



ALGERIA ECONOMIC REPORT

2015 DOING BUSINESS IN ALGERIA ROADSHOW

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With a population of thirty-nine million people, political stability and a growing economy, Algeria has emerged as one of the most attractive markets in the world for US trade and investment.

Algeria has strengthened its reputation as a global market player with a responsible fiscal policy and continues to look overseas to attract more investors. It has drastically reduced its external debt-to-GDP ratio from 75.1% in 1995, to 5.7% in 2006 and less than 1% in 2013. Inflation has been tamed with the inflation rate recently stabilizing at around 3.5%.

Algeria is the industrial powerhouse of North Africa, the First largest country in Africa and one of the richest in terms of natural resources. With an economy dominated by the hydrocarbons sector, it has benefited from its natural resources.

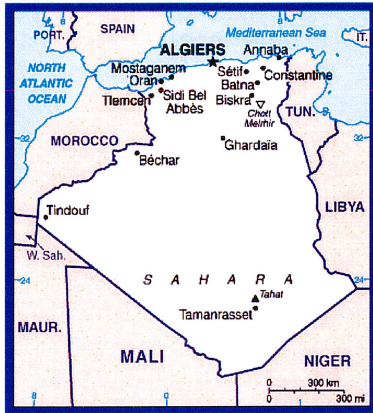
People's Democratic

Republic of Algeria

Snapshot

Capital:	Algiers
Area:	2,381,740 sq. km.
Population:	39 million people
Currency:	Algerian Dinar (DZD)

Algeria is running a substantial trade surplus and building up foreign exchange reserves. In addition to its booming energy sector, other high-performing industries include agriculture, construction, mining, food processing, and light manufacturing.



Economic growth, and political stability, have ushered in a rise in employment since the 1990s. Currently, Algeria's unemployment rate is around 10% (11% in 2008). The employment distribution by sector is: Government (32%), agriculture (14%), industry (14%), and construction (10%). One of the main objectives of the Algerian Government's diversification program is to combat unemployment by increasing the growth of non-energy sectors.

Algeria has invested heavily to improve the business environment. Between 2001 and 2009, the Honorable President Abdelaziz Bouteflika launched the Complementary Growth Support Plan. During this time, public spending was allocated to upgrade the country's infrastructure, living conditions and economic performance. The significant gains ushered in by this plan helped to reorient Algeria in the context of regional development.

Recently, the Government launched a new and ambitious investment program to upgrade the nation's infrastructure and many other sectors. The Complementary Program of Growth Assistance (2014-2019) is a five-year investment plan consisting of more than US\$150 billion dollars earmarked for vital fields and places a significant emphasis on diversifying the performing sectors in the Algerian economy. More importantly, sectors outside the energy sector will receive the most attention under this plan and contracts have already been awarded to upgrade the existing infrastructure.

Today, a diverse array of US Fortune 500 companies operates profitable businesses in Algeria. Many of them see Algeria as a regional hub to reach clients throughout the Middle East and Africa.

Business Opportunities in Algeria

The opportunities for US investment and trade in Algeria are nearly unlimited. The following goods and services are currently being procured by both the Algerian Government and select private Algerian companies:

- **Infrastructure:** Construction of the Rocate Highway (Highland Highway) linking major cities in the interior of Algeria (1,500km of roadway and services)
- **Infrastructure:** Services for the Coastal Highway (East-West Highway) linking major cities along the Mediterranean coast (highway services, signage, hotels, tourism, gas stations, electricity grids, transportation, toll booths, security)
- **Water Resources:** Dam construction projects up for bidding, renovation of water network, pumping stations, pipes, desalination and treatment plants for drinking water
- **Construction:** buildings to respond to the housing shortage, new city of Hassi Messaoud in southern Algeria, residential developments for middle class family homes, hotels and resorts, airports, and hospitals
- **Medical Facilities:** diagnostic centers, hospitals, trauma units, hospital management expertise
- **Transportation:** airports, upgrades and construction for major hubs, railroad (passenger and freight) line renovation, new tracks covering 4,000 kilometers
- **Agriculture:** launching commercial dairy farms, fertilizers, irrigation systems, water reclamation for agriculture, bulk procurement of alimentary goods from US producers, seeds and farm equipment
- **Energy:** new exploration concessions, new tenders for hydrocarbon transformation, renewable energy projects with emphasis on turbine generation, solar panels.
- **Technology:** Fiber optic cables, signal repeating stations, radar and surveillance equipment, e-government and e-learning platforms, mapping systems, project management training and software, telecommunications and increased internet connectivity

Institutional regulation and benefits

The opening of the Algerian economy has grown significantly in the recent years and has turned into a market-oriented economy. Seeking to diversify and modernise the economy, the Government has embarked on a huge challenge to attract foreign direct investment through plans and priority initiatives programmed. The Algerian Authorities are using various tools to encourage and facilitate investments in strategic sectors.

- The opening of Algeria to the foreign investment is dedicated by the ordinance n° 01-03 dated August 20th, 2001, related to the development of the investment (Investment Code), modified and completed by the ordinance n° 06-08 dated July 15th, 2006. These instruments were promulgated to assure the investing development offering a series of advantages to investors and introducing necessary instruments for an investment promotion policy. The management and guidance of the legal incitation device for the investment falls under the authority of three following national institutions:

- The National Development Investment Agency (ANDI): Created in 2001, following on from an initial agency (APSI) and placed under the authority of the Head of Government, this entity is responsible for facilitating investments, granting fiscal and Para-fiscal exemptions, conferring investment advantages and helping investors receive special authorizations for unique investments. Its missions are:

- To define actions to highlight the comparative competitive advantages of the Algerian economy;

- To design mechanisms of support for the promotion of investment and the follow up of their good execution;

- To suggest to the government all useful legal and economic measures to improve investment and reduce the formalities for the projects under way;

- To follow up the good operation of the decentralized one-stops;

- To support the organization, at both national and international level, of forums, seminars and meetings for the promotion of investment.

- **National Investment Council (CNI):**

Created to strengthen the legal and regulatory investment framework., The CNI is charged of defining investment strategies and priorities, approving special investment incentives by sector, and giving final authorization to special investment schemes.

- The Ministry for Industry and Promotion of Investment (MIPI): It maintains two distinct offices, one for investment policy and the other for promotion of privatization. The MPPI is coordinating the on-going privatization of state-owned companies, organized by sector into groupings managed by "participation management companies"

(sociétés de gestion de participation). The government has augmented its efforts on large-scale privatizations in order to remove itself from supporting loss-making enterprises.

The Algerian investment code, known through its liberal nature, dedicates the principle of the equality of the treatment towards both of the national and foreign investors and provides the following guaranties:

- The fiscal and customs incentives;
- The transfer of the invested capital and incomes for the realized investments by the foreign operators;
- The non appeal to the administrative requisition;
- The possibility of appeal to the international arbitration for the non-resident investors in case of dispute.

In terms of granting advantages for the investors, the ANDI is entitled to grant tax and special taxation exemptions through two regimes: a general regime which concerns the common investments and an exceptional regime reserved for the investments realized in specific zones or those presenting a particular interest for the national economy.

The amendments introduced by the ordinance n° 06-08 dated July 15th,2006, aim at the simplification of the process of granting advantages and foresee the identification of precise criteria for the investments presenting an interest for the national economy.

Furthermore, the attractiveness of the Algerian market ensues from the following comparative advantages:

- The geographical proximity of the potential markets in Europe, Africa and Middle East;
- The size of the national market estimated at more than 33 million consumers;
- The important natural resources (oil, gas) as well as other mineral resources not fully exploited such as phosphate, iron and gold;
- The human resources hugely young, qualified and plentiful.

The benefits granted to the investments

The general focus of the Algerian investment system is summarized in the following formula: The more the investment is of interest to the national economy, the more significant the benefits granted to it will be.

These benefits vary according to the location and type of investment.

They are organized into three major schemes:

- The general scheme concerns current investment projects located outside the areas to be developed.
- The scheme for areas to be developed (or exceptional) concerns current investment projects located within the areas to be developed.
- The investment agreement scheme concerns the investment projects which pose a particular interest for the national economy.
- Benefits granted for the general scheme

Project setup phase:

- VAT (TVA) exemption on non-excluded goods and services,
- Exemption of customs duties on non-excluded imported equipment,
- Exemption of the transfer duty on real estate acquisitions

Execution phase:

- 3-year exemption from the Tax on Company Profit (TCP) (TAP)
- 3-year exemption from the Professional Activity Tax (PAT)(TAP).
- Benefits granted for the scheme for areas to be developed

The project setup phase:

- VAT (TVA) exemption on non-excluded goods and services,
- Exemption of customs rights on imported equipment,
 - Exemption of the transfer duty on real estate acquisitions,

- Registration right at a reduced rate (0/00) for constituent acts and capital increases,
- The possibility for total or partial assumption by the State of expenses related to the infrastructural work necessary to carry out the investment.

Execution phase:

- Ten-year exemption from the Tax on Company Profit (TCP)(IBS)
- Ten-year exemption from the Professional Activity Tax (PAT)(TF)
- Ten-year exemption from the Land Tax (LT)(TF)
- Possibility of granting other benefits (deficits report and redemption periods).
- Benefits granted for the agreement scheme

The investments arising from this scheme may enjoy all or part of the following benefits:

Project setup phase (for a maximum of five years):

- Exemption from duties, taxes, levies and other fiscal deductions on all imported goods and services or those purchased locally,
- Exemption from the transfer duty on real estate acquisitions and legal advertising,
- Exemption from registration duties, (LT)(TF).
- Exemption from the Land Tax (LT)(TF)

Execution phase (for a maximum of ten years):

- Exemption from the Tax on Company Profit (TCP)(TAP),
- Exemption from the Professional Activity Tax (PAT)(TAP) can grant other additional benefits or facilities to Apart from these benefits, the CNI investments made within sectors posing a particular interest for the national economy.

TCP(IBS): Tax on company profit :

All capital companies are subjected to this tax. The tax rate for profits gained in Algeria is 25% and is reduced to 12.5% if the profits are reinvested. This rate is one of the lowest in the Maghreb.

PAT(TAP): Professional activity tax :

This tax, paid annually, affects the sales turnover achieved, excluding VAT. Its total is calculated taking into account rebates of 30-50% established by law. The tax is 2% deductible on the taxable profit.

VAT(TVA):	Value	added	tax
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The sales made by the companies are subjected to payment of the VAT included in the sales price of the products. This tax is deductible; however the deduction principle is controlled in substance, form and time as specified by law. There are currently two VAT rates - a normal rate of 17% and a reduced rate of 7%. The taxation is done on the actual one and the withholding cannot form the object of a reimbursement, even if this is partial.

LT(TF): Land tax

The taxable base of this tax comprises the rental fiscal value of the taxable property. The rate for the land tax on the built property is 3%, while for inbuilt properties located in a non-urbanized area, it is 5%. In urbanized areas, it varies between 5 and 10% according to the surface area. There is an allowance of 2% per annum.