

AFRICA RISK CONSULTING**Algeria Monthly Briefing September 2020**

Algeria Summary 25 September 2020

President Abdelmadjid Tebboune (2019-present) confirms 1 November as the date for Algeria's constitutional referendum. Tebboune reiterates the need for Algeria to pursue economic diversification, while energy minister Abdelmadjid Attar announces Algeria will undertake a \$6 billion phosphate-mining project. Stated-owned hydrocarbons company Sonatrach signs oil and development contracts with six Algerian firms worth \$518m. Algeria passes the milestone of 50,000 Covid-19 cases. With increasing numbers of recoveries, Algerian authorities are debating whether to re-open borders to international travelers and when to re-open schools.

Tebboune confirms 1 November as date for constitutional referendum

President **Abdelmadjid Tebboune** (2019-present) has confirmed that the referendum for a new constitution will take place on 1 November.¹ The adoption of a new constitution was one of Tebboune's landmark promises upon his election in December 2019.² Tebboune hopes a new constitution will signal a definitive end to the previous regime and usher in a "*New Algeria*".³ The formulation of a new constitution was also a major demand of the "*Hirak*" movement, whose protests from February 2019 led to the ousting of former president **Abdelaziz Bouteflika** (1999-2019) and his government.

The referendum will be the culmination of several months' work to formulate a new constitution. On 8 January, Tebboune appointed a commission of experts led by Algerian lawyer and academic **Ahmed Laraba**, to collect proposals for and formulate a new constitution.⁴ In July, after obtaining 2,500 submissions, the commission presented the draft document to Tebboune, who declared on 12 August that the commission had completed its work.⁵ The council of ministers (cabinet) approved the draft text of the new constitution on 6 September.⁶

Following cabinet's approval of the draft constitution, the president's office issued a statement indicating the aims of the new constitution.⁷ These include the establishment of a modern state, founded on ensuring the existence of independent and pluralist media; separation and balance of powers; moralisation of political life; and transparency in management of public funds, amongst others.⁸ The communiqué noted that a key goal of the new constitution is to prevent "*tyrannical drift*". The proposed legislative articles deal, *inter alia*, with:

- Torture and inhumane treatment (Art 39);
- Violence against women (Art 40);

¹ Jeune Afrique, 9 Sep 2020

² Jeune Afrique, 9 Sep 2020

³ Algerie Eco, 12 Sep 2020

⁴ TSA-Algerie, 5 Sep 2020

⁵ TSA-Algerie, 5 Sep 2020

⁶ Jeune Afrique, 9 Sep 2020

⁷ Jeune Afrique, 9 Sep 2020

⁸ Jeune Afrique, 9 Sep 2020

- Presidential terms – the president will not be permitted to pursue more than two consecutive terms. If the president resigns, the mandate is regarded as completed and a subsequent presidential term would be regarded as the last eligible one (Art 88);
- Appointment of the president and the prime minister: The political party that wins the most votes in the presidential election will select the prime minister, while the political party that wins the legislative elections will appoint the head of government, (Art 103).⁹ The prime minister and head of government will be two separate positions according to the new constitution.

The two-term limit is a significant shift from the current constitution, which places no limits on presidential terms, following a 2008 constitutional amendment that paved the way for a Bouteflika life presidency.¹⁰ However, leaders of the *Hirak* movement, have criticised the government for giving both houses of parliament the opportunity to examine the draft constitution – the **Assemblée Populaire Nationale** (lower house of parliament) adopted the draft constitution on 10 September,¹¹ and the **Conseil de la Nation** (upper house of parliament) on 12 September.¹² Government critics view legislators of both chambers as an inextricable legacy of the previous regime, claiming they were elected through rigged elections or paid bribes for their parliamentary seats, and suggesting that Tebboune should have dissolved both houses ahead of the examination of the draft constitution.¹³ Tebboune acknowledged in his 7 September communiqué that there was a very high level of public mistrust in state institutions, but insisted that parliamentary approval was necessary and promised that new parliamentary elections would be organised after the constitution's approval.¹⁴ A further notable criticism of the new draft constitution is that it gives the president the prerogative to appoint the heads of many of the country's institutions, which critics have described as a replication of past regime power centralisation.¹⁵

Opposition and civil society groups have accused the Algerian government of using the **Covid-19** pandemic as an excuse to stall the country's political reform process.¹⁶ However, the enactment of a new constitution, in addition to the on-going arrests and trials of Bouteflika-era officials and supporters, would underline Tebboune's efforts to break with the previous regime.¹⁷ The referendum date of 1 November has historical importance, as it marks the 66th anniversary of the start of the **Algerian Revolution**, which culminated in Algeria's independence from **France** in 1962.¹⁸ The **Autorité Nationale Indépendante des Elections (ANIE)** (national independent elections authority) announced on 17 September that it would undertake the revision of the national electoral register from 20-27 September.¹⁹

Tebboune repeats need to diversify Algeria's ailing economy ...

President Tebboune has reiterated that Algeria needs to establish a new economic trajectory in the wake of the Covid-19 pandemic. During a 21 September interview, Tebboune acknowledged that the continuing crisis has negatively impacted Algeria's economy and government revenue, with the annual budget seeing a decrease of \$12-14 billion in the course of 2020.²⁰ 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.²¹ Tebboune promised to

⁹ TSA-Algerie, 12 Sep 2020

¹⁰ Jeune Afrique, 9 Sep 2020

¹¹ APS, 10 Sep 2020

¹² AA, 12 Sep 2020

¹³ Jeune Afrique, 9 Sep 2020

¹⁴ Jeune Afrique, 9 Sep 2020

¹⁵ RFI, 11 Sep 2020

¹⁶ RFI, 11 Sep 2020

¹⁷ ARC Algeria analyst

¹⁸ Jeune Afrique, 9 Sep 2020

¹⁹ Algerie-Eco, 17 Sep 2020

²⁰ APS, 21 Sep 2020

²¹ ARC Algeria analyst

organise economic workshops, in which all societal stakeholders will meet regularly in order to chart a new economic path for Algeria.²² Tebboune said these workshops will take place after the 1 November national referendum.²³

Algeria's economic dependence on hydrocarbons was the focus of a national conference on socio-economic recovery on 18-19 August (see *ARC Briefing Algeria August 2020*). 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.²⁴ The **Direction Générale des Douanes (DGD)** (general customs directorate) noted that hydrocarbons made up 92.40% of Algeria's exports in Q1-2020.²⁵ However, the **Office Nationale des Statistiques (ONS)** highlighted in a report released on 3 September that hydrocarbons' contribution to gross domestic product growth has fallen in the past two years, with growth in hydrocarbon revenue falling from 1.2% in 2018 to 0.8% in 2019.²⁶

Finance minister **Aymen Benabdenrahmane** appealed to Algerian businesses on 12 September to be less reliant on foreign goods and services, as Algeria's import bill is expected to reach \$12 billion in 2020.²⁷ Benabdenrahmane suggested Algerian firms need to make their products more attractive for exports, and that the government will engage with the **Banque d'Algérie** (central bank) to discuss the possibility of reviewing exchange rate policy in order to encourage potential exporters.²⁸

... as government commits to developing mining sector ...

In line with the government's objective to diversify the economy away from its dependence on oil, energy minister **Abdelmadjid Attar** announced on 15 September a \$6 billion phosphate mining development plan in Algeria's eastern region.²⁹ Attar said the project will be carried out in three phases over five years, in the *wilayas* of **Annaba, Souk Ahrass** and **Tebessa**.³⁰ Phase one will require an investment of \$3 billion and will enable the start of production activities. Attar estimates that initial mining activities could generate \$1.5 billion, which would be used to fund the next phases of the project's development.³¹

The phosphate development plan includes the construction of a complex containing ore extraction and processing units at **Bled Elhabda** (Tebessa), a processing units at **Oued Kebrit** (Souk Ahrass) and a unit at **Hadjar Essoud (Skikda)** for producing ammonia and ammonium nitrate, amongst other chemicals.³² The government will also extend the Annaba port to ensure the export of finished products. Attar said the promotion of phosphate production will support the production of fertilizers which will be used for the agriculture sector and will create "thousands of jobs".³³ Mines minister **Mohamed Arkab** also emphasised that the exploitation of phosphates was an integrated project, involving extraction, processing and exports, and thus significant job and revenue generating activities.³⁴ Algeria has estimated phosphate reserves of 2.2 billion tonnes, the third highest globally.³⁵

The government has also expressed its goal to make gold production an integral part of Algeria's national economic activity.³⁶ Mohamed Arkab declared on 21 September that Algeria aims to raise its

²² APS, 21 Sep 2020

²³ APS, 21 Sep 2020

²⁴ El Watan, 19 Aug 2020

²⁵ El Watan, 19 Aug 2020

²⁶ El Watan, 3 Sep 2020

²⁷ El Watan, 13 Sep 2020

²⁸ El Watan, 13 Sep 2020

²⁹ *Algerie-Eco*, 15 Sep 2020

³⁰ *Algerie-Eco*, 15 Sep 2020

³¹ *Algerie-Eco*, 15 Sep 2020

³² *Algerie-Eco*, 15 Sep 2020

³³ *Algerie-Eco*, 15 Sep 2020

³⁴ *Algerie-Eco*, 15 Sep 2020

³⁵ *Algerie-Eco*, 15 Sep 2020

³⁶ *Algerie-Eco*, 21 Sep 2020

annual gold production from the current figure of 62 kg to 240 kg per year.³⁷ Arkab noted that Algeria needs to revise its mining code in order to make it more attractive to local and foreign investors. Arkab said the current mandatory 51/49 ratio of local to foreign ownership is counterproductive to sector development of the sector, noting that the revision of Algeria's hydrocarbons code in 2019 has resulted in a significant increase in investment in Algeria's oil and gas sectors.³⁸ Arkab said the **Agence Nationale des Activités Minières** (nationale agency for mining activity) has completed a geological study that identified 95 gold mining deposits across the country, based on which the government will establish a geological map.³⁹ Arkab said over the past three months his ministry has selected 95 micro-enterprises to carry out gold mining activities in the southern wilayas of **Illizi** and **Tamanrasset**. Gold mining activity is likely to increase following the approval on 20 September of artisanal gold mining, which will take place within the framework of cooperatives.⁴⁰

With an eye to attracting potential investors to Algeria's mining sector, Tebboune gave instructions in July for the exploitation of all existing mineral deposits and the revival of prospecting endeavours for unexploited reserves.⁴¹ Tebboune identified iron ore deposits at **Gara Djebilet**, zinc and lead deposits at **Oued Amizour** as well as phosphate deposits at **El Aouinet** as mineral projects whose development should be a priority.⁴² Arkab predicts that, with proven and exploitable lead, phosphate and zinc reserves, Algeria's mining sector could create upwards of 20,000 jobs by 2021 (see *ARC Briefing Algeria August 2020*).⁴³

... and signs oil and gas development contracts with six Algerian firms

State-owned hydrocarbons firm **Sonatrach** signed oil and gas field contracts worth \$518m with a consortium of six Algerian firms on 8 September.⁴⁴ The contracts will boost local firms that have suffered the double blow of the Covid-19 pandemic and global oil price crisis.⁴⁵ Although the government is attempting to diversify its economy and reduce its reliance on the hydrocarbons sector, it remains committed to continuing to support the development of oil and gas activities in Algeria.⁴⁶

Sonatrach signed contracts with the consortium of **ENGCB, Sarpi/Safir, ENGTP, ENAC, Khaznaghaz** and **Cosider**, in terms of which the firms will construct 700-km of collection networks and install security systems for production, in oil and gas fields in southwest Algeria.⁴⁷ The completed project will ensure the production of 11 million cubic metres of gas per day.⁴⁸ Sarpi/Sarfi will develop phase two of the **Touat oil** field in western Algeria, which will see Sarpi/Sarfi supply the **Adrar** oil refinery with 6,000 barrels per day (b/pd). Sonatrach CEO **Tawffik Hakkar** estimated the projects will create 3,000 jobs:

*"Given the importance of this project, we split it into several parts to save time. The other objective is to ensure a loading plan for the benefit of Sonatrach subsidiaries and Algerian companies, especially after the context created by the health crisis."*⁴⁹

During 2020 Sonatrach has signed agreements with international players such as **United States (US)**-based oil super majors **Chevron** and **ExxonMobil**, **Russia**-based **Lukoil** and **Zarubezhneft**, **Turkey**-based **TPAO**, **Spain**-based **Cepsa** and **Germany**-based **Wintershall Dea** (see *ARC Briefing Algeria*

³⁷ *Algerie-Eco*, 21 Sep 2020

³⁸ *Algerie-Eco*, 21 Sep 2020

³⁹ *Algerie-Eco*, 21 Sep 2020

⁴⁰ *El Watan*, 23 Sep 2020

⁴¹ *APS*, 13 Jul 2020

⁴² *APS*, 13 Jul 2020

⁴³ *Algerie-Eco*, 19 Aug 2020

⁴⁴ *Agence Ecofin*, 11 Sep 2020

⁴⁵ *El Watan*, 9 Sep 2020

⁴⁶ *El Watan*, 9 Sep 2020

⁴⁷ *El Watan*, 9 Sep 2020

⁴⁸ *El Watan*, 9 Sep 2020

⁴⁹ *Agence Ecofin*, 11 Sep 2020

March, April and August 2020).⁵⁰ 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.

Algeria makes further progress in fight against Covid-19 ...

Algeria has surpassed the milestone of over 50,000 confirmed Covid-19 cases in its population of roughly 44 million. As infection rates reduce and recovery rates continue to improve, debate is now focused on whether borders will be re-opened and when schools will resume contact lessons. Health minister **Abderrahmane Benbouzid** gave a positive evaluation on 8 September of Algeria's Covid-19 situation, indicating that, out of 20,000 hospital beds that the government had prepared for Covid-19 patients, only 4,000 beds were occupied at the time of his declaration.⁵¹ Benbouzid called on Algerians to remain vigilant as most restrictions had been lifted.⁵²

The reopening of educational institutions has seen some confusion. Universities were set to restart on 19 September but failed to do so. In a televised interview on 21 September, President Tebboune stated that it would be up to universities to decide what is in their best interests while Algeria's education and health departments reported on 24 September that they would seek advice from each before selecting a final date for reopening.⁵³

The reopening of borders is another muddled area. **Dr Mohamed Berkani**, a member of the **Comité Scientifique Chargé de Suivi l'Evolution du Coronavirus** (Covid-19 evaluation committee), suggested on 22 September that borders could re-open by early October.⁵⁴ However, committee spokesperson **Djamel Fourar** announced on 23 September that borders would not re-open "*for the foreseeable future*".⁵⁵ Fourar cited the risk of a second wave of infection as a result of imported cases, noting that in March 90% of Covid-19 cases in Algeria were imported from France and Spain. At time of writing, Algeria had registered 50,754 cases, 35,654 recoveries and 1,707 deaths.

⁵⁰ S&P Global, 1 Jul 2020

⁵¹ APS, 8 Sep 2020

⁵² APS, 8 Sep 2020

⁵³ Algerie-Eco, 24 Sep 2020

⁵⁴ Dzair Daily, 22 Sep 2020

⁵⁵ Algerie-Eco, 23 Sep 2020

Planner

Oct 2020 **Istanbul (Turkey)** Turkey-Africa Economic and Business Forum;

1 Nov 2020 **(Algeria)** Constitutional referendum

2020 TBA **Algiers (Algeria)** Algeria Oil & Gas Summit & Exhibition;

Chronology

23 Sep 2020 **Algiers (Algeria)** *MEMO*. **Sidi M'hamed Court** in capital **Algiers** sentences members of the **Kouninef** family, owners of the **KouGC group**, which benefited from major public contracts during the presidency of former president **Abdelaziz Bouteflika**, to 12-20 years in prison and confiscates all financial assets owned by the family, in a case known as the "**Kouninef family case**";

23 Sep 2020 **Algiers (Algeria)** *Algerie-Eco*. **Djamel Fourar**, spokesperson for **Comité Scientifique Chargé de Suivi l'Evolution du Coronavirus** (Covid-19 evaluation committee), announces that Algeria's borders will not re-open "*for the foreseeable future*";

22 Sep 2020 **Algiers (Algeria)** *RFI*. The communication ministry decides to "*no longer authorise*" the private **France**-based television channel **M6** to operate in Algeria, following the broadcast of a documentary on popular protest movement *Hirak*;

21 Sep 2020 **Algiers (Algeria)** *Middle East Eye*. **Algerian** authorities investigate a decision by prominent businessmen **Ali Haddad** to sign a \$10m contract with **United States (US)**-based lobbying firm **Sonoran Policy Group**, which is reportedly linked to US President **Donald Trump**;

20 Sep 2020 **Algiers (Algeria)** *Algerie-Eco*. President **Abdelmadjid Tebboune** declares that Algeria will not normalise relations with the state of **Israel**;

17 Sep 2020 **Algiers (Algeria)** *Algerie-Eco*. The **Autorité Nationale Indépendante des Elections (ANIE)** (national independent elections authority) will undertake the revision of the national electoral register from 20-27 September in anticipation of the constitutional referendum;

15 Sep 2020 **Algiers (Algeria)** *Algerie-Eco*. energy minister **Abdelmadjid Attar** announces the government will undertake a \$6 billion phosphate mining development plan in Algeria's eastern region;

15 Sep 2020 **Algiers (Algeria)** *Le Monde*. The **Cour d'Alger** (Algiers Court) sentences Algerian journalist and activist **Khaled Drareni** to two years' imprisonment for "*inciting an unarmed assembly and attacking the integrity of the national territory*" in relation to his coverage of anti-government protests in 2019;

10 Sep 2020 **Algiers (Algeria)** *MEMO*. **Algerian** court sentences former member of parliament **Bahaa Eddine Tliba** associated with the regime of former president **Abdulaziz Bouteflika** to eight years in prison over corruption;

10 Sep 2020 **Algiers (Algeria)** *El Watan*. State-owned hydrocarbons firm **Sonatrach** signs oil and gas field contracts worth \$518m with six Algerian firms;

7 Sep 2020 **Algiers (Algeria)** *The National*. President **Abdelmadjid Tebboune** says government has adopted draft constitutional revisions aimed at responding to the demands of the country's **Hirak** protest movement;

7 Sep 2020 **Algiers (Algeria)** *Nasdaq*. Finance minister **Ayman Benabderrahmane** says **Algeria** will for the first time launch **Islamic** insurance, known as **takaful**, as the government seeks to boost the Islamic finance industry;

1 Sep 2020 **Algiers (Algeria)** *Agence Ecofin*. The commerce ministry has given Algerian traders

until 31 December to ensure electronic payment instruments are available to consumers to enable them to pay for their purchases through a bank or postal account;

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