

AFRICA RISK CONSULTING

Algeria Monthly Briefing November 2021

Algeria Summary 25 November 2021

The International Monetary Fund (IMF) executive board concludes its 2021 Article IV Consultation with Algeria, projecting economic recovery in 2021 and 2022 and real growth of 3.2% in 2021 despite an uncertain and challenging outlook. The presidency announces the termination of commercial relations between state-run energy company Sonatrach and Morocco's Office National de l'Electricité et de l'Eau Potable (ONEE) (office for electricity and drinking water), effectively ending the Maghreb-Europe pipeline contract. Algeria's foreign ministry says it will not support a new United Nations Security Council (UNSC) resolution calling for all sides to resume negotiations on the Western Sahara issue. Algeria has welcomed "reasonable" comments made by France's President Emmanuel Macron (2017-present) expressing "regret" over a diplomatic dispute sparked by his criticism of the North African country. Prime minister and minister of finance Aïmene Benabderrahmane reiterates Algeria's commitment to supporting initiatives that address climate change.

IMF: Algeria's economic outlook "uncertain & challenging"

The Executive Board of the **International Monetary Fund (IMF)** concluded an Article IV consultation with **Algeria** on 19 November, noting that Algeria's economy is gradually recovering from the **Covid-19** pandemic and oil shocks of 2020.¹ Following a contraction of 4.9% in 2020, real GDP grew by 2.3% on a year-on-year basis in the first quarter of 2021, fuelled by higher hydrocarbon prices and production, and relaxation of restrictions to curb the spread of Covid-19. The external current account balance improved "significantly" in the first six months of 2021, following a marked deterioration in 2020.

The IMF said the Covid-19 pandemic has increased Algeria's "ongoing economic vulnerabilities" following a succession of adverse shocks since 2014:

*"Continued large fiscal and external current account deficits in recent years have reduced policy space as public debt increased significantly and international reserves declined."*²

Algeria's fiscal and external deficits widened further in 2020, and its international reserves fell from \$62.8 billion in 2019 to \$48.2 billion at the end of 2020.³ Inflation is also adversely affecting households' purchasing power. In June, the country's annual average inflation accelerated to 4.1% as a result of higher international food prices combined with an episode of drought.

IMF researchers predict that Algeria's economy will recover in 2021 and 2022, but the outlook remains "uncertain and challenging".⁴ Growth is likely to remain subdued in the medium term, due to constraints on hydrocarbons production, investment cuts decided in 2020, and current policies limiting credit to the private sector.⁵ The main risks for Algeria concern the evolution of

¹ International Monetary Fund, 22 Nov 2021

² International Monetary Fund, 22 Nov 2021

³ The North Africa Post, 24 Nov 2021

⁴ International Monetary Fund, 22 Nov 2021

⁵ The North Africa Post, 24 Nov 2021

oil price, the social and geopolitical environment and the pandemic.⁶ The IMF forecasts real growth at 3.2% in 2021, with the external current account deficit projected to narrow sharply as exports rebound.⁷ The IMF report recommends that Algerian authorities initiate fundamental reforms to strengthen transparency and governance of fiscal, legal and monetary institutions across the public sector and reduce barriers of entry into the formal sector.⁸

The IMF staff appraisal commended Algeria's swift response to the pandemic, noting it had helped mitigate the health and social impact of the crisis.⁹ Stepped-up vaccination and targeted containment measures have helped slow down a third wave of infection. As of 25 November, Algeria had recorded 209,463 cases of Covid-19 in its population of 44 million, with 6,035 Covid-19-related deaths and 143,645 recoveries.¹⁰

The government announced on 18 October the full lifting of nationwide lockdown restrictions amid a significant improvement in the country's Covid-19 situation (see *ARC Briefing Algeria Oct 2021*).¹¹ Lockdown measures instituted in Algeria's 23 provinces were lifted with effect from 20 October, but family gatherings, such as weddings and gatherings in public places remain banned under the pandemic sanitary measures.¹² The government has urged its citizens to get vaccinated against Covid-19 to reinforce collective immunity and prevent the spread of the coronavirus, aiming to vaccinate 60% of the population.¹³ As of 25 November, the health ministry had administered at 12,008,974 Covid-19 vaccine doses, with 6,803,148 vaccinated (15.25% of the population) and 5,453,896 fully vaccinated (12.22% of the total population).¹⁴

Algeria terminates Maghreb-Europe Pipeline...

The Algerian presidency announced on 31 October the termination of commercial relations between state-run energy company **Sonatrach** and Morocco's **Office National de l'Électricité et de l'Eau Potable (ONEE)** (national electricity and drinking water office).¹⁵ The announcement effectively ends the Algeria-Morocco-**Spain** pipeline agreement known as the **Maghreb-Europe** pipeline, which transports over 13,500 million cubic metres of natural gas annually.¹⁶ In a statement on 31 October, the presidency cited "hostile" acts by Morocco to undermine Algerian unity as the reason it is no longer willing to extend the Europe-Maghreb pipeline contract.¹⁷

The Algerian government had announced on 24 August that it would sever diplomatic relations with Morocco on the same grounds. Following Algeria's latest announcement, the ONEE and Morocco's **Office National des Hydrocarbures et des Mines (ONHYM)** (national office for hydrocarbons and mines) said in a joint statement that arrangements had been made, in anticipation of Algeria's decision, to shield the national electricity system.¹⁸ They noted that Morocco was exploring "other options ... for sustainable, medium, and long-term alternatives".¹⁹

Algerian news outlet **Algerie Part Plus** released a detailed report on 1 November claiming that the government had not been forthright about its reasons to terminate the pipeline contract.

⁶ International Monetary Fund, 22 Nov 2021

⁷ International Monetary Fund, 22 Nov 2021

⁸ International Monetary Fund, 22 Nov 2021

⁹ International Monetary Fund, 22 Nov 2021

¹⁰ Worldometers, 25 Nov 2021

¹¹ Menafn, 19 Oct 2021

¹² Menafn, 19 Oct 2021

¹³ Worldometers, 19 Oct 2021

¹⁴ Covid Vax Live Tracker, 25 Nov 2021

¹⁵ Morocco World News, 1 Nov 2021

¹⁶ Morocco World News, 1 Nov 2021

¹⁷ Morocco World News, 31 Oct 2021

¹⁸ Bloomberg, 1 Nov 2021

¹⁹ Morocco World News, 1 Nov 2021

Algerie Part Plus claims the government's decision to terminate the pipeline is due to a significant decrease in the country's natural gas reserves and collapse of its natural gas export capacity.²⁰ According to the report, Algeria's decision was also motivated by a "consequent" increase in internal consumption, which exceeds 52% of gas produced in the country.²¹ Domestic consumption of gas in Algeria has exceeded the volume of gas exports since the 2018-2019 season. The report revealed that Algeria can only export a limited quantity of oil to other countries:

*"Since 2020, Algeria can only export 45 or 49 billion cubic metres per year of natural gas, whereas it exported more than 65 billion cubic meters/year at the beginning of the 2000s."*²²

Algeria's gas exports are projected to decrease to less than 40 billion cubic metres in the coming years while domestic consumption is expected to exceed 55% of locally produced gas:²³

*"It is for these purely economic reasons that Algeria can no longer afford to maintain the Maghreb-Europe gas pipeline."*²⁴

Spain will continue to receive Algerian gas via the **Medgaz** pipeline across the **Mediterranean Sea**. Algerian gas accounts for about half of Spain's total gas supplies, leaving it highly dependent on imports of additional natural gas, where it may have to compete with higher priced bidders in **Asia**.²⁵

... regrets "biased" UN resolution on Western Sahara...

Algeria's foreign ministry says it will not support a "biased" **United Nations Security Council (UNSC)** resolution regarding negotiations over the **Western Sahara**. The government responded on 31 October to a UNSC resolution on 29 October calling for all sides to resume negotiations "without preconditions and in good faith" towards a "just, lasting and mutually acceptable political solution" in the disputed territory. Algeria has long supported the separatist **Polisario Front**, an armed group demanding independence from Morocco for the Western Sahara.²⁶ Moroccan forces and the Polisario Front have been fighting for decades over the vast disputed territory, bordering Morocco, **Mauritania** and Algeria, that was under Spanish control until 1975.²⁷ Recent tensions between Algeria and Morocco stem from the recognition by the administration of former **United States (US)** president **Donald Trump** (2017-2021) of Moroccan sovereignty over the Western Sahara. On 10 December 2020, the US became the first country to recognise Morocco's claim over the Western Sahara and reaffirmed **Rabat's** proposal to grant limited autonomy to **Sahrawis** under overarching Moroccan control.²⁸

The US-spearheaded UNSC resolution does not recognise Moroccan sovereignty and calls instead for "self-determination of the people of Western Sahara", a phrase reportedly added by the US at the request of **Russia**, which could have vetoed the initially proposed text.²⁹ Algeria claims the latest UNSC resolution "has the effect of comforting the exorbitant claims of the occupying state [Morocco]".³⁰ In a statement on 31 October, Algeria's foreign ministry said the government regretted profoundly the "fundamentally unbalanced" approach of the text,

²⁰ Algerie Part Plus, 1 Nov 2021

²¹ Algerie Part Plus, 1 Nov 2021

²² Morocco World News, 31 Oct 2021

²³ Algerie Part Plus, 1 Nov 2021

²⁴ Morocco World News, 31 Oct 2021

²⁵ Bloomberg, 1 Nov 2021

²⁶ Morocco World News, 9 Sep 2021

²⁷ Al Jazeera, 11 Dec 2020

²⁸ Al Jazeera, 11 Dec 2020

²⁹ News24, 31 Oct 2021

³⁰ News24, 31 Oct 2021

*“which is cruelly lacking responsibility and lucidity due to the unfortunate forcing by certain influential members of the Council”.*³¹

Both Morocco’s foreign minister, **Nasser Bourita**, and permanent representative to the UN, **Omar Hilale**, said on 29 October that **Rabat** welcomed the adoption of Resolution 2602.³² The UN brokered a ceasefire in 1991 but a planned referendum on independence was never held and the final status of the territory remained unresolved.³³ The last UN-led Western Sahara peace talks in 2019, involving top officials from Algeria, Morocco, Mauritania and the Polisario Front, collapsed after UN envoy **Horst Kohler** quit the post in May 2019. He was replaced in October by veteran diplomat **Staffan de Mistura**.³⁴

The UN on 6 November also confirmed that Algeria had violated international law and the ceasefire agreement in the Western Sahara after three Algerian truck drivers died in **Bir Lahlou**, near the Mauritanian border on 3 November.³⁵ Algeria blamed Morocco for the killing, however, on 3 November, the **Mauritanian National Army** issued a statement denying news accusing Rabat of attacking Algerian trucks in northern Mauritania.³⁶

The UNSC has renewed until October 2022 the **United Nations Mission for the Referendum in Western Sahara (MINURSO)**, established in 1991.

... welcomes “reasonable” Macron comments amid row with France ...

Algeria has welcomed “reasonable” comments by **France’s** President **Emmanuel Macron** (2017-present) on 9 November stating his “greatest respect” for Algiers and expressing “regret” over a diplomatic dispute sparked by his criticism of the **North African** country.³⁷ The president’s apology is an indication that **Paris** may be trying to calm relations with its former colony.³⁸ Macron in October accused Algeria’s “political-military system” of rewriting history and fomenting “hatred towards France” (see *ARC Briefing Algeria Oct 2021*).³⁹ French newspaper **Le Monde** reported that, while addressing descendants of independence fighters, Macron had questioned whether Algeria had existed as a nation before French invasion in the 1800s.⁴⁰

Macron’s comments came after Paris had decided a month earlier to reduce the number of visas granted to citizens of Algeria, **Tunisia** and Morocco.⁴¹ France’s actions and Macron’s comments sparked fierce rebuke from Algeria, which withdrew its ambassador and banned French aircraft from its airspace, which France regularly uses for operations in **West Africa**. President **Abdelmadjid Tebboune** (2019-present) also criticised Macron for “completely pointlessly” reviving an old conflict.⁴² A French official on 9 November said Macron “is strongly attached” to the bilateral development of France and Algeria, for the benefit of both populations, “and to meet the great regional challenge, starting with **Libya**”.⁴³

Algeria’s foreign minister, **Ramtane Lamamra**, on 10 November said Macron’s statement “contained reasonable ideas that respect Algeria, its history, past and present, and respect Algeria’s sovereignty”.⁴⁴ Macron’s statement comes as France is preparing to host a high-level

³¹ News24, 31 Oct 2021

³² Africa News, 29 Oct 2021

³³ Al Jazeera, 11 Dec 2020

³⁴ News24, 31 Oct 2021

³⁵ Morocco World News, 6 Nov 2021

³⁶ Washington Post, 3 Nov 2021

³⁷ Al Jazeera, 11 Nov 2021

³⁸ The National News, 9 Nov 2021

³⁹ The Arab Weekly, 3 Oct 2021

⁴⁰ Al Jazeera, 11 Nov 2021

⁴¹ Africa News, 28 Sep 2021

⁴² Al Jazeera, 11 Nov 2021

⁴³ The National News, 9 Nov 2021

⁴⁴ Al Jazeera, 11 Nov 2021

summit on war-torn Libya, aimed at ensuring that elections go ahead in December. Lamamra confirmed that Algerian officials will attend the conference on Libya in Paris, however, President Tebboune will not attend despite an invitation from Macron. US vice president **Kamala Harris** and Russia's foreign minister, **Sergey Lavrov**, are set to attend the conference.

Relations between Algiers and Paris have been strained for most of the 60 years since Algeria gained its independence from France after a brutal war. Macron has gone further than his predecessors in taking responsibility for France's abuses during its 130-year occupation of Algeria; however, relations deteriorated in October following his accusations against Algiers.⁴⁵

... and commits to supporting initiatives to prevent global warming

Speaking in **Riyadh (Saudi Arabia)**, a week before the **United Nations Climate Change Conference (COP26)** in **Glasgow (United Kingdom)**, prime minister and minister of finance **Aimene Benabderrahmane** said on 25 October that Algeria "*reiterates its commitment to address climate change*".⁴⁶ Benabderrahmane said Algeria would do this through its **National Plan on Climate 2020-2030**, an operational mechanism to implement the national policy on fighting climate change and developing the green economy.⁴⁷ The prime minister said Algeria is fully prepared to support any initiatives to stop global warming and prevent drought, desertification and forest fires.⁴⁸

Addressing the **Middle East Green Initiative Summit** in his capacity as President Tebboune's representative, Benabderrahmane said all Arab countries, which share "*virtually identical climatic characteristics*", should pool their resources:

*"Algeria will spare no effort to participate in the exchange of successful experiences with the Kingdom of Saudi Arabia and all countries that seek to increase their share of clean energy in their economy."*⁴⁹

Algeria is not a member of the **African Risk Capacity (ARC) Group**, a specialised agency of the **African Union (AU)** established to help governments improve their capacities to better plan, prepare, and respond to extreme weather events and natural disasters.⁵⁰ ARC is working to include more countries to support its mechanism, which currently has 35 AU member states.

⁴⁵ Al Jazeera, 11 Nov 2021

⁴⁶ All Africa, 26 Oct 2021

⁴⁷ Algerie Presse Service, 25 Oct 2021

⁴⁸ Algerie Presse Service, 25 Oct 2021

⁴⁹ All Africa, 26 Oct 2021

⁵⁰ African Risk Capacity, 18 Nov 2021

Planner

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

Chronology

22 Nov 2021 **Algiers (Algeria)** *Algeria Press Service*. Prime minister and minister of finance **Aïmene Benabderrahmane** introduces the finance bill 2022 to the members of the Council of the Nation (upper house of Parliament) for debate;

22 Nov 2021 **Washington (United States)** *North Africa Post*. The **International Monetary Fund (IMF)** affirms that the outlook for **Algeria** “remains uncertain and challenging”.

19 Nov 2021 **Algiers (Algeria)** *Middle East Monitor*. The **Federal Customs Service of Russia** says that Algeria imported secret products from Russia worth \$985m during the first nine months of 2021, possibly including weapons, aircraft and nuclear materials;

17 Nov 2021 **Algiers (Algeria)** *Algeria Press Service*. Members of the People's National Assembly (Lower House) adopt the Draft Finance Bill 2022 at a plenary session chaired by speaker **Brahim Boughali**, in the presence of the prime minister and minister of finance, **Aimene Benabderrahmane**;

12 Nov 2021 **Brussels (Belgium)** *MAP News*. **Belgium's** minister of state and federal deputy **Andre Flahaut** criticises **Algeria** for terminating the **Maghreb-Europe** gas pipeline, describing it as a source of additional uncertainty in **Europe** amid a health crisis and looming energy crunch due to gas supply issues;

11 Nov 2021 **Algiers (Algeria)** *Daily Sabah*. Turkey's energy minister, **Fatih Dönmez**, says negotiations between Turkey and Algeria over a deal to purchase liquefied natural gas (LNG) are going well, with the current agreement through which Turkey has received LNG from Algeria for roughly 30 years set to expire in 2024.

10 Nov 2021 **Madrid (Spain)** *SP Global*. **Spanish** natural gas company **Naturgy** holds talks with **Morocco** and **Algeria** in an attempt to reach an agreement that would extend the contract of the **Maghreb-Europe Pipeline** following Algeria's announcement on 31 October that it would terminate the contract;

10 Nov 2021 **Algiers (Algeria)** *al Jazeera*. Algeria welcomes comments by **France's** President **Emmanuel Macron** expressing regret over a diplomatic dispute sparked by his criticism of Algeria with foreign minister **Ramtane Lamamra** stating that Macron's statement “contained reasonable ideas that respect Algeria, its history, past and present, and respect Algeria's sovereignty”;

10 Nov 2021 **Algiers (Algeria)** *al Jazeera*. Foreign minister **Ramtane Lamamra** confirms that Algerian officials will attend a conference on **Libya** in **Paris**, but President **Abdelmadjid Tebboune** will not attend;

9 Nov 2021 **Paris (France)** *al Jazeera*. France's President **Emmanuel Macron** expresses his “regret” over a diplomatic dispute sparked by his criticism of the North African country;

6 Nov 2021 **Algiers (Rabat)** *CGTN*. Italy's President **Sergio Mattarella** kicks off a two-day visit to Algeria at the invitation of President **Abdelmadjid Tebboune**, aiming to boost bilateral cooperation, notably in the economic field;

6 Nov 2021 **New York (United States)** *Morocco World News*. The **United Nations (UN)** confirms that **Algeria's** regime violated the international law and ceasefire agreement in the

Western Sahara after three Algerian truck drivers died in **Bir Lahlou**, a restricted area in Western Sahara;

6 Nov 2021 **New York (United States)** *Morocco World News*. Morocco's permanent representative to the **United Nations (UN)**, **Omar Hilale**, emphasises the need for the UN to prevent **Algeria** and the separatist **Polisario Front** from turning the youth of the Polisario-run **Tindouf** camps into "potential terrorists";

5 Nov 2021 **New York (United States)** *Map News*. **United Nations (UN)** secretary general **Antonio Guterres** calls for dialogue between **Algeria** and Morocco to avoid further tensions;

3 Nov 2021 **Algiers (Algeria)** *Washington Post*. The **Mauritanian National Army** issues a statement denying news accusing Morocco of attacking **Algerian** trucks in northern **Mauritania**;

3 Nov 2021 **Algiers (Algeria)** *APS News*. Algeria says that three truck drivers have been killed in a bombing as they drove from **Mauritania**, an attack **Algiers** blames on neighbouring **Morocco**;

1 Nov 2021 **Algiers (Algeria)** *Algerie Part Plus*. Algeria's decision to terminate the **Maghreb-Europe** gas pipeline is reportedly due to a significant drop in the country's natural gas production and collapse of its natural gas export capacity;

31 Oct 2021 **Algiers (Algeria)** *Atalayar*. President **Abdelmadjid Tebboune** announces the termination of the **Maghreb-Europe** gas pipeline;

29 Oct 2021 **New York (United States)** *Africa News*. Morocco's permanent representative to the **United Nations (UN)**, **Omar Hilale**, says the Moroccan government welcomes the adoption of Resolution 2602, which extends the mandate of **MINURSO**, the peacekeeping operation in **Western Sahara**, until October 2022;

25 Oct 2021 **Rabat (Morocco)** *Morocco World News*. Morocco and **Algeria** to increase military spending in 2022 to \$12.8 billion and \$9.7 billion respectively.

About Africa Risk Consulting:

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