

AFRICA RISK CONSULTING

Algeria Monthly Briefing December 2021

Algeria Summary 17 December 2021

The Front de Libération Nationale (FLN) and Rassemblement National Démocratique (RND) win the most seats in Algeria's 27 November local elections; however, with no party securing an absolute majority, negotiations are needed to form majority coalitions. State-owned oil and gas company Sonatrach and Italy-headquartered energy group Eni sign two agreements on hydrocarbons and energy transition. Tunisia, under severe economic crisis and facing record fiscal deficit, acknowledges receipt of a \$300m loan from Algeria, the day before a visit from Algeria's President Abdelmadjid Tebboune (2019-present). France's culture minister, Roselyne Bachelot, announces that France will soon disclose to the public the most classified parts of its national archives on the Algerian War of Independence as part of reconciliation efforts. Algeria confirms the detection of its first case of the Omicron Covid-19 variant, raising concern over further waves of Covid-19.

Algeria's top parties keep power in local elections...

Autorité nationale indépendante des élections (ANIE) (election authority) head **Mohamed Charfi** announced on 14 December the results of local and regional elections held across **Algeria** on 27 November.¹ Although the elections were seen as a significant step in President **Abdelmadjid Tebboune's** (2019-present) push to turn the page on the two-decade rule of late former president **Abdelaziz Bouteflika** (1999-2019),² voter turnout was disappointingly low at 34-36%.³ While the **Front de Libération Nationale (FLN)** and **Rassemblement National Démocratique (RND)** won the most seats in Algeria's 58 regional assemblies, no party won an absolute majority, necessitating negotiations to form majority coalitions.

The long-ruling FLN won a majority in the largest number of municipalities, obtaining the majority in 696 of Algeria's 1,541 municipalities, with an absolute majority in 124 municipalities.⁴ The allied RND party took second place, obtaining the majority in 589 municipalities, with an absolute majority in 58 municipalities.⁵ Independents came in third place, achieving a majority in 435 municipalities, and an absolute majority in 91 municipalities.⁶ Support for Islamist parties **Mouvement de la société pour la paix (MSP)** and **El Bina** fell sharply in comparison to June's legislative elections. The **Front des forces socialistes (FFS)**, the pro-democracy party that pushed Bouteflika out in 2019, also lagged behind.⁷

The FLN party also topped preliminary results in state council elections, obtaining 471 seats and a relative majority in 25 states (out of 58), with no party obtaining an absolute majority in

¹ AP News, 1 Dec 2021

² France24, 27 Nov 2021

³ Arab Weekly, 1 Dec 2021

⁴ Middle East Monitor, 1 Dec 2021

⁵ Middle East Monitor, 1 Dec 2021

⁶ Middle East Monitor, 1 Dec 2021

⁷ Arab Weekly, 1 Dec 2021

any state.⁸ Independents achieved second place with 443 seats and a relative majority in 10 states, while the RND party took third place with 366 seats and a relative majority in 13 states.⁹

President Tebboune described the local and regional elections as the final step in the process of renewing domestic politics after Bouteflika's ouster, following the 2019 presidential elections and legislative elections in June this year (see *ARC Briefing Algeria June 2021*).¹⁰ However, pro-democracy activists say the political changes since 2019 have been merely cosmetic and failed to make Algerian politics more open and fair. The FLN remains a dominant force in all levels of government.

The local and regional elections took place amid widespread concern and frustration over rising prices for basic goods and health care.¹¹ Unless addressed, the rising cost of living may affect the government's popularity and the FLN's standing in the next elections. The government's plan to scrap its generous state subsidies on basic goods is likely to be unpopular among those who benefit from them; parliament voted on 17 November to wind back the subsidy system.¹² State subsidies have long helped maintain social peace but strain state budgets as energy revenues have fallen.¹³ Algeria has for decades subsidised most goods from bread and milk to fuel and electricity, at the cost of billions of dollars a year. The subsidy system has been funded by energy exports, which account for about 95% of foreign revenues and 60% of Algeria's budget.¹⁴ However, lower energy prices mean the state can no longer afford its generous social policy.¹⁵ Earnings from energy exports plummeted during the economic downturn driven by Covid-19, heightening the strain on public finances.¹⁶ The **International Monetary Fund (IMF)**, which advocates subsidy reform, urged Algiers in October to recalibrate its policies, with economist **Omar Berkouk** noting

*"All the **World Bank** and International Monetary Fund experts, as well as economists, have pointed to the need to reduce (subsidies) by better targeting the recipients."*¹⁷

Many local economists support the government's plan as "*a necessary evil*", but call for protection of Algeria's neediest. According to **Germany**-based market and consumer data firm **Statista**, the number of Algerians living in poverty was reported at its highest in the last four years, at 1.9 million as of 4 March.¹⁸ The number of poor people living under the national poverty line increased by 200,000 from 2020.¹⁹ In 2018 and 2019, Algerian authorities recorded 1.3 million cases of poverty.²⁰

Sonatrach signs energy agreements with Eni...

State-owned oil and gas company **Sonatrach** and **Italy**-headquartered energy group **Eni** signed two agreements on hydrocarbons and energy transition on 14 December.²¹ These are the first agreements inked since a hydrocarbons law was passed in 2019 to make the local market more attractive to foreign investors. However, the agreements face opposition from citizens who

⁸ Middle East Monitor, 1 Dec 2021

⁹ Middle East Monitor, 1 Dec 2021

¹⁰ Arab Weekly, 1 Dec 2021

¹¹ AP News, 1 Dec 2021

¹² France24, 24 Nov 2021

¹³ France24, 24 Nov 2021

¹⁴ France24, 24 Nov 2021

¹⁵ France24, 24 Nov 2021

¹⁶ France24, 24 Nov 2021

¹⁷ France24, 24 Nov 2021

¹⁸ Statista, 4 March 2021

¹⁹ Statista, 4 March 2021

²⁰ Statista, 4 March 2021

²¹ Reuters, 14 Dec 2021

claim that they transfer Algeria's wealth to multinationals.²² Algeria is **Africa's** largest gas exporter and earns about 90% of its state revenues from hydrocarbons.

The first agreement with Eni is a \$1.4 billion exploration and production contract in the **Berkine Basin** area in south-eastern Algeria, for the production of 45,000 barrels of oil equivalent per day.²³ The deal covers a total area of 78,880 square kilometres in the southern part of the Berkine Basin, where Eni and Sonatrach have open operating in since 2013.²⁴ The contract for the Berkine area was signed by Sonatrach CEO **Toufik Hakkar** and Eni CEO **Claudio Descalzi** in the presence of energy and mines minister **Mohamed Arkab** and Italy's ambassador to Algeria, **Giovanni Pugliese**.²⁵ Sonatrach described the agreement as "*another milestone that strengthens the traditional relationship between [Eni and Sonatrach]*."²⁶ Eni, which has operated in Algeria since 1981, is Sonatrach's main foreign partner in the oil and gas sector. Both companies jointly operate the **TransMed** pipeline that exports Algerian gas to Italy via **Tunisia**, with a capacity of about 32 million cubic metres per year, four times that of the **Medgaz** pipeline to **Spain**.²⁷

The second agreement is for cooperation in the energy transition sector. According to Sonatrach, it aims to strengthen existing technological cooperation and pursue efforts to reduce the carbon footprint.²⁸ The deal will focus on the joint development of renewable and new energies, particularly in production of solar energy, lithium prospecting, biofuels and hydrogen production.²⁹

Algeria lends Tunisia \$300m ...

In the pursuit of regional cooperation, Algeria has lent a helping hand to Tunisia, which is under severe economic strain and facing record fiscal deficit. Tunisia's public finances have been battered by a decade of political instability, low investment and structural problems, with debts approaching 100% of GDP and unemployment at 18%.³⁰ Tunisia acknowledged on 14 December the receipt of a \$300m loan from Algeria, stating that President **Kais Saied** (2019-present) had signed a presidential decree approving the deal reached on 9 December.³¹ Algeria's President Tebboune was scheduled to visit **Tunis** on 15 December, which the presidency said would strengthen the deep relations and expand cooperation between the two countries.³²

After sacking his government on 25 July, Saied seized an array of powers but has not yet laid out a rescue plan for the country's dire economy. He announced on 13 December that he would call a constitutional referendum in 2022, a year to the day after he seized broad powers in moves his opponents call a coup, and said parliamentary elections will follow at the end of 2022.³³ The Tunisian economy has grown at just 0.6% since its 2011 revolution during the **Arab Spring**, while inflation has surged at 6% a year. Investors have been deterred by the unwelcoming business environment. Covid-19 also made the economic situation worse, slashing jobs in the vital tourism sector, while high commodity prices have hurt reserves and a drought has battered farmers.³⁴

²² Rigzone, 15 Dec 2021

²³ Arab News, 15 Dec 2021

²⁴ Reuters, 14 Dec 2021

²⁵ Arab News, 15 Dec 2021

²⁶ Arab News, 15 Dec 2021

²⁷ Arab News, 15 Dec 2021

²⁸ Reuters, 14 Dec 2021

²⁹ Reuters, 14 Dec 2021

³⁰ Arab News, 14 Dec 2021

³¹ Arab News, 14 Dec 2021

³² Reuters, 14 Dec 2021

³³ Reuters, 14 Dec 2021

³⁴ Arab News, 14 Dec 2021

... and France lifts lid on secret war archives

France's culture minister, **Roselyne Bachelot** announced on 10 December that France will soon disclose to the public the most classified parts of its national archives on the **Algerian War of Independence**.³⁵ The move is expected to shed light on some of the darkest chapters in France's colonial history and further reconciliation efforts with Algeria.³⁶ While Bachelot noted the need for "*courage to look the historical truth in the face*", leading French historian of Algerian history **Benjamin Stora** said declassifying the archives could make sense of certain deaths that remain unexplained and is an important step toward a better understanding of the war:

*"You can know which people were under surveillance, followed, arrested. It's the whole chain leading up to repressive measures that can be unveiled."*³⁷

The announcement followed a surprise trip to **Algiers** on 8 December by France's foreign minister, **Jean-Yves Le Drian**, who held talks with President Tebboune aimed at reviving dialogue between the two countries after their sharp deterioration this year.³⁸ Algeria welcomed "*reasonable*" comments by 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.³⁹ Macron in October accused Algeria's "*political-military system*" of rewriting history and fomenting "*hatred towards France*" (see *ARC Briefing Algeria Oct 2021*).⁴⁰ 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.⁴¹

Algeria lived under French rule for 132 years until it won the independence war in 1962. Between 1954 and 1962, France launched a war against an independence movement in Algeria which was its colony at the time.⁴² According to historians, hundreds of thousands of Algerians were reportedly killed and French forces and their proxies used torture against opponents. The war in Algeria divided France and launched a failed coup attempt against then-President **Charles de Gaulle** (1959-1969) to prevent him from ending French rule. Almost 60 years after its termination, the conflict remains a highly sensitive and divisive topic in France.

Algeria confirms first case of Omicron variant

Algeria confirmed detection of its first case of the **Omicron** Covid-19 variant on 14 December.⁴³ According to local media, a foreign national who entered the country on 10 December tested positive for Covid-19 on his arrival at **Houari Boumediene Airport** in Algiers. Local media reported that his sample, which was sent to the **Institut Pasteur d'Alger**, was confirmed on 14 December as the Omicron variant.⁴⁴ Institut Pasteur d'Alger acting director **Fawzi Derrar** said the foreign national was placed in quarantine upon his arrival in Algeria.⁴⁵

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.⁴⁶ As of 15 December, the health ministry had administered at least 12,837,187

³⁵ Reuters, 10 Dec 2021

³⁶ Reuters, 10 Dec 2021

³⁷ Reuters, 10 Dec 2021

³⁸ France24, 8 Dec 2021

³⁹ Al Jazeera, 11 Nov 2021

⁴⁰ The Arab Weekly, 3 Oct 2021

⁴¹ Al Jazeera, 11 Nov 2021

⁴² France24, 8 Dec 2021

⁴³ Orissa Post, 15 Dec 2021

⁴⁴ Xinhua, 15 Dec 2021

⁴⁵ Orissa Post, 15 Dec 2021

⁴⁶ Menafn, 19 Oct 2021

Covid-19 vaccine doses, with 7,245,471 vaccinated (16.24% of the population) and 5,542,848 fully vaccinated (12.42% of the total population).⁴⁷ As of 16 December, Algeria had recorded 213,533 cases of Covid-19 in its population of 44 million, with 6,165 Covid-19-related deaths and 146,898 recoveries.⁴⁸ As of 15 December, there were 60,470 active cases in Algeria.⁴⁹

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*).⁵⁰ However, family gatherings, such as weddings and gatherings in public places, remain banned under the pandemic sanitary measures.⁵¹

2021 highlights and key issues for 2022...

Algeria will look back on 2021 as a mixed and eventful year concluding on an uncertain and challenging **economic** situation. Earlier in the year, the **Banque d'Algérie's** (central bank) **Comité des opérations de politique monétaire (COPM)** (monetary policy operations committee) decided to reduce the reserve requirement rate from 3 to 2%, as of 15 February. The **African Development Bank (AfDB)** in its **2021 Outlook for Africa**, released on 12 March, captured the extent of the blow that the Covid-19 pandemic has dealt to Algeria's economy, and many others on the continent. The AfDB noted that Algeria's economy contracted by 4.7%, while **Morocco** and Tunisia saw their economies contract by 5.9% and 8.8% respectively. In April, government took further steps to diversify its economy and reduce its dependence on oil revenue, which was a major factor contributing to the decline in growth in 2020. Mining and energy minister **Mohamed Arkab** signed a memorandum of understanding on 30 March between the **Entreprise Nationale de Fer et de l'Acier (FERAAL)** (national iron and steel company) and a consortium of **Chinese** companies, for the exploitation of the **Gara Djebilet** iron deposit in the *wilaya* of **Tindouf**.

Higher oil and gas earnings in 2021 reduced Algeria's trade deficit. The finance ministry announced on 14 September that the country's trade deficit fell 87.9% to \$926m in the first eight months of this year due to higher oil and gas earnings and lower imports. The Executive Board of the IMF concluded an Article IV consultation with Algeria on 19 November, noting the gradual recovery of its economy from the Covid-19 pandemic and oil shocks of 2020, but cautioning that the economic outlook remains "*uncertain & challenging*". 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.

In **Covid-19** developments, pharmaceutical industry minister **Lotfi Benbahmed** announced on 8 April that Algeria will start producing **Russia's Sputnik V** Covid-19 vaccine in September in partnership with **Moscow**. Benbahmed confirmed on 17 September that Algeria's pharmaceutical group **Saidal** will begin producing the **CoronaVac** Covid-19 vaccine in **Constantine** from 29 September, in collaboration with a Chinese laboratory. In June, Algeria opened its air borders to allow a limited number of flights to enter the country.

On the **domestic political front**, President Tebboune dissolved Algeria's parliament and set 12 June as the date for early legislative elections. The FLN won the highest number of seats at 105, far below the 204 seats needed to command a parliamentary majority. Tebboune appointed a new prime minister and named a new cabinet following the FLN's victory in the legislative elections, with former finance minister **Ayman Benabderrahmane** as prime minister, replacing **Abdelaziz Djerad**.

⁴⁷ Covid Vax Live Tracker, 16 Dec 2021

⁴⁸ Worldometers, 16 Dec 2021

⁴⁹ Worldometers, 16 Dec 2021

⁵⁰ Menafn, 19 Oct 2021

⁵¹ Menafn, 19 Oct 2021

The government continued corruption trials of former members of Algeria's elite. 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. In a symbol of political appeasement, President Tebboune announced a pardon of over 200 prisoners on 14 July, including 101 detainees from the **Hirak** protest movement. The measure of clemency marked the celebration of the 59th anniversary of independence and Youth Day on 5 July. President Tebboune ordered the national flag to be flown at half-mast throughout Algeria for three days following the death of his predecessor, former president Bouteflika, on 17 September at the age of 84. The **Dar El Beïda Court** in Algiers sentenced **Said Bouteflika**, younger brother of Bouteflika to two years in jail on 12 October for obstructing the course of justice.

On the **diplomatic front**, the announcement by the administration of **United States (US)** President **Joseph Biden** (2021-present) that it would not reverse former president **Donald Trump's** (2017-2021) decision to recognise Morocco's sovereignty over the **Western Sahara** dashed Algeria's hopes of a reversal of US recognition in favour of the **Polisario** separatists it supports. Algeria's foreign ministry has said it will not support a "*biased*" **United Nations Security Council (UNSC)** resolution regarding negotiations over the Western Sahara.

Further fuelling tensions with Morocco, the Algerian government blamed forest fires across northern Algeria in August on two groups it recently designated as "*terrorist*" organisations, claiming that Morocco and **Israel** backed one of the groups. Foreign minister **Ramtane Lamamra** announced on 24 August that Algeria had severed its diplomatic ties with Morocco. Algeria announced in September the closure of its airspace to all Moroccan aircraft, both civilian and military. The 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), effectively ending the Algeria-Morocco-**Spain** pipeline agreement known as the **Maghreb-Europe** pipeline, which transports over 13,500 million cubic metres of natural gas annually.

Algeria closed its airspace to French military planes on 3 October in a deteriorating diplomatic row between the two countries. Tension between Algeria and France intensified following France's announcement that it would reduce the number of visas it issues to travellers from Morocco, Tunisia and Algeria because the governments of those countries were reportedly refusing to take back migrants expelled from France. However, on 9 November, Algeria welcomed Macron's comments stating his "*greatest respect*" for Algiers and "*regret*" over the diplomatic dispute sparked by his criticism of Algeria.

Going into 2022, some of the key issues government will focus on include accelerating manufacturing of **CoronaVac** Covid-19 vaccines; containing and managing the Omicron Covid-19 variant; bringing the dire economic situation under control; and hosting the **Turkey-Africa Summit, Turkey-Africa Economic and Business Forum** and Algeria Oil & Gas Summit & Exhibition.

Planner

Dec 2021 **Algiers (Algeria)** Algeria Oil & Gas Summit & Exhibition;
 2021 (TBA) **Istanbul (Turkey)** Turkey-Africa Economic and Business Forum;
 March 2022 **Algiers (Algeria)** Arab League summit.

Chronology

14 Dec 2021 **Algiers (Algeria)** *Orissapost*. Algeria confirms its first case of the new **Covid-19** variant, **Omicron**;

14 Dec 2021 **Algiers (Algeria)** *Arab News*. Algeria lends \$300m to **Tunisia**, which is facing severe economic strain;

14 Dec 2021 **Algiers (Algeria)** *Rigzone*. State-owned oil and gas company **Sonatrach** and **Italian** energy group **Eni** sign a contract to relaunch production in Algeria's **Berkine** basin as well as an agreement for decarbonisation initiatives;

10 Dec 2021 **Algiers (Algeria)** *CGTN*. Tunisia's prime minister, **Najla Bouden Romdhane**, meets with her visiting Algerian counterpart, **Ayman Benabderrahmane**, to discuss cooperation between the two countries;

10 Dec 2021 **Paris (France)** *France24*. France announces it will soon disclose to the public the most classified parts of its national archives on the **Algerian War of Independence**;

9 Dec 2021 **Fez (Morocco)** *Shfanews*. **Algeria's** President **Abdelmajid Tebboune** has requested that **Palestinian National Authority** president **Mahmoud Abbas Abu Mazen** mediate a "gradual" normalisation of ties with **Israel**;

8 Dec 2021 **Rabat (Morocco)** *Jeune Afrique*. **Algerian** politician and former secretary-general of Algeria's **National Liberation Front (FLN)** **Amar Saadani** is under "high protection" by Morocco's security services in **Rabat**;

8 Dec 2021 **Paris (France)** *Reuters*. France's foreign minister, **Jean-Yves Le Drian**, arrives in **Algiers** for reconciliation talks aimed at reviving relations after ties between the two countries soured in recent months with the diplomat saying this was a step to "turning the page";

6 Dec 2021 **Paris (France)** *Times of Israel*. **Palestinian Authority (PA)** president **Mahmoud Abbas** visits **Algiers** and meets President **Abd al-Majid Tebboune**, who pledges to donate \$100m to the cash-strapped organisation;

4 Dec 2021 **Meknes (Algeria)** *Morocco World News*. **Polisario Front** leader **Brahim Ghali** says his movement is unwilling to take part in the **United Nations (UN)**-led political process on **Western Sahara**, promising that the separatist front would not commit to any peacemaking efforts that do not guarantee "*Sahrawi self-determination*";

30 Nov 2021 **Algiers (Algeria)** *Reuters*. Algeria has appointed **Achraf Benhassine** as its new governor to the **Organization of the Petroleum Exporting Countries (OPEC)**, replacing **Mohamed Hamel**;

29 Nov 2021 **Algiers (Algeria)** *Techcrunch*. Algerian start-up **Yassir**, which provides on-demand services such as ride-hailing and last-mile delivery, has raised \$30m in a Series A funding round to build an **African "super-app"**;

29 Nov 2021 **Algiers (Algeria)** *Afrik21*. The government says it plans to allocate 33 billion dinars (\$237m) to the city of **Algiers** in 2022 to improve waste management;

27 Nov 2021 **Algiers (Algeria)** *Reuters*. Algerians vote in local elections to seal post-**Bouteflika** 'change';

25 Nov 2021 **Algiers (Algeria)** *Times of Israel*. Senate chief **Salah Goudjil**, second to the president, says the visit to **Morocco** by **Israel's** defence minister, **Benjamin Gantz**, shows "enemies are mobilising" to undermine the country;

18 Nov 2021 **Algiers (Algeria)** *Arab Weekly*. Algeria's lower house of parliament passes a bill that paves the way to scrapping subsidies on basic goods, replacing it with targeted aid to the poorest families.

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