2020

³⁰ Reuters, 18 Jul 2020

³¹ RFI, 19 Jul 2020

³² RFI, 19 Jul 2020

³³ El Watan, 21 Apr 2020

Algeria June 2020).³⁴ Tebboune stated that Algeria needs to shift from being a rentier state, which is highly dependent on oil production and revenue, to becoming a competitive and innovation driven economy.³⁵ Tebboune said on 14 July³⁶ that the government would increase support for small, medium and micro enterprises and take steps to develop the agricultural and technology sectors in a bid to diversify economic activity.³⁷

Djerab noted that the government would look for new sources of funding the economy to offset the effect of revenue losses.³⁸ This would include reform of the tax system to ensure more revenue is collected from the informal sector, as well as the establishment of Islamic banking services and digitisation of tax operations to prevent tax fraud and evasion.³⁹ Djerab said the government was in the process of formulation a socio-economic recovery plan.⁴⁰

... as Sonatrach signs gas deals with Eni and Total

Oil continues to play an important role in the economy with state-owned hydrocarbons company **Sonatrach** recently signing several important gas deals. Sonatrach CEO **Toufik Hakkar** has signed three gas sale agreements and a Memorandum of Understanding (MoU) to identify future opportunities of joint investment in the exploration and production of hydrocarbons in Algeria with **Italy-based Eni**.⁴¹ Hakkar and Eni CEO **Claudio Descalzi** met in Algiers on 1 July, where they signed a new upstream MoU to cover the examination of exploration and production activities.⁴² Sonatrach and Eni also agreed to the terms for the sale of dry gas from the **Ourhoud II, Sif Fatimall and Zemlet El Arbi** gas fields, which are part of the **Berkine Nord** basin.⁴³ A volume of 1.5 billion cubic metres will be sold annually to Eni until 2049 from the three gas fields in which Eni holds a 49% ownership stake.⁴⁴ Sonatrach and ENI renewed the terms of their bilateral sales contract for the 2020 gas year, which will start on 1 October.⁴⁵ Descalzi said Eni remains committed to improving its operations in Algeria, despite its 35% reduction of its 2020 investment budget due to the ongoing oil price crisis.⁴⁶ Eni's involvement in Algeria's hydrocarbons sector dates back to 1977, when it concluded its first import contract. This was renewed in May 2019 for an additional eight years until 2027.⁴⁷

Sonatrach has also signed an agreement with **France-based Total** for the supply of liquefied natural gas (LNG) over the next three years, amounting to 2m tonnes per year.⁴⁸ The LNG will be exported from the **Fos Cavaou LNG Terminal**. Total's decision to opt for a short-term deal may stem from past challenges to negotiate for long-term delivery contracts. However, Hakkar indicated that the conclusion of the deal was a sign of the positive relationship between Sonatrach and Total, despite Sonatrach's refusal to approve the sale of **United States (US)-based Anadarko's** assets in Algeria to Total, through a deal that was set to be worth \$8.8 billion. Sonatrach refused the deal on the grounds that it was not compatible with Algerian hydrocarbons sector laws (see *ARC Briefing Algeria May 2020*).⁴⁹

Despite the slowdown in activity as a result of the oil price crisis, Algeria has signed several other agreements in the hydrocarbons sector since the start of 2020. US-based oil super majors **Chevron**

³⁴ TSA-Algerie, 23 Jun 2020

³⁵ Algerie Presse Service, 20 Jul 2020

³⁶ Algerie Presse Service, 14 Jul 2020

³⁷ Algerie Presse Service, 20 Jul 2020

³⁸ Reuters, 20 Jul 2020

³⁹ Reuters, 20 Jul 2020

⁴⁰ Reuters, 20 Jul 2020

⁴¹ Algerie Eco, 1 Jul 2020

⁴² S&P Global, 1 Jul 2020

⁴³ Algerie Eco, 1 Jul 2020

⁴⁴ S&P Global, 1 Jul 2020

⁴⁵ S&P Global, 1 Jul 2020

⁴⁶ Algerie Presse Service, 1 Jul 2020

⁴⁷ S&P Global, 1 Jul 2020

⁴⁸ El Watan, 27 Jun 2020

⁴⁹ Reuters, 5 May 2020

and **ExxonMobil**, Russia-based **Lukoil** and **Zarubezhneft** as well as **Turkey**-based **TPAO** have all signed agreements with Sonatrach (see *ARC Briefing Algeria March and April 2020*).⁵⁰ This is due in large part to the introduction of Algeria's new **Code des Hydrocarbures** (hydrocarbons code), which came into effect in January and offers more favourable tax regimes than its predecessor. Other industry operators such as US-based **ConocoPhillips**, Norway-based **Equinor**, Austria-based **OMV** and Russia-based **Gazprom Neft** have shown interest in concluding similar agreements.⁵¹

Planner

Oct 2020 **Istanbul (Turkey)** Turkey-Africa Economic and Business Forum;
 2020 TBA **Istanbul (Turkey)** Turkey-Africa Summit;
 2020 TBA **Algiers (Algeria)** Algeria Oil & Gas Summit & Exhibition;
 16-17 Aug 2020 **Algiers (Algeria)** Forum on Algerian economic and social recovery;

Chronology

23 Jul 2020 **Algiers (Algeria)** *Agence Ecofin*. Algeria has temporarily closed eleven dry ports located in five cities, for failing to meet government outlined standards;

20 Jul 2020 **Algiers (Algeria)** *Daily Sabah*. Prime minister **Abdelaziz Djerad** says government will reform its tax system and try to attract money from the informal market seeking new funding sources to offset a drop in energy export revenues;

19 Jul 2020 **Algiers (Algeria)** *Reuters*. Government says it expects state carrier **Air Algerie** to record loses of 35 billion dinars (\$272m) this year due to the **coronavirus** pandemic;

18 Jul 2020 **Algiers (Algeria)** *AFP*. Former telecom minister **Moussa Benhamadi**, who was close to ousted president **Abdelaziz Bouteflika**, dies of **covid-19** in jail;

16 Jul 2020 **Algiers (Algeria)** *APS*. Prime minister **Abdelaziz Djerad** announces the extension of partial lockdown measures in 29 provinces to contain the spread of **covid-19**;

15 Jul 2020 **Algiers (Algeria)** *Daily Sabah*. **Algiers** court sentences former minister and car industry leader **Mahieddine Tahkout** to 16 years in prison for corruption and money laundering over riches he amassed under former president **Abdelaziz Bouteflika**;

15 Jul 2020 **Algiers (Algeria)** *Jeune Afrique*. Imprisoned former prime ministers **Ahmed Ouyahia** and **Abdelmalek Sellal** are hospitalised after testing positive for **Covid-19**;

13 Jul 2020 **Algiers (Algeria)** *CGTN*. **Tunisia's** President **Kais Saied** visits **Algeria's** foreign minister, **Sabri Boukadoum**, to discuss ways to strengthen "the distinguished relations between Tunisia and Algeria in all areas";

13 Jul 2020 **Algiers (Algeria)** *Reuters*. Government says it aims to save \$20 billion this year through reforms to the banking system, attracting money from the informal market and by lowering its imports bill;

13 Jul 2020 **Algiers (Algeria)** *Agence Ecofin*. The port of Algiers suffered a 39% drop in activity during the first quarter of activities as a result of **Covid-19** and reduction in oil exports;

10 Jul 2020 **Algiers (Algeria)** *Agence Ecofin*. **Tunisia's** **Agence Nationale de la Sécurité Informatique (ANSI)** (information security agency) and Algeria's **Centre d'Etudes et de Recherche des Télécommunications (CERT)** (telecoms research centre) have signed two cooperation agreements to strengthen security at the level of telecommunications terminal

⁵⁰ S&P Global, 1 Jul 2020

⁵¹ S&P Global, 1 Jul 2020

equipment;

6 Jul 2020 **Algiers (Algeria)** *France24*. President **Abdelmadjid Tebboune** expresses Algeria's willingness to mediate the ongoing conflict in **Libya**;

5 Jul 2020 **Algiers (Algeria)** *France24*. President **Abdelmadjid Tebboune** calls on **France** to present a formal apology for crimes committed during its colonisation of Algeria, as part of independence day celebrations;

2 Jul 2020 **Algiers (Algeria)** *Agence Ecofin*. The government will re-launch the **El Hamdania Centre** port project, partially funded by **EximBank of China**, which has a capacity of 25.7m tonnes per year and an investment cost of \$ 3.3m, with construction of the future deep-water port scheduled to last seven years;

2 Jul 2020 **Algiers (Algeria)** *RFI*. The **Tribunal d'Alger** (Algiers Tribunal) orders the provisional release from prison of **Karim Tebbou**, a leading figure of the anti-government "**Hirak**" movement;

2 Jul 2020 **Algiers (Algeria)** *Energy Voice*. State-owned energy firm **Sonatrach** signs gas agreements with **Italy**-based energy major **Eni** for future exploration between the companies in **Algeria**;

1 Jul 2020 **Algiers (Algeria)** *Arab News*. An **Algerian** court hands heavy prison sentences to several former allies of ousted president **Abdelaziz Bouteflika**, including tycoon **Ali Haddadfor** and prime ministers **Ahmed Ouyahia** and **Abdelmalek Sellal**, over corruption;

29 Jun 2020 **(Africa)** *Reuters*. Draft **European Union (EU)** list shows only citizens from 10 **African** countries – **Algeria, Egypt, Ethiopia, Mauritius, Morocco, Mozambique, Namibia, Rwanda, Uganda** and **Zambia** – will be allowed in the EU when it reopens external borders on 1 July;

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