

BTI 2016 | Algeria Country Report

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Political Transformation	1-10	4.80	# 78 of 129	➔
Economic Transformation	1-10	5.43	# 70 of 129	➔
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	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	38.9	HDI	0.717	GDP p.c., PPP \$	14167.3
Pop. growth ¹	% p.a.	1.9	HDI rank of 187	93	Gini Index	-
Life expectancy	years	71.0	UN Education Index	0.643	Poverty ³	% -
Urban population	%	70.1	Gender inequality ²	0.425	Aid per capita \$	5.4

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

Executive Summary

The political, economic and social stability of Algeria have all been impacted by the Arab Spring, the fiftieth anniversary of the country's independence, the risks of terrorism linked to the turmoil in Libya, the rise of the Islamic State (IS) group and tensions across the Sahel.

Following the Arab Spring, the Algerian government lifted the two-decades-long state of emergency in 2011. The government also introduced a number of political and legal reforms for associations, political parties, elections and the media in 2012. In the following years, however, despite numerous consultations, there appears to have been no significant reform to the institutions, to anti-corruption initiatives or the public administration, which were undoubtedly significant challenges to achieve.

The re-election of President Bouteflika in 2014, despite his failing health and age, has created much frustration. Opposition parties, now united under the National Coordination for Liberties and Democratic Transition (Coordination nationale pour les libertés et la transition démocratique, CNLTD), boycotted the election and the ongoing constitutional revision process, continuing to put pressure on the government for a transition. These parties do not appear, however, to have much support in the population, and many civil society groups are participating in the reflection about the constitution.

In terms of economic reforms, the government continues to make advances. The prime minister is actively seeking to improve foreign investment and bilateral trade cooperation. Franco-Algerian cooperation is improving and the opening of the Renault production factory in Oran is symbolic of this. The public sector and hydrocarbon wealth still dominate the economy. Declining international oil prices in 2014 and 2015 gave rise to fears for the medium term stability of the Algerian economy and the government's five year national development plans. In 2013, the government proposed to solve this problem by pursuing changes to the hydrocarbon laws to allow fracking for shale gas. However, lack of consultation of the local population and perceived risks

of environmental degradation have led to protests across the country. Previous commitments to investment in renewable energies appear to have suffered as a result.

In political terms, Algeria continues to experience low-level unrest and strikes. Sporadic demonstrations continue across the country. The government reacts with a combination of public consultations and short-term subsidies. The legislative elections of 2012 saw EU observers in Algeria for the first time, however, this was not repeated for the 2014 presidential election. The presidency continues to carry out its constitutional reform project and consultations that should lead to a strengthening of the executive and legislative institutions.

In security terms, Algeria remains in a difficult situation. The fall of the Qadhafi regime and the dispersal of its arms across the Sahel have created deep instability at Algeria's borders. As a result, Algeria will be heavily committed to its fight against national and international terrorism. Algeria has increased its defense budget to over €10 billion in 2015, making it the largest in Africa.

History and Characteristics of Transformation

Algeria's process of political and economic liberalization can be dated back to the riots in Kabylie in 1980, when Berber (Amazigh) protests against cultural suppression became a catalyst for wider protests against political repression. As a result, the government initiated a policy of incremental economic liberalization. In its determination to resist pressure for political reform, the regime mobilized popular support for a more explicit social and political role for Islam, in an initiative which would eventually backfire catastrophically. The catalyst for unrest in the late 1980s, however, was the sharp decline in oil revenues in 1986. The resulting shrinkage in imports unintentionally provoked popular discontent, which exploded in 1988.

The transformation of Algeria can only be understood against the backdrop of the civil war of the 1990s, following the military-backed coup in January 1992. This halted the legislative elections which had favored the Islamist Islamic Salvation Front (Front Islamique du Salut, FIS), reversing the pluralization of the political system, which had begun in 1989. The short-lived political liberalization process had been strategically designed to maintain the power balance of the single party system, in which power was exercised by political clans and the army. In this context, the new Prime Minister Mouloud Hamrouche nevertheless launched essential economic reforms, despite the growing tensions with the Islamist movement which had emerged, spearheaded by the FIS.

The coup orchestrated by the secular elites, with military backing, demonstrated a general rejection of the Islamists' objectives. Hamrouche's economic reforms were also abandoned, following the assassination of President Mohamed Boudiaf in 1992. The conflict of the 1990s between the military and Islamist insurgents consumed almost all the energies of the state over the next decade. A state of emergency was instigated in 1992, significantly restricting the political space which had briefly opened up. To ease the crippling debt burden and liberalize the economy, an IMF

restructuring program was set up in 1994 and reforms in the state sector were launched to prepare for privatization.

By the mid-1990s, having managed to contain parts of the insurgency, the government sought to legitimize the authority of President Lamine Zéroual, who had been appointed in 1994. Presidential elections were held in 1996. Zéroual had huge support among the population including Islamists. The population was already weary of the violence of the radical Islamists. A new constitution in 1996 provided for new parliamentary institutions, and legislative elections were held in 1997. Despite intensified violence in 1997, a new program of institution building and economic restructuring was launched.

In 1999, new presidential elections were held that brought former foreign minister Abdelaziz Bouteflika to power, despite a contested electoral process following the withdrawal of opposition candidates. President Bouteflika immediately launched the process of reconciliation through the provision of amnesty, eventually establishing the Reconciliation Charter in 2006. He began rebuilding Algeria's international image and re-launched the economic restructuring process, including a controversial privatization program. New laws encouraging private FDI, especially in hydrocarbons, were launched, but were later limited. Major infrastructure projects were pushed forward, together with job creation and housing programs.

After lower levels of violence in the new millennium, sporadic suicide attacks still continued. These were often directed against the state structures or expatriates. The 2007 attacks on the constitutional court and the U.N. headquarters targeted both. In recent years, kidnappings have taken place, particularly in the Saharan regions, organized by criminal gangs affiliated to the remnant groups of the conflict of the 1990s.

The Berber protests in 2001 led to the inclusion of Tamazight (Berber) as a national language in the constitution. Along with the creation of the High Commission for Amazighité and the inclusion of Tamazight in the education system, such reforms have appeased some of the claims of the Berber population.

Bouteflika was re-elected in 2004 and (after a change to the constitution) for a third term in 2009 and a fourth term in 2014. Following the army's agreement to end its interference in politics in 2003, and the constitutional amendment in 2008, there was an increase in presidential powers. With the appointment of Prime Minister Sellal in 2012, and the ailing health of the president, the prime minister has played a more significant role in political life. However, the question of who will succeed Bouteflika one day is becoming increasingly pressing.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

Sporadic attacks by Islamist terrorist groups have continued to claim the lives of Algerians over the last two years. Such attacks have mainly targeted the military and security forces. Two days after the presidential election in April 2014, an ambush in the Kabylie region of Tizi Ouzou killed 11 soldiers who had been responsible for ensuring security around the election. Al-Qaeda in the Islamic Maghreb (AQIM) claimed responsibility for the attack. In July 2014, a bomb explosion killed seven members of both the army and communal guard in the Sidi Bel-Abbès region in the west of Algeria. Later, in September 2014, the Jund al-Khilafa militant group, which pledged allegiance to IS, were responsible for the kidnapping and beheading of French tourist Hervé Gourdel. Referring to local sources, the International Crisis Group indicated in January 2015 that security forces reportedly killed Gouri Abdelmalek, the leader of Jund al-Khilafa group, in late December 2014 in Kabylie.

Monopoly on the
use of force

7

Up to 100 terrorists are claimed to have been killed by the army in 2014 in clashes and confrontations, particularly near the Malian border, and in the Tizi Ouzou and Boumerdes regions. The regions bordering Libya are increasingly seen as a threat due to the dramatically worsened security situation in post-Qadhafi Libya. With deteriorating security conditions across the Sahel, there are increasing flows not only of people seeking refuge, but also of arms crossing between Libya, northern Mali and Niger. Algeria is toughening its stance on border controls with increasing numbers of migrants facing forced return.

The Algerian nation still derives legitimacy from the war of liberation. The National Liberation Front (Front de Libération Nationale, FLN), which won the anti-colonial war in 1962, is still the ruling party. Increasing instability in the region has led to fears of similar threats in Algeria. If anything, this appears to have reinforced the sense of national identity. The Afrobarometer points out that in 2013 over 70% of the

State identity

8

population felt the country to be “going in the right direction,” and 87% felt proud to be Algerian.

Berber independence movements represent a small minority. Constitutional reforms made Tamazight (Berber) a national language in 2002. Limited unrest during the 2014 election was more significant in the Berber region of Kabylie.

Ethnic conflict did occur in the Ghardaia region in early 2014 with violent clashes between the Mozabite community and Arabic-speaking populations. This resulted in several deaths, dozens wounded, and significant damage to businesses and buildings. Whereas there had been earlier unrest between the two communities (the Berber-speaking Ibadite populations and the Arabic-speaking population), video footage shows the riot police clearly siding against the Ibadite youths. Tensions remain high.

Islamist extremists who pose any real threat to state identity are a very small minority. They have little or no support from the population. However, there are fears, with the instability in the region and increases in human and arms trafficking, that such groups could pose a greater threat to Algeria.

Political disillusionment in recent decades and the social problems of the young population mean that low-level demonstrations continue. The ongoing phenomena of “harraga” (the burning of ID papers and fleeing by boat across the Mediterranean) and of self-immolation since January 2011, reflect a deep level of frustration toward state structures.

However, fear of violence, after a decade of conflict in the 1990s, has meant that the vast majority prefers peace over instability. The peace brokered by the president, through the Reconciliation Charter of 2006, although contested, contributes to the fact that Algerians regard the nation state as legitimate.

Algeria is formally a secular state, but religion is instrumentalized for political purposes. Laws, policies and practices have in some cases restricted religious freedom. The constitution names Islam as the official religion. It also guarantees freedom of religion. The state controls religious institutions, and appoints imams through the Ministry of Religious Affairs and Awqaf (Islamic Endowments). The secular elite are highly sensitive to any influence from radical Islamist movements. Political parties based on religion are banned by the constitution. A 2006 law criminalizes the proselytization of Muslims by non-Muslims and there have been cases of fines and imprisonment. “Correct abidance” to the rules of Islam is subject to judicial supervision and there have been cases of arrests for breaking the Ramadan fast. In July 2014, the newly appointed minister for religious affairs announced the re-opening of Jewish places of worship closed since the 1990s. Mohamed Aissa

No interference of religious dogmas

6

claimed to be the minister of all religions, and affirmed his wish to celebrate the cultural diversity of Algeria.

Attacks by Islamist groups have significantly decreased over the last few years, but a few groups affiliated to AQIM still carry out sporadic attacks in Kabylie and in the south of the country, mainly targeting the security services.

Basic public services are available throughout the country, although their efficiency is subject to some criticism. Public services have been improving since 2000 with the main priorities being transport and water infrastructure. Nevertheless, only 75% of the population have access to drinking water on a daily basis. Reducing the rate of illiteracy (18% in 2014) is an urgent task. In June 2008, Prime Minister Abdelmallek Sellal promised a “national revival strategy” to, as he said, “regain citizens’ trust and ensure the participation of all social categories.” The improvement of basic administration is one of the strategy’s key elements.

Basic
administration

8

Since the end of the civil war, the government structures have overseen the development of a good road network, with 13,200 km of road built in the last decade. Transport infrastructure generally continues to improve. In 2011 the Algiers tramway and in 2012 the metro were inaugurated. In 2013, the Oran tramway was launched and a number of further cities will inaugurate tramways soon. Railway infrastructure has more than doubled in the last 15 years and it is predicted that it will more than double again by 2018.

There have also been important construction programs in the education sector, while tertiary education is available in each of the 48 regions (wilayas). The government states it has built and delivered over 300,000 houses in 2014. Access to health care facilities and medication has been subject to greater criticism.

The government has invested in further ambitious public works programs including the construction of five new major hospitals across the country, to be completed by 2018 in cooperation with a European consortium. The medical infrastructure is regarded as deficient, although around \$50 billion has been invested over the last ten years.

2 | Political Participation

Presidential elections took place on 17 April 2014, with the ailing, incumbent President Bouteflika taking a fourth term with 82% of the vote. The alternative candidate, former Prime Minister Ali Benflis, came in second with 12%. Turnout, at 51%, was much lower than in 2009 (when it was officially 74.54%, though witnesses at that time reported mostly empty polling stations). The election was widely criticized and marred by sporadic violence, particularly in Berber areas of Kabylie.

Free and fair
elections

5

In response to the protests in 2011 at the time of the Arab revolutions, President Bouteflika announced his wish to “launch political reforms to strengthen the democratic process.” In a radical shift from Algeria’s usual preference for non-interference, the Algerian government invited the European Union to hold its first observation mission for the legislative elections of 10 May 2012. This invitation was not extended for the presidential elections in 2014.

In 2012, the EU mission noted improvements in the electoral process, including an increase in political parties, independent lists, 143 elected female deputies (31%), and additional control mechanisms. Weaknesses concerned voter registration, the absence of a “national” electoral list, the public display of results, appeals to the constitutional council, and the independence of electoral management and supervision bodies. Fair access to the state media was not ensured.

In the local elections of 29 November 2012, the governmental coalition parties FLN and National Rally for Democracy (Rassemblement National Démocratique, RND) dominated the field.

Parliamentary elections in 1991, and the subsequent coup, led to the army’s assumption of power in Algeria. The violence that followed consolidated this. Since 1999, President Bouteflika has not succeeded in reasserting authority despite several reforms consolidating power in the presidency. Power was seemingly taken away from the army command, which publicly distanced itself from politics in 2003. Nevertheless, the army’s intelligence services remain effectively independent and Algerians tend to view them along with the clans within the military as “le pouvoir,” an economic mafia, retaining political control behind the scenes. The parliament remains weak and the senate has one third of seats appointed by the president. Recent electoral reforms and the change of government in September 2012 do not seem to have brought any significant change. The illness of the president and his quasi absence from political life has led to frustration in the population and a desire for new political actors. The president, the army and the intelligence services are engaged in the current process of carefully monitored reform. Frustration, particularly among the youth, leads in the main to non-participation in political life.

Effective power to govern

2

Freedom of association is guaranteed by the constitution. The 1990 law (No. 90-31) significantly opened up the scope for associations in Algeria, inaugurating a declaratory regime. By 2012, over 93,000 associations were officially registered with the ministry of interior and the regional wilayas (districts). Despite changes brought about by the Arab Spring, such as rapidly increasing numbers of associations in Tunisia, Algeria still has by far the highest number of registered associations per capita of any country in the region.

Association / assembly rights

5

The new Law on Associations of 2012 (No. 12-06) has facilitated the creation of some local associations which can be now registered at the local level by the

commune. It is, however, contested, because it appears to reinforce the powers of the executive over associations. Civil society actors have been vocally critical of this new law. Its implementation varies from region to region. As yet there have been no legal tools developed for its implementation, which is left to the will of the administration.

Associations face administrative hurdles that are sometimes politically motivated. They also have limited means, despite two EU-funded programs since 2004, with capacity building for over a thousand associations. Restrictions on donors and foreign NGOs, reinforced in the Law on Associations of 2012, mean that much of the support associations receive is national. Individuals do support associations, often through zakat, the act of charitable giving according to Islamic principles. The private sector is beginning to fund and develop support mechanisms.

The state of emergency had previously enabled the authorities to prevent unofficial demonstrations and deny public meetings. This was lifted on 23 February 2011, but associations still claim interference from the authorities in certain activities. Demonstrations against fracking for shale gas in early 2015, for instance, were repressed in the capital.

Some associations representing the families of the victims of the 1990s and other human rights organizations often claim to have difficulties in registering and managing their activities.

The increase in the number of political parties in the recent elections has also been facilitated by the new Law on Parties of 2012. While this has been commended for increasing political participation, it has also split the opposition vote.

The Algerian Constitution guarantees freedom of expression. The 2012 Media Law abolished prison sentences for press offences and also opened up the media to private ownership. In 2013, three new private television stations opened, ending the government's monopoly on broadcast media. This was confirmed by a law passed by parliament on 20 January 2014.

Freedom of
expression
6

However, substantial legal restrictions on press freedom remain. Significant fines are still a constraint on journalists, limiting their coverage of certain subjects such as state security.

Bloggers are also subject to defamation suits, and several have been fined. In September 2013, authorities arrested Abdelghani Aloui on charges of "insulting state institutions" as well as "glorification of terrorism" for uploading cartoons mocking the president on Facebook.

Individuals and organizations are free to criticize politics and policies in Algeria, but the Reconciliation Charter prevents criticism of the military and security services

during the conflict of the 1990s – an exception which many associations continue to contest.

Of the 80 newspapers available in Algiers, only six are considered independent. The state maintains control over much the press through control of the printing and advertising industry.

Freedom House improved the scores for Algeria's press freedom in 2014 following the end of the government's monopoly on broadcast media and a reduction in physical attacks on journalists in the preceding year. Reporters Without Borders increased Algeria's ranking in the World Press Freedom Index from position 125 in 2013 to 121 in 2014 with slightly improved scores.

3 | Rule of Law

In 2014, a large consultation on amending the constitution was launched and led by Ahmed Ouyahia, director of cabinet of the presidency. A wide range of actors were consulted. A number of opposition actors refused to participate. The separation of powers was one of the key demands, alongside limiting presidential terms and reinforcing the independence of the judiciary.

Separation of
powers
4

The separation of powers is guaranteed by the Algerian Constitution of 1996, however, currently the parliament rarely initiates or questions legislative proposals by the government and power has increasingly been consolidated in the executive. Constitutional amendments in 2008 made the prime minister answerable only to the president, who also appoints the prime minister. The president appoints a third of the senate, thus compromising the independence of the legislature, as a check on presidential power.

The independence of the judiciary has been provided for in the constitution (Articles 138, 139 et 140) since 1996 but is not fully respected. The minister of justice is in charge of the administration of the judiciary, and the president appoints and dismisses judges. Practical decisions about judicial competence are made by the Conseil National de la Magistrature (the supreme judicial council) but this is under the influence of the executive. There is a perceived lack of judicial independence in Algeria, which is criticized by civil society actors and in the press. The Afrobarometer survey 2013 for Algeria indicates judges and magistrates as the most likely to be involved in corruption of all public figures (police, parliamentarians, government officials, etc.).

Independent
judiciary
4

In August 2014, the government announced measures to modernize the judicial apparatus and to introduce training courses in human rights/human rights protection for personnel. A draft law on the independence of the justice system was submitted

to the parliament at the end of 2014 and the question is also being treated in the constitutional revision process, albeit without any clear results so far.

Corruption is still perceived to be a major problem in Algeria. Half of respondents in the Afrobarometer 2013 survey felt that public officials who commit crimes always or often go unpunished. Only 7% felt that ordinary people who commit crimes go unpunished. Public servants and politicians are rarely held to account. Recent cases of high-level corruption have been brought to light outside Algeria. In the Saipem case in Italy, the former Algerian minister of energy, Mines Chekib Khelil, is accused of taking millions of euros in bribes from an Italian company in return for contracts. He is currently in the United States and has not faced charges.

Prosecution of
office abuse
4

Prosecution for crimes committed by the security services during the 1990s remains impossible due to the amnesty in the Reconciliation Charter. In December 2011, the National Office for the Fight against Corruption was created, but there seems little political will to seriously tackle corruption, either by revising anti-corruption laws or by really implementing the ones which exist. It officially took up its work in November 2014.

Despite the lifting of the state of emergency on 24 February 2011, human rights organizations and the independent press continue to denounce incidents of arbitrary arrest and denial of due process.

Civil rights
5

The Algerian League of Human Rights are increasingly concerned about the rights of migrants in Algeria. With the growing humanitarian crisis across the region, there is an increase in the number of asylum seekers and victims of the conflicts in neighboring countries arriving in Algeria.

Protesters and activists demand the right to demonstrate, which currently remains restricted in the capital. Demonstrations against the fourth mandate of the president in 2014 and against the recent introduction of fracking for shale gas in Algeria have been heavily policed by the authorities.

Human rights organizations continue to contest the amnesties given to the abuses committed in the 1990s. Specific cases of extrajudicial executions and torture by the state which have been successfully brought to the U.N. Human Rights Committee and to the justice system in France create important precedents for dealing with the crimes committed in the 1990s. Organizations continue to lobby for a way to achieve justice and peace for the families of the victims in Algeria.

Despite Algeria having ratified the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) in 1996, Algerian women face discrimination under the law and in practice. Under the 2005 Family Code, women's rights are subordinated to those of men in matters relating to marriage, divorce, child

custody and inheritance. In 2014, the government set up a committee to monitor the implementation of the CEDAW.

Freedom of religion is fairly well established and Algeria's several thousand Christians are free to practice their religion in designated locations. Muslims who convert to Christianity, or only criticize Islam or Muslim dignitaries, do face societal and legal restrictions, including imprisonments and financial penalties. The proposed re-opening of Jewish places of worship is symbolically important for religious freedom in Algeria.

Significant improvements have occurred over the last decade in the recognition of the rights of the Berber populations in terms of language and education. However, Berber associations continue to contest the status of the Berber language in the Algerian constitution.

4 | Stability of Democratic Institutions

State institutions formally follow democratic principles, yet serious questions are raised concerning their quality and efficiency. The presidency continues to dominate political life. Political reforms including revised electoral laws, and laws on associations and political parties, followed the Arab Spring in 2012. These do not appear to have resulted in any real change. The constitutional reform consultation process is ongoing but Algerians are still angered by the extension of the presidential mandate to four terms for ailing President Bouteflika. A limit to the presidential mandate is high on the list of constitutional reforms demanded by Algerian democratic institutions. A new parliament building is under construction in Algiers, and the expense this is incurring has been vocally criticized in the press. Deputies' high salaries and lack of knowledge of national laws have also been criticized in the independent media.

Nonetheless, participation channels do exist, and the executive is not entirely detached from society – improvements in the makeup of the parliament and the number of women elected have broadened the representation of the population. The elected *Assemblées Populaires des Wilayas* (regional assemblies) and *Assemblées Populaires des Communes* (town hall assemblies) handle the provincial and municipal affairs; they offer the possibility of political involvement, particularly from civil society activists who become elected members. This has strengthened local democratic structures.

Performance of
democratic
institutions
3

The legitimacy of the democratic institutions is not yet fully accepted by the relevant actors. In principle, the “deep state” (in the form of the army and security forces, particularly the secret service) seems to take all relevant decisions without any democratic control. However, if parliament and government are involved, acceptance is sparse. For instance, associations contest the Law on Associations of 2012 and the weakness of parliament in passing the law without effectively questioning its content. However, after the relatively free and fair 2012 parliamentary elections, the legislature’s input legitimacy at least seems to be more widely acknowledged.

Commitment to
democratic
institutions
3

The central administration and local elected bodies have long stood accused of inefficiency, corruption and patronage.

5 | Political and Social Integration

The one-party system ended in 1989 and Algeria has since had multiple political parties. Political liberalization was suspended between 1992 and 1996. The FIS was banned in 1992, but other political parties continued to enjoy legal existence. Parties based on religion are banned under Algerian law. The Electoral Law and Law on Political Parties of 2012 has facilitated the creation of parties, and the state has approved a number of new parties since 2012. Parties across ethnic and religious divides are coopted into the regime coalition, the social roots of parties in general are thus weak and they are not seen to represent the population. Low voter turnout in elections confirms this.

Party system
4

Over the last decade, three allied pro-regime parties have dominated electoral politics. These are the former single party, the FLN, the RND and the moderate Islamist party Movement of Society for Peace (Mouvement de la Société pour la Paix, MSP). Prior to the legislative elections of May 2012, the MSP left the coalition and created the Green Algeria Alliance with other Islamist parties. They subsequently saw losses in both legislative and local elections in 2012, which reflects the distrust of the Algerian population for Islamist parties. The MSP boycotted the presidential election in 2014, further confirming their fragmentation, weakness and decline in political life in Algeria.

Other opposition parties include the Workers Party (Parti des Travailleurs, PT) led by Louisa Hanoune, and the Berber parties. These include the Rally for Culture and Democracy (Rassemblement pour la Culture et la Démocratie, RCD) and the Front of Socialist Forces (Front des Forces Socialistes, FFS). The opposition remains weak and fragmented.

Societal interests are increasingly represented by associations rather than by political parties. A number of associations and networks are capable of mobilization and lobbying at the national level, such as Wassila network (women's rights), Nada network (children's rights) and the Algerian Federation for Handicapped People (Fédération Algérienne des Personnes Handicapées, FAPH), for example. Certain associational movements have managed to influence policy reforms in recent years (e.g., Center of Information and Documentation on Children and Women's Rights or CIDEF demands quotas of women in parliament, Berber associations demand that Berber is recognized as a national language and in the education system). At the very least, they provide effective channels for information for citizens and local authorities. Relations are not always cooperative between organizations, or with the state.

Interest groups
6

Associations representing the victims of the 1990s civil war continue to vocally challenge the state, and face restrictions due to the Reconciliation Charter which gave amnesty for crimes committed during the 1990s. The Association of Families of Disappeared in Algeria (Collectif des familles de disparus en Algérie, CFDA), SOS Disparus and the Algerian League for the Defense of Human Rights (Ligue Algérienne de Défense des Droits de l'Homme, LADDH) have, alongside political parties, coordinated initiatives to question the legislation and practices concerning the freedom of association, and to demand political reform.

Business associations are increasing and young entrepreneurs work together to stimulate and assist new business initiatives. The main trade union is the General Union of Algerian Workers (L'Union Générale des Travailleurs Algériens, UGTA) with around four million members. Autonomous counterpart unions also try to negotiate with the government, but claim they face problems: the authorities only recognize the UGTA. Social movements contesting unemployment and lack of transparency of the public services continue to coordinate small demonstrations across the country. The prospect of fracking for shale gas in 2014 in the Algerian south has led to a number of coordinated demonstrations from Tamanrasset to Algiers. Protestors against fracking demand the right to participate in political decisions about natural resource management in the country.

The Arab Center for Research and Policy Studies first published its opinion poll on democratic values in Algerian society in March 2012. The poll confirmed the general disillusionment with politics: only 32% of Algerians were satisfied with the political system and far fewer (18%) stated they were interested in the political affairs of the country (the lowest in the whole region).

Approval of
democracy
n/a

A 2014 poll focusing on the Arab Spring highlighted a regional preference for peace and security over economic and political reform. Fear of insecurity and violence remains, especially in connection with the conflict of the 1990s.

The 2013 Afrobarometer shows a more positive evaluation of democracy in Algeria: 56% of respondents indicated they were fairly satisfied with the way democracy functions in Algeria and 25% were not very satisfied. Only 1% responded that Algeria was not a democracy. This improvement perhaps takes into account some of the reform efforts implemented by the government since 2011. It may also reflect a desire for security over political violence.

The level of trust in the presidency varies across the country, with the southern areas showing stronger support. According to the 2013 Afrobarometer poll, the president was by far the most trusted of Algerian institutions, followed by the army and the police. Local government, tax offices, opposition parties and the electoral authorities were the least trusted.

The number of associations at national and local level has risen rapidly since the 1990s. Most recent figures on the Ministry of Interior's website indicate 93,000 registered associations in Algeria. Most of these are small "comités de quartier" or mosque associations, some of which are dormant or dysfunctional. However, recent years have seen an increasing number of dynamic social, cultural, and environmental associations, particularly in towns such as Oran or Ghardaia, in the south and in the Berber area of Kabylie. There is a strong history of social solidarity in Algeria. Social organizations represent roughly a quarter of the associations registered. Trust within such organizations appears to have increased. Trust levels between citizens, and between citizens and the state, remain low after the traumas suffered in the 1990s. The 2013 Afrobarometer indicated that only 22% of respondents felt that most people could be trusted, while 78% felt you had to be very careful when dealing with people.

Vis-à-vis the political entities and public administration units, the population feel they have to rely on personal influence or violence to force the administration to react. Self-immolations continue to take place across Algeria, in front of public buildings in protest against unemployment, housing conditions, lack of communication, and arbitrary and unfair decisions made by the authorities.

Social capital

5

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Given Algeria's hydrocarbon resources, the country's rating on the UNDP's 2014 HDI, while improving, remains relatively poor (with an index of 0.717, Algeria is ranked 93 out of 187 countries). Life expectancy is 70.9 years and 72.6% of the adult population are literate (81.3% male, 63.9% female). There are no recent figures available to show what percentage of the population still live under the poverty line, nor figures for inequalities (Gini index).

Socioeconomic
barriers
5

Social exclusion has been caused by a significant increase in the urban population. Mass displacements during the 1990s due to insecurity in rural zones have led to increased problems in housing and access to jobs and public services in the cities.

Algeria scores slightly better than the BTI transformation countries' average on gender equality (score of 0.425 in the UNDP 2014 Gender Equality Index, while the average is 0.429). Women have higher access to tertiary education than men (a 148% ratio of female to male enrollment), but face significant barriers in accessing the job market, representing only 17% of the labor force.

Economic indicators		2005	2010	2013	2014
GDP	\$ M	103198.2	161207.3	210183.4	214063.2
GDP growth	%	5.9	3.6	2.8	4.1
Inflation (CPI)	%	1.4	3.9	3.3	2.9
Unemployment	%	15.3	10.0	9.8	-
Foreign direct investment	% of GDP	1.1	1.4	0.8	-
Export growth	%	6.1	-	-	-
Import growth	%	9.5	-	-	-
Current account balance	\$ M	21180.0	12308.2	869.3	-
Public debt	% of GDP	27.2	11.7	8.3	8.8
External debt	\$ M	17092.4	7246.0	5231.3	-
Total debt service	\$ M	5987.0	676.2	532.3	-

Economic indicators		2005	2010	2013	2014
Cash surplus or deficit	% of GDP	-	0.4	-	-
Tax revenue	% of GDP	-	34.4	-	-
Government consumption	% of GDP	11.5	17.2	18.9	19.2
Public expnd. on education	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.3	3.3	4.9	-
R&D expenditure	% of GDP	0.07	-	-	-
Military expenditure	% of GDP	2.8	3.5	5.0	5.5

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

Algeria began constructing a market economy in 1994. However, progress toward liberalization has faltered. The government tends to intervene through regulatory measures, such as subsidies or price caps. Following the resurgence in oil and gas revenues, and increasing inflation, the government increased the list of subsidized commodities in 2010. Faced with protests in early 2011, the government again announced temporary exemptions on import duties, value-added tax and corporate tax for everyday commodities. In the 2015 Index of Economic Freedom (IEF) produced by the Heritage Foundation, Algeria ranks 157 out of 178 countries. It hence remains very low in the Middle East and North Africa (MENA) region and below regional and world averages.

Over the last two decades, Algeria's IEF score has declined overall. Seven of the ten economic freedoms, notably property rights, freedom from corruption, the management of government spending, and financial freedom, have declined. Reform measures have been neglected or reversed, and Algeria has become increasingly dependent on hydrocarbons. With increasing social discontent, the government has expanded public spending programs, with little progress in improving fiscal governance.

The Algerian currency is not convertible and other barriers to markets exist. The informal sector is significant and there is little will to tackle this.

Market-based
competition
4

Attempts have been made to break up state monopolies, but to limited effect. Eighteen years after its inception in 1995, the National Competition Council (Conseil National de la Concurrence, CNC) officially took office on 29 January 2013. Despite being officially independent, it dealt only with cases of minor relevance but left aside cases where more powerful interests were involved.

Anti-monopoly
policy
4

Changes to the privatization program and to the Hydrocarbons Law in 2006 allowed the state to retain control over key industries such as oil and gas. However, among other political reforms made in April 2011, President Bouteflika committed to opening up the broadcast media to the private sector. A new law was adopted by parliament on 20 January 2014, which has ended the state monopoly in the audiovisual sector. Three independent broadcasters, Echourouk TV, Ennahar TV and El Djazaïr TV, were authorized by the government in 2011 prior to the adoption of the law and have been operating without restriction in Algeria (although their transmitting stations are in foreign countries).

Algeria liberalized foreign trade in the 1990s as a result of the IMF requirements for its support. Stiff tariff barriers were retained, particularly on imports. The government began removing these under the terms of the EU Association Agreement, which was signed in 2002 and entered into force in September 2005. The simple mean applied tariff for all products stood at 14.18% in 2009 (last available data). The agreement established a free trade area in accordance with WTO rules, to be established over a maximum period of 12 years. In 2012, Algeria negotiated a further three-year delay, pushing the deadline back to 2020.

Liberalization of
foreign trade
6

On 1 January 2009, Algeria joined the Greater Arab Free Trade Area (GAFTA). This has led to the abolition of tariffs and a liberalization of markets for industrial and later agricultural goods between 17 member states of the League of Arab States. Algerian non-hydrocarbons exports (mainly sugar and glass) increased by 21% in 2012 as a result. However, Algeria still imports far more than it exports to the GAFTA zone. A bilateral trade agreement with Tunisia removed barriers to trade between the two countries in 2013.

Despite adherence to international free trade mechanisms, Algerian entrepreneurs and authorities remain skeptical. Due to its lack of producing companies, Algeria would risk losses in the short term from trade liberalization. As a result, dismantling of tariff and non-tariff barriers has been slow. The Complementary Finance Law of 2009 introduced the obligation for foreign investors to secure an Algerian partner with a 51% share in any industrial venture, seeking to reduce imports and protect its own industries.

Algeria is a candidate for WTO membership, but has consistently refused requests to liberalize its hydrocarbons trade. With a predicted fall in its trade surplus based on IMF predictions of declining oil prices, Algeria is aware of the need to increase the country's integration into the global economy, to improve competitiveness, productivity and job creating potential, and to move away from dependency on oil.

The banking sector is small and underdeveloped. It is mainly state owned, with 90% of assets in public banks. Private banks perform better than the public banks, which are regularly bailed out by the government. There is high liquidity in the Algerian banking system due to hydrocarbon wealth, the obligation to sell foreign exchange to the central bank and high public expenditure. The bank capital to assets ratio in 2012 was 7.9%, and bank nonperforming loans to total gross loans reached 10.6%. Algeria is largely a cash economy, the private sector is predominantly made up of very small enterprises which function in cash, as do households. Consumer credit has been banned since 2009, inhibiting financial sector development. The weaknesses of the Algerian financial system continues to limit the emergence of a free market economy. High liquidity ratios, in relation to total assets, illustrate the limited effectiveness of the financial sector in channeling excess equity into value-creating projects.

Banking system
4

8 | Currency and Price Stability

The inflation rate has averaged at 4.3% over the last 15 years and was recorded at 6.4% in November 2014. A high of 12% in June 2012 was fueled by a surge in fresh food prices and high government spending. A record low of 0.1% was reported in October 2013. Rises in prices and decreasing purchasing power are major factors in unrest. The government responds with price caps and subsidies on essential commodities. Structural problems of weak productivity, inefficient public spending and the large informal sector remain. The government tried to crack down on the informal sector in 2013, but in response to falling oil prices and rising costs they have weakened their stance in an attempt to appease certain sectors of the population. Declining hydrocarbon prices also present a longer-term risk.

Anti-inflation /
forex policy
6

The Algerian dinar cannot be freely converted. The rate is pegged against a basket of currencies and fixed by the Bank of Algeria. The real effective exchange rate fluctuates closely around the index value of 100. The official exchange rate ranges between 90–100 dinars to one euro. However, on the black market the dinar is exchanged as much as 160 dinars to one euro. The dinar has been partially convertible since 1995 for currency transactions for foreign investors. Residents and non-residents may hold foreign currencies.

The Bank of Algeria has the main responsibility in the regulation and supervision of the banking sector. It manages Algeria's foreign reserves and controls foreign exchange. The 2010 Banking Law Amendment reinforced the role of the Bank of Algeria in overseeing the banking sector. Laws and regulations meet international standards, but the extensive state owned character of banks still undermines compliance.

Algeria has continued to maintain its expansionary fiscal stance, helping to support the non-hydrocarbon sector. The budget deficit improved with the rise in oil revenues in recent years. However, current fears over the recent fall in oil prices have led the IMF to predict a loss of \$20 billion for 2015.

Macrostability
8

Algeria's current account balance reached \$869 million in 2013 according to World Bank data, after having been much higher in 2012 with \$12.3 billion and \$19.7 billion in 2011. Algeria's good economic performance has been underpinned by the favorable external environment. Public debt reduced from 25.7% of GDP in 2010 to only 9.3% in 2013. External debt has also reduced progressively each year, now standing at \$5.6 billion in 2012 compared to \$22.2 billion in 2004. Important challenges remain concerning macroeconomic stability in the long term, the restoration of fiscal prudence and diversification of the economy. The authorities' commitment to undertake fiscal consolidation and reform is critical for this. In 2012, Algeria lent \$5 billion to the IMF. These funds enabled the IMF to deal with the financial crisis in a number of countries in the West. This contribution to the IMF's lending capacity also signified Algeria's prudential management of its reserves, strong macro-economic position and improved international standing.

9 | Private Property

Private property and its acquisition by citizens is guaranteed by law, but enforcement regulations are often weak. Zoning regulations can limit land use: the state respects individual rights, unless the title is ambiguous or land wrongfully expropriated. However, as the institutions are not free from corruption and political manipulation, individual rights may be adversely affected. Purchase of land by foreign entities has been limited to avoid speculation. Legislation in 2009 made transfer of land to foreign investors possible only through 33-year concessions (which can be renewed twice). Foreign companies have complained about difficulties in registering property. It takes 55 days and ten procedures to register a property in Algeria, according to the World Bank.

Property rights
5

Intellectual property rights are officially protected, but enforcement is limited. Computer and software piracy is widespread: only 20% of Algerians were believed to be using original software in the mid-2000s. Algeria requested accession to the World Intellectual Property Organization Internet Treaties in October 2013, and these agreements have been in force for Algeria since 31 January 2014.

The Algerian state encourages the private sector and has taken measures to encourage investment from domestic and foreign sources. At the same time, privatization of state companies has been delayed and the government still appears ambivalent about this. With a prevalence of very small enterprises (VSE), the private sector suffers from structural weaknesses including difficult access to financing, lack of technical

Private enterprise
4

equipment and knowledge, and shortcomings in vocational training. Structural handicaps, combined with the importance of investment volumes handled by the state, mean slow private sector development, despite the massive public investment. Persistent blockages include the weakness of intellectual property protection and the strong presence of the informal sector, beyond the reach of state regulation. According to the World Bank Doing Business Report 2014, it takes 22 days and 13 procedures to register a business in Algeria (an improvement on 2012).

10 | Welfare Regime

Life expectancy in Algeria now stands at 70.9 years. Health care spending rose to 4.4% of GDP in 2012 from 3.2% in 2010. In its five year plan for 2010 – 2014, the government invested \$6.2 billion in health care for 1,500 health facilities, including 172 hospitals, 45 specialized health complexes, 377 clinics, 1,000 health centers and 70 specialized institutions for persons with disabilities. A similar plan for 2014 – 2019 continues this level of investment. Ensuring the quality of the services, as well the improving the infrastructure, is an ongoing challenge. Human resources, equipment and medical supplies are often insufficient. Algeria is working with EU and World Health Organization support on the modernization of the health sector. However, despite this and the infrastructure investment figures announced, it is unclear whether there is really a significant improvement on the ground.

Four national insurance schemes cover the social care of Algerian workers and their families, the retired, the unemployed, and the non-salaried. The first scheme, the Caisse Nationale de la Sécurité Sociale (for workers and their families) protects more than 80% of the population. Access to public hospitals is free and prescription medicine is reimbursed. The National Unemployment Insurance (Caisse Nationale d'Assurance Chômage, CNAC) created in 1994, protects the unemployed and offers training measures. The schemes are financed by joint contributions from employers and employees. Private health care has increased over recent years, although the public sector remains the most significant for health care spending (80%).

In 2014, the NGO the Algerian League for the Defence of Human Rights (Ligue Algérienne pour la Défense des Droits de l'Homme, LADDH) criticized the fact that about 24% of the population still lives below the poverty line. Official Algerian reports qualify 1,300 municipalities as “poor” and 800 as “very poor.”

Equality of opportunity is guaranteed by law but persistent corruption, as well as traditional gender assumptions, mean equal access to employment and public services is not always ensured. Free education exists at all levels, across the country. Overall enrollment rates are in line with MENA region averages: 117.4% in primary, 97.6% in secondary, and 31.5% in tertiary education. Women have higher enrollment rates than men in secondary (104.0%) and particularly in the tertiary level (148.3%), but

Social safety nets

7

Equal opportunity

5

not in primary education (94.4%). Yet most recent data on literacy (72.6% in total) still show better levels for men (81.3%) than for women (63.9%).

There are significant barriers in the job market for women, who only make up 17.2% of the total labor force. 2005 amendments to the Family Law improved women's rights, but discrimination still remains in terms of rights to divorce and inheritance. In 2015, the parliament is considering legislation to amend the criminal code to toughen sanctions for violence and discrimination against women in the home and the workplace. Since 2012, quotas related to the numbers of women in elected assemblies have led to over 30% of parliamentary deputies being women.

Berber populations claim discrimination in terms of limited access to education in their mother tongue or in French, which is sometimes preferred as a language of education over Arabic. They do not seem to suffer discrimination in the workplace. Ethnic tensions between populations in the M'zab heightened in 2014, with both populations experiencing what they felt to be discrimination in access to the job market, public services and protection from the police.

11 | Economic Performance

Algeria still has significant foreign exchange reserves, estimated at \$185 billion in 2014. This allows it to cover its deficit and its expansionary fiscal policy, and protects the economy from external shocks. The current account balance is \$12.2 billion. The country has progressively reduced both public and external debt in recent years. Algeria is classed as an upper-middle income country. GDP per capita rose to \$13,304 (in PPP terms) in 2013 according to World Bank data. Total GDP was registered as \$210 billion, with growth at 2.7% in 2013.

While economic performance has been good over the last decade, the economy is still highly dependent on hydrocarbons and is therefore vulnerable to international price shocks. Hydrocarbons account for around 30% of GDP. Algeria's budget deficit fell to 0.3% of GDP in 2011. Inflation as measured by the consumer price index (CPI) fell back down to 3.3% in 2013. According to official data, unemployment has been declining; falling to 9.8% in 2014 according to national statistics office figures. Youth unemployment remains high but is falling.

Foreign direct investment in Algeria fell to 0.8% of GDP in 2013 from 2% in 2009. This remains low compared to the selected countries in the World Bank data, with average levels of 4.5% in 2013. Investment outside the oil and gas sector remains low. Financial and training initiatives launched by the government to support SMEs have not yet managed to fully support a more diverse private sector, although youth unemployment is falling.

Output strength
7

12 | Sustainability

While massive development programs, including large scale road and dam construction, present risks for Algeria's environment, the government has made efforts in terms of environmental legislation. Over the last decade, there have been investments in infrastructure for access to water and sanitation and increasing attention paid to pesticide regulation, forestation, and use of marine resources. Attempts to tackle desertification since the 1970s (including the "green belt") were only partially successful. The five-year plan 2010 – 2014 dedicated significant funds to dealing with desertification in 12 regions (wilayas). Actions have been taken in cooperation with local environmental associations.

In energy, Algeria is still dependent mainly on fossil fuels. Debates in recent years on the post-oil period encouraged interest in large-scale renewable energy. As a result, wind, solar and biomass have been receiving government support. The renewable energy and efficiency program was proposed by the Ministry of Energy and Mines and adopted in 2011. Algeria aimed to generate at least 40% of electricity from renewable sources by 2030. However, with the U.S. Energy Information Administration recently identifying Algeria as the world's fourth largest source of unconventional hydrocarbons, notably shale gas, Algeria amended its Hydrocarbon Laws in 2013 to allow fracking. This has incited mass demonstrations and contestation from environmental lobbies and also citizens' groups across Algeria, particularly in the south, which would be most affected by the environmental degradation to the Sahara.

Concern for environmental issues has developed. Efforts have been made since 2008 to promote cooperation by companies in environmental programs. Several Maisons de l'Environnement have already opened their doors (19 in March 2014). This seems to indicate a slow but steady progress in environmental awareness among citizens, certain actors in the private sector and in the state.

Only limited figures are available (from World Bank data) for government spending on education (4.3% in 2008) and on R&D (0.07% in 2005). These figures appear low given Algeria's resources and potential, and in comparison with other countries in the region. Substantial commitments have been made to further increase educational infrastructure in the national five-year plan 2015 – 2019, although this is currently delayed, due to the effect of falling oil prices on Algeria's budgetary capacity. Access to education is ensured. Since 1975, Algeria has provided universal free access to primary education. In 2013, gross enrollment rates for universities stood at 31.5%. Adult literacy rates are 72.6% (compared to 10% in 1962 and 60% in 1990). The state launched a massive literacy program in its 2007 – 2015 literacy strategy, in partnership with civil society organizations (CSOs), mainly targeting female literacy.

Environmental
policy
4

Education policy /
R&D
4

However, in 2013 differences between women (63.9%) and men (81.3%) were still clear.

Despite these achievements, there are still many challenges to achieving a high quality education system. The education system is plagued by poor relations between teaching staff and ministries of education and higher education, due to pay scales and union recognition. Student strikes also persist related to the curriculum, poor management, arbitrary decisions by the administration, lack of resources and infrastructure and the non-recognition of their diplomas by industry due to problems with the latest education reform.

Transformation Management

I. Level of Difficulty

A number of structural constraints limit governance in Algeria. These concern state structures, the population and territory.

Structural
constraints

7

Concerning the state, Algeria still faces difficulties transforming its centrally planned economy, with the heavy presence of state industries, and weaknesses in the private sector and banking system. Layers of bureaucracy, inherited from the colonial system, along with high levels of corruption weaken governance. The fear of corruption often also paralyzes public institutions. Heads of service are usually the ones accused, rather than higher-ranking officials. Lack of trained personnel throughout the administration stems from weaknesses in the education system and the conflict of the 1990s, with the loss of many civil servants through assassinations or forced exile.

Other demographic factors also constrain Algeria's governance. Massive urbanization over the last 20 years has put pressure on Algeria's public services such as education, health, housing and transport. The resulting social unrest also contributes to rash political decisions like the subsidization of prices or doling out of grants to ensure social calm, or, as is often suggested, to "buy the peace."

Algeria also faces challenges due to its vast territory (it is the biggest country in Africa since the split of Sudan in 2011). This renders the fight against terrorism even more difficult. The remnants of terrorist groups from the 1990s linger in the Sahara and some northern regions, presenting a massive constraint to governance. Though it is contained, the constant threat of insecurity prevents Algeria from moving on. Algeria's borders also constitute a significant difficulty, particularly in the Sahel. Conflicts in neighboring countries and in the Middle East also present new threats in terms of terrorism, cross-border crime and trafficking. The conflicts in the region have resulted in a high numbers of refugees and economic migrants either seeking residence in Algeria or transit to other countries. Finally, a number of challenges come from natural disasters. Flooding, earthquakes and desertification have all caused major tragedies in the last decade with significant economic and human costs.

Finally, the current low oil price on the world market puts constraints on Algeria's budget that are beyond the government's control.

There is a long history of CSOs and solidarity in Algeria, from the religious associations such as the Sufi zaouias, to village councils, particularly in Berber society. While these were partially undermined both by 130 years of colonialism and 30 years of single party rule, their structures survived and still underpin a tradition of civic organization and charitable funding. Many associations still function primarily on Muslim charitable donations (zakat). A vibrant civil society also developed in the 1930s. This formed the basis of the Algerian liberation movement (which developed out of organizations such as the Association of Ulama and the North African Star Association (Association Étoile Nord-Africaine)

Civil society
traditions

5

Whereas the 1960s and 1970s saw highly repressive regimes cracking down on independent organizations, the 1990 Law on Associations opened up public space for freedom of association. Despite the conflict, huge numbers of associations were created, targeting a wide range of issues from women's rights to cultural heritage. The more recent 2012 Law on Associations has been challenged but generally has not reversed the fact that there are now a significant number of dynamic, independent associations across Algeria. These contribute to social care and cultural forums, and provide spaces for public debate. In a highly difficult post-conflict environment, with a still divided society, associations have been a key factor in re-establishing social trust.

Social unrest has continued in 2013 and 2014. Strikes and demonstrations persist, although the mixed results of the Arab Spring have led to a caution both in the aims of protesters and in state responses. Demonstrations are still rallied in response to rising prices, unemployment, lack of housing and the inefficiency of the authorities. The decision of the government in 2013 to change the Hydrocarbon Laws to allow fracking for shale gas has also led to massive demonstrations in the south of Algeria and in the capital, though these have been repressed.

Conflict intensity

7

There have been increasing divisions along ethnic cleavages since 2001, with more clashes in the Mozabite region between Arabs and Berber Ibadites in 2014. The persistence of small fragmented terrorist groups leftover from the Islamist violence of the 1990s are now linked to criminal networks across the Sahel. These continue to operate, mainly in the Sahara, but have now also been linked to the IS, which is rumored to be recruiting in Algeria and the region.

The attack launched on the In Amenas gas plant in January 2013, and the risks coming from across the region and even as far as Iraq, show the continued threat of Islamist terrorism and the difficulties of dealing with internationally operating groups compared to the primarily domestic ones of the 1990s.

II. Management Performance

14 | Steering Capability

Question
Score

Prioritization
5

Economic growth, a reduction in unemployment and the development of a diverse market – while protecting strategic sectors – have been consistent priorities for the Algerian government. Within these overarching objectives, the prime minister confirmed in December 2014, that Algeria’s priorities were the Algerian-French partnership, the post-oil period, security in the Arab world and the Sahel, and continued support for decolonization of the Western Sahara. In the regional context of instability, the government continues to insist on peace, political stability and internal security as key priorities.

However, fearing instability, the government still often acquiesces to protestors’ demands, with exemptions on duties and taxes for everyday commodities. Short-term responses still take place and limit the potential to deal with the root problems facing the economy. Under Prime Minister Sellal, increased investment in infrastructure, industrial zones, and new energies constitute part of government strategy to find long-term solutions and to provide new jobs.

Long-term priorities were set with the process of national reconciliation. The granting of amnesties for the security forces and repentant terrorists and the banning of public criticism enabled the establishment of peace. However, the need for truth and justice have not yet been met and the process of reconciliation is ongoing.

Developments since the events of the Arab Spring have led the government to make a number of political reforms. Improvements in the electoral process, an increase in the number of women in parliament, and the reflection on the post-oil period, seem to imply a longer-term perspective. The recent investment in shale gas exploration, however, could prolong Algeria’s dependence on this sector and could counter some of the proposed investments in renewables. Algeria carefully protects its sovereignty, particularly since January 2011, and international donors have little influence in policymaking.

Overall, security and stability considerations remain the top priorities of the Algerian executive and government.

In accordance with its strategic priority to achieve a diversified economy, the government has continued to implement its ambitious infrastructure programs, improving Algeria's transport network, health and education facilities. R&D into alternative energies have also been implemented as part of the government strategy to strengthen the economy. The prime minister and a number of ministerial departments are seen to be performing well, but there is frustration in the population at the absence of the presidential power, which is seen to limit effective decision-making and the implementation of policy objectives.

Implementation
5

The country's inability to tackle the problem of money laundering, and links to the financing of terrorism, led to Algeria being classed in the grey list in October 2014 by the Financial Action Task Force (FATF). As a result, the executive has been seeking to push through legislation to improve capacity to deal with money laundering in 2015.

Demonstrations across the south of Algeria against the government's decision to invest in shale gas exploration have led to serious challenges to the proposed policy decision. Protesters argue that the proposal to invest in shale exploration is short-termism, environmentally unsound and proposed with little or no consultation of the local population.

The Algerian government has identified drug trafficking as a key security threat, even greater than, and linked to, militancy in the region. Since 2013, the Algerian army has been in charge of fighting trafficking in the Sahara in particular. Algeria is working with neighbors to deal with the problem.

Algeria is still recovering from the conflict of the 1990s and the loss of many staff across all sectors. These traumas resulted in an environment with low levels of trust that is only just being rebuilt ten years on. The absence of international organizations and businesses during this period also contributed to limiting knowledge exchange and transferring best practices. Policymaking and learning were thus previously limited, and an aging executive personnel also affected the willingness and flexibility to accept new approaches.

Policy learning
4

Change is signaled by an improvement in international cooperation with the EU and other international actors, and by ambitious development projects. Algeria is now an important strategic player in the region, European companies are seeking to invest in Algeria and Algerian companies are now successfully establishing themselves abroad, such as Cevital in Italy. The government is seeking to engage more with the population in the decision-making process, although this remains a challenge. Difficulties in the effective management, targeting and monitoring of policies still present obstacles for their successful implementation. It is not clear whether they are successfully and rigorously evaluated and the conclusions fed back into policymaking.

15 | Resource Efficiency

The Algerian administration suffers from weak human resource management, recruitment policies and corruption. Limited training opportunities also hinder the efficiency of the administration. Weak transparency in dismissals and appointments means political matters, rather than competence, can influence recruitment decisions. Pressures to reduce unemployment also contribute to high levels of public sector recruitment.

Efficient use of
assets

4

The Algerian budget has been vulnerable to the significant decrease in international oil and gas prices in 2014/2015. However, it remains balanced and Algeria's significant reserves mean the ambitious programming of the five-year development plans should be maintained.

The government's priorities are clearly articulated. More recently, these have mainly been expressed by the prime minister: Abdelmalek Sellal announced a "national revival project" in June 2014, aimed at improving governmental services to regain people's trust in the state authorities.

Policy
coordination

5

The government's priorities are influenced by the regional security situation and the internal challenges of dealing with unemployment, improving public services and diversifying the economy. They are framed in the government's five year development plans and annual budgets. Competing interests such as rapid development for infrastructure and agriculture, versus a strong environmental protection policy, appear to be managed. However, recent decisions to further invest in hydrocarbons exploration seem contradictory to the objective of reducing dependency on natural resources. Whereas there is an increase in the percentage of the budget spent on health and education, this is still minimal compared to the amount spent on security. Algeria now has the largest defense budget in Africa, spending over \$10 billion in 2014, a figure which has doubled in the last decade. Competing objectives of security and development seem to still conflict.

Certain corruption scandals have recently been revealed, mainly due to foreign investigations. The Saipem case in Italy involves the former minister of energy and mines, Chakib Khelil. His exile in the United States and avoidance of the justice system does little to improve Algerian citizens' perceptions of the anti-corruption campaign. Weak financial controls and unimplemented anti-corruption legislation, as well as the absence of an independent judiciary, have led to what the Algerian Anti-Corruption Association describes as a culture of impunity. The 2006 Anti-Corruption Law, the setting up of the national anti-corruption office in 2012, as well as government declarations about fighting corruption do not appear to have brought any

Anti-corruption
policy

5

change. Parliamentary oversight and the Court of Auditors have been criticized by local monitoring organizations in their role of auditing and controlling public spending. The current proposed legislation to tackle money laundering, given the context of tackling the financing of terrorism, may indicate potential improvements. In October 2014, however, the FATF, of which Algeria is a member via its subregional Middle East and North Africa Financial Action Task Force (MENAFATF), classified Algeria's action plan to combat money laundering as insufficient.

16 | Consensus-Building

There is a general consensus within the population, the government and across the different political movements about the need to establish democratic institutions. Opposition parties challenge the government and contest the role of the security apparatus, the arbitrary character of many state policies, and the lack of accountability of institutions. While promoting democracy in their discourses, political parties are criticized by civil society actors as themselves being nontransparent and weak in enforcing their own internal democratic procedures. There is a consensus across political groups, as demonstrated during the Arab Spring, that Algeria first and foremost should prioritize political stability, and non-violence.

Consensus on goals

5

The government and political opposition parties are all committed to the aim of tackling corruption and developing a fully functional market economy.

Opposition actors contest the effectiveness of government policies to address unemployment and economic development, but not the policy goals themselves.

Despite its significantly increased budget, the military continues to interfere less in the daily affairs of governance in Algeria. However, certain elements of the military, which benefit from the current economic and political system, are seen by the population as a barrier to further liberalization. Islamist political parties publicly adhere to democratic goals and market liberalization, and are fairly weak, with little electoral support. A small number of anti-democratic radical Islamists continue to operate, particularly in the Sahara and Berber regions. Regional insecurity and external interference from IS actors, have made these groups potentially a greater threat.

Anti-democratic actors

3

Ethnic and religious cleavages have reduced over the last decade. Current tensions relate far more to social exclusion and civil rights. Subsidies are extensively distributed, but have not effectively reduced these social tensions, as they have not provided real opportunities to the young Algerian population. Certain concessions have been given to Islamist parties, and there is a general consensus that Islamism is no longer a political project. There is a strong consensus, however, that Islam should be at the center of Algerian social life and identity.

Cleavage /
conflict
management
5

Berber was made a national language in the Algerian Constitution in 2002. Continued reforms such as the introduction of Berber into the education system have reduced tensions for the Berber populations, notably in Kabylie. However, tensions in the M'Zab region between Ibadite Berbers and Arabic-speaking populations have increased and the state has been criticized for its handling of the 2014 riots. The security services' apparent bias against the Ibadite youths has reinforced ethnic cleavages and a sense of injustice for them at the hands of the state.

Following the Arab Spring in neighboring countries and unrest in Algeria in 2011, the government launched a number of political reforms and consultation processes. In the ongoing constitutional reform process in 2015, the government also seeks to consult a wide range of civil society actors. Associations are still very critical and there is a general feeling that public opinion and consultations are rarely taken into account. However, there are nevertheless new expectations from civil society for consultation on government policy. More structured opposition groups, such as the CNLTD, founded in March 2014 as umbrella organization for various Islamist and secular opposition parties, mean the government has to deal with better organized and better informed organizations and movements.

Civil society
participation
5

The 2006 Reconciliation Charter is widely acknowledged to have brought peace to Algeria. However, the amnesties given to state security forces and terrorists, and the silence imposed are felt to be deeply unjust, particularly for the families of the 100,000 victims (official figures) of the conflict. Compensation has not allowed for real reconciliation, particularly for the families of the disappeared, who claim a right to know the truth. Cases concerning atrocities committed during the 1990s, which have recently been brought to the French justice system, are creating difficult precedents for the Algerian government to ignore.

Reconciliation
7

17 | International Cooperation

The Algerian government has traditionally been reluctant to accept external involvement in its development plans, and, given its hydrocarbon wealth, Algeria does not need financial assistance. More recently, the Algerian state has acknowledged a need for technical support and cooperation, and a wish to improve Franco-Algerian cooperation. Algeria signed an association agreement with the EU in 2002 that came into force in 2005. Implementation rates of donor funding programs in this framework have been low, mainly due to inefficiencies as well as lack of interest from the Algerian government.

Effective use of support

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Relations with certain Gulf States have generally improved, with increased economic investment from the Gulf and a significant Algerian expatriate population in countries such as Qatar. China continues to play an important role in Algeria's economic and infrastructure development. Bilateral trade continues to increase and relations are mainly focused on trade and investment.

Under President Bouteflika's first terms, Algeria managed to restore its image on the international scene. The current Prime Minister Sellal is also an internationally respected politician. He is seen to promote foreign investment and international cooperation and is actively representing the country abroad and in international fora. As a key geostrategic player in the Sahel and North Africa with its significant armed forces and wealth, and a leader in the fight against terrorism, Algeria has become an essential partner for Europe, the United States and the Middle East. With its renewed foreign policy and status as an energy supplier, Algeria is also considered one of the most difficult partners, particularly for the EU, as it refuses to sign up to regional standardized agreements that go beyond the rather unspecific association agreement of 2002/2005. The prime minister recently confirmed that the improvement of bilateral relations with France was a key priority. The EU electoral observation mission in 2012 is an example of improved credibility on the international scene and a willingness on the behalf of the Algerian government to cooperate with the EU, though the 2014 presidential elections were conducted without EU observation. The re-election of President Bouteflika under a fourth mandate, against the will of many opposition actors and parts of the population, and despite the president's illness and age, has further undermined the government's overall credibility.

Credibility

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Algeria has relatively stable relations with its neighbors, despite ongoing friction, and is an active member of the AU. Since January 2009, it is a member of the GAFTA. Despite renewed efforts following the changes in government after the Arab Spring, Arab Maghreb Union (AMU) cooperation remains limited. The AMU remains at a standstill. A further incident in 2014 led to more diplomatic friction when shots were fired near the Algero-Moroccan border at Oujda. Morocco accused the Algerian army of having injured a Moroccan citizen, facts which were then strongly contested by

Regional cooperation

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the Algerian government. Borders will remain closed as they have for years, in part due to the ongoing dispute over the Western Sahara, between Algeria and Morocco. AMU member countries did decide nonetheless in January 2013 to establish a joint investment bank, originally proposed in 1991 but constantly postponed due to the Western Saharan conflict. It is equipped with \$100 million to finance investment projects in the Maghreb region. Instability at the borders with Mali, Niger and Libya underline the need for greater regional cooperation, and Algeria is still taking a lead in this, for example, by hosting talks in Algiers for Libyan political actors. Increased investment in military spending indicate the strong capacity of the Algerian government to protect borders and cross-border territory in the Sahara and Sahel region.

Strategic Outlook

Although political tensions remain, with opposition actors demanding a transition, Algeria will not face elections until 2017, and the population generally shares the consensus of the need for political stability. Most actors are participating in the ongoing constitutional revision process, and incremental political reforms have been made.

Despite declining international oil prices, Algeria is still in a strong economic position to implement its national development plans. The increase in the government's use of consultation processes with civil society and the private sector will be important to ensure national development plans are successful. Communication from the government, one of the main opposition critiques, has been improving with televised interventions, for example, regarding the contested decision to invest in shale gas exploration in the south of the country.

The need to diversify the economy away from oil and gas dependency remains a key challenge. The transition to renewable energies, in which Algeria could be a significant sectorial leader, should not be neglected with the discovery of the shale gas reserves and international interest in this resource. Renewables still appear to have the potential to create more jobs and ensure a more sustainable energy policy.

Actions to support SMEs and independent associations, such as training and initiatives to create a more constructive relationship between the administration and citizens, can only benefit Algeria in terms of employment, creativity and economic development.

Continued efforts are needed to modernize the civil service, to effectively implement the government's ambitious development programs. This includes ensuring transparency and reinforcing the justice system to improve the fight against corruption. The constitutional revision process currently led by the presidency is an opportunity to move this forward. Continued efforts to communicate this to the population are needed to restore confidence in the public sector.

The health system still needs serious investment, not only in terms of infrastructure, which is already foreseen, but also in terms of training and better conditions for health care professionals and procurement of medical and other supplies. Algerians currently are often forced, if they have the means, to go abroad for treatments for cancer and other serious conditions.

In the education system, improving language training for Algerians (in all the languages of the country) would strengthen the position of young people in the job market. Further improving the opportunities for the Algerian community abroad to invest in businesses, or work in the education and health sectors, would encourage knowledge sharing. Supporting more Algerian companies to invest abroad will also contribute to a more dynamic, internationally oriented market which would create new employment opportunities.

Finally, Algeria is a central player in geo-strategic terms for the whole region, which now faces serious ramifications from the crises in the Sahel. Having a well-trained and well-equipped army, and in-depth knowledge of the region, Algeria has the potential to play a key role in safeguarding the peace and maintaining stability across the whole region. In dealing with the crises in terms of refugees, Algeria will be faced with difficult challenges in the coming years. The country will need to work together with its neighbors to ensure a fair and humanitarian control of its borders, and a strong response to the trafficking, crime and terrorism that could further blight the development of Algeria and the whole region.