ALGERIA

INVESTMENT CLIMATE STATEMENT

2015

Table of Contents

Executive Summary

Algeria remains a lucrative but challenging market for many U.S. businesses. Economic growth has been primarily driven by oil and natural gas, accounting for 96% of exports, 40-45% of GDP and 60% of budget revenues. The drop in oil prices, while affecting Algeria's main revenue stream, has spurred the Algerian Government (GoA) to attempt to lower the country's sizable import bill through a policy of diversification that involves more local private-sector participation in the economic process. With its most recently announced public spending initiative, the 2015-2019 USD 262 billion investment plan, the GoA has targeted non-hydrocarbon sector investments, attracting greater foreign direct investment, and lessening the high unemployment rate of Algeria's younger generation. Private sector contacts also acknowledge the growing imperative to both open up and diversify the economy and are nearly unanimous in saying that multiple sectors potentially offer substantial opportunities for long-term growth for U.S. firms that choose to invest in Algeria. Sectors targeted for robust investment include agriculture, tourism, information and communications technology, construction infrastructure, and health.

However, challenges remain. Companies must overcome language barriers, distance, customs challenges, an entrenched bureaucracy, difficulties in monetary transfers, currency conversion, repatriating dividends, and price competition from Chinese, Turkish, and European businesses. International firms that operate here sometimes complain that the GoA lacks an economic vision, and that laws and regulations are constantly shifting and applied unevenly, raising the perception of commercial risk for foreign investors. Business contracts are likewise subject to changing interpretation and revision, which has proved challenging to U.S. and international firms. Other drawbacks include the 49/51 investment law (which requires majority Algerian ownership of all new businesses), inadequate IPR enforcement, and limited regional trade. The lack of a regional market also impacts negatively Algeria, because on its own Algeria's market may not be attractive to firms that can locate elsewhere to create a regional distribution hub.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Algeria is the epitome of a high risk, high reward economy. While the GoA is enthusiastic towards FDI, a difficult business climate, an inconsistent regulatory environment, and a government that seems torn generationally between protecting the status quo and liberalizing the economy hampers what could be potentially be a flood of foreign investment in this emerging economy. There are business opportunities in nearly every sector, including but not limited to energy, power, water, health care, telecommunications, transportation, recycling, and agribusiness. The recent drop in oil prices has highlighted Algeria's over-dependence on hydrocarbons and increased calls to open and diversify the economy. The GoA is completely aware that its current economic model cannot be sustained but has been slow to make the necessary economic reforms. Instead, the GoA's short term reaction has been to restrict imports in an attempt to lower the import bill and encourage domestic production. The arbitrary and haphazard way in which the GoA is changing business regulations to discourage imports has only added to the uncertainty of the market. The 49/51 investment law limits all foreign ventures to a minority stake in all new investments in any sector of the economy (see page 5).

Other Investment Policy Reviews

In the past three years, Algeria has not conducted an investment policy review through the Organization for Economic Cooperation and Development (OECD), the World Trade Organization (WTO), or the United Nations Conference on Trade and Development (UNCTAD).

On November 24, 2014, the GoA signed an agreement with the World Bank for technical assistance designed to improve Algeria's most recent "Doing Business" global survey ranking of 154 out of 189. As part of that effort, Prime Minister Sellal created a business climate monitoring committee composed of the Minister of Industry and Mines, Minister of Finance, and Minister of the Interior, and asked each minister to support adequate measures to improve investment in his or her sector of responsibility. The process is expected to take approximately one year. No internet links are currently available, as the review is ongoing.

Laws/Regulations of Foreign Direct Investment

The 49/51 investment law requires a majority Algerian partner for any foreign investment (see page 5), but otherwise there are few laws restricting foreign investment. However, the process of setting up a business is heavily bureaucratic and subject to political and protectionist influences.

Investment incentives, such as tax breaks on corporate income and Value Added Tax (VAT), with longer periods of tax abatement provided for investment in southern regions of the country as opposed to the more heavily populated coastal areas, are available in the general economy and are not tied to specific sectors, although the GoA has been aggressive in recruiting businesses in the energy, housing construction, health care, and agricultural sectors. Incentives are listed by the National Agency for Investment Development (ANDI) website, as well as on the websites of economically oriented ministries.

Algeria currently has a Trade and Investment Framework Agreement (TIFA) with the U.S. which was signed in 2001. The last TIFA council meeting was held in February 2015 - the first meeting in 11 years.

Industrial Promotion

ANDI is the primary Algerian government agency tasked with seeking and recruiting foreign investment. As part of the February 2015 bilateral TIFA meetings, GoA officials stated their intention to expand the purview of ANDI, specifically by: 1) unifying the loose network of nationwide offices under a uniform structure to provide more consistent information to those seeking to start businesses; 2) consolidating government business informational services under ANDI to create a “one-stop shop” for those seeking information on starting businesses in Algeria; and 3) reorienting ANDI to pro-actively seek and recruit investment in Algeria, as opposed to passively answering questions of those who inquire. Officials said they are consulting with private companies on ANDI’s new structure to ensure it meets the needs of the business community.

The ANDI website is http://www.andi.dz/index.php/en/.

Limits on Foreign Control

The 49/51 investment law, requires a majority of Algerian ownership of at least 51 percent in all projects involving foreign investments. This requirement was first adopted in 2006 within the oil sector and was expanded across all sectors by 2009. According to GoA officials, the law seeks to diversify local economic production and profit while limiting deficits of the public trust and requires a "plowing back of profits" to restrict capital flights and ensure additional local economic growth. Despite the local majority ownership requirement, authorities argue that the law is not an impediment to attracting foreign investment and is needed to diversify investment in Algeria's economy, foster private sector growth, create employment for nationals, transfer technology and know-how, and develop local training initiatives. Additionally, the GoA argues, and some foreign investors agree, that a range of tailored measures mitigate the effect of the 49/51 rule and allow for other means of control, in practice for the minority foreign shareholder. This appears to be an increasingly common practice, GoA authorities underscore, that offers the benefits of full or near full ownership to the minority foreign shareholder, despite the existence of the 49/51 law. 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 majority share.

The 49/51 investment law poses challenges for various types of investors. For example, the law hampers market access for foreign small and medium-sized enterprises (SMEs), as they do not have the human resources or financial capital to navigate the complex process. Large companies can find ways to work around the law, sometimes with cooperation of the GoA, because the larger companies usually create more jobs and may have the technology and equipment that the GoA often desires. SMEs usually do not receive this same consideration. One foreign executive told us his company would like to expand into manufacturing, but only if they are not subjected to the law, because compliance costs would eliminate acceptable profit margins. There are also allegations that Algerian partner companies can be unreliable; specifically, that Algerian partners sometimes refuse to invest the required funds in the company's business, require non-contract funds to get projects, and send unqualified workers to job sites. Manufacturers are also concerned about the potential loss of intellectual property, as foreign companies don't want to give up control of their designs and patents.

Privatization Program

The GoA does not have a privatization program at this time.

Screening of FDI

In 2013, the GoA repealed the law that screened FDI and required foreign investors to obtain the approval of the National Investment Council (CNI) prior to beginning their projects, which removed a key hurdle for potential foreign investors. As there is no longer an economy-wide screening process, prospective investors work with the relevant ministry or ministries to negotiate, register and set up their business. U.S. business contacts have commented that the early consultation process is subject to political influence and that companies not given an informal "green light" by the relevant ministry may not be able to establish their company in Algeria.

For example, on February 16, 2014, a group of U.S. investors filed an application for an Investment Banking License in Algeria with the Ministry of Finance. The application was accepted by the Ministry of Finance staff and deemed complete. The Ministry of Finance's staff forwarded copies of the group's application to both the Bank of Algeria and to the Stock Exchange Agency (COSOB) to obtain their opinion and complete the vetting process. According to these U.S investors, both the Bank of Algeria and COSOB supported their application and informed the Ministry of Finance within days. More than 12 months later the U.S. investors have not received a formal, final answer to their pending application and have not received replies from the Ministry for Finance regarding the status of their inquiries. When the issue was raised in a March 10, 2015 bilateral meeting with the Finance Minister, he replied that the group's application was not yet complete. The lack of transparency behind the Algerian decision making process makes it difficult to determine the reasons for the delay.

Competition Law

The National Competition Council (Conseil National de la Concurrence) is responsible for reviewing both domestic and foreign competition related concerns. Established in late 2013, it is under the Ministry of Commerce.

Investment Trends

Algeria's economy is overly dependent on hydrocarbons, which comprise 96 percent of the country's exports. The current slump in oil prices has compelled the GoA to prioritize diversifying the economy, involve greater private sector investment in public ventures, and encourage more foreign investment in the underperforming tourism, agriculture and health sectors. New financial measures have also been introduced to attract greater foreign investment and develop the local private sector by building small and medium-sized enterprises. The 2015-2019, USD 262 billion investment plan focuses on: hospital construction and renovation, with the construction of five new hospitals and the renovation of 15 existing hospitals planned; wastewater management and desalination; and transportation infrastructure, particularly airports and ports.

To address decreasing production from mature fields and for some measure of energy diversity, the GoA has planned a USD 90 billion investment for 2015-2019. This investment will seek to intensify exploration efforts and consolidate national reserves, with particular focus on offshore and non-conventional energy resources. As part of the investment, the GoA plans to build four additional refineries. The GoA has favored investors willing to transfer know-how, technology and train local human capacity. Algeria has also diversified its investment partners, looking more to the United States and Asia, and slowly moving from its traditional European partners given the continental economic recession. Companies that choose to invest in Algeria often report double digit profits and have reported that once the significant barriers to entry are overcome, navigating the day-to-day aspects of the business environment, while still taxing, becomes easier.

While there have been sizable investments in the hydrocarbon, power, and health care sectors in recent years, the central problem in the Algerian economy remains a continuing increase in consumption and investment spurred and overseen primarily by the public sector. An unpredictable regulatory environment, inconsistent enforcement of laws and policies, a bureaucratic customs process that significantly impedes the efficiency and reliability of the supply chain, and the 49/51 law still create, according to business contacts, significant uncertainty in the market. With the drop in its foreign currency reserves due to falling oil prices, the GoA has also taken on more protectionist policies to limit the outflow of capital, which further diminishes the attractiveness of the Algerian market. Despite the recognition and need for economic diversification away from hydrocarbons, the GoA has shown a reluctance to speed up economic reforms that would enhance Algeria's business climate.

Although the 49/51 law appears to have a negative effect on FDI, the GoA maintains that it is not an impediment but rather a safeguard to ensure local private and public sector participation in the economic process. The number of new foreign companies created annually slowed significantly following blanket application of the 49/51 law in 2009. According to the Algerian national commerce registry, from 2007-2008 the number of foreign companies established in Algeria increased 23.7 percent. In 2010-2011, the number of established foreign companies increased by 3 percent, and in 2013 there was a 19 percent drop in the growth, with 810 foreign companies created as opposed to the 1,008 created in 2012. Looking at FDI net inflows from 2006 to 2009 as reported by the United Nations Conference on Trade and Development (UNCTAD), there was an average annual increase of 14.18 percent. From 2009 to 2013, there has been an average annual drop of 8.38 percent of FDI net inflows. FDI comprises less than one percent of Algeria's GDP.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	100 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	154 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	133 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 5,330	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

According to a senior multinational banking executive who works regularly with companies on currency conversions, there are few statutory restrictions on foreign investors converting, transferring, or repatriating funds. Monies cannot be expatriated to pay royalties or to pay for services provided by resident foreign companies. The difficultly with conversions and transfers has more to do with the procedures of the transfers rather than the statutory limitations: the process is heavily bureaucratic; requiring roughly 30 different steps from start to finish. The slightest infraction at any step can slow down or completely halt the process. In theory, it should take roughly one month, but in reality, it often takes three to six months to complete. Also, the GoA has been known to delay the process as leverage in disputes with foreign companies.

Expatriated funds can be converted to any world currency. The exchange rate is determined by the Bank of Algeria, with the value of the Algerian Dinar (DZD) pegged to a "basket" composed of 64 percent of the value of the USD dollar and 36 percent of the value of the Euro. 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. There are no specific time limitations, although the bureaucracy involved in remittances can often slow the process to as long as six months. There is no legal parallel market by which investors can remit; however, there is a substantial black market currency exchange system in Algeria. As the Central Bank has full control of the value of the Dinar, any change in its value could be considered currency manipulation. The Dinar's value has fallen roughly 20% in the last six months (from 80 Dinars per USD to 97 Dinars per USD), and press reports have speculated this was done by the Central Bank to make imports more expensive in light of falling oil prices so as to encourage production and consumption of domestic products.

After several years of working with Algeria to address its strategic Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) deficiencies, on October 18, 2013, the Financial Action Task Force (FATF) added Algeria to its Public Statement, noting Algeria's lack of sufficient progress in addressing noted deficiencies in three critical areas: adequately criminalizing terrorist financing; establishing and implementing an adequate legal framework for identifying, tracing, and freezing terrorist assets; and customer due diligence, despite its high-level political commitment to implement its action plan within established timelines. Because these items remain uncorrected, Algeria continues to be included in FATF's most recent Public Statement, dated October 24, 2014, though the Embassy favorably notes Algeria's continuing efforts with FATF to address these remaining issues of concern.

3. Expropriation and Compensation

Expropriation of property is extremely rare, with business contacts not recalling a case in the last 10 years. Algeria has laws that define any potential expropriation action, and defendants have legal rights in the process similar to western norms.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

They do not have specialized courts, the courts handle all types of disputes. Although certain cases may be assigned to judges with experience in that particular field of law. Foreign judgements are not recognized by the Algerian court system. However, decisions made under treaties or conventions to which Algeria is a signatory are binding and enforceable under Algerian law. The Ministry of Justice is in charge of enforcing arbitral awards against state-owned companies (SOE's).

Bankruptcy

Algeria has a bankruptcy law which generally follows international norms. In most other areas of law the GoA does not always apply the law in a consistent manner. The process is heavily bureaucratic and can take several years. While bankruptcy per se is not criminalized, management decisions (such as company spending, investment decisions, and even procedural mistakes) are subject to criminal penalties from fines to jail time, so decisions that lead to bankruptcy could be punishable under Algerian criminal law.

However, bankruptcy cases rarely go all the way to their full conclusion; public companies on the verge of bankruptcy are generally propped-up by the government via the public banking system, and the GoA generally offers support to private companies facing bankruptcy if that bankruptcy would result in job losses.

According to the World Bank's 2014 Doing Business study, both debtors and creditors may file for both liquidation and reorganization.

http://www.doingbusiness.org/data/exploreeconomies/algeria/#resolving-insolvency

Investment Disputes

Investment disputes are fairly common, especially on major projects. These disputes can be settled informally through negotiations between the parties or via the domestic court system. 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 resolution process can be very slow - it can take one to two years to resolve a case. Contacts have reported cases in the court system are subject to political influence and generally tend to favor the government's position.

International Arbitration

Algeria is a signatory to the convention on the Paris-based International Center for the Settlement of Investment Disputes (ICSID Convention) (http://www.worldbank.org/icsid). Algeria has also ratified (http://arbiter.wipo.int/arbitration) and the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (The New York 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. Local courts recognize and have the authority to enforce foreign arbitral awards.

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).

Duration of Dispute Resolution

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. Litigation in the court system is slow and may be subject to political influence.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Algeria is not a member of the World Trade Organization (WTO) and has therefore not adopted the agreement on Trade-Related Investment Measures (TRIMS). Its accession process opened in 1987 and at 28 years is currently the longest in the history of the WTO. The 13th working party meeting is expected to take place sometime in 2015.

Investment Incentives

Any incentive offered by the GoA is available to any company in any sector. The GoA offers tax breaks and credits, as well as access to capital. For example, a typical loan from an Algerian public bank has no payments due during the first three years, and a 3% interest rate thereafter, in return for a 30% financing down payment for the project. The 3% interest rate was less than Algeria's FY2014 inflation rate of 3.5%.

Land not already in private hands is owned by the government, and private business contacts have complained the GoA is very restrictive in allowing private companies to purchase tracks of land for industrial development or use land for purposes other than its GoA-designated purpose. The contacts note that public companies are able to purchase land from the state much more easily.

Research and Development

There are no restrictions on foreign participation in research and development. The 2014 Global Innovation report, which measures R&D spending, innovation, progress, and proficiency, ranked Algeria 133 of 143 nations surveyed.

https://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2014#pdfopener

Performance Requirements

The GoA does not officially mandate local employment, but business contacts have reported there is pressure from the GoA for foreign companies who have operations in Algeria to limit the number of expatriate middle and senior managers, so that Algerians can be hired for these positions. One executive of a multinational company said this pressure is applied via visa applications for expatriate workers. He described it as a long process where a company must provide justification to various levels of the government as to why the expatriate worker is needed. He added his company has a self-imposed ten percent expatriate limit for their management and executive positions so as to avoid potential retaliation in the visa process.

The GoA does not have performance requirements.

Data Storage

The GoA does not impose forced localization policies. While IT providers are not required to turn over source codes or encryption keys, all hardware and software imported to Algeria must be approved by the Agency for Regulation of Post and Telecommunication, under the Ministry of Post, Information Technology and Communication. There are no rules mandating data storage within the country.

6. Right to Private Ownership and Establishment

Foreign companies are permitted in invest in any sector of the economy, including defense and information and communications technology. However, all investments must be done with a majority Algerian partner under the terms of the 49/51 investment law.

7. Protection of Property Rights

Real Property

Secured interests in property are generally recognized and enforceable, but court proceedings can be lengthy and results unpredictable. Most real property in Algeria remains in government hands, and controversy over the years has resulted in conflicting claims for real estate titles, which has made purchasing and financing real estate difficult. Several business contacts have reported significant difficulty in obtaining land from the GoA to develop new industrial activities.

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

While Algeria had taken concrete steps to improve IPR enforcement, contacts report that enforcement practices decreased during the run-up to the April 2014 presidential election and have not returned to previous levels. At a TIFA Council meeting February 17, 2015, GoA representatives outlined their approach to IPR enforcement, which included instructional development, interagency coordination, capacity building and protection of IPR, but they offered no details on actual enforcement efforts. Key GoA institutions continued to play a role in raising awareness on IPR and counterfeit material through campaigns, seizures, training and cooperation agreements with other sectors of GoA law enforcement and security regimes, but these public awareness efforts bely the minimal effort towards actual enforcement.

Patent and trademark protection in Algeria remained covered by a series of ordinances dating from 2003 and 2005, and contacts at American 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, but they also note that these statutes are rendered largely meaningless due to lax enforcement.

The National Office of Copyrights and Related Rights (ONDA), under the Ministry of Culture, and the National Institute for Industrial Property (Institut National Algerien de la Propriete Industrielle -- INAPI), under the Ministry of Industry & Mines, are the two separate and only branches of the GOA that deal with IP protection. ONDA, responsible for literary and artistic property rights, has 16 offices throughout Algeria and uses international standards for enforcement and assessment of copyright violations. Since 1973, INAPI has overseen the registration and protection of industrial trademarks and patents. INAPI is responsible for monitoring domestic producers for patent infringements, but, in practice, it is the companies holding the patents that have to bring possible violations to INAPI's attention.

Does the country/economy track and report on seizures of counterfeit goods? If available, please provide statistics, either through a hyperlink or include the figures into the submission. If no official figures are available, let us know you are providing an estimate.

Resources for Rights Holders

IPR officers at Post:

Mballe Nkembe, Economic Officer, +213-770-807-723, nkembemm@state.gov

AmCham in Algeria:

http://www.amcham-algeria.org/english/

List of local lawyers can be found at: http://algiers.usembassy.gov/list_of_local_attorneys.html

The World Intellectual Property Organization (WIPO) provides Country Profiles at: http://www.wipo.int/directory/en

8. Transparency of the Regulatory System

All regulatory processes are managed by the government. Accounting, legal, and regulatory procedures, as written, are considered consistent with international norms, although the decision making process can be opaque. Draft bills for all laws, including investment, are published in the official gazette prior to their final passage, although there is no specific mechanism for public comment. In some cases, authority over a matter may rest among multiple ministries, which imposes additional bureaucratic steps and the likelihood of inaction due to errors or unusual circumstances.

9. Efficient Capital Markets and Portfolio Investment

Algiers' stock exchange is the smallest in the MENA region with a capitalization of 0.1% of GDP. Currently, there are four companies listed on the Algiers Stock Exchange, with a total market capitalization of USD 148.8 million. The market has doubled its size since its founding in 2009, and officials aim to reach a capitalization of USD 7.8 billion in the next five years and enlist 50 new companies. The United Nations Development Program has estimated that, in order to fully develop its financial sector, Algeria should have a market capitalization of USD 40 billion with 150 listed companies on the stock exchange.

Money and Banking System, Hostile Takeovers

The banking sector is roughly 85% public and 15% private, and regulated by a central bank under the supervision of the Ministry of Finance. The banks are considered financially healthy, although generations of public banking executives and workers trained to operate in a statist-style economy lack familiarity with modern banking practices. The quality of service in public banks is generally considered low. Roughly 4-5% of assets are considered to be non-performing, which is normal for emerging markets. Public banks hold an estimated USD 85 billion in assets, while the private sector banks hold roughly USD 15 billion. 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. There are no hostile takeovers.

10. Competition from State-Owned Enterprises

About two-thirds of the Algerian economy is comprised of state-owned enterprises (SOE's), led by the national oil-and-gas company Sonatrach, although they are present in all sectors of the economy.

SOE's are listed in the official business registry. To be defined as an SOE, a company must be 51% public interest.

Contacts report that while Algeria once gave equal opportunity to foreign and local companies in terms of government contracts, in the last few years the GoA, in an attempt to boost the Algerian economy, has begun to favor Algerian companies. SOEs purchase goods and services from private sector and foreign firms. As Algeria is not a WTO member, SOEs are not covered under the Government Procurement Agreement (GPA).

Legally, public and private companies compete under the same terms with respect to market share, products and services, and incentives. Private enterprises have the same access to financing as SOEs, but they tend to work more with private banks as they are far less bureaucratic than their public counterparts. Public companies are effectively prohibited from doing business with private banks. In 2008, there was a directive that public companies should only work with public banks. The directive was later officially rescinded but the effect has held as a self-imposed practice by public companies. SOEs are subject to the same tax burden and tax rebate policies as their private sector competitors, but the GoA favors SOEs over private sector companies in terms of access to land.

SOEs are subject to budget constraints. Audits of public companies are conducted by the Court of Auditors under the jurisdiction of the Office of the President. The Court is generally considered independent, but may be subject to pressure or interference from government officials, particularly with regard to politically sensitive financial results. It is widely believed that the Court is reluctant to release potentially controversial results. Full audits are made available to members of Parliament, but are released to the press in summary form only. Full audit reports are not publically available. The General Inspectorate of Finance (IFG) is a public auditing body under the supervision of the Ministry of Finance. They are authorized to conduct "no-notice" audits of public companies. The results of these audits are sent directly to the Minister of Finance, and the offices of the President and Prime Minister. They are not published publicly.

OECD Guidelines on Corporate Governance of SOEs

When asked how SOEs are structured with regard to corporate governance, several replied "badly." Algerian SOEs are generally disorganized, heavily 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 scores. SOEs do not adhere to the OECD Guidelines on Corporate Governance.

Senior management teams at SOEs reports to their relevant ministry. Boards of directors are appointed by the State, and the allocation of these seats is considered political. Ties between SOEs and the government are close, and when involved in investment disputes with other companies, SOEs generally win.

Sovereign Wealth Funds

Although there has been some informal discussion on their value and relevance to Algeria, Algeria does not have a sovereign wealth fund.

11. Corporate Social Responsibility

Multinational firms operating in Algeria are spreading the concept of corporate social responsibility (CSR) practices, which have traditionally been less common among domestic firms. Companies such as Anadarko, Cisco, Microsoft, and Berlitz have supported 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 desert communities near production sites. Still, many Algerian companies view social programs as areas of government responsibility and do not consider such activities in their corporate decision-making process.

OECD Guidelines for Multinational Enterprises

Algeria is not an adherent to the OECD Guidelines for Multinational Enterprises.

12. Political Violence

Political violence has greatly declined in Algeria since the widespread terrorism of the 1990s. The government's effort to reduce terrorism has focused on active security services and effective social reconciliation and reintegration. However, in September 2014, a French citizen was abducted and murdered in the remote mountains in eastern Algeria. In January 2013, there was a major attack at a remote oil facility in the town of In Amenas in south-east Algeria (approximately 1,500 kilometers from Algiers) in which nearly 40 people - mostly western energy workers, including three Americans - were killed. In March 2012, a suicide bomber attacked the regional headquarters of the national police in Tamanrasset, a southern city of 75,000.

Protests in Algeria occur daily concerning housing and other social programs. While the majority of these protests are generally peaceful, there are occasional outbreaks of violence that result in injuries, sometimes resulting from efforts of security forces to disperse the protests. In the southern-central city of Ghardaia, there have been an ongoing series of clashes between Arabs and a minority ethnic-religious group, the Mozabites, since late 2013 that reflect long simmering tensions over perceived discrimination against the Mozabites in hiring and housing, with the most recent episode occurring in January 2015. Government reactions include tighter security control on the streets to prevent further clashes and promises of greater public expenditures on local infrastructure. Since the beginning of 2015, there have also been an ongoing series of protests in several cities in the south of the country against government's program of exploitation of shale gas. These protests have largely been peaceful but sometimes resulted in clashes and injury.

The U.S. Government considers the potential threat to U.S. Embassy personnel assigned to Algiers sufficiently serious to require them to live and work under security restrictions. These practices limit and occasionally prevent the movement of U.S. Embassy officials and the provision of consular services in certain areas of the country. Post policy requires U.S. Embassy personnel to seek permission to travel to the Casbah district within Algiers and GoA policy requires American Embassy personnel traveling outside the province of Algiers to have a security escort.

Americans living or traveling in Algeria are encouraged to register with the U.S. Embassy in Algiers through the State Department's travel registration website, https://step.state.gov, and to obtain updated information on travel and security within Algeria. Americans without internet access may register directly with the U.S. Embassy in Algiers. By registering, American citizens make it easier for the Embassy to contact them in case of emergency.

13. Corruption

In 2013, GOA created the Central Bureau Fighting Corruption (OCRC) to investigate and prosecute any form of bribery in Algeria. The current number of cases currently being investigated by OCRC is not available. In 2010, GOA created the National Commission for the Prevention and Fight Against Corruption as stipulated in the 2006 anti-corruption law. The Chairman and members of this commission were appointed by a presidential decree. The commission studies financial holdings of public officials and carries out investigations. Also in 2013, the Financial Intelligence Unit was strengthened by a new regulation that gave the unit more authority to address illegal monetary transactions and terrorism funding. In 2015 and in 2012, the government updated 2005 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.

The GoA does not have a policy that requires private companies to establish internal codes of conduct that prohibit bribery of public officials. The use of internal controls against bribery of government officials varies by company, with some upholding those standards and others rumored to offer bribes. The GoA is not a participant in regional anti-corruption initiatives. While Algeria does not provide protections to NGO's involved in investigating corruption, there are whistleblower protections for Algerian citizens who report corruption.

On March 15, 2015, GoA launched its first major public corruption trial involving the powerful state-owned oil company Sonatrach. Some observers speculate that the case - five years in the works - only came to trial due to pressures created by the investigation into a similar Italian case involving Sonatrach. The trial is scheduled to resume June 7, 2015.

An ongoing case involving corruption of Public Works officials in construction of the East-West highway recently adjourned March 25, 2015, and is scheduled to resume April 19, 2015.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Algeria ratified the UN Anticorruption Convention on August 25, 2004.

Algeiria is not a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

Official GoA office

Abdelmalek Sayah
General Director
Central Office of Fighting Corruption (OCRC)
Placette el Qods, Hydra, Algiers
Address and e-mail address not publically available.

Watchdog Organization

Djilali Hadjadj
President
Algerian Association Against Corruption (AAAC, Algerian Branch of Transparency International)
http://aacc40.blogspace.fr/
07 71 43 97 08
aaacalgerie@yahoo.fr

14. Bilateral Investment Agreements

Algeria has signed bilateral investment treaties with Argentina, Austria, Bahrain, BLEU (Belgium-Luxembourg Economic Union), Bulgaria, China, Cuba, Denmark, Egypt, Ethiopia, Finland, France, Germany, Greece, Indonesia, Iran, Italy, Jordan, Kuwait, Libya, Malaysia, Mali, Mauritania, Mozambique, Netherlands, Niger, Nigeria, Oman, Portugal, Qatar, Romania, Russian Federation, Serbia, South Africa, South Korea, Spain, Sudan, Sweden, Switzerland, Syria, Tajikistan, Tunisia, Turkey, Ukraine, United Arab Emirates, Vietnam, and Yemen.

Algeria has free trade agreements with the European Union and the Arab League.

In 2001, Algeria and the U.S. signed a Trade and Investment Framework Agreement (TIFA), and in February 2015 the TIFA council convened in Algiers for the first time in eleven years.

Bilateral Taxation Treaties

Algeria does not have a bilateral taxation treaty with the United States.

15. OPIC and Other Investment Insurance Programs

An Overseas Private Investment Corporation (OPIC) agreement between the U.S and Algeria was signed in June 1990. In 2005, the Algerian Energy Company entered a deal with Ionics Inc. of Watertown, Massachusetts, in which Ionics agreed to build a water desalination plant and the state water authority took a minority stake in the plant and agreed to purchase the bulk of the clean water produced. OPIC provided a USD 200 million loan to Ionics, a desalination equipment manufacturer which was later acquired by GE. The Hamma Water facility, which opened in 2008, was Algeria's first privately-owned water desalination plant, as well as OPIC's first and only project in Algeria.

16. Labor

There is a chronic shortage of skilled labor in Algeria, especially in the construction industry. Business contacts report difficulty in finding sufficiently skilled plumbers, electricians, carpenters, and other construction/vocational related areas. Oil companies report they have difficultly retaining trained Algerian engineers and field workers because these workers often leave Algeria for higher wages in the Gulf. White collar employers also report a lack of skilled project managers, supply chain engineers, and even sufficient numbers of office workers with requisite computer and business skills.

Official unemployment figures are measured by the number of persons seeking work through the National Employment Agency (ANEM). According to the International Labor Organization (ILO), unemployment as of September 2014 was 10.6%: 9.2% for males and 17.1% for females. For youth aged 16-24, the figure was 25.2%. ILO estimates that 37% of all labor in Algeria is employed in the informal economy.

The Ministry of Vocational Training sponsors programs that, according to GoA figures, train 40-50,000 Algerians annually in various professional programs. In 2015, they plan to establish training centers in the southern parts of the country that will focus on oil, electricity, agriculture, tourism, and services.

There are no current laws requiring companies to hire nationals, although contacts at foreign companies report pressure to do so under implied threat of not approving the visa applications for expatriate staff. A proposed draft law currently under consideration by Parliament would specify some forms of national preference. Employers are required to pay severance, with slight variations in the law regarding lay-offs and firings. There are no special economic zones or foreign trade zones in Algeria.

One officially sanctioned labor union, the General Union of Algerian Workers (UGTA), is considered to be effective. It is the largest union in Algeria and represents a broad spectrum of employees from both the public and private sectors. The UGTA is an official member of the "tripartite" (a council of labor, government, and business officials that collaborate on economic and labor policy). Other labor unions in Algeria are considered far less effective, largely because the GoA chooses to liaise almost exclusively with the UGTA. Collective bargaining is permitted under a law passed in 1990 and modified in 1997, but is not mandatory. Algerian law provides mechanisms for monitoring labor abuses and health and safety standards in low-wage assembly operations, and international labor rights are recognized within domestic law, but are only regulated in the formal economy. A draft bill to update existing labor codes is currently pending.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

Algeria does not have foreign trade zones or free ports.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2013	208,700	2013	210,183	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 ($M USD, stock positions)		Not available	2012	5,037	http://bea.gov/international/factsheet/factsheet.cfm?Area=400
Host country's FDI in the United States ($M USD, stock positions)		Not available	2013	***	http://bea.gov/international/factsheet/factsheet.cfm?Area=400
Total inbound stock of FDI as % host GDP	2013	USD 1.96 billion, 0.9% of GDP*	2013	USD 1.7 billion, 0.8% of GDP**	

*Source: Algerian Central Bank ** Source: UNCTAD, *** 2013 figures were suppressed by bea.gov to avoid disclosure of data of individual companies.

Table 3: Sources and Destination of FDI

No information for Algeria is available on the IMF's Coordinated Direct Investment Survey (CDIS) website. Neither World Bank nor Algerian sources break down FDI to and from Algeria by individual countries.

Table 4: Sources of Portfolio Investment

No information for Algeria is listed in the IMF's Coordinated Portfolio Investment Survey (CPIS) web site. Neither World Bank nor Algerian sources break down FDI to and from Algeria by individual countries.

19. Contact for More Information

Mballe Nkembe
Economic Officer
US Embassy Algiers
(+213) 770 082000 Ex: 2264
nkembemm@state.gov