

## AFRICA RISK CONSULTING

### Algeria Monthly Briefing January 2022

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#### Algeria Summary 25 January 2022

*President Abdelmadjid Tebboune (2019-present) signs into law Algeria's Finance Law 2022. State-owned oil company Sonatrach CEO Toufik Hakkar announces plans to invest \$40 billion between 2022 and 2026 in oil exploration, production and refining, and gas exploration and extraction. The World Bank calls criticism by Algerian media of its 22 December report on Algeria's dire domestic socioeconomic situation "unacceptable". Government officials will investigate shortages of certain foods that are raising the prospects of fresh protests in Algeria. The League of Arab States announces it is delaying its annual summit, scheduled for 22 March in Algiers, due to rising numbers of Covid-19 infections across the globe.*

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#### Tebboune signs 2022 budget law ...

President **Abdelmadjid Tebboune** (2019-present) signed the **Finance Law 2022** on 30 December at the headquarters of the Presidency, in the presence of top government officials.<sup>1</sup> The 2022 budget is based on a reference price of crude oil at \$45 a barrel and a market price of \$50 a barrel, with economic growth forecast at 3.3%, non-hydrocarbon growth at 3.7%, and inflation at 3.7%.<sup>2</sup> Hydrocarbon exports are anticipated to reach \$27.9 billion while imports are set to reach \$31.8 billion.<sup>3</sup>

The finance law provides for receipts of DZD 5,683.22 billion (\$40.59 billion) and budget expenses of DZD 9,858.4 billion (\$79.41 billion).<sup>4</sup> The law also provides for several measures to support investment in several sectors, the creation of a national compensation mechanism for needy households, and an overhaul of the total income tax system (IRG).<sup>5</sup>

Algeria, whose economy is heavily oil-dependent, has faced increased "ongoing economic vulnerabilities" following a succession of adverse shocks since 2014, when oil prices dropped.<sup>6</sup> The government's objective is to develop an efficient economic model that will curb the import bill and boost the export of industrial goods so that the country will gradually reduce its dependence on hydrocarbon reserves.<sup>7</sup> In order to diversify Algeria's economy, the government is encouraging private and public companies to improve the quality and competitiveness of their products with the objective of satisfying local demand ahead of gaining more access into foreign markets.<sup>8</sup>

#### ... as Sonatrach plans to invest \$40 billion over five years

State-owned oil and gas group **Sonatrach** CEO **Toufik Hakkar** announced on 3 January his company's plans to invest \$40 billion between 2022 and 2026 in oil exploration, production and

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<sup>1</sup> All Africa, 31 Dec 2021

<sup>2</sup> Algeria Press Service, 30 Dec 2021

<sup>3</sup> All Africa, 31 Dec 2021

<sup>4</sup> Algeria Press Service, 30 Dec 2021

<sup>5</sup> Algeria Press Service, 30 Dec 2021

<sup>6</sup> International Monetary Fund, 22 Nov 2021

<sup>7</sup> Capital Fm, 31 Dec 2021

<sup>8</sup> Capital Fm, 31 Dec 2021

refining, as well as gas exploration and extraction.<sup>9</sup> Hakkar noted that the largest share of Sonatrach's \$40 billion investment will be directed towards exploration and production in order to "*preserve our production capacities, as well as to projects in refining to meet the national demand for fuel*".<sup>10</sup> Sonatrach will invest \$8 billion in 2022. The group's four-year plan includes a refinery in **Hassi Messaoud**, the largest oil field in Algeria, and extending the **Skikda** refinery to convert certain by-products into fuels. Sonatrach will also put into service the fourth turbo-compressor of the **Medgaz** pipeline, which transports Algerian gas to **Spain** and **Portugal**.

Hakkar said Sonatrach's plans include a resumption of activities in **Libya** where the group suspended most of its exploration activities in 2014 due to the deteriorating security situation there.<sup>11</sup> A Sonatrach delegation will visit Libya by the end of February to prepare with its partner, Libyan national oil company, the **National Oil Corporation (NOC)**, to discuss how to create safe conditions for its workers and equipment.<sup>12</sup> Hakkar emphasised that Sonatrach had made significant investments in oil and gas exploration in Libya and the group will not leave the discoveries undeveloped.<sup>13</sup>

Sonatrach's revenues increased by 70% in 2021 due to a 19% increases in its hydrocarbon exports. The group exported \$34.5 billion in 2021, against \$20 billion in 2020.<sup>14</sup> While the average price of an oil barrel is around \$70, Hakkar said the group's strategy is based on a price of \$50 a barrel, so as to avoid any market fluctuations.<sup>15</sup> Algeria, Africa's fourth largest economy, is particularly vulnerable to fluctuations in hydrocarbon prices because of its heavy dependence on oil and gas revenues, which account for more than 90% of external income.<sup>16</sup> The **Banque d'Algérie** (central bank) announced in December that a rebound of crude oil helped to reduce the country's trade deficit from \$10.5 billion at the end of September 2020 to \$1.57 billion in September 2021.<sup>17</sup>

### Algeria criticises World Bank report exposing lack of reforms ...

The **World Bank** on 6 January responded to criticism by Algerian media of its 22 December report, calling it "*unacceptable*".<sup>18</sup> and will "*not consider that they could be used as an argument or constitute an element of debate*". The financial institution released a report on Algeria on 22 December noting a lack of meaningful reforms, rising poverty, the fragile recovery in the socio-economic sector, and social disparities domestically.<sup>19</sup>

Following the report's publication, Algerian media, including state-owned **Algérie Press Service (APS)**, responded fiercely on 28 December to the World Bank's report, claiming that it was carried out at the behest of the **Moroccan** royal palace.<sup>20</sup> Algeria and Morocco have been embroiled in a diplomatic spat since August. Algeria announced on 24 August its decision to sever all diplomatic ties with Morocco, accusing **Rabat** of committing "*hostile acts*" and colluding with "*terrorist groups*" to undermine Algerian interests.<sup>21</sup> In a statement on 31 October, Algeria's presidency also cited "*hostile*" acts by Morocco to undermine Algerian unity as the reason it was no longer willing to extend the Europe-Maghreb pipeline contract,

<sup>9</sup> Africa News, 4 Jan 2022

<sup>10</sup> Africa News, 4 Jan 2022

<sup>11</sup> Reuters, 3 Jan 2022

<sup>12</sup> Reuters, 3 Jan 2022

<sup>13</sup> Africa News, 4 Jan 2022

<sup>14</sup> Reuters, 3 Jan 2022

<sup>15</sup> Africa News, 4 Jan 2022

<sup>16</sup> Africa News, 4 Jan 2022

<sup>17</sup> Africa News, 4 Jan 2022

<sup>18</sup> World Bank Group, 6 Jan 2022

<sup>19</sup> Morocco World News, 7 Jan 2022

<sup>20</sup> Morocco World News, 7 Jan 2022

<sup>21</sup> Morocco World News, 9 Sep 2021

operational since November 1996, and transporting over 13,500 million cubic metres of natural gas annually.<sup>22</sup> Algeria has long supported the separatist **Polisario Front**, an armed group demanding independence from Morocco for the **Western Sahara**.<sup>23</sup> 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.<sup>24</sup> 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.<sup>25</sup>

According to the state-owned news agency, the staff member who authored the report is the vice-president of the World Bank in charge of the **Middle East and North Africa (MENA)** region, **Farid Belhaj**, whom APS claims is a close friend of Morocco's royal palace.<sup>26</sup> In its response, the World Bank noted that several Algerian media included factually incorrect statements about the content of the report,

*"prepared with the greatest rigor, and its author, a team of economists working in the Maghreb region".<sup>27</sup>*

The World Bank noted *"with regret"* that some of the articles cited by Algerian media adopted language that their anonymous authors *"may not have fully thought through"*.<sup>28</sup> The financial institution highlighted that it regularly publishes similar reports for member countries, emphasising that the data undergoes a *"thorough qualitative review"* before being published. The World Bank also noted that its report on Algeria is exclusively based on publicly available data that is referenced in the publication or is supplied directly to member country authorities.<sup>29</sup>

### **... as worsening food shortages prompt official probe**

Government officials will investigate shortages of certain foods that are raising the prospects of fresh protests in Algeria.<sup>30</sup> Amid tight controls on local media, many citizens have taken to social networks to express their frustration at current food shortages.<sup>31</sup> The upper house of parliament established a commission on 8 January into *"shortages and speculation into food products"*, accusing speculators of creating a food shortage in order to profit from high margins.<sup>32</sup>

Persistent increases in global prices of grains, oilseeds and powdered milk are increasing pressure on Algeria's troubled finances.<sup>33</sup> The government has for decades subsidised most goods from bread and milk to fuel and electricity, at a cost of roughly \$17 billion per year.<sup>34</sup> It has stepped up efforts to reduce a huge food import bill since protests in 2019 when citizens demanded democratic rule and pushed long-time ruler **Abdelaziz Bouteflika** (1999-2019) to

<sup>22</sup> Morocco World News, 31 Oct 2021

<sup>23</sup> Morocco World News, 9 Sep 2021

<sup>24</sup> Al Jazeera, 11 Dec 2020

<sup>25</sup> Al Jazeera, 11 Dec 2020

<sup>26</sup> Morocco World News, 7 Jan 2022

<sup>27</sup> World Bank Group, 6 Jan 2022

<sup>28</sup> World Bank Group, 6 Jan 2022

<sup>29</sup> World Bank Group, 6 Jan 2022

<sup>30</sup> Bloomberg, 8 Jan 2022

<sup>31</sup> Bloomberg, 8 Jan 2022

<sup>32</sup> Algeria Press Service, 8 Jan 2022

<sup>33</sup> Bloomberg, 8 Jan 2022

<sup>34</sup> France24, 24 Nov 2021; Bloomberg, 8 Jan 2022

resign.<sup>35</sup> However, in November, the government announced plans to curb spending on food subsidies once a compensation mechanism for the neediest Algerian households takes effect at a date yet to be determined (*ARC Briefing Algeria Dec 2021*).<sup>36</sup> Parliament voted on 17 November to wind back the subsidy system.

The government's plan to scrap its generous state subsidies on basic goods is likely to be unpopular among those who benefit from them.<sup>37</sup> State subsidies have long helped maintain social peace but strain state budgets as energy revenues have fallen.<sup>38</sup> The subsidy system has been funded by energy exports, which account for about 95% of foreign revenues and 60% of Algeria's budget.<sup>39</sup> However, earnings from energy exports plummeted during the economic downturn driven by **Covid-19**, heightening the strain on public finances, and lower energy prices mean the state can no longer afford its generous social policy.<sup>40</sup> The **International Monetary Fund (IMF)**, which advocates subsidy reform, urged **Algiers** in October to recalibrate its policies.<sup>41</sup>

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 2021.<sup>42</sup> The number of poor people living under the national poverty line increased by 200,000 from 2020.<sup>43</sup> In 2018 and 2019, Algerian authorities recorded 1.3 million cases of poverty.<sup>44</sup> Unless addressed, some analysts predict that the rising cost of living may affect the government's popularity and the standing of the **Front de Libération Nationale (FLN)** in the next elections.<sup>45</sup>

### Arab League delays annual summit amid surge in COVID-19 cases...

The first **Arab Summit** to be held since the start of the Covid-19 pandemic in March 2020 has been delayed again because of rising Covid-19 cases across the world. The **League of Arab States** on 21 January announced that it is delaying its annual summit, scheduled for 22 March in Algiers, due to Covid-19 again after two years of pandemic-related cancellations.<sup>46</sup> The last Arab League summit was held in **Tunis** in March 2019. A week after returning to **Cairo (Egypt)** from a visit to Algiers, the pan-Arab organisation's assistant secretary-general, **Hossam Zaki**, in a televised briefing on 21 January said that "*every year, the summit is held in March, but this year, there has been a delay*".<sup>47</sup>

Zaki noted that Algeria preferred the option of delaying the summit, given that the quorum of Arab leaders and high-ranking authorities could not be guaranteed because of the health crisis.<sup>48</sup> Zaki emphasised that "*no political reasons*" were behind the postponement, however, the time could be used to "*improve political climates*" in the region. Arab foreign ministers are set to announce a new date during their scheduled meeting on 9 March, and no agenda has been announced as of yet.

<sup>35</sup> Bloomberg, 8 Jan 2022

<sup>36</sup> Bloomberg, 8 Jan 2022

<sup>37</sup> France24, 24 Nov 2021

<sup>38</sup> France24, 24 Nov 2021

<sup>39</sup> France24, 24 Nov 2021

<sup>40</sup> France24, 24 Nov 2021

<sup>41</sup> France24, 24 Nov 2021

<sup>42</sup> Statista, 4 Mar 2021

<sup>43</sup> Statista, 4 Mar 2021

<sup>44</sup> Statista, 4 Mar 2021

<sup>45</sup> AP News, 1 Dec 2021

<sup>46</sup> Al Jazeera, 23 Jan 2022

<sup>47</sup> Al Jazeera, 23 Jan 2022

<sup>48</sup> Al Jazeera, 23 Jan 2022

Algeria's foreign minister, **Ramtane Lamamra**, said on 22 January that President Tebboune intends to propose a date that will combine "*the historical national symbolism and the Arab dimension for the holding of the Arab Summit in Algiers*".<sup>49</sup> Lamamra said Algeria will use the summit as an opportunity to inform Arab leaders on efforts made by Algiers for strengthening joint Arab action in order to implement an Arab security system with all its dimensions.<sup>50</sup> The Arab region is engulfed with multiple conflicts and crises that leaders will be hoping to resolve at the summit. These include the 2021 coup in **Sudan**, which resulted in the country's suspension from the **African Union (AU)**, the war in **Yemen**, which has claimed nearly 400,000 lives since 2015, as well as the protracted crises in Libya, **Lebanon** and beyond.<sup>51</sup>

The Algerian 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 at least 60% of the population.<sup>52</sup> As of 25 January, the health ministry had administered at least 13,321,974 Covid-19 vaccine doses, with 7,399,227 vaccinated (16.58% of the population) and 5,948,158 fully vaccinated (13.33% of the total population).<sup>53</sup> As of 25 January, Algeria had recorded 238,885 cases of Covid-19 in its population of 44 million, with 6,508 Covid-19-related deaths and 160,624 recoveries.<sup>54</sup> On 24 January, there were 2,215 active cases in Algeria and the seven day average as of the same date was 1,734 cases.<sup>55</sup> 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*).<sup>56</sup> However, family gatherings, such as weddings and gatherings in public places, remain banned under the pandemic sanitary measures.<sup>57</sup>

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<sup>49</sup> Algeria Press Service, 23 Jan 2022

<sup>50</sup> Algeria Press Service, 23 Jan 2022

<sup>51</sup> Al Jazeera, 23 Jan 2022

<sup>52</sup> Menafn, 19 Oct 2021

<sup>53</sup> Covidvax Live Covid-19 Vaccine Tracker, 25 Jan 2022

<sup>54</sup> Worldometers, 25 Jan 2022

<sup>55</sup> John Hopkins University Covid-19 Data, 25 Jan 2022

<sup>56</sup> Menafn, 19 Oct 2021

<sup>57</sup> Menafn, 19 Oct 2021

## Planner

2021 (TBA) **Istanbul (Turkey)** Turkey-Africa Economic and Business Forum;  
 March 2022 **Algiers (Algeria)** Arab League Foreign Ministers summit.  
 2022 **Algiers (Algeria)** Arab League Summit

## Chronology

23 Jan 2022 **Algiers (Algeria)** *Algeria Press Service*. The Algerian pavilion at **Expo 2020 Dubai (United Arab Emirates)** will organise a conference on 25 January on the business climate in Algeria;

23 Jan 2022 **Algiers (Algeria)** *Libya Observer*. **Tunisia's** foreign minister, **Othman Jerandi**, and his Algerian counterpart, **Ramtane Lamamra**, emphasise continued support for efforts to push the **Libyan** political track forward;

23 Jan 2022 **Algiers (Algeria)**. *Times of Malta*. **Malta**-based water and energy equipment supply and service company **PB Group** is awarded three major procurement and engineering contracts in Algeria;

22 Jan 2022 **Algiers (Algeria)** *Algeria Press Service*. The **National Office of Statistics** announces that Algeria's number of inhabitants reached 44.6 million on 1 January 2021 against 44.3 million on 1 July 2020;

21 Jan 2022 **Algiers (Algeria)** *Africa News*. Algeria closes schools for ten days over rising **Omicron** cases;

21 Jan 2022 **Algiers (Algeria)** *Middle East Monitor*. The **Arab League Summit** is postponed due to **Covid-19**;

21 Jan 2022 **New York (United States)** *Algeria Press Service*. **United Nations (UN)** secretary general **Antonio Guterres** calls for dialogue between **Morocco** and the **Polisario Front** to resolve once and for all the conflict in **Western Sahara**;

8 Jan 2022 **Algiers (Algeria)** *Bloomberg*. Algeria's worsening food shortages prompt lawmakers' probe;

8 Jan 2022 **Algiers (Algeria)** *Power-Technology*. Algerian renewable energies company, **Shaems**, has invited firms to bid by 30 April for the contracts to develop up to 1,000MW of solar photovoltaic (PC) schemes and will follow a two-step tender evaluation process, starting with the opening of the technical offers;

3 Jan 2022 **Algiers (Algeria)** *Africa News*. State-owned oil and gas company **Sonatrach** announces plans to invest \$40 billion over five years between 2022 and 2026 in oil exploration, production and refining, and gas exploration and extraction;

3 Jan 2022 **Algiers (Algeria)** *Reuters*. State-owned oil and gas company **Sonatrach** is preparing to resume suspended oil projects in **Libya**;

30 Dec 2021 **Algiers (Algeria)** *Algeria Press Service*. President **Abdelmadjid Tebboune** signs the 2022 finance law anticipating economic growth of 3.3% and hydrocarbon exports of \$27.9 billion;

30 Dec 2021 **Algiers (Algeria)** *Algeria Press Service*. President **Abdelmadjid Tebboune** installs members of the **Superior Council of Magistracy (CSM)** (council of the judiciary);

29 Dec 2021 **Algiers (Algeria)** *Morocco World News*. Algerian state-news agency **Algérie Presse Service** publishes a report condemning a **World Bank** report published on 22 December detailing Algeria's rising poverty rate;

29 Dec 2021 **Algiers (Algeria)** *Le Pays*. **Mauritanian** president **Mohamed Ould Ghazouani** concludes a three-day visit to Algeria praising an increase in trade between the two nations since the opening of a border post in 2019;

24 Dec 2021 **Algiers (Algeria)** *PV Magazine*. Energy ministry launches a 1GW solar tender awarded as a 25-year power purchase agreement;

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