

AFRICA RISK CONSULTING

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Algeria Summary 22 February 2022

President Abdelmadjid Tebboune (2019-present) appoints veteran politician Abderrahmane Raouya as Algeria's new finance minister. Concern mounts that North Africa's grain belt is facing its worst drought in over 30 years. The expected record low rainfall will deepen Algeria's reliance on imports amidst Covid-19-induced spikes in food prices. President Tebboune announces that the government will introduce unemployment benefits for the country's 600,000 unemployed young adults as it struggles with a 15% unemployment rate. The United States (US) government has asked to meet Italy-based oil and gas company Eni, France-headquartered TotalEnergies and other energy companies operating in Algeria to see if more gas can be sourced from the country. The move comes as Washington ramps up efforts to find alternative gas supplies for Europe to mitigate the effects of supply disruptions in light of Russia's military efforts in Ukraine. Only 13.7% of Algeria's 44 million inhabitants are vaccinated against Covid-19, despite sufficient vaccine doses to ensure Covid-19 inoculation coverage for two years.

Two-time veteran Raouya becomes finance minister...

President **Abdelmadjid Tebboune** (2019-present) has appointed veteran politician **Abderrahmane Raouya** as **Algeria's** new finance minister. The president announced Raouya's appointment on social media platform **Twitter** on 17 February. Raouya held the ministerial post twice between 2017 and 2020 and takes over from **Ayman Benabderrahmane**, who was appointed prime minister in June and has combined the two roles since.¹

Raouya is reportedly well versed in the functioning of both the finance ministry and the taxation department, where he has also held several positions.² The minister has also worked for international financial institutions, having served as an expert for the **International Monetary Fund (IMF)** in the **Democratic Republic of the Congo (DRC)**.³

Raouya's reappointment comes as the country's financial situation is expected to improve following an increase in oil and gas prices due to post-pandemic demand and political tensions in the **Middle East** and between **Russia** and **Ukraine**.⁴ Algeria, a member of the **Organization of the Petroleum Exporting Countries (OPEC)**, is heavily reliant on energy exports to support its budget and spending.

... as record-low rainfall threatens economic stability...

There is growing concern that **North Africa's** grain belt is facing its worst drought in over 30 years.⁵ The drought threatens the year's grain yield and the expected record low rainfall will deepen the region and Algeria's reliance on imports amidst Covid-19-induced spikes in food prices, against the backdrop of continuing global supply chain disruptions.⁶ The concerns echo those of the **United States (US) Department of Agriculture**, which on 15 February called the

¹ Middle East Monitor, 17 Feb 2022

² Reuters, 17 Feb 2022

³ Reuters, 17 Feb 2022

⁴ Middle East Monitor, 17 Feb 2022

⁵ Morocco World News, 13 Feb 2022

⁶ Bloomberg, 9 Feb 2022

drought “exceptional”.⁷ North Africa is the world’s second-largest wheat importer, and harvests can fluctuate substantially from year to year. Even when grains are abundant, countries rely on grain from abroad to supplement output and help produce staples of local diets such as bread and couscous.⁸

Wheat is a staple for North African countries and, as the region faces drought, global wheat demand is likely to increase in the coming months, pushing global prices even higher amid tight supplies. This is likely to cause an uptick in government spending, and also likely to widen the trade deficit for all North African countries, including Algeria.⁹

March and April are two of the most critical months for rainfall in North Africa, and there is hope that the low rainfall trend will reverse during these months.¹⁰ However, a report by financial, software, data and media company **Bloomberg** released on 9 February indicates that the region’s short-term weather forecasts do not look promising.¹¹ **France**-based consultant **Strategie Grain** analyst **Severine Omnes-Maisons** told Bloomberg that while “*it’s too early to be very, very pessimistic... dryness is a concern*”.¹²

The shortfalls in harvest may necessitate higher-than-usual spending from North African governments including Algeria. A **United Nations (UN)** index of food prices is at its highest in a decade due to tight global supplies, and North African authorities are struggling to shield their citizens, many of whom rely on subsidised food.¹³ However, Algeria’s parliament voted on 17 November to scrap generous state subsidies on basic goods that had long helped maintain social peace, but strained state budgets as energy revenues fell (*ARC Briefing Algeria Dec 2021*).¹⁴ Spending on subsidies will be eliminated once a compensation mechanism for the neediest Algerian households takes effect at a date yet to be determined.¹⁵

The subsidy system has been funded by energy exports, which account for about 95% of foreign revenues and 60% of Algeria’s budget.¹⁶ 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.¹⁷ The IMF, which advocates subsidy reform, urged **Algiers** in October to recalibrate its policies.¹⁸

Many local economists support the government’s plan as “*a necessary evil*”, but call for protection of Algeria’s neediest citizens. According to **Germany**-based market and consumer data firm **Statista**, the number of Algerians living in poverty was at its highest in the last four years, at 1.9 million, as of 4 March 2021.¹⁹ The number of poor people living under the national poverty line increased by 200,000 from 2020.²⁰ In 2018 and 2019, Algerian authorities recorded 1.3 million cases of poverty.²¹ 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.²²

⁷ United States Department of Agriculture, 15 Feb 2022

⁸ Bloomberg, 9 Feb 2022

⁹ Bloomberg, 9 Feb 2022

¹⁰ Morocco World News, 13 Feb 2022

¹¹ Bloomberg, 9 Feb 2022

¹² Bloomberg, 9 Feb 2022

¹³ Bloomberg, 9 Feb 2022

¹⁴ France24, 24 Nov 2021

¹⁵ Bloomberg, 8 Jan 2022

¹⁶ France24, 24 Nov 2021

¹⁷ France24, 24 Nov 2021

¹⁸ France24, 24 Nov 2021

¹⁹ Statista, 4 Mar 2021

²⁰ Statista, 4 Mar 2021

²¹ Statista, 4 Mar 2021

²² AP News, 1 Dec 2021

...and unemployed youth are set to receive monthly pay

President Abdelmadjid Tebboune announced on 15 February that the government will introduce unemployment benefits for the 600,000 unemployed young adults as the country struggles with a 15% unemployment rate.²³ Tebboune said the payments to unemployed youth aged 19-40 aim to preserve “*the dignity of young people*” and will start in March. The benefits for those eligible will amount to 13,000 dinars (\$92) a month, equivalent to two-thirds of the minimum wage of 20,000 dinars (\$142).²⁴ Recipients will also be eligible for medical benefits and tax breaks on some consumer products.²⁵

During his announcement of the new policy, Tebboune highlighted that Algeria is the first country outside Europe to introduce such a benefit. Algeria, **Africa’s** largest gas exporter, is heavily oil-dependent, and has faced increased “*ongoing economic vulnerabilities*” following a succession of adverse shocks since 2014, when oil prices dropped.²⁶ The youth payments are in execution of a part of the 2022 budget.²⁷

US reaches out to foreign producers in Algeria on gas options...

The US government has reportedly requested to meet **Italy**-headquartered oil and gas company **Eni**, France-based **TotalEnergies**, US-based **Occidental Petroleum Corp**, **Norway**-based **Equinor** and other energy companies operating in Algeria to enquire whether more gas can be sourced from the country.²⁸ The development comes as **Washington** accelerates efforts to find alternative gas supplies for **Europe** in case of possible disruption amid the ongoing military standoff between **Russia** and **Ukraine**.²⁹ The **European Union (EU)** is dependent on Russia for more than a third of its gas, and any interruption of flows would worsen an energy crisis that has already caused a significant rise in consumer bills. **EU Commission** president **Ursula von der Leyen** said on 7 February that **Brussels** was in negotiations with the US and other suppliers about boosting gas deliveries to Europe. **Japan** has agreed to divert some Liquefied Natural Gas (LNG) supplies to Europe following requests from the EU and US.³⁰

Occidental, Total and Eni, which has a long-term contract with Algerian state-owned oil and gas company **Sonatrach**, have reportedly met to discuss whether a boost in output is possible.³¹ According to international news organisation **Reuters**, Eni was not immediately available for comment. TotalEnergies and Occidental declined to comment, while Equinor chief executive **Anders Opedal** said the company does not “*comment on the conversations we have with the government*”.³²

Algeria, which has pipelines to Italy and **Spain** as well as a large LNG terminal at **Skikda**, saw its oil and gas output increase by 5% last year, amounting to 185.2 million tons of oil equivalent. LNG production rose by 14% during the same period. However, rising domestic consumption and political instability, including the closure of the **Maghreb-Europe** pipeline to Spain over a diplomatic dispute with **Morocco**, has capped exports.³³

The **US State Department** disclosed on 25 January that it has been identifying additional volumes of non-Russian natural gas from the **Near East** and North Africa:

²³ Africa News, 16 Feb 2022

²⁴ Middle East Monitor, 18 Feb 2022

²⁵ Middle East Monitor, 18 Feb 2022

²⁶ International Monetary Fund, 22 Nov 2021

²⁷ Africa News, 16 Feb 2022

²⁸ Reuters, 9 Feb 2022

²⁹ Middle East Monitor, 10 Feb 2022

³⁰ Reuters, 9 Feb 2022

³¹ Reuters, 9 Feb 2022

³² Middle East Monitor, 10 Feb 2022

³³ Reuters, 9 Feb 2022

*"[T]he United States... [is in talks with] major natural gas producers around the globe to understand their capacity and willingness to temporarily surge natural gas output, and to allocate these volumes to European buyers."*³⁴

However, the state department did not comment on any discussions with individual companies. US officials also reportedly met with major suppliers and buyers of LNG with the objective of ensuring flexibility in existing contracts "*and [that] storage is managed and enables diversion to Europe*".³⁵ The US has also discussed a number of contingencies with companies in different regions, including whether they have the capacity to boost gas exports or delay field maintenance. However, there is little availability to make up for the large volumes from Russia amid tight global gas supplies and given that LNG producers already producing as much as they can.³⁶

Covid vaccine uptake remains low in Algeria as new case numbers decline...

United Nations (UN) affiliate organisation **Médecins Sans Frontières** (Doctors Without Borders), a strong advocate for vaccine equality, on 19 February expressed concern about the slow deployment of Covid-19 vaccination on the African continent, where only 11.3% of the population is fully vaccinated, despite African governments having received a significant increase in doses in recent months.³⁷ Their concerns echo those of the Algeria's health minister, **Abderahmane Benbouzid**, who on 25 January urged citizens to get vaccinated and save Algeria's hospitals from collapse as the country faced a surge of Covid-19 infections.³⁸ Although Algeria has sufficient stock of vaccines to ensure inoculation coverage for two years, only 13.7% of Algeria's 44 million inhabitants have been fully vaccinated.³⁹ As of 17 February, the health ministry had administered at least 13.8 million Covid-19 vaccine doses, with 7,403,900 vaccinated with a single dose (16.9% of the population).⁴⁰ As of the same date, 373,991 Algerians had received a booster shot. The government aims to vaccinate at least 60% of the population.⁴¹

However, Algeria has seen a dramatic reduction in new cases of Covid-19 over the past month. On 24 January, Algeria reported a daily record of 2,215 cases and 13 deaths.⁴² As of 21 February, the country reported 118 new cases of Covid-19.⁴³ Despite a clear drop in cases, the low vaccination rate is still a major cause of concern to the government, which has implemented a robust inoculation campaign, including state network broadcasts and pro-vaccine statements on social media from well-known Algerian singers, actors, athletes and influencers.⁴⁴

Algeria has also reported its first case of the new **BA.2** subvariant of the highly transmissible **Omicron** strain⁴⁵ and is still recording infections from both the Delta and Omicron variants, accounting for 60% of Covid-19 infections in the country. As of 21 February, Algeria had recorded 264,20 cases of Covid-19 in its population of 44 million, with 6,805 Covid-19-related deaths and 176,818 recoveries.⁴⁶

³⁴ Reuters, 9 Feb 2022

³⁵ Reuters, 9 Feb 2022

³⁶ Reuters, 9 Feb 2022

³⁷ France24, 19 Feb 2022

³⁸ AP News, 25 Jan 2022

³⁹ Our World in Data, 22 Feb 2022; AP News, 25 Jan 2022

⁴⁰ Our World in Data, 22 Feb 2022

⁴¹ AP News, 25 Jan 2022

⁴² AP News, 25 Jan 2022

⁴³ Johns Hopkins University Center for Systems Science and Engineering, 22 Feb 2021

⁴⁴ France24, 19 Feb 2022; AP News, 25 Jan 2022

⁴⁵ CGTN, 30 Jan 2022

⁴⁶ Worldometers, 22 Feb 2021

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*).⁴⁷ However, family gatherings, such as weddings and gatherings in public places, remain banned under the pandemic sanitary measures.⁴⁸ In December, the government started requiring vaccine passports to enter many public spaces, seeking to overcome low vaccine uptake that has left millions of vaccine doses unused.⁴⁹ The vaccine pass is necessary for anyone seeking to enter or leave Algeria, and to enter cinemas, theatres, sports facilities, museums, townhalls, and hammams.⁵⁰

Planner

March 2022 **Algiers (Algeria)** Arab League Foreign Ministers summit;
2022 **Algiers (Algeria)** Arab League Summit.

Chronology

20 Feb 2022 **Algiers (Algeria)** *The Peninsula Qatar*. **Qatari** emir **Tamim bin Hamad Al Thani** receives President **Abdelmadjid Tebboune** to discuss bilateral relations between the two countries and regional and international developments of common concern;

19 Feb 2022 **Algiers (Algeria)** *Morocco World News*. Algerian senator **Abdelouaheb Benzaim** proposes a ban on the departure of medical graduates from the country in order to curb the medical brain drain;

18 Feb 2022 **Algiers (Algeria)** *Sada Ebalaad English*. **French** military aircraft cross Algeria's airspace for first time since October;

17 Feb 2022 **Algiers (Algeria)** *Nasdaq*. Algeria is believed to have purchased around 600,000 tonnes of optional-origin milling wheat in an international tender that closed on 16 February;

17 Feb 2022 **Algiers (Algeria)** *Middle East Monitor*. President **Abdelmadjid Tebboune** appoints two-time veteran **Abderrahmane Raouya** as finance minister, replacing **Ayman Benabderrahmane**, who was appointed prime minister in June and has combined the two roles since;

16 Feb 2022 **Algiers (Algeria)** *Middle East Monitor*. President **Abdelmadjid Tebboune** says disputes between his country and **Morocco** have increased as a result of **Israeli** support, claiming that Morocco launched a campaign of "false news and propaganda" to undermine national unity and insult the Algerian army immediately after the reinstating of relations between Morocco and Israel;

16 Feb 2022 **Algiers (Algeria)** *Africa News*. President, **Abdelmadjid Tebboune** says government will introduce unemployment benefits for young adults as the country struggles with a jobless rate of almost 15 %;

15 Feb 2022 **Algiers (Algeria)** *Reuters*. **Italian** multinational oilfield services company **Saipem** sets aside €192m (\$218m) to cover a fine imposed by an Algerian court over alleged corruption;

⁴⁷ Menafn, 19 Oct 2021

⁴⁸ Menafn, 19 Oct 2021

⁴⁹ AP News, 25 Jan 2022

⁵⁰ AP News, 25 Jan 2022

14 Feb 2022 **Brussels (Belgium)** *European Commission*. The **European Commission** has announced €18m (\$20.3m) in humanitarian funding for **North Africa** for 2022, which will support some of the most vulnerable people in **Algeria, Egypt** and **Libya**;

12 Feb 2022 **Algiers (Algeria)** *Reuters*. State-owned oil and gas company **Sonatrach** says it had signed an agreement with the **Niger** petroleum ministry to share production in Niger's **Kafra** region;

8 Feb 2022 **Algiers (Algeria)** *Reuters*. The **United States (US)** government has asked to meet **Italian**-based **Eni**, **French**-headquartered **TotalEnergies** and other energy companies operating in Algeria to see if more gas can be sourced from the country, as **Washington** ramps up efforts to find alternative gas supplies for **Europe** in case of disruption arising from the standoff between **Russia** and **Ukraine**;

7 Feb 2022 **Algiers (Algeria)** *Africa News*. Algeria has launched a campaign to cover wells nationwide, following the death of a five-year-old boy, **Rayan Oram**, in neighbouring **Morocco**;

6 Feb 2022 **Algiers (Algeria)** *Morocco World News*. Foreign affairs minister **Ramtane Lamamra** says his country does not wish to start a war with **Morocco**;

30 Jan 2022 **Algiers (Algeria)** *CGTN*. Algeria reported its first case of the new BA.2 subvariant of Covid-19, a subvariant of the highly transmissible Omicron variant;

24 Jan 2022 **Cairo (Egypt)** *Morocco World News*. **Egypt's** ambassador to Morocco, **Yasser Mustafa Kamal Othman**, has reaffirmed that his country does not recognise the **Polisario Front's** self-styled "**Sahrawi Arab Democratic Republic**" (**SADR**);

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