2023 Investment Climate Statements: Algeria

EXECUTIVE SUMMARY

Algeria's state enterprise-dominated economy is challenging for U.S. businesses, but multiple sectors offer opportunities for long-term growth. Algerian government officials frequently encourage U.S. companies to invest in Algeria with particular focus on agriculture, information and communications technology, mining, hydrocarbons (both upstream and downstream), renewable energy, and healthcare.

Algeria's economy is driven by hydrocarbon production, which historically accounts for 95 percent of export revenues and approximately 40 percent of government income. While Russia's war in Ukraine has led European countries to turn to Algeria as a source of gas, rising domestic energy consumption and underinvestment in production may make it difficult for the country to significantly increase its exports. The historically debt-averse government resists foreign financing, preferring to attract foreign direct investment (FDI) to boost employment and replace imports with local production. Algeria continues to pursue protectionist policies to encourage the development of local industries. The import substitution policies it employs tend to generate regulatory uncertainty, supply shortages, increased prices, and a limited consumer goods selection.

Economic operators deal with a range of challenges, including complicated customs procedures, cumbersome bureaucracy, difficulties in monetary transfers, and price competition from international rivals. International firms operating in Algeria complain that laws and regulations are constantly shifting, raising commercial risk for foreign investors. Other drawbacks include limited regional integration and import restrictions, which hamper opportunities to rely on international supply chains. The three main laws which govern investments in Algeria are the 2022 Investment Law, the yearly Finance Law, and the 2019 Hydrocarbon Law.

Measure	Year	Index/Rank	Website Adress
TI Corruption Perceptions Index	2022	116/180	http://www.transparency.org/research/cpi/overview
Global Innovation Index	2022	115/132	https://www.globalinnovationindex.org/analysis-indicator
U.S. FDI in partner country ($M USD, historical stock positions)	2021	2,169	https://apps.bea.gov/international/factsheet/
World Bank GNI per capita	2021	3,660	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

POLICIES TOWARDS FOREIGN DIRECT INVESTMENT

While the Algerian government publicly welcomes FDI, a difficult business climate, an inconsistent regulatory environment, and sometimes contradictory government policies complicate foreign investment. There are business opportunities in nearly every sector, including agribusiness, consumer goods, conventional and renewable energy, healthcare, mining, pharmaceuticals, power, recycling, telecommunications, and transportation.

Companies that set up local manufacturing operations can receive permission to import materials the government would not otherwise approve for import if the importer can show materials will be used in local production. Certain regulations explicitly favor local firms at the expense of foreign competitors, and frequent, unpredictable changes to business regulations have added to the uncertainty in the market.

There are two main agencies responsible for attracting foreign investment, the Agence Algérienne de Promotion de l’Investissement (AAPI) and the National Agency for the Valorization of Hydrocarbons (ALNAFT). AAPI replaced the National Investment Development Agency (ANDI). AAPI promotes investment in Algeria, registers investors, manages investment incentive schemes, and developed the investor's digital platform. The AAPI covers all 58 states and is the government touts it as a one-stop shop for major investments. It includes tax administrators, town planning services, environmental services, social security funds, customs administration, the National Trade Register Centre, among others.

ALNAFT is charged with attracting foreign investment to Algeria's upstream oil and gas sector. In addition to organizing events marketing upstream opportunities to potential investors, the agency maintains a paid-access digital database with extensive technical information about Algeria's hydrocarbon resources.

The government passed a new hydrocarbon law in 2019, improving fiscal terms and contract flexibility in order to attract new international investors. The law encourages major international oil companies to sign memorandums of understanding with the national hydrocarbon company, Sonatrach.

LIMITS ON FOREIGN CONTROL AND RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Establishing a presence in Algeria can take any of four basic forms: 1) a liaison office with no local partner requirement and no authority to perform commercial operations, 2) a branch office to execute a specific contract, with no obligation to have a local partner, allowing the parent company to conduct commercial activity (considered a resident Algerian entity without full legal authority), 3) a local company with 51 percent of capital held by a local company or shareholders, or 4) a foreign investor with up to 100 percent ownership in non-strategic sectors. A business can be incorporated as a joint stock company (JSC), a limited liability company (LLC), a limited partnership (LP), a limited partnership with shares (LPS), or an undeclared partnership. Groups and consortia are also used by foreign companies when partnering with other foreign companies or with local firms.

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity. In 2020, the government eliminated the so-called “51/49” restriction that required majority Algerian ownership of all new businesses, though it retained the requirement for “strategic sectors,” identified as energy, mining, defense, transportation, infrastructure, and pharmaceuticals manufacturing (with the exception of innovative products). In the 2021 Finance Law, the government reinstated the 51/49 ownership requirement for any company importing items into Algeria with an intent to resell
The 51/49 investment rule poses challenges for investors. For example, the requirement hampers market access for foreign small and medium-sized enterprises (SMEs), as they often do not have the human resources or financial capital to navigate complex legal and regulatory requirements. Large companies can find creative ways to work within the law, sometimes with the cooperation of local authorities who are more flexible with large investments that promise significant job creation and technology and equipment transfers. SMEs usually do not receive this same consideration. There are also allegations that Algerian partners sometimes refuse to invest the required funds in the company’s business, require non-contract funds to win contracts, and send unqualified workers to job sites. Manufacturers are also concerned about intellectual property rights (IPR), as foreign companies do not want to surrender control of their designs and patents. Several U.S. companies have reported they have policies that preclude them from investing overseas without maintaining a majority share, out of concerns for both IPR and financial control of the local venture, which thus prevent them from establishing businesses in Algeria.

Algerian government officials have defended the 51/49 requirement as necessary to prevent capital flight, protect Algerian businesses, and provide foreign businesses with local expertise. For sectors where the requirement remains, officials contend a range of tailored measures can mitigate the effect of the 51/49 rule and allow the minority foreign shareholder to exercise other means of control. Some foreign investors use multiple local partners in the same venture, effectively reducing ownership of each individual local partner to enable the foreign partner to own the largest share.

The Algerian government does not officially screen FDI, though Algerian state enterprises have a "right of first refusal" on transfers of foreign holdings to foreign shareholders in identified strategic industries. Companies must notify the Council for State Participation (CPE) of these transfers. In addition, initial foreign investments remain subject to approvals from a host of ministries that cover the proposed project, most often the Ministries of Commerce, Health, Industry and Pharmaceutical Production, Energy and Mines, Telecommunications and Post, and Industry. U.S. companies have reported that certain high-profile industrial proposals, such as for automotive assembly, are subject to informal approval by the Prime Minister.

OTHER INVESTMENT POLICY REVIEWS

Algeria has not conducted an investment policy review through the OECD or the WTO. The last investment policy review by a third party was conducted by the United Nations Conference on Trade and Development (UNCTAD) in 2003 and published in 2004. The Algerian think tank *Cercle d'Action et de Réflexion pour l'Entreprise* (CARE) published a critique of the 2022 investment law at **https://care.dz/fr/espace-presse/apres-la-promulgation-de-la-nouvelle-loi-quel-impact-pour-linvestissement-en-algerie-art607** .

BUSINESS FACILITATION

Algeria offers an online information portal dedicated to business creation, **www.jecreemonentreprise.dz** and a comprehensive list of companies operating in Algeria at the National Center of the Trade Register (CNRC) **https://sidjilcom.cnrc.dz/** . The business creation portal provides information about registering certain kinds of businesses. Entrepreneurs report that additional information about requirements or regulation updates for business registration are available only in person at the various offices involved in the creation and registration process.

OUTWARD INVESTMENT

Algeria does not restrict domestic investors from investing overseas, though the heavily regulated process for accessing foreign currency creates barriers to Algerian investment abroad. The exchange of Algerian dinars outside of Algerian territory is illegal, as is the carrying abroad of more than 10,000 dinars in cash at a time (approximately USD 74; see section 7 for more details on currency exchange restrictions). The Bank of Algeria's 2002 Money and Credit law allows Algerians to request the conversion of dinars to foreign currency to finance their export activities, but exporters must repatriate an equivalent amount to any funds spent abroad, for example money spent on marketing or other business costs incurred.

Algeria's National Agency to Promote External Trade (ALGEX), housed in the Ministry of Commerce, is the agency responsible for supporting Algerian businesses outside the hydrocarbon sector that want to export abroad. ALGEX controls a special promotion fund to promote exports, but the funds can only be accessed for limited purposes. For example, funds might be provided to pay for construction of a booth at a trade fair, but travel costs associated with getting to the fair would not be covered. The Algerian Company of Insurance and Guarantees to Exporters (CAGEX), also housed under the Ministry of Commerce, provides insurance to exporters. Algerian exporters claim difficulties working with ALGEX including long delays in obtaining support funds, and the lack of ALGEX offices overseas despite a 2003 law for their creation.

The Ministry of Foreign Affairs operates the Information Bureau for the Promotion of Investments and Exports (BIPIE) to support Algerian businesses operating overseas.

2. Bilateral Investment and Taxation Treaties

The World Bank notes that Algeria has bilateral investment treaties with 42 countries. The detailed list is available here: https://icsid.worldbank.org/resources/databases/bilateral-investment-treaties .

In 2001, Algeria and the U.S. signed a Trade and Investment Framework Agreement (TIFA), and its council met most recently in Algiers in June 2022.

Algeria has trade agreements with the European Union and the Arab League and is a signatory party to the African Continent Free Trade Area agreement. Import barriers instituted in 2015-2018 violate the terms of both the EU and Arab League agreements. The Algerian government concluded two years of "renegotiation" talks with the European Union in March 2017. In February 2020, the Algerian government announced a commission would assess the trade agreements in force and recommend to the government whether Algeria should continue to adhere to them. In August and December 2020, and February 2021, government officials and business leaders called for the EU association agreement to be "reworked" claiming the deal was detrimental to the Algerian economy. Algeria and the United Kingdom have engaged in talks to conclude a trade agreement following Brexit, though negotiations have stalled as a result of COVID-19. Algeria is not a party to the OECD Inclusive Framework on Base Erosion and Profit Shifting.

Algeria does not have a bilateral taxation treaty with the United States. Algeria has bilateral taxation treaties with the Arab Maghreb Union (Libya, Mauritania, Morocco, and Tunisia), Austria, Bahrain, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, People's Republic of China, Egypt, France, Germany, Indonesia, Iran, Italy, Lebanon, Portugal, Qatar, Romania, South Africa, South Korea, Spain, Switzerland, Turkey, and the United Arab Emirates. All bilateral treaties are published in the government's Official Gazette at https://www.joradp.dz/HFR/Index.htm .

3. Legal Regime

TRANSPARENCY OF THE REGULATORY SYSTEM

The national government manages all regulatory processes. Legal and regulatory procedures, as written, are considered consistent with international norms, although the decision-making process is at times opaque.

Algeria implemented its Financial Accounting System (FAS) in 2010. FAS is based on International Accounting Standards Board and International Financial Reporting Standards (IFRS). Operators generally find accounting standards follow international norms, though they note that some particularly complex processes in IFRS have detailed explanations and instructions but are explained relatively briefly in FAS.

There is no mechanism for public comment on draft laws, regulations, or regulatory procedures. Copies of draft laws are generally not made publicly accessible before enactment, although the Ministry of Finance published drafts of the 2021-2023 Finance Laws in advance of consideration by Parliament. The development of regulations occurs largely away from public view; internal discussions at or between ministries are not usually made public. Government officials often give testimony to Parliament on draft legislation, and that testimony typically receives press coverage. Occasionally, copies of bills are leaked to the media. In some instances, the only public interaction on regulations development is a press release from the official state press service. All final laws and some regulations are published in the Official Gazette (www.joradp.dz) in Arabic and French, but the database has only limited online search features and no summaries are published. Secondary legislation and/or administrative acts (known as “circulaires” or “directives”) often provide important details on how to implement laws and procedures. Administrative acts are generally written at the ministry level and not made public, though they may be available if requested in person at a particular agency or ministry.

Public tenders are often accompanied by a book of specifications only provided upon payment. The government does not specifically promote or require companies’ environmental, social, and governance (ESG) disclosure. Regulatory enforcement mechanisms and agencies exist at some ministries, but they are usually understaffed, and enforcement remains weak.

The government run National Economic, Social, and Environmental Council (CNESE) studies the effects of Algerian government policies and regulations in the economic, social, and environmental spheres. CNESE provides feedback on proposed legislation, but neither the feedback nor legislation are necessarily made public.

Information on external debt obligations up to fiscal year 2022 is publicly available online via the Central Bank's quarterly statistical bulletin. The statistical bulletin describes external debt and not public debt, but the Ministry of Finance's budget execution summaries reflect combined debt totals. A 2017 amendment to the 2003 law on currency and credit covering non-conventional financing authorizes the Central Bank to purchase bonds directly from the Treasury for a period of up to five years. The Ministry of Finance indicated this would include purchasing debt from state enterprises, allowing the Central Bank to transfer money to the treasury, which would then provide the cash to, for example, state owned enterprises in exchange for their debt. In September 2019, the Prime Minister announced Algeria would no longer use non-conventional financing, although the Ministry of Finance stressed the program remained available until 2022. In 2021, the non-profit *Cercle d'Action et de Réflexion pour l'Entreprise* (CARE) launched an online dashboard compiling key economic figures published by various ministries within the Algerian government.

INTERNATIONAL REGULATORY CONSIDERATIONS

Algeria is not a member of any regional economic block or the WTO. The structure of Algerian regulations largely follows European – specifically French – standards.

LEGAL SYSTEM AND JUDICIAL INDEPENDENCE

Algeria's legal system is based on the French civil law tradition. The commercial law was established in 1975 and most recently updated in 2007 (**www.joradp.dz/TRV/FCom.pdf**). The judiciary is nominally independent from the executive branch, but U.S. companies have reported allegations of executive political pressure exerted on the courts. Regulation enforcement actions are adjudicated in the national courts system and are appealable. Algeria has a system of administrative tribunals for adjudicating disputes with the government, distinct from the courts that handle civil disputes and criminal cases.

LAWS AND REGULATIONS ON FOREIGN DIRECT INVESTMENT

The 2020 Complementary Finance Law includes the 51/49 investment rule which requires a majority Algerian ownership in “strategic sectors” and the 2021 Finance Law applies this rule to importers of goods for domestic resale. There are few other laws restricting foreign investment. In practice, the many regulatory and bureaucratic requirements for business operations provide officials avenues to informally advance political or protectionist policies.

In July 2022, the Algerian Government published a new Investment Law modernizing a 2016 version. In addition to providing clearer definitions of what constitutes an investment, the 2022 law establishes “freedom of investment” and “transparency and egality in the treatment of investments” for residents and non-residents alike. The law incorporates a national guarantee for the protection of Intellectual Property (IP) and lists nonmaterial assets (software patented processes etc.) as legitimate assets.

The law identifies three categories of investments as eligible for incentives: investments in the government’s priority industries of mining, agriculture, industry, tourism, energy, and information technology; in underserved geographic areas; and in sustainable development. Investments in each category will be eligible for certain financial incentives ranging from tax exemptions to heavily discounted land concessions for extended periods of time.

The *Agence Algérienne de Promotion de l’Investissement* (AAPI) (**https://aapi.dz/en/guichet-unique-decentralise-en/**) was created under the Prime Minister to promote and support investment in Algeria in the goods and services sector. AAPI does not work in the hydrocarbon sector. AAPI is the one-stop-shop for investing in Algeria.

COMPETITION AND ANTITRUST LAWS

The National Competition Council (www.conseil-concurrence.dz/) is responsible for reviewing both domestic and foreign competition-related concerns. Established in late 2013, it is housed under the Ministry of Commerce. Once a business exceeds 40 percent of a market's sales or purchases, the Competition Council is authorized to investigate. A 2008 directive from the Ministry of Commerce exempted businesses working for "national economic progress" from this review.

EXPROPRIATION AND COMPENSATION

The Algerian state can expropriate property under limited circumstances, with the state required to pay "just and equitable" compensation to the property owners. Expropriation of property is extremely rare, with no reported cases within the last 10 years. In late 2018, however, a government measure required farmers to comply with a new regulation altering the concession contracts of their land in a way that would cede more control to the government. Those who refused to switch contract type by December 31, 2018, lost the right to their land.

DISPUTE SETTLEMENT

ICSID Convention and New York Convention

Algeria is a signatory to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (The New York Convention) and the Convention on the International Center for the Settlement of Investment Disputes (ICSID Convention). The Algerian code of civil procedure allows both private and public sector companies full recourse to international arbitration. Algeria permits the inclusion of international arbitration clauses in contracts.

Investor-State Dispute Settlement

Investment disputes can be settled informally through negotiations between the parties or via the domestic court system. For disputes with foreign investors, cases can also be decided through international arbitration.

Disputes in the last several years have involved state-owned companies and most have been resolved.

International Commercial Arbitration and Foreign Courts

The Algerian Chamber of Commerce and Industry (CACI), the nationwide, state-supported chamber of commerce, has the authority to arbitrate investment disputes as an agent of the court. The bureaucratic nature of Algeria's economic and legal system, as well as its opaque decision-making process, means that disputes can drag on for years before a resolution is reached. Businesses have reported cases in the court system are subject to political influence and generally tend to favor the government's position.

Local courts recognize and have the authority to enforce foreign arbitral awards. Nearly all contracts between foreign and Algerian partners include clauses for international arbitration.

The Ministry of Justice oversees enforcement of arbitral awards against SOEs. Alternative dispute resolution mechanisms are not widely used.

BANKRUPTCY REGULATIONS

Algeria's bankruptcy system is underdeveloped. While bankruptcy *per se* is not criminalized, management decisions (such as company spending, investment decisions, and even procedural mistakes) can be subject to criminal penalties including fines and incarceration, so decisions that lead to bankruptcy could be punishable under Algerian criminal law. Bankruptcy cases rarely proceed to a full dissolution of assets. Debtors and creditors may file for both liquidation and reorganization.

4. Industrial Policies

INVESTMENT INCENTIVES

Any incentive offered by the Algerian government is generally available to any company, though there are multiple tiers of "common, additional, and exceptional" incentives under the 2016 investments law (www.joradp.dz/FTP/jo-francais/2016/F2016046.pdf). "Common" incentives available to all investors include exemption from customs duties for all imported production inputs, exemption from value-added tax (VAT) for all imported goods and services that enter directly into the implementation of the investment project, a 90 percent reduction of tenancy fees during construction, and a 10-year exemption on real estate taxes. Investors also benefit from a three-year exemption on corporate and professional activity taxes and a 50 percent reduction for three years on tenancy fees after construction is completed.

Additional incentives are available for investments made outside of Algeria's coastal regions, to include the reduction of tenancy fees to a symbolic one dinar (USD .01) per square meter of land for 10 years in the High Plateau region and 15 years in the south of Algeria, plus a 50 percent reduction thereafter. The law also charges the state to cover, in part or in full, the necessary infrastructure works for the realization of the investment. "Exceptional" incentives apply for investments "of special interest to the national economy," including the extension of the common tax incentives to 10 years. The sectors of "special interest" are listed in the investment law.

Regulations passed in a March 2017 executive decree exclude approximately 150 economic activities from eligibility for the incentives (www.joradp.dz/FTP/jo-francais/2016/F2016046.pdf). The list of excluded investments is concentrated in the services sector but also includes manufacturing for some products. All investments in sales, whether retail or wholesale, and import businesses are ineligible.

According to the 2022 investment law, the minimum threshold allowing for the transfer of dividends for foreign companies is set at 25 percent of the project cost. Additionally, projects creating at more than 500 jobs and worth at least 63 million USD (10 billion DZD) benefit from government financial incentives.

The government does not issue guarantees for private investments, or jointly financed foreign direct investment projects. In practice, however, the government is not inclined to allow companies that employ significant numbers of Algerians – whether private or public – to fail and may take on fiscal responsibilities to ensure continued employment for workers. President Tebboune's administration also indicated more flexibility in considering alternative financing methods for future projects, which might include joint financing. The government does not offer specific incentives for clean energy investments, although the government announced in February 2022 that companies bidding on solar energy tenders would not be subject to the 51/49 investment rule.

FOREIGN TRADE ZONES/FREE PORTS/TRADE FACILITATION

Algeria does not have any foreign trade zones or free ports.

PERFORMANCE AND DATA LOCALIZATION REQUIREMENTS

In November 2022, the government issued regulation 22-383 which governs the Algerian automobile industry and requires the use of domestic content in some situations. Per the regulation, all automotive, commercial and/or industrial activity is subject to prior authorization from the Ministry of Industry. The Ministry of Industry will issue 5-year renewable authorizations to operate in Algeria. The regulation opens the possibility for companies to import and locally manufacture cars. Companies selling, assembling, or producing vehicles locally may only produce or sell gasoline engine vehicles as the regulation bans diesel vehicles. All dealers/producers must offer at least one electric vehicle model to the Algerian market by the end of the fifth year of their authorization. The regulation also requires auto companies which manufacture locally to have 10 percent of their supply chain or subcontracting be local by the end of the second year of the authorization and 30 percent at the end of the fifth year.

Information technology providers are not required to turn over source codes or encryption keys however some hardware imported to Algeria must be approved by the Agency for Regulation of Post and Electronic Communications (ARPCE), under the Ministry of Post and Telecommunications. The Algerian government requires public sector entities to store data on servers within the country. The private sector is not required to store its data on servers in Algeria.

5. Protection of Property Rights

REAL PROPERTY

Secured interests in property are generally recognized and enforceable, but court proceedings can be lengthy and results unpredictable. All property not clearly titled to private owners remains under government ownership. As a result, the government controls most real property in Algeria, and instances of unclear titling have at times resulted in conflicting claims of ownership. For new industrial activities, the state prefers to lease land for 33-year terms, renewable twice, rather than sell outright.

Property sales are subject to registration at the tax inspection and publication office at the Mortgage Register Center and are part of the public record of that agency. All property contracts must go through a notary.

INTELLECTUAL PROPERTY RIGHTS

Algeria is listed on USTR’s 2023 Special 301 Report Watch List.

2003 and 2005 ordinances cover trademark protections and representatives of U.S. companies operating in Algeria reported that these laws were satisfactory in terms of both the scope of what they cover and the penalties they mandate for violations. A 2015 government decree increased coordination between the National Office of Copyrights and Related Rights (ONDA), the National Institute for Industrial Property (INAPI), and law enforcement to pursue patent and trademark infringements. An Algerian court ruled in favor of a U.S. pharmaceutical company in late 2020 in the first case of alleged patent infringement by a local producer pursued in the courts by a U.S. company.

ONDA, under the Ministry of Culture, and INAPI, under the Ministry of Industry, are the two entities within the Algerian government that protect IPR. ONDA covers literary and artistic copyrights as well as digital software rights, while INAPI oversees the registration and protection of industrial trademarks and patents. Despite efforts at ONDA, INAPI, and the General Directorate for Customs (under the Ministry of Finance), which have seen local production of pirated or counterfeit goods nearly disappear since 2011, imported counterfeit goods are prevalent and easily obtained. Algerian law enforcement agencies annually confiscate hundreds of thousands of counterfeit items, including clothing, cosmetics, sports items, foodstuffs, automotive spare parts, and home appliances. The government is currently drafting new legislation on counterfeiting and intellectual property to improve enforcement and interagency coordination (for, among other reasons, ineffective enforcement efforts against trademark counterfeiting and copyright piracy).

For additional information about national laws and points of contact at local IP offices, please see WIPO's country profiles at **www.wipo.int/directory/en/** .

6. Financial Sector

CAPITAL MARKETS AND PORTFOLIO INVESTMENT

The Algiers Stock Exchange has four stocks listed – each at no more than 35 percent equity. There is a small and medium enterprise exchange with one listed company. Despite the lack of tangible activity, the market is regulated by an independent oversight commission that enforces compliance requirements on listed companies and traders.

Algerian society generally prefers material investment vehicles for savings, namely cash. Public banks, which dominate the banking sector, are required to purchase government securities when offered, meaning they have little leftover liquidity to make other investments. Foreign investors are able and at times required to obtain local financing for projects. Foreign portfolio investment is prohibited – the purchase of any investment product in Algeria, whether a government or corporate bond or equity stock, is limited to Algerian residents only.

MONEY AND BANKING SYSTEM

The banking sector is roughly 85 percent public and 15 percent private as measured by value of assets held and is regulated by an independent central bank.

The IMF and Bank of Algeria have noted moderate growth in non-performing assets since 2015. Most transactions are materialized (non-electronic). Many areas of the country suffer from a dearth of branches, leaving large amounts of the population without access to banking services. ATMs are not widespread, especially outside the major cities, and few accept foreign bankcards. Outside of major hotels with international clientele, hardly any retail establishments accept credit cards. Algerian banks do issue debit cards, but the system is distinct from any international payment system. The Minister of Commerce has announced multiple plans to require businesses to use electronic payments for all commercial and service transactions, though the most recent government deadline for all stores to deploy electronic payment terminals by the end of 2021 was indefinitely delayed. In addition, analysts estimate that between one-third and one-half of the money supply circulates in the informal economy.

Foreigners can open foreign currency accounts without restriction, but proof of a work permit or residency is required to open an account in Algerian dinars. Foreign banks are permitted to establish operations in the country, but they must be legally distinct entities from their overseas home offices.

FOREIGN EXCHANGE AND REMITTANCES

Foreign Exchange

There are few statutory restrictions on foreign investors converting, transferring, or repatriating funds, according to banking executives. Monies cannot be expatriated to pay royalties or to pay for services provided by resident foreign companies. The difficultly with conversions and transfers results mostly from the procedures of the transfers rather than the statutory limitations: the process is bureaucratic and requires almost 30 different steps from start to finish. Missteps at any stage can slow down or completely halt the process. Transfers should take roughly one month to complete, but often take three to six months or longer. Also, the Algerian government has been known to delay the process as leverage in commercial and financial disputes with foreign companies.

Expatriated funds can be converted to any world currency. The IMF classifies the exchange rate regime as an “other managed arrangement,” with the central bank pegging the value of the Algerian dinar (DZD) to a basket based on several market indicators. The currency’s value is not controlled by any market mechanism and is set solely by the central bank.

Remittance Policies

There have been no recent changes to remittance policies. Algerian exchange control law remains strict and complex. There are no specific time limitations, although the bureaucracy involved in remittances can often slow the process to as long as six months. Personal transfers of foreign currency into the country must be justified and declared as not for business purpose.

There is no legal parallel market through which investors can remit; however, there is a substantial and largely tolerated black market for foreign currency, where the dollar and euro trade at a significant premium above official rates. With the more favorable informal rates, local sources report that most remittances occur via foreign currency hand-carried into the country. Under central bank regulations revised in September 2016, travelers to Algeria are permitted to enter the country with up to 1,000 euros or equivalent without declaring the funds to customs. However, any non-resident can only exchange dinars back to a foreign currency with proof of initial conversion from the foreign currency. The same regulations prohibit the transfer of more than 10,000 dinars (USD 71) outside Algeria.

Private citizens may convert up to 15,000 dinars (USD 111) per year for travel abroad and must demonstrate proof of their intention to travel abroad through plane tickets or other official documents.

SOVEREIGN WEALTH FUNDS

Algeria does not have a Sovereign Wealth Fund.

7. State-Owned Enterprises

State-owned enterprises (SOEs) comprise more than half of the formal Algerian economy. To be defined as an SOE, a company must be at least 51 percent owned by the state. There is no published list of all SOEs.

Algerian SOEs are bureaucratic and may be subject to political influence. There are competing lines of authority at the mid-levels, and contacts report mid- and upper-level managers are reluctant to make decisions because internal accusations of favoritism or corruption are often used to settle political and personal scores. Senior management teams at SOEs report to their relevant ministry; CEOs of the larger companies such as national hydrocarbon company Sonatrach, national electric utility Sonelgaz, and airline Air Algerie report directly to ministers. Boards of directors are appointed by the state, and the allocation of these seats is considered political. SOEs are not known to adhere to the OECD Guidelines on Corporate Governance.

Legally, public and private companies compete under the same terms with respect to market share, products and services, and incentives. Private enterprises assert that public companies sometimes receive more favorable treatment. Public companies generally refrain from doing business with private banks and a 2008 government directive ordered public companies to work only with public banks. The directive was later officially rescinded, but public companies continued the practice. SOEs are subject to the same tax burden and tax rebate policies as their private sector competitors, but business contacts report that the government favors SOEs over private sector companies in terms of access to land.

SOEs are subject to budget constraints. Audits of public companies can be conducted by the Court of Auditors, a financially autonomous institution. The constitution explicitly charges it with "ex post inspection of the finances of the state, collectivities, public services, and commercial capital of the state," as well as preparing and submitting an annual report to the President, heads of both chambers of Parliament, and Prime Minister. The Court makes its audits public on its website, for free, but with a time delay, which does not conform to international norms. In its 2022 report, the Court of Auditors criticized Algerian SOEs and said, with the exception of a small number of high performing companies in important sectors, they add little value to the economy, are over indebted, and have low returns on investment.

Some Algerian SOEs operate in a limited number of countries internationally but none has a presence in the United States.

PRIVATIZATION PROGRAM

There has been limited privatization of certain projects previously managed by SOEs, restricted to the water sector and possibly a few other sectors. The privatization of SOEs remains publicly sensitive and has been largely halted.

8. Responsible Business Conduct

Multinational, and particularly U.S. firms operating in Algeria, are spreading the concept of responsible business conduct (RBC), which has traditionally been less common among domestic firms. American companies have sponsored Corporate Social Responsibility (CSR) programs aimed at youth employment, education, and entrepreneurship. CSR activities are gaining acceptance as a way for companies to contribute to local communities while often addressing business needs, such as a better-educated workforce. The national oil and gas company, Sonatrach, funds some social services for its employees and supports desert communities near production sites. Still, many Algerian companies view social programs as the government's responsibility. While state entities welcome foreign companies' RBC activities, the government does not factor them into procurement decisions, nor does it require companies to disclose their RBC activities. Algerian laws for consumer and environmental protections exist but are weakly enforced.

Algeria does not adhere to the OECD or UN Guiding Principles and does not participate in the Extractive Industries Transparency Initiative. Algeria ranks 73 out of 89 countries for resource governance and does not comply with rules set for disclosing environmental impact assessments and mitigation management plans, according to the most recent report by National Resource Governance Index published in 2017.

Additional Resources

Department of State

- Country Reports on Human Rights Practices;

- Trafficking in Persons Report;
- Guidance on Implementing the "UN Guiding Principles" for Transactions Linked to Foreign Government End-Users for Products or Services with Surveillance Capabilities;
- U.S. National Contact Point for the OECD Guidelines for Multinational Enterprises; and;
- Xinjiang Supply Chain Business Advisory

Department of the Treasury

- OFAC Recent Actions

Department of Labor

- Findings on the Worst Forms of Child Labor Report;
- List of Goods Produced by Child Labor or Forced Labor;
- Sweat & Toil: Child Labor, Forced Labor, and Human Trafficking Around the World and;
- Comply Chain.

CLIMATE ISSUES

Algeria's National Climate Plan (NCP) was approved by the government in 2019 and the country's NDC has not been updated since 2015. Algeria aims to reduce greenhouse gas emissions 7 percent by 2030 (with domestic means) compared with anticipated levels in a business-as-usual scenario. With financial and technical support from the international community, Algeria hopes this could rise to 22 percent by 2030 versus a business-as-usual scenario.

In February 2022, Minister of Energy Transition and Renewable Energies Benattou Ziane announced the completion of Algeria's medium-term program, aimed at speeding up the country's energy transition and reducing conventional fuel consumption. The plan included converting nearly 200,000 vehicles to LPG and encouraging local production of renewable energy.

9. Corruption

The current anti-corruption law dates to 2006. In 2013, the Algerian government created the Central Office for the Suppression of Corruption (OCRC) to investigate and prosecute any form of bribery in Algeria. The number of cases currently being investigated by the OCRC is not available. In 2010, the government created the National Organization for the Prevention and Fight Against Corruption (ONPLC) as stipulated in the 2006 anti-corruption law. The Chairman and members of this commission are appointed by a presidential decree. The commission studies financial holdings of public officials, though not their relatives, and carries out studies. Since 2013, the Financial Intelligence Unit has been strengthened by new regulations that have given the unit more authority to address illegal monetary transactions and terrorism funding. In 2016, the government updated its anti-money laundering and counter-terrorist finance legislation to bolster the authority of the financial intelligence unit to monitor suspicious financial transactions and refer violations of the law to prosecutorial magistrates. Algeria signed the UN Convention Against Corruption in 2003.

The current Algerian constitution includes provisions that underscore the role and capacity of anti-corruption bodies, particularly through the creation of the High Authority for Transparency, Prevention, and Fight against Corruption. This body is tasked with developing and enabling the implementation of a national strategy for transparency and preventing and combatting corruption.

The Algerian government does not require private companies to establish internal codes of conduct that prohibit bribery of public officials. Algeria is not a participant in regional or international anti-corruption initiatives. Algeria does not provide protections to NGOs involved in investigating corruption. While whistleblower protections for Algerian citizens who report corruption exist, members of Algeria's anti-corruption bodies believe they need to be strengthened to be effective.

International and Algerian economic operators have identified corruption as a challenge for FDI. They indicate that foreign companies with strict compliance standards cannot effectively compete against companies which can offer special incentives to those making decisions about contract awards. Anti-corruption efforts have so far focused more on prosecuting previous acts of corruption rather than on institutional reforms to reduce the incentives and opportunities for corruption. In October 2019, the government adopted legislation which allowed police to launch anti-corruption investigations without first receiving a formal complaint against the entity in question. Proponents argued the measure was necessary given Algeria's weak whistleblower protections.

The government imprisoned numerous prominent economic and political figures between 2019 2022 as part of an anti-corruption campaign. Some operators report that fear of being accused of corruption has made officials less willing to make decisions, delaying some investment approvals. Corruption cases that have reached trial deal largely with state investment in the automotive, telecommunications, public works, and hydrocarbon sectors, though other cases are reportedly under investigation.

RESOURCES TO REPORT CORRUPTION

Contact at the government agency or agencies that are responsible for combating corruption:

Mokhtar Lakhdari, General Director
Central Office for the Suppression of Corruption (OCRC)
Placette el Qods, Hydra, Algiers +213 21 68 63 12
+213 21 68 63 12
no email address publicly available
Tarek Kour, President
National Organization for the Prevention and Fight Against Corruption (ONPLC)
14 Rue Souidani Boudjemaa, El Mouradia, Algiers +213 21 23 94 76
+213 21 23 94 76
www.onplc.org.dz/index.php/
contact@onplc.org.dz

Contact at a "watchdog" organization:

Djilali Hadjadj
Algerian Association Against Corruption (AACC)
President

www.facebook.com/215181501888412/

+213 07 71 43 97 08

aaccalgerie@yahoo.fr

10. Political and Security Environment

The United States has maintained friendly relations with Algeria throughout the political upheavals of recent years, and the country continues to seek out stronger economic and political ties. Algeria has been a stalwart partner in the struggle against violent extremism, and its cooperation with the United States continues to increase in many domains.

Following the efforts of government security to contain the 2019 protests known as the hirak movement, Algeria has tolerated very little dissent and protests are rarely permitted. Significant police and security presence is felt throughout the country.

In 2013, a terrorist group now known as *al-Murabitoun* claimed responsibility for the attack against the Tiguentourine gas facility near In Amenas, in southeastern Algeria. More than 800 people were taken hostage during the four-day siege, resulting in the deaths of 39 civilians, including 3 U.S. citizens, and resulting in damage to the facilities. Seven other U.S. citizens escaped. Since the attack, the Algerian government has increased security personnel and preventative security procedures in Algeria's oil and gas producing regions.

During the first few months of 2015, there were a series of protests in several cities in southern Algeria against the government's program to drill test wells for shale gas. These protests were largely peaceful but sometimes resulted in clashes, injury, and rarely, property damage. Government pronouncements in 2017 that shale gas exploration would recommence did not generate protests.

The Algerian government requires all foreign employees of foreign companies or organizations based in Algeria to contact the Foreigners Office of the Ministry of the Interior before traveling in the country's interior so that the government can evaluate security conditions. The Algerian government also requires U.S. Embassy employees to coordinate travel with the government on any trip outside of the Algiers wilaya (state).

11. Labor Policies and Practices

According to International Labor Organization (ILO) modeled data, Algeria had an unemployment rate of 11.7 percent in 2021. Following the pandemic, the real unemployment rate is likely much higher, with some sources estimating it to be above 30 percent in the youth population. Official employment figures are measured by the number of persons seeking work through the National Employment Agency (ANEM). Citing ANEM data, the World Bank Economic Update for Fall 2022 noted the official number of job offers increased in Q1-2022 and Q2-2022 (by 17.5 percent and 4.2 percent, respectively). Yet, the average number of job offers in 2022 remained 7.1 percent below 2021 and 18.2 percent below 2019. The total number of registered job seekers increased significantly in early 2022, due to a 2022 Finance Law that established a monthly 13,000 DZD (USD 96) unemployment allocation for first-time job seekers between 19 and 40 years of age. The ILO estimates that more than one-third of all employment in Algeria takes place in the informal economy and the informal sector is estimated to comprise up to 50 percent of Algeria's non-hydrocarbon economy.

Stringent labor-market regulations likely inhibit an increase in full-time, open-ended work. Regulations do not allow for flexibility in hiring and firing in times of economic downturn. For example, employers are generally required to pay severance when laying off or firing workers. Unemployment insurance eligibility requirements may discourage job seekers from collecting benefits due to them, and the level of support claimants receive is minimal.

Data from a 2018 labor survey showed only 16.6 percent of women participate in the labor force, compared to 66.7 percent of men. Both legal and social/cultural barriers hinder women's participation. Algerian laws do not prohibit discrimination by sex in the hiring process and also prohibit the employment of women for night work (without a special permission) and in occupations defined as "dangerous." Social barriers include societal roles as primary caretakers and disproportionate household responsibilities, which are exacerbated by lack of transportation and childcare options. Notably, women in Algeria have higher educational attainment than men, in terms of number of years of education and share of degrees held. In several plans and reports published in recent years, the Government of Algeria has noted its goal of improving women's participation in the labor market.

Companies must submit extensive justification to hire foreign employees, and report pressure to hire more locals (even if jobs could be replaced through mechanization) under the implied risk that the government will not approve visas for expatriate staff.

Because Algerian law does not provide for temporary legal status for migrants, labor standards do not protect economic migrants working in the country without legal immigration status. The Ministry of Labor enforces labor standards, including compliance with the minimum wage regulation and safety standards. Companies that employ migrant workers or violate child labor laws are subject to fines and potentially prosecution.

The constitution provides workers with the right to join and form unions of their choice provided they are Algerian citizens. Algeria has ratified the ILO's conventions on freedom of association and collective bargaining but failed to enact legislation needed to implement these principles fully. The General Union of Algerian Workers (UGTA) is the largest union in Algeria and represents a broad spectrum of employees in the public sectors. The Algerian government liaises almost exclusively with the UGTA, however, unions in the education, health, and administration sectors meet and negotiate with government counterparts, especially when there is a possibility of a strike. Collective bargaining is legally permitted but not mandatory. Algerian law provides mechanisms for monitoring labor abuses and health and safety standards, and international labor rights are recognized under domestic law, but are only effectively regulated in the formal economy.

Sector-specific strikes occur often in Algeria, though general strikes are less common. The law provides for the right to strike, and workers exercise this right, subject to conditions. Striking requires a secret ballot of the whole workforce, and the decision to strike must be approved by a majority vote of the workers at a general meeting. The government may restrict strikes on several grounds, including economic crisis, obstruction of public services, or the possibility of subversive actions. Furthermore, all public demonstrations, including protests and strikes, must receive prior government authorization. By law, workers may strike only after 14 days of mandatory conciliation or mediation. The government occasionally offers to mediate disputes. The law states that decisions agreed to in mediation are binding on both parties. If mediation does not lead to an accord, workers may strike legally after they vote by secret ballot. The law requires that a minimum level of essential public services must be maintained, and the government has broad legal authority to requisition public employees. The list of essential services includes banking, radio, and television. Penalties for unlawful work stoppages range from eight days to two months imprisonment.

12. U.S. International Development Finance Corporation (DFC), and Other Investment Insurance or Development Finance Programs

There are no DFC projects in Algeria. An Overseas Private Investment Corporation (OPIC) agreement between the United States and Algeria was signed in June 1990. Algeria had only one OPIC project which involved a 2005 USD 200 million loan to finance a desalinization plant.

13. Foreign Direct Investment Statistics

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	N/A	N/A	2022	$201.4 B	www.worldbank.org/en/country

Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	N/A	N/A	2021	$2,169	BEA data available at https://apps.bea.gov/international/factsheet/
Host country's FDI in the United	N/A	N/A	2021	$3	BEA data available at https://apps.bea.gov/international/factsheet/

States ($M USD, stock positions)					
Total inbound stock of FDI as % host GDP	N/A	N/A	2021	20.6%	UNCTAD data available at https://unctad.org/topic/investment/world-investment-report

* Source for Host Country Data: N/A

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	22,755	100%	Total Outward	2,503	100%
United States	6,558	29%	Italy	999	40%
Italy	2,382	10%	Spain	331	13%
France	2,361	10%	Switzerland	278	11%

Spain	1,510	7%	Peru	234	9%
United Kingdom	1,441	6%	The Bahamas	126	5%

“0” reflects amounts rounded to +/- USD 500,000.

14. Contact for More Information

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