Algeria

RISK & COMPLIANCE REPORT

DATE: March 2018

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Executive Summary - Algeria	
Sanctions:	None
FAFT list of AML Deficient Countries	No longer on list
Higher Risk Areas:	US Dept of State Money Laundering assessment Non - Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
Medium Risk Areas:	Weakness in Government Legislation to combat Money Laundering

Major Investment Areas:

Agriculture - products:

wheat, barley, oats, grapes, olives, citrus, fruits; sheep, cattle

Industries:

petroleum, natural gas, light industries, mining, electrical, petrochemical, food processing

Exports - commodities:

petroleum, natural gas, and petroleum products 97%

Exports - partners:

US 16.1%, Spain 13.9%, Canada 10.4%, Netherlands 8.4%, France 8%, Brazil 5.6%, UK 5.1% (2012)

Imports - commodities:

capital goods, foodstuffs, consumer goods

Imports - partners:

France 17.2%, China 11.5%, Spain 9.4%, Italy 9.1%, Germany 4.6% (2012)

Investment Restrictions:

The climate for international firms considering direct investments in Algeria has stabilized in the wake of a series of restrictive foreign investment rules enacted in 2009 and 2010, which imposed a requirement of at least 51 percent Algerian ownership of foreign investments. Foreign Direct Investment (FDI) in Algeria waned as a result of those measures. Investors highlight regulatory uncertainty, tight foreign exchange controls, lax intellectual property rights (IPR) protections, customs delays, and a large informal sector among ongoing commercial challenges.

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Section 1 - Background

After more than a century of rule by France, Algerians fought through much of the 1950s to achieve independence in 1962. Algeria's primary political party, the National Liberation Front (FLN), was established in 1954 as part of the struggle for independence and has largely dominated politics since. The Government of Algeria in 1988 instituted a multi-party system in response to public unrest, but the surprising first round success of the Islamic Salvation Front (FIS) in the December 1991 balloting led the Algerian army to intervene and postpone the second round of elections to prevent what the secular elite feared would be an extremist-led government from assuming power. The army began a crackdown on the FIS that spurred FIS supporters to begin attacking government targets. Fighting escalated into an insurgency, which saw intense violence from 1992-98, resulting in over 100,000 deaths - many attributed to indiscriminate massacres of villagers by extremists. The government gained the upper hand by the late-1990s, and FIS's armed wing, the Islamic Salvation Army, disbanded in January 2000. Abdelaziz BOUTEFLIKA, with the backing of the military, won the presidency in 1999 in an election widely viewed as fraudulent. He was reelected to a second term in 2004 and overwhelmingly won a third term in 2009, after the government amended the constitution in 2008 to remove presidential term limits. Longstanding problems continue to face BOUTEFLIKA, including large-scale unemployment, a shortage of housing, unreliable electrical and water supplies, government inefficiencies and corruption, and the continuing activities of extremist militants. The Salafist Group for Preaching and Combat (GSPC) in 2006 merged with al-Qa'ida to form al-Qa'ida in the Lands of the Islamic Maghreb, which has launched an ongoing series of kidnappings and bombings targeting the Algerian Government and Western interests. The government in 2011 introduced some political reforms in response to the Arab Spring, including lifting the 19-year-old state of emergency restrictions and increasing women's quotas for elected assemblies. Parliamentary elections in May 2012 and municipal and provincial elections in November 2012 saw continued dominance by the FLN, with Islamist opposition parties performing poorly. Political protest activity in the country remained low in 2012, but small, sometimes violent socioeconomic demonstrations by disparate groups continued to be a common occurrence. Parliament in 2013 is expected to revise the constitution.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Algeria is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 19 February 2016

The FATF welcomes Algeria's significant progress in improving its AML/CFT regime and notes that Algeria has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in October 2011. Algeria is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Algeria will work with MENAFATF as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Algeria was undertaken by the Financial Action Task Force (FATF) in 2011. According to that Evaluation, Algeria was deemed Compliant for 3 and Largely Compliant for 8 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

Background notes from latest Mutual Evaluation Report (2011):

Although Algeria is not considered as a regional financial centre and despite the absence of a relatively high rate of crimes in Algeria, it is noticed that there are some economic crimes, on top of them, corruption, smuggling, forgery and illicit trafficking. This indicates that there are risks related to ML. As for the possibility of TF, a lot of risks related to terrorist activities by the existence of internal terrorist groups in addition to executing terrorist operations have come out. Moreover, there is a link between criminal groups that smuggle drugs and do kidnapping operations and terrorist groups. All these factors form high-level risks in the field of ML/TF.

Algeria criminalized ML in 2004, and started its combating against terrorism and terrorism financing since 1995, as it has criminalized the TF act being one of the acts described as terrorism or vandalism acts. In 2005, the Algerian lawmaker has put some provisions by virtue of AML/CFT law, by virtue of which TF act has been defined. Algeria established the Financial

Intelligence Unit (FIU) in 2002. Consequently, the main aspects of the legal framework have been covered to establish a new AML/CFT system in Algeria. It is worth to be noted the existence of a practical hindrance concerning CFT as the lawmaker ordained that there should be a link between the terrorist crime and its financing, which contradicts with the international standards regarding this matter.

Algeria has established an AML/CFT system that includes a number of positive points. The most important comment that should be highlighted in this system is the non-issuing of all legal tools required for fulfilling basic requirements mentioned in the 40 Recommendations and 9 Special Recommendations of AML/CFT. On the other hand, the AML/CFT system in Algeria did not include all the financial institutions; in addition, the categories subject to the Law are not obligated with some of the basic requirements according to the international AML/CFT standards.

US Department of State Money Laundering assessment (INCSR)

Algeria is categorised by the US State Department as a Country/Jurisdictions of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

The extent of money laundering through Algeria's formal financial system is thought to be minimal due to stringent regulations and a banking sector dominated by state-owned banks. Algerian authorities monitor the banking system closely. The system is highly bureaucratic and provides for numerous checks on all money transfers. The continued prevalence of archaic, paper-based systems and banking officials not trained to function in the modern international financial system further deter money launderers who are more likely to use sophisticated transactions. A large informal, cash-based economy, estimated at 40 percent of GDP, is vulnerable to abuse by criminals. Notable criminal activity includes trafficking, particularly of drugs, cigarettes, arms, and stolen vehicles; theft; extortion; and embezzlement. Public corruption and terrorism remain serious concerns. Additionally, porous borders allow smuggling to flourish.

The country is generally making progress in its efforts to combat money laundering and financial crimes. Over the past three years, the government has updated its criminal laws on terrorist financing and issued new guidelines for the Bank of Algeria and the Ministry of Finance's Financial Intelligence Processing Unit (CTRF), Algeria's FIU.

VULNERABILITIES AND EXPECTED TYPOLOGIES

The restricted convertibility of the Algerian dinar enables the central bank to monitor all international financial operations carried out by banking institutions. Most money laundering is thought to occur primarily outside the formal financial system, through tax evasion, abuse of real estate transactions, and commercial invoice fraud. Algerian authorities are increasingly concerned by cases of customs fraud and TBML. The sprawl of the informal economy and extensive use of cash heighten the risk of financial crimes.

Al-Qaida in the Islamic Maghreb, which operates in parts of Algeria, is known to raise money through, among other methods, drug trafficking and drug trading, as well as extortion and taxes imposed on smugglers.

KEY AML LAWS AND REGULATIONS

There were no legislative changes noted in 2017. The following laws are applicable to money laundering in Algeria: Executive Decree no. 06-05, addressing STR requirements; Executive Decree no. 13-157 on the creation, organization, and functioning of the CTRF; Executive Decree no. 15-153 fixing the thresholds for payments that must be made through the banking and financial systems; and Law no. 16-02 establishing rules for the application of the penal code to AML/CFT.

AML provisions in Algeria impose data collection and due diligence requirements on financial institutions processing wire transfers, with stricter requirements for cooperation with law enforcement authorities, upon request, for transfers exceeding U.S. $1,000. In addition, all payments for certain purchases in excess of the following amounts must be completed via the banking system: approximately U.S. $44,200 for real estate; or approximately U.S. $8,800 for goods and services. Non-compliance with these provisions could result in sanctions against the individual and/or financial institution for money laundering or terrorist financing.

Algeria is a member of the MENAFATF, a FATF-style regional body.

AML DEFICIENCIES

Challenges remain in implementation of Algeria's AML regime. A self-analysis by the CTRF continues to identify a need to educate bankers to increase the accuracy of reporting. While the CTRF has provided some information on the number of cases it is processing, additional information would be needed to further evaluate implementation.

Only foreign PEPs are covered under enhanced due diligence requirements.

There is no information available on money laundering prosecutions or convictions.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The CTRF actively analyzes STRs, compiles and disseminates AML-related information to banks; and engages in some level of quantitative and qualitative self-analysis. A CTRF report in summer 2017 indicates STRs declined by 50 percent over the same period in 2016. The reason for this steep decline is unknown.

The United States-Algeria MLAT, signed in April 2010, was ratified by the United States and Algeria and entered into force on April 20, 2017.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Algeria does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

Ability to freeze assets without delay - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations)

EU White list of Equivalent Jurisdictions

Algeria is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Algeria is not considered to be an Offshore Financial Centre

Reports

US State Dept Narcotics Report 2017 (introduction):

Algeria is primarily a transit country for drug trafficking from Morocco to Europe and the Middle East, and Algerian officials assert that some transit operations are connected to terrorist financing in the Maghreb. Domestic consumption is also increasing within Algeria, particularly of cannabis among youth. According to local media reports citing Algerian officials, the annual amount of cannabis seized in Algeria increased from approximately eight metric tons (MT) in 2003 to more than 211 MT in 2013. During the first nine months of 2016, Algerian authorities seized approximately 20 MT of cannabis, 10.7 kilograms of cocaine, trace amounts of heroin, and 355,000 psychotropic pills nationwide, according to media reports citing police officials.

Algeria's vast borders make drug-smuggling difficult to monitor and control. Algerian officials assert that Morocco is the principal source of illicit drugs found in Algeria. Algerian officials have identified the smuggling of illicit substances hidden among licit pharmaceuticals as an emerging risk, and Algeria is working with the United Nations Office of Drug and Crime to improve the capacity of the country's customs authority to identify new psychoactive substances and to better screen for illicit drugs entering through ports and airports.

Algeria models its domestic drug policy on the provisions of the 1988 UN Drug Convention. The Algerian government has updated its drug control regulations in areas such as the incineration of seized narcotics and the control of the legal production and storage of opioids and psychotropic substances to remain in accordance with its international agreements. Algeria is a member of the Euro-Mediterranean cooperation network MedNET, created in 2006 to link countries including France, Egypt, Italy, Lebanon, Morocco, Portugal and Tunisia to expand cooperation in the fight against drugs.

The Algerian Government works to combat individual consumption through domestic social programs. Algeria has invested in public awareness programs and treatment facilities to educate the public and treat drug users. The Ministry of Justice claimed in 2016 that law enforcement and security forces had successfully enhanced land border security to the extent that some drug trafficking networks had shifted to sea routes between Algeria and Morocco, reflected by increasing seizures made by the Algerian Coast Guard and the National Gendarmerie.

The United States continues to cooperate with the Algerian government to counter- drug trafficking. In May, U.S. Embassy Algiers hosted a regional conference addressing the ties between terrorist financing and drug trafficking. The event provided participating judges, prosecutors, financial intelligence investigators, and law enforcement officers an opportunity to exchange observations and good practices, as well as engage on practical scenarios to increase intra-government and international cooperation.

US State Dept Trafficking in Persons Report 2016 (introduction):

Algeria is classified a Tier 3 country - a country whose government does not fully comply with the minimum standards and is not making significant efforts to do so.

Algeria is a transit and destination country and, to a lesser extent, a source country for men, women, and children subjected to forced labor and sex trafficking. Undocumented sub-Saharan migrants, primarily from Mali, Niger, Cameroon, Cote d'Ivoire, and Nigeria, are most vulnerable to labor and sex trafficking in Algeria, mainly due to their irregular migration status, poverty, and language barriers. Single women and women traveling with children are also particularly vulnerable to exploitation. Sub-Saharan African men and women, often en route to neighboring countries or Europe, enter Algeria voluntarily but illegally, frequently with the assistance of smugglers or criminal networks. Many migrants, impeded in their initial attempts to reach Europe, remain in Algeria until they can continue their journey. While facing limited opportunities in Algeria, many migrants illegally work in construction or engage in prostitution to earn money to pay for their onward journey to Europe, which puts them at high risk of exploitation. Some migrants become indebted to smugglers, who subsequently exploit them in forced labor and sex trafficking upon arrival in Algeria. For example, female migrants in the southern city of Tamanrasset—the main entry point into Algeria for migrants and for the majority of foreign trafficking victims—are subjected to debt bondage as they work to repay smuggling debts through domestic servitude, forced begging, and forced prostitution. Some migrants also fall into debt to fellow nationals who control segregated ethnic neighborhoods in Tamanrasset; these individuals pay migrants' debts to smugglers and then force the migrants into bonded labor or prostitution. An international organization reported in 2015 that Tuareg and Maure smugglers and traffickers in northern Mali and southern Algeria force or coerce men to work as masons or mechanics; women to wash dishes, clothes, and cars; and children to draw water from wells in southern Algeria. Victims also report experiencing physical abuse at the hands of smugglers and traffickers. Many sub-Saharan migrant women in southern Algeria willingly enter into relationships with migrant men to provide basic shelter, food, income, and safety. While many of these relationships are purportedly consensual, these women are at risk of trafficking, and migrants in Tamanrasset reported instances when women are prevented from leaving the home and raped by their "partner." Media and civil society organizations reported in 2015 that some sub-Saharan African migrant women working as domestic workers for Algerian families experience physical abuse, confiscation of passports, and withheld pay.

Foreign women and to a lesser extent children, primarily sub-Saharan African migrants, are exploited in sex trafficking in bars and informal brothels, typically by members of their own communities, in Tamanrasset and Algiers. Nigerien female migrants begging in Algeria, who often carry children—sometimes rented from their mothers in Niger—may be forced labor victims. According to an international organization in 2015, some Nigerien children are also forced to beg in Algeria. In 2014, the media and an international NGO reported Vietnamese migrants were forced to work on construction sites for Chinese contractors in Algeria. Some Algerian women, and to a much lesser extent children, reportedly endure sex trafficking in Algeria. Civil society organizations in 2015 reported isolated instances of foreign and Algerian children in sex trafficking and in forced labor on construction sites.

The Government of Algeria does not fully meet the minimum standards for the elimination of trafficking and is not making significant efforts to do so. The government newly acknowledged the trafficking problem in Algeria and demonstrated new political will to address it. It formed an inter-ministerial anti-trafficking committee, which produced a national anti-trafficking action plan in December 2015; however, the government did not dedicate a budget to implement the plan during the reporting period. Despite these efforts, the government did not report prosecuting or convicting any sex trafficking or forced labor offenders. Though the government initiated two investigations of potential forced labor crimes during the reporting period, it conveyed that it could not report on the status of the cases due to domestic privacy laws. As in previous years, the government did not make efforts to identify victims among vulnerable groups, directly provide appropriate protection services for victims, nor refer victims to NGOs for such care. Authorities continued to arrest and detain potential foreign trafficking victims for acts committed as a direct result of being subjected to trafficking, such as immigration violations.

US State Dept Terrorism Report 2016

Overview: Algeria continued an aggressive campaign to eliminate all terrorist activity within its borders, and sustained its policing efforts to thwart terrorist activity in urban centers. Al-Qa'ida in the Islamic Maghreb (AQIM), AQIM-allied groups, and ISIS elements including the Algerian branch known as Jund al-Khilafah in Algeria (JAK-A, Soldiers of the Caliphate in Algeria), were active terrorist organizations within Algeria and along its borders. These groups aspired to establish their interpretations of Islamic law in the region and to attack Algerian security services, local government targets, and Western interests.

Regional political and security instability contributed to Algeria's terrorist threat. Terrorist groups and criminal networks in the Sahel attempted to operate around Algeria's nearly 4,000 miles of borders. Continuing instability in Libya, terrorist groups operating in Tunisia, fragile peace accord implementation in Mali, as well as human and narcotics trafficking, were significant external threats.

Algeria is not a member of the Global Coalition to Defeat ISIS; however, Algeria actively supported the effort to defeat ISIS in other ways, such as counter-messaging, capacity-building programs with neighboring states, and co-chairing the Sahel Region Capacity-Building Working Group (SWG) of the Global Counterterrorism Forum (GCTF).

Although there was one reported kidnapping by terrorists as a tactic to compel provision of supplies of food, there were no reports of kidnappings for ransom by terrorist groups in Algeria in 2016. The Algerian government maintained a strict "no concessions" policy with regard to individuals or groups holding its citizens hostage.

Legislation, Law Enforcement, and Border Security: On June 19, the President signed a new law adding articles to the Algerian penal code and expanding criminal liability in the areas of foreign terrorist fighters, those who support or finance foreign terrorist fighters, the use of information technology in terrorist recruiting and support; and internet service providers who fail to comply with legal obligations to store information for a certain period or to prevent access to criminal material. The legislation was intended to implement UN Security Council resolutions (UNSCR) 2178 (2014) and 2199 (2015), and the UN Security Council (UNSC) ISIL (Da'esh) and al-Qa'ida sanctions regime.

The government stated that penal code reforms adopted in December 2015 had reduced the use of pretrial detention in 2016, but overuse of pretrial detention remained a problem. Military forces and multiple law enforcement, intelligence, and security services addressed counterterrorism, counter-intelligence, investigations, border security, and crisis response. These included the various branches of the Joint Staff; the army; the 140,000 members of the National Gendarmerie; and the Border Guards under the Ministry of National Defense (MND); and approximately 210,000 national police, or General Directorate of National Security, under the Ministry of Interior. Military forces and security services conducted regular search operations for terrorists, especially in eastern Algeria and in the expansive desert regions in the south. Public information announcements from the MND provided timely reporting on incidents during which MND forces captured or eliminated terrorists and seized equipment, arms, ammunition caches, and drugs.

Border security remained a top priority to guard against infiltration of terrorists from neighboring countries. Official and private media outlets reported on measures to increase border security, including closed military border areas, new observer posts in the east, reinforced protection of energy installations, additional permanent facilities for border control management, new aerial-based surveillance technologies and upgrades to communication systems. The Algerian government reported it had established a regularly updated database regarding foreign terrorist fighters, which is deployed at all border posts and Algerian diplomatic missions overseas.

The Government of Algeria closely monitors passenger manifests for inbound and outbound flights and scrutinizes travel documents of visitors, but does not collect biometric information. Algeria uses a computerized fingerprint identification system, undertakes training, and is equipped to recognize fraudulent documents. The Government of Algeria used INTERPOL channels, alerts, and diffusion notices to stay informed on suspicious travelers at land, air, and maritime borders.

To enhance its capacity to deal effectively with security challenges within its borders and defend against threats to regional stability, Algerian law enforcement agencies participated in the Department of State's Antiterrorism Assistance (ATA) Program and other training offered by third countries. Algerian participants attended and hosted numerous workshops conducted under the aegis of the GCTF. The U.S. Department of Justice's International Criminal Investigative Training Assistance Program, funded by the Department of State, concentrated on capacity-focused consultations and mentoring in forensics, border security, criminal investigation, and evidence collection at crime scenes.

Countering the Financing of Terrorism: Algeria is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its financial intelligence unit, known as the Financial Intelligence Processing Unit (CTRF), is a member of the Egmont Group of Financial Intelligence Units. In February, the FATF removed Algeria from its list of jurisdictions subject to FATF monitoring under its ongoing global anti-money laundering/countering the financing of terrorism (AML/CFT) compliance process. The FATF cited Algeria's significant progress in improving its AML/CFT regime. Similarly, in April, the MENAFATF announced that it was moving Algeria from "follow up" status to a biennial reporting status, and praised Algeria's compliance with international AML/CFT standards.

On June 19, the President signed a new law expanding the Algerian penal code in the areas of foreign terrorist fighters, and those who support or finance foreign terrorist fighters, in an effort to comply with UNSCR 2178.

CTRF regularly publishes administrative orders signed by the Minister of Finance, directing the immediate freezing and seizure of the assets of persons and entities listed by the UNSC ISIL (Da'esh) and al-Qa'ida sanctions regime. Although the system for freezing and seizure is in place, to date these orders have not yet resulted in the actual freezing or seizure of assets of listed persons.

The banking system in Algeria is underdeveloped and tightly monitored by Algerian authorities. Processes within the banking system are bureaucratic and require several checks at various points of the money transfer process, and a large informal cash-based economy has developed. The scale of the informal market has made its eradication extremely difficult, and multiple fiscal initiatives by the government have failed to co-opt illegal traders into formalizing their businesses. Reportedly, a network of informants and Algerian undercover officers monitor significant unregulated cash transactions, but given the informal nature of the system, it is difficult to police adequately.

In recent years, Algeria has taken steps to address several AML/CFT deficiencies. In 2015, Algeria amended the law to expand the definition of the financing of terrorism to include the criminalization of financing an individual terrorist or terrorist organization for any purpose. By amending the AML/CFT law, progress was also made on addressing customer due diligence, requiring all financial institutions to not allow the opening of anonymous or numbered bank accounts. Further, financial institutions were obligated to report to the CTRF suspicious transactions when funds are suspected of being associated or connected with a crime or suspected of being related to terrorism or used by terrorists, terrorist organizations, or terrorist financiers.

International Sanctions

November 28, 2011 - The Arab League (comprising 22 Arab member states), of which this country is a member, has approved imposing sanctions on Syria. These include: -

- Cutting off transactions with the Syrian central bank
- Halting funding by Arab governments for projects in Syria
- A ban on senior Syrian officials travelling to other Arab countries
- A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

The Arab League (comprising 22 Arab member states) has boycotted Israel in a systematic effort to isolate Israel economically in support of the Palestinians, however, the implementation of the boycott has varied over time among member states.

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	33
World Governance Indicator – Control of Corruption	27

Corruption is a serious obstacle for companies operating or intending to invest in Algeria. A culture of patronage permeates several aspects of Algeria's economy, strengthening the practices of nepotism and the use of connections to "get things done." Bribery and facilitation payments are also common practice, despite being criminal offenses. Bribes and "grease money" are mainly employed to overcome bureaucratic hurdles. The legal framework criminalizes a large range of corruption offenses, but enforcement remains a challenge and government officials engage in corruption with impunity. **Information provided by GAN Integrity.**

Corruption and Government Transparency - Report by US State Dept

There is an ongoing government effort to root out corruption, notably in key GOA agencies, such as Customs. Many Algerian citizens believe that corruption is a problem within the upper reaches of government. Some evidence suggests that bribes are paid to bypass Algerian bureaucracy or to avoid government interference.

In June 2012, the Algerian lower court found two Algerian citizens and three Chinese citizens guilty of corruption. The court sentenced the Algerian citizens to 15 years in prison, and sentenced the Chinese citizens in absentia to 10 years in prison and issued an international warrant for their arrest.

The government investigated several high-profile corruption scandals in 2009 and 2010. One investigation implicated officials at the Ministry of Public Works on charges of fraud related to the construction of the East-West highway. Another involved senior officials of the state oil company Sonatrach investigated for corruption in procurement. Several former Sonatrach senior officials are in custody, while others are under investigation. Lower-level investigations involved customs officials and private sector executives charged with embezzlement, illegal currency transfers, and misuse of public funds.

In 2013, GOA created the Central Bureau Fighting Corruption (OCRC), mandated to investigate and prosecute any form of bribery in Algeria. OCRC current has a docket of 40 cases. 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. Algeria is not a financial center, and financial transactions are tightly regulated. However, it is estimated that half of the country's economic transactions are carried out within the informal sector, effectively escaping the purview of state auditors.

In 2006, GOA adopted an anti-corruption bill that reinforced existing legislation and brought Algeria into compliance with the UN Convention against Corruption, which Algeria ratified in August 2004. The law was designed to promote transparency in government and public procurement, introduce new crimes such as illicit enrichment and reinforce existing penal sanctions.

In 2013, the Financial Intelligence Unit was strengthened by a new regulation for more freedom in dealing with illegal money transaction and terrorism funding. 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.

Section 3 - Economy

Algeria's economy remains dominated by the state, a legacy of the country's socialist postindependence development model. In recent years the Algerian Government has halted the privatization of state-owned industries and imposed restrictions on imports and foreign involvement in its economy.

Hydrocarbons have long been the backbone of the economy, accounting for roughly 60% of budget revenues, 30% of GDP, and over 95% of export earnings. Algeria has the 10th-largest reserves of natural gas in the world and is the sixth-largest gas exporter. It ranks 16th in oil reserves. Hydrocarbon exports have enabled Algeria to maintain macroeconomic stability and amass large foreign currency reserves and a large budget stabilization fund available for tapping. In addition, Algeria's external debt is extremely low at about 2% of GDP. However, Algeria has struggled to develop non-hydrocarbon industries because of heavy regulation and an emphasis on state-driven growth.

The government's efforts have done little to reduce high youth unemployment rates or to address housing shortages. A wave of economic protests in February and March 2011 prompted the Algerian Government to offer more than $23 billion in public grants and retroactive salary and benefit increases, moves which continue to weigh on public finances. Since late 2014, declining oil prices forced the government to spend down its reserves at a high rate in order to sustain social spending on salaries and subsidies, particularly since the government has been unable to boost exports of hydrocarbons or significantly grow its nonoil sector. In 2015, the Algerian Government imposed further restrictions on imports in an effort to reduce withdrawals from its foreign exchange reserves. The Government also increased the value-added tax on electricity and fuel, but said it would address subsidies at a later date.

Long-term economic challenges include diversifying the economy away from its reliance on hydrocarbon exports, bolstering the private sector, attracting foreign investment, and providing adequate jobs for younger Algerians.

Agriculture - products:

wheat, barley, oats, grapes, olives, citrus, fruits; sheep, cattle

Industries:

petroleum, natural gas, light industries, mining, electrical, petrochemical, food processing

Exports - commodities:

petroleum, natural gas, and petroleum products 97% (2009 est.)

Exports - partners:

Spain 18.8%, France 11.2%, US 8.8%, Italy 8.7%, UK 7.1%, Brazil 5.2%, Tunisia 4.9%, Germany 4.5% (2015)

Imports - commodities:

capital goods, foodstuffs, consumer goods

Imports - partners:

China 15.6%, France 14.4%, Italy 9.4%, Spain 7.4%, Germany 5.6%, Russia 4.1% (2015)

Banking

In 2010, the country's financial system consisted of six public banks, 14 foreign-owned pri¬vate banks one financial institution specializing in agriculture and five non-deposit-taking institutions.

The six state-owned banks own about 85% of total assets and extend 80% of total loans. Their foreign counterparts, however, are driving the sector over¬haul with products, technology and management practices. The post office also offers simple banking services, with money transfers and savings accounts. Due to their existing network, they are among the most common accounts, particularly for people in out of the way places.

Stock Exchange

The exchange was officially created in1999 and is located in the capital city of Algiers. The exchange is ran by the Societe de Gestion de la Bourse des Valeurs (SGBV) and supervised by the Stock Exchange and Surveillance Commission.

Section 4 - Investment Climate

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 94 percent of export revenues, 40percent of GDP and 60 percent of budget revenues. The drop in oil prices, while affecting Algeria's main revenue stream, has spurred the Government of Algeria (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.

The GoA has targeted non-hydrocarbon sectors for both public and private investments, with an emphasis on attracting greater foreign direct investment for projects that would directly boost employment and cut imports. Private sector contacts acknowledge that multiple sectors potentially offer substantial opportunities for long-term growth for U.S. firms with many having reported double-digit annual profits. Sectors targeted for robust investment include agriculture, tourism, information and communications technology, manufacturing, energy, construction infrastructure, and health. The GoA has singled out the auto manufacturing and renewable energy industries as sectors for growth and has offered lucrative, decades-long tax reductions, fixed-price contracts, and other incentives to companies willing to invest in localization of production.

However, challenges remain. Companies must overcome language barriers, distance, customs challenges, an entrenched bureaucracy, difficulties in monetary transfers and 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 proven challenging to U.S. and international firms. Other drawbacks include the 49/51 investment law (which requires majority Algerian ownership of all new foreign partnerships), inadequate IPR enforcement, and limited regional trade. The lack of any regionally integrated markets 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.

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. With regard to foreign trade, the GoA has taken the opposite approach, instituting protectionist policies to limit the outflow of capital from its declining foreign currency reserves, which further diminishes the attractiveness of the Algerian market. The International Chamber of Commerce Open Markets Index ranked Algeria in the bottom five percent of surveyed countries in 2015 in terms of trade openness. With the 2016 state budget law, the GoA established an import licensing and quota system, restricting imports of several products in which it seeks to protect and nurture domestic industries, including automobiles, construction, and agriculture. The introduction of the quotas and opaque system for granting licenses have brought imports in some sectors screeching to a halt and injected further volatility into prices and supply. According to business contacts, an unpredictable regulatory environment, inconsistent enforcement of laws and policies, and a bureaucratic customs process that impedes the efficiency and reliability of the supply chain also add significant uncertainty to the market.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	88 of 168	transparency.org/cpi2015#map-container
World Bank's Doing Business Report "Ease of Doing Business"	2016	163 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	126 of 141	globalinnovationindex.org/content.aspx?page=data-analysis
U.S. FDI in Algeria ($M USD)	2015	USD 4,202	bea.gov/iTable/index_MNC.cfm
World Bank GNI per capita ($M USD)	2014	USD 5,490	data.worldbank.org/indicator/NY.GNP.PCAP.CD

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 toward FDI, a difficult business climate, an inconsistent regulatory environment, and a government that seems torn between protecting the status quo and liberalizing the economy hamper foreign investment. There are business opportunities in nearly every sector, including but not limited to energy, power, water, health care, telecommunications, transportation, recycling, and agribusiness. The drop in oil prices since 2014 has highlighted Algeria's over-dependence on hydrocarbons and increased calls to open and diversify the economy.

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).

In November 2014, the GoA signed an agreement with the World Bank for technical assistance designed to improve Algeria's "Doing Business" global survey ranking, in which it ranked 163 out of 189 in 2016. 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 the ministers to support adequate measures to improve investment in their sectors of responsibility.

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 less-populated southern regions of the country 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 the Development of Investment (ANDI) on its website, as well as on the websites of economically oriented ministries.

Business Registration

Algeria's new online information portal dedicated to business creation and registration, www.jecreemonentreprise.dz, is clear, well-designed, and allows quick navigation to the appropriate registration process for a firm. The website, however, is currently only in French and Arabic. The website lists a maximum of 9 steps involving 7 agencies and taking approximately 14-15 days to register a firm in Algeria, while the World Bank's Ease of Doing Business report lists 12 procedures lasting up to 20 days. Only an individual seeking to create a business for self-employment can follow a relatively streamlined process of 6 steps. Neither the website nor the World Bank report offer information on the process for registering with the social insurance authorities, creating an official corporate seal, or receiving a required court stamp, key requirements for establishing a business in Algeria.

http://www.doingbusiness.org/data/exploreeconomies/algeria/#starting-a-business
http://www.jecreemonentreprise.dz

Industrial Strategy

ANDI is the primary Algerian government agency tasked with seeking and recruiting foreign investment. However, the Ministry of Industry and Mines, and its Minister himself, remain critical decision-makers for approving industrial investments.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity. However, 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 retaining national economic pride 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 the minority foreign shareholder to exercise other means of control. 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 largest 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 creative ways to work within 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. 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 do not want to surrender control of their designs and patents. Several U.S. companies have reported they have internal 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 correspondingly prevent them from establishing businesses in Algeria.

Privatization Program

The 2016 state budget law established legal strictures for limited privatizations that would allow private investors to purchase up to 66 percent ownership in unprofitable state-owned companies. However, sales of shares in the companies would only be open to Algerian citizens or companies, limiting any foreign purchase to less than 49 percent via a local joint venture (see above). Final approval of the sales would be subject to a Ministerial council chaired by the Prime Minister. To date, the GoA has not announced plans to sell off any state-owned companies.

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, one prominent U.S. manufacturer tried unsuccessfully for months to communicate with and obtain meetings with an Algerian ministry that had issued regulations restricting the imports of its products, despite its stated objective of discussing possible future direct investments in the country. The U.S. company only managed to receive replies to its inquiries and engage in conversations with the ministry after extensive U.S. government assistance. Another U.S. firm that had been planning with the same ministry for years on establishing a local manufacturing plant endured significant delays in receiving its permit; after waiting months with no replies to constant inquiries on the status, the company suddenly and without explanation received approval.

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 housed under the Ministry of Commerce.

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 and requires 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 to complete, but in reality, it often takes three to six months. Also, the GoA 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" composed of 64 percent of the value of the U.S. 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 official exchange rate of the Dinar, any change in its value could be considered currency manipulation. The Central Bank has allowed the Dinar to depreciate approximately 30 percent over the past 18 months from 79 Dinars per USD in September 2014, to 110 Dinars per USD in March 2016, in an attempt to reduce imports and spur exports.

On October 23, 2015, the FATF removed Algeria from its Public Statement, and on February 19, 2016, removed Algeria from the “gray list”. The FATF recognized Algeria’s significant progress and the improvement in its anti-money laundering/counter terrorist financing (AML/CFT) regime. The FATF also indicated Algeria has substantially addressed its action plan since strategic deficiencies were identified in 2011.

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

Although certain cases may be assigned to judges with experience in a particular field of law, Algeria does not have specialized courts. Foreign judgments 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 (SOEs).

Bankruptcy

Algeria has a bankruptcy law that generally follows international norms. As 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 2016 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 several years to resolve a case. One U.S. company that encountered bureaucratic blocks on the expatriation of dividends from an investment made in 2005 has been pursuing a resolution since 2012; despite the intervention of several GoA institutions and ministers, a solution is still pending. 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). 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 29 years is currently the longest in the history of the WTO. The next meeting of the

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 percent interest rate thereafter, in return for a 30 percent financing down payment for the project. The 3 percent interest rate was less than Algeria’s 2015 year-end inflation rate of 4.8 percent.

Algeria's official investment promotion body, the National Agency for the Development of Investment (ANDI), has a website in English, French, and Arabic that provides procedural advice and necessary forms (www.andi.dz). ANDI does not list any particular criteria to qualify for investing in Algeria. To take advantage of the incentives to invest in the country, however, firms generally must employ at least 100 people; exceptions exist for investments in historically underdeveloped regions, such as southern Algeria. Foreign investors interested in investing specifically in SMEs are directed to ANDI, but the incentives for SME investment are no different from those for larger firms. Algeria defines an SME as a company employing no more than 250 employees over the course of a year and with annual revenues of less than 2 billion DZD (USD 18 million). Micro-businesses are classified as companies with nine employees or fewer. 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 tracts 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 2015 Global Innovation report, which measures R&D spending, innovation, progress, and proficiency, ranked Algeria 126 of 141 nations surveyed.

https://www.globalinnovationindex.org/content/page/gii-full-report-2015/#pdfopener

Performance Requirements

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. 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

Patent and trademark protection in Algeria remains 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. A new government decree in 2015 also increased coordination between the IP protection institutions and law enforcement to pursue patent and trademark infringements. However, U.S. companies note that enforcement remains an issue.

The National Office of Copyrights and Related Rights (ONDA), under the Ministry of Culture, and the National Institute for Industrial Property (INAPI), under the Ministry of Industry and 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.

Despite strengthened 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 seized more than 1.3 million counterfeit goods in 2015, including clothing, cosmetics, sports items, foodstuffs, automotive spare parts, and home appliances. ONDA destroyed 1.7 million copies of pirated media in its annual destruction campaign, but a U.S. software firm estimated that up to 90 percent of the software used in Algeria, and a similar percentage of titles used by government institutions and state-owned companies, are not genuine copies.

Algeria remained on the Priority Watch List of USTR's Special 301 Report in 2015.

For additional informant about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

IPR officer at Post:
Ryan Guirlinger, Economic Officer
+213-770-802-209
GuirlingerRN@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

7. 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. There is no specific mechanism for public comment on draft laws. Typically, government officials give testimony to the Parliament on draft legislation, which receive press coverage, and occasionally copies of bills are leaked to the media. However, full-text copies of draft laws are not made publicly accessible. 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.

8. Efficient Capital Markets and Portfolio Investment

Algeria's stock exchange is the smallest in the MENA region with a capitalization of 0.1 percent of GDP. Currently, there are four companies listed on the Algiers Stock Exchange, with a total market capitalization of USD 136 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 estimated in 2014 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 percent public and 15 percent private as measured by value of assets held, 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 five percent 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.

9. Competition from State-Owned Enterprises

About two-thirds of the Algerian economy is comprised of state-owned enterprises (SOEs), led by the national oil and gas company Sonatrach, although SOEs are present in all sectors of the economy. SOEs are so prevalent that a comprehensive public list does not exist; rather all SOEs are amalgamated into a single line of the state budget.

SOEs are listed in the official business registry. To be defined as an SOE, a company must be at least 51 percent owned by the state.

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. Although no data is available, in general, SOEs spend significantly less on research and development than the private sector; as an example, Sonatrach only established an R&D division in late 2015. 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 generally refrain from doing business with private banks. In 2008, a government directive ordered public companies to work only 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 business contacts report that 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 and are not publically available. The General Inspectorate of Finance (IFG) is a public auditing body under the supervision of the Ministry of Finance 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

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 report to their relevant ministry; CEOs of the larger companies such as Sonatrach, electric and gas 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. 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.

10. Responsible Business Conduct

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. Multinational firms operating in Algeria are spreading the concept of responsible business conduct (RBC), which has traditionally been less common among domestic firms. Companies such as Anadarko, Cisco, Microsoft, Boeing, Dow, and Berlitz have supported programs aimed at youth employment, education, and entrepreneurship. RBC 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 does not adhere to the OECD Guidelines for Multinational Enterprises and does not participate in the Extractive Industries Transparency Initiative.

11. Political Violence

Political violence has greatly declined in Algeria since the widespread terrorism and violence of the 1990s. The government's effort to reduce terrorism has focused on active security services and social reconciliation and reintegration. However, in March 2016, terrorists launched a home-made rocket attack on a gas facility in central Algeria that caused no casualties or damage. In July 2015, terrorists claimed an attack on Algerian soldiers that killed nine soldiers in Ain Defla province. 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. Each of these attacks prompted swift counter-terrorism responses by Algerian security services to uproot the militants responsible for the attacks.

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 serious recent episode occurring in July 2015 and resulting in at least 22 deaths. Government reactions include tighter security control on the streets to prevent further clashes and promises of greater public expenditures on local infrastructure. During the first several months of 2015, there was a series of protests in several cities in the south of the country against the government's program of exploitation of shale gas. These protests were largely peaceful but sometimes resulted in clashes, injury, and rarely, property damage.

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. The U.S. Department of State permits U.S. diplomats in Algeria to be accompanied to post by adult family members and children under age 12. Embassy travel restrictions limit and occasionally prevent the movement of U.S. Embassy officials and the provision of consular services in certain areas of the country. Likewise, the Government of Algeria requires U.S. Embassy personnel to seek permission to travel outside the wilaya of Algiers and provides police escorts for the duration of any visit. Travel to the military zone established around the Hassi Messaoud oil center requires Government of Algeria authorization

U.S. citizens living or traveling in Algeria are encouraged to enroll in the Smart Traveler Enrollment Program (STEP) via the State Department's travel registration website, https://step.state.gov/step, to receive security messages and make it easier to be located in an emergency.

12. Corruption

In 2013, the GoA created the Central Office for the Suppression of 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, the GoA created the National Organization 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 studies. 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 the 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 July 23, 2015, the government amended the criminal code to stipulate that charges related to theft, embezzlement, or loss of public and private funds may only be initiated against senior, public sector "economic managers" by the board of directors of the institution. Critics of the law asserted that by only permitting senior officials of state businesses to initiate investigations, the law protects high-level government corruption and promotes impunity. Supporters of the law contended that legitimate business operations had been paralyzed by mid-level managers' fears of prosecution for taking justifiable business decisions later recast as corrupt practices.

The government brought several major corruption cases to trial resulting in dozens of convictions. Media reporting and public opinion viewed the absence of charges against any current or former senior government officials as an indication of impunity for government officials. On June 23, 2015, a Blida court sentenced Abdelmoumene Khalifa to 18 years in prison for forming a gang, counterfeiting and using counterfeit documents, theft, bribery, breach of trust, fraud, and fraudulent bankruptcy. Observers believed Khalifa embezzled between DZD 157.5 billion and DZD 525 billion (USD 1.5 billion and USD 5 billion) from the government. His defense attorneys criticized the trial for the absence of important witnesses, namely several sitting ministers and senior government officials whose presence the presiding judge did not require. Of the 51 other defendants in the case, several received prison sentences, but most were cleared of all charges.

On May 7, an Algiers court convicted financial consultant Chani Medjdoub, former director of studies at the National Agency of Highways Khelladi Mohamed, and former director of planning at the Ministry of Transportation Salim Hamdan Rashid on charges of bribery, abuse of function, abuse of power, receiving undeserved gifts and advantages, waste of public funds, money laundering, violation of currency legislation, and the illegal movement of capital abroad. The court sentenced them to prison terms of seven to 10 years and fined them DZD 1 million to DZD 3 million (USD 9,520 to USD 28,600) resulting from their involvement in the construction of the "East-West Highway." Started in 2006 and estimated to span approximately 756 miles and cost DZD 630 billion (USD 6 billion), the infrastructure project officially cost the government DZD 1.15 trillion (USD 11 billion), with unofficial estimates ranging from DZD 1.37 trillion to DZD 1.79 trillion (USD 13 billion to USD 17 billion). Despite a number of unresolved allegations, the presiding judge did not summon former minister of Public Works and Transport Amar Ghoul, who oversaw the planning and implementation of the project. The court charged, but ultimately acquitted, a former secretary general and a former chief of staff of the Ministry of Public Works and Transport. The judge fined seven international companies involved in the case an estimated DZD 5 million (USD 47,600) on charges of corruption.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

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

Algeria 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

13. 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 its council met most recently in Washington in March 2016.

Bilateral Taxation Treaties

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

14. Foreign Trade Zones/Free Ports/Trade Facilitation

Algeria does not have foreign trade zones or free ports. Despite policymakers' awareness that the GoA's current economic model cannot be sustained, they have been slow to make reforms to allow a smooth and manageable transition of the economy, opting instead for import restrictions in an attempt to lower the import bill and encourage domestic production through protectionism. The arbitrary and haphazard way in which the GoA is changing business regulations to discourage imports has 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 section 1.3).

15. 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) ($M USD)	2014	172,050	2014	213,500	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical sources*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	N/A	N/A	2014	5,202	http://bea.gov/international/factsheet/factsheet.cfm?Area=400
Host country's FDI in the United States ($M USD, stock positions)	N/A	N/A	2014	-17	http://bea.gov/international/factsheet/factsheet.cfm?Area=400
Total inbound stock of FDI as % host GDP	2014	USD 1.03 billion, 0.6% of GDP*	2013	USD 1.48 billion, 0.7% of GDP**	http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

*Sources: Algerian Central Bank (www.bank-of-algeria.dz), ANDI (www.andi.dz)
** Source: UNCTAD

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.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments]

Legal system:

Mixed legal system of French civil law and Islamic law; judicial review of legislative acts in ad hoc Constitutional Council composed of various public officials including several Supreme Court justices

International organization participation:

ABEDA, AfDB, AFESD, AMF, AMU, AU, BIS, CAEU, CD, FAO, G-15, G-24, G-77, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAS, MIGA, MONUSCO, NAM, OAPEC, OAS (observer), OIC, OPCW, OPEC, OSCE (partner), UN, UNCTAD, UNESCO, UNHCR, UNIDO, UNITAR, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO (observer)

Section 6 - Tax

Exchange control

http://www.bank-of-algeria.dz/

Treaty and non-treaty withholding tax rates

- 18%: Fees, royalties and non-trading activities compensation paid to non-resident
- 18%: Capital gains paid to non-resident
- 18%: Interests on loans paid to banks not established in Algeria
- If a treaty exists, apply the treaty rate if less than 18%

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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Gary Youinou

Via our Contact Page at KnowYourCountry.com