

## AFRICA RISK CONSULTING

### Algeria Monthly Briefing March 2021

#### Algeria Summary 19 March 2021

**President Abdelmadjid Tebboune (2019-present) dissolves the lower house of parliament to pave the way for legislative elections scheduled for 12 June. Tebboune reshuffles his cabinet, bringing in two ministers from the Abdelaziz Bouteflika (1999-2019) regime and pardons about 60 jailed Hirak protesters. The reshuffle leads to demonstrations calling for the resignation of the entire government. The African Development Bank releases its 2021 Outlook for Africa, noting that Algeria's economy shrank by 4.7% in 2020 as a result of the Covid-19 pandemic, exacerbated by the decline in oil and gas prices caused by a decrease in global demand. The budget deficit as a percentage of GDP more than doubled to 13.6% in 2020 from 5.6% in 2019. Economic prospects for 2021 are more promising with the rollout of Covid-19 vaccination and rebounding of oil prices to levels above \$65 in March. The health ministry detects 13 cases of the Nigerian Covid-19 variant in Algiers and other southern and eastern provinces, and seven cases of the United Kingdom Covid-19 variant in Algiers and the neighbouring province of Blida.**

#### Cabinet reshuffle, June elections fail to appease Hirak

President **Abdelmadjid Tebboune** (2019-present) has dissolved **Algeria's** parliament and set 12 June as the date for early legislative elections. Tebboune followed the 18 February announcement with a cabinet reshuffle on 22 February, attempting to make good on his 2019 electoral pledge to bring structural changes to the country's political landscape.<sup>1</sup> However, his reappointment of two prominent figures from the **Abdelaziz Bouteflika** (1999-2019) regime has failed to convince his detractors that he is serious about bringing political change. Prime minister **Abdelaziz Djerad** and justice minister **Belkacem Zeghmati** both kept their portfolios in Tebboune's government.<sup>2</sup>

Tebboune appointed former Bouteflika adviser **Mohamed Ali Boughazi** as minister of tourism, craft industry and family work, and Bouteflika's former environment minister, **Dalila Boujema**, to her former cabinet role.<sup>3</sup> Former mining minister **Mohamed Arkab** replaces **Abdelmadjid Attar** as energy minister.<sup>4</sup> **Hussein Sharhabeel** becomes minister of digitisation and statistics while **Tariq Belaibi** is the new minister of housing and urbanism.<sup>5</sup> **Kamal Nasiri** replaces **Farouk Shili** as minister of public works and transport; **Mohamed Bacha** replaces **Ferhat Aït Ali Brahim** as industry minister. Speaking to the **Algerian Press Service**, activist **Zaki Hannache** described the new appointments as "the same pawns":

*"It is the same for the Parliament, the new (deputies) will work as the current regime for their interests. They are not working for the people."*<sup>6</sup>

President Tebboune appears in the cabinet reshuffle to have focused on sectors that have a direct impact on the public treasury and are involved in the government's attempts to diversify from its major revenue source, oil. However, his ministerial appointments have failed to appease **Hirak** activists who claim the Tebboune government is simply a continuation of the Bouteflika regime. Hirak members say that retaining Zeghmati as justice minister and Ammar Belhimer as

<sup>1</sup> AfricaNews, 22 Feb 2021

<sup>2</sup> The North Africa Journal, 21 Feb 2021

<sup>3</sup> AfricaNews, 22 Feb 2021

<sup>4</sup> VOA Afrique, 21 Feb 2021

<sup>5</sup> VOA Afrique, 21 Feb 2021

<sup>6</sup> Algeria Press Service, 21 Feb 2021

communication minister and government spokesperson is symbolic of the judicial prosecution of political opponents and Hirak activists, and the government's control over the media respectively.<sup>7</sup>

In the same speech announcing the dissolution of parliament, Tebboune pardoned about 60 jailed Hirak activists<sup>8</sup> including political opponent **Rachid Nekkaz** and **Khaled Drareni**, a notable activist fighting for press freedom.<sup>9</sup> Despite Tebboune's attempts to live up to his electoral promises, the recent changes have met with protests in major cities. Activists state their continued commitment to the basic demands of the popular protest movement, which include the exit of the regime and comprehensive political change.<sup>10</sup>

The Hirak movement marked the second anniversary on 22 February of the start of protests that eventually brought an end to the Bouteflika regime.<sup>11</sup> To commemorate the anniversary, thousands of Hirak activists took to the streets across the country to demonstrate that the movement is alive despite **Covid-19** restrictions.<sup>12</sup> Protests on 2 March were led by students and Hirak activists demanding a "*free and democratic Algeria*" and a "*civil and non-military state*". Tebboune has indicated that the results of the 12 June parliamentary elections will be a turning point for the nation.<sup>13</sup>

### AfDB report highlights Covid's economic punch ...

The **African Development Bank (AfDB)** in its **2021 Outlook for Africa**, released on 12 March, captures the extent of the blow that the Covid-19 pandemic has dealt to Algeria's economy, and many others on the continent.<sup>14</sup> In its report, the AfDB notes that most **North African** economies shrank in 2020.<sup>15</sup> Algeria's economy contracted by 4.7%, while **Morocco** and **Tunisia** saw their economies contract by 5.9% and 8.8% respectively. **Egypt's** economy, however, saw growth of 3.6%.<sup>16</sup>

Covid-19 was the primary culprit. Lower demand for oil caused oil prices to fall, leading to a 30% reduction in Algeria's oil and gas exports.<sup>17</sup> The fall in revenues from oil and gas exports contributed to a further widening of the public and external deficits. The budget deficit in 2020 doubled to 13.6% of GDP from 5.6% in 2019.<sup>18</sup> The current account deficit widened to 14.8% of GDP in 2020 from 10% in 2019 due to Algeria's heavy dependence on hydrocarbon exports and structurally high imports due to the weakening of the dinar.<sup>19</sup> The **Banque d'Algérie** (central bank) reduced the reserve requirement ratio to 3% in September 2020 from 12% in February 2019 to provide banks with liquidity and stimulate the economy.<sup>20</sup>

Algeria's debt has also increased sharply as a result of financing a deficit born of rising spending and falling hydrocarbon prices. At the end of 2019, while the external public debt represented less than 1% of the GDP, domestic debt, including guarantees, was a little more than 46% of GDP. This could increase further in the years ahead depending on changes in the oil price.<sup>21</sup> Real GDP growth could return to Algeria depending on the effectiveness of the vaccine rollout, the rebounding of oil and gas prices, and President Tebboune fulfilling his 2019 electoral promises. To date, the rollout is going as planned (see below), and oil prices rebounded to \$70 in February before collapsing to \$65 in March.<sup>22</sup> The prospect of weaker demand has already prompted the **Organization of the Petroleum**

<sup>7</sup> The Arab Weekly, 22 Feb 2021

<sup>8</sup> Aljazeera, 19 Feb 2021

<sup>9</sup> VOA Afrique, 21 Feb 2021

<sup>10</sup> The Arab Weekly, 22 Feb 2021

<sup>11</sup> Human Rights Watch, 23 Feb 2021

<sup>12</sup> Africanews, 9 Mar 2021

<sup>13</sup> Aljazeera, 11 Mar 2021

<sup>14</sup> African Development Bank, 12 Mar 2021

<sup>15</sup> African Development Bank, 12 Mar 2021

<sup>16</sup> African Development Bank, 12 Mar 2021

<sup>17</sup> African Development Bank, 12 Mar 2021

<sup>18</sup> African Development Bank, 12 Mar 2021

<sup>19</sup> African Development Bank, 12 Mar 2021

<sup>20</sup> African Development Bank, 12 Mar 2021

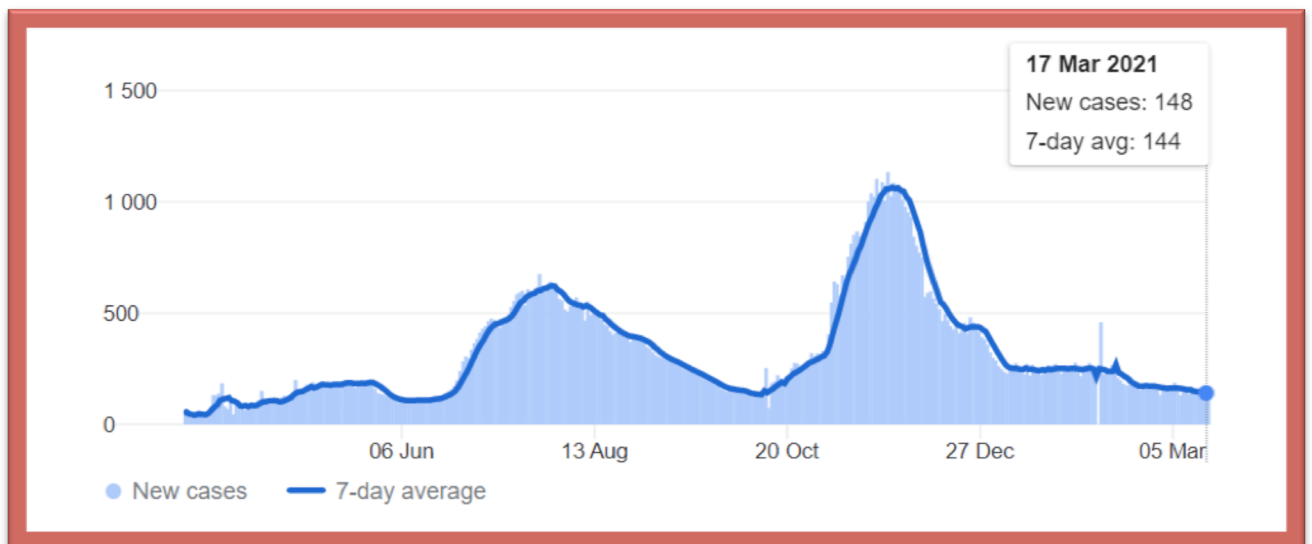
<sup>21</sup> African Development Bank, 12 Mar 2021

<sup>22</sup> Oilprice.com, 8 Mar 2021

**Exporting Countries (OPEC)** and its allies, known as **OPEC+**, to slow their plan to boost output. More demand, rising prices, and lower rival supply could support the case for more easing, and the OPEC+ nations are likely to maintain current production cuts in March.<sup>23</sup> Algeria's dependency on oil and gas revenues is not sustainable, particularly in view of current global circumstances, amid a volatile oil price. The recent ministerial reshuffle (see above) targeted sectors that directly influence Algeria's treasury such as tourism, digitisation and public works, to enable the country to diversify its sources of revenue. The government's long-term goal is for Algeria to move away from its dependency on unsustainable crude oil revenues.<sup>24</sup>

### Covid variants detected amid vaccine roll-out

Algeria's Covid-19 vaccination rollout continues after its 30 January launch with 500,000 doses of the **Russian Sputnik V** Covid-19 vaccine. The rate of new Covid-19 cases is decreasing, although the health ministry has noted concern over detection of so-called variants of the coronavirus. The health ministry recorded 13 cases in Algiers and other southern and eastern provinces of the variant first discovered in **Nigeria**, while at least seven people have tested positive for the **United Kingdom** variant in Algiers and the neighbouring province of **Blida**.<sup>25</sup> As of 18 March, Algeria had recorded 115,688 Covid-19 cases in its population of 44 million, with 80,347 recoveries and 3,048 Covid-19-related deaths.<sup>26</sup>



*Daily number of new Covid-19 cases and 7-day average for Algeria as of 17 March<sup>27</sup>*

In an effort to combat the new variants of Covid-19, Algerian authorities announced plans to close all borders and suspend international flights from 1-31 March. However, some domestic restrictive measures have eased, including restrictions on most nonessential businesses. National rail services are operating, with passengers subject to body temperature scans before boarding trains. Domestic flights are operational. Construction companies, real estate agencies, travel agencies, fruit markets, bakeries, car rental companies, and government institutions are now permitted to operate. Restaurants and cafes have reopened in most provinces, as well as hotels and mosques. Protective face coverings are required in public, including in vehicles.<sup>28</sup>

<sup>23</sup> Reuters, 11 Feb 2021

<sup>24</sup> African Development Bank, 8 Mar 2021

<sup>25</sup> Financial Times, 18 Mar 2021

<sup>26</sup> Worldometers, 12 Mar 2021

<sup>27</sup> Coronavirus Tracker, 12 Mar 2021

<sup>28</sup> GardaWorld, 1 Mar 2021

## Planner

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

## Chronology

18 Mar 2021 **Algiers (Algeria)** *El Watan*. The **International Energy Agency (IEA)** says it does not anticipate a new bullish cycle in oil prices, despite the recent rise in oil prices, recorded in the wake of OPEC's recent decision to maintain its prices;

17 Mar 2021 **Algiers (Algeria)** *El Watan*. Finance minister **Aymen Benabderrahmane** says the next finance law will include several measures to benefit **Islamic** finance;

13 Mar 2021 **Algiers (Algeria)** *Africanews*. Thousands demonstrate in Algiers, rejecting early legislative elections as weekly rallies by the resurgent **Hirak** pro-democracy movement gain momentum;

12 Mar 2021 **Algiers (Algeria)** *The African Development Bank*. The **African Development Bank** launches its **African Economic Outlook 2021**;

12 Mar 2021 **Algiers (Algeria)** *Reuters*. Health authorities detect the **coronavirus** variant first seen in **Nigeria** in 13 Algerians and seven people test positive with the coronavirus variant tied to the **United Kingdom**;

11 Mar 2021 **Algiers (Algeria)** *Al Jazeera*. President **Abdelmadjid Tebboune** sets 12 June as the date for early legislative elections, the presidency said on Thursday, after announcing the dissolution of the lower house of parliament last month;

10 Mar 2021 **Algiers (Algeria)** *El Watan*. Algeria strengthens its position as a supplier to southern **Europe** becoming the leading gas supplier to **Italy** after surpassing **Russia**;

9 Mar 2021 **Algiers (Algeria)** *Africanews*. Several women protest against a family code adopted in 1984 and drawn from Islamic **Sharia** law concerning property ownership, which they consider demeaning;

9 Mar 2021 **Algiers (Algeria)** *Africanews*. **France's** President **Emmanuel Macron** has announced a decision to speed up the declassification of secret documents related to Algeria's 1954-62 war of independence from France;

8 Mar 2021 **Algiers (Algeria)** *The Economist*. **Saudi Arabia** pledges to extend oil production cuts thus keeping the price of oil above \$65 per barrel;

7 Mar 2021 **Algiers (Algeria)** *El Watan*. The price of a barrel of **Brent** oil closes the trading week just under \$70, in the wake of **OPEC's** decision to postpone its quota increases, reinforced by **Saudi Arabia's** decision to maintain its cuts of 1 million barrels per day;

6 Mar 2021 **Algiers (Algeria)** *APS*. Algerian government says it plans to achieve self-sufficiency in iron-ore production by 2025 with the launch of the **Gâra Djebilet** mine project, one of the largest iron ore reserves in Algeria and the world, with estimated reserves of 1.7 billion tonnes of ore grading 30% iron metal;

2 Mar 2021 **Algiers (Algeria)** *APS*. Thousands defy Algeria curfew as protests resurge in the wake of the cabinet reshuffle;

2 Mar 2021 **Algiers (Algeria)** *El Watan*. President **Abdelmadjid Tebboune** orders the restructuring of the responsibilities of the industry ministry in line with the legal texts and new orientation of industrial policy;

23 Feb 2021 **Algiers (Algeria)** *Human Rights Watch*. The **Hirak** protest movement marks its

second anniversary;

22 Feb 2021 **Algiers (Algeria)** *Africanews*. President **Abdelmadjid Tebboune** announces his decision to grant pardon to about 60 jailed **Hirak** activists in a gesture meant to appease the popular protest movement;

21 Feb 2021 **Algiers (Algeria)** *Africanews*. President **Abdelmadjid Tebboune** reshuffles the cabinet, keeping key figures such as the prime minister and justice minister, and reappoints two ministers from the **Abdelaziz Bouteflika** (1999-2019) regime, **Mohamed Ali Boughazi** and **Dalila Boujema**;

18 Feb 2021 **Algiers (Algeria)** *BBC*. An Algerian court sentences **Abdelmalek Hamzaoui** to death in for his role in the kidnap and murder of **French** tourist **Hervé Gourdel**;

18 Feb 2021 **Algiers (Algeria)** *Al Jazeera*. President **Abdelmadjid Tebboune** calls for dissolution of the lower house of Parliament and early legislative elections;

### About Africa Risk Consulting:

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