

ALGERIA

I. PROFILE

Location	Algeria is in the north of Africa bordering on the north with the Mediterranean Sea, on the east with Tunisia and Libya, on the south with Niger, Mali and Mauritania, and on the west with Morocco
Official name	Democratic and Popular Republic of Algeria
Area	2,381,745 square kilometres
Population	30.5 million inhabitants in 1999
Capital	Algiers
Major cities	Oran , Costantine , Annaba
Language	Arabic is official language ; French is must used in business
Currency	Algerian Dinar (DA). 1US Dollar = 61 DA
Climate	North of the Sahara, temperatures are very mild from September to May and thermal amplitude is low. South of the Sahara, temperatures are pleasant from October to April, but there are great variations between day and night. Rainfalls are relatively low throughout the country, they reach 762 mm/year but they are virtually non existent in the far south. Temperatures vary between 6°c in winter and 36° in summer
Main Holidays	January 1 st , May 1 st , June 19 th , July 5 th (independence) November 1 st , Eid Ul Fitr*, Eid Ul Adha*, Muharram1 st *, Mouloud*, Ascension of the prophet Mohamed*, 1 st day of Ramadan and Hegira*
Weekly days off	Thursday afternoon-Friday
Local time	GMT + 1
Working hours	* Government offices: Saturday to Wednesday: From 8H to 12H and from 13H to 17H Thursday: From 8H to 12H * Banks: SATURDAY-THURSDAY: FROM 7H30 TO 17H30 * Shops: Saturday-Thursday: From 8H30 to 12H and from 14H30 to 17H30.
Principle Growth Sectors	Crude oil, Gas and refined products

(*) Variable dates

II. ECONOMIC SECTORS

The main economic sectors of Algeria are: oil and gas, industry and manufacturing and agriculture.

II.1 AGRICULTURE

This sector employs a quarter of the country's labor force and accounts for approximately 12% of the GDP. Specific crops include cereals, dairy products, fruits and vegetables. Products that have been aggressively exported include dates, wine, and fish. Exports of fresh dates constituting Algeria's largest non-hydrocarbon export.

II.2 OIL AND GAS

The hydrocarbon sector has and will continue to be the driving force of Algeria's economy. The hydrocarbon sector makes up 22% of the Algerian GDP. Boasting some of the largest gas reserves in the world, Algeria has become one of the largest suppliers of gas to the European Union. An active hydrocarbon diversification program has been implemented to prevent dependence on crude oil exports. Currently, Algeria produces around 745,000 barrels per day and has dozens of oil exploration projects underway.

A vast pipeline network running throughout the Maghreb region and to Europe buttresses Algeria's hydrocarbon industry. By the year 2000, the hydrocarbon network will total 15,530 kilometres. Most of these pipelines will carry gas in a variety of forms. There are currently four gas liquefaction plants in Algeria. All four produce gas for export.

II.3 INDUSTRY AND MANUFACTURING

Due to economic reforms, Algeria's industrial sector has come under increased pressure. Much of the country's industry is dependent on foreign inputs and bank credits; many operate at 35% to 40% capacity. The industrial sector contributes about 14% to the country's GDP, with the manufacturing base traditionally focusing on heavy industry. The country has a sizeable chemicals industry and its monolithic metallurgy industry was recently divided into several small-sized firms. There are some active producers in the electronics, automotive and heavy vehicle industries.

III. INFRASTRUCTURES

III.1 ROAD NETWORK

In 1994, the road network reached 60,000 km. In 1995, the number of cars reached 2,700,997 vehicles, i.e 57% are individual cars.

There are roads which lead to Morocco (Mahdia), Tunisia (Souk Ahras, Tébessa and El Kala), Libya (Fort Thiriet), Niger (Guezzam), and Mali (Bordj Mokhtar). Coastal regions and Northern Sahara are provided with paved roads.

III.2 RAILWAYS NETWORK

There is one daily train connecting Algiers to Tunis via Constantine and Annaba. A railway network links large cities. In 1995 the Algerian railway network was 4,290 km long.

III.3 AIR TRANSPORTS

Algeria's national airline is **Air Algérie** (AH). Other airlines serving Algeria are Air France, Alitalia, Balkan, Egyptair, Jamahiriya Libyan Arab Airlines, Royal Air Maroc, Saudia, Syrian Arab Airlines and Tunis Air.

International airports: Algiers (ALG) (Houari Boumedienne) in Dar-el-Beida is 20 km East of Algiers, Oran airport (ORN) in Essénia is 10 km from Oran, Annaba airport in El Mellah is 12 km from the city and Constantine airport in Ain El Bey is 9 km away from the city.

There are other airports in Ouargla and Tlemcen.

III.4 MARITIME TRANSPORTS

The main ports are located in Algiers, Annaba, Arzew, Béjaia Oran, Ghazahouet, Béni Saf, Ténès, Djedjen, Mostaghanem, Cherchell, Zemmouri, Djijel and in Skida.

The two major shipping lines are Entreprise Nationale de Transport Maritime de Voyageurs ferries (ENTMV) and Compagnie de Navigation Mixte.

Other maritime companies of Mediterranean ports serve Algiers.

III.5 TELECOMMUNICATIONS

Automatic telephone, telex and mail services are available in Algeria.

In 1995, Algeria was provided with 3,145 post offices and with 1164000 telephone lines.

IV. FOREIGN TRADE REGULATIONS

IV.1 LEGAL FRAMEWORK OF TRADE RELATIONS:

Algeria is member of the following international organisations:

- * United Nations Organisation (UN) and its main specialised institutions (IMF, World Bank...);
- * Organisation of the Islamic Conference (O.I.C);
- * League of Arab State and Arab Co-operation organisations,
- * Arab Maghreb Union
- * Non-aligned movement;
- * Organisation of Petroleum Exporting Countries (OPEC);

Between September 1993 and October 1994, agreements have been signed between Algeria and Australia, Netherlands and Canada in the field of export development.

IV.2 TRADE STRUCTURE:

IV. 2.1. Main exported products:

- * Fuels and lubricants;
- * Industrial supplies NA;
- * Foodstuffs and beverages;
- * Machinery and other capital goods;
- * Consumption goods NA;
- * Transport equipment and accessories.

IV. 2.2. Main imported products:

- * Industrial supplies NA;
- * Foodstuffs;
- * Machinery and other capital goods;
- * Transport equipment;
- * Consumption industrial goods;
- * Fuels and lubricants.

IV. 2.3. Trading partners:

Main suppliers	Main customers
-Italy	-France
-France	-United States
-Spain	-Italy
-United States	-Germany
-Netherlands	-Spain

IV.3.FOREIGN TRADE REGULATIONS:

IV. 3.1. Imports regulations:

Algeria classifies its imports according to the Harmonised Commodity Description and Coding System.

Products prohibited for imports are the following: firearms, explosives, narcotics, pork products, pornographic materials, and other items prohibited for reasons of health, safety, national security or religion. The sale of alcohol is prohibited.

Restricted products are as follows: some agricultural products (cheese, honey), luxury products (such as yachts, perfumes and automobiles). The list of products subject to restrictions is revised every six months. Imported consumer goods must have a warranty of six months to eighteen months depending upon the type of products.

- * At import level the following documents are required:

- **Commercial invoice:** A commercial invoice in duplicate is required including a detailed description of products, the total value of the invoice and terms (FOB, CIF, etc.) and names and addresses of the exporter, importer, the consignee and the manufacturer. The invoice must be signed by the shipper and legalised by the consular services of the Algerian Embassy. In case the products contain foreign components the country of origin must be indicated along with the percentage of the foreign component.
- **Certificate of origin:** A separate certificate of origin is not required unless the importer requests it. In this case two copies are required. The certificate must be signed by an official of the exporting company and certified by a recognised chamber of commerce.
- **Packing list:** The packing list should be in French and included with ocean freight shipments to facilitate customs processing. The packing list should describe the contents of each case or container while mentioning the gross weights together with the CIF value of each commodity.
- **Bill of lading:** The bills of lading should show the gross weight and measurements, the name of the shipper, port of destination, number of bills of lading in the full set, and date and signature of the carrier's official. Shipping marks and numbers should correspond to those shown on the invoices and the packages. The airway bill replaces the bill of lading on air cargo shipments.

IV. 3.2 Exports regulations:

- **Sanitary certificate:** plants, plant product seeds and animals and animal products require a sanitary certificate. There are also special requirements for potatoes and special documentary and sterilisation for chestnut trees and wood.
- Imports must be insured with an Algerian firm.

IV. 3.3. Other formalities and documents:

Importers must be registered in the commercial register and have the necessary dinars to import goods. All import licenses and the "specifications" system have been abolished.

- Items intended as samples and having no commercial value are admitted free of duty but should be accompanied by a pro forma invoice. Advertising material is subject to customs duties except for single catalogues sent as printed matters.
- **Labeling:** the containers of fruit and vegetables should be labelled as to country of origin, variety of fruit, or vegetable and quality class.
- **Marking:** Marks of origins requirements mainly apply to wines, nuts, canned foods, prunes, honey, margarine and various milk products.
- **Packing:** Goods should be packed to withstand weather conditions, rough handling and pilferage.

IV.4. FINANCIAL REGULATIONS OF FOREIGN TRADE OPERATIONS:

IV. 4.1. Banking system:

The banking system includes an issuing bank, five commercial banks, an investment bank and a savings bank. The central bank of Algeria (Bca) has the preference of issue. It executes operations relating to the management of reserves and exchange regulations. It finances deposit banks through rediscount and by taking bills in pawn.

Deposit banks are the following:

- Banque Nationale d'Algérie (Bna) which deals with industrial sectors, transport other than maritime, trade and distribution.
- Banque Algérienne de Développement Rural which deals with the agricultural sector and agro-food industry.
- Banque de Développement Local (Bdl) which deals with local economic units.
- Banque Algérienne de Développement (Bad) which finances long term investments of public enterprises.
- Crédit Populaire d'Algérie (Cpa) which deals with tourism, handicraft, fishery, trade and distribution sectors.
- Caisse Nationale d'Épargne et de prévoyance which finances the programmes of accession to individual property or co-operative and construction.

IV. 4.2. Foreign exchange system:

Foreign currencies are always available for importers. All imports must be domiciled through an authorised intermediary bank, to which the importer must present a commercial contract or pro forma invoice and through which all payments related to the transaction must be made. Very limited acceptance of Visa, American Express, Diners Club and access/MasterCard but top class hotels accept traveller's cheques.

IV. 4.3. Methods and means for international settlement:

Thanks to domiciliation, it is possible to have a pro forma invoice to facilitate payments. The bank may effect payments for imports by public enterprises, public agencies, or government ministries before the completion of trade and exchange formalities if the imports are considered urgent.

Banks may require a deposit in dinars up to the full value of the imports before the import payments are effected. Imports of gold, other precious metals and precious stone must be paid for from foreign currency accounts.

The imports of private automobiles must be paid from the importer's own foreign exchange resources.

Advance payments may not exceed 15% of the import value without the approval of the central bank. Import Payments for countries with which no payment agreements have been concluded are made in convertible currency.

IV.5.CUSTOMS TAXATION:

IV. 5.1. Applicable duties and taxes:

- **Ad valorem duties:** Ad valorem duties are assessed on a CIF basis that includes wholesale value of goods in the country of origin, transport charges, export duties, insurance, commissions, freight, and all other costs incurred before the goods reach Algerian customs control. Customs duties and warehouse charges are not included in the dutiable value.
- **Preferential duties:** there are preferential duties between Algeria and the European Union countries that are similar to those included within the framework of the EU's convention with African, Caribbean and Pacific developing countries. There are also preferential duties with the Arab Maghreb Union countries (Libya, Morocco, Mauritania and Tunisia). The imports of products originating in the AMU countries are exempted from customs duties.
- **Customs surcharges and indirect taxes:** Since April 1992 an added value tax has replaced the production and services taxes.
- **The rates are as follows:** 7% on necessities, 13% on almost all goods, and 21% on finishes goods and luxury items and finally an extra superior rate of 41% that was discontinued in 1993. There is an additional tax on the customs value of the goods plus duties and VAT. It ranges from 10% to 80% depending upon the item in question.

IV. 5.2. Special provisions:

A basic standard tariff is levied on (tarif de droit commun) is levied on goods originating in all countries that accord Algeria most-favoured nation treatment (MFN). Customs duties are highest on luxury goods. Strategic and vital products are exempted from customs duties.

V. FOREIGN INVESTMENTS

V.1. INVESTMENT REGISTRATION PROCEDURE

To register a proposed investment and apply for the advantages listed in the Code, investors must file a "Déclaration d'Investissement" and a "Demande d'Avantages" with APSI (Agence de Promotion, de Soutien et de Suivi des Investissements – The Investment Promotion Support and Monitoring Agency). Law must process these two documents processed by APSI within 60 days of their submission. In practice, it normally takes about one month.

In determining what level of advantages to accord a given investment, APSI considers the following five criteria:

- whether an investor has a foreign partner;
- the extent of self-financing (a firm self-financing more than 30% of the total value of the proposed investment receives the maximum advantages);

- ◆ the dependence on foreign inputs (investments that use more than 50% local inputs or import substitution receive the maximum advantages);
- ◆ the extent of technology transfer, and employment creation.

The investment shall be made freely, provide that they are in accordance with legislation and regulations governing regulated activities. The investor shall make the investment declaration. It shall particularly indicate the: field or type of activity; location; jobs created; technology used; investment and financing schemes, as well as the financial appraisal of the project together with a depreciation schedule, environmental protection measures; length of time required to carry out the investment and commitment related to the execution of the investment. In the case of regulated activities, the declaration shall be accompanied by the documents required by current legislation and regulations.

In the event that the investor requests the benefits, the declaration shall include all justificatory documentation.

The minimum level of equity capital shall be determined in relation to the amount of proposed investment in accordance with the following levels:

- ◆ 15% of the total investment if the total is less than or equal to DA 2 million;
- ◆ 20% of the total investment if the total is more than DA 2 million but less than DA 10 million;
- ◆ 30% the total investment if the total is more than DA 10 million.

V.2. INCENTIVES OFFERED TO FOREIGN INVESTORS

Seeking to stimulate economic growth and diversify its economy, Algeria has embarked on an aggressive liberalization program.

Initiatives include the abolishing a list of over 80 goods whose importation was previously illegal and an increase in foreign exchange for importers.

In 1993, the government also passed a new investment code that treated Algerian nationals and foreign investors as equals.

Other benefits for foreign investors are as follows:

- ◆ A three-year exemption from the value-added tax on goods and services acquired locally or imported;
- ◆ An exemption on property taxes;
- ◆ A two-to-five year exemption from corporate income taxes;
- ◆ The right to pay just 3% in customs duties for 30 different products (for which duties are between 25-45%);
- ◆ The right to pay a ceiling of 7% on social security payments for Algerian employees (the normal rate is 24%).

The investment code also called for a 100% exemption on all taxes for companies that export 100% of production, and pay only the 7% employer contribution to social security.

Those exporting 50% of their production receive a 50% exemption on all taxes and pay the same 7% social security contribution.

The Government also established in May 1995 a new investment promotion agency (Agence de Promotion, de Soutien et de Suivi des Investissements, **APSI**), attached to the Prime Minister office, to register all investment applications, accord the advantages listed by the Code, and streamline the investment process.

Investments shall be accorded a reduced interest rate on Credit Banks, in accordance with the conditions and modes determined by regulation.

Businesses which do not operate continuously and which introduce, from the date of promulgation of this legislative decree, a second, third or fourth team, in order to optimise their operating capacity and services, may benefit from a State take-over of 50% of the employer's contribution to the official social security system for the second team, 75% for the third team and 100% for the fourth team during a period of five years, and possibly beyond.

V.3. INVESTMENT IN FREE TRADE AND SPECIFIC ZONES

In April 1997, the Government designated the site of Bellara (wilaya of Jijel, new of Djendjen) as a free trade zone. It is possible that another zone will be established next year. Foreign investors in these zones will be exempt from taxes and customs duties. Foreign suppliers can establish customs depots to stock goods for sale in Algeria.

In these areas, commercial transactions are carried out exclusively in foreign exchange quoted by the Central Bank of Algeria. Trade between companies in the duty-free zone and those located in the rest of the country shall be considered foreign trade operations in the sense of current investments.

Investment made in specific zones that are classified as areas to be promoted or areas of economic expansion, contributing to regional development may be granted the benefits provided for in this chapter.

The investment shall be accorded for a maximum period of three years from the date of the Agency's notification, the following benefits on realization of the investment:

- ◆ Exemption from the tax on transfer in return for payment, for all real estate purchases, made within the context of the investment;
- ◆ Application of the fixed registration tax at reduced rate of 5 per 1000 for articles of incorporation and capital increases;
- ◆ The taking charge of total or partial liability by the State, after appraisal by the Agency, for expenditure on the infrastructure necessary for realization of the investment;
- ◆ Exemption from VAT on goods and services used directly in the realization of the investment, whether they are imported or acquired on the local market, when the goods and services are intended for undertaking operations subjectivity VAT;
- ◆ Application of the reduced rate of 3% customs duty on imported goods used directly in the realization of the investment.

Such goods may be disposed of or transferred in accordance with legislation in force, after approval by the Agency.

On the decision of the Agency, the investments may be granted the following benefits, from the date they are put in operation:

- ◆ Exemption, for a minimum period of five (5) years and a maximum period of ten (10) years of effective operation, from taxation on profits, contractual payments, and tax on industrial and commercial activity;
- ◆ Exemption, from the date of acquisition, from land tax on real estate which is part of the investment, for a minimum period of five (5) years and a maximum period of ten (10) years;
- ◆ Reduction by 50% of the reduced rate on profits reinvested in a specific area, after the operating period referred to in paragraph 1 above;
- ◆ In the case of exports, exemption from taxation on corporate profits, contractual payments and tax on industrial and commercial activity, in proportion to the export turnover, after the operating period referred to in paragraph 1 above;
- ◆ The taking over of total or partial liability by the State for employer's contributions to the official social security system, on the remuneration paid to the entire staff, for a period of five years, which may be extended on the decision of the Agency;
- ◆ The manner in which the above paragraph is to be applied, shall if need be, be laid down by means of regulation

V.4. INVESTMENTS IN EXPORT PROCESSING ZONES

Investments in the form of capital inputs, made by means of freely convertible foreign exchange regularly quoted by the Central Bank of Algeria, and importation which is duly registered by the Bank, may be put into operations in areas of the national territory, referred to as Export Processing Zones, where imports, exports, storage, processing or re-export operations are carried out in accordance with simplified customs procedures.

In these zones, commercial transactions shall be conducted solely in foreign exchange quoted by the Central Bank of Algeria.

Investment located in the export processing zones shall, by virtue of their activity, be exempted from all fiscal, para-fiscal and custom taxes, duties and levies, with the exception of those mentioned below:

- ◆ Duties and taxes on motor vehicles for tourism purposes other than those related to the operation;
- ◆ Contributions and dues to the official social security system.

V.5. INVESTMENT GUARANTIES

Foreign individual and legal entities shall receive the same treatment as Algerian individual and legal entities, as far as the rights and obligations related the investment are concerned. Foreign individuals and legal entities shall all be treated the same, subject to the provisions of agreements concluded by Algeria with their countries of origin.

VI. CONVERSION AND TRANSFER POLICIES

For investments made in hard currency, the new Investment Code authorizes the investor to repatriate, within 60 days of a request for capital repatriation, all capital, revenues, as well as the net proceeds of the transfer, even if the latter are higher than the original amount invested.

VII. FINANCIAL AND BANKING SYSTEM

The Algerian banking system consists of:

- ◆ The Central Bank of Algeria (Banque Centrale d'Algérie) ;
- ◆ Five state banks;
- ◆ One development bank;
- ◆ One national savings bank,
- ◆ One private bank owned by Algeria's state banks and a Saudi Arabian group.

Union Bank, Algeria's first private bank opened up for business in early 1995.

The Central Bank of Algeria has undergone a significant overhaul and is now known as « Banque d'Algérie (BDA) ». BDA will be responsible for reforming the banking sector.

In 1994, public enterprise access to Algeria's state banks was frozen, leaving Algeria's banking system with a non-performing public sector debt.

Under the current IMF banking reform program, new initiatives will seek to foster re-capitalization and the liberalization of the banking system. These reforms are aimed at increasing competition and developing Algeria's financial market, including the establishment of stock exchange.

International banks set up representative offices in Algeria in 1989. Both French and Saudi Arabian banks have opened for business. In addition, Citibank of the U.S. also opened a local office.

VIII. INVESTMENT AGREEMENTS

Algeria has bilateral investment agreements with France, Italy, Belgium, and Spain.

Agreements with Turkey, Indonesia, and Romania have been signed but not ratified.

It is also negotiating agreements with Canada, Russia, Portugal, and India.

Most of these bilateral agreements contain double taxation provisions.

Algeria is a signatory to the Convention of the Paris-based International Center for Settlement of Investment Disputes.

Algeria also ratified its accession to the New York Convention, and adhered to the Multilateral Investment Guarantee Agency (MIGA).

The Algerian Code of Civil Procedure allows both private and public sector companies in Algeria to seek international arbitration.

Algeria also allows local contracts to contain international arbitration clauses.

IX. USEFUL ADDRESSES

ORGANISATIONS AND PUBLIC ESTABLISHMENTS	ADDRESS	TEL/TELEX/FAX/ E-mail /Website
Office algérien de promotion du commerce extérieur (Promex).	Hacène Badie El Harrach B.P. 191 16200 Alger	Tel : (2132) 521210 Fax : (2132) 521126 E-mail : promex@ist.cerist.dz www.promex.dz
Agence de Promotion de Soutien et de Suivi des Investissements (APSI)	Bd du 11 décembre 1960, El-Biar Alger	Tel : (2132) 914407 Fax : (2132) 914403
Sté algérienne des foires et exportations. Direction de promotion du commerce international	Palais des expositions Pins-maritimes, BP.366 16000 Alger-Gare.	Tel : (2132) 210123-9 Télex : 67865-6-7- dz Fax : (2132) 210540
Ministère du Commerce	Rue Docteur Saadane, Palais du Gouvernement Alger	Tel : (2132) 732340/48 Fax : (2132) 733091/735465
Ministère des Affaires Etrangères	6, rue Ibn Badran El-Mouradia Algiers 160	Tel: + 213 260 8050 / 8499 Facsimile: + 213 260 5161 / 5210 Website : www.mae.dz
Chambre algérienne de commerce et d'industrie	Palais consulaire 6Bd Amilcar Cabral BP. 100 16003 Alger	Tel : (2132) 5755555/574444 Télex : 61345 caci dz Fax : (2132)577025 E-mail : caci@ist.cersit.dz
Office National de la Statistique	8&10 Rue des Moussebiline Alger 16000	Tel : (2132)744100 Télex : 55190 Fax : (2132) 743839 www.ons.dz
Banque Centrale d'Algérie	38 Avenue Franklin Roosevelt Alger	Tel : (2132)594200/601044 Télex : 66499 Fax : (2132)603777/594143