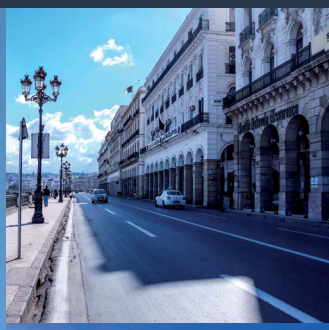
The Report: Algeria

Economic Recovery & Export Diversification

In collaboration with



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BOMARE COMPANY

THE FIRST ALGERIAN EXPORTER OF ELECTRONIC PRODUCTS TO EUROPE

20 YEARS OF INNOVATION

WHO WE ARE?

BOMARE COMPANY was founded in 2001 by Mr. Ali Boumediene who devoted all his ambition to make it a highly recognized reference in the electronics industry.

BOMARE COMPANY has a share capital of 1,023 billion DZD, built by hard working and perseverance which constitute the fundamental assets of a young and dynamic company.

By the end of this year and in a constant growing position, BOMARE COMPANY will launch its own laboratory and start ISO/IEC 17065 & 17025 certifications.

By 2025, BOMARE COMPANY aims to increase its turnover to 3,5 billion USD with a 65.000 m² factory, which will produce 7,5 million televisions, 90% of its production will be intended for export. BOMARE COMPANY will contribute to the creation of an ecosystem of at least 1000 PME / PMI and Startups by achieving such a goal.

STREAM SYSTEM OUR BRAND NAME

The electronic products manufactured by BOMARE COMPANY are commercialized under the trademark STREAM SYSTEM.

OUR FIELDS OF ACTIVITY

Consumer electronics products (EMS, OEM, OBM).
Digital interactive displays and cameras, solutions for B2B (Hardware & Software).
Industrial subcontracting activity.
All types of electronic main boards (Manufacturing and Engineering).
After-sales services.
Applications and platforms development.

OUR CERTIFICATES

CE
RoHS COMPLIANT
ISO 9001 SGS SMQ CERTIFIÉ ISO 9001 v 2015
EUR 1 GOODS MOVEMENT CERTIFICATE

OUR DISTINCTIONS

London Stock Exchange
2019 EXPORT TROPHY

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OUR SOCIAL MEDIA

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Part 1: Economy & Trade Overview

Snapshot of Key Metrics

Algeria's GDP was $147.6bn in 2020, making it the largest economy in the Maghreb and second largest in North Africa after Egypt. Its per capita GDP was $3337 that year, second to Egypt. Like many nations around the w orld, Algeria was affected by economic contraction and higher unemployment in 2020. The Covid-19 pandemic followed the slowdown in GDP growth that began in 2015, driven by the structural decline in the hydrocarbons sector, a government-led economic growth model and a struggling private sector. The economy contracted by some 5% in 2020 due to broad-based containment measures to slow the spread of the virus and a concurrent decline in oil output as global demand plummeted.

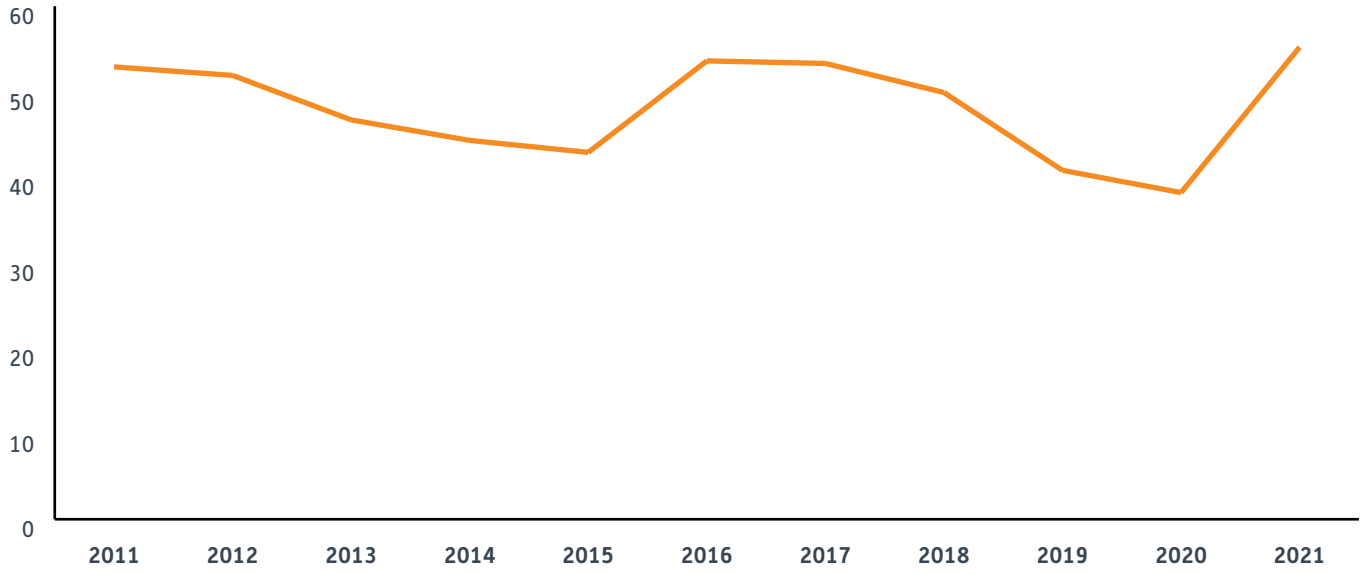
The economy has benefitted from a rebound in oil production and exports in 2021, but as of October of that year the IMF anticipated sluggish growth over the short term. GDP expanded by an estimated 4% in 2021, per IMF data, and is forecast to grow by 2.4% in 2022 and 2023. Risks to this outlook persist given the volatility of oil prices, the global push towards renewable energy and decisions by the Organisation of the Petroleum Exporting Countries (OPEC), which Algeria joined in 1969.

The hydrocarbons industry plays a dominant role in Algeria, accounting for 20% of GDP, 41% of revenue and 94% of export earnings in 2019, according to the World Bank. The drop in oil prices in 2020 and the related decline in exports have taken a toll on national income. Despite a contraction in imports in line with government policy, the current account deficit rose to more than 14% of GDP and international reserves fell to $46.9bn at end-2020, down 24% and representing 12.8 months of import cover. Meanwhile, gross public debt rose to 50% of GDP, suggesting that external financing requirements will remain substantial in the coming years and compel the authorities to maintain policies to contain the import bill.

The latest Government Action Plan, announced in September 2021, is a structural reform agenda with five pillars: improved governance, economic recovery, human development, dynamic and proactive foreign policy, and strengthening national security and defence. Among other things, the plan targets a sustainable, private sector-led growth model with a focus on facilitating exports in higher-value-added sectors, improving the business climate and boosting investment inflows.

Oil and Gas Exports

Gas exports, 2011-21 (bn cu metres)



With the Covid-19 pandemic suppressing global energy demand and prices, Algeria's oil and gas exports fell by 11% in 2020 to 82.2m tonnes of oil equivalent, while revenue was down 40% to $20bn that year.

However, as global economic activity – and international energy prices – recovered throughout 2021, hydrocarbons export revenue rebounded by some 70% to $34.5bn. The 55.2bn cu metres of gas exports recorded in 2021 marked an 11-year high, and a substantial improvement from the 25-year low of 38.2bn in 2020.

The resurgence in Algeria's energy trade was notable given that its oil output and exports fell in 2021, in line with commitments by OPEC and several non-member oil-producing countries collectively known as OPEC+. Record gas exports were also achieved despite the cessation of activity on the 11.5bn-cu-metre-per-year Maghreb-Europe gas pipeline, which transports gas through Morocco to Spain, in October 2021. However, the Medgaz pipeline, which flows directly to Spain, is being expanded from 8bn to 10.5bn cu metres per year, which should partially make up for the deficit – likely in combination with more costly liquefied natural gas (LNG) shipments.

Russia's invasion of Ukraine in early 2022 has had a significant impact on global energy markets, with many European nations jockeying to replace their Russian supplies. Algeria, which ships gas via pipeline directly to Spain and Italy, is well placed to fill this gap at least partially, and bilateral talks were reportedly in progress with both countries as of April 2022.

Renewed European interest in Algerian gas could help to reinvigorate the upstream sector, which has seen limited investment and declining output in recent years. The 2020 Hydrocarbons Law, which offers a more favourable tax regime to incentivise international investment, should prove to be a useful tool in this regard.

Since the law was passed, state-owned oil and gas company Sonatrach has signed upstream memoranda of understanding to discuss further upstream exploration and production (E&P) opportunities with several global energy majors, including Turkey's TPAO and Russia's Zarubezhneft in April 2020; Spain's Cepsa in July 2020; Italy's Eni in March 2021; Norway's Equinor in May 2021; and Indonesia's Pertamina in June 2021.

Eni signed a $1.4bn E&P contract for a new concession in the Berkine Basin at the end of 2021, marking the first contract to be awarded under the new law. The first phase of the project is scheduled for the end of 2022, tapping estimated reserves of 135m barrels of oil equivalent (boe). The project is forecast to produce some 45,000 boe per day upon completion.

Graph source: *MEES*

Non-Oil Exports

According to the most recent full-year data from the Ministry of Finance, in 2020 Algeria's non-hydrocarbons exports reached $2.3bn, or 9.5% of the total, with the top-five products accounting for nearly 75% of non-hydrocarbons exports by value. These were nitrogenous fertilisers (36%), cane or beet sugar (14%), oils and other products of the distillation of coal tar (13%), ammonia (8%) and cement (4%). Exporters were similarly concentrated, with the top five of the country's 1219 exporters that year supplying 73% of exports by value.

Compared to non-oil export figures for 2019, notable increases occurred in the export of cement (34.9%), cane and beet sugar (16.8%), and dates and figs (14.5%). Exports of turbojets, turbo propellers and other gas turbines rose by nearly 380%, reaching $36.5m, while decreases were recorded for the export of oils and coal tar products (-40.4%), ammonia (-36.9%), natural calcium phosphates (-19.2%), and hydrogen and rare gases (-3.8%).

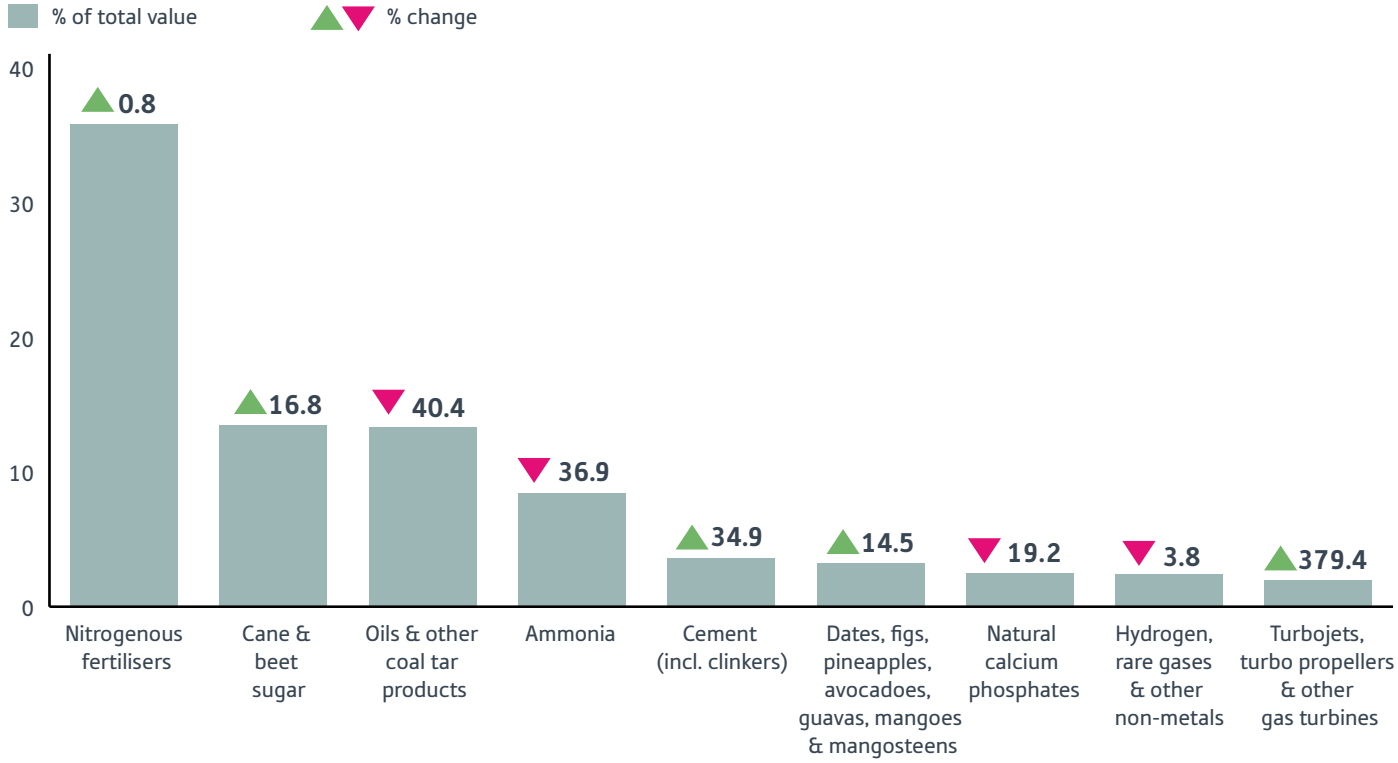
According to the International Trade Centre, Algeria has estimated untapped export potential worth $452m in urea, $154m in anhydrous ammonia, $93m in dates, $75m in cane and beet sugar, and $59m in rare gases.

The current Government Action Plan, published in September 2021, outlines target growth sectors for the country's diversification agenda. The authorities aim to transform more than 50% of Algeria's natural resources – against 30% at present – to develop the country into an exporter of processed goods with more sophisticated technology and higher added value.

The primary focus will be on petrochemicals, synthetic fibres, fertilisers, iron and steel, aluminium and hydraulic binders. The authorities also plan to launch a multi-year mining research programme in order to study the industrial value of mineral resources, notably of integrated phosphate and zinc.

Addressing bottlenecks in mechanical, electronics and household appliance manufacturing will also be a policy priority, with particular attention paid to nascent or underdeveloped industrial segments, including ICT, pharmaceuticals and automobile manufacturing. Development efforts will also target agriculture, agro-industry and fishing, as the country works to achieve agricultural productivity gains in strategic and industrial crops such as cereals, rapeseed, maize and sugar beet.

Main non-hydrocarbons exports, 2020



Graph source: *MoF*

Expanding potential

Ali Boumediene, Founder and Executive Director, Bomare

To what extent has the business environment improved in Algeria in recent years?

BOUMEDIENE: Enacted in December 2021, the Finance Act 2022 brought meaningful changes to the business climate through reforms in taxation and foreign investment restrictions. It highlights the fact that there is political will to expand investment and domestic production capacity. The authorities are working to build on this, and several incentive schemes are set to launch in 2022 that will focus on companies with potential to contribute to non-hydrocarbons exports.

While promising changes have been made, challenges that hinder the country's competitiveness on an international scale remain. Among these are delays in clearing Customs. An exporter that imports raw materials may wait more than 15 days before their cargo can leave the Customs facilities. In an effort to address this impediment, the government aims to digitalise Customs activities by the second half of 2022. This will help alleviate some of the complexities and delays faced by importers and exporters.

More can be done to build upon these pro-investment changes and promote Algerian industries to the international community. One way to do this is by establishing "green lanes" for leading exporters, with simpler administrative processes in the handling of import-export operations. These lanes could also incorporate special Customs schemes for beneficiaries, who would not have to wait in traffic at the port.

Now is a crucial time for decision-makers to think of innovative and effective ways to reduce the level of informality in the Algerian economy. According to government estimates, there is around $100bn circulating in the parallel market – a substantial amount given that the country's GDP was valued at $145bn in 2020. Formalising this contribution will be critical to increasing the amount of financing available for projects that foster widespread economic diversification.

Which advantages underpin the country's potential to further develop its exports?

BOUMEDIENE: Algeria has many competitive advantages that place it in a strong position to export a variety of products to European markets. The first is its geographic proximity to Europe. While a component or good produced in a country further away, such as China, could take weeks and thousands of dollars to reach Europe, Algeria can supply it more quickly and at a lower cost given its location and reliable transport links. Algeria's proximity also has noteworthy environmental benefits that arise from savings in energy consumption, in line with the EU's sustainability agenda.

Another advantage is Algeria's membership in the African Continental Free Trade Area (AfCFTA), which will remove barriers between markets in the region. The agreement will be particularly beneficial for Algeria if tax differentials can be harmonised under the framework of the AfCFTA. The government can help local operators leverage this liberalisation by providing feasibility studies on the products that exporters can sell free of tax to trade partners across the continent.

How do you assess Algeria's potential to produce goods currently imported from other countries?

BOUMEDIENE: There are several segments that are in a good position to facilitate import substitution, including electronics, automotive, agro-industry and pharmaceuticals. In time, Algeria could also replace Taiwan and China in subcontracting for European industries with targeted policies devised under the auspices of a national value chain integration survey. The key to achieving this is to create a supportive ecosystem in partnership with academia, and enlist small and medium-sized enterprises in manufacturing components for local use instead of importing them from South Korea or China. To do so, we must motivate young engineers to establish businesses and fill the gaps in the value chain.

Opening up

Yacine Oualid, Minister of Start-ups and the Knowledge Economy

What are the main areas of focus for the Ministry of Start-ups and the Knowledge Economy?

OUALID: The ministry was created in 2019 to nurture business start-ups and expand the knowledge economy. Our objectives during the first year of operation were three fold: first, to put in place a regulatory framework that encourages innovation, especially among young people; second, to create finance mechanisms that will better respond to the needs of start-ups, particularly those to encourage venture capital; and third, to establish support structures that assist project leaders in the area of new technologies so that their ideas can evolve into a viable start-up. As Algeria's population is very young, we aim to leverage the potential and desire of younger generations to create start-ups that can help the country diversify away from its dependence on the hydrocarbons industry.

How would you define the state of the start-up and creative economy ecosystem?

OUALID: We are in an extremely interesting phase of development in the start-up ecosystem because there is already significant enthusiasm about innovation and entrepreneurship. This has been accompanied by comprehensive regulatory reforms that allow start-ups and entrepreneurs to acquire capital quickly and benefit from tax exemptions.

Much of this push emanates from young people who are studying in universities. They are moving towards new and emerging types of entrepreneurship, and adopting business models that are more innovative and rely on the development of new technologies. At the same time, there is strong will within the government to support these initiatives. There are many Algerians who have created start-ups outside the country in recent years, resulting in inspiring success stories. However, we would like these successes to be developed locally. Therefore, our overarching goal at the ministry is to create an enabling environment so that more Algerian start-ups can be cultivated at home and have the capacity to expand beyond our borders.

Which steps are being taken to promote venture capital investment in Algeria?

OUALID: Algeria's investment regulations are now aligned with international standards in terms of fund management and venture capital, among other areas. This was not the case before, as there were many barriers to foreign investment. For instance, the main barrier in the past – and until very recently – was the law on ownership, which has now been abolished for non-strategic sectors. This law once discouraged many funds from investing in Algeria and was no longer relevant to the economic environment. As such, in view of opening Algeria to the world, the government has reformed regulations quickly. In terms of investing in new technologies, the overhaul was completed within a year.

Many investors from around the world are now active in Algeria. Most of them were not previously familiar with the country and were surprised by the level of unrealised potential. Algeria has not done much to promote its potential and start-up ecosystem in the past, as we have been closed to many opportunities. However, given the stage we are at today, where the main barriers to investment have been overcome, there is a renewed push to promote Algeria as a destination for investment. It is very important to communicate to individuals and businesses around the world that there are many opportunities here. While this was missing in the past, we are moving ahead in a more efficient and coherent manner. Algeria is opening up to the international community and we especially welcome investors.

Monetary Policy

Inflation reached **3.9%** in May 2021 and rose to **5.96%** by October 2021

Throughout 2020 the Algerian dinar lost **9.8%** of its value against the US dollar and **17.7%** against the euro

Monetary policy measures introduced by the Bank of Algeria, Mar 2020-Mar 2021

	Pre-pandemic policy	Covid-19 policy response
Reserve requirement ratio	10%	8% (Mar 2020), 6% (Apr 2020), 3% (Sep 2020), 2% (Feb 2021)
Policy rate	3.5%	3.25% (Mar 2020), 3% (May 2020)
Public securities refinancing threshold	70-90%	85-95% (Apr 2020)
Liquidity ratio	100%	60% (Apr 2020)
Liquidity buffer	2.5%	Exempt
Existing liabilities	Standard	Rescheduled, extending interest rate subsidies
Refinancing requests	Standard	Full satisfaction for existing debtors
Refinancing period	7 days	1 month (Apr 2020)

During the first year of the Covid-19 pandemic, the fall in hydrocarbons income and low bank deposit mobilisation resulted in a liquidity crunch that coincided with greater financing needs. As a result, the authorities withdrew significant funds from state-owned enterprises to finance the budget deficit. At the same time, the amount of currency held outside the formal banking sector increased by 13% between end-2019 and end-2020, reaching AD6.1trn and representing 35% of all currency in circulation. This reflects the tendency to hoard cash in response to exchange rate volatility.

Against this backdrop, the Bank of Algeria (Banque d'Algérie, BA), the country's central bank, relaxed its monetary policy and eased many of the prudential provisions applicable to banks and their clients. The government also moved to curtail spending in hard currency – primarily by seeking to lower the country's sizeable import bill. According to the government's balance sheet, reducing the policy rate twice in the first half of 2020 helped to increase loan activity and bank liquidity. The latter rose from AD563.9bn in October 2020 to AD744.1bn in May 2021. However, exporters continued to report difficulty accessing financing in the early months of 2021. To assuage concerns, the BA clarified in July of that year that exporters would be able to access 100% of their export earnings, excluding receipts from hydrocarbons and mining products, with limitations on the use of the funds. That same month the BA set up a special refinancing programme totalling AD2.1trn to run for one year starting from July 2021.

Consistent with the decline in oil prices and foreign exchange revenue from exports, throughout 2020 the Algerian dinar lost 9.8% of its value against the US dollar and 17.7% against the euro, which negatively impacted the country's terms of trade. The depreciation continued in 2021, and as of December that year the authorities had refrained from intervention in anticipation that the trend could help to balance the public accounts by increasing the competitiveness of Algerian exports.

According to the National Statistics Office, inflation as measured by the consumer price index (CPI) reached 3.9% in May 2021. An episode of drought that affected crops, the depreciation of the dinar, the subsequent rise in the price of imports, more currency in circulation and ongoing government efforts to reduce subsidies continue to place upwards pressure on the CPI. In line with global inflationary trends, inflation hit 5.96% in October 2021.

Table source: *BA*

Public and Private Stakeholders

A combination of public and private sector stakeholders are involved in developing, diversifying and promoting Algeria's export portfolio. Key government actors include the Ministry of Industry and Mining, the Ministry of Trade and Export Promotion, the minister delegate to the prime minister in charge of micro-enterprises and the minister delegate responsible for start-ups and the knowledge economy.

The National Council for Export Promotion, meanwhile, helps to define the objectives and strategy for export development, evaluates export-promotion programmes, and proposes institutional, legislative or regulatory measures to facilitate the expansion of non-hydrocarbons trade.

The National Agency for the Promotion of Foreign Trade (Agence Nationale de Promotion du Commerce Extérieur, ALGEX) also works to promote non-hydrocarbons exports and manages the national commercial information network. It provides Algerian companies with information and advice on the public support system for exports, international trade regulations and business opportunities, in addition to facilitating access to foreign markets and fostering relationships with foreign partners.

The National Agency of Investment Development, for its part, promotes international and local investment in Algeria through policy development and regulations.

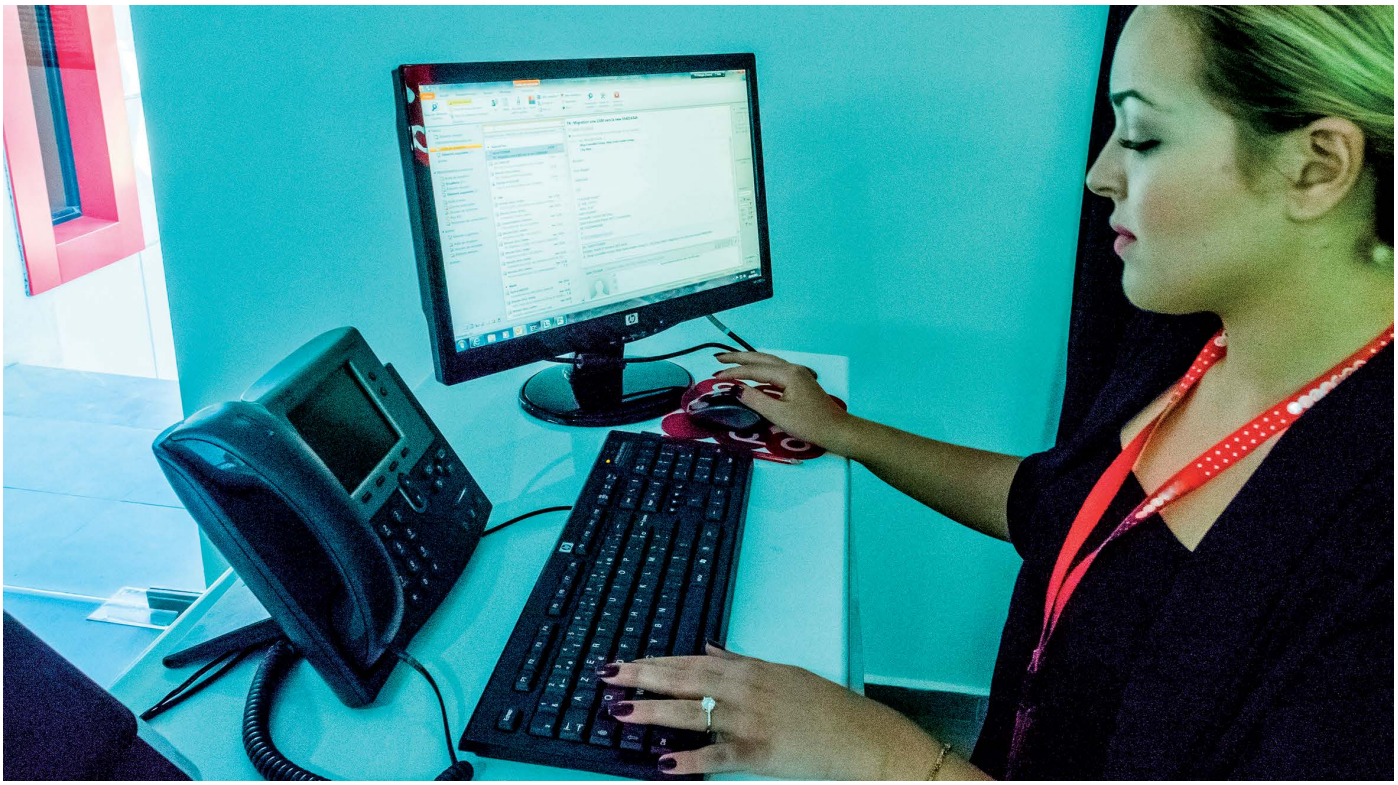
A number of financial players are also active in export promotion. A special fund for the promotion of exports, managed by ALGEX, partially covers costs related to the transport of goods and the participation of companies in international fairs and exhibitions, while public sector body SAFEX organises events and exhibitions in Algeria and Algeria's participation abroad. The Algerian Credit Insurance Company serves as an export credit agency, ALGERAC is the national accreditation body officially recognised by the EU and IANOR is the national standardisation body.

The Chambers of Commerce and Industry (CCI) and the Algerian Chamber of Commerce and Industry represent the general interests of trade, industry and the service sector under the supervision of the Ministry of Trade. The National Association of Algerian Exporters also represents exporters and participates in the formulation of the national export-promotion strategy. The Algerian Confederation of Employers, which comprises 15 sector-level federations, brings together the heads of public and private Algerian companies and foreign corporations to develop policy solutions to maximise economic activity.

Several bilateral business associations support Algeria's trade with key partners, including France (Business France Algérie, CCI France Algérie), the US (US-Algeria Business Council) and Turkey (Turkey-Algeria Business Council).

Part 2: Recovery Efforts

Regulatory Framework



As part of its efforts to encourage the development and growth of local industries over successive decades, the government of Algeria has historically implemented a variety of protectionist policies and measures; however, these have created barriers to foreign direct investment and financing. Revisiting these government measures and addressing the associated red tape, as well as improving access to finance and increasing flexibility in the labour market, are seen as important steps to support private sector initiatives and promote economic diversification.

Amid declining oil and gas revenue, Algeria rolled out an ambitious reform programme for its economic and legal frameworks in early 2020. The reforms sought to open the country to foreign investors and improve the local business climate. As the 2020 Finance Law came into force, a series of restrictive trade and investment measures were lifted, including the government's pre-emptive right on share transfers and other requirements that were historically imposed on foreign lenders.

As part of the reforms, the long-standing 49:51 investment rule has been abolished, which required that at least 51% of a given company's capital be held by Algerian resident persons or entities, with the exception of strategically important sectors such as energy, mining, defence, transport infrastructure and pharmaceuticals manufacturing, which were closed to foreign investment.

While the recent changes have gone some way towards making the country more attractive for investment, there is room for further improvement. The recent reforms are expected to boost Algeria's reputation in the areas of protecting minority investors and getting credit. However, in terms of setting up a company, it is reported that the pre-registration process typically takes three weeks, while obtaining a construction permit can take as long as six months. Collateral requirements for Algerian bank loans are another major obstacle, particularly for small and medium-sized enterprises.

At the same time, recent progress on improving the e-services infrastructure in the country has been welcomed, and can be expanded into other areas like electronic tax payments and declarations, value-added tax reimbursements, and court filings and procedures.

Human Capital Investment

With a youth population of around 23m and those under the age of 30 making up over 50% of the country's population, Algeria has a considerable opportunity to leverage its forthcoming working-age human capital for economic growth. However, youth unemployment – which stood at 27% in 2019 (23.6% for men and 45.1% for women) – has been a structural problem to date.

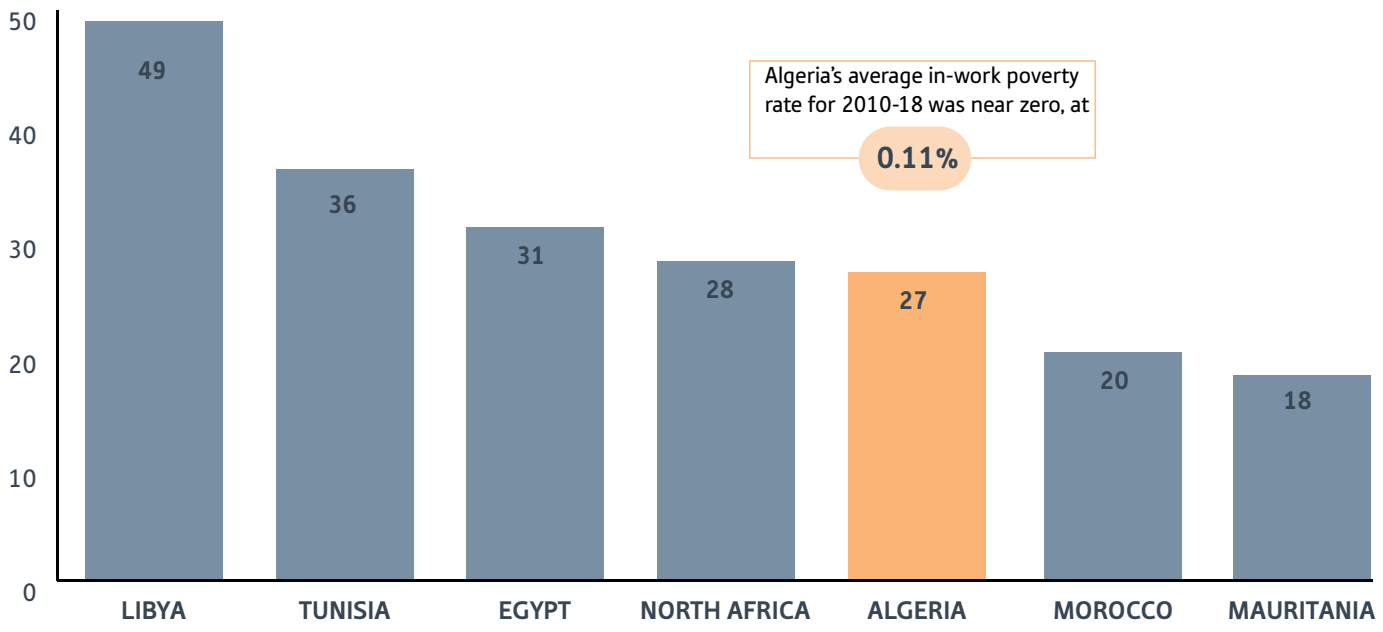
The proportion of young people aged 15-24 not in employment, education or training is also high, at 20.4% for men and 32.1% for women in 2019, according to the European Training Foundation. Moreover, Algeria's labour force is predominately low skilled. Per 2015 data from UNESCO, the most recent available, 68.2% of the adult population had a low level of education, 19.3% a medium level and 12.5% a high level. However, the proportion of the population with a high level of education had increased from 9.8% in 2010 and continues to grow.

The skills gap is identified as a primary contributor to youth unemployment, with young people completing their education largely unequipped with the qualities sought after in the private sector – particularly soft skills. As a result, many employers are unable to fill open positions. While the skills mismatch is one barrier to entering the workforce, the relative low availability of jobs outside of large urban areas is another hurdle. To address the first of these, in February 2020 the government launched a new action plan for economic development. Under the pillar of education and social development, initiatives include modernising technical and vocational education and training (TVET) by supporting apprenticeships, on-the-job training and distance learning; establishing sector-specific centres of excellence; and rolling out professional baccalaureate degrees.

At the start of the 2021/22 academic year, 660,000 trainees and apprentices were participating in TVET. The National Office for the Development and Promotion of Continued Training partners with the private sector on programmes to teach in-demand skills, while the National Development Fund for Apprenticeship and Continuing Education reimburses certain company training costs.

Embedding job search and soft skills modules into educational curricula could go a long way towards helping youth transition to the job market, as would further coordination among the private sector, universities and employment agencies. In addition, relaxing business registration processes is key to stimulating entrepreneurship and spurring growth in sectors beyond mining and oil for economic diversification.

Average unemployment rate for people aged 15-24 in North Africa, 2010-18 (%)



Graph source: *ILO*

SMEs and the Informal Economy

Organisations for SME Support

	National Youth Employment Support Agency	National Unemployment Insurance Fund	National Agency for the Management of Micro-Credit
Type of assistance	Establishment and extension	Establishment and extension	Purchase of equipment and raw materials
Main provisions	Loan for 28-29% of project cost; bank financing for 70%; interest rate subsidised at 100%	Loan for 28-29% of project cost; bank financing for 70%; interest rate subsidised at 100%	Dual (client and agency) or triangular (client, agency and bank) financing; interest rate subsidised at 100%
Age of entrepreneur	19-35	30-55	18+
Personal contribution required	1-2% of project cost	1-2% of project cost	1-2% of cost or without initial contribution (for raw materials only)
Maximum project cost	AD10m	AD10m	AD1m for light equipment and materials; AD100,000 for raw materials
Supervisory body	Ministry of Micro-enterprise, Start-ups and the Knowledge Economy	Ministry of Labour, Employment and Social Security	Ministry of National Solidarity, Family and Women's Affairs

The number of registered small and medium-sized enterprises (SMEs) in Algeria stood at just over 1m in 2018, with 32,000 created in 2017, 88,000 in 2016 and an average of 60,000 per year between 2012 and 2015. Despite this growth, Algeria has a ratio of 25 SMEs per 1000 inhabitants, compared to the global average of 45 SMEs per 1000 inhabitants, according to the organisation Making Finance Work for Africa. Through the National Investment Development Agency and the National Agency for the Development of SMEs, a strategic goal of the Algerian government is to double the number of SMEs in the country and incorporate the informal economy into the formal one. Algeria's informal economy has grown in recent years amid high unemployment and in light of the Covid-19 pandemic. The informal sector includes minor trade operations, street vending, handicraft sales, certain transport services and small cafes. Although a vital part of the economic life in the country, the informal sector enables illicit activities, poses a threat to labour and human rights, and leads to lost tax revenue.

Algeria launched the Action Plan for Promoting Employment and Combatting Unemployment in 2008 with the goal of getting more people in the workforce and reducing informality in the economy. The plan has taken a two-pronged approach of increasing penalties for violations and imposing sanctions against unlawful practices, while at the same time reducing certain taxes and fees and streamlining the registration process to encourage businesses to formalise. Beyond the aim of migrating informal operations to the formal economy, the plan has sought to cultivate entrepreneurship and provide business incentives to create jobs.

In the last 30 years three organisations have been established to support the growth of SMEs, namely the National Youth Employment Support Agency, created in 1996, and the National Unemployment Insurance Fund and the National Agency for the Management of Micro-Credit, both established in 2004. The first two centre on creation and growth, while the last of these helps with the purchase of raw materials and equipment. Typically, the entrepreneur supplies a small percentage of the required funds, the agency in question provides a larger percentage and the rest is extended via a bank loan with preferential terms, such as subsidised interest rates.

Table source: *MFW4A*

Digitalisation

As of early 2021 there 26.4m internet users in Algeria, representing about 60% of the 44m-strong population, according to the "Digital 2021: Algeria" report by Hootsuite and We Are Social. Some 3.6m users were added over the course of 2020, for growth of 16% that year. Expansion is the result of significant investment in infrastructure, although the cost of connectivity remains high compared to regional and global standards, and service can be unstable outside of large urban areas.

Despite high mobile internet penetration, conducting digital financial transactions is not widespread. Per World Bank data published in February 2021, 16% of adults and 11% of women in Algeria use digital payments, compared to 23% of adults and 18% of women across the MENA region, and 36% of adults and 32% of women in emerging markets and developing economies more widely.

Moving forwards, a programme for economy-wide digitalisation is under way. In 2019 the government established the Ministry of Micro-enterprise, Start-ups and the Knowledge Economy, and founded the Graduate School of Artificial Intelligence. Through targeted incentives, the government aims to accelerate the transition to a digital economy and facilitate the creation of a number of innovative companies offering digital products and solutions. A start-up-focused investment fund of AD1.2bn had financed 390 innovative projects as of March 2022. Run by the National Agency for the Promotion and Development of Technology Parks, the fund counts public banks, educational institutions and private sector players among its stakeholders.

To expand its online services, in March 2020 the government approved the Digital Transition Initiative, led by the new Ministry of Micro-enterprise, Start-ups and the Knowledge Economy, to focus on the digitalisation of the central administration. Through this, documents and forms were to be digitised, databases generalised based on the national identification number of citizens, and a control panel for decision-making and monitoring government projects created. The initiative also included modernising the government network to improve coordination among departments. A further step in this area came in 2021, with the development of the National Digitisation Policy to update regulations, produce reliable data, monitor and evaluate digitalisation strategies, fund additional digital projects and train human resources.

ICT metrics for North Africa, 2019 (%)

	Population with internet access	Population with 4G coverage	Fixed-line penetration	Mobile phone penetration
Libya	69	60	n/a	n/a
Algeria	**54**	**39**	**10**	**97**
Tunisia	50	87	11	77
Morocco	47	98	6	60
Egypt	37	46	9	54
Mauritania	31	n/a	1	50
North Africa	*49*	*66*	*8*	*68*

Table sources: *OECD; ITU; GSMA; Gallup*

Policies and Objectives

The industrial sector in Algeria accounts for around 5% of national GDP, pointing to substantial scope for expansion. Within exports, the share of industrial and agricultural products stands at less than 10%, with the remaining 90% or more stemming from hydrocarbons. The country's main industrial goods exports are iron and steel products, household appliances, gas turbines, aircraft parts, various types of engines and other machinery.

In terms of export partners, Algeria's top destination markets are Italy, France, Spain, the US and Brazil. As the country is not a member of the World Trade Organisation, its trade relations with the European bloc are conducted under the framework of the EU-Algeria Association Agreement, which was ratified in 2005.

In October 2021 a €18.7m support programme to diversify industry and improve the business climate was launched between the EU and Algeria, signalling aspirations to increase bilateral industrial commerce.

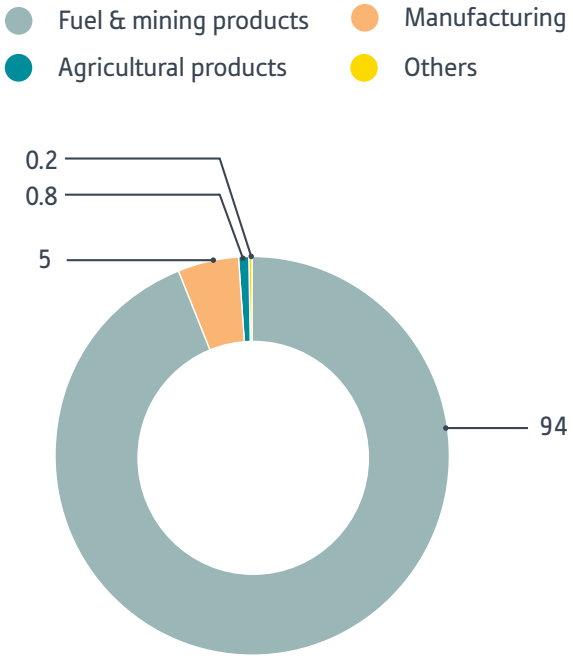
Although it comprises a relatively small share of GDP and exports, manufacturing has shown steady growth, expanding by 4% per year between 2017 and 2021. Thanks to competitive energy and labour costs, the country is well positioned to leverage the industrial sector's potential to accelerate growth and create jobs.

Indeed, amid declining hydrocarbons revenue and volatility in global energy markets, industry is playing an increasingly central role in the government's economic diversification and technological advancement agenda.

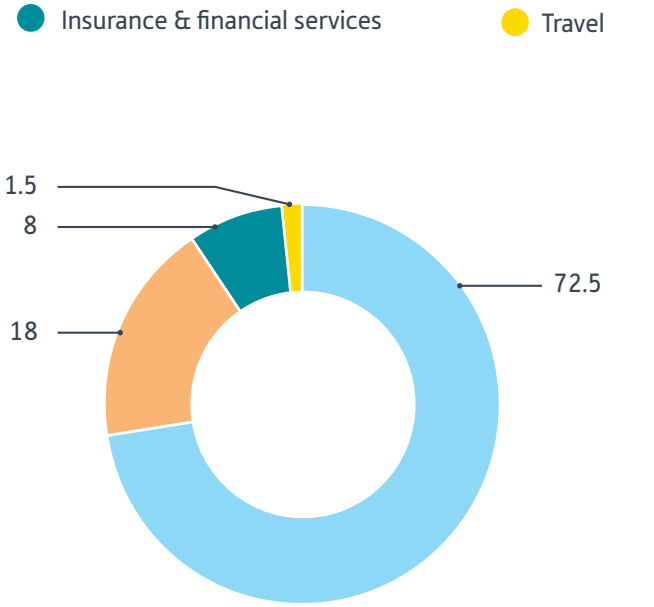
In December 2021 President Abdelmadjid Tebboune outlined the government's goal of tripling the sector's contribution to 15% of GDP. To achieve this, Algeria has launched a new industrial recovery strategy designed to improve its global attractiveness as a manufacturing destination for investors by providing innovative financing tools, and encouraging manufacturers to expand and modernise their production facilities.

The action plan set out by the strategy is based on three pillars: transitioning from exports of primary commodities to processed, value-added goods in the petrochemicals, synthetic fibres, steel and non-ferrous metals segments; localising production in strategic industries such as electronics and electrical goods, pharmaceuticals and agri-business; and promoting the expansion of relatively new industries, with a focus on ICT and automotive.

Merchandise exports, 2019 (% by value)

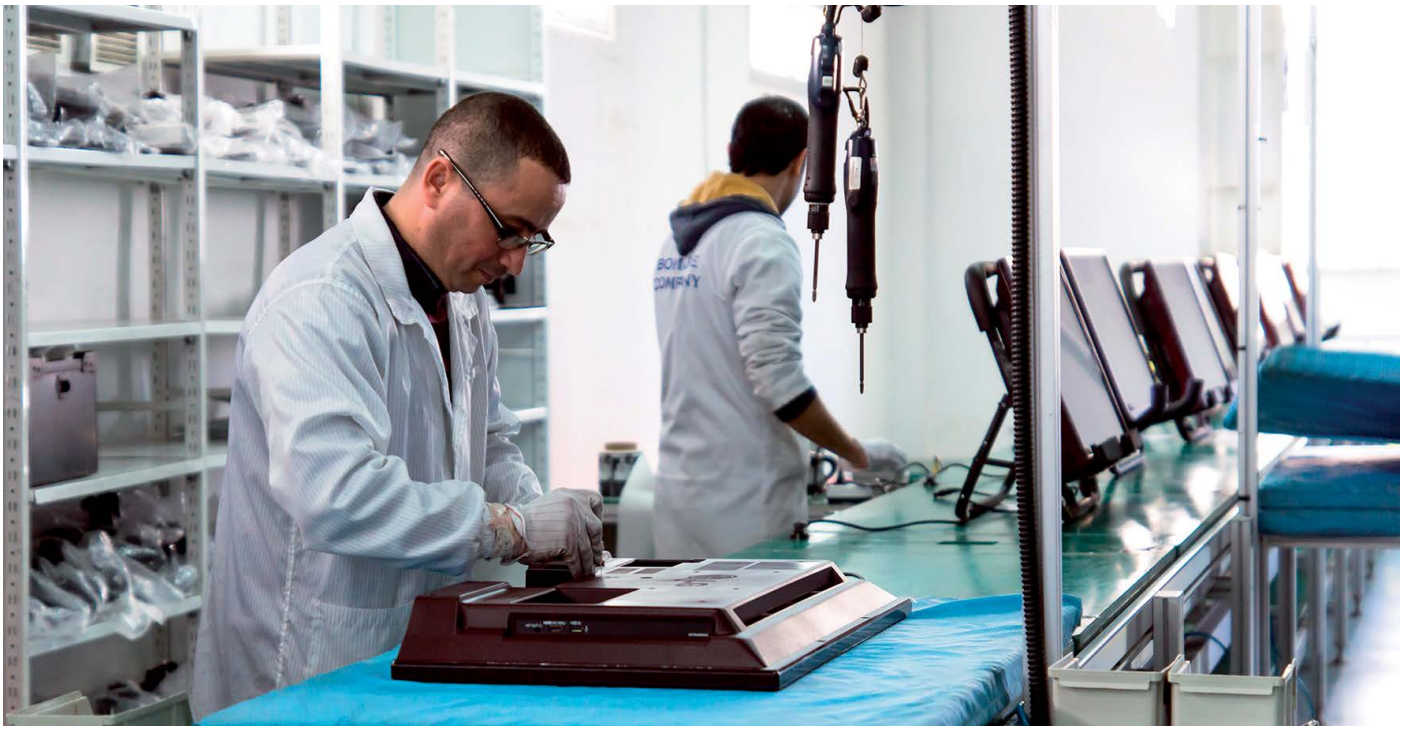


Service exports, 2020 (% by value)



Graph sources: *World Bank; WTO*

Electronic Products



The electronics, electrical goods and home appliance industry has expanded in recent years, with local players producing a variety of products in country, including refrigerators, washing machines, TVs, smartphones, tablets, small appliances and air conditioners.

The manufacture of electronic goods and home appliances is centred around the industrial zones in Sétif and the Bordj-Bou-Arréridj electronics cluster. In the latter, local producers reportedly meet more than 80% of the region's demand, in addition to exporting to markets further afield.

The expansion of Algerian manufacturing capacity – as well as the growth in consumer demand in the wider African market – has led to a number of partnerships between local companies and international brands. Bomare, an Algerian electronic device manufacturer, has a long-standing partnership with South Korean multinational LG, dating to 2012. By 2025 Bomare aims to increase its turnover to $3.5bn, with its 65,000-sq-metre factory to produce 7.5m televisions per annum. Some 90% of its production will be intended for export.

In an effort to leverage Algeria's position as a gateway to other African markets and take advantage of the recent trade-facilitation measures that have been enacted across the continent, local electronics companies have strengthened their position in neighbouring markets.

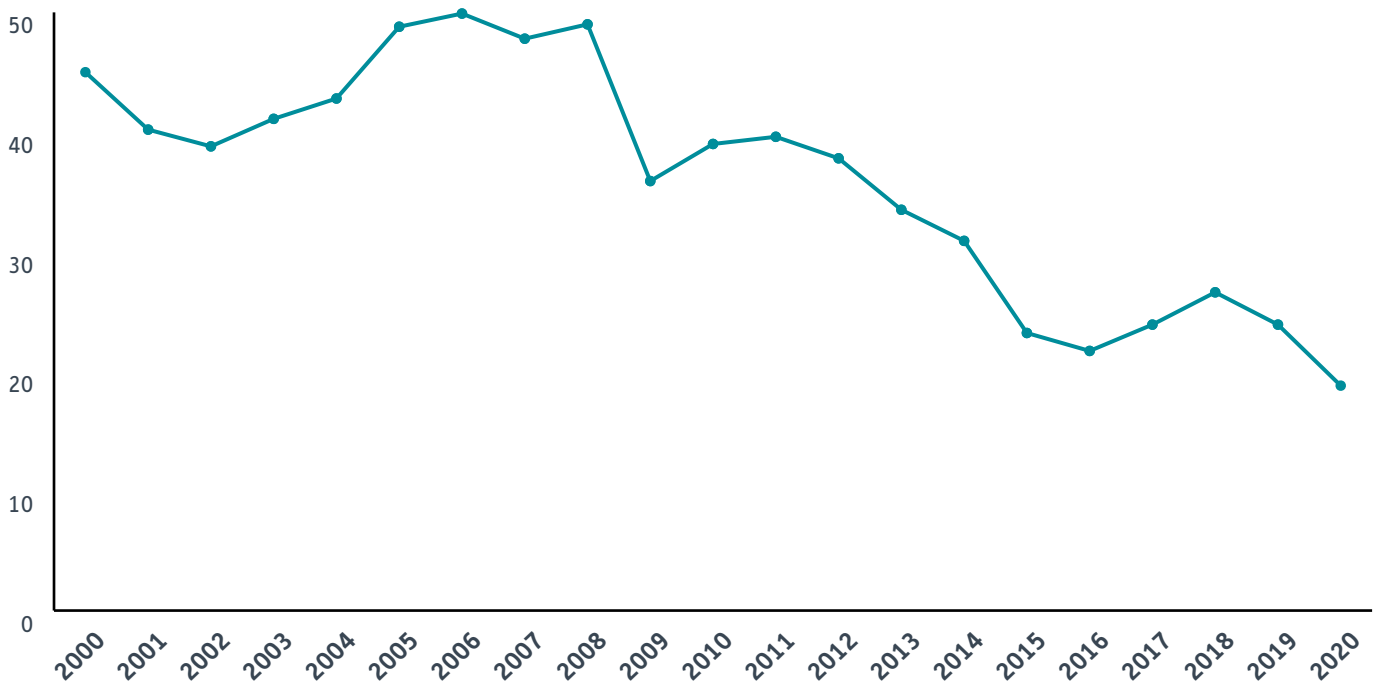
In recent years Algerian manufacturers have secured contracts to supply TVs, smartphones and other electronic goods to markets in the region such as Libya, Tunisia, Senegal, Côte d'Ivoire, Mauritania, Gabon, the Republic of the Congo and South Africa, among others.

Mirroring international developments, Algeria's electronics, electrical goods and home appliance industry is contending with a combination of higher operating costs and domestic economic headwinds. Rising global prices for steel, copper, aluminium and chemicals have weighed on overall production costs in the country, exacerbated by the depreciation of the Algerian dinar. Local manufacturers also face elevated maritime transport costs, a new energy tax introduced in January 2021 and Customs duties.

Another important recent development that is affecting local industry is the lifting of the 2019 ban and regulations on the import of semi-knocked down (SKD) and completely knocked-down equipment, particularly for mobile phones and home appliances, designed to increase local content.

Increasing Value Added

Manufacturing value added, 2000-20 (% of GDP)



Algeria's post-independence path to industrialisation, particularly during the 1970s and 1980s, was shaped by government purchases of turnkey factories, often contracting foreign staff to operate them.

Over the subsequent decades, however, this reliance on imported technology, equipment and labour highlighted the need to invest in Algerian human capital and strategic planning to fill gaps in supply chains and develop industries to maximise domestic value creation.

The Algerian automotive industry offers a case study of this evolution in policy. In 2012 the government partnered with French automobile manufacturer Renault to build the country's first plant near Oran, which opened in 2014. This was followed by a Hyundai assembly plant in 2016; Volkswagen, Mercedes-Benz and Groupe PSA plants in 2017; and a KIA plant in 2018.

However, these plants largely assembled imported spare parts, profiting from tax exemptions and adding little in-country value. After a series of regulatory changes over the following years on importing SKD equipment and spare parts for assembly plants, Algeria's automobile industry experienced a spate of disruptions and closures.

Such developments stress the need to establish domestic know-how and encourage value chain localisation to increase value added and promote long-term job creation.

In addition to providing a business-friendly environment with the relevant regulatory frameworks and investment incentives in place for global partners, building up such an ecosystem requires a comprehensive approach – one that involves advancements in research, training, the adoption of international standards and technology transfer.

In this respect, the Algerian pharmaceutical industry is another useful case study. In 2020 the government created the Ministry of Pharmaceutical Industry, which was charged with boosting local pharmaceutical capacity through targeted support for domestic and international players. This formed part of the government's vision to shift the industry towards localisation and exports.

Through the various mechanisms that were put in place, accreditation and registration processes were accelerated for high-value-added pharmaceutical products, coordination with laboratories and clinical trials was improved, raw material supply agreements were revised and steps were taken to produce inputs locally.

Graph source: *World Bank*

Training and Human Resources

The education sector in Algeria is governed by three ministries: the Ministry of National Education, the Ministry of Higher Education and Scientific Research, and the Ministry of Vocational Education and Training.

Coordination among the three bodies, as well as with the private sector, has historically been limited; however, some significant steps have been taken in recent years to align their efforts. For example, in 2018 the Partnership Council on Vocational Education and Training was formed to develop a national roadmap for vocational education that is aligned with the needs of the labour market. The Law on Apprenticeships was passed that same year to promote apprenticeships and training. Under the law, all employers in Algeria are required to provide vocational training to young people in the form of apprenticeships.

Meanwhile, private sector stakeholders were appointed in a consultative role to analyse, assess and propose various employment and social policy measures. These private sector stakeholders included the General Confederation of Algerian Businesses, the Algerian Business Leaders' Forum, the Algerian Confederation of Employers, the National Confederation of Algerian Employers, the Association of Algerian Women Entrepreneurs, and the Confederation of Algerian Industrialists and Producers.

Seen as a cost-effective way to integrate young Algerians directly into the workforce, apprenticeship training was designated a priority in the 2015-19 Action Plan for vocational education. It targets young people aged 15 to 35, and covers 20 professional sectors, 360 specialities and five levels of certification. Some 80% of apprenticeship training is provided by businesses, with 20% conducted at vocational and apprenticeship centres.

In 2017, as part of broader efforts to meet labour needs in the tourism sector, a collaborative agreement was signed between the Ministry of Vocational and Educational Training and the Ministry of Tourism to provide training partnerships in the areas of cooking, services, human resources and engineering, among others. In addition, a reported 13,000 agreements between the private sector and academic institutions were signed in 2008-18, resulting in the training of some 650,000 staff.

13,000+ agreements signed between the private sector and academia between 2008 and 2018

650,000+ staff were trained under these agreements

80% of apprenticeship training is provided by businesses and **20%** by vocational and apprenticeship centres

Export Markets and Trade Agreements

While Algeria is not a member of the World Trade Organisation, it conducts trade with the Greater Arab Free Trade Area (GAFTA) and the EU, the latter of which operates under an association agreement, and also has bilateral agreements with Tunisia and Jordan.

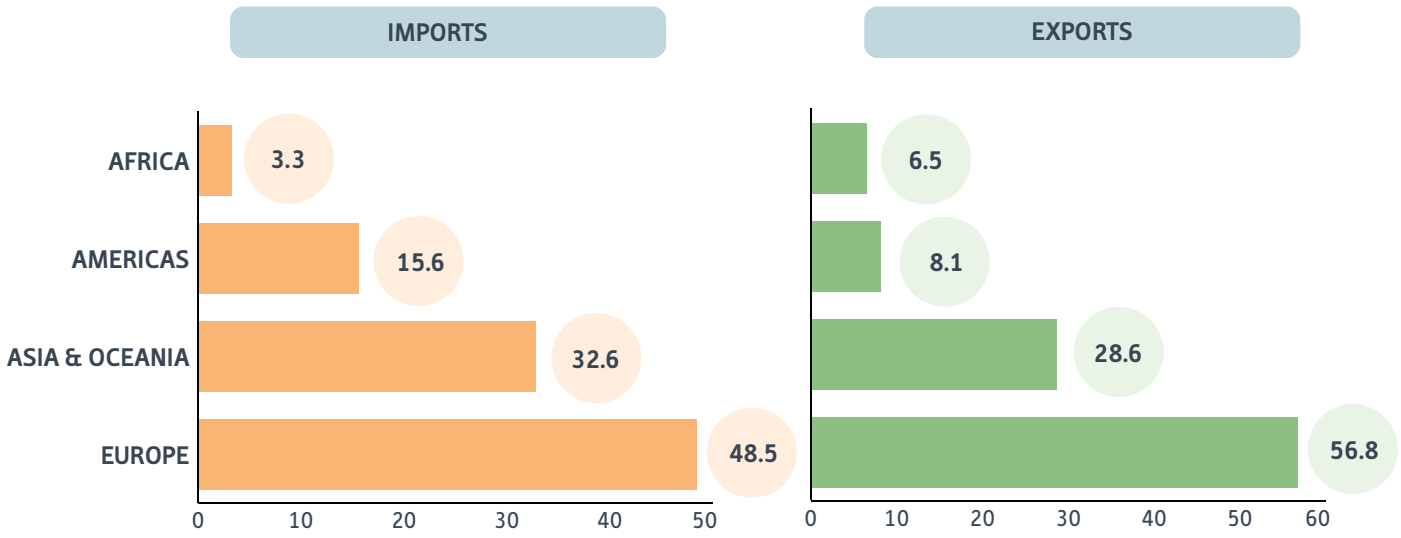
Algeria's trade with GAFTA accounts for approximately 23% of non-hydrocarbons exports, and the country's most important trade partners in the trade bloc are Saudi Arabia and Egypt. The EU, meanwhile, accounts for an 84% share of Algeria's foreign trade under preferential agreements, 57% of total exports and 67% of its non-hydrocarbons export value. The agreement had aimed to establish an EU-Algeria free trade area, including the complete removal of tariffs, by September 2020. However, in November 2021 President Abdelmadjid Tebboune called for a reassessment of the agreement's terms, particularly regarding technology transfer and investment facilitation, before moving ahead with the plan. The EU's importation of goods from Algeria amounted to €11.4bn in 2020 and were mainly fuel and mining products (€10.7bn, 93.5%), followed by chemicals (€380m, 3.3%). The importation of Algerian services to the EU, meanwhile, was valued at €1.5bn that year.

Intra-African trade has historically been relatively minor, but the authorities hope that this will change with the launch of the African Continental Free Trade Area (AfCFTA), which commenced on January 1, 2021. Algeria is a member of the African Economic Community and the regional economic community, the Arab Maghreb Union.

Despite the country's significant economic potential, strained relationships with some of its neighbours, notably Morocco, have hampered prospects for integration in the region. According to a World Bank report published in 2010, the economic integration of the Maghreb would have increased Algeria's GDP per capita by 34% between 2005 and 2015. The opportunities are considerable, especially because Morocco has ample reserves of phosphate that it could export to Algeria. Together, the two countries could produce much-needed fertiliser to boost agriculture on the continent.

China, meanwhile, has become an increasingly important economic and strategic partner. The country was Algeria's second-largest trade partner in 2020, behind the EU, accounting for 11.9% of total foreign trade. In 2020 imports from China represented 16.8% of the total that year, while Algeria's exports to China comprised 4.9% of the total. Since 2014 the bilateral relationship between Algeria and China has deepened via a comprehensive strategic partnership – the highest level of diplomatic and economic ties that China affords to its most important trade partners.

Imports & exports by geographic zone, 2020 (%)



Graph source: *MoF*

In Focus: Industrial subsectors with high growth potential

Cement

The cement industry is an important part of the construction sector, which has gained momentum in recent years thanks to large-scale infrastructure projects. The government aims to make use of current overcapacity to drive exports in the coming years. By 2025 cement production capacity is forecast to exceed 46m tonnes, with cement and clinker exports reaching 6m tonnes. Algerian cement producers are looking to expand exports to Europe, the US and existing trade partners across Africa, and are working with the government to overcome logistics hurdles related to sea and land transport.

There are 25 integrated cement plants operated by six cement companies, largely dominated by Groupe Industriel des Ciments d'Algérie (GICA) and LafargeHolcim, which account for 50% and 28% of capacity, respectively. Lafarge Algeria exported 2.6m tonnes in 2021, more than double the 1.2m it exported in 2020, and aims to reach over 3m tonnes in 2022. Meanwhile, Entreprise des Ciments et Dérivés d'Ech-Cheliff, a GICA subsidiary with the capacity to produce 4.2m tonnes of cement per annum, plans to export 1.5m tonnes in 2022.

46m+ tonnes
of cement production capacity by 2025

6m tonnes
of cement and clinker exports by 2025

25
integrated cement plants operated by six companies

Agro-industry

As part of its Agricultural Roadmap 2020-24, Algeria is seeking to boost investment in desert farming and develop strategic industrial agriculture and agro-processing in its southern regions. Under the programme, the Office for the Development of Industrial Agriculture in the Sahara (Office de Développement de l'Agriculture Industrielle en Terres Sahariennes, ODAS) was created in September 2020 and became operational in March 2021.

By November 2021 some 120 investment projects had been approved by the new body, covering a combined area of 80,750 ha. ODAS will function as an operational centre to attract investment, manage land, set perimeters and carry out technical studies, serving the government's goal of promoting strategic crops intended for further processing to meet domestic demand and reduce imports of finished products.

120
investment projects approved by ODAS between March and November 2021

80,750 ha
of land covered by these projects

Fertiliser

Algeria's petrochemicals segment is one of the largest in Africa. A key subsector of the petrochemicals industry, fertiliser production centres around joint ventures (JVs) between state-owned enterprises and foreign partners. There are three JVs in particular to highlight. The first, Fertial, was created in 2005 by government-owned fertiliser company Asmidal and Spain's Grupo Villa Mar. Sorfert Algérie, for its part, is a JV that was formed in 2006 between Netherlands-based fertiliser and chemicals firm OCI and state-owned oil and gas giant Sonatrach. The third producer, a JV between Oman's Suhail Bahwan Group and Sonatrach, is the Algerian-Omani Fertiliser Company, known as AOA.

Nitrogenous fertiliser exports totalled $808m in 2020, making Algeria the eight-largest exporter. Its fastest-growing export markets were Brazil ($109m), Spain ($36.3m) and Uruguay ($13m) – a demand dynamic that is likely to accelerate following Russia's invasion of Ukraine.

$808m
in nitrogenous fertiliser exports in 2020

8th-largest
exporter of the fertiliser globally

Part 4: Development & Diversification

Key Policies and Incentives

With the global pace of implementation of decarbonisation measures and other environmentally oriented regulations accelerating, oil- and gas-producing nations such as Algeria have a strong incentive to diversify their sources of government revenue and export receipts away from hydrocarbons and towards more sustainable and value-added industries over the coming years. Government incentives have an important enabling role to play in this broader transition, particular regarding export diversification and industrialisation.

In response to these global trends, reducing the country's dependence on hydrocarbons is an overarching element of the new Government Action Plan (Plan d'Action du Gouvernement, PAG), which seeks to stimulate the development of new economic growth drivers, cultivate alternative sources of financing for the economy, and implement structural reforms to stimulate private investment and improve economic governance.

Among the reforms highlighted in the PAG, for which implementation began in 2022, are updating and signing new free trade agreements to boost exports and inform growth strategies for agriculture, fishing, pharmaceuticals, tourism and renewable energy.

Meanwhile, some of the key fiscal measures included in the PAG to boost non-hydrocarbons exports are recouping tax arrears, phasing out unwarranted tax exemptions, and enhancing compliance and collection efficiency in the country. The PAG also makes mention of the government's plans to partially open some state-owned enterprises to private investment and rollout new IT solutions for fiscal management.

With limited foreign exchange flexibility previously cited as a significant obstacle for exporters operating in Algeria, the mid-2021 lifting of the foreign exchange surrender requirements on non-hydrocarbons and non-mining exports was a welcome development for industry in the country. The new measure is expected to facilitate the development of Algeria's interbank spot foreign exchange market, as well as reduce distortions and improve the effectiveness of monetary policy.

The AfCFTA and its Impact

The AfCFTA has significant potential to serve as an economic engine at the continental level at a time when global value chains are reorganising and regional value chains are being prioritised. The AfCFTA aims to boost intra-African trade; facilitate structural transformation; create a single market for goods, services and the movement of people; liberalise trade policies; and enhance members' and industrial products' competitiveness on a global scale.

Across the different governments in the region, greater policy convergence and the simplification of rules are likely to occur as the AfCFTA develops and becomes more consolidated. Trade-facilitation reforms are anticipated to have a strong impact on intra-African trade in sectors linked to the continent's ambitious food security policy, notably agriculture and livestock, and petroleum and chemicals. Moreover, the fast-tracking of medical and pharmaceuticals industries' trade will be pivotal to combatting the challenges presented by the pandemic.

The implementation of the AfCFTA should unlock a range of opportunities for Algeria including greater market access; lower-cost and higher-quality production resources due to the reduction in trade barriers and an expanded market; the opportunity to benefit from emerging regional value chains and increase economies of scale; and lower trade and production costs, which would boost the country's competitiveness.

Lower global demand during the pandemic could be offset by new export possibilities with the dismantling of tariff barriers. The new trade area could also support the diversification of the Algerian economy by providing the vehicle for achieving scale through a pooled African market. At the same time, Algeria may become more attractive to global investors, which would unlock productivity gains and technology spillover that could help diversify the country's export portfolio.

Trading under the AfCFTA began on January 1, 2021, comprising 54 of the 55 members of the Africa Union. Algerian authorities have expressed their commitment to helping exporters take advantage of the new opportunities by strengthening the Special Fund for the Promotion of Exports. The 4500-km Trans-Sahara Highway, which will run between Lagos and Algiers, will facilitate this and should be operational in 2022.

- In 2020 **intra-African trade** accounted for **6.5%** of Algeria's exports
- The AfCFTA is expected to **increase Africa's exports by $560bn by 2035** – mostly in manufacturing
- Algeria **ratified** the AfCFTA in **December 2019**
- The AfCFTA is projected to **boost Africa's income** by **$450bn by 2035**
- Of the $450bn in income gains, **$292bn** would come from **stronger trade facilitation**
- **Real income gains** from full implementation of the AfCFTA could **rise by 7% by 2035**
- The AfCFTA is forecast to lift **30m** Africans out of **extreme poverty** by 2030
- Under the AfCFTA, **intra-Africa trade** is forecast to grow by **110% by 2035**

Part 5: Conclusion

ESG Trends

Environmental, social and governance (ESG) principles came into prominence in Algeria with the reforms aimed at economic liberalisation and the process of integrating the economy into the global system that began in the 1990s. Signed in 2002, the National Environmental Action Plan for Sustainable Development (NEAP-SD) was Algeria's first legal framework that focused on integrating ESG principles into the national economic agenda. The NEAP-SD aimed to chart a new course for environmental management and served as a vehicle for building partnerships with non-governmental organisations.

In terms of the "E" pillar, environment protection and waste management policies are applied by the Ministry of Spatial Planning, Environment and Tourism through its various arms, such as the National Waste Agency, the National Conservatory for Environmental Training and the environment directorates of the country's 48 *wilayas* (provinces). Algeria's environmental conservation strategy is based on the axes of water, land and forest preservation; the protection of sensitive ecosystems, including coastlines, steppes and the Sahara; industrial pollution control; waste management; and the protection of natural areas and animal species. For enterprises carrying out projects in Algeria, it is necessary to comply with the specific requirements of the environmental studies conducted by a consulting office endorsed by the Minister of Environment and Renewable Energy in relation to the aforementioned axes.

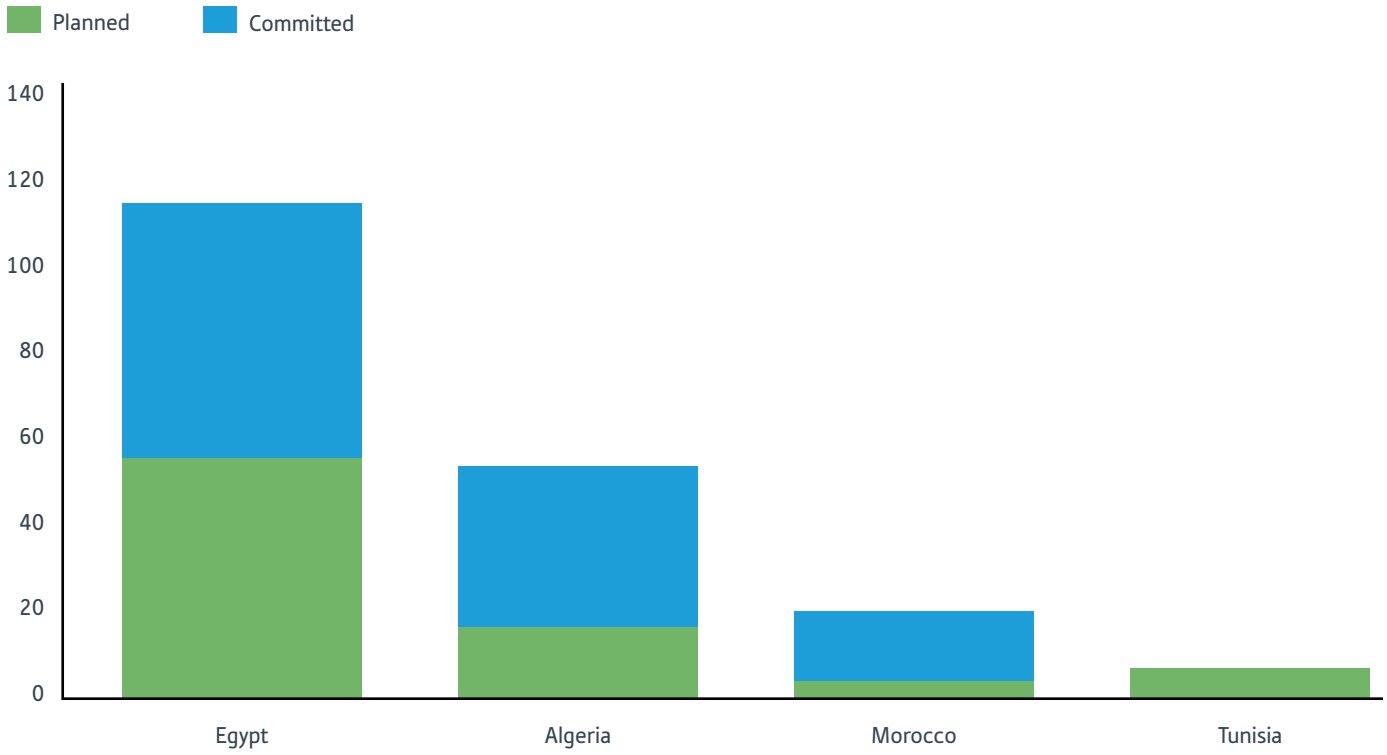
For the "S" pillar, corporate social responsibility practices have traditionally been more common among multinational companies operating in Algeria than among domestic firms. Having said that, state-owned enterprises like Sonatrach have created funding schemes for social services that support its employees and the desert communities near its production sites. Meanwhile, multinationals such as Anadarko, Cisco, Microsoft, Boeing, Dow and Berlitz have implemented youth employment, education and entrepreneurship programmes in Algeria. The concept of responsible conduct in the business environment has room to grow among domestic companies, as social programmes are largely regarded as the responsibility of the government.

When it comes to the "G" pillar, Algeria's labour-related laws and regulations are complex and currently incompatible with International Labour Organisation standards, particularly on issues concerning trade unions, such as the right to organise, the right to collective bargaining and the right to strike. Protections for workers in the informal economy is another area for improvement.

Part 5: Conclusion

The Green Economy

Energy investment in selected North African countries, 2019-23 ($ bn)



Algeria's commitment to sustainable development and the move towards a green economy began with the signing of essential measures including the National Strategy for the Environment, the NEAP-SD and programmes for transitioning to renewable energy. However, following the implementation of such policies, renewable energy remains only 3% of the total energy mix, with the other 97% generated from fossil fuels – mainly gas.

As part of its national energy transition and efficiency strategy, the government is seeking to secure foreign investment and attract technology partners in renewable energy, with growth projected in solar, wind, biomass, geothermal and hydropower.

Algeria aims to achieve 15,000 MW of electricity generation capacity from renewable sources by 2035, with a targeted growth rate of 1000 MW per year. In addition, 1000 MW of off-grid renewable energy installations are expected to come on-line by 2030. Making use of the vast lands in the Algerian Sahara, Sonatrach is working to install 1.3 GW of solar generation capacity at its oil and gas sites to cover electricity needs for production. With an estimated annual potential of 14 TW, Algeria aims to cover 30-40% of domestic electricity consumption with solar power by 2030.

Furthermore, the government has made a commitment to concentrate on substituting a portion of national gas consumption with blue and green hydrogen. Algeria's strategy in this regard will be to generate 25 GW of power from green and blue hydrogen by 2050, and to start exporting green hydrogen to Spain and Italy by 2030.

The Sustainable Consumption and Production National Action Plan (SCP-NAP), for its part, was developed under the auspices of the Ministry of Environment and Renewable Energy through the EU-funded SwitchMed programme. As part of the SCP-NAP, 42 concrete action points were identified in the areas of sustainable production and consumption, energy transition and efficiency, and the promotion of zero-waste policies.

Graph source: *Arab Petroleum Investments Corporation*

Job Creation and Social Impact

With its relatively large youth demographic and high population growth rate, Algeria has significant potential to develop an attractive labour force. The country can leverage its geographical and linguistic proximity to European markets for its economic and industrial development, particularly in the era of nearshoring, which is set to grow in popularity in the post-pandemic world. Strengthening the capabilities of the private sector, as well as ties to the relevant institutions and stakeholders, will be key to achieve employability and social inclusion, particularly of young people and women.

Government initiatives focused on creating larger social impact are primarily carried out by three agencies: the National Employment Agency (Agence Nationale de l'Emploi, ANEM), the National Youth Employment Support Agency (Agence Nationale de Soutien à l'Emploi des Jeunes, ANSEJ) and the Social Development Agency (Agence de Développement Social, ADS). With the overarching goal of easing social tensions, ANEM provides job intermediation services and youth employment programmes for educated young people, while ADS is responsible for public works programmes for poor and unskilled people in disadvantaged regions. ANSEJ, meanwhile, provides business advice, training, credits, tax exemptions and business monitoring to support entrepreneurship and micro-enterprise creation among people aged 19-35 with higher education.

The Vocational Integration Assistance Mechanism has been ANEM's main instrument for job creation through graduate integration, professional integration and training integration contracts, with an annual average of 250,000 beneficiaries. The project was put on hold in 2019 but is expected to be reinstated by 2023.

Further social inclusion programmes are developed by the Ministry of National Solidarity, Family and Women's Affairs, and implemented by ADS. For example, the Insertion Programme for Graduates targets young university graduates and technicians who are without income, in precarious situations or live with a disability.

Type of employment by asset index quintile, 2019 (%)

Graph source: *World Bank*

6 Key Takeaways

1

Key improvements to the business climate include the implementation of a new regulatory framework and the lifting of restrictive trade and investment measures. Further efforts should focus on reducing bureaucracy and improving e-services.

2

With the African Continental Free Trade Area entering into force at a time when global value chains are being reorganised, Africa's exports, real income gains and intra-continental trade are expected to see significant increases.

3

Youth unemployment and low female participation in the workforce remain some of the biggest challenges in Algeria. Further coordination between the private sector, academia and public bodies will be key to addressing the skills gap.

4

The government is prioritising the integration of the large informal economy into the formal economy, while at the same time promoting entrepreneurship and the establishment of small and medium-sized enterprises.

5

The manufacturing industry is seeking to accelerate its transition from a focus on assembly to greater value addition. Boosting knowledge transfer and the localisation of the value chain will be important to reaching this target.

6

Algeria is working to reduce its reliance on hydrocarbons revenue. The country is looking to diversify its economy away from oil and gas in alignment with global commitments, and incentivise investment in a broader range of sectors.

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