

Algeria

RISK & COMPLIANCE REPORT

DATE: January 2017

| Executive Summary - Algeria | |
|---|---|
| Sanctions: | None |
| FAFT list of AML Deficient Countries | No longer on list |
| Higher Risk Areas: | <p>Non - Compliance with FATF 40 + 9 Recommendations</p> <p>Not on EU White list equivalent jurisdictions</p> <p>Corruption Index (Transparency International & W.G.I.)</p> <p>World Governance Indicators (Average Score)</p> <p>Failed States Index (Political Issues)(Average Score)</p> |
| Medium Risk Areas: | <p>US Dept of State Money Laundering Assessment</p> <p>Weakness in Government Legislation to combat Money Laundering</p> |
| <p>Major Investment Areas:</p> <p>Agriculture - products:</p> <p>wheat, barley, oats, grapes, olives, citrus, fruits; sheep, cattle</p> <p>Industries:</p> <p>petroleum, natural gas, light industries, mining, electrical, petrochemical, food processing</p> <p>Exports - commodities:</p> <p>petroleum, natural gas, and petroleum products 97%</p> <p>Exports - partners:</p> <p>US 16.1%, Spain 13.9%, Canada 10.4%, Netherlands 8.4%, France 8%, Brazil 5.6%, UK 5.1% (2012)</p> <p>Imports - commodities:</p> <p>capital goods, foodstuffs, consumer goods</p> <p>Imports - partners:</p> <p>France 17.2%, China 11.5%, Spain 9.4%, Italy 9.1%, Germany 4.6% (2012)</p> | |

Investment Restrictions:

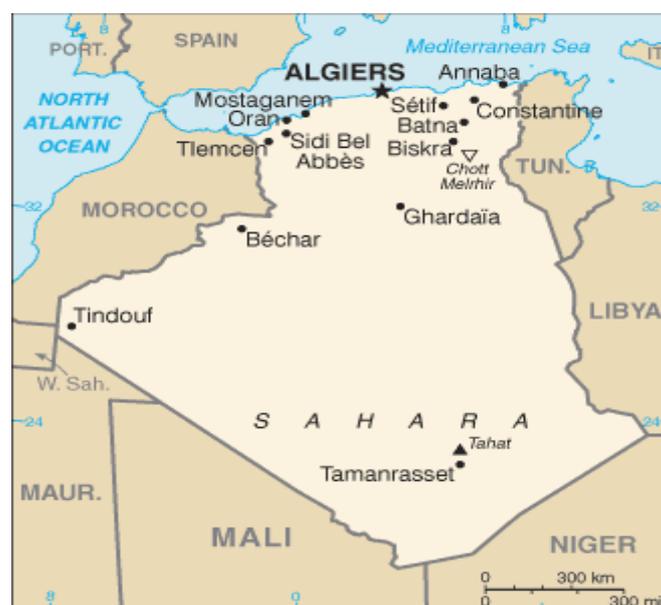
The climate for international firms considering direct investments in Algeria has stabilized in the wake of a series of restrictive foreign investment rules enacted in 2009 and 2010, which imposed a requirement of at least 51 percent Algerian ownership of foreign investments. Foreign Direct Investment (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 was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

The extent of money laundering through formal financial institutions in Algeria is thought to be minimal due to stringent exchange control regulations; the considerable size of the informal and cash-based economy, estimated to be 30-50 percent of GDP; and, a banking sector dominated by state-owned banks, archaic paper-based systems, and banking officials trained in the statist system. The restricted convertibility of the Algerian dinar enables the central bank to monitor all international financial operations carried out by public and private banking institutions. Notable criminal activity includes trafficking, particularly of drugs and cigarettes, but also arms and stolen vehicles; kidnapping for ransom; theft; extortion; and embezzlement. Public corruption remains a serious concern, as does terrorism in specific areas of the country. Algerian authorities are increasingly concerned by cases of customs fraud and trade-based money laundering. Other risk areas for financial crimes include unregulated alternative remittance and currency exchange systems and a cash-based economy. Most money laundering is believed to occur primarily through tax evasion, abuse of real estate transactions, and commercial invoice fraud.

On October 23, 2015, the FATF removed Algeria from its Public Statement. The FATF recognized Algeria's significant progress and the improvement in its AML/CFT regime. The FATF also indicated Algeria has substantially addressed its action plan.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO KYC covered entities: Banks, financial services offered by the Algerian postal system, financial leasing institutions, and investment and shareholding companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, financial leasing firms, and mortgage refinance firms; financial services offered by the Algerian postal system; money remitters; insurance companies; exchange offices; gaming entities and casinos; stock market operation; trade, capital, and investment advisors, managers, and intermediaries; lawyers, notaries, auctioneers, certified public accountants, and auditors; brokers, commissioners in customs, and exchange agents; real estate agents; companies engaged in finance and debt recovery; and dealers of precious stones and metals, antiquities, and artwork

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

Algeria is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES:

In 2015, Algeria passed a series of legal, regulatory, and institutional AML/CFT reforms. In February, Parliament passed and the President signed a statute broadening the criminal offense of terrorist financing and providing a framework for the seizure of terrorist funds. Also in February, Algeria's financial intelligence unit (FIU), the CTRF, as well as the Bank of Algeria, each promulgated mandatory guidelines on customer due diligence. In May, the Prime Minister issued an executive decree providing explicit guidance on the seizure of terrorist funds. Later in May, the Minister of Finance issued ministerial orders providing further detail for such seizures. In September 2015, the CTRF and the Bank of Algeria each issued further guidelines, closing potential loopholes and providing more details and procedural protections in connection with seizure mechanisms.

The United States - Algeria mutual legal assistance treaty (MLAT), signed in April 2010, was submitted to the Senate for ratification in October 2015.

Given the scope of Algeria's informal economy, efforts should be made to identify and investigate informal remittance and value transfer services. Algerian law enforcement and

customs authorities should enhance their ability to investigate trade-based money laundering, value transfer, and bulk cash smuggling. The Government of Algeria should release metrics on the numbers of suspicious transaction reports (STRs) filed, as well as money laundering prosecutions and convictions so as to better evaluate the effectiveness of the country's AML/CFT regime.

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 2012 (introduction):

Algeria is principally a transit point for drugs – especially hashish bound for Europe - rather than a centre of production or consumption itself. The Government of Algeria (GOA) is actively working to address the problem with increased resources devoted to education, interdiction, and treatment. Although its security forces are primarily focused on ongoing counter-terrorism efforts, officials have become increasingly concerned about the link they say exists between al-Qa'ida in the Islamic Maghreb (AQIM) and drug traffickers.

The bulk of the drugs transiting Algeria consists of Moroccan- origin cannabis (especially cannabis resin-hashish) and a growing quantity of South American cocaine. The majority of these drugs travel by sea to Europe, while some share is smuggled overland to Middle Eastern destinations. Algeria's borders stretch 6,000 kilometers, mostly across broad and sparsely-policed swathes of the Sahara. These long and porous borders with Morocco, Western Sahara, Mauritania, Mali, Niger, Libya, and Tunisia make it difficult for Algerian security forces to detect and halt smugglers. Drug use is not generally a significant problem in Algeria, although the problem is on the rise. Marijuana is the most widely abused drug, but there is a small and growing consumption of hard drugs including cocaine and heroin. The government is expanding facilities for treating drug addiction, and this year aims to have an outpatient drug treatment facility in every province of the country. Some production of illicit drugs occurs in Algeria, principally cultivation of cannabis in the southeast and around Algiers, but not in large quantities.

The GOA has taken a number of steps to counter the drug problem, including increases in enforcement personnel, enhanced training, and the purchase of more modern equipment. The GOA is formulating a five-year strategy (2011-2015) to more effectively deal with drug problems. Algeria has tough laws against illegal drugs, with sentences of up to 2 years for use and 10 to 20 years for drug trafficking and distribution. Algeria is a party to the 1988 UN Drug Convention, the UN Convention against Corruption and the UN Convention against Transnational Organized Crime. The GOA does not, as a matter of government policy, encourage or facilitate illicit production or transport of illegal drugs. Algeria has a large and capable security apparatus hardened by almost two decades of counter-terrorism efforts against al-Qa'ida-associated Islamic militants. The National Office for the Fight Against Drugs and Addiction (Known by its French acronym, ONLCDT) coordinates the GOA's drug policies and produces its official reports on the drug problem in Algeria. The National Gendarmerie, Customs, and National Police (DGSN) are responsible for day-to-day enforcement. During the first nine months of 2011, Algerian authorities dismantled over 140 drug trafficking networks and seized over 38,141 kilograms of drugs. The statistics reported by the GOA cannot be independently verified and are occasionally at odds with open source reporting. The GOA indicated to the U.S. Drug Enforcement Administration (DEA) that in 2009 74 tons of hashish were seized along with barely more than a kilogram of cocaine and 700 grams of heroin. In 2010 hashish seizures dropped to 23 tons, while amounts of cocaine and heroin seized remained similar to 2009. Through the first nine months of 2011 the GOA reported to DEA that 31 tons of hashish were seized as well as almost two kilograms of cocaine and 200 grams of heroin.

A Mutual Legal Assistance Treaty (MLAT) between the U.S. and Algeria was signed in April 2010, and awaits U.S. Senate ratification. Algeria would benefit from stepped-up training to boost the counternarcotics capabilities of its security forces. The GOA has generally been receptive to U.S. training offers and assistance for law enforcement officers, with several successful training sessions held in the past year. In September, the Department of Justice provided an INL-funded Overseas Prosecutorial Development, Assistance, and Training (OPDAT) program course on narcotics trafficking investigations and prosecutions. The GOA would likely be receptive to additional training offered to it.

US State Dept Trafficking in Persons Report 2014 (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, to a lesser extent, destination and source country for women subjected to forced labor and sex trafficking and, to a lesser extent, men subjected to forced labor. Most commonly, sub-Saharan African men and women enter Algeria voluntarily but illegally, often with the assistance of smugglers, for the purpose of traveling to neighboring countries or Europe. Some of these women may be forced into prostitution, domestic service, and begging. Some sub-Saharan African men, mostly from Mali, are forced domestic workers; homeowners often confiscate their identification documents, a common method of coercion. Sub-Saharan illegal immigrants from Anglophone countries remain particularly vulnerable to forced labor and sex trafficking in Algeria, primarily due to language barriers. Criminal networks, which sometimes extend to sub-Saharan Africa and to Europe, are involved in smuggling and human trafficking. Some foreign women and children, primarily sub-Saharan migrants, are forced into prostitution in bars and informal brothels in Tamanrasset and Algiers; the traffickers are typically members of the victim's own nationality. The "chairmen," or leaders, of the "African villages"—small non-Algerian ethnic enclaves located in and around the southern city of Tamanrasset—may be among those responsible for forcing some women into prostitution. Some Algerian women and children are also forced into prostitution in Algeria. Civil society groups believe that Algeria is increasingly becoming a destination for both undocumented migration and trafficking.

The Government of Algeria does not fully comply with the minimum standards for the elimination of trafficking and is not making significant efforts to do so. The government did not demonstrate efforts to investigate, prosecute, or convict perpetrators of sex trafficking and forced labor. The government continued to conflate human trafficking and smuggling. The government, thus, treated trafficking victims as criminals or illegal immigrants; trafficking victims were frequently subject to arrest, detention, and deportation. Furthermore, the government lacked adequate measures to identify and provide protection services to victims of trafficking. The government minimized and denied trafficking in the face of evidence to the contrary from civil society and others.

US State Dept Terrorism Report 2015

Overview: Algeria remained an important counterterrorism partner. The Government of Algeria has a long history of fighting terrorism and has devoted considerable resources to advancing its security agenda. Military forces and multiple law enforcement, intelligence, and security services with delineated responsibilities addressed counterterrorism, counter-intelligence, investigations, border security, and crisis response. These included the various branches of the Joint Staff; the army; National Gendarmerie (GN); the Border Guards; the Department of Intelligence and Security (DRS) under the Ministry of National Defense (MND); and the national police, or General Directorate of National Security (DGSN), under the Ministry of Interior.

Al-Qa'ida in the Islamic Maghreb (AQIM), the Mali-based Movement for Unity and Jihad in West Africa (MUJAO), al-Murabitoun, and Jund al-Khilafah in Algeria (JAK-A, Soldiers of the Caliphate in Algeria), were active terrorist threats 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. AQIM continued attacks using IEDs, bombings, false roadblocks, and ambushes. Although criminal groups engaged in kidnapping, there were no reports of kidnappings executed by terrorist groups in 2015. The Algerian government maintained a strict "no concessions" policy with regard to individuals or groups holding its citizens hostage.

JAK-A, which has sworn allegiance to the Islamic State of Iraq and the Levant (ISIL), claimed responsibility for a few, sporadic attacks, although efforts by the Algerian government appeared to have significantly limited the group's ability to operate in 2015. During large-scale operations in May, the Algerian military reportedly killed at least 21 JAK-A fighters in the Boumerdes region. Four other Algerian factions have issued statements claiming allegiance to ISIL, but there was little indication that these groups contained more than a small number of fighters.

Algeria continued an aggressive campaign to eliminate all terrorist activity, and sustained its policing efforts to thwart terrorist activity in the capital and other major urban centers. Military forces and security services, primarily the GN under the MND, conducted regular search operations for terrorists in the mountainous Kabylie area east of Algiers, and in the expansive desert regions in the south.

Rising regional political and security instability contributed to the terrorist threat to Algeria. Violent extremist 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 that made regional coordination on border security a necessity. The Algerian government frequently cited links between terrorist activity, organized crime, and narco-traffickers in the Maghreb and the Sahel.

In part in response to concerns regarding online radicalization, the President published a decree on October 8, establishing an anti-cybercrime agency, the National Preventative Organ for the Fight against Infractions Linked to Information and Communication Technology. This entity, with members across the law enforcement and national defense establishment over which the Minister of Justice presides, is responsible for monitoring

electronic communication to detect terrorist violations of the law, subversive acts, and breaches of national security. It has not been operating long enough to determine its effectiveness.

Algerian government officials and Muslim religious and political leaders publicly condemned ISIL and criticized acts of violence committed in the name of Islam.

Algerian government officials have declined to join the Global Coalition to Counter ISIL, citing its “cardinal principle” of non-intervention in sovereign nations’ affairs. Nevertheless, Algeria actively supported the effort to counter ISIL in other ways, such as intelligence sharing, imam training, capacity-building programs with neighboring states, and participation in the White House Countering Violent Extremism Summit process.

2015 Terrorist Incidents: Open sources reported more than 62 terrorist acts in 2015. Attacks included:

- On June 20, an IED killed an Algerian colonel and two soldiers near Beni Fedala in the Batna province.
- On July 6, at least two policemen were injured in a shootout in downtown Bouira that started when a patrol of the Mobile Brigade of the Judicial Police was attacked by a terrorist group.
- On July 17, AQIM ambushed Algerian soldiers while on patrol in the province of Ain Defla. AQIM claimed on July 18 to have killed 14 soldiers in the attack, but a press statement from the Algerian Ministry of Defense on July 19 indicated nine soldiers were killed and two others wounded.

Legislation, Law Enforcement, and Border Security: In November, Algeria’s Minister of Justice presented to Parliament a bill to add provisions to the criminal code to prohibit traveling to other countries to take part in armed conflict, and providing financing or organizing travel operations to other countries for the purpose of committing or inciting terrorist acts, including by using information and communication technologies, or by any other means. This law is intended to implement UN Security Council Resolutions 2178 (2014) and 2199 (2015), and the UN 1267/1989/2253 ISIL (Da’esh) and al-Qa’ida sanctions regime.

The Algerian government continued its decade-long push to increase the strength of its military and security forces and to professionalize and modernize them. The 130,000 members of the Gendarmerie, which performs police functions outside of urban areas under the auspices of the Ministry of National Defense, and the approximately 210,000 members of the DGSN, or national police, organized under the Ministry of Interior, share general responsibility for maintaining law and order. During 2015, the government restructured the Département du Renseignement et de la Sécurité (DRS), the Algerian intelligence service. As a result, the Algerian Central Service for Anti-Terrorism (SCAAT), formerly known as the Service for Operational Coordination and Antiterrorist Intelligence (SCORAT), was placed directly under the control of the Vice Minister of Defense.

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. MND reported it captured or killed 157 terrorists in 2015 as a result of operations.

The Government of Algeria underscored that border security remained a top priority to guard against the 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, upgrades to communication systems, and additional troops deployed on the borders with Libya, Mali, Mauritania, Morocco, and Tunisia. Since the start of the Arab Spring, Algeria has reportedly deployed at least 75,000 security forces to monitor the country's southern and eastern borders, including at least 50,000 reportedly along the Libyan border. Algerian officials reported that they have provided training and equipment to border security officials in Tunisia to ensure effective cross-border communication. Border security measures included new joint checkpoints and patrols along the frontiers, information sharing, and training and equipment programs.

The Government of Algeria closely monitored 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.

Human rights organizations asserted there has been overuse of pretrial detention by judges and magistrates. On December 6, Parliament approved changes to the Algerian Code of Criminal Procedure limiting the use of police custody and pretrial detention and allowing persons in police custody to receive a visit from a lawyer.

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 Antiterrorism Assistance (ATA) Program and other training offered by third countries as well as by the International Institute for Justice and the Rule of Law (IJJ). Algerian participants attended and hosted numerous workshops conducted under the aegis of the Global Counterterrorism Forum (GCTF). Algerian law-enforcement personnel participated in ATA, GCTF, and IJJ programs that were designed to enhance investigative and screening capacities, improve border security, prevent terrorist transit or operations, and build response capacity to critical incidents. The U.S. Department of Justice's International Criminal Investigative Training Assistance Program 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, a Financial Action Task Force (FATF)-style regional body. Its financial intelligence unit, known as the Financial Intelligence Processing Unit (CTRF), is a member of the Egmont Group. 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. Given an over-regulated business environment, an informal cash-based economy with an annual value of roughly US \$30 to 40 billion has developed. In recent years, Government of Algeria authorities have increased efforts to close down illegal markets and reopen them legally, although these illegal markets often open in a different location after a few weeks. The large scale of

the informal market makes its eradication extremely difficult. A network of informants and Algerian undercover officers monitored significant unregulated cash transactions, but given the informal nature of the system, it was difficult to adequately police.

During the year, Algeria enacted reforms to establish an anti-money laundering/countering the financing of terrorism (AML/CFT) regime that provides for the freezing and seizure of terrorist assets without delay, which the government was in the process of implementing at year's end. In February, the CTRF and the Bank of Algeria promulgated mandatory guidelines on customer due diligence. Also in February, Parliament passed – and the President signed – a statute broadening the criminal offense of terrorism financing and providing a framework for the seizure of terrorist funds. In May, the Prime Minister issued an executive decree addressing the seizure of terrorist funds. Later in May, the Minister of Finance issued ministerial orders providing further detail for such seizures. In September, the CTRF and the Bank of Algeria each issued further guidelines that closed potential loopholes and provided more details and procedural protections in connection with seizure mechanisms.

On October 23, the FATF removed Algeria from its Public Statement, and moved it to the list denoting a jurisdiction that is improving its compliance with international standards on AML/CFT. The FATF noted that Algeria had established the necessary legal and regulatory framework to meet the commitments established in the action plan to address deficiencies in its CFT regime.

Countering Violent Extremism: The Government of Algeria underscored the value of state oversight for religious education, including the training of imams, the content of prayers, and credentialing imams in a way that promotes tolerance and sensitizes the religious leaders to the risks of using religion for political objectives. The Algerian government appoints, trains, and pays the salaries of imams. The penal code outlines punishments, including fines and prison sentences, for anyone other than a government-designated imam who preaches in a mosque. The Algerian government monitors mosques for possible security-related offenses and prohibits the use of mosques as public meeting places outside of regular prayer hours. Government officials publicly affirm Algeria's Sunni Maliki tradition of Islam, which upholds the values of tolerance, brotherhood, and acceptance of others.

The Ministry of Religious Affairs (MRA) warns Algerians against foreign violent extremist trends (ISIL, Wahhabism) and heeding *fatwas* (judicial rulings) that originate outside Algeria. In 2015, Algeria continued working to create an Academy of *Fatwas* in Algeria. The MRA identified 50 imams from different parts of the country to receive advanced training. In November, the MRA announced plans to establish an "observatory" in 2016, to guard against untrained imams, importation of values "alien" to Algeria's religious tradition, and the promotion of sectarianism and terrorism.

Viewing broad-based socioeconomic opportunity as a way to prevent radicalization to violence, Algerian government programs targeted youth and the unemployed by providing tuition, job placements, and paid internships to university students. The Algerian government recruited repentant terrorists to become voices in the community to prevent a drift toward radicalism.

The Government of Algeria aired content through Radio Quran aimed at countering religious extremism, specifically violent forms of Salafism. Mini lectures to "defuse" radical religious

discourse aired regularly, and the most relevant lectures were broadcast two to three times per week.

The MND released communiqués from its website on terrorists captured or eliminated, indicating where the operation occurred and where arms were recovered, with no further commentary or analysis. The MND excluded group affiliation to deny terrorists publicity. Algerian leaders publicly condemned terrorism in televised addresses and statements to the press. Posting photographs and videos of terrorist acts on the internet is prohibited. MND officials and the MND website reminded citizens to verify their sources and statistics related to security matters with the MND communications office.

Under the 2006 Charter for Peace and National Reconciliation, Algeria offers amnesty to former terrorists who laid down their weapons and disavowed violence. Exceptions are made for perpetrators of particularly egregious acts, such as rape, murder, and bombings. The Charter works through offices located nationwide to extend judicial assistance and social and job reintegration measures to repentant terrorists, victims of terrorism, and families of terrorists. Some 9,000 terrorists have been pardoned under the Charter since its inception.

International and Regional Cooperation: In 2015, Algeria continued strong diplomatic and mediation efforts to promote regional peace and security. On the diplomatic front, it facilitated an inclusive national dialogue for Malian groups and regional partners that resulted in the signing of a Mali peace accord. In coordination with the UN, Algeria hosted talks among Libyan groups and stakeholders to help reach a political solution. Algeria also participated in various Sahel-Saharan fora to discuss development and security policies, the evolution of regional terrorism, and donor coordination; these included the Nouakchott Process on the Enhancement of Security Cooperation, the Operationalization of the African Peace and Security Architecture (APSA), and the EU Strategy for Security and Development in the Sahel. However, Algeria and Morocco's political disagreement over the Western Sahara remained an impediment to bilateral and regional counterterrorism cooperation.

Algeria is an active member and participant in the AU, the Organization of Islamic Cooperation, and the Arab League. It is a delegate for the Africa region on the INTERPOL Executive Board and is a founding member of the IJJ. Additionally, Algeria participated in the White House Summit on Countering Violent Extremism in February, and – as a follow-on event – hosted a regional de-radicalization conference, which produced 58 recommendations. Algeria participated in critical counterterrorism-related projects implemented by the UN Office on Drug and Crime's Terrorism Prevention Branch; participated in CEMOC (Comité d'État-Major Opérationnel Conjoint) meetings with Mali, Mauritania, and Niger that were designed to promote security cooperation in the region; and hosted CEMOC's Liaison and Fusion Center for information sharing.

In a leadership role, Algeria sits on the UN Counter-Terrorism Center's Advisory Board and hosts the headquarters of AFRIPOL, a pan-African organization that fosters police training and cooperation in response to security threats such as terrorism, drug trafficking, and cybercrime. Algeria actively participates in the 5+5 Defense Initiative, which brings together five European and five North African countries to address security issues in the western Mediterranean. As a founding member of the GCTF and co-chair of its Sahel Region Capacity Building Working Group, Algeria continued to champion the implementation and

development of the Algiers Memorandum on Good Practices on Preventing and Denying the Benefits of Kidnapping for Ransom by Terrorists.

Algeria also provided capacity-building assistance to some neighbors. The Tunisian Defense Minister stated to Tunisian media that Algeria is providing training for Tunisian Special Forces on border security pursuant to a bilateral agreement.

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 | 34 |
| World Governance Indicator – Control of Corruption | 28 |

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. Strong revenues from hydrocarbon exports have brought Algeria relative macroeconomic stability, with foreign currency reserves approaching \$200 billion 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. 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%

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)

Banking

In 2010, the country's financial system consisted of six public banks, 14 foreign-owned private 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 in 1999 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 potentially lucrative but uncertain and challenging market for many U.S. businesses, especially those with little experience in the Middle East and North Africa. While hydrocarbons are still the backbone of the Algerian economy, accounting for 98% of exports, 40-45% of GDP and 70% of budget revenues, there are opportunities in numerous other sectors including (but not limited to) agriculture, infrastructure, housing, alternative energy, pharmaceuticals and recycling. The IMF has predicted that unless GOA diversifies its hydrocarbon-based economy, by 2016/7 decreasing exports and falling hydrocarbon revenues will prevent GOA from meeting its current budgetary and subsidy obligations. GOA is sensitive to this projection and is acting, however tentatively and inefficiently, to begin the diversification process. This is the proverbial “ground floor” that presents significant opportunity for American companies in virtually every sector of the economy.

Companies must overcome the language barrier, distance, vagaries and corruption with the customs systems, an entrenched bureaucracy, and price/quality competition from Chinese, Turkish, and European businesses. International firms already here complain that the GOA lacks an economic vision and that laws and regulations both are constantly shifting and are applied unevenly, raising the perception of commercial risk for foreign investors. Business contracts are likewise subject to interpretation and revision, which has proved challenging to U.S. and international firms. The 49/51 law (requiring majority Algerian ownership of most businesses), insufficient IPR enforcement, Algeria’s closed borders and limited regional trade is another drawback, because the Algerian market on its own may not be attractive to firms that can locate elsewhere and create a regional distribution hub (e.g., the Singapore model). By some estimates, the informal economy controls 40-50 percent of the consumer goods market. Informal sector dominance, which supports an influx of cheap and/or counterfeit goods, makes it difficult for more expensive, genuine U.S. products to compete.

1. Openness To, and Restrictions Upon, Foreign Investment

Algeria, with its population of more than 38 million, hydrocarbon wealth, expanding infrastructure needs, and growing consumer product demand, is attracting interest from companies around the world. U.S. firms continue to consider Algeria an emerging and growing market. 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, one of 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. However, the Government of Algeria (GOA) has invested more than USD 286 billion in infrastructure development between 2010 and 2014, making the local market sufficiently profitable for firms adapted to emerging markets to weather those challenges and explore new opportunities, especially in sectors like energy, power, water, health, telecommunications, transportation, and agribusiness.

The number of foreign trade missions to Algeria grew from 30 in 2010 to 60 in 2012, but then fell in 2013 to about 30. Additionally, in recent years several sectorial trade fairs were

organized locally to boost partnerships with local SMEs. In 2013, Algeria concluded commercial agreements with several Arab and European nations, as well as China. U.S. firms, such as Northrop Grumman, General Electric, Boeing, Pratt & Whitney Power Systems and Varian Medical Systems won multi-million dollar tenders. President Abdelaziz Bouteflika was reelected to a new five year term in April 2014. After running a successful re-election campaign for President Bouteflika, Prime Minister Abdelmalek Sellal retained his position. Sellal is trusted by the political elite and viewed as a pragmatic politician who seeks new economic partnerships to tackle long-standing issues, such as housing shortages and unemployment. Algerian leadership remains focused on building domestic production capacity and reducing imports and seeks U.S. expertise and partnership. Negotiations have continued with the Office of the U.S. Trade Representative related to Algeria's World Trade Organization (WTO) accession and cooperation under the U.S.-Algeria Trade and Investment Framework Agreement (TIFA). Formal meeting sessions in Geneva and informal digital video conferences between key officials on both sides were held in 2013 and early 2014.

The signs of change are positive and Algeria's macroeconomic outlook is stable, but vulnerabilities and challenges persist, including dependence on hydrocarbon revenue and risks posed by rising inflation. The public sector still dominates the economy and inefficient state-owned enterprises are a drag on productivity. The GOA has supported state-owned companies experiencing financial difficulties by cancelling their debts and providing investment credits and technical assistance. Such economic vulnerabilities have prodded the GOA to court FDI and reconsider the importance of private-sector development. This trend should continue through 2014. Algeria's legalistic and bureaucratic regulatory environment and apprehension about foreign exploitation of natural resources hangs over foreign companies considering investing in Algeria.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

| Measure | Year | Rank or value | Website Address |
|---|------|------------------|---|
| TI Corruption Perceptions index | 2013 | 94 (out of 177) | http://cpi.transparency.org/cpi2013/results/ |
| Heritage Foundation's Economic Freedom index | 2013 | 146 (out of 178) | http://www.heritage.org/index/ranking |
| World Bank's Doing Business Report "Ease of Doing Business" | 2013 | 153 (out of 189) | http://doingbusiness.org/rankings |
| Global Innovation Index | 2013 | 138 (out of 142) | http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener |

| | | | |
|---------------------------|------|---------|---|
| World Bank GNI per capita | 2012 | \$5,348 | http://data.worldbank.org/indicator/NY.GNP.PCAP.CD |
|---------------------------|------|---------|---|

2. Conversion and Transfer Policies

The Algerian dinar is considered fully convertible for all commercial transactions. The Bank of Algeria (Banque d'Algerie, the nation's central bank) manages Algeria's foreign reserves and controls foreign exchange. The 2010 CFL reinforced the lead role of the Bank of Algeria in overseeing the banking sector. A network of public banks still controls roughly 90 percent of the banking market. International banks in Algeria primarily serve private multinationals and Algerian private-sector firms. Legally registered economic operators can access foreign currency to make payments, subject to bank domiciliation, without pre-authorization. Operators must possess a clean audit report and a certificate from the tax authority in order to repatriate funds. The Central Bank put in place new restrictions on foreign shareholders' loans to Algerian subsidiaries in December 2010. These new provisions mandate that firms receiving such loans after July 26, 2009 must book them as additions to capital.

Foreign investors can repatriate dividends, profits, and real net income out of their assets through transfers or liquidation. In certain cases, due to the inefficiency of the banking system and the heavy bureaucracy, it may take longer to obtain official permission from the Central Bank to make transfers/payments, or for the local bank to proceed with the transfer. In 2011 and 2012, businesses and international banks faced stricter interpretations of the foreign exchange control rules. Commercial disputes developed because the Central Bank, over reportedly small paperwork details, delayed repatriation of dividends. Certain cases were referred to the courts to reach a resolution. Foreign investors and the international banks serving them repeatedly have told Embassy officials this process is confusing and inconsistent, with one banking executive saying the process "is different each time we go through it." These executives are seeking greater clarity on the rules around repatriating dividends, a central concern for foreign investors.

U.S. suppliers can benefit from faster and more predictable payments as a result of the mandatory letter of credit requirement. The 2014 financial law was updated to authorized imported products – to be sold in their present condition – to be paid either by letter of credit or documentary remittances. In addition, payment delays may result due to the new regulation that limits Algerian importers' payment options to letters of credit. Direct wire payments are no longer authorized. Letters of credit are now limited to a maximum of 60 days and are not required for raw material import transactions amounting to less than 4 million DZD (approximately USD 53,000) per year.

3. Expropriation and Compensation

The government of Algeria has not engaged in expropriation actions against U.S. or other foreign firms.

4. Dispute Settlement

Algeria is a signatory to the convention on the Paris-based International Center for the Settlement of Investment Disputes (<http://www.worldbank.org/icsid>). Algeria ratified its accession (<http://arbitr.wipo.int/arbitration>) to the New York Convention on Arbitration, and is a member of the Multilateral Investment Guarantee Agency (<http://www.miga.org>). The 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.

In 2010 an American oil company exercised the dispute settlement mechanism in its contracts with the state oil company Sonatrach to contest the implementation of a windfall profits tax imposed long after the company began doing business in Algeria. Negotiations prior to arbitration were very slow. The dispute resolution process, including arbitration, can take 18 to 24 months and in some cases longer.

5. Performance Requirements and Incentives

Algeria does not impose general performance requirements on foreign investments. However, in accordance with the 2009 Complementary Finance Law, foreign investments in any sector require a 51 percent Algerian partnership.

The investment code provides a number of incentives for investment in Algeria, which are primarily related to VAT and other tax exemptions, for periods of time that are dependent on the type of investment and the nature of the package agreed between the investor and the National Agency for Investment Development (ANDI). The 2009 Complementary Finance Law requires foreign investors to reinvest in Algeria the equivalent of any tax benefits bestowed upon them, in a manner similar to the offset investment requirements commonly seen in Gulf countries.

6. Right to Private Ownership and Establishment

Foreign entities have largely equal rights to establish and own business enterprises in Algeria and engage in most forms of remunerative activity, within the framework of the requirement for majority (51 percent) Algerian participation in all new foreign investments, including those in the banking sector. In principle private enterprises have equal status with public enterprises and compete on an equal basis with respect to access to markets, credit, and business operations.

7. Protection of Property Rights

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. One prospective U.S. investor seeking to build a factory in Algeria tried in vain for two years to obtain approvals from a local governor to purchase suitable land for the project.

Intellectual Property

While there is legislation protecting copyright and related rights, trademarks, patents, and integrated circuits, implementation has been inconsistent and enforcement remains lax. Algeria was again named to the USTR Special 301 Priority Watch List in 2013, notably for insufficient protections for data associated with the development and market approval for pharmaceuticals, as well as a protectionist policy which bans the import of roughly 230 pharmaceutical products manufactured abroad that have generic equivalents produced in Algeria.

The Ministry of Culture organized a ceremony in April 2014 to highlight its commitment to IPR protections by destroying approximately 1 million units of counterfeit or pirated music, software, and film that had been seized by Algerian customs and border police. However, Algeria's vast informal economy remains a major source of counterfeit goods, especially in sportswear and consumer goods.

The Embassy's webpage also offers a link to local lawyers, some of whom specialize in IPR and/or patent law. http://algiers.usembassy.gov/list_of_local_attorneys.html

Embassy point of contact: Theodore Brosius brosiusta@state.gov

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

8. Transparency of Regulatory System

Generally, Algeria's regulatory system is transparent, but decision-making authority remains opaque. Each ministry defines its rules for doing business in the sectors it manages, and regulatory bodies are established to administer them. Challenges arise in managing the bureaucracy, because authority is generally vested at the top of every organization, and access to decision-makers is often limited. Furthermore, the Algerian bureaucracy is slow and protocol-oriented, such that even minor deficiencies in paperwork can lead to significant delays and fines. 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. In 2013 the National Competition Council was created to ensure fair practices between local economic operators.

9. Efficient Capital Markets & Portfolio Investment

After twelve years, the Algerian stock exchange remains small with only eight companies listed. In 2010 the Algerian insurance company Alliance held the first private company Initial Public Offering, which was valued at 1.49 billion dinars (USD 19.5 million). In 2013 beverage maker NCA-Rouiba became the eighth company to list on Algiers' Stock Exchange, generating 25% of its capital from the public offer. According to government officials eight more companies are scheduled to enter the exchange in 2014, bringing the capitalization to approximately \$10 billion by 2018 (equivalent to 5% of GDP). Companies currently listed have a minimum of 20 % of their shares available on the exchange, while companies entering in 2014 will be required to have a minimum of 30 %. Long-term treasury bonds were listed on the stock market in 2008, but trading has sharply declined due to the increased number of fees required to trade the bonds. Shorter yield bonds continue to be managed through bond dealers. Other private bond investment vehicles are occasionally offered to the public for major construction or other ventures. Twenty four fungible Treasury bonds are currently listed in the Official List of the Algiers Stock Exchange, with 277 billion Algerian dinars (\$34.6 billion) outstanding.

The bond market plays a marginal role in the financing of the Algerian economy, which is mainly done through public expenditure or traditional banking credits. Most bonds are issued by public companies; however, a small number of private firms have issued bonds to finance investment in public works projects. In order to finance development projects and absorb excess liquidity, some state-owned companies have launched corporate bonds. Public

companies, such as national oil company Sonatrach often choose to finance through a bank investment pool which is guaranteed by the government.

10. Competition from State-Owned Enterprises

About two thirds of the Algerian economy is state-owned, led by the national oil-and-gas company Sonatrach. Other sectors in which the government operates directly include telecoms with Algerie Telecom and transportation with Air Algerie.

A distinctive feature of the Algerian economy is the 51/49 rule, under which 51 percent of new investments in Algeria must be owned by Algerians. Implemented in 2006 for the hydrocarbons industry, it was expanded in 2009 to cover investments in all sectors of the economy. While the 51/49 rule initially was controversial, foreign firms have adapted to it and formed joint ventures with local partners. In 2014, an American company signed an agreement to build an industrial complex to produce gas and steam turbines in partnership with Algeria's national gas company. The complex is scheduled to start operating in 2017.

In 2012, an Algerian-American joint venture began production of tractors, while the Algerians signed agreements with French, Turkish, and other European companies in the automotive, construction and agricultural sectors.

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 Nedjma have supported programs aimed at youth employment 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.

12. Political Violence

Political violence has declined since the widespread terrorism of the 1990s. The government's effort to reduce terrorism through military pressure and social reconciliation and reintegration has been generally effective. However, in January of 2013, there was a major attack at the oil facility in In Amenas in the south-east of Algeria (approximately 1,500 kilometers from Algiers) in which nearly 40 people - mostly western oil 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.

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 significant 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. The GOA requires U.S. Embassy personnel to seek permission to travel to the Casbah within Algiers or outside the province of Algiers and to have a security escort. Travel to the military zone established around the Hassi Messaoud oil center requires GOA authorization. Daily movement of Embassy personnel in Algiers is limited, and prudent security practices are

required at all times. Travel by Embassy personnel within parts of the city requires prior coordination with the Embassy's Regional Security Office. American visitors are encouraged to contact the Embassy's Consular Section for the most recent safety and security information.

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 Algiers. By registering, American citizens make it easier for the Embassy to contact them in case of emergency.

13. Corruption

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.

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bolster the authority of the financial intelligence unit to monitor suspicious financial transactions and refer violations of the law to prosecutorial magistrates.

14. Bilateral Investment Agreements

The United States and Algeria signed a Trade and Investment Framework Agreement (TIFA) in 2001 to create a forum for economic and trade discussion. The last TIFA council meeting was held in 2004. Negotiations have continued with the Office of the U.S. Trade Representative related to Algeria's World Trade Organization (WTO) accession and cooperation under the U.S.-Algeria TIFA. Formal meeting sessions in Geneva and informal digital video conferences between key officials on both sides were held in 2013 and early 2014. Algeria executed a European Union association agreement in 2005. The agreement provided for the gradual removal of import duties on EU industrial products over 12 years and removed duties immediately on 2,000 other products. However, the EU complained that some provisions in the 2009 Complementary Finance Law violated that agreement. In December 2010, Algeria requested a three year extension (to 2020) of the deadline for completing the tariff dismantling process with the EU under the EU-Algeria Association Agreement.

Algeria signed bilateral investment agreements for the protection and promotion of investments with the following countries in the indicated years: Belgium/Luxembourg (1991), Italy (1991), France (1993), Romania (1994), Spain (1994), China (1996), Germany (1996), Jordan (1996), Mali (1996), Vietnam (1996), Egypt (1997), Bulgaria (1998), Mozambique (1998), Niger (1998), Turkey (1998), Denmark (1999), Yemen (1999), Czech Republic (2000), Greece (2000), and Malaysia (2000). There is no bilateral investment treaty between Algeria and the United States.

Algeria has also signed bilateral treaties to prevent double taxation with the following nations: United Kingdom (1981), France (1982), Tunisia (1985), Libyan Arab Jamahiriya (1988), Morocco (1990), Belgium (1991), Italy (1991), Romania (1994), Turkey (1994), Syrian Arab Republic (1997), Bulgaria (1998), Canada (1999), Mali (1999), Vietnam (1999), Bahrain (2000), Oman (2000), Poland (2000), Ethiopia (2002), Lebanon (2002), Spain (2002), and Yemen (2002). There is no double taxation treaty between Algeria and the United States.

In 1990, Algeria signed both investment protection and double taxation agreements with the Arab Maghreb Union (AMU) countries (Libya, Morocco, Mauritania, and Tunisia).

15. OPIC & Other Investment Insurance Programs

The U.S. Overseas Private Investment Corporation (OPIC) (<http://www.opic.gov>), the U.S. Export-Import Bank (Ex-Im) (<http://www.exim.gov>), and the U.S. Trade and Development Agency (USTDA) (<http://www.ustda.gov>) have supported projects in Algeria. However, GOA announced in 2009 that all financing for foreign investments in the country must be financed through Algerian banks. There are no projects currently under way in Algeria using support from these programs.

A USD 250 million water desalination project in Algiers was completed in 2008 with OPIC support. Ex-Im Bank supported the U.S. content of a power project in Skikda in 2003. USTDA supplied a grant to the Ministry of Water resources to support a feasibility study of wastewater management practices in Oran in western Algeria in 2010.

16. Labor

Algeria's labor force consists of roughly 11 million people out of a total population of over 38 million. According to the National Office of Statistics, in 2011 over 55 percent of the population was under age 30. Beginning January 1, 2012 the monthly minimum wage increased to DA 18,000 (USD225) from DA 15,000 (USD188). The official unemployment rate is approximately 10 percent, but international organizations and other observers believe it to be as high as 25 percent.

Algeria's labor code sets minimum work standards, including a minimum work age of 16, a 40-hour workweek, and higher rates for overtime pay. Employers pay 26 percent of gross salaries in social security taxes, including provisions for both retirement and health/accident insurance.

U.S. companies are able to hire trained technical staff. However, recruiting and retention has become more difficult as well-educated and trained Algerians are increasingly lured by higher salaries offered in the Gulf region. English speakers remain difficult to find, but English-language acquisition is increasing among youth. Arabic is Algeria's official language and French is the most common language of business.

There are no restrictions on the number of expatriate supervisory personnel a company may establish as long as they are able to justify that no local persons can be found that meet the requirements for the position. Entry visas for foreign workers can be requested through Algerian embassies overseas with the employer providing, among other requirements, a certified true copy of the work contract or the provisional work permit issued by the Ministry of Labor, Employment and Social Security (MTESS), and an attestation certified by the same authorities stating that the employer will bear the repatriation expenses of the foreign worker once the work relation is completed. Foreign workers must then obtain work permits from MTESS (http://www.mtess.gov.dz/mtss_fr_N/index.htm) and a residency card from the local police office in the district where they will be working. The employer is responsible for submitting all tax payments for individual workers to the proper local tax collection authorities.

17. Foreign-Trade Zones/Free Trade Zones

There are currently no free trade zones in Algeria.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

FDI in Algeria continues to rise. FDI was approximately \$3 billion as of June 2013 (the latest figures available), double the total for all of 2012. Qatar was the leader in FDI by \$2.2 billion, representing 74% of FDI in Algeria with investments in steel, chemicals and real estate projects, and Algeria continues to hand out large contracts for infrastructure projects to foreign companies. However, FDI makes up just less than one percent of Algerian GDP. With its hydrocarbon based funding capacity and the foreign reserves cushion, the GOA has traditionally approached FDI only for know-how and technology transfer for local SMEs and skilled staff, and not as a general engine for economic development.

Algeria does not invest overseas.

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, IFRC, 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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