

AFRICA RISK CONSULTING

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Algeria Summary 19 January 2021

President Abdelmadjid Tebboune (2019-present) returns to Algeria following Covid-19 treatment in Berlin (Germany) after 62 days abroad but is forced to return to Germany for further medical procedures. High-profile corruption trials against members of the regime of former President Abdelaziz Bouteflika (1999-2019) continue, with two former prime ministers and Bouteflika's brother among those on trial. Algeria's economic crisis worsens, as the Algerian dinar (DZD) deteriorates against major currencies and prompts a devaluation of the official exchange rate. Vaccination against Covid-19 is set to begin with the arrival of the first batches of the Russian vaccine.

Tebboune returns to Germany amid further evidence of ill-health ...

Uncertainty over the health of President **Abdelmadjid Tebboune** (2019-present) remains the current greatest political risk in **Algeria** (see *ARC Briefing Algeria December 2020*). Tebboune, 75, returned from **Covid-19** treatment in **Berlin (Germany)** on 29 December following a 62-day absence but has since returned to Germany for further medical treatment.¹ Tebboune had been expected to return to Algeria before 31 December to enact the constitutional amendment from November's referendum and to sign the 2021 finance law.² Had he failed to return to Algeria in time to enact such legislation, it would have raised concern about his fitness for office. Within Algerian politics, the health and capacity of the president are particularly significant given the lack of transparency and power vacuum that characterised the poor health of former president **Abdelaziz Bouteflika** following a stroke in 2013. Given this historical dynamic, there is greater public acceptance of Tebboune's state of health than might be tolerated in other countries in the region.

The government has given limited information on the reasons for Tebboune's second trip to Germany, although he is reportedly undergoing minor foot surgery for a complication from his Covid-19 treatment. There is speculation that Tebboune may have developed a clot or deep-vein thrombosis (DVT) as a result of long-term immobility during his Covid-19 recovery.³ Tebboune made several television appearances following his return to Algeria, all of which showed him in a seated position and looking in poorer health than before he contracted Covid-19.⁴ Although likely designed to reassure the Algerian public, the appearances most likely had the opposite effect.⁵

Although the reasons for Tebboune's return to Germany may not be immediately life threatening, his on-going need for health treatment has detracted from the attempts of his inner circle to build public confidence in his fitness for office. Despite ill health, Tebboune is likely to retain his loyal inner circle, both within government and the military.⁶ The aging elite will remain in power even if Tebboune is personally unable to rule. Tebboune's current and future ill health is therefore unlikely to have a significant impact on Algeria's leadership or the direction of government in the short term.⁷ There is

¹ The Africa Report, 12 Jan 2021

² The Africa Report, 12 Jan 2021

³ The Africa Report, 12 Jan 2021

⁴ Asharq al-Aswat, 10 Jan 2021

⁵ The Economist, 2 Jan 2021

⁶ Africa Intelligence, 18 Nov 2020

⁷ The Africa Report, 23 Sep 2020

limited appetite for a return to the mass public disorder in 2019 that brought down the Bouteflika regime, with the worsening economic situation a more likely catalyst than Tebboune's health.

... as corruption trials distract from political and economic reality

Continuing corruption trials of former members of Algeria's elite are providing a welcome distraction from the health issues facing President Abdelmadjid Tebboune. Former prime ministers **Ahmed Ouyahia** and **Abdelmalek Sellal** have both made court appearances facing charges of covertly funding the 2019 re-election campaign of former president Bouteflika.⁸ Ouyahia also faces wider corruption charges, including receiving gold bars worth \$2.5m from **Gulf** leaders, which he later sold on the black market.⁹ Bouteflika's younger brother, **Saïd Bouteflika**, is also on trial, as well as numerous officials associated with the Bouteflika regime.¹⁰

The January court appearances are the latest development in the government's very public trial of members of the former regime, in a process that has been drawn out since 2019. The trials, on a range of corruption charges, continue to add to the prison time of those accused. Ouyahia received a 15-year sentence in December 2019 following a conviction on graft charges, while Sellal received a 12-year sentence during the same trial.¹¹ The trials are political and designed to appease the **Hirak Movement** from the anti-government protests that began in February 2019.

For the current Algerian regime, the corruption trials also draw attention from the reality of growing economic hardship and little political change. Algeria introduced its new constitution on 31 December, which extends greater power to the military and did not meet the demands of the Hirak protesters.¹² Although the new constitution received approval in a 1 November referendum from 66.8% of Algerians who voted, only 23.7% of eligible voters cast their vote in the referendum (see *ARC Briefing Algeria November 2020*).¹³ The government had hoped to derive legitimacy from the referendum, but the low voter turnout highlighted a lack of national consensus on the content of the new constitution.¹⁴ The focus on corruption trials against former members of the Bouteflika regime is also a distraction from the concurrent legal crackdown on opposition figures, such as activist **Karim Tabbou**, who was given a one-year suspended sentence on 7 December for allegedly undermining national security.¹⁵

The **Military Court of Blida** on 2 January acquitted Saïd Bouteflika, former spy chiefs **Mohamed Mediène** and **Athmane Tartag** and former **Parti des Travailleurs** (Workers' Party) secretary general **Louisa Hanoune** of conspiracy charges, following the reopening of their appeal trial for "harming the Army's authority" and "conspiracy against the authority of the State".¹⁶ Mediène and Tartag were jailed in 2019 during the Hirak mass protests.¹⁷

Dinar crash prompts official rate revision

The value of Algeria's national currency, the dinar (DZD), reached a new low at the end of 2020, prompting the **Banque d'Algérie** (central bank) to devalue the currency.¹⁸ The dinar is now worth 161.57 DZD on the official market against its most traded market, the euro, compared to 133.58 DZD to the euro at the beginning of 2020.¹⁹ This represents a 17% drop in value against the euro

⁸ APS, 4 Jan 2021

⁹ Al Jazeera, 10 Jan 2021

¹⁰ Ahram Online, 5 Jan 2021

¹¹ Al Arabiya, 10 Dec 2019

¹² Africa News, 2 Jan 2021

¹³ Jeune Afrique, 2 Nov 2020

¹⁴ Jeune Afrique, 1 Nov 2020

¹⁵ France 24, 7 Dec 2020

¹⁶ Algeria Press Service, 2 Jan 2021

¹⁷ Middle East Eye, 2 Jan 2021

¹⁸ Observ Algérie, 28 Dec 2020

¹⁹ Bank of Algeria, 28 Dec 2020

throughout 2020, while the value of the Algerian dinar against the **United States (US)** dollar fell by just under 10% during the same period.²⁰

In addition to the devaluation on the official exchange rate, the parallel market value of the dinar has also fallen. There was rising concern in the last quarter of 2020 that the value of the Algerian dinar on the black market would exceed 200 DZD per euro. This threshold was surpassed with the euro trading at 215 DZD by the end of December.²¹ There is also speculation from foreign currency traders that the rate against the euro could reach 250 DZD on the parallel market – an almost 100% decline its value in the space of a year.²²

There is a growing discrepancy between the official exchange rate and the parallel market exchange rate. There has been some speculation that the official rate could be devalued to the level held at the parallel market.²³ The emerging currency issue goes beyond the economic impact of Covid-19 and low oil prices. Algeria's parallel market is growing in sophistication and size, with growing mistrust in the rate set by the Banque d'Algérie further increasing the use of foreign currency exchange transactions through the parallel market. Similarly, on the supply side, the lack of emigrant travel in 2020 has created a shortage of foreign currency within Algeria's informal currency market.²⁴

The resumption of international flights to and from Algeria on 5 December has exacerbated the exchange rate difference.²⁵ The tourist amount available for Algerians wishing to exchange currency in anticipation of travelling has now been capped at €93 (\$112), down from €150 (\$181).²⁶ Use of the parallel currency exchange market is expected to increase unless the government changes the tourist limit. As a result of the limited scope for economic measures to eliminate the parallel market, the potential for a security crackdown on informal currency traders in areas such as **Port Said Square in Algiers** is increasingly likely.²⁷

Algeria's worsening currency situation and the discrepancy between the official and parallel rates has elicited the concern of the **International Monetary Fund (IMF)**. The IMF notes that the parallel market complicates macroeconomic management:

"... because it fuels inflationary expectations, distorts price formation and weakens the channels of transmission of monetary policy."²⁸

With the poor exchange rate, imports are highly likely to become more expensive and increase inflationary pressure, hitting the purchasing power of the Algerian consumer and import-dependent companies. The IMF has projected 5.9% inflation in the Algerian dinar in 2021, compared to 2.3% in 2020.²⁹ For the government, the depreciation in the Algerian dinar further undermines the state's budget deficit.³⁰ The **World Bank** projects that Algeria's fiscal deficit is likely to reach 14.8% of GDP in 2021.³¹

Against the backdrop of a long-term fiscal deficit and low oil prices, foreign currency reserves in Algeria have already been depleted. Algeria reportedly held foreign currency reserves worth \$200 billion in 2014 but foreign currency reserves are now believed to be \$40 billion.³² The government's tools to counteract a further deterioration in the value of the dinar thus remain limited.

²⁰ Algérie 360, 28 Dec 2020

²¹ Algérie 360, 22 Dec 2020.

²² Observ Algérie, 21 Sep 2020

²³ Zair Daily, 7 Jan 2021

²⁴ Observ Algérie, 22 Dec 2020

²⁵ Middle East Eye, 11 Dec 2020

²⁶ Algérie 360, 27 Dec 2020.

²⁷ Zair Daily, 17 Jan 2021

²⁸ Algérie 360, 22 Dec 2020

²⁹ Morocco World News, 26 Dec 2020

³⁰ Observ Algérie, 28 Dec 2020

³¹ Middle East Eye, 11 Dec 2020

³² North Africa Post, 27 Dec 2020

Covid-19 situation stable amid confirmation of vaccination plans

Despite concern over the president's battle with Covid-19, Algeria's Covid-19 situation is stable. As of 19 January, Algeria has recorded over 104,000 cases and 2,840 Covid-19-related deaths in its population of 44.2 million.³³ The rate of infection, which has declined significantly since the end of November, has levelled off since the beginning of 2021.³⁴ Algeria's health officials have not yet identified any of the new coronavirus variants within the country despite reopening international travel in December.³⁵ Social distancing and containment measures remain in place. The government also extended partial lockdown in 29 provinces on 16 January.³⁶

The government has been proactive in moving to vaccinate against Covid-19. President Tebboune announced on 20 December that Algeria would acquire doses of the Covid-19 vaccine from January and begin the rollout of its vaccination scheme.³⁷ Despite financial pressure, Algeria has reportedly allocated \$1.5 billion for the purchase of Covid-19 vaccines.³⁸ Algeria became the first **African** country to take up **Russia's** Covid-19 vaccine, **Sputnik V**, and is set to receive an initial 500,000 doses this month.³⁹ **China's** vaccine is set to arrive by the end of January while Algeria's health ministry has also expressed an interest in the **United Kingdom's (UK) Oxford-AstraZenica** vaccine.⁴⁰ The health ministry expects to receive 8-10 million vaccine doses through the **World Health Organization's (WHO) COVAX** system, sufficient to vaccinate 20% of Algerians.⁴¹

Algeria's vaccination scheme is expected to prioritise health workers and vulnerable citizens first, although the vaccine will not be mandatory.⁴² Vaccination will take place across 8,000 vaccination centres.⁴³ The government's ability to roll out the vaccination scheme effectively is the next area of focus in its response to the pandemic, but there is greater optimism than in previous months.

However, the real pain from Covid-19 in Algeria is not likely to be death tolls, but rather its catalysing impact on economic hardship. The IMF projects Algeria's real GDP growth will shrink by 5.5% in 2021,⁴⁴ while the World Bank noted in October:

*"A significant contraction of the Algerian economy is expected for 2020 as a result of the Covid-19 pandemic, with large uncertainties as to the duration of the sanitary and economic crisis."*⁴⁵

³³ Ministry of Health, 19 Jan 2021, IMF Country News, Algeria, accessed 19 Jan 2021

³⁴ APS, 17 Jan 2021

³⁵ Algérie 360, 15 Jan 2021

³⁶ APS, 14 Jan 2021

³⁷ Agence Ecofin, 20 Dec 2020

³⁸ Asharq al-Aswat, 10 Jan 2021

³⁹ Asharq al-Aswat, 31 Dec 2020

⁴⁰ APS, 11 Jan 2021

⁴¹ APS, 11 Jan 2021

⁴² Asharq al-Aswat, 10 Jan 2021

⁴³ Algérie 360, 17 Jan 2021

⁴⁴ IMF Country News, Algeria, accessed 19 Jan 2021

⁴⁵ World Bank, 19 Oct 2020

Planner

2021 (TBA) **Algiers (Algeria)** Legislative elections;
 2021 (TBA) **Istanbul (Turkey)** Turkey-Africa Economic and Business Forum;
 2021 (TBA) **Algiers (Algeria)** Algeria Oil & Gas Summit & Exhibition;

Chronology

17 Jan 2021 **Algiers (Algeria)** *The Economic Times*. The energy ministry announces that energy output in Algeria fell by 10% in 2020 and revenues from hydrocarbon exports fell by 40% to \$20 billion as a result of low oil prices and demand changes from the **Covid-19** pandemic;

14 Jan 2021 **Algiers (Algeria)** *APS*. The government announces the extension of lockdown measures to curb the spread of **Covid-19** across 29 provinces;

14 Jan 2021 **Tebessa (Algeria)** *Reuters*. A roadside improvised explosive device (IED) kills five people and injures three others in **Tebessa** province;

13 Jan 2021 **Algiers (Algeria)** *APS*. The public prosecutor in the trial of former prime ministers **Ahmed Ouyahia** and **Abdelmalek Sellal** requests a sentence of 20 years in prison over covertly funding **Abdelaziz Bouteflika's** re-election campaign;

13 Jan 2021 **Algiers (Algeria)** *APS*. The communications ministry announces Algeria plans to receive **China's Covid-19** vaccines before the end of January;

12 Jan 2021 **Algiers (Algeria)** *Sahara Press Service*. Algeria's foreign minister, **Sabri Boukadoum**, meets with **South Africa's** president, **Cyril Ramaphosa**, in **Pretoria** (South Africa) to discuss bilateral ties and the escalation in military tensions over **Western Sahara**;

10 Jan 2021 **Algiers (Algeria)** *The North Africa Post*. After having returned to **Algeria** from medical treatment in **Berlin (Germany)** on 29 December, President **Abdelmadjid Tebboune**, returns to Germany for medical treatment;

10 Jan 2021 **Algiers (Algeria)** *APS*. Former prime minister **Ahmed Ouyahia** admits during his corruption trial to selling gold bars on the black market after receiving \$2.5m in gold bars from **Gulf** leaders;

10 Jan 2021 **Algiers (Algeria)** *Reuters*. Algeria becomes the first country in **Africa** to register **Russia's Covid-19** vaccine, **Sputnik V**, for use;

10 Jan 2021 **Algiers (Algeria)** *Algérie 360*. Algeria's transport minister, **Lazhar Hani**, is sacked after awarding a catering contract abroad rather than prioritising Algerian products;

8 Jan 2021 **Algiers (Algeria)** *The Arab Weekly*. **United States (US)** envoy visits **Algiers** on a regional tour to improve relations following the US recognition of **Morocco's** sovereignty over **Western Sahara** and Morocco's concurrent normalisation of relations with **Israel**;

6 Jan 2021 **Algiers (Algeria)** *Observ Algérie*. The Algerian dinar (DZD) falls to a new low against the euro, now 162 DZD to the euro on the official market;

2 Jan 2021 **Blida (Algeria)** *The Africa Report*. **Saïd Bouteflika**, brother of former president **Abdelaziz Bouteflika**, is acquitted from conspiracy charges after having been sentenced to 15 years in prison in September;

1 Jan 2021 **Algiers (Algeria)** *Reuters*. Algeria begins trading under the **African Continental Free Trade Area (AfCFTA)** with the intra-**African** trading bloc becoming the world's largest single market, although much of the agreement is still to be implemented;

1 Jan 2021 **Algiers (Algeria)** *Al Jazeera*. President **Abdelmadjid Tebboune** signs the new constitution into law after November's referendum, which expands the powers of the military;

31 Dec 2020 **Algiers (Algeria)** *Al Jazeera*. Algeria agrees contract with **Russia** over **Sputnik V Covid-19** vaccine, the first **African** country to do so;

29 Dec 2020 **Algiers (Algeria)** *Hespress*. **Morocco's** prime minister, **Saadeddine Othmani**, accuses the Algerian government of spreading fake news in **Western Sahara** in an attempt to discredit the Moroccan government;

28 Dec 2020 **Algiers (Algeria)** *The North Africa Post*. The Algerian government reportedly criticises the **United Nations (UN)** Secretary General's choice for an envoy for the **Western Sahara** issue, labelling the choice of **Romanian, Petre Roman**, "pro-Morocco";

27 Dec 2020 **Algiers (Algeria)** *The Libya Observer*. Algeria's **Sonelgaz** signs agreement with the **General Electricity Company of Libya (GECOL)** to expand cooperation in energy distribution;

24 Dec 2020 **Algiers (Algeria)** *Middle East Monitor*. **Algerian Movement for a Society of Peace (MSP)** leader **Abderrazak Makri** accuses the **Moroccan** government of being "Zionists" and brands Morocco's prime minister, **Saadeddine Othmani**, as a "traitor" following the normalisation of Morocco's ties with **Israel**;

About Africa Risk Consulting:

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