

ENP Package – Algeria

The EU and Algeria are linked by an Association Agreement (AA) signed in 2002 and which entered into force in 2005. In December 2011 Algeria officially indicated its willingness to start exploratory negotiations regarding the elaboration of an Action Plan under the renewed ENP. Following two rounds of informal discussions at working level, a first round of discussions was held in Brussels on 17-18 October. A second round is expected to take place in Algiers early 2013.

No Country Progress Report is prepared for Algeria since no ENP Action plan is in force.

Political situation and latest developments in EU relationship with Algeria

Domestic developments

On 15 April 2011, President Bouteflika announced a programme of political reforms. This led to **the adoption of a package of laws** covering: the electoral code, participation of women in elected assemblies, associations, media, political parties, decentralisation and incompatibility between political mandates. While the laws on elections, on women participation, on political parties, on mandates incompatibility and on decentralisation are on the average positive, the associations and information laws have been widely criticized as restricting freedoms of association and expression. Legislative elections were held on 10 May 2012. A **revision of the Constitution** is expected to take place in 2013.

On 10 May, 462 members of the lower house of parliament (“Assemblée Populaire Nationale”) were elected.

Approximately forty political parties participated. For the first time in Algeria, the EU deployed an **Election Observation Mission** (EU EOM) to observe the elections. The mission, headed by MEP José Ignacio Salafranca, issued a report acknowledging positive developments in the electoral process while underlining several areas where improvements can be made.

The national turn out amounted to 42.9% by comparison with 35.6% in 2007. As a result of a new law establishing a 1/3 quota for female candidates for elected assemblies, 143

women were elected. However, the national council (second chamber of parliament) has witnessed a decrease, from 8 to 4 women members. While these latest developments in Algeria testify to an increased role of women in public and political life, major discriminations remain in the legislative system and in practice.

Abdelmalek Sellal was appointed as new Prime Minister by President Bouteflika on 3rd September 2012. With most Ministers keeping their portfolios, the new Government is expected to ensure continuity of the President's programme.

Local elections were held on 29 November. Established parties such as the FLN and RND presented the most lists and were favoured by the 7% electoral threshold necessary to gain representation.

EU-Algeria relations

Bilateral relations have substantially improved since 2011. After the entry into force of the EU-Algeria Association Agreement in 2005 and following a long period of internal debate, Algeria expressed in 2011 its willingness to engage more actively in the **European Neighbourhood Policy**. A first round of negotiations on an Algeria–EU Action Plan took place on 17-18 October 2012. The next round of discussions is expected to take place early 2013.

The first session of the Sub-committee on Political Dialogue, Security and Human Rights took place 3-4 October 2011 in Algiers. The next session is scheduled for spring 2013 in Brussels.

The 7th meeting of the EU-Algeria Association Council was held on 6 December 2012.

Political dialogue between the EU and Algeria has intensified through more frequent high level visits: the HR/VP Mrs Ashton visited Algiers on November 6, 2012 and was received by the President of the Republic, the Prime Minister and the Minister of Foreign Affairs. The Commissioner for Enlargement and European Neighbourhood Policy Stefan Füle also visited Algiers in 2012.

In 2012, an agreement has been reached on revising the schedule of **tariff dismantling on agricultural and industrial products**. The Commission has launched the internal procedures to amend the relevant protocols (agricultural and industrial products) to the Association Agreement. Other trade irritants, such as the partial blockage of EU ship owners' accounts in Algeria, have found a positive solution.

Since 2006, Algeria and the EU have been negotiating a **Memorandum of Understanding on a strategic energy partnership**, which is expected to be concluded in 2013.

An EU-Algeria **Agreement on Scientific and Technological Cooperation** was signed in March 2012 and entered provisionally into force pending the ratification procedure.

Economic and social issues

With a trade surplus generating substantial foreign exchange reserves, Algeria has used some of the hydrocarbon windfall to pay off debt and increase public spending on infrastructure and social programmes (including subsidies). But problems of inclusive economic development and diversification persist as the economy is nearly fully energy-dependent, with very little to export beyond oil and gas.

Reforms to build a functioning market economy are often postponed or suffer from slow implementation; the domination of the public sector leaves little room for private initiative. Algeria was placed 152 out of 185 by the World Bank in the 2013 Doing Business Index. Businesses face obstacles in several areas (electricity connection, paying taxes, accessing bank services, etc.). There remains much room for improvement, in particular regarding restrictions on foreign direct investment (mainly the 51/49% shareholding rule) and non trade and administrative obstacles. A stable and transparent regulatory framework for business operators and private investments would be important to contribute to the diversification and opening of the Algerian economy and to the creation of sustainable jobs, inter alia to the benefit of the youth.

Economic growth is estimated at about 3% for 2012. Consumer price inflation increased to nearly 9% in 2012 due to sharp increases in food prices (4.5% in 2011). Unemployment rate has declined slightly, reaching about 9.5% for 2012 (10% in 2011). The current account balance is in surplus at about 8% of GDP in 2012 (10.3% in 2011), due to the high oil prices. Algeria's foreign exchange reserves amounted to about EUR 150 billion at the end of 2012 (EUR 131 billion in 2011), which represents more than three times the yearly value of imports in goods and services.

Given the economy's vulnerability to oil prices, Algeria took measures to keep public expenditure under control in the 2013 budget after strong upward pressure on spending in 2012 (overall fiscal deficit is estimated at about 3.5% of GDP in 2012 including financing from the Oil Stabilisation Fund).

Trade-related issues

The EU is the **first trading partner** of Algeria with total trade amounting to approximately EUR 44.75 billion in 2011. The EU is Algeria's major source of imports and is its largest market for exports with an average share of 50.6 % for total trade. Algeria occupies rank number 12 and 20 in EU's imports and exports respectively, and 14 among the EU's major trade partners, covering 1.4% of EU total trade in 2011. Bilateral total trade grew up by 13.75% since 2009.

The Association Agreement provides for **duty-free access** for Algerian industrial exports and a number of **agricultural preferences** with the prospect of progressive liberalisation.

General provisions are also included on **progressive liberalisation of services, competition and intellectual property rights**. In 2012, an agreement has been reached on the revision of the **tariff dismantling** calendar on agricultural products and industrial products.

Algeria has **Free Trade Agreements with Mediterranean partners** (Tunisia and States participating to the Greater Arab Free Trade Area).. In October Algeria signed a regional Convention on Pan-Euro-Mediterranean Rules of origin. Algeria is not yet a member of the **World Trade Organisation**.

EU Cooperation

The EU has been active in a number of sectors: from basic services to economic growth, rule of law, sustainable development, energy and environment. For the period 2011-2013, the EU assistance to Algeria amounts to EUR 172 million. This envelope covers: sustainable development and culture (environment, socio-economic development, heritage and culture) and economic growth and employment (transport, fisheries and Association Agreement support), with a substantial focus on youth, employment and civil society in conformity with Algeria's most urgent priorities.

In the framework of the SPRING programme, in March 2012 Algeria was allocated EUR 20 million, of which 10 million subject to further progress on democratic reforms.

Given the amount of its available financial reserves, Algeria is not in need of important financial assistance. However, Algeria is keen to have EU technical expertise which can make a difference when there is a concrete objective for reforms. Recently, Algeria has shown strong interest in agriculture and rural development (ENPARD initiative) and in 2013 actions are expected to be identified in this regard.

The first twinning projects providing EU Member States expertise to Algeria public administration proved effective and elicited strong interest from Algeria. The pipeline of twinning proposals from the Algerian administration has been on the increase (now about 15), demonstrating the pertinence of this instrument in the context of Algeria's reform process.

Discussions on the priorities for ENI programming 2014-2017 have been launched. The EU assistance to Algeria could be focused on areas such as justice, employment and economic development.

Civil Society: role and EU support

Following regional developments related to the Arab Spring and internal social and political unrest, the Algerian authorities lifted the state of emergency in February 2011, a

positive development that has not yet been fully translated into concrete improvement as several restrictions to the work of civil society remains in place. The new law on associations released on January 2012 has been criticised as being regressive, and setting further limits on the activities of Non-Governmental Organisations, and freedom of assembly is limited due to a presidential decree (18 June 2001) banning marches in Algiers that has been used several times in 2012 to prevent demonstrations.

During 2006-2010, the EU implemented a **EUR 10 million** programme to support Algerian NGOs. Implementation of ongoing programmes in support of local NGOs using EU financial assistance is progressing smoothly. The current approach is also to involve civil society in the EU funded **sectoral cooperation programmes** whenever possible (e.g. in the new Cultural Heritage Programme and Youth Employment Programme).

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EU–Algeria – BACKGROUND FACTS AND FIGURES

2005: Entry into force of the EU-Algeria Association Agreement.

2008: Signature of the Roadmap, completing the Association Agreement.

2008: Launch of the Union for the Mediterranean.

2007-2010: The National Indicative Programme for Algeria amounts to EUR 220 million financed under the European Neighbourhood and Partnership Instrument.

2011-2013: The new National Indicative Programme (NIP) 2011-13 for Algeria has a budget of EUR 172 million.

2011: The first session of the Sub-committee on political Dialogue, Security and Human Rights took place in Algiers. The 6th session of the Association Council and the 2nd session of the Association Committee were held. The 2nd Sub-committee on Transport, Environment and Energy and the 5th session of the Economic Dialogue took place.

2011: Algeria indicated its willingness to open discussions regarding the possible conclusion of the ENP Action Plan.

March 2012: Signature of the EU-Algeria Agreement on Scientific and Technological Cooperation.

2012: The first EU Elections Observation Mission (about 120 observers) to Algeria is deployed for the 10 May Legislative elections, upon invitation of the Algerian authorities.

More info at:

http://ec.europa.eu/world/enp/documents_en.htm

http://eeas.europa.eu/algeria/index_en.htm

http://eeas.europa.eu/enp/index_en.htm