

AFRICA RISK CONSULTING

Algeria Monthly Briefing August 2020

Algeria Summary 26 August 2020

Prime minister Abdelaziz Djerab announces the removal of several Covid-19 related restrictions, allowing the gradual reopening of mosques, restaurants and cafes, and authorising recreational activities on beaches and in other public spaces. Curfew and movement restrictions are reduced across 29 wilayas (prefectures). During a national conference on socio-economic recovery President Abdelmadjid Tebboune (2019-present) repeats the need for Algeria to reduce its dependence on hydrocarbons exports and diversify its economic activities. Energy minister Chems Eddine Chitour announces that Algeria will construct two 500 MW solar power stations as part of its energy transition plan to produce 22,000 MW of renewable energy. State-owned gas company Sonatrach signs memoranda of understanding (MOUs) with Germany-based Wintershall Dea and Spain-based Cepsa.

Government relaxes several Covid-19 restrictions

Algeria has entered a new phase of its management of the **Covid-19** pandemic, with the government allowing most socio-economic activities to resume. Prime minister **Abdelaziz Djerab** announced on 8 August the removal of several **Covid-19** related restrictions effective 15 August, allowing gradual reopening of mosques, restaurants and cafes, and authorising recreational activities on beaches and in other public spaces.¹ Mobility restrictions were removed while curfew times were reduced across 29 wilayas (prefectures).² Algeria has recorded 42,619 positive cases, 29,886 recoveries and 1,465 deaths in its population of roughly 44 million since confirming its first case on 26 February.

Following a **Conseil National de Sécurité (CNS)** (national security council) meeting on 3 August, President **Abdelmadjid Tebboune** (2019-present) instructed Djerab to form a plan to enable the gradual removal of Covid-19 related restrictions.³ In terms of the plan, mosques should not receive more than 1,000 congregants at one time, while rules for wearing protective masks, compulsory since 24 May, will remain in place, with fines for defaulters.⁴ Effective 15 August, the travel ban between and from 29 wilayas was lifted and curfew reduced to the hours of 11 pm to 6 am in the 29 prefectures, including **Algiers, Ain Defla, Blida, Médéa, Sétif, Oran, Tizi Ouzou, Tipaza, Bejaia and Tlemcen**, which have registered the most Covid-19 cases since the beginning of the pandemic.⁵ An estimated 4,000 of Algeria's 18,000 mosques have now re-opened.⁶ Djerab also announced health and safety protocols for schools and universities, in anticipation of the imminent return to school.⁷ Schools have been closed since 19 March.⁸

¹ Reporters.dz, 9 Aug 2020

² Reporters.dz, 9 Aug 2020

³ Le Monde, 4 Aug 2020

⁴ Le Monde, 4 Aug 2020

⁵ Reporters.dz, 9 Aug 2020

⁶ Le Point, 14 Aug 2020

⁷ APS, 14 Aug 2020

⁸ Le Monde, 4 Aug 2020

Tebboune stresses need for diversification from hydrocarbons

During a national conference on socio-economic recovery on 18-19 August, President Tebboune repeated the need for Algeria to reduce its dependence on hydrocarbons exports and diversify its economic activities.⁹ Since assuming the presidency in December, Tebboune has repeatedly stressed the need for structural economic reform.¹⁰ However, the Covid-19 pandemic and global oil price shocks have thrown Algeria into an unprecedented economic recession, which has accelerated the need for focus on diversification away from hydrocarbons.¹¹

The conference aimed to bring together government and other economic stakeholders to establish a new model of economic development premised on economic diversification and sustainable development.¹² The conference was organised around several themes, including agricultural development, construction and public works, development finance, external trade, industrial development, investment promotion, micro-enterprise development, mineral development and pharmaceutical industry development.¹³ President Tebboune opened the conference by stating the government's aim to reduce Algeria's reliance on hydrocarbons exports by 80% from 2022 and increase non-hydrocarbon sector exports to \$5 billion.¹⁴ According to the **Direction Générale des Douanes (DGD)** (general customs directorate), during the first quarter of activities (Q1) in 2020 hydrocarbons made up 92.40% of Algeria's exports.¹⁵ Hydrocarbon exports generated \$7.04 billion, while non-hydrocarbon exports raised \$578.7m in revenue in Q1.¹⁶ Tebboune said Algeria's over-reliance on the hydrocarbons sector was "*fatal for intelligence and the spirit of innovation*".¹⁷ Tebboune said he planned to create green corridors, pledging support for domestic investors and the re-establishment of the **Conseil National de la Promotion des Exportations non-Hydrocarbures (CNPENH)** (national council for the promotion of non-hydrocarbons exports). Tebboune encouraged Algerian businesses to pursue trade opportunities with the rest of **Africa**, citing the recent ratification of the **African Continental Free Trade Agreement (AfCTA)** as a development that will boost this objective.

The **Association Nationale des Exportateurs Algériens (ANEXAL)** (national association of Algerian exporters) called on Algerian authorities to implement several reforms for Algeria to attain the government's non-hydrocarbon sector export target.¹⁸ ANEXAL's suggestions include simplification of customs procedures, granting of special tax status to exporters and reduction of the control time for goods.¹⁹ The association called on the government to establish airline routes and shipping lanes with countries that have high economic potential in order to improve external trade.²⁰ It also recommended the creation of a logistics platform in the southern city of **Tamanrasset** in a bid to develop trade with **sub-Saharan Africa**.²¹

Acknowledging the difficulties facing the Algerian business community, minister delegate in charge of forecasts **Mohamed Cherif Belmihoub** emphasised the need to "*act quickly by changing the way the economy operates*".²² Belmihoub added that the government needs to reduce corruption and bureaucracy, as well as simplify administrative procedures in the business environment.²³ Mines minister **Mohamed Arkab** noted that development of the mining sector could help Algeria in its goal

⁹ El Watan, 19 Aug 2020

¹⁰ ARC Algeria analyst

¹¹ ARC Algeria analyst

¹² APS, 18 Aug 2020

¹³ APS, 18 Aug 2020

¹⁴ El Watan, 19 Aug 2020

¹⁵ El Watan, 19 Aug 2020

¹⁶ El Watan, 19 Aug 2020

¹⁷ El Watan, 19 Aug 2020

¹⁸ El Watan, 19 Aug 2020

¹⁹ El Watan, 19 Aug 2020

²⁰ El Watan, 19 Aug 2020

²¹ El Watan, 19 Aug 2020

²² El Watan, 18 Aug 2020

²³ El Watan, 18 Aug 2020

to increase non-hydrocarbons sector export revenue.²⁴ Arkab said the government needs to revise the mining regulatory framework to simplify obtaining a mining licence, as the 51/49 ratio of local to foreign ownership quota is counterproductive to the sector's development.²⁵ Arkab noted that with proven and exploitable lead, phosphate and zinc reserves, Algeria's mining sector could create upwards of 20,000 jobs by 2021.²⁶

Public works minister **Farouk Chiali** announced on 13 August that his department would evaluate investment projects that the government intends to launch. These include the completion of the **East-West** highway, resumption of the **Trans-Saharan** highway, the construction of **Metro** lines in Algiers, **Constantine** and **Mostaganem** as well as the re-launch of the development of the **El-Hamdoria de Chercell** port project.²⁷

President Tebboune reshuffled the cabinet in June, mainly changing leadership of government departments with an economic orientation, including the agriculture, energy, finance, higher education, tourism and transport ministries (see *ARC Briefing Algeria June 2020*).²⁸ According to the **Office National des Statistiques (ONS)** (national statistics office), Algeria's economy contracted by 3.9% during Q1, compared to 1.3% growth rate generated during Q1 2019.²⁹ The **World Bank** in its 2020 **World Economic Outlook**, published on 8 June, predicts that Algeria's economy will contract by 6.4% in 2020 (see *ARC Briefing Algeria June 2020*).³⁰ The immediate cause of Algeria's current economic crisis is the significant drop in global oil prices since March. Algeria depends on oil production for 60% of its annual budget.³¹ The finance ministry reduced budgeted expenditure by 6% from 7,823.1 billion dinars (\$60.29 billion) to 7,372.2 billion dinars (\$56.8 billion) in order to address the ongoing crisis (see *ARC Briefing Algeria June 2020*).³² Algeria's plan to pursue its socio-economic recovery plan in three phases (2020, 2021-2022 and 2022-2025) signals the government's intention of resolving these issues.³³

Algeria to construct two 500 MW solar plants as part of energy transition plan ...

Algeria will construct two 500-MW solar power stations as part of its attempts to diversify its energy production sources and reduce its reliance on natural gas as an energy source.³⁴ On 24 August, energy and renewable energy minister **Chems Eddine Chitour** announced the imminent development of the two solar plants, preceded by the commission of 150 MW, which has been fast-tracked through the launch of tenders.³⁵ Chitour suggested Algeria should invest in small plants across the country rather than building large power plants, noting that the government will no longer build power plants with a production capacity of 1,000 MW but instead will construct units that generate lower wattage, such as 50-MW and 100 MW units, depending on demand. Chitour said the government had not yet secured funding for the projects, but would look towards operators in countries that have significant experience in renewable energy, including **China**, **Germany** and the **United States (US)**. Chitour was optimistic about the ability to attract investor interest in Algeria's renewable energy projects and said potential partners would be paid from the savings resulting from the reduction in natural gas production.³⁶ Chitour said a thermal plant consumes an average of 1.5 billion cubic metres of gas per year, while a solar plant uses 500 million cubic metres annually.³⁷ Reduced gas consumption will lead

²⁴ *Algerie-Eco*, 19 Aug 2020

²⁵ *Algerie-Eco*, 19 Aug 2020

²⁶ *Algerie-Eco*, 19 Aug 2020

²⁷ *Algerie-Eco*, 13 Aug 2020

²⁸ *TSA-Algerie*, 23 Jun 2020

²⁹ *El Watan*, 26 Jul 2020

³⁰ *World Bank*, 8 Jun 2020

³¹ *El Watan*, 8 Jun 2020

³² *El Watan*, 8 Jun 2020

³³ *El Watan*, 18 Aug 2020

³⁴ *Algerie-Eco*, 25 Aug 2020

³⁵ *Algerie-Eco*, 25 Aug 2020

³⁶ *Algerie-Eco*, 25 Aug 2020

³⁷ *Algerie-Eco*, 25 Aug 2020

to estimated savings of \$200m, to be allocated to the renewable energy plan. Algeria's current renewable energy installed capacity is 390MW.³⁸ **Commisariat aux Energies Renouvelables et a l'Efficacite Energetique (CEREE)** (renewable and efficient energy commission) director general **Noureddine Yassa** says Algeria plans to raise installed capacity to 22,000 MW by 2030.³⁹

In June former energy minister **Mohamed Arkab** commenced discussions with Germany-based **Desertec** over the **Desertec Industrial Initiative (DII)**.⁴⁰ The \$3.2 – \$3.6 billion project aims to set up photovoltaic solar plants across the country, producing 4GW of solar energy.⁴¹ Algeria currently derives 98% of its energy from natural gas.

... as Sonatrach signs MOUs for new gas investment

State-owned hydrocarbons firm **Sonatrach** continues to attract foreign investor interest despite the ongoing oil price crisis and government's stated need for diversification from hydrocarbons. Algeria's new **Code des Hydrocarbures** (hydrocarbons code), which came into effect in January, offers more favourable tax regimes than the previous framework.⁴² Sonatrach signed a memorandum of understanding (MoU) on 18 August with Germany-based **Wintershall Dea** to establish cooperation in exploration and production activities, as well as investment abroad.⁴³ Wintershall has a long-standing presence in Algeria, having operated in Algeria since 2002, through the **Groupement Reggane Nord** consortium, which consists of Sonatrach, **Spain-based Repsol** and US-based **Edison**.⁴⁴ Wintershall board member **Dawn Summers** said the company was "assessing a potential increase in activities in [Algeria] and this is an important step forward".⁴⁵

Sonatrach also signed an MOU on 30 July with **Spain-based Cepsa**, with the objective of exploring joint development in hydrocarbons exploration and production within Algeria as well as outside its borders.⁴⁶ Cepsa has been present in Algeria for close to three decades, and signed an operating agreement in 2018 to carry out exploration activities in the **Rhoude el Krouf** oilfield in the **Berkhine Basin**.⁴⁷ The latest agreement would see Cepsa make an estimated investment of \$1.2 billion.⁴⁸

While 2020 has been a bad year for the global hydrocarbons industry and the Algerian economy in particular, Algeria has attracted interest from several foreign companies despite the Covid-19 pandemic. International players such as US-based oil super majors **Chevron** and **ExxonMobil**, **Russia-based Lukoil** and **Zarubezhneft**, as well as **Turkey-based TPAO** have all signed agreements with Sonatrach this year (see *ARC Briefing Algeria March and April 2020*).⁴⁹ Other industry operators such as US-based **ConocoPhillips**, **Norway-based Equinor**, **Austria-based OMV** and **Russia-based Gazprom Neft** have also shown interest in concluding similar agreements.⁵⁰

³⁸ Algeria-Eco, 25 Aug 2020

³⁹ Algeria-Eco, 25 Aug 2020

⁴⁰ Reuters, 18 Jun 2020

⁴¹ Economist Intelligence Unit, 25 Jun 2020

⁴² S&P Global, 1 Jul 2020

⁴³ Agence Ecofin, 18 Aug 2020

⁴⁴ Agence Ecofin, 18 Aug 2020

⁴⁵ Agence Ecofin, 18 Aug 2020

⁴⁶ El Watan, 30 Jul 2020

⁴⁷ El Watan, 30 Jul 2020

⁴⁸ El Watan, 30 Jul 2020

⁴⁹ S&P Global, 1 Jul 2020

⁵⁰ S&P Global, 1 Jul 2020

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;

Chronology

25 Aug 2020 **Algiers (Algeria)** *El Watan*. Algeria remained the largest source of imported natural gas to **Spain**, at 21%, in Q1 2020, a notable decrease from the record figure of 60% in 2015;

23 Aug 2020 **Algiers (Algeria)** *Algerie-Eco*. Energy and renewable energy minister **Chems Eddine Chitour** announced Algeria will construct two 500-MW solar power stations as part of its attempts to diversify its energy production sources and reduce its reliance on natural gas as an energy source;

25 Aug 2020 **Algiers (Algeria)** *El Watan*. President **Abdelmadjid Tebboune** sets a target of creating 1 million micro-enterprises across Algeria by 2024;

24 Aug 2020 **Algiers (Algeria)** *Daily Sabah*. The presidency announces that Algeria will hold a referendum on a revised constitution on 1 November

24 Aug 2020 **Algiers (Algeria)** *TSA Algerie*. The **Tribunal de Ziadia (Constantine)** sentences journalist and activist **Abdelkrim Zeghilèche** to two years in prison and a fine of 100,000 DA (\$779) for "*attacking the person of the President of the Republic*" and "*publications on social networks that could undermine national unity*";

23 Aug 2020 **Algiers (Algeria)** *Algerie-Eco*. President **Abdelmadjid Tebboune** instructs cabinet members to address issues related to slow internet connection and regular internet cuts across the country;

18 Aug 2020 **Algiers (Algeria)** *Algerie-Eco*. President **Abdelmadjid Tebboune** opens the conference on Algeria's socio-economic recovery, calling for an end to Algeria's dependence on hydrocarbons exports;

13 Aug 2020 **Algiers (Algeria)** *El Watan*. Energy minister **Abdelmadjid Attar** declares that Algeria will reduce natural gas exports from 2025 due to increasing national consumption;

9 Aug 2020 **Algiers (Algeria)** *MEMO*. Government announces further easing of **coronavirus** lockdown, shortening an overnight curfew and lifting some travel curbs from 15 August;

6 Aug 2020 **Algiers (Algeria)** *AA*. **Algerian** army warns that if **Libyan** tribes are armed during the country's current crisis, this could turn Libya into a "new **Somalia**";

4 Aug 2020 **Algiers (Algeria)** *Le Monde*. President **Abdelmadjid Tebboune** instructs prime minister **Abdelaziz Djerab** to formulate a plan that will see the reopening of mosques, restaurants, bars and beaches;

29 Jul 2020 **Algiers (Algeria)** *Schengenvisainfo.com*. **European Union Council** set to remove **Algeria** from its list of safe third-countries whose residents can enter the **European Union**, due to a spike in **coronavirus** cases;

27 Jul 2020 **Algiers (Algeria)** *Reuters*. Finance ministry says it will freeze the payment of taxes for firms affected by the **coronavirus** lockdown;

26 Jul 2020 **Algiers (Algeria)** *El Watan*. According to the **Office National des Statistiques (ONS)** (national statistics office), Algeria's economy contracted by 3.9% during Q1, compared to 1.3% growth rate generated during Q1 2019;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)