

ALGERIA



ECONOMIC MONITOR

Accelerating Reforms
to Protect the
Algerian Economy

Spring 2021



WORLD BANK GROUP
Middle East and North Africa Region

Algeria Economic Monitor

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TABLE OF CONTENTS

List of Acronyms	vii
Acknowledgements	ix
Executive Summary	xi
Résumé analytique	xiii
فياو صخ لم	xv
Introduction	1
Chapter 1: Recent Economic Developments	5
Economic Growth and Labor Market	5
Public Finance	9
Money and Banking	10
External Sector	12
Chapter 2: Economic Outlook and Risks	15
Chapter 3: COVID-19's Effects on Inequality in MENA and Algeria	21
Introduction	21
Why Inequality Increases Due to COVID-19	22
Evidence from the MENA Region	22
The Impact of COVID-19 on Inequality in Algeria	23
The Protracted Effects on Inequality	27
Chapter 4: Towards an Equitable Reform of Algeria's Health System	29
Introduction	29
Health Outcomes	31
Health System Organization and Capacity	37
Health Financing System	38
Bibliography	43
Data appendix	49

List of figures

Figure 1	Global Hydrocarbon Demand and Prices Recovered at End-2020	2
Figure 2	The Number of COVID-19 Cases Peaked in November 2020.....	2
Figure 3	Activity Partially Recovered in S2-2020.....	6
Figure 4	...While the Number of Jobseekers Has Surged	6
Figure 5	Falling OPEC Quotas Brought Crude Oil Output Down.....	7
Figure 6	...While Natural Gas Production Has Surged at End-2020.....	7
Figure 7	The Overall Budget Deficit Increased in 2020.....	9
Figure 8	...As Revenues Fell and Spending Increased.....	9
Figure 9	Leftover Monetary Financing Bridged Financing Needs in 2020.....	10
Figure 10	...as Oil and Treasury Savings Were Exhausted.....	10
Figure 11	Banking Liquidity Fell Again as the Crisis Unfolded.....	11
Figure 12	...and Was Again Accompanied by a Slowdown in Credit	11
Figure 13	The Algerian Dinar Depreciated Markedly in 2020.....	12
Figure 14	...and Inflation Edged Up in Early 2021.....	12
Figure 15	The Current Account Deficit Gradually Deepened.....	13
Figure 16	...and Imports of Machinery and Equipment Fell Drastically	13
Figure 17	Mobile Connectivity Index, 2019	18
Figure 18	Average Download Speeds Are Lower in Algeria.....	18
Figure 19	Internet Access at Home is Highly Unequal.....	19
Figure 20	Probability of Declaring a Deterioration in Living Standards, as Compared to the Month Before The Interview, Tunisia (2020)	23
Figure 21	Portion of Respondents to High Frequency Phone Surveys Receiving Support from Public cash transfer Programs Following COVID-19 by Consumption Quintile	23
Figure 22	Access to Home-Based Internet and PC by Welfare Quintile, % of Individuals, 2019	25
Figure 23	Highest Educational Attainment by Quintile, % of Adult Individuals, 2019	25
Figure 24	Average Number of Persons Per Room by Welfare Quintile, 2019.....	26
Figure 25	Living Conditions of Households by Welfare Quintile, % of Households, 2019	26
Figure 26	Yearly Increase in the Number of Jobseekers, Per Skill Level (% Growth)	26
Figure 27	Type of Employment by Asset Index Quintile, 2019	27
Figure 28	Employed Population Distribution by Sector and Gender, 2019.....	27
Figure 29	Labor Force Status by Gender, 2019	27
Figure 30	Top Causes of Death in Algeria, 2009–2019.....	30
Figure 31	Top Risk Factors for Death and Disability in Algeria, 2009–2019.....	31
Figure 32	Life Expectancy Versus GDP Per Capita, 2018	32
Figure 33	Life Expectancy at Birth Versus Current Health Expenditure Per Capita, 2017	32
Figure 34	Total Fertility Rate Versus GDP Per Capita, 2018	32
Figure 35	Evolution of Total Fertility Rate.....	32
Figure 36	Adolescent Fertility Rate and GDP Per Capita.....	33
Figure 37	Distribution of Adolescent Fertility by Socioeconomic Characteristics	33
Figure 38	Maternal Mortality Rate Versus GDP Per Capita, 2018.....	33
Figure 39	Evolution of Maternal Mortality Rate, 2018.....	33
Figure 40	Under-5 Mortality Rate Versus GDP Per Capita, 2018	34
Figure 41	Evolution of under-5 Mortality Rate, 2018.....	34
Figure 42	Neonatal, Post-Neonatal, Infant, and under 5 Mortality by Socioeconomic Characteristics.....	34
Figure 43	DTP3 Coverage Versus GDP Per Capita, 2018.....	35

Figure 44	MCV2 Coverage Versus GDP Per Capita, 2018	.35
Figure 45	Percentage of Children under 5 Who Did Not Seek Treatment for Diarrheal Disease	.36
Figure 46	Stunting, Wasting, and Obesity among Children under-5	.36
Figure 47	Prevalence of at Least One NCD by Socioeconomic Characteristic	.37
Figure 48	Nurses and Midwives Per 1,000 Persons, 2018	.37
Figure 49	Physicians Per 1,000 Persons, 2018	.37
Figure 50	Hospital Beds Per 1,000 Persons, 2018	.38
Figure 51	Domestic General Government Health Expenditure as a Percentage of General Government Expenditure, 2018	.38
Figure 52	Current Health Expenditure as a Percentage of Gross Domestic Product, 2018	.38
Figure 53	Current Health Expenditure Per Capita Over Time, 2018	.39
Figure 54	Current Health Expenditure Per Capita Disaggregated by Financing Source, 2018	.39
Figure 55	Distribution of Per Capita Health Financing in Algeria Across Financing Agents	.39
Figure 56	General Government Spending on Health Versus Expenditures through Insurance Schemes	39
Figure 57	Out of Pocket Health Expenditure Per Capita Versus GDP Per Capita, 2018	.40
Figure 58	Pooled Health Spending as a Share of Total Health Spending, 2018	.40
Figure 59	Coverage within a Health Insurance Scheme for Population above Age 15	.40
Figure 60	Coverage within a Health Insurance Scheme for Children under 5	.41

List of tables

Table 1	Confirmed Deliveries of COVID-19 Vaccines to Algeria, as of June 1 st , 2020	.3
Table 2	Monetary Policy Measures Introduced Since March 2020	.11
Table 3	NCD Indicators and Risk Factors, Algeria, 2016–17 (percent Ages 18–69 Years)	.36

List of boxes

Box 1	The Impact of the COVID-19 Pandemic on Firms Globally and in Algeria	.7
Box 2	Leveraging Digital Tools for an Inclusive and Resilient Recovery	.18
Box 3	The Sixth Multiple Indicator Clusters Survey (MICS6)	.24



LIST OF ACRONYMS

ANEM	Agence Nationale de l'Emploi	JODI	Joint Organizations Data Initiative
BPS	Business Pulse Survey	kbpd	Thousands of barrels per day
BdA	Banque d'Algérie	mbpd	Millions of barrels per day
CASNOS	Caisse Nationale de Sécurité Sociale des Non-Salariés	MENA	Middle East and North Africa Region
CNAS	Caisse Nationale des Assurances Sociales des Travailleurs Salariés	MICS	Multiple Indicator Cluster Survey
CNR	Caisse Nationale des Retraites	MSPRH	Ministère de la Santé, de la Population et de la Réforme Hospitalière
CPI	Consumer Price Index	mtep	Million-ton equivalent of petroleum
DZD	Algerian dinar	NEER	Nominal Effective Exchange Rate
EIA	U.S. Energy Information Administration	ONS	Office National des Statistiques
EPT	Espace de Programmation Territoriale	OPEC	Organization of the Petroleum Exporting Countries
EUR	Euro	PCH	Pharmacie Centrale des Hôpitaux
FDI	Foreign Direct Investment	ppt	Percentage points
FRR	Fond de Régulation des Recettes	REER	Real Effective Exchange Rate
GDP	Gross Domestic Product	SOEs	State-Owned Enterprises
GSMA	Global System for Mobile Communications Association	USD	U.S. dollar

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This Algeria Economic Monitor provides an update on key recent economic developments and policies. It places them in a longer-term and global context and assesses the implications these developments and changes in policies have on the outlook for Algeria. This Monitor's coverage ranges from the macro-economy to financial markets to indicators of human welfare and development. It is intended for a wide audience, including policy makers, business leaders, financial market participants, and the community of analysts and professionals engaged in Algeria. The report is divided into four chapters. Chapter 1 presents the country's macroeconomic developments in 2020 and early 2021. Chapter 2 presents the short- to medium-term outlook for the Algerian economy. Chapter 3 details the impact of the COVID-19 pandemic on inequality in Algeria based on evidence across the Middle East and North African (MENA) region. Finally, Chapter 4 looks at the key challenges in the country's health sector as the COVID-19 pandemic eases. **The cut-off date for data and forecasting is June 11, 2021.**

The Algeria Economic Monitor is a product of the MENA unit in the Macroeconomics, Trade and Investment (MTI) Global Practice in the World Bank Group. The report was led by Cyril Desponts (Economist, EMNM1), under the general guidance of Eric Le Borgne (Practice Manager, EMNM1). Chapter 1 was prepared by Cyril Desponts and Shahrzad Mobasher Fard (Consultant, EMNM1), Chapter 2 was

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EXECUTIVE SUMMARY

In 2020, the dual shock posed by stringent non-pharmaceutical interventions (NPIs) to contain the COVID-19 pandemic and the severe fall in hydrocarbon revenues added to Algeria's economic woes. The Algerian government imposed stringent NPIs following the first diagnosed case of COVID-19 in February 2020, coinciding with the introduction of NPIs worldwide. Meanwhile, the external shock to the global demand in hydrocarbon products triggered a steep decline in global oil prices, followed by a fall in OPEC+ crude oil production quotas, causing Algeria's hydrocarbon production and exports to dwindle. At the end of 2020, the partial lifting in NPIs worldwide led to a recovery in the global demand for hydrocarbon products and of their prices. In Algeria, NPIs were gradually lifted since the Summer of 2020, and the vaccination campaign begun in January 2021, but it has yet to gather a critical scale to actively support a sustained and resilient economic recovery.

While the Algerian economy showed signs of recovery during the second half of 2020, firms and workers have been deeply affected by the economic recession. Night-time lights data suggest that the Algerian economy suffered a broad-based contraction during the first half of 2020, before partly recovering during the second half of the year. The results of the Business Pulse Survey (BPS) convey the severity of the shock across firms in all sectors. These results are consistent with the substantive rise in the number of registered job seekers by 504,400 between

March 2020 and March 2021 (+29 percent), according to the Agence Nationale de l'Emploi (ANEM). Smaller firms, those concentrated in the informal segment of the economy, and in the services and construction sectors were more adversely impacted. In all, GDP is expected to have contracted by 5.5 percent in 2020.

The temporary decline in international oil prices further deteriorated the fiscal balance, banking liquidity and the external balance, despite the depreciation of the Algerian dinar. The overall budget deficit expanded significantly in 2020, amid a steep decline in oil and tax revenues, and an increase in budget spending, playing a welcomed counter-cyclical role. Banking liquidity declined and credit growth slowed down despite strong monetary easing policies by the authorities as external revenues fell, SOE deposits helped finance the overall budget deficit, and retail depositors withdrew their savings. External financing requirements expanded as a result of the widening of the current account deficit. Imports of machinery and equipment, and inputs into domestic production contracted sharply as import compression policies continued, to protect foreign exchange reserves, which fell to around 12.8 months of imports of goods and services at end-2020.

The economic outlook points to a fragile recovery throughout 2021, and its sustainability hinges on the acceleration of reforms to foster private sector growth and restore macroeconomic balances. Under the

baseline scenario, GDP is expected to grow by 3.7 percent in 2021 and 2.5 percent in 2022, when it is expected to reach its pre-pandemic level. While the Algerian economy is expected to benefit from the rebound in gas production in 2021, the recovery in non-hydrocarbon sectors is expected to be slow and gradual. Meanwhile, fiscal and external financing requirements will remain substantial, expected at 18 percent of GDP and 10 percent of GDP, respectively, making it necessary to return to financing through the central bank to finance the fiscal deficit and continue import compression policies, while further exchange rate depreciation is expected. With the increase in public spending in 2021 expected to be short-lived, and foreign exchange reserves now covering less than a year of imports, the acceleration of reforms to foster private sector growth will be critical to Algeria's structural transformation away from its dependence on hydrocarbon revenues, and towards a sustainable and inclusive economic growth path. Key sources of risk to the economic outlook include the deterioration of the domestic sanitary situation, the resumption of large-scale social mobilization, lower-than-expected foreign exchange revenues, and insufficient private sector response to the reform agenda.

Vulnerable households will deserve particular attention during the recovery, having been disproportionately affected by the negative consequences of COVID-19. Although there are no data that measure the welfare impact of the COVID-19 pandemic on Algerians, evidence from across the MENA region confirms that poorer households are more likely to report a worsening of their living standards. Several characteristics of Algerian households suggest that these regional patterns hold for Algeria. They live in more crowded environments and in worse sanitary conditions, making them more susceptible to infection. In line with lower education levels, income earners in poorer households are much

more likely to be in occupations where home-based work is impossible and lack access to the digital tools that would allow it. They are significantly more likely to work in the informal sector, without adequate social protection, which has shown to correlate with a stronger deterioration in living standards during the pandemic. The increase in job seekers in Algeria was indeed significantly more pronounced among low-skilled workers compared to high-skilled workers. Women are also expected to be disproportionately affected, with more than half of working women being active in the health and social services sectors. Unless targeted compensation mechanisms are introduced, the effect of ongoing macroeconomic and fiscal adjustment policies will also fall disproportionately on the most vulnerable. Therefore, a successful recovery will need to offer the poorest and most vulnerable the opportunity to regain what they have lost.

The impact of COVID-19 over the past year has also demonstrated the need for an equitable reform of the health system. Even as official case and death numbers remained low, COVID-19 has exposed the limits of the health system. A double burden of communicable and non-communicable diseases, as well as resource constraints, demonstrate the need to strengthen the Algerian health system. While the Algerian health financing system features high public financing and relatively low out of pocket spending, and while life expectancy and control of non-communicable diseases are comparable to peer countries, health outcomes still lag behind other upper-middle income economies, particularly with regards to the equitable distribution of maternal and child health outcomes. Shortages of physical and human resources, as well as inequitable distribution of financial protection pose significant challenges. Finally, declining government financing and limited health system capacity pose risks in ensuring a resilient health system.

RÉSUMÉ ANALYTIQUE

En 2020, un double choc est venu s'ajouter aux difficultés économiques de l'Algérie, causé à la fois par des interventions non pharmaceutiques (INP) strictes pour contenir la pandémie de COVID-19 et une forte chute des recettes issues des hydrocarbures. Le gouvernement algérien a imposé des INP strictes après le premier cas de COVID-19 diagnostiqué en février 2020, ce qui a coïncidé avec la mise en œuvre d'INP au niveau mondial. Dans le même temps, le choc externe de la demande mondiale en hydrocarbures a provoqué une chute brutale des prix mondiaux du pétrole, puis une baisse des quotas de production de pétrole brut de l'OPEP+, ce qui a entraîné une diminution de la production et des exportations de l'Algérie. À la fin 2020, la levée partielle des INP dans le monde a permis une reprise de la demande mondiale pour les hydrocarbures et de leurs prix. En Algérie, les INP ont été progressivement levées depuis l'été 2020, et la campagne de vaccination a débuté en janvier 2021, même si elle n'a pas encore atteint l'ampleur nécessaire pour soutenir activement une reprise économique durable et résiliente.

Si l'Algérie a montré des signes de reprise sur la deuxième moitié de 2020, entreprises comme travailleurs ont été profondément touchés par la récession économique. Les données relatives à l'éclairage nocturne suggèrent que l'économie algérienne a subi une contraction généralisée sur la première moitié de 2020, avant une relance partielle sur la deuxième moitié de l'année. Les résultats de l'Enquête sur le Pouls des Entreprises COVID-19 (COVEPE) montrent la sévé-

rité du choc pour les entreprises et secteurs, ce qui est cohérent avec l'augmentation sensible du nombre de chercheurs d'emploi inscrits; d'après l'Agence nationale de l'emploi (ANEM), ils étaient 504 400 de plus en mars 2021 qu'en mars 2020 (+29 %). Les entreprises de plus petite taille, celles qui se trouvent dans le segment informel de l'économie et dans les secteurs des services et de la construction ont été les plus durement impactées. Somme toute, le PIB devrait s'être contracté de 5,5 % en 2020.

La baisse temporaire des prix internationaux du pétrole a détérioré plus encore le solde budgétaire, la disponibilité de la liquidité bancaire et le solde extérieur, malgré la dépréciation du dinar algérien. Le déficit budgétaire global s'est considérablement creusé en 2020, dans un contexte de forte baisse des recettes pétrolières et fiscales, et d'augmentation des dépenses budgétaires, jouant un rôle contracyclique bienvenu. La liquidité bancaire a diminué et la croissance du crédit s'est ralentie malgré des politiques d'assouplissement monétaire fortes de la part des autorités, sous l'effet de la chute des recettes extérieures, de la mobilisation des dépôts bancaires pour financer le déficit budgétaire global, et du retrait de l'épargne bancaire par les particuliers. Les besoins de financement externe se sont accrus, conséquence du creusement du déficit de la balance courante. Les importations d'équipements et d'intrants dans la production nationale ont considérablement diminué avec la poursuite des politiques de réduction des importations visant à protéger les réserves en devises, qui sont

tombées fin 2020 à environ 12,8 mois d'importations de biens et services.

Les perspectives économiques laissent présager une reprise fragile en 2021, et la durabilité de cette dernière dépendra de l'accélération des réformes permettant de favoriser la croissance du secteur privé et de rétablir les équilibres macroéconomiques. Dans le cadre du scénario de référence, le PIB devrait croître de 3,7 % en 2021 et de 2,5 % en 2022, retrouvant son niveau d'avant la pandémie. Alors que l'économie algérienne devrait bénéficier du rebond de la production de gaz en 2021, la reprise dans les secteurs hors-hydrocarbures devrait être lente et progressive. Les besoins de financement budgétaires et extérieurs resteront importants, attendus à 18 et 10 % du PIB, respectivement, et risquent de provoquer un retour au financement par la Banque d'Algérie afin de combler le déficit budgétaire, ainsi que la poursuite des politiques de réduction des importations, tandis que la dépréciation du taux de change devrait se poursuivre. Comme la hausse des dépenses publiques en 2021 devrait être de courte durée, et que les réserves en devise couvrent désormais moins d'un an d'importations, l'accélération des réformes visant à encourager le développement du secteur privé sera essentielle pour conduire la transformation structurelle de l'Algérie, vers son indépendance des recettes provenant des hydrocarbures, et pour qu'elle s'engage sur la voie d'une croissance économique durable et inclusive. Les principales sources de risque pour les perspectives économiques incluent la détérioration de la situation sanitaire, la reprise de la mobilisation sociale à grande échelle, des recettes en devises moins importantes que prévu et une réponse insuffisante du secteur privé au programme de réformes.

Les ménages vulnérables requerront une attention particulière pendant la reprise, ayant subi de manière disproportionnée les effets négatifs de la COVID-19. Bien qu'il n'existe pas de données permettant de mesurer l'impact de la pandémie de COVID-19 sur le bien-être de la population algérienne, des éléments probants provenant de l'ensemble de la région MENA montrent que les ménages pauvres sont plus susceptibles de signaler une détérioration de leur niveau de vie. Plusieurs caractéristiques des ménages algériens vulnérables suggèrent que ces tendances régionales s'appliquent à l'Algérie. Ces ménages vivent

dans des environnements plus denses et dans des conditions sanitaires plus précaires, ce qui les rend plus sensibles aux infections. Les soutiens de famille, ayant des niveaux d'éducation plus faibles, sont plus susceptibles d'occuper des emplois pour lesquels le travail à la maison est impossible, et n'ont pas accès aux outils numériques qui le rendraient possible. Ils sont plus susceptibles de travailler dans le secteur informel, sans protection sociale adaptée, ce qui s'est avéré être lié à une plus forte détérioration des niveaux de vie pendant la pandémie. La hausse du nombre de demandeurs d'emploi en Algérie est de fait nettement plus importante parmi les travailleurs peu qualifiés que chez les travailleurs hautement qualifiés. Les femmes devraient également être plus touchées, plus de la moitié d'entre elles travaillant dans les secteurs de la santé et des services sociaux. Sauf à introduire des mécanismes de compensation ciblés, les effets des politiques d'ajustement macroéconomique et budgétaire en cours pourraient également peser de manière disproportionnée sur les plus vulnérables. Une reprise réussie devra ainsi donner aux plus vulnérables la possibilité de récupérer ce qu'ils ont perdu.

L'impact de la COVID-19 sur l'année écoulée montre également la nécessité d'une réforme équitable du système de santé. Même si les nombres officiels de cas et de décès restent faibles, la COVID-19 a montré les limites du système de santé. Un double fardeau de maladies transmissibles et non transmissibles, ainsi que les contraintes en matière de ressources, démontrent la nécessité de renforcer le système de santé algérien. Même si le système de financement de la santé se caractérise par un financement public important et des dépenses individuelles relativement faibles, et si l'espérance de vie et le contrôle des maladies non transmissibles sont comparables à ceux de pays pairs, les résultats en matière de santé restent inférieurs aux autres économies à revenu moyen supérieur, notamment en ce qui concerne la répartition équitable des résultats en matière de santé maternelle et infantile. L'insuffisance des ressources physiques et humaines, et l'iniquité de la distribution de la protection financière représentent des difficultés importantes. Enfin, la perte de vitesse du financement public et la capacité limitée du système de santé sont des facteurs de risque importants quand on veut assurer un système de santé résilient.

فِاَوْ صَخْلَم

آلاف شخص بين مارس/آذار 2020 ومارس/آذار 2021 (+29%)، وذلك بحسب بيانات «الوكالة الوطنية للتشغيل». وتضررت بشكل أكبر الشركات الصغرى التي تعمل في القطاع الاقتصادي غير الرسمي وأيضاً في قطاعي الخدمات والبناء والتشييد. وتشير التوقعات إلى انكماش إجمالي الناتج المحلي الجزائري بنسبة 5.5% في عام 2020.

أدى الانخفاض المؤقت في أسعار النفط العالمية إلى زيادة تدهور رصيد المالية العامة والسيولة المصرفية وأرصدة المعاملات الخارجية، على الرغم من الانخفاض في قيمة الدينار الجزائري. زاد العجز الكلي في الميزانية زيادة كبيرة في عام 2020، وسط انخفاض حاد في عائدات النفط والضرائب، قابلتها زيادة في نفقات الميزانية حيث كان لهذه الزيادة دورها الإيجابي في مواجهة تقلبات الدورات الاقتصادية التي مرت بها البلاد. أما السيولة المصرفية فقد انخفضت وتباطأ نمو الائتمان على الرغم من سياسات التيسير النقدي القوية التي اتبعتها السلطات مع انخفاض الإيرادات الخارجية، وساعدت ودائع الشركات الوطنية المملوكة للدولة في تمويل العجز الكلي في الميزانية، بينما قام الأفراد بسحب مدخراتهم. وزادت الاحتياجات للتمويل الخارجي نتيجة زيادة العجز في ميزان الحساب الجاري. وتقلصت واردات الآلات والمعدات ومستلزمات الإنتاج المحلي بشكل حاد مع استمرار سياسات ضغط الواردات إلى الحد الأدنى لحماية احتياطات البلاد من النقد الأجنبي والتي انخفضت إلى ما يكفي لحوالي 12.8 شهراً من واردات السلع والخدمات في نهاية عام 2020.

تشير التوقعات الاقتصادية للجزائر إلى تحقيق تعافٍ يتسم تشير التوقعات الاقتصادية للجزائر إلى تحقيق تعافٍ يتسم بالهشاشة خلال عام 2021، وتعتمد استدامته بشكل مفصلي على تسريع وتيرة الإصلاحات الاقتصادية لتعزيز النمو في القطاع الخاص، فضلاً عن استعادة التوازنات في الاقتصاد الكلي. وفي ظل السيناريو المرجعي، من المتوقع أن ينمو إجمالي الناتج المحلي بنسبة 3.7% في 2021 و2.5% في سنة 2022، ليصل إلى مستويات ما قبل جائحة كورونا. وبينما يُتوقع للاقتصاد الجزائري الاستفادة من انتعاش إنتاج الغاز في سنة 2021، فمن المتوقع أيضاً أن يتسم الانتعاش في القطاعات غير النفطية بالتباطؤ والتدرج. وفي الوقت نفسه، ستظل متطلبات المالية العامة والتمويل الخارجي كبيرة، ومن المتوقع أن تبلغ

في الجزائر، وفي عام 2020، كان للصدمة المزدوجة التي أحدثتها التدخلات الصارمة غير الدوائية لاحتواء جائحة فيروس كورونا (كوفيد19) والانخفاض الحاد في عائدات المنتجات الهيدروكربونية (المحروقات) أثرهما في زيادة الصعوبات الاقتصادية التي تعاني منها البلاد. ولجأت الحكومة الجزائرية إلى فرض هذه التدخلات الصارمة بعد اكتشاف أول إصابة مؤكدة بفيروس كورونا في شهر فيفري/فبراير 2020، تزامناً مع تطبيقها في جميع أنحاء العالم. وفي الوقت ذاته، أدت الصدمة الخارجية المتمثلة في ندرة الطلب العالمي على المنتجات الهيدروكربونية إلى تدهور حاد في أسعار النفط العالمية، أعقبه انخفاض في حصص إنتاج النفط الخام في مجموعة (أوبك+) مما تسبب في تضائل إنتاج الجزائر من المنتجات الهيدروكربونية وصادراتها. وفي نهاية عام 2020 حدثت انفراجة حيث تراجعت هذه التدخلات غير الدوائية على مستوى العالم بشكل جزئي مما كان له أثره في انتعاش الطلب العالمي على المنتجات الهيدروكربونية وارتفاع أسعارها إلى مستويات معقولة مقارنة بما كانت عليه أثناء الجائحة. وبالنسبة للجزائر، فقد بدأت في رفع تلك التدخلات تدريجياً منذ صيف عام 2020، كما بدأت السلطات الصحية حملة التلقيح ضد فيروس كورونا في جانفي/يناير 2021، غير أن نطاق هذه الحملة لم يشمل عدداً كافياً من السكان بحيث يسمح بدعم التعافي الاقتصادي المستدام والقادر على الصمود.

وفي حين أظهر الاقتصاد الجزائري بوادر تعافيه خلال النصف الثاني من عام 2020، إلا إن الشركات والعمال تضرروا بشدة من جراء الركود الاقتصادي. وفي حين أظهر الاقتصاد الجزائري بوادر تعافيه خلال النصف الثاني من عام 2020، إلا إن الشركات والعمال تضرروا بشدة من جراء الركود الاقتصادي. وتشير البيانات المأخوذة من صور الأقمار الاصطناعية للأضواء الليلية إلى أن الاقتصاد الجزائري عانى من انكماش واسع النطاق خلال النصف الأول من عام 2020، قبل أن يبدأ في التعافي بصورة جزئية خلال النصف الثاني من نفس العام. أما نتائج «المسح الاستقصائي لجس نبض مؤسسات الأعمال» فتبينُ الوضع الشديد لصدمة جائحة كورونا على جميع الشركات في كافة قطاعات الاقتصاد الجزائري. وتتسق هذه النتائج مع الارتفاع الكبير في عدد الباحثين عن عمل المسجلين بمقدار 504,400

18% و10% من إجمالي الناتج المحلي على التوالي، مما يستلزم العودة إلى التمويل عن طريق البنك المركزي لتمويل العجز في المالية العامة ومواصلة سياسات ضغط الواردات إلى الحد الأدنى، مع توقع المزيد من الانخفاض في سعر صرف الدينار الجزائري. ومع التوقع بأن تكون الزيادة في الإنفاق خلال عام 2021 قصيرة الأجل؛ ومع حقيقة أن احتياطيات البلاد من النقد الأجنبي تغطي حالياً أقل من عام واحد من الواردات، فسيكون تسريع وتيرة الإصلاحات لتعزيز نمو القطاع الخاص في غاية الأهمية لتحقيق التحول الهيكلي في الاقتصاد الجزائري بعيداً عن الاعتماد على عائدات المنتجات الهيدروكربونية، وأيضاً للمضي نحو مسار نمو اقتصادي مستدام وشامل. تشمل المصادر الرئيسية للمخاطر التي تواجه الآفاق الاقتصادية للجزائر على تدهور الأوضاع الصحية على المستوى المحلي، واستئناف نشاط التعبئة الاجتماعية على نطاق واسع، وانخفاض إيرادات النقد الأجنبي عما كان متوقعاً، علاوة على ضعف مستوى الاستجابة المتوقعة من القطاع الخاص تجاه أجندة إصلاح الاقتصاد في البلاد.

من الضروري إيلاء اهتمام خاص للأسر الأكثر احتياجاً والأولى بالرعاية أثناء مرحلة التعافي من الأزمة بعد أن تضررت على نحو غير متناسب من التداعيات السلبية التي خلفتها جائحة كورونا. وعلى الرغم من عدم توافر البيانات التي تقيس مدى تأثير جائحة كورونا على حياة الجزائريين، إلا إن الأدلة والشواهد المسجلة في جميع أنحاء منطقة الشرق الأوسط وشمال أفريقيا تؤكد أن الأسر الأكثر فقراً هي التي عانت على الأرجح من تدهور مستوياتها المعيشية بصورة أكبر. ونظراً لاشتراك الأسر الجزائرية في العديد من خصائص معيشتها مع نظيرتها بباقي أنحاء المنطقة، فمن المتوقع أن تنطبق هذه الأنماط الإقليمية أيضاً على بلد مثل الجزائر؛ حيث يعيش الجزائريون في بيئات أكثر ازدحاماً وفي ظروف صحية أسوأ، مما يجعلهم أكثر عرضة لانتقال العدوى بفيروس كورونا. وبسبب انخفاض مستويات التعليم، فمن المرجح أن يعمل أصحاب الدخل في الأسر الفقيرة في مهن يستحيل فيها نمط العمل من المنزل، كما أنهم يفتقرون إلى القدرة على الحصول على المعرفة والأدوات الرقمية التي تمكنهم من العمل وفقاً لهذا النمط. وتعمل هذه الفئة على الأرجح في القطاع غير الرسمي من الاقتصاد الجزائري حيث لا تتوفر لهم ميزة الحصول على حماية اجتماعية كافية، وهو الأمر الذي ثبت ارتباطه بما حدث من تدهور أكبر في مستويات

معيشتهم أثناء الجائحة. وكانت الزيادة في عدد الباحثين عن عمل في الجزائر أكثر وضوحاً بين العمال من ذوي المهارات منخفضة المستوى مقارنة بنظرائهم من ذوي المهارات عالية المستوى. ومن المتوقع أيضاً أن تتأثر النساء بصورة غير متناسبة، ويرجع ذلك إلى أن أكثر من نصف الجزائريات العاملات ينشطن في قطاعي الصحة والخدمات الاجتماعية. وما لم يتم استحداث آليات تعويض محددة الأهداف، فإن الفئات الأشد احتياجاً والأولى بالرعاية من السكان ستضرب على نحو غير متناسب من جراء السياسات الحالية التي تنتهجها الحكومة الجزائرية لضبط أوضاع المالية العامة والاقتصاد الكلي. ولهذا، ولأجل تحقيق التعافي الناجح من الأزمة الحالية، يصبح من الضروري إتاحة الفرصة أمام الشرائح الأشد فقراً والأكثر احتياجاً لاستعادة ما فقدوه أثناء الجائحة.

وبالإضافة إلى ما سبق، فقد أوضحت الآثار المترتبة على جائحة فيروس كورونا خلال السنة الماضية أن هناك ضرورة ملحة لإصلاح نظام الرعاية الصحية في الجزائر ليكون نظاماً عادلاً ومنصفاً للجميع. وحتى مع استمرار الانخفاض في أعداد حالات الإصابة والوفيات التي يعلن عنها رسمياً، فقد كشفت جائحة فيروس كورونا القدرات المحدودة التي يمتلكها النظام الصحي في البلاد. أما العبء المزدوج الذي تمثله الأمراض السارية وغير السارية، فضلاً عن القيود المتعلقة بتوفير الموارد، فيشير إلى الحاجة الملحة لتقوية النظام الصحي الجزائري. وعلى الرغم من أن تمويل النظام الصحي الجزائري يعتمد في معظمه على التمويل الآتي من الدولة مع قدر بسيط نسبياً من الإنفاق الشخصي المباشر، وبينما يتماثل متوسط العمر المتوقع ومعدلات مكافحة الأمراض غير السارية مع البلدان المناظرة للجزائر، إلا إن النواتج الصحية لا تزال بعيدة عن غيرها من البلدان التي تقع في الشريحة العليا من البلدان متوسطة الدخل، لا سيما فيما يتعلق بالتوزيع العادل لنواتج الرعاية الصحية الموجهة للأمهات والأطفال. أما النقص في الموارد المادية والبشرية، فضلاً عن التوزيع غير المنصف لبرامج الحكومة لتوفير الحماية المالية للجزائريين، فيشكل في حد ذاته تحديات كبيرة. وأخيراً، فإن التراجع في التمويل الحكومي للنظام الصحي الجزائري والضعف في القدرات المتوفرة لهذا النظام، فإنهما يمثلان معاً مخاطر واضحة تقف حائلاً أمام ضمان توفير نظامٍ صحيٍّ قادرٍ على الصمود في مواجهة الجوائح والأزمات.

INTRODUCTION

World economies and international trade flows are gradually recovering, supported by the easing of non-pharmaceutical interventions (NPIs) and the partial recovery in demand, albeit with diverging trends across sectors and income groups.

Following the introduction of stringent NPIs globally at the end of the first quarter of 2020 to curb the spread of the pandemic, the partial lifting of NPIs in the second half of 2020 resulted in growth in pent-up demand for durable goods and a recovery in economic growth and international trade flows. For 2020, the world economy is estimated to have contracted by 4.3 percent, with the decline in advanced economies (5.4 percent) exceeding that of emerging market and developing economies (2.6 percent).¹ The world trade volume of goods and services is estimated to have declined by 9.5 percent in 2020.² Notwithstanding the partial economic recovery experienced worldwide since the second half of 2020, the recovery of the services sector lags behind that of the goods-producing sector. The COVID-19 pandemic has also resulted in a widening of economic inequalities across the population, with a higher incidence of unemployment and underemployment being recorded among lower-income households relative to higher-income households. (see Chapter 3).

The Middle East and North Africa (MENA) region has been disproportionately affected by the COVID-19 pandemic through the dual shock

of depressed external revenues and domestic activity due to NPIs. Hydrocarbon exporters across the MENA region, such as Algeria, have suffered from depressed international hydrocarbon prices and demand. In 2020, global gas demand is estimated to have declined by 4 percent, and oil demand by 8.6 percent,³ causing Brent prices to fall from more than US\$60 per barrel in the second half of March 2020 to less than US\$15 per barrel in the second half of April 2020. Against the backdrop of large crude oil production cuts agreed at the April 2020 OPEC+ meeting, the volume of oil exports measured across Algeria, Libya, Iraq and Iran fell from 7.7 million barrels per day (mbpd) in March 2020 to a trough of 6.6 mbpd in June 2020. Meanwhile, non-hydrocarbon economies across the MENA region have been severely impacted by the halt in international tourism and in foreign direct investment (FDI). (Figure 1).

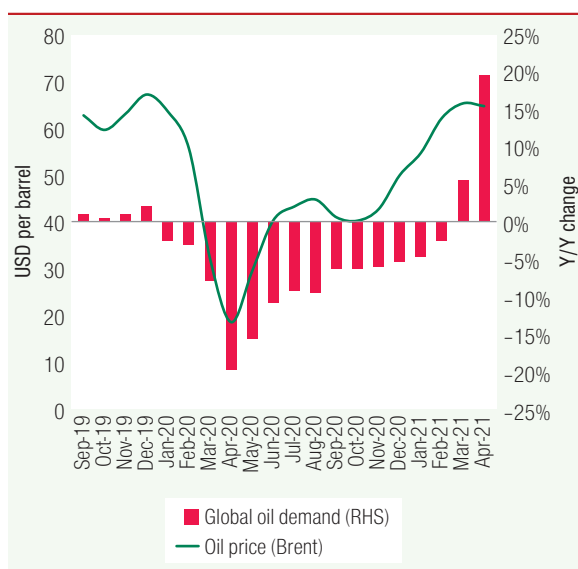
The Algerian government continued to gradually lift stringent NPIs throughout the Fall of 2020, in line with the decline in recorded new daily COVID-19 cases. Algeria imposed stringent NPIs following the first diagnosed case of COVID-19 in February 2020. This included, notably, the cancellation of commercial flights, the closure

¹ World Bank's Global Economic Prospects, January 2021.

² Ibid.

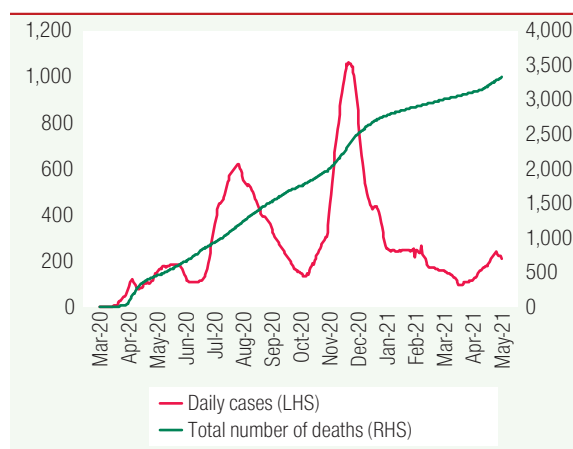
³ United States' Energy Information Administration (EIA), May 2021, and International Energy Agency (IEA), May 2021.

FIGURE 1 • Global Hydrocarbon Demand and Prices Recovered at End-2020



Source: U.S. Energy Information Administration.
 Note: The rebound in March and April 2021 is caused by a significant base effect, as global oil demand remained lower than in March and April 2019 (-3 percent and -4 percent, respectively).

FIGURE 2 • The Number of COVID-19 Cases Peaked in November 2020



Source: Johns Hopkins University, using official estimates.
 Note: For the number of daily cases, a seven-day moving average is used. The low number of COVID-19 cases reported is partly explained by the limited number of tests carried out. Only the Pasteur Institute is allowed to analyze COVID-19 PCR tests. In May 2020, Algeria reported 5,182 tests per million of population, significantly lower than MENA peers such as Jordan (691,603 tests per million individuals), Lebanon (631,265 tests per million individuals), Morocco (172,637 tests per million individuals) and Tunisia (119,895 tests per million individuals). (World Bank, May 2021).

of schools, universities, restaurants, and shops, the cancellation of all public and private events, the shutdown of public transportation services, the mandatory leave with full compensation of half of the country’s workers and nightly curfews. NPIs on workplace, public gatherings and stay-at-home orders eased starting at the end of April, but some tightening took effect in July due to the rise in COVID-19 cases. The modest easing of restrictions starting in August was followed by a second wave of infections, which peaked in November, and restrictions have eased ever since. Since February 2021, mosques have been authorized to reopen, as well as cafes, restaurants, and hotels, albeit with a 50 percent capacity limit. Curfews, which have been shortened from midnight to 4 am, are now imposed in only 19 wilayas (governorates). Algerian borders, closed since March 2020,⁴ were partially reopened on June 1st, 2021. (Figure 2).

While Algeria has taken several steps to immunize its population against COVID-19, the pace of vaccination remains slower than country peers in the Middle East and North Africa (MENA) region. The country’s vaccination campaign launched in January 2021, with 300,000 doses of COVID-19

vaccines received between January 28 and February 24 and 364,800 additional doses received from the COVAX Facility⁵ on April 3, 2021.⁶ In all, as of May 15th, Algeria received a total of 664,800 doses of the COVID-19 vaccine across all manufacturers, which would allow for the full vaccination of about 0.9 percent of the Algerian population.⁷ While there is no up-to-date

⁴ As a result, the number of international travelers to the country is estimated to have declined by 75% in 2020, from 16.5 million individuals in 2019 to 3.9 million individuals in 2020 (APS, January 2021).

⁵ The COVAX Facility is a partnership between the Coalition for Epidemic Preparedness Innovations, Gavi, the Vaccine Alliance, UNICEF and the World Health Organization to provide COVID-19 vaccine supplies to developing countries to enable health workers and other priority populations vulnerable to COVID-19 to be protected against the virus.

⁶ Out of an initial allocation of 1,881,600 doses to the country in 2021 (UNICEF, April 2021).

⁷ The total number of vaccines received could be underestimated, however, as the Pasteur Institute stated that shipments of Sputnik-V and Coronavac vaccines were also received on April 30, without providing the details regarding the size of the shipments. (TSA, May 2021).

data on vaccination rates, if all vaccines received by mid-May were deployed, Algeria's performance would be lower than the share of population having received at least one dose in Egypt (1.1 percent), Libya (1.6 percent), Tunisia (4.8 percent), Lebanon (5.6 percent), Jordan (7.9 percent) and Morocco (16.7 percent).⁸ At the end of May, however, Algeria received close to one and a half million doses of COVID-19 vaccines, which would allow for the full vaccination of 2.5

percent of the population. Algeria's agreement with Russia to produce the Sputnik-V vaccine in Algeria through Sidal Pharmaceuticals, which is expected to start in September 2021, would also help accelerate the vaccination campaign.⁹ (Table 1).

⁸ Our World in Data, May 2021.

⁹ APS, April 2021.

TABLE 1 • Confirmed Deliveries of COVID-19 Vaccines to Algeria, as of June 1st, 2020

Delivery date	Number of doses	Vaccine brand	Individuals to be fully vaccinated		Cumulative, % of population
			Shipments	Cumulative	
January 28, 2021	50,000	Sputnik-V	25,000	25,000	0.06 %
February 1, 2021	50,000	AstraZeneca	25,000	50,000	0.12 %
February 24, 2021	200,000	Sinopharm	100,000	200,000	0.6 %
April 3, 2020	364,800	AstraZeneca	182,400	382,400	0.9 %
May 19, 2021	170,000	Sputnik-V	85,000	467,400	1.1 %
May 21, 2021	758,400	AstraZeneca	379,200	846,600	1.9 %
May 31, 2021	500,000	Sinovac	250,000	1,096,600	2.5%

Note: Therefore, 2.2 millions doses out of 2.5 million doses received by Algeria (APS, June 2021) are listed.



RECENT ECONOMIC DEVELOPMENTS

Economic growth and labor market

World Bank analysis suggests that economic activity in Algeria began recovering between July and October 2020, before contracting again at year end. As national accounts data do not yet go beyond the first quarter of 2020, high-resolution, night-time lights data captured daily by satellite, which are a widely accepted proxy for changes in economic activity, are relied upon to obtain a more up-to-date account of economic developments.¹⁰ Night-time lights data presented in Figure 3¹¹ suggest a steep contraction in economic activity between March and May 2020, which remains consistent with the introduction of NPIs, before a partial recovery took hold during the second half of 2020. Night-time lights data specific to the cities of Algiers, Oran and Constantine suggest that the economic contraction in the Spring was higher in large cities given the greater concentration of the services-producing sectors and the greater enforcement of NPIs. The broad economic recovery between July and October 2020 appears to be stronger in the North-West region, and in particular in the Ain Temouchent, Mascara and Sidi Bel Abbes governorates. Another year-on-year contraction can

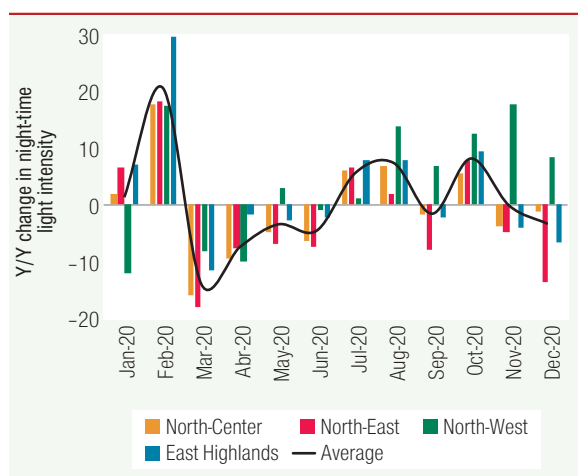
be observed in November and December 2020, however, and appears to be more pronounced in the North-East and Eastern Highlands regions.

Firms in the non-hydrocarbon segment of the economy have been deeply affected by the COVID-19 crisis. On the demand side, private consumption and investment are both expected to have registered strong declines, amid significant economic uncertainty, rising precautionary savings by consumers, and constrained firm liquidity. On the production side, restriction on non-essential activities have severely

¹⁰ Night-time lights data are available with a lag of three months and have been shown to correlate strongly with changes in real GDP levels (Henderson 2012; Donaldson 2016). Several recent studies have assessed the impact of NPIs to contain the COVID-19 pandemic on night-time lights including in India (Beyer, 2020), China (Gosh, Elvidge 2020), Morocco (Roberts, 2020), Tunisia (World Bank, 2021), or Syria (Mercy Corps, 2021).

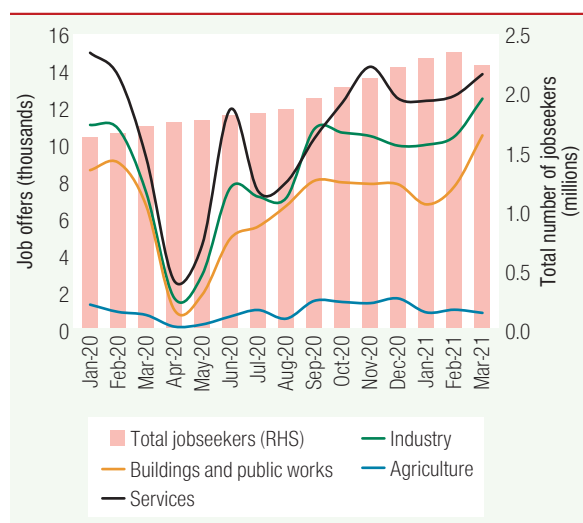
¹¹ Figure 3 presents year-on-year growth in night-time light intensity for four of the eight administrative regions (Espaces de Programmation Territoriale, or EPT), which encompass 77 percent of Algeria's population (as per the last population census in 2008). The figure excludes EPT areas involving oil and gas extraction activities.

FIGURE 3 • Activity Partially Recovered in S2-2020...



Source: VIIRS Day/Night Band Nighttime Lights, Version 1, Earth Observation Group. Note: Data was adjusted to eliminate the bias caused by the Summer solstice, and the bias caused by gas torching activities at the Arzew and Skikda complexes.

FIGURE 4 • ...while the Number of Jobseekers Has Surged



Source: Agence Nationale de l'Emploi (ANEM).

affected the travel, accommodation and food services sectors. The construction and manufacturing industries were also deeply affected as firms were mandated to place half of their workforce on paid leave.¹² The Algeria Business Pulse Survey (BPS) conducted between end-July and mid-August 2020 provides insights as to the depth of the crisis. During the Summer of 2020, 32 percent of firms surveyed remained fully or partially closed. Some 79 percent of firms reported a fall in sales in Q2/2020 relative to Q2/2019, with sales reported to have fallen by 56 percent, on average, and smaller firms and firms in the construction sector witnessing a steeper decline in sales (See Box 1). Algeria's state-owned enterprises (SOEs) active in the transportation sector have notably reported major revenue losses amid the suspension in international, regional, and inter-city travel. Air Algérie, which has cancelled all flights since February 2020, is estimated to have incurred a loss of US\$290 million in 2020.¹³

The economic contraction has resulted in an increase in the number of unemployed and a major contraction in hours worked among the employed population, which has prevented significant job losses. A study by the Algeria Chamber of Commerce and Industry at the end of 2020 estimates that nearly two-thirds of firms have had to either cut, freeze or delay recruitment due to the COVID-19 crisis.¹⁴ Job offers fell sharply at the onset of the COVID-19

pandemic, with data from the *Agence Nationale de l'Emploi* (ANEM) indicating that total job offers fell by 84 percent between February and April 2020. In March, the authorities mandated government agencies and firms to place half of their workers on leave with full compensation, limiting the number of layoffs. This is evidenced by the results of the Algeria BPS, (see Box 1) with firms opting to place their employees on paid leave (52 percent of firms), reduce their working hours (29 percent of firms) and place them on leave without pay (25 percent of firms). While the number of monthly job offers has now recovered to pre-crisis levels based on ANEM data, the number of registered jobseekers in March 2021 exceeded the March 2020 figure by 504,400 (+29 percent).¹⁵ The increase in the

¹² Nonetheless, the President of the Algeria Contractor Association has estimated a loss of 150,000 jobs in the construction sector (TSA, April 2021).

¹³ According to the advisor to Air Algérie's President (Radio Algérie, December 2020).

¹⁴ APS, March 2021.

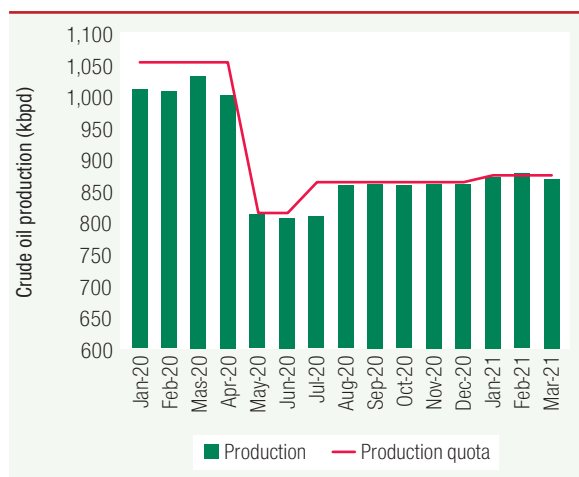
¹⁵ This estimate is in line with the official estimate of more than 500,000 jobs having been lost due to the pandemic according to the Ministère de la Prospective. It compares to an increase of 369,000 registered job seekers between March 2020 and March 2019, and an increase of 146,000 registered jobseekers between March 2019 and March 2018.

number of jobseekers was more pronounced among low-skilled workers (+34 percent) compared to high-skilled workers (+24 percent). Although detailed data on job losses remain unavailable, they are expected to be concentrated in the private sector given the public sector's larger compliance with the official directive

to place workers on a remunerated leave of absence. (Figure 4).

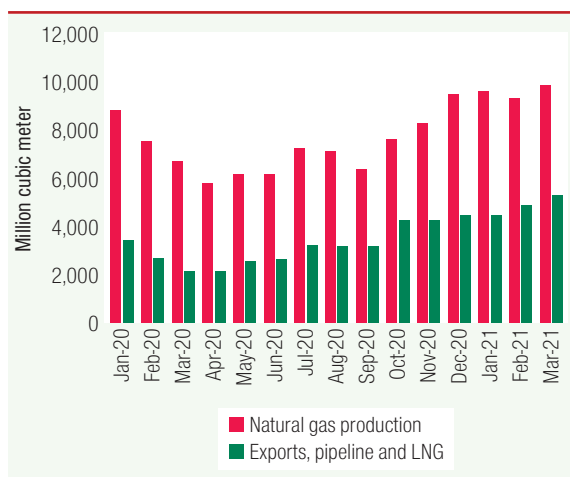
Production in the hydrocarbon sector, which contracted for much of 2020, began recovering in the last quarter of 2020 as a result of a surge in natural gas production. Hydrocarbon production

FIGURE 5 • Falling OPEC Quotas Brought Crude Oil Output Down...



Source: OPEC Monthly Oil Market Report and S&P Global.

FIGURE 6 • ...while Natural Gas Production Has Surged at End-2020



Source: Joint Organisation Data Initiative.

BOX 1: THE IMPACT OF THE COVID-19 PANDEMIC ON FIRMS GLOBALLY AND IN ALGERIA

The World Bank Group, together with several partner institutions, conducted BPS covering more than 100,000 firms across 51 countries, including Algeria, between April and August 2020 to better understand the short-term impact of the COVID-19 pandemic.^a There are a number of salient results that emerge across the various countries. First, the impact of the COVID-19 pandemic has been severe and widespread across firms, with persistent negative impact on sales. Second, the adjustment in employment has operated mostly along the intensive margin (i.e., leave of absence and reduction in hours worked) rather than along the extensive margin, with a small share of firms opting to lay off workers. Third, smaller firms are disproportionately confronted with financial challenges. Fourth, firms are increasingly relying on digital solutions in response to the shock. Fifth, firms are confronted with significant uncertainty about their revenue prospects, which is more prominent among those that have experienced significant losses in sales and were required to reduce their workforce.

BPS conducted in Algeria, Djibouti, Morocco, Jordan, and the West Bank and Gaza identified some MENA-specific impacts.^b Despite a drastic fall in sales, similar to other regions surveyed, a greater share of MENA firms have been holding on to their workers in the immediate aftermath of the COVID-19 pandemic. A protracted decline in economic activity, however, is threatening to add to firm closures and permanent job losses in the MENA region. In Jordan, for example, BPS conducted in the Summer of 2020 and in the Winter of 2021 indicate that the proportion of firms laying off workers increased from 26 percent to 39 percent, while the share of firms going out of business increased from 12 percent to 17 percent. MENA firms have also been slower to adopt technology in response to the crisis compared to firms across other regions, with a much wider gap experienced between micro- and small-enterprises, and larger companies compared to firms across other regions.

The Algeria BPS, conducted during the Summer of 2020, conveys the severity of the COVID-19 shock on Algerian firms. Conducted jointly with the Ministry for Industry and Mines, the BPS targeted a representative sample of 431 (formal) firms between the end of July and mid-August 2020. At the time of the BPS, 32 percent of firms were partially or entirely closed, with firms in the construction and heavy industry sector, in industrial zones, young firms and firms with foreign capital being disproportionately affected by closures. Roughly 79 percent of firms had experienced a sales decrease between Q2/2019 and Q2/2020, with sales declining by 56 percent, on average. In addition to

(continued on next page)

BOX 1: THE IMPACT OF THE COVID-19 PANDEMIC ON FIRMS GLOBALLY AND IN ALGERIA *(continued)*

the decline in demand which affected 74 percent of firms surveyed, Algerian firms were confronted with reduced employee availability (54 percent of firms), difficulties sourcing inputs (45 percent of firms), and lower financial service availability (39 percent of firms). Finally, the BPS indicated that 52 percent of firms placed employees on paid leave, in line with the Government's directive, while 25 percent of firms placed employees on unpaid leave, 17 percent of firms laid off workers and 14 percent of firms reduced wages.

The Algeria BPS indicated that while Algerian firms showed signs of resilience, they were confronted with considerable uncertainty regarding their future revenue prospects. While the median firm expected to be able to operate for 20 additional weeks at the time of the survey, 47 percent of firms were unable to state how much longer they would be able to withstand the adverse impact of the shock. While 62 percent of firms declared having enough liquidity to support operations over the following three months, 15 percent of firms indicated that they would not be able to continue their operations for more than a month. The degree of uncertainty regarding the timing for the lifting of the NPIs also remained high, with 34 percent of temporarily inactive firms indicating that they were unable to assess when they could resume their operations.

Although reliance on digital tools remains limited in Algeria, the BPS indicates that firms have made greater use of it in response to the crisis. Among the firms surveyed, 30 percent started to use digital tools, and 26 percent increased their use of internet, social media, specialized applications, or digital platforms to support their business operations. Among firms that relied on digital tools, the main purposes cited were to increase sales (among 31 percent of firms), for marketing (among 18 percent of firms) or to support their managerial practices (among 17 percent of firms), while digital tools account for 16 percent of these firms' sales. Meanwhile, 44 percent of firms surveyed indicated that they do not rely on any form of digital tools to support their business operations.

To support struggling businesses during the COVID-19 pandemic, various policy measures were introduced across the MENA region, including in Algeria. Authorities across the region introduced support schemes for businesses through tax advantages, State guarantees, subsidized loans, and rebates on business costs. The tourism industry has been specifically targeted by these measures in Egypt, Jordan and Tunisia. Some countries opted for targeted policy measures for larger enterprises, manufacturing or special economic zones (Egypt and Jordan), while others have favored targeted measures for micro-, small- and medium-sized enterprises (Morocco and Tunisia). In Algeria, key policy measures included tax deferrals, as well as monetary policy instruments (see Money and Banking section). Among the policy options presented to firms during the BPS, 40 percent of Algerian firms favored deferred payments on rent and energy bills, while 24 percent of firms and 22 percent of firms favored reductions in taxes and social contributions, respectively. The results of the BPS indicated that only 8 percent of firms had received State support and that 59 percent of firms were not aware of policies in support of business operations.

^a World Bank, October 2020.

^b Mohammed et al. (March 2021).

is estimated to have declined by 8.5 percent in 2020,¹⁶ led by a decline in oil production. Algeria's crude oil production fell by 11.9 percent in 2020 relative to 2019 as a result of cuts to the country's OPEC production quota, which fell by 23 percent in May 2020, before increasing by 6 percent in July 2020. Natural gas production is estimated to have registered a modest increase in 2020 (+1.9 percent) with the decline in production during S1-2020 (-6.1 percent relative to S1-2019) being more than offset by a steep and accelerating increase during S2-2020 (+10.1 percent relative to S2-2019). The recovery in hydrocarbon production extended to Q1-2021 amid a 1.4 percent increase in Algeria's crude oil production quota, a 25.1 percent increase in natural gas production and a 31 percent increase in liquefaction for export, relative to the same period in 2020 (Figures 5 and 6). While

gas exports to Europe (Algeria's main gas export market) typically increase in the Winter, the growth in output relative to 2020 can be partly attributed to the economic recovery in Europe, as well as Algeria's recovering market share in the European market.¹⁷

¹⁶ Bank staff estimates based on JODI and Ministère de l'Énergie, January 2021.

¹⁷ According to Sonatrach, Algeria's market share in the Spanish gas market increased from 21 percent in Q1-2020 to 47 percent in Q1-2021, and its share in the Italian gas market increased from 16 percent to 35 percent over that period. This is mainly attributable to the redirection of global LNG supplies towards Asia, as well as the decline in the UE's LNG imports from Norway, due to maintenance works in the country's sole LNG plant. (European Commission, March 2021).

Public finance

Algeria's fiscal position deteriorated significantly in 2020 amid a decline in hydrocarbon revenues, a surge in the public sector wage bill, and a rise in net Treasury lending.

Government hydrocarbon revenues,¹⁸ which represented 40 percent of total government revenues in 2019, is estimated to have fallen by 25 percent due to the combination of volume and price effects. Meanwhile, declining economic activity and import flows led to falling tax revenues, notably, from corporate income taxes and value-added taxes on imports. While preliminary budget execution data as at August 2020 suggest a decline in capital spending and in current transfers, other areas of spending are placing increased pressures on the budget. First, there is a surge in the public sector wage bill, in part related to the recruitment of youth through the Dispositif d'Aide à l'Insertion Professionnelle (DAIP).¹⁹ Second, there has been an increase in Treasury net lending in the context of the realization of significant contingent liabilities from public banks exposed to struggling state-owned enterprises (SOEs), as well as of support measures to alleviate the effect of the COVID-19 pandemic. The overall budget deficit is expected to have expanded to 16.5 percent of GDP in 2020, from 9.6 percent of GDP

in 2019, with potential upward revisions which may be required in light of the implementation of measures to support the banking sector, and pressures to finance the national pension fund's deficit, which is estimated at about 4 percent of GDP in 2020.²⁰ (Figures 7 and 8).

Meanwhile, official gross public debt only increased slightly as leftover monetary financing and SOE deposits bridged most of the Treasury's financing needs. While the official gross public debt level has increased by 3.4 percent in nominal local currency terms between 2019 and 2020, it is estimated to have risen from 45.1 percent of GDP in 2019 to 49.8 percent of GDP in 2020 amid the contraction of the GDP base.²¹ More than half of fiscal financing needs

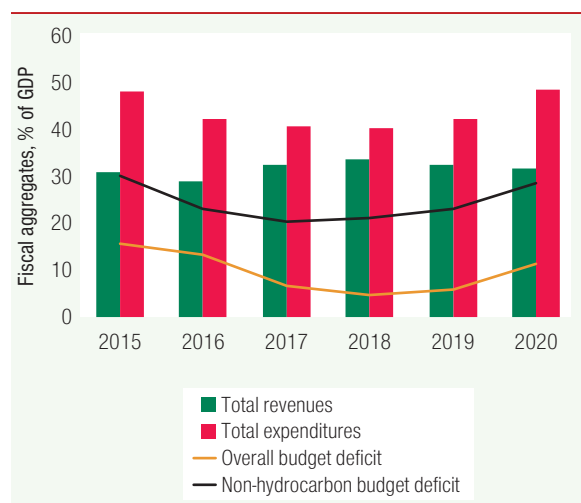
¹⁸ Including Sonatrach dividends.

¹⁹ Executive decree 19-336 (December 8, 2019) mandated the recruitment by the public sector of 365,000 youth in pre-employment contracts under the DAIP program over the course of 2019, 2020 and 2021. According to the Minister for Labor, Employment and Social Security, recruitments under the DAIP program had reached 20,000 individuals in October 2020, and 68,000 as of May 3rd, 2021.

²⁰ APS (January 2021).

²¹ Around 69 percent of official public debt is owed to the Banque d'Algérie, at negative real interest rates and long maturities.

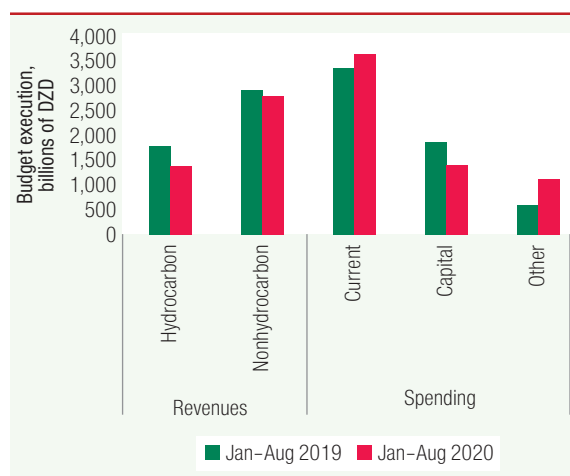
FIGURE 7 • The Overall Budget Deficit Increased in 2020...



Source: Ministry of Finance and Bank staff estimates.

Note: Total expenditures include the Special Account Balance and Treasury Interventions.

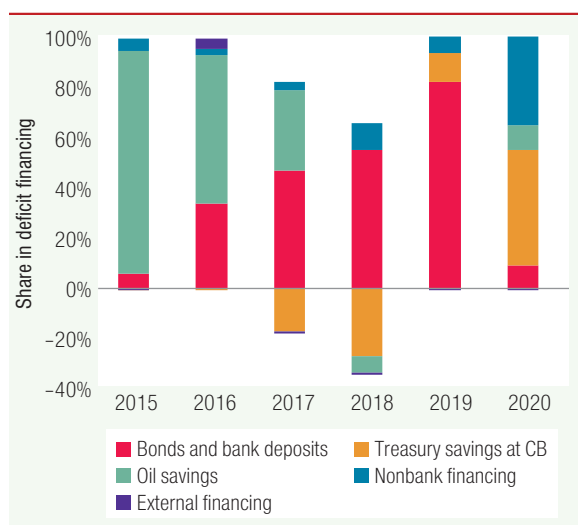
FIGURE 8 • ...as Revenues Fell and Spending Increased



Source: Ministry of Finance and Bank staff estimates.

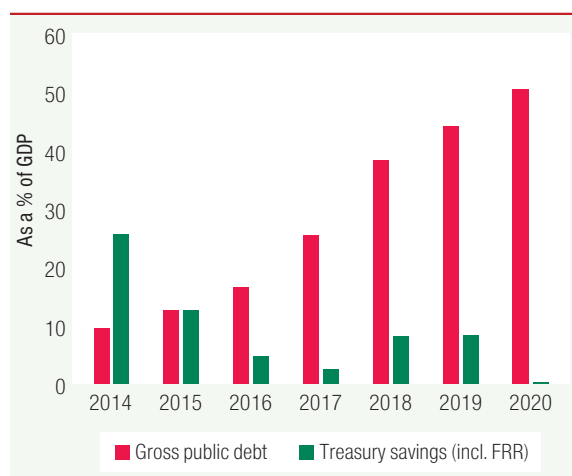
Note: "Other" spending consists of the Special Account Balance and Treasury Interventions.

FIGURE 9 • Leftover Monetary Financing Bridged Financing Needs in 2020...



Source: Ministry of Finance and Bank staff estimates.

FIGURE 10 • ...as Oil and Treasury Savings Were Exhausted



Source: IMF's Monetary and Financial Statistics (MFS).

Note: Gross public debt is measured as the sum of claims from the central bank, banking and financial institutions, and multilateral and bilateral creditors.

is expected to have been met by a DZD 1,697 billion drawdown from the Treasury's current account, 70 percent of which represented leftovers from the 2017–2019 monetary financing program. Drawdowns from Sonatrach's banking deposits and Algérie Poste deposits, and from the Fond de Régulation des Recettes (FRR, the oil savings fund)²² are expected to have filled most of the remaining financing gap. Despite not being recorded in official public debt, the use of Algérie Poste and SOE liquidity (4 percent of GDP in 2019, 4.9 percent of GDP in 2020) to finance the budget deficit has led to a surge in nonbank liabilities.²³ Meanwhile, external public debt, which represented 0.8 percent of GDP in 2019, is expected to have decreased further (Figures 9 and 10).

Money and banking

In 2020, the fall in hydrocarbon revenues induced a sharp decline in Algeria's banking liquidity, despite policy measures to increase it. Bank deposits fell between May and October 2020²⁴ in line with the fall in deposits related to oil revenues by Sonatrach. This was compounded by the withdrawal of savings by Algérie Poste's retail depositors and the drawdown of SOE liquidity by the Treasury to finance the overall budget deficit. To expand banking liquidity,

the banking reserve requirement ratio was reduced from 10 percent to 6 percent between March and April 2020, and further reduced to 2 percent by February 2021. In addition, the main policy rate was cut from 3.5 percent to 3 percent between March and May 2020, and the refinancing thresholds for public securities were increased significantly. Nonetheless, broad money (M2) stagnated between May and October 2020, with the additional liquidity being fully converted into currency in circulation and banking deposits declining further. The partial recovery in oil prices and the reliance on Treasury savings to finance the budget deficit allowed banking liquidity and broad money to recover in November and December. Nonetheless, at end-2020, both the monetary base and banking deposits in M2 remained below their May 2020 level,²⁵ while currency in circulation had increased by 6.2 percent over the same period. (Table 1, Figure 11).

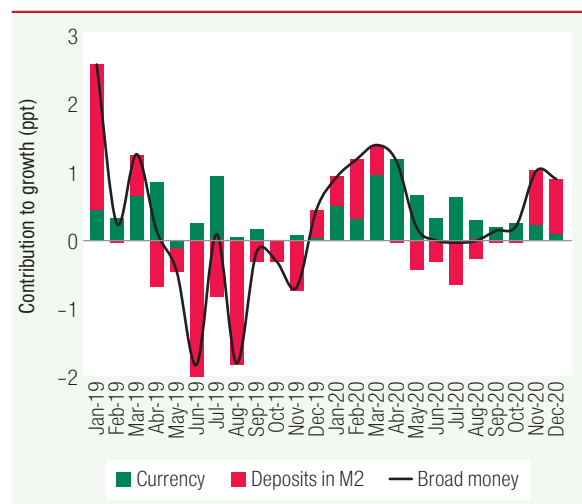
²² Although the FRR was depleted in 2017, DZD 305 billion was deposited into it in 2018.

²³ Based on execution data as of August 2020.

²⁴ Defined as liquid bank deposits outside the BdA and included in M2.

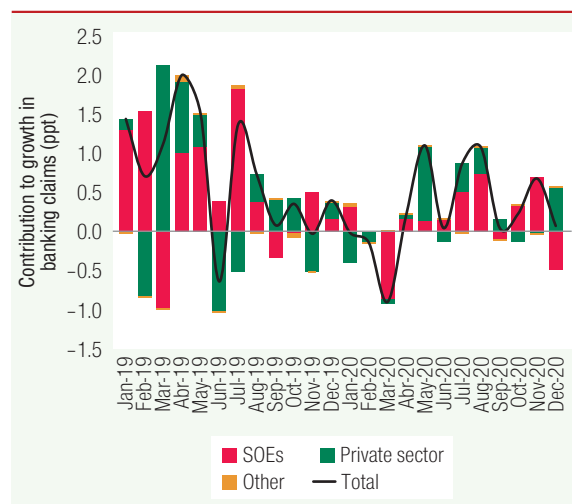
²⁵ Deposits by the public sector declined by 17.8 percent over 2020—in line with the fall in hydrocarbon revenues—while deposits from private firms and households rose by 10.6 percent and 9 percent, respectively.

FIGURE 11 • Banking Liquidity Fell Again as the Crisis Unfolded...



Source: IMF's MFS.

FIGURE 12 • ...and Was Again Accompanied by a Slowdown in Credit



Source: IMF's MFS.

TABLE 2 • Monetary Policy Measures Introduced since March 2020

Policy instrument	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 coefficient	100%	60% (Apr-2020)
Liquidity buffer	2.5%	Exempted
Existing liabilities	Standard	Rescheduled, extending interest rate subsidies
Refinancing requests	Standard	Full satisfaction for existing debtors
Refinancing period	7 days	One month (Apr-20)

Source: Banque d'Algérie.

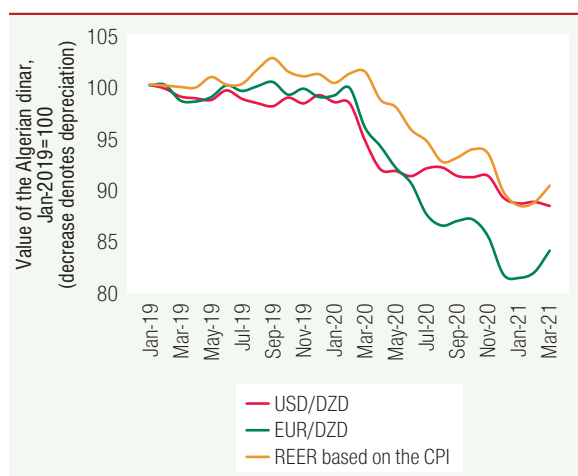
Despite the significant easing of prudential constraints, credit growth slowed down in 2020, affecting both public and private firms. To foster credit growth and support firms, the statutory liquidity coefficient was lowered to 60 percent, mandatory liquidity buffers were suspended, and the Banque d'Algérie (BdA) instructed banks to reschedule the debt of firms affected by the COVID-19 pandemic, and to fully satisfy their refinancing requests. Notwithstanding these measures, credit growth fell from 12.3 percent in 2018 and 9 percent in 2019, to 3.1 percent over 2020. Credit growth to SOEs declined from 15.2 percent in 2018 and 14.4 percent in 2019, to 3.1 percent in 2020, while private sector credit growth fell from 10.2 percent in 2018 and 4.2 percent in 2019, to 3.1

percent in 2020.²⁶ The majority of credit continues to be allocated to SOEs (52 percent of total credits), followed by private firms (40 percent) and households (8 percent), as at end of December 2020. (Figure 12).

Over the course of 2020, the dinar lost 9.8 percent of its value against the U.S. dollar, and 17.7 percent against the Euro, negatively impacting Algeria's terms of trade. Consistent with the decline in oil prices and in Algeria's foreign

²⁶ Data have been extracted from the IMF's Monetary and Financial Survey, which are consistent with a BdA communiqué presenting a credit growth of 2.6 percent for SOEs, 3.5 percent for private firms, and 4.2 percent for households (BdA, February 2021).

FIGURE 13 • The Algerian Dinar Depreciated Markedly in 2020...



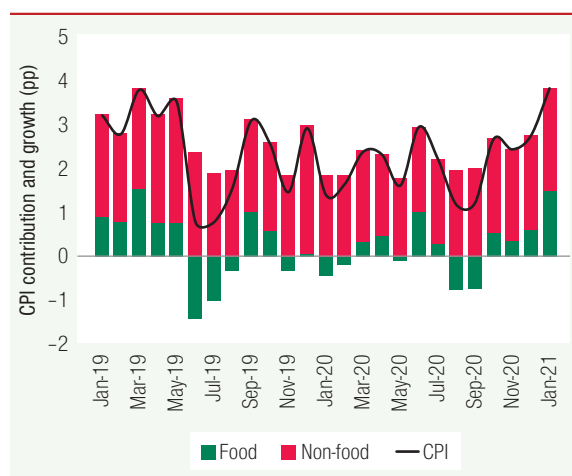
Source: IMF's International Financial Statistics (IFS) and Investing.com.

revenues, the dinar depreciated by 6.4 percent against the U.S. dollar in March and April 2020 and remained broadly stable until December 2020 when it depreciated by a further 2.3 percent. The dinar also fell against the Euro between April and August 2020, due to its appreciation against the U.S. dollar. With the US dollar as the invoicing currency of hydrocarbon exports and over 50 percent of imports originating from Europe or China, the steeper depreciation of the dollar against the Euro negatively affected Algeria's terms of trade. Algeria's real effective exchange rate (REER)²⁷ decreased by 11.1 percent in 2020, led by a 13 percent decline in the nominal effective exchange rate (NEER). Meanwhile, the dinar's value in the parallel market remained unchanged against the U.S. dollar (172 DZD/USD) and the Euro (201 DZD/EUR). (Figure 13).

Inflation as measured by the Consumer Price Index (CPI) remained contained during most of 2020, but inflationary pressures increased.

The CPI rose by 2.8 percent between December 2019 and December 2020, as the modest increase in food prices over that period (+1.5 percent) was compensated by a more pronounced increase in the price of non-food products (+3.7 percent). Data for January 2021 suggest a steeper increase in the price of both food and non-food products in early 2021 (+3.4 percent and +4.2 percent against January 2020, respectively). Several factors have placed upward pressures on the CPI in 2020, most notably

FIGURE 14 • ...and Inflation Edged Up in Early 2021



Source: ONS.

the exchange rate depreciation (raising the price of imported equipment, intermediate inputs and final products), the increase in currency in circulation, as well as of the effort to streamline milk and wheat subsidies.²⁸ (Figure 14).

External sector

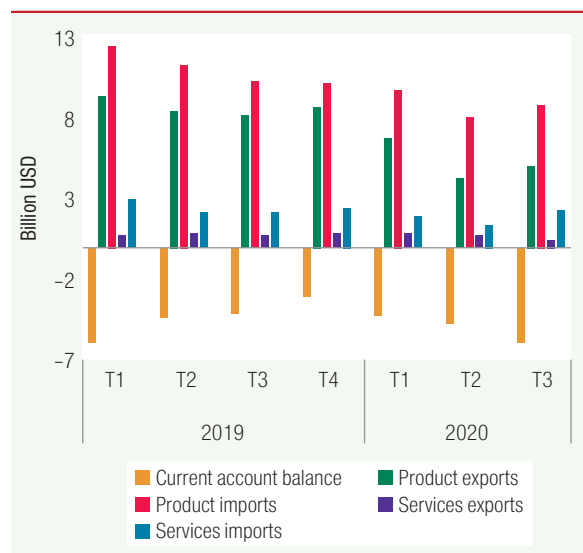
The current account deficit widened in 2020 as a result of the steep decline in the value of hydrocarbon exports during the first half of 2020.

The fall in hydrocarbon export volumes which began in the first quarter of 2020 was exacerbated during the second quarter of 2020 by the onset of the COVID-19

²⁷ The REER is a weighted average of the country's currency value in relation to its major trading partners adjusted by the Consumer Price Index.

²⁸ In June 2020, the use of subsidized milk powder was restricted to milk and dairy production, and its use by economic operators (restaurants, cafés, other establishments serving beverages) was forbidden. (Executive Decree no 20-153, June 8, 2020). In August 2020, the use of subsidized wheat was restricted to the production of flour for direct sale to bakeries, public establishments and consumers, and eliminated for the production of flour to be used in the transformation into other types of flour, semolina and pasta. (Executive Decree no 20-241, August 31, 2020).

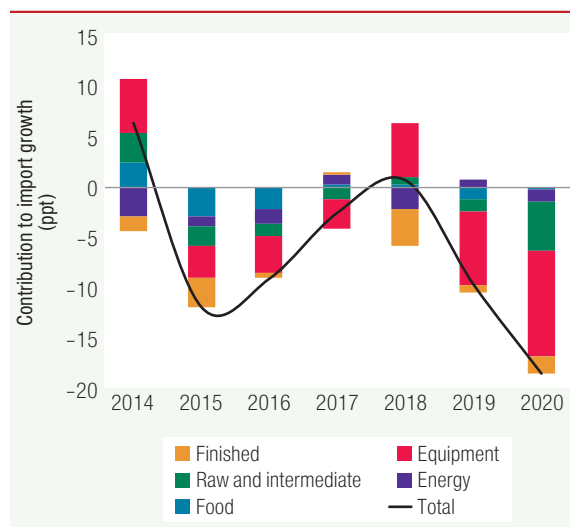
FIGURE 15 • The Current Account Deficit Gradually Deepened...



Source: IMF.

pandemic, which curbed the international demand for hydrocarbon products, just as international oil prices declined steeply. Imports also fell significantly, in line with the decline in domestic demand, the Algerian dinar's depreciation, and the expansion of import compression policies that began in 2018 to protect foreign exchange reserves.²⁹ Imports of machinery and equipment, and of imports of raw and intermediate products, fell even more markedly than in 2019. Meanwhile, BPS results suggest that 45 percent of firms have difficulties sourcing inputs. The steeper decline in export compared to imports widened the current account deficit, in spite of the depreciation of the Algerian dinar against the U.S. dollar. During the third quarter of 2020, imports and hydrocarbon exports recovered simultaneously as domestic activity partly recovered and gas production increased, leading to a stabilization in the trade balance in goods. A steep deterioration in the balance of service, however, caused a further deepening of the current

FIGURE 16 • ...and Imports of Machinery and Equipment Fell Drastically



Source: Algeria's Directorate General for Customs.

Note: Data for 2020 are estimates based on the first 11 months of 2020.

account deficit. Over 2020, the current account deterioration resulted in continued foreign exchange reserves depletion, equivalent to US\$46.9 billion as at the end of 2020 (-20.5 percent relative to end-2019), corresponding to 12.8 months of imports of goods and services.³⁰ (Figures 15 and 16).

²⁹ They include an import ban affecting 45 product groups in January 2018, which were followed by the imposition of safeguard duties (Droits Additionels Provisoires de Sauvegarde) ranging from 30 percent to 200 percent, to 1095 tariff lines. Since then, more stringent administrative and financing conditions for imports have been imposed, while imports of services have been discouraged with several public sector contracts with foreign service providers being terminated.

³⁰ At end-January 2021, they stood at US\$ 45.5 billion and at end-February, they had decreased further, according to official sources. The indicator excludes Special Drawing Rights.



ECONOMIC OUTLOOK AND RISKS

The global economic recovery is taking hold in 2021, with the Algerian economy expected to benefit from the rebound in hydrocarbon demand. The partial, but sustained lifting of NPIs, particularly in developed countries undergoing mass vaccinations, has induced a rebound in the global demand for hydrocarbon products and in pent-up demand for durable goods, supporting a strong economic recovery worldwide. Despite the anticipated gradual increase in OPEC+ production quotas in 2021, Algeria's average oil production will remain unchanged in 2021 relative to 2020, however, but is expected to increase modestly in 2022. Strong international demand for gas in 2021 is expected to lead to a sustained recovery in domestic gas production.³¹

Meanwhile, the recovery in the non-hydrocarbon segment of the Algerian economy will be held back by the slow vaccination pace. While Algeria's vaccination campaign is expected to progressively increase in the second half of 2021, less than 20 percent of Algeria's population is expected to be fully vaccinated by the end of 2021. NPIs are consequently expected to remain partially in place, with Algerians expected to exert caution in their daily activities throughout 2021, thereby limiting the rebound of the services-producing sector and

ultimately, the economic recovery. In 2022, domestic vaccine production capacity and the improved availability of vaccines worldwide should allow for a significant increase in the pace of vaccination, and a sustained lifting of NPIs.

Over the short- to medium-term horizon, private investment in Algeria is expected to remain limited, as firms recover from the pandemic and continue to be confronted with substantial economic and policy uncertainty. Even prior to the COVID-19 pandemic, Algeria's private sector was suffering from low productivity, a large incidence of informality, high regulatory burden, limited access to credit and a significant difficulty to hire individuals which meet the job requirements. While recent data are lacking (e.g., national accounts, firm-level, consumer/business confidence and vaccination data), the pandemic is expected to have further worsened firms' balance sheets and their revenue outlook. Access to additional and more timely data, combined with a long-term plan to implement the much-needed reforms to support private sector development, would support the economic recovery.

³¹ In our baseline scenario, average oil prices are expected to remain stable, at 62 USD/barrel, in 2021 and 2022.

A much-needed reform program to support private sector development—focusing on improving the business environment—exists but its full implementation is still pending.

These include providing more favorable terms for international investors in the hydrocarbon sector, lifting the 51 percent domestic ownership rule imposed on foreign investment (except in strategic sectors of the economy),³² streamlining administrative business procedures for firms and individuals, modernizing the Investment Law, encouraging public-private partnerships, as well as enhancing the banking sector's role in supporting private sector growth. The authorities have also emphasized the need to foster growth in the mining, renewable energies, and pharmaceutical sectors, as well as to upgrade digital infrastructure in support of increased productivity, inclusiveness, and resilience (See Box 2). More specific details regarding the reform agenda and its timeline remain elusive, however, deterring private investment.

While public spending will support growth in 2021, bringing the deficit on a sustainable trajectory would entail a significant fiscal consolidation.

According to the draft of the amended 2021 Finance Law, public investment should recover in 2021, to a level slightly higher than that which prevailed in 2019 (+4.6 percent),³³ while current spending is expected to register a significant increase relative to 2019 (+15.7 percent), as the recruitment of employees on pre-employment contracts continues to lead to an expansion in the public sector wage bill. Below-the-line Treasury interventions, amid increasing support to public banks and firms, will deteriorate the overall budget balance. Government hydrocarbon revenues are expected to register a moderate increase, due to the recovery in international oil prices and the Algerian dinar's depreciation against the U.S. dollar. Meanwhile, tax revenues are projected to remain subdued against relatively weak economic activity. While the medium-term budget framework (MTBF) included in the 2021 Finance Law only projects a moderate nominal increase in spending,³⁴ it does not allow for the deficit to return to a sustainable trajectory. While countercyclical public spending in 2021 is required to support the economic recovery, accelerating the transition to an economic model led by the private sector will be essential to shift away from public spending-led growth, especially in

the context of structurally declining hydrocarbon revenues, and the large number of entrants to the labor market every year. The quality of the fiscal adjustment will deserve special attention, to avoid negatively affecting economic growth and vulnerable populations, including by protecting social spending and carefully selecting public investment projects.

A fine balance will need to be struck between meeting public and private liquidity needs and preserving monetary stability.

To finance an overall budget deficit in the double digits as a percentage of GDP, the authorities have announced a return to financing mechanisms through the BdA.³⁵ Meanwhile, private firms and SOEs' balance sheets have significantly deteriorated as a result of the imposition of NPIs and the economic recession that ensued. This has severely affected public banks' balance sheets, placing increased pressure for further monetary easing, credit growth and bank recapitalization. The combined and delayed effect of the dinar's depreciation against the U.S. dollar, which will alleviate the fiscal and external deficits but continue to raise import prices, and of monetary injections, will raise inflationary pressures on the economy, ultimately affecting the population's standard of living.

A shift to a private sector-led growth model will also be critical to reducing the large external deficit of the country and protecting international reserves.

Algeria's current account deficit is expected to remain elevated, despite registering moderate

³² Decree 21-145 (April 17, 2021) has identified so-called "strategic sectors": 1/ mining, hydrocarbon extraction and transport, 2/ industries initiated by or in relation with SOEs managed by the military, 3/ railway, sea, air transport and road infrastructure management, 4/ pharmaceutical industry.

³³ According to the Ministry of Finance, 44 percent of investment projects were frozen in 2020, and 54 percent of those projects are expected to resume.

³⁴ Meanwhile, the 2021 Amending Finance Law for 2021's increase in public spending projections for 2021 is expected to lead to an upward revision in the MTBF's spending aggregates.

³⁵ The BdA would resume purchases of Government bonds, while debt buybacks from banks could take place in exchange for the purchase of Government debt. (APS, November 2020).

improvements in 2021 and 2022. The recovery in hydrocarbon export revenues will be supported by increased gas volume exports and higher international oil prices, with the growth in exports expected to surpass the growth in imports. Import growth is expected to be limited by tepid domestic demand, continued import compression policies and the lower purchasing power of the Algerian dinar,³⁶ but is projected to rise as domestic demand resumes. This is expected to exert further pressure on the price and the availability of imported products, raising domestic prices for producers, businesses, and consumers, as well as the cost of public and private investment projects. Notwithstanding the moderate contraction of the current account deficit, and assuming a lack of foreign currency inflows, foreign exchange reserves are projected to fall from US\$46.9 billion as at end-2020 to around US\$30 billion as at end-2021 or 7.3 months of imports of goods and services..

Private consumption spending will only recover gradually due to the fall in the purchasing power of consumers amid a decline in labor market income and an expected increase in consumption prices. Since 2017, the annual growth in real GDP per capita has been negative, and real private consumption per capita has stagnated. In 2020, the economic recession has led to a significant increase in the number of jobseekers, and the number of hours worked has fallen, leading to a significant decline in labor income, thereby decreasing the purchasing power of consumers. This will be reinforced by the expected depreciation and continued import compression policies, raising the price of final products that are either imported for consumption or used as inputs in the production process. Finally, amid significant economic uncertainty and the slow pace of vaccination, precautionary savings are also expected to limit the rebound in private consumption.

Under the baseline scenario, GDP growth is expected to reach 3.7% in 2021 and 2.5% in 2022, following an estimated 5.5 percent contraction in 2020.

The key risks to our growth forecast and medium-term economic outlook include:

1. **The deterioration of the domestic sanitary situation:** The slow projected ramp up in

vaccination in 2021, combined with the lifting of NPIs, including the partial reopening of Algeria's borders, exposes the country to the resurgence in COVID-19 infections, which could lead to new NPIs being imposed and limit the fragile recovery in the non-hydrocarbon sector. Our baseline projections assume that the sanitary situation will remain such that NPIs will not need to be re-imposed.

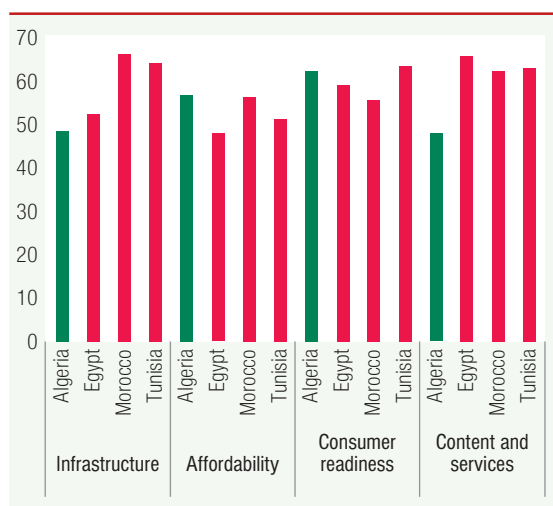
2. **The resumption of large-scale social mobilization.** While the HIRAK movement dissipated after the December 2019 Presidential election and remained relatively idle during the COVID-19 pandemic, small scale mobilizations have resurfaced in 2021, amid rising economic hardship and inequality (see Chapter 3). The resumption of large-scale mobilization could lead to disruptions in economic activity and increase uncertainty, hindering growth.
3. **Lower-than-expected foreign exchange revenues** through lower-than-expected hydrocarbon demand³⁷ and prices would raise fiscal and external deficits, increasing the risk of a disorderly adjustment (e.g., to the exchange rate or to domestic absorption) to protect international reserves which are projected to be relatively thin by end-2022 in our baseline. Higher fiscal financing needs could also lead to additional absorption of bank liquidity and consolidation of public investment, hampering growth.
4. **Insufficient private sector response.** Insufficient progress in implementing structural reforms and policies in support of a sustainable recovery in the private sector would threaten growth and delay the structural transformation of the Algerian economy away from its dependence on hydrocarbon revenues.

³⁶ The Finance Law for 2021 projects continued exchange rate depreciation in 2021, 2022 and 2023.

³⁷ The increase in Algeria's market share in the European gas market might not be sustained, since it is partly due to factors such as the redirection of global LNG shipments towards Asian markets amid an increase in the price premium, and maintenance in Norway's unique LNG processing plant, causing a decline in Norwegian LNG exports.

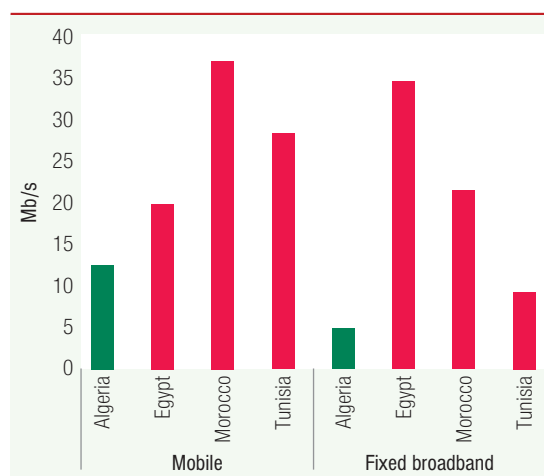
BOX 2: LEVERAGING DIGITAL TOOLS FOR AN INCLUSIVE AND RESILIENT RECOVERY

FIGURE 17 • Mobile Connectivity Index, 2019



Source: GSMA, www.mobileconnectivityindex.com.

FIGURE 18 • Average Download Speeds Are Lower in Algeria



Source: Ookla, Speedtest Global Index, www.speedtest.net/global-index

Digital transformation is a critical tool for a country to leapfrog to higher productivity levels, and the COVID-19 crisis has highlighted its vital role in society and for fostering greater economic resiliency. During the confinement, it has allowed workers to telecommute from work, students to pursue classes online, and governments to provide essential services through digital platforms. BPS conducted worldwide since the onset of the COVID-19 pandemic point to increased reliance on digital tools (i.e., internet use, online social media, specialist apps and digital platforms), importantly as it relates to supporting business operations. Digital inequality across firms remain, however, and this has been shown to be more pronounced in MENA countries relative to other developing regions. Impediments to digital technology adoption and innovation in the region include: (i) the high degree of informality; (ii) the lack of digital payment solutions; (iii) the lack of incentives to innovate; and (iv) underdeveloped and costly digital infrastructures (Mohammed et al., 2021).

To reap the gains from digital transformation^a and allow the necessary increase in Internet traffic in the context of the COVID-19 pandemic (+20% to +50%), digital infrastructure must be sufficiently well developed, especially broadband infrastructure. This means that the mobile broadband infrastructure should be well developed, including in remote areas, but also built upon fiber optic networks (at backhaul level) to deliver high quality services, within the context of increased mobile traffic. In addition, and to avoid concentrating all the traffic on mobile networks, the fixed broadband infrastructure must be well developed, particularly in urban areas, in order to better meet the needs of enterprises and administrations. In Algeria, the Mobile Connectivity Index reveals that despite comparatively high consumer readiness and affordability, the digital infrastructure is lagging behind peer countries such as Egypt, Morocco and Tunisia and this in part explains the fact that content and services are less developed.^b Broadband networks in Algeria are confronted with repeated service disruptions, offering consumers with a low quality of service, and this has been exacerbated by the COVID-19 crisis. (Figure 17).

Mobile and fixed broadband speeds fall behind the rest of the Maghreb region (Figure 18), even though Algeria has made significant public investments in the development of fiber optic networks totaling approximately 80,000 km of backbone network, which could position the country as a regional leader in digital connectivity. But infrastructure sharing across market participants remains limited, for two main reasons. First, Algérie Télécom's infrastructure is not sufficiently regulated to allow access by competitors at reasonable conditions. Second, the national company for Algerian telecom infrastructure (COMINTAL/CITA), in charge of commercializing the excess fiber optics infrastructure owned by State Enterprises, is only dealing with Algérie Télécom, and not with other competitors. This reduces opportunities for capital expenditure savings for connectivity service providers, digital infrastructure providers, and IT infrastructure users in the wider economy. Competition in international and data communication could lead to the emergence of new market players which could eventually reduce the cost and improve the quality of internet access, as well as promote youth employment.

To support an inclusive recovery and reap full digital dividends, access to digital services also needs to be broad, while remaining accessible to lower-income groups. Algeria's ranking on the Individuals Using Internet index and mobile penetration has significantly improved in recent years, and mobile penetration has grown significantly, especially among the youth population. Notwithstanding this improvement,

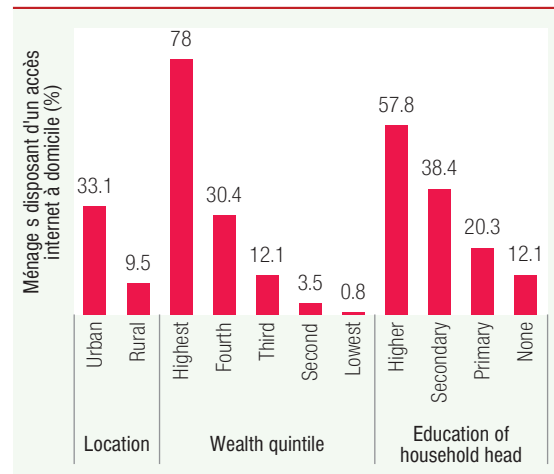
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BOX 2: LEVERAGING DIGITAL TOOLS FOR AN INCLUSIVE AND RESILIENT RECOVERY *(continued)*

3G networks provide coverage to 90 percent of the population, 4G networks provide coverage to 67% of the population at the end of 2019, and only 4% of the population aged 15 and older holds a 4G subscription (1.2 million nationwide), placing Algeria behind regional peers.^a Access to digital services is unequal, thereby limiting progress in attaining a more inclusive digital economy. Women, less-educated individuals, and those living in remote areas, have less access to ICT, which remains limited by the lack of affordability. Roughly 75% of Algerian households are estimated to lack access to Internet at home, with a significant wedge in home Internet access between the richest and poorest households. (Figure 19).

The Government of Algeria has recently launched an ambitious digitalization reform program which would necessitate improvements to the digital infrastructure. A new Digital Agency and a National Digital Strategy have been launched, and the 2020 Government Action Plan intends to improve the performance of the public administration, including through enhanced digital services. The Plan also addresses the need to optimize existing infrastructure and increase investment to improve the population's access and the affordability of Internet services. The fulfillment of this ambitious plan would in turn support the authorities' objective to foster private sector-led growth and the structural transformation of the Algerian economy.

FIGURE 19 • Internet Access at Home is Highly Unequal



Source: MICS 6 (2018–2019)

Y-axis: Share of households with internet access at home.

^a See Digitizing Infrastructure: Technologies and Models to Foster Transformation (World Bank, 2021).

^b The Global System for Mobile Communications Association (GSMA) Mobile Connectivity Index is a composite index comprised of 41 weighted indicators organized across four dimensions, i.e., infrastructure, affordability, consumer readiness, and content and services.

^c GSMA estimates.



COVID-19'S EFFECTS ON INEQUALITY IN MENA AND ALGERIA

Evidence from across the MENA region confirms that poorer households are more likely to report a worsening of their living standards. Although there are no data that measure the welfare impact of the COVID-19 pandemic on Algerians, several characteristics of vulnerable Algerian households suggest that these regional patterns hold for Algeria. They are more likely to be infected by COVID-19 or to become unemployed during the pandemic, less likely to benefit from adequate social protection, and more likely to be affected by ongoing macroeconomic and fiscal adjustment policies. Therefore, a sustainable and inclusive recovery will need to offer the most vulnerable the opportunity to regain what they have lost.

Introduction

The adverse socio-economic effects of the COVID-19 pandemic are unprecedented and are much more pronounced among lower-income groups. In addition to having a devastating impact on physical and mental well-being and the untimely death of millions, the COVID-19 pandemic has thrown entire economies in disarray and upended the livelihoods of many. Since the start of the outbreak, about 112

million cases of COVID-19 have been reported, including more than 2 million deaths.³⁸

³⁸ European Centre for Disease Prevention and Control (ECDC), 2021. The ECDC uses multiple information sources per country. The information sources are Ministries of Health or National Public Health Institutes, and the obtained data is systematically cross checked, with data systematically cross checked with data from the World Health Organization.

As more evidence becomes available, it becomes manifest that the negative effects of COVID-19 are disproportionately borne by those who were already disadvantaged and vulnerable prior to the pandemic.³⁹ In MENA, the COVID-19 crisis is the fourth crisis to hit the region in the past decade, after the 2010–2011 Arab Spring, the 2014–2016 decline in international oil prices, and the 2019 resurgence of protests in countries that had escaped the first episode of protests in 2010–2011.⁴⁰

This evidence also suggests that swift reactions from authorities across the region could only partially address the pandemic's effects on the most vulnerable. In Algeria, authorities were quick to implement a series of measures to preserve public health and support vulnerable households, including through a solidarity allowance, in-kind support to vulnerable households, and the extension of the Ramadan solidarity grant scheme.⁴¹ Evidence from the region suggests, however, that the effectiveness of such mitigation measures is limited by widespread informality and a poor targeting of support programs, illustrating the importance of generating timely and comprehensive data on household welfare.

Why inequality increases due to COVID-19

Evidence from across the globe suggests that the characteristics of poor households make them more susceptible to the negative consequences of COVID-19. Poor people are more likely to live in multi-generational households, increasing the transmission risks to vulnerable elderly who cannot be isolated from interactions with others at home. At work, poor people are more likely to engage in client facing activities and are less likely to receive adequate protective equipment, increasing their risk of exposure. Poor people tend to have more underlying chronic health conditions, as evidenced by a sharp gradient in life expectancy by wealth.⁴² In addition, poor people may have less access to treatment, not in the least because the cost of consultations with medical doctors and expenses for treatment are beyond their financial means. Even in countries where medical care is freely provided, one observes that COVID-19 has become a disease of the poor.⁴³

Also, in an economic sense, poor people remain more vulnerable to the negative consequences of COVID-19 than wealthier ones, whether it is through income losses due to lockdowns, unexpected health expenses, or because poor citizens have less access to social safety nets. In low-income countries only one out of 26 jobs can be done from home, compared to one out of five jobs globally.⁴⁴ Within countries, the ability to telework is correlated with income, as white-collar jobs are more suited to be done from home. Poor and less-educated workers, by contrast tend to be engaged in sectors where social distancing is hard to be observed such as construction, labor-intensive manufacturing and small retail; they have a higher risk of contracting the virus and of consequently losing their job. Poor working individuals are less likely to have access to social security as they are predominantly engaged in the informal sector, and less likely to work in the public sector which, unlike the private sector, has maintained its workforce and has continued to pay salaries (albeit sometimes insisting on salary cuts).

Evidence from the MENA region

Evidence from High Frequency Phone Surveys in MENA illustrates that the global trends that poor households are more likely to report worsening living standards as described above, hold for households within the sub-region. Since the onset of COVID-19, many statistical agencies in the region collected data through phone interviews to assess the socio-economic impacts of the crisis on households. The case of Tunisia is worth mentioning having implemented five rounds of High Frequency Phone Surveys between April and

³⁹ Hill and Narayan, 2020; Oxfam International, 2021.

⁴⁰ Yahya, 2020.

⁴¹ World Bank, January 2020.

⁴² Isaacs and Choudhury (2017), for instance, find that in the USA the richest American men live 12 years longer than the poorest men, while the richest American women live 10 years longer than the poorest women.

⁴³ In the UK, the Office for National Statistics shows that those living in the most deprived neighborhoods are more than twice as likely to die from COVID as those in the least deprived.

⁴⁴ Sanchez et al., 2020.

October 2020. The Tunisia data are unique in that they allow to consider the effects of the pandemic over time, while controlling for different household characteristics, including the wealth status of the household prior to the pandemic. The results of this work, confirm that poor and more vulnerable households are more likely to report a deterioration in their welfare relative to the month before the interview.⁴⁵ Figure 20 shows that the probability of a respondent declaring a deterioration in living standards is higher among those with lower educational attainment, among younger respondents, among respondents who are unemployed, among respondents who are self-employed/employer or a contributing family worker as compared to someone working as a civil servant. Employees with no or only a partial salary also report worsening living standards. Finally, looking at household welfare levels measured before the pandemic, wealthier households have a

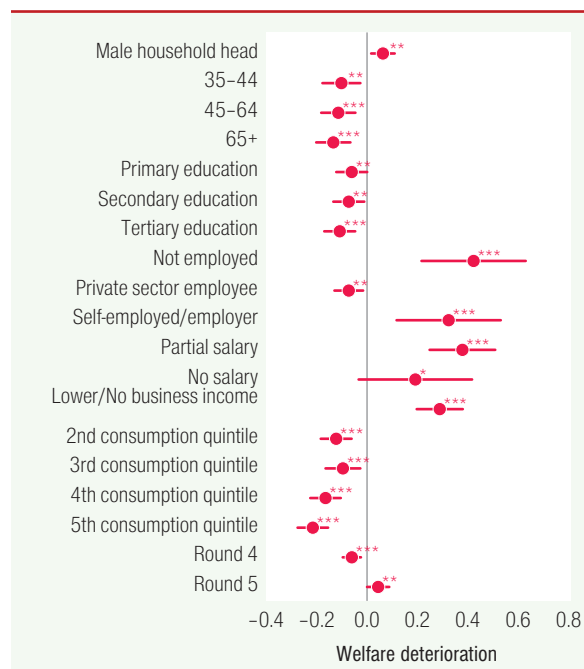
lower likelihood of reporting a deterioration in living standards than the poorer ones. The results reported for Tunisia can be seen across all countries within the region.

Other surveys, implemented across MENA in, amongst others, Morocco, Egypt, Djibouti, Iraq, Libya, Lebanon and Palestine confirm that poorer households are more likely to lose their income due to the COVID-19 pandemic.⁴⁶ These surveys also demonstrate that mitigation

⁴⁵ Alfani et al., 2021. A linear probability model is estimated at the household level simultaneously controlling for type of employment as well as for additional individual characteristics. The dependent is a dummy variable that equals one if a household reports a deterioration in living standards relative to the month before the interview.

⁴⁶ Nguyen and Gansey, 2021.

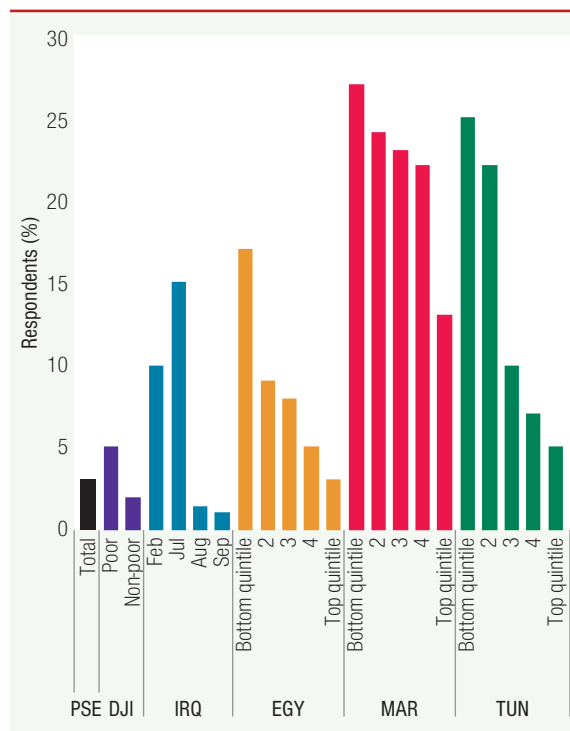
FIGURE 20 • Probability of Declaring a Deterioration in Living Standards, as Compared to the Month before the Interview, Tunisia (2020)



Source: Alfani et al., 2021. Estimations based on data from the *Enquête téléphonique auprès des ménages pour étudier et suivre l'impact du COVID-19 sur le quotidien des Tunisiens*, INS and WB. (March to October 2020).

Note: Estimation coefficients of the linear probability model. Reference categories: 15-34; no education; public sector employee; full salary, business income as usual or more than usual; Quintile 1; Round 3.

FIGURE 21 • Portion of Respondents to High Frequency Phone Surveys Receiving Support from Public Cash Transfer Programs Following COVID-19 by Consumption Quintile



Source: WB and statistical institutes of Palestine, Djibouti, Iraq, Egypt, Morocco, and Tunisia (March to October 2020).

measures are limited in scope and insufficient to avoid significant increases in poverty. Relatively few households benefited from cash transfer programs, not in the least because many are informally employed and ineligible to benefit from existing social security schemes (Figure 21). While these programs were designed to target the poor, even the most extensive transfer systems managed to cover only 25 percent of them. As a consequence, the portion of households in the MENA region reporting food insecurity has reached dramatic levels. As much as 42 percent of households in Palestine, 26 percent of households in Djibouti and 16 percent of households in Tunisia reported lower food consumption relative to prior to the onset of the pandemic. In Iraq, almost half of households implemented at least one negative coping strategy (such as the sale of assets) to ensure the family had enough food to eat. The only exception is found in Morocco where the cash transfer program reached 5.2 million individuals who had lost their job in the informal sector and requested some assistance from the government.⁴⁷

The impact of COVID-19 on inequality in Algeria

There are no data that directly measure the welfare impact of the COVID-19 pandemic on Algerians, but if one assumes that patterns from other countries in the region apply, existing data can be exploited to investigate the likely impact of COVID-19 on inequality in Algeria.

Jobs that cannot be done remotely, poor access to the Internet and lack of equipment make home-based work virtually impossible for the vulnerable. Whether a job can be performed from home is a key determinant of households' vulnerability given the widespread shutdowns, mobility restrictions, and social distancing policies. The feasibility of home-based work for the vast majority of occupations, in turn, is likely to depend on internet access,⁴⁸ and is complicated by the

⁴⁷ Lopez-Acevedo et al., 2021.

⁴⁸ World Bank, 2016.

BOX 3: THE SIXTH MULTIPLE INDICATOR CLUSTERS SURVEY (MICS6)

The Multiple Indicator Clusters Survey (MICS) is an international program launched in 1995 by UNICEF to support countries in the production of key indicators to monitor the condition of women and children. Algeria is amongst the 60 countries that have participated in the MICS initiative since 1995, having completed five editions: MICS1 in 1995, MICS2 in 2000, MICS3 in 2006, MICS4 in 2012–2013 and MICS6 in 2018–2019.

The sixth edition is managed by the Ministry of Health, Population and Hospital Reform, and implemented in partnership with UNICEF, with the support of the United Nations Population Fund (UNFPA) and technical support from the Office National des Statistiques. The survey was held between December 2018 and April 2019, and generated close to 200 indicators, disaggregated by region (*Espaces de Programmation Territoriale*), place of residence (urban or rural), gender, educational attainment, age and wealth quintile.

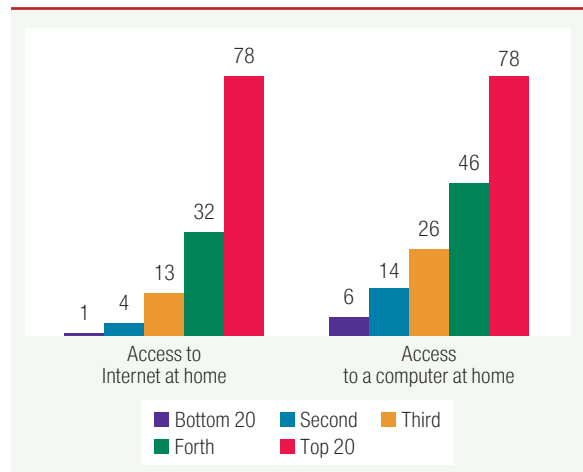
Five questionnaires were used in the MICS6, adapted for the Algerian context and the country's needs:

- A household questionnaire, collecting information on all household members, the household and the accommodation (close to 30,000 respondents)
- A questionnaire for women between the ages of 15 and 49 years old (over 35,000 respondents)
- A questionnaire related to children below the age of five years old (close to 15,000 respondents)
- A new questionnaire related to children between the ages of 5 and 17 years old (over 17,000 respondents)
- A questionnaire analyzing the quality of the household's drinking water (over 4,000 respondents)

Innovations from the sixth survey include water quality testing, access to social transfers, handicaps and the functioning of children and women. Modules specific to Algeria were also developed and integrated into the survey, including on economic activity of youth 15 years of age and over, chronic diseases and mortality, household waste, dental health, and accidents for children between the ages of 5 and 17 years old.

Source: UNICEF.

FIGURE 22 • Access to Home-Based Internet and PC by Welfare Quintile, % of Population, 2019

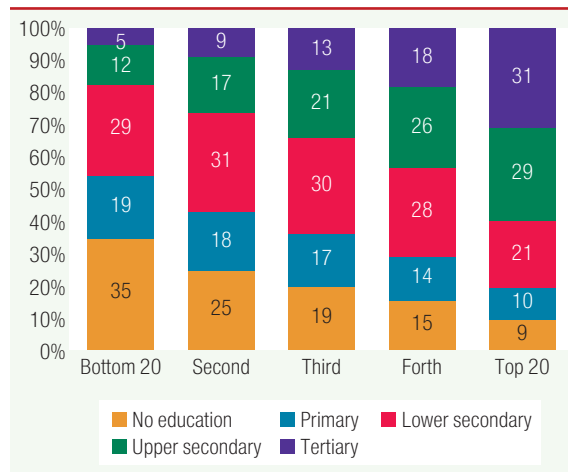


Source: Authors calculations based on MICS 6 (2019).

quality and cost of the digital infrastructure (see Box 2, Chapter 2). While 26 percent of Algerians have Internet at home, only one percent have access to the internet and six percent of individuals have access to PC equipment in the bottom welfare quintile (see Figure 22). The educational attainment level is also a strong predictor of the ability of an individual to work from home⁴⁹ and the population from the bottom quintile is highly deprived in this aspect with 53 percent having primary or no formal education (see Figure 23). On par with other upper-middle income countries, Algeria seems to be very unequal in the share of potential home-based jobs by quintile, with nearly zero such jobs for the first two income quintiles and with 40–50 percent of remote jobs for the top quintile (Sanchez et al., 2020).

Poor and vulnerable Algerians live in more cramped conditions, have worse toilet facilities and poorer access to tap water inside their dwellings, making them more susceptible to infection. Poorer Algerians live in more cramped conditions with three persons per bedroom, on average, versus two persons per bedroom, on average, for the wealthier households (see Figure 24). Likewise, one out of five households in the bottom welfare quintile⁵⁰ shares toilet facilities with other households (see Figure 25) making them more exposed to infections. Furthermore, only 64 percent

FIGURE 23 • Highest Educational Attainment by Quintile, % of Adult Population, 2019



Source: Authors calculations based on MICS 6 (2019).

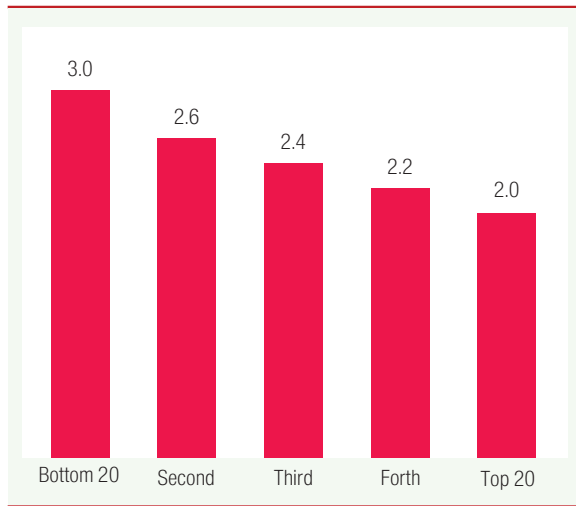
of households in the bottom quintile has access to tap water inside the dwelling, leading to poorer sanitary conditions, compared to 98 percent access among households in the top quintile.

Data from the ANEM demonstrates that unskilled employees disproportionately lost their jobs during the pandemic. Between March 2020 and March 2021, the number of jobseekers among the unskilled population registered a much larger increase compared to skilled individuals, which stands in contrast to the recent trend. (Figure 26) The number of jobseekers with no qualification increased by 35 percent between March 2020 and March 2021, against an increase of 31 percent for support staff and specialized workers, 26 percent for advanced technicians and 24 percent for managers. The excess labor supply for low-skilled occupations is expected to exert a downward pressure on wages in the short-to medium-term horizon.

⁴⁹ Sanchez et al. (2020).

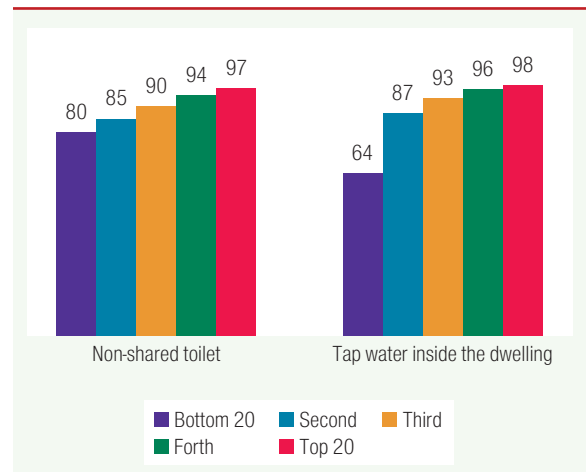
⁵⁰ Due to the lack of income or consumption data in Algeria, an asset index approach has been applied to estimate households' welfare using MICS 6 (2019) data. It is constructed by Principle Component Analysis (PCA) approach using information on households' living conditions and assets' ownership, following Filmer and Pritchett (2001).

FIGURE 24 • Average Number of Persons per Room by Welfare Quintile, 2019



Source: Authors calculations based on MICS 6 (2019).

FIGURE 25 • Living Conditions of Households by Welfare Quintile, % of Households, 2019

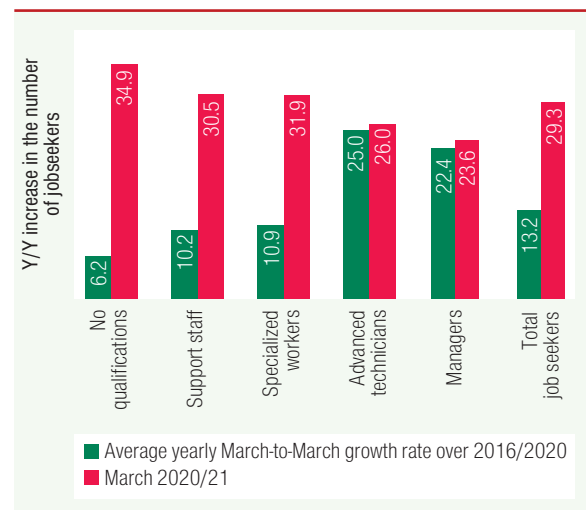


Source: Authors calculations based on Multiple Indicator Cluster Surveys (MICS) 6 (2019).

The concentration of self-employed and informal workers amongst the bottom quintile also suggests that poorer households in Algeria are more likely to be affected by COVID-19. The case of Tunisia shows that self-employed and informal workers are among the most vulnerable to a deterioration in living standards during the pandemic. In Algeria, 35 percent of the working population is self-employed, and 34 percent is concentrated in the informal segment. There is an uneven distribution of self-employed and informal workers across welfare quintiles. Indeed, 57 percent of the population in the bottom welfare quintile is self-employed, while only 19 percent of the population in the top welfare quintile is self-employed (see Figure 27). Informal workers represent 50 percent of the working population in the bottom quintile, compared to 24 percent in the top quintile.

Algerian women engaged in the labor force have also been disproportionately exposed to the COVID-19 pandemic. Roughly 45 percent of women active in the labor force are concentrated in the healthcare and social sector, placing them at a high risk of being infected with COVID-19⁵¹ (Figure 28). While recent labor force data remain unavailable, tighter labor market conditions are expected to have disproportionately affected women in the labor force who were already suffering from a higher

FIGURE 26 • Yearly Increase in the Number of Jobseekers, per Skill Level (% growth)

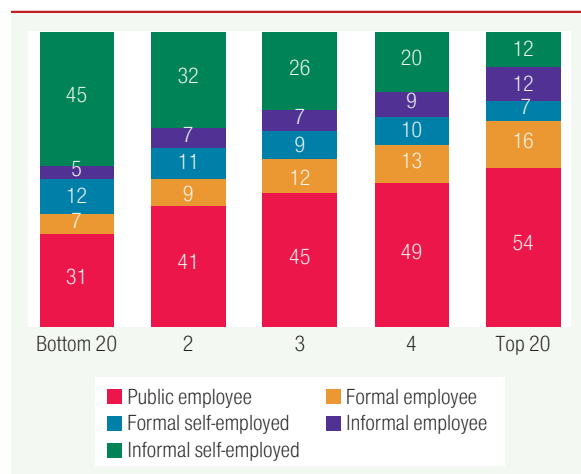


Source : ANEM.

unemployment rate relative to their male counterparts prior to the onset of the pandemic (20 percent for women against 9 percent for men) (Figure 29). As evidenced by past experience, women who lose their jobs amid tighter labor market conditions find it much more difficult to reintegrate the labor force compared

⁵¹ The UK ONS has created an estimate of exposure to generic disease, and physical proximity to others, for UK occupations based on US analysis of these factors.

FIGURE 27 • Type of Employment by Asset Index Quintile, 2019



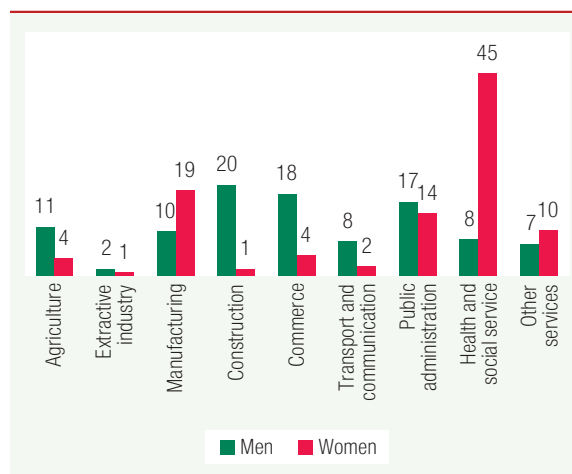
Source: Authors calculations based on MICS 6 (2019).
 Note: Informal employment is defined as not covered by social insurance.

to their male counterparts. This would inevitably have negative consequences on women’s welfare and ultimately, the household’s welfare, as Algeria experiences a decline in the number of households with two income earners.

The protracted effects on inequality

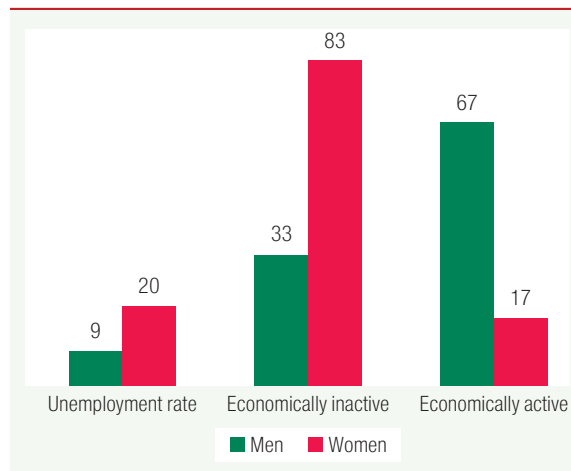
In the face of important macroeconomic and fiscal adjustment policies to come, targeted and substantial compensation mechanisms will need to be introduced, to avoid disproportionately impacting the most vulnerable. The COVID-19 pandemic has exacerbated Algeria’s public financial challenges and raised the need for spending consolidation (see Chapter 2) and is expected to lead to a decrease in public investment and an acceleration of the ongoing subsidy reform effort. According to the Ministry of Finance, 44 percent of public investment projects were indeed frozen in 2020, and only 54 percent are expected to resume by 2022.⁵² While public investment represents 36 percent of the country’s total investment, over half of investment spending takes the form of construction activity.⁵³ Given the high concentration of low-skilled and informal workers in the construction sector, the effect of the public investment contraction

FIGURE 28 • Employed Population Distribution by Sector and Gender, 2019



Source: Labor Force Survey (LFS) 2019.
 Note: Public administration does not include health services.

FIGURE 29 • Labor Force Status by Gender, 2019 (%)



Source: LFS 2019.

would fall disproportionately on the most vulnerable segment of the population. In addition, the reform of State subsidies, which started after the 2014 oil shock, was resumed in 2020 and could accelerate. Taxes on petroleum products were raised again by

⁵² The 2021 Amended Finance Law also projects that public investment will decline in real terms between 2022 and 2023.

⁵³ 99 percent of construction activity is generated from investment spending (ONS, 2020).

the 2020 Amended Finance Law,⁵⁴ while policies to streamline wheat and milk subsidies were initiated during the Summer of 2020 (see Chapter 1). Although recent estimates are not available, food products typically represent a larger portion of the consumption basket of low-income households who, in the absence of adequate compensation, will be disproportionately affected.⁵⁵ Finally, according to the 2021 Finance Law, the Algerian currency is projected to depreciate substantially during 2021–2023 to reduce pressures posed by large external and fiscal financing needs. This will, however, raise the price of imported goods and services, raising inflationary pressures on the economy. Among Algerian

households, the most vulnerable will have the least capacity to absorb the shock to their real purchasing power, and rising inflation will deteriorate their living conditions further than wealthier households.

⁵⁴ Although the price of petroleum products were raised by the 2016, 2017 and 2018 Finance Laws, the Finance Law for 2019 and the initial Finance Law for 2020 did not resort to further price increases.

⁵⁵ The latest ONS estimates show that households form the bottom quintile allocated 53.7 percent of their consumption to food and beverages, against 32.3 percent for the top quintile.



TOWARDS AN EQUITABLE REFORM OF ALGERIA'S HEALTH SYSTEM

The impact of COVID-19 over the past year has demonstrated the need for equitable recovery and reform of Algeria's health system. Even as official case and death numbers remained low, COVID-19 has exposed the limits of the health system. A double burden of communicable and non-communicable diseases, as well as resource constraints, demonstrate the need to strengthen the Algerian health system. While the Algerian health financing system features high public financing and relatively low out of pocket spending, and while life expectancy and control of non-communicable diseases are comparable to peer countries, health outcomes still lag behind other upper-middle income economies, particularly with regards to the equitable distribution of maternal and child health outcomes. Shortages of physical and human resources, as well as inequitable distribution of financial protection pose significant challenges. Finally, declining government financing and health system capacity pose risks in ensuring a resilient health system.

Introduction

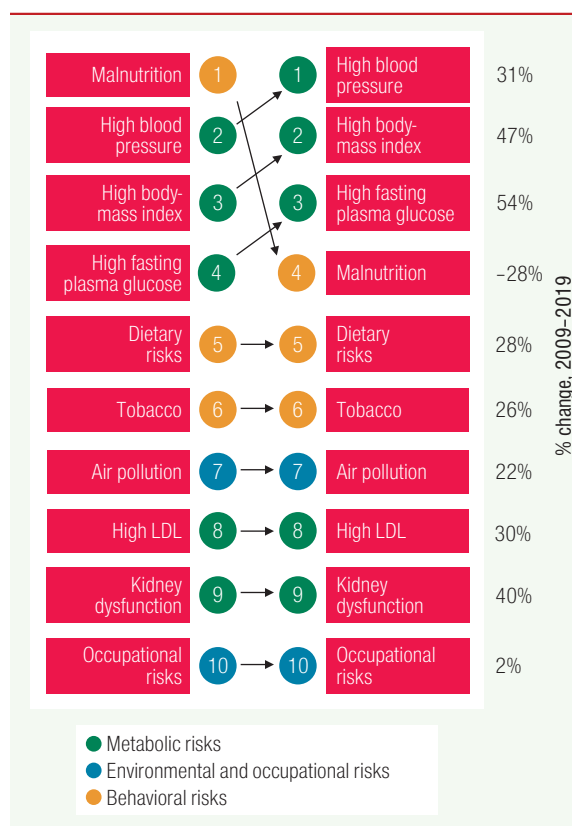
Over the past year, Algeria has been grappling with the impact of COVID-19 on its health system.

According to internationally available data, since the beginning of the pandemic, Algeria has over 125,000 confirmed cases of COVID-19 resulting in almost 3,500 deaths, which is significantly lower in

per capita terms than other countries in the MENA region.⁵⁶ Algeria has seen peaks in daily new COVID-19 cases in April, August, and December 2020, and daily new cases are continuing to rise as of May 2021, highlighting the continued risk. Cases and deaths are likely underrepresented due to a very low testing rate: at 54 percent, Algeria has the highest COVID-19 test positivity rate in the region, demonstrating the scale of the pandemic as well as the limits of testing.⁵⁷ Data on the distribution of cases, deaths, or testing capacity is not publicly available, which makes it difficult to analyze trends. A paper examining Algeria's initial response to the crisis points to the limits of an overly centralized health system, which has limited the country's ability to scale up tests and respond proactively to the local epidemiological situation. The involvement of the private sector was further constrained by the fact that the fee schedule for private facilities was last updated in 1987, implying that private facilities had limited incentives to deliver services related to COVID-19. Due to the closure of borders, the importation of medicines and raw materials for various commodities has also been impacted and resulted in stock-outs of essential medicines, demonstrating the dependence of the Algerian pharmaceutical sector to imports. The assessment also pointed to difficult working conditions of medical staff, driven by both physical and human resource shortages.⁵⁸

Beyond COVID-19, a double burden of communicable and non-communicable diseases, as well as financing, service delivery, and resource constraints, demonstrate the need to strengthen the Algerian health system. The challenges in Algeria's COVID-19 response highlighted in the paragraph above also hinder its ability to respond to its burden of disease. As Figures 30 and 31 demonstrate, even as the majority of Algeria's disease burden is due to non-communicable diseases, neonatal disorders and lower respiratory infections continue to constitute a significant share of the disease burden, unlike in many other middle-income countries. This is seen with risk factors as well, as malnutrition and dietary risks continue to form a high share of overall risk factors, despite significant progress in this area. This double burden, as well as Algeria's experience

FIGURE 30 • Top Causes of Death in Algeria, 2009-2019



Source: Based on data from the Institute for Health Metrics and Evaluation (IHME).

in responding to COVID-19, demonstrates the need to strengthen the health system to improve financing and transition towards a patient-centered system with a particular focus on increasing equity.

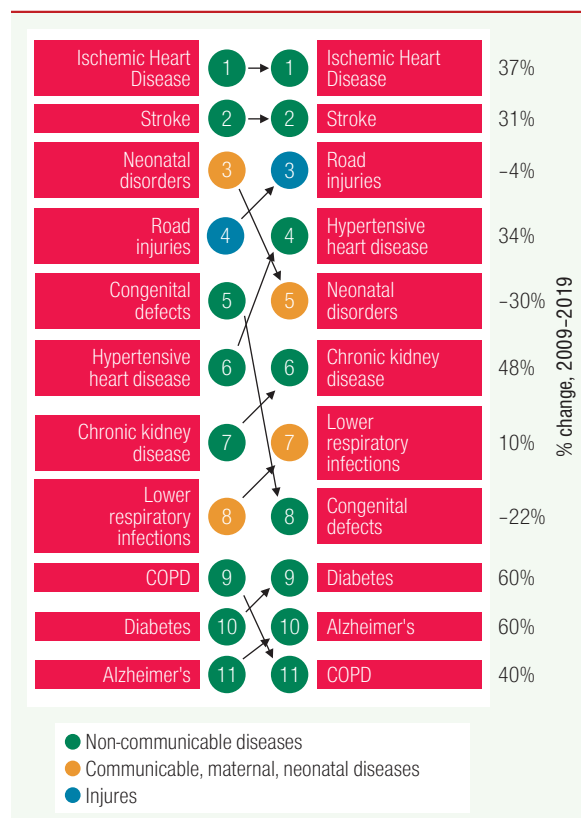
Algeria's successful recovery from the shock of COVID-19 hinges upon the rapid deployment of COVID-19 vaccines, as well as improvements to the equity and resiliency of its health system. In the short run, rapid and equitable deployment of COVID-19 vaccines is the main enabler for Algeria's recovery from the crisis. However, if all vaccines received by mid-May were deployed, Algeria's performance would be lower

⁵⁶ As of May 19, 2021. Official data from the Government of Algeria.

⁵⁷ World Bank, May 11, 2021. MENA Crisis Tracker.

⁵⁸ Snoussi Z, 2020.

FIGURE 31 • Top Risk Factors for Death and Disability in Algeria, 2009-2019



Source: Based on data from the IHME.

than the majority of countries in the region.⁵⁹ Algeria is expecting to receive additional doses of Sinovac, AstraZeneca, and Sputnik V vaccines by the end of June, and has allocated 22 billion DZD (US\$164 million) for the short-term procurement of vaccines. However, Algeria's strategy to reach a high vaccine coverage remains unclear, and at end-May 2021, vaccines for less than 3 percent of the population have been procured.⁶⁰ Further, as the rest of this chapter demonstrates, shortages of physical and human resources, as well as inequitable distribution of financial protection pose significant challenges. While the Algerian health financing system features high public financing and relatively low out of pocket spending, and while life expectancy and control of non-communicable diseases are comparable to peer countries, health outcomes still lag behind other upper-middle income economies, particularly

with regards to the equitable distribution of maternal and child health outcomes. The rest of the section presents these results.

Health outcomes

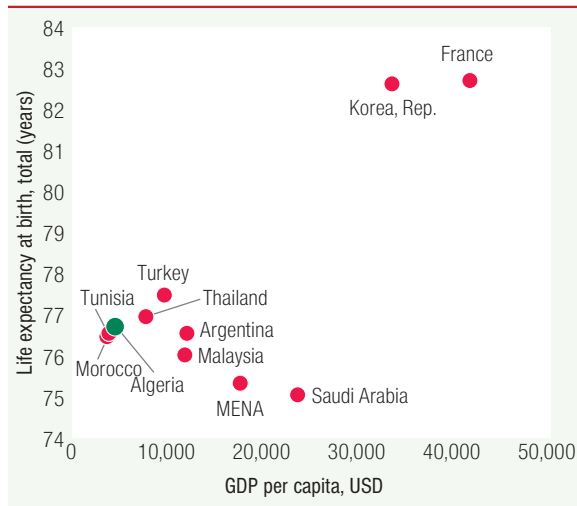
Compared to countries of a similar income level, Algeria has comparable life expectancy, but a lower human capital index largely driven by its education and nutrition outcomes. Figure 32 demonstrates that Algeria has a life expectancy at birth of 77 years, which is comparable or above that of countries with similar income level. However, Algeria has a human capital index of 0.53, which indicates that a child born today will only be 53 percent as productive than if they were to benefit from full education and health. In particular, and despite recent progress, Algeria has one of the higher levels of stunting at 12 percent, compared to peer countries.

While Algeria was undergoing a demographic transition with lower fertility and higher life expectancy, fertility remains high and has recently increased. Algeria has the highest fertility rate amongst comparator countries, with almost 3 births per woman (Figure 34). While the rate has declined until about 2000, it has gone up since then (Figure 35). Adolescent fertility also remains high even though it has been declining, and it is particularly high for the poorest, less educated adolescent girls, as well as those in rural areas, in the Haut Plateau Centre and Sud regions, where it is above 3 births per adolescent girl. This is attributable to a relatively high rate of unmet need for modern contraceptives, which is at 34 percent and highest in urban areas and in the Sud region. 46 percent of women do not use any contraceptive methods, and less than 5 percent of women use long-lasting contraceptive methods, which further contributes to a high fertility rate. While a breakdown of total fertility by socioeconomic characteristic is not available,

⁵⁹ World Bank, June 13, 2021. MENA Crisis Tracker.

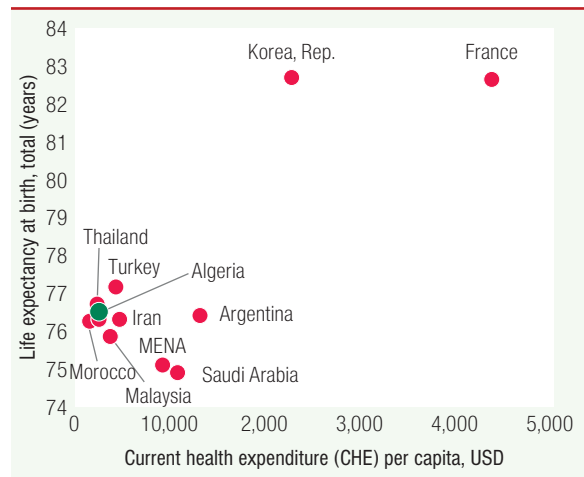
⁶⁰ According to the Minister of Health, Population and Hospital Reform on an interview on Radio Algérie.

FIGURE 32 • Life Expectancy Versus GDP per Capita, 2018



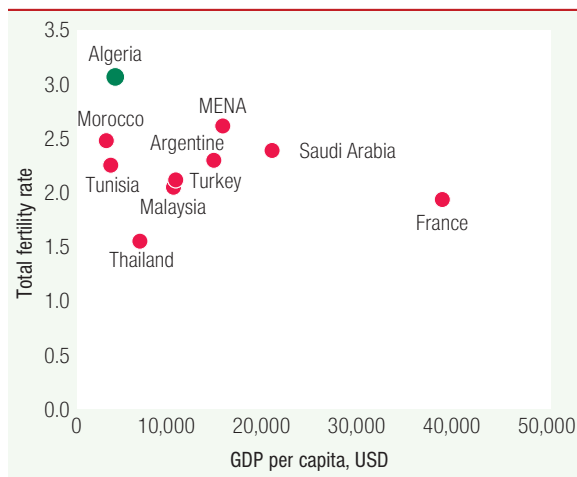
Source: World Bank (WB) World Development Indicators (WDI).

FIGURE 33 • Life Expectancy at Birth Versus Current Health Expenditure per Capita, 2017



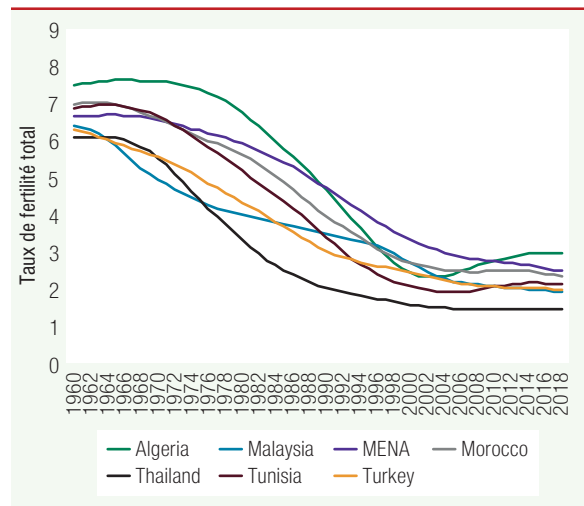
Source: WB-WDI.

FIGURE 34 • Total Fertility Rate Versus GDP per Capita, 2018



Source: WB-WDI.

FIGURE 35 • Evolution of Total Fertility Rate



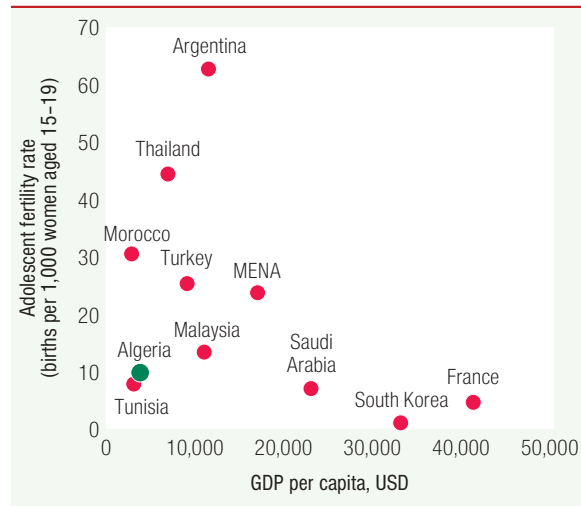
Source: WB-WDI.

data on desired number of children show that those in the poorest quintiles, those with lower education, and those in the Haut Plateau Centre and Sud regions have the highest number of desired children (ranging from 3.5 to 4). According to the 2019 MICS survey, 34 percent of married women have an unmet need for contraceptives, which also remains high in Sud, Nord Centre, and Nord Est, and is actually higher for richer income quintiles and for those

with higher education, demonstrating the need to scale up access to contraceptives for these groups. (Figure 36 and 37).

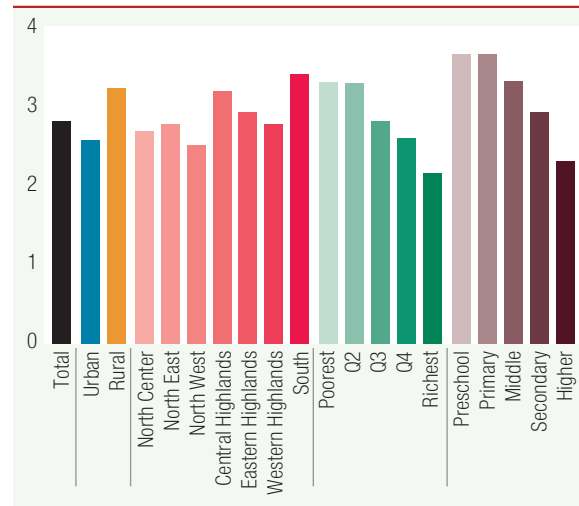
Maternal mortality continues to be the highest among comparator countries, at 112/100,000 live births, remaining constant over the past decade. Compared to other countries, Algeria sees a significantly high maternal mortality rate, and unlike other countries, this rate has

FIGURE 36 • Adolescent Fertility Rate and GDP per Capita



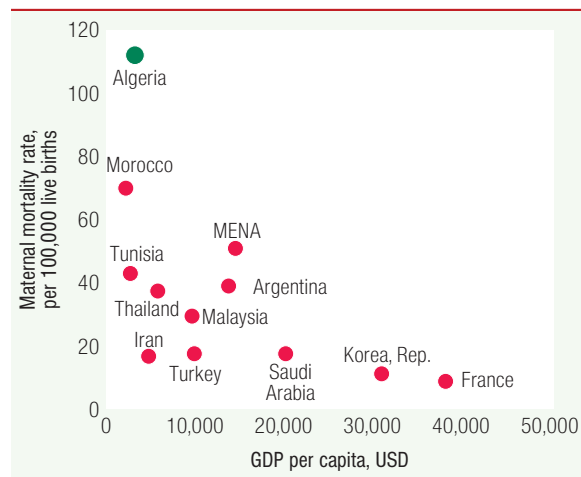
Source: WB WDI.

FIGURE 37 • Distribution of Adolescent Fertility by Socioeconomic Characteristics



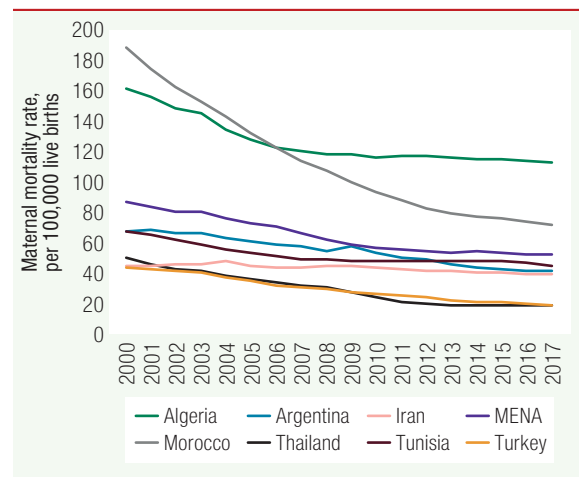
Source: MICS 2019.

FIGURE 38 • Maternal Mortality Rate Versus GDP per Capita, 2018



Source: WB WDI.

FIGURE 39 • Evolution of Maternal Mortality Rate, 2018



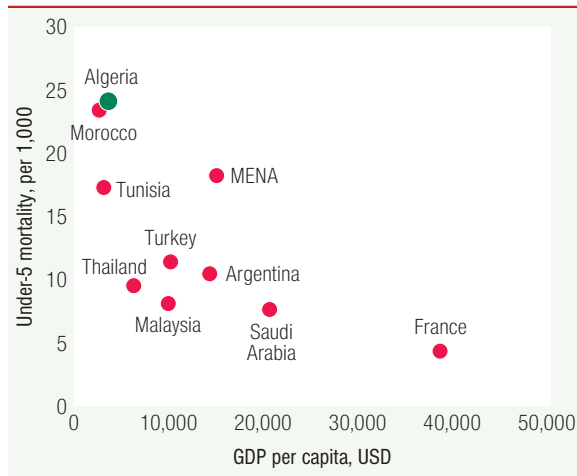
Source: WB WDI.

not declined significantly in recent years (Figures 38 and 39).⁶¹ An analysis of MICS data shows that women receive an average of 5 antenatal visits, and that almost every woman delivers at health facilities (87 percent at public, 11 percent at private facilities), highlighting that the issue is less with access but more with quality of services received. While the survey does not have many specific questions on quality of care, it shows that about a third of wom-

en who have gone for antenatal visits have not received the three most basic procedures required: measurement of blood pressure, taking of blood

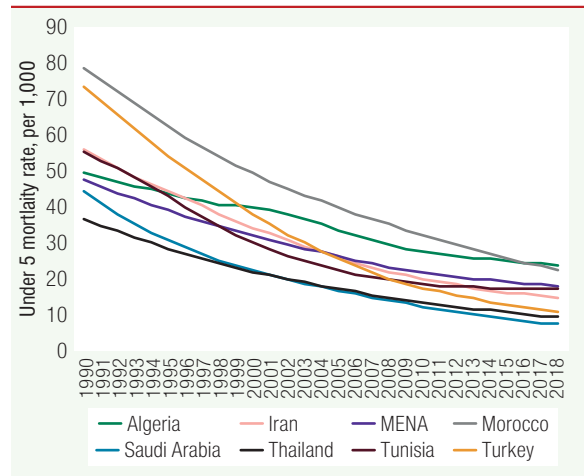
⁶¹ The World Bank's WDI data is internationally comparable, but might not match national administrative data. According to the Ministry of Health, maternal mortality rate fell from 77/ 100,000 live births in 2010 to 49/ 100,000 live births in 2019.

FIGURE 40 • Under-5 Mortality Rate Versus GDP per Capita, 2018



Source: WB WDI.

FIGURE 41 • Evolution of under-5 Mortality Rate, 2018



Source: WB WDI.

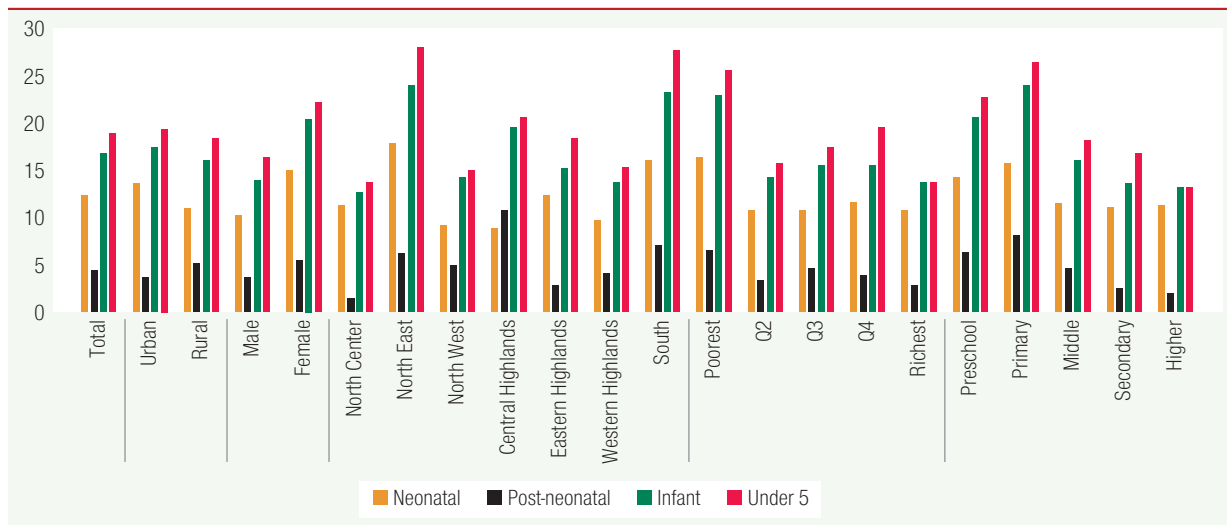
sample and taking of a urine sample. 48 percent of women experienced a complication during their pregnancy, including 12 percent who experienced hypertension-related complications, demonstrating the need for timely and high-quality care to be sought during these complications.

Despite a downward trend, infant and under-5 mortality remains high. Figures 40 and 41 demonstrates that according to the latest international data, Algeria continues to have high infant and under 5 mortality rates relative to comparator countries.

An analysis of MICS data from 2019 demonstrates that under-5 mortality is 19 per 1,000 live births, and infant mortality is 17 per 1,000 live births (Figure 42). Rates are highest in the Nord Est and Sud regions, highlighting that past regional inequalities have also persisted in this round of the survey. Rates are also higher for poorest quintiles and children born to less educated parents.

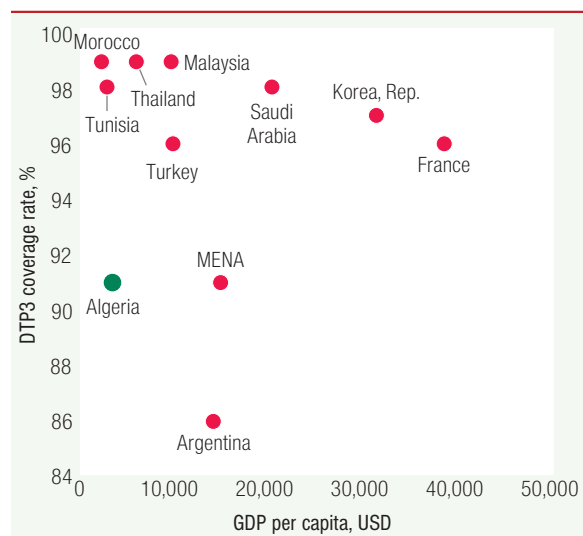
A relatively low immunization rate, as well as low levels of care-seeking for sick children, contribute to infant and under-5 mortality.

FIGURE 42 • Neonatal, Post-Neonatal, Infant, and Under 5 Mortality by Socioeconomic Characteristics



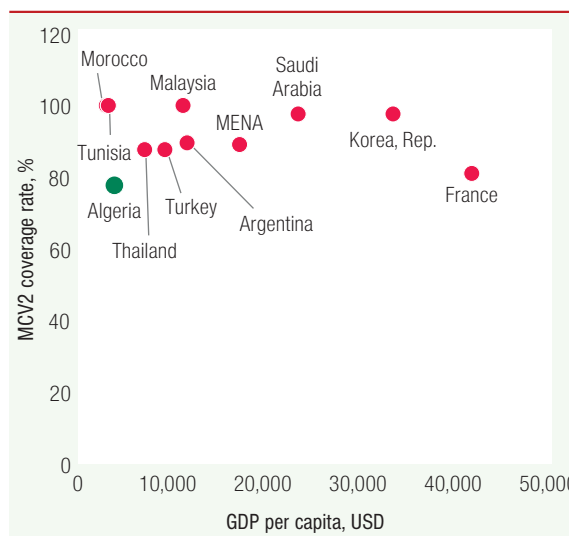
Source: MICS 2019.

FIGURE 43 • DTP3 Coverage Versus GDP per Capita, 2018



Source: WB WDI.

FIGURE 44 • MCV2 Coverage Versus GDP per Capita, 2018



Source: WB WDI.

Figures 43 and 44 demonstrate that Algeria has the lowest vaccination rate among comparator countries for children who have received three doses of the Diphtheria-tetanus-pertussis vaccine (DTP3, 90 percent in 2018) as well as for children who have received two doses of the measles vaccine (MCV2, 78 percent in 2018). According to 2019 MICS data, coverage is even lower than administrative data, with a 74 percent coverage rate for DTP3 and 43 percent coverage rate for MCV2. The same data demonstrates that only 55 percent of children under 5 have received basic antigens, and only 21 percent of children under five years of age have received the full set of vaccines in the immunization schedule, highlighting significant coverage gaps.⁶² In addition to immunization, curative services for children also have a relatively low coverage rate: MICS data demonstrates that almost half the children under 5 who suffered from diarrheal disease did not seek treatment at a health facility, with relatively high rates across the board (Figure 45).

Despite significant progress, high levels of stunting and malnutrition threaten human capital accumulation. Almost 10 percent of children under five years of age are stunted, with a height for age ratio two standard deviations below the mean, and almost 3 percent of children suffer from wasting, with a

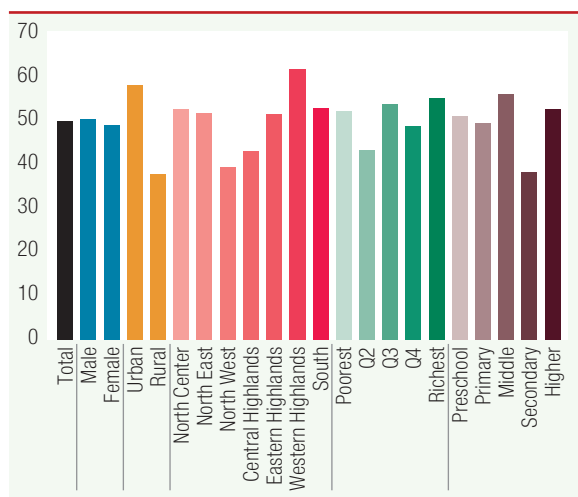
weight-for-age ratio two standard deviations below the mean (Figure 46). Obesity for children is even higher at 13 percent. All malnutrition indicators are higher for females, those in rural areas, Nord Centre/Nord Ouest regions; while wasting and stunting are higher for poorest quintiles, obesity is higher for the richer quintiles. Food insecurity continues to be a significant problem in Algeria for both adults and children, especially for refugees, driven by an overreliance on costly imported food as only 17 percent of Algeria's land is suitable for agricultural farming.⁶³

Algeria suffers from a high chronic disease burden. As mentioned in the introduction section, similar to other middle-income settings, the burden of disease in Algeria predominantly consists of non-communicable diseases (NCD). Table 3 demonstrates the relatively high levels of risk factors and NCD prevalence in Algeria based on the STEPwise survey, with high levels of smoking for men, high levels of overweight and obesity for women, and elevated rates of diabetes, hypertension, and cholesterol. About

⁶² Basic antigens include BCG, Polio3, DTP3, and the first dose of the measles vaccine; full vaccination includes all of these plus HepB3, Hib3, PCV3, rubella, and a second dose of the measles vaccine.

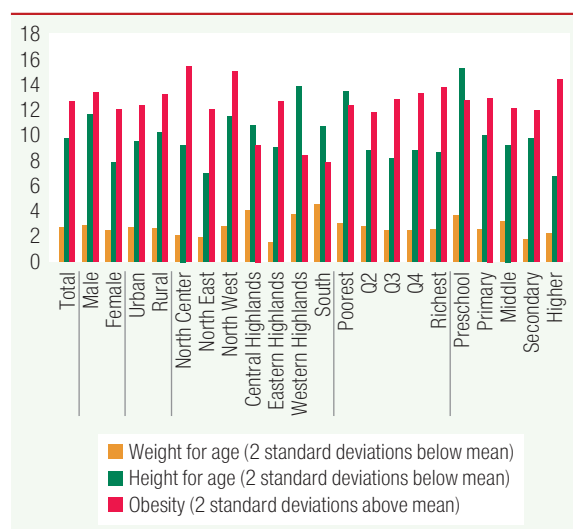
⁶³ Reece (2020).

FIGURE 45 • Percentage of Children Under 5 Who Did Not Seek Treatment for Diarrheal Disease



Source: MICS, 2019.

FIGURE 46 • Stunting, Wasting, and Obesity among Children Under-5



Source: MICS 2019.

TABLE 3 • NCD Indicators and Risk Factors, Algeria, 2016-17 (percent Ages 18-69 years)^a

Risk factors and disease	Men	Women	Total
Smokes tobacco daily	28.1	0.3	14.3
Overweight (BMI ≥ 25 kg/m ²)	48.3	63.3	55.6
Obese (BMI ≥ 30 kg/m ²)	14.1	30.1	21.8
Indicator of hypertension (systolic blood pressure ≥ 140 and/or diastolic ≥ 90 mmHg, or under treatment)	23.1	24.1	23.6
Indicator of diabetes (glycemia ≥ 126 mg/dl or HbA ≥ 6.5 percent, or under treatment)	14.2	14.9	14.4
Indicator of high cholesterol (≥ 190 mg/dl, or under treatment)	21.5	26.6	24.0
At least 3 NCD risk factors ^b (ages 18-44 years)	22.0	23.4	22.7
At least 3 NCD risk factors (ages 45-69 years)	39.1	51.0	45.0
At least 3 NCD risk factors (ages 18-69 years)	27.2	32.1	29.6

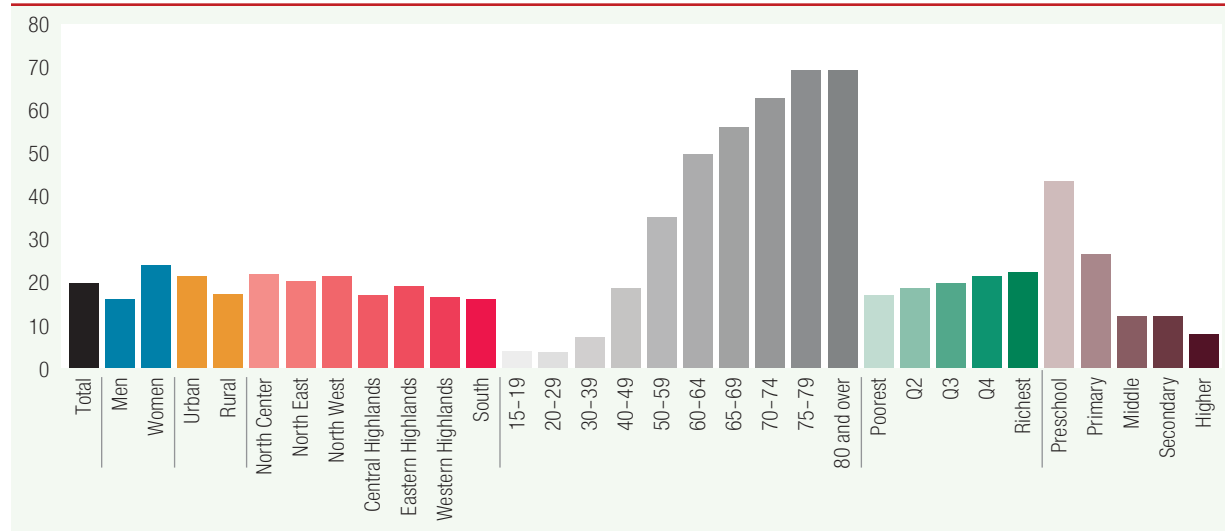
^a (n = 6,989) République Algérienne Démocratique et Populaire (2017). Enquête nationale sur la mesure du poids des facteurs de risque des maladies non transmissibles selon l'approche STEPwise de l'OMS : Principaux résultats, Algérie 2016-17. Ministère de la Santé, de la Population et de la Réforme Hospitalière et Organisation mondiale de la santé.

^b Risk factors: smokes tobacco daily, consumes less than 5 portions of fruit/vegetables daily, insufficient physical activity, overweight/obese, indicator of hypertension.

a fifth of the population aged 18-44 suffers from at least one NCD-related risk factor, demonstrating the potentially elevated upcoming cost of NCD management for years to come. According to more recent MICS 2019 data, 20 percent of the population suffers from at least one chronic disease, which is higher for women (24 percent), and also for the richest quintiles (23 percent). Prevalence rates according to MICS are lower, 8 percent of the population has hypertension, 5 percent diabetes, and 1.5 percent

have respiratory disease. According to the data, 14 percent of the population had one chronic disease and 6 percent had two; over 95 percent of the population reporting having a chronic condition also reported receiving treatment for it. It should be noted that the MICS survey did not undertake any measurement of risk factors and the measurements were based on self-reported data, and as such, the rates are likely an underestimate, especially for poorer quintiles or those in more remote areas, given the potential for

FIGURE 47 • Prevalence of at Least One NCD by Socioeconomic Characteristic



Source: MICS 2019.

undiagnosed chronic diseases. Data on control, or adherence to treatment guidelines, was not captured in the MICS or STEPwise surveys, and should be collected to ensure actionable decision-making on the NCD treatment cascade.

Health system organization and capacity

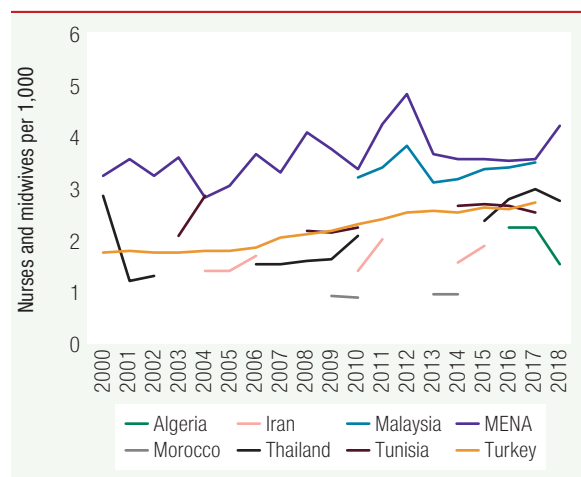
Looking at the availability of key inputs per capita, Algerian health system capacity is behind

comparator countries,⁶⁴ highlighting the need to improve investments particularly in primary care.

Internationally available data (Figure 48, 49 and 50) show that while Algeria has a comparable amount

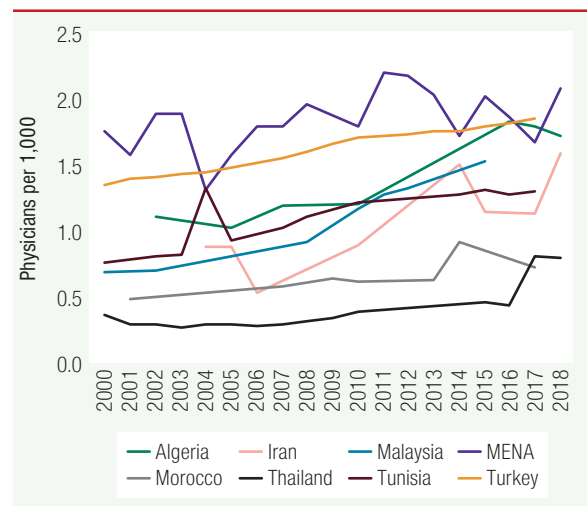
⁶⁴ Comparator countries in this chapter are selected across three categories: a) Maghreb region: Morocco and Tunisia; b) Upper-middle income country peers and aspirational countries: Thailand, Turkey, Malaysia, Argentina, Iran; c) Aspirational high-income countries: France, Saudi Arabia, South Korea.

FIGURE 48 • Nurses and Midwives Per 1,000 Persons, 2018



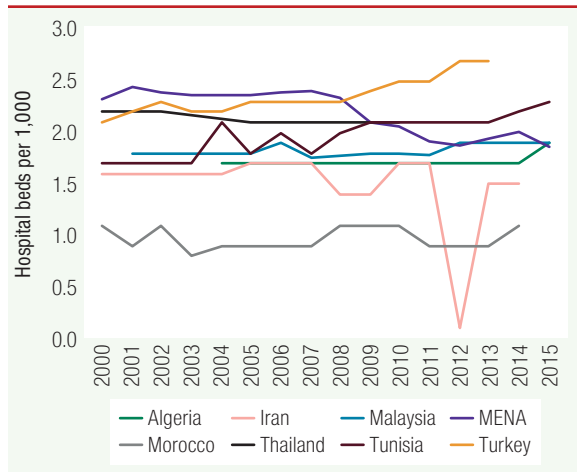
Source: WB WDI.

FIGURE 49 • Physicians Per 1,000 Persons, 2018



Source: WB WDI.

FIGURE 50 • Hospital Beds per 1,000 Persons, 2018



Source: WB WDI.

of physicians per capita (1.7 per 1,000), it lags behind in terms of nurses per capita (1.5 per 1,000),⁶⁵ demonstrating the need to shore up key cadres delivering primary care to improve maternal and child health outcomes. Number of hospital beds per 1,000 is also lower than most peer countries. Notably, the number of physicians and nurses per capita has declined recently, demonstrating the need to scale up investments in strengthening the health system. As

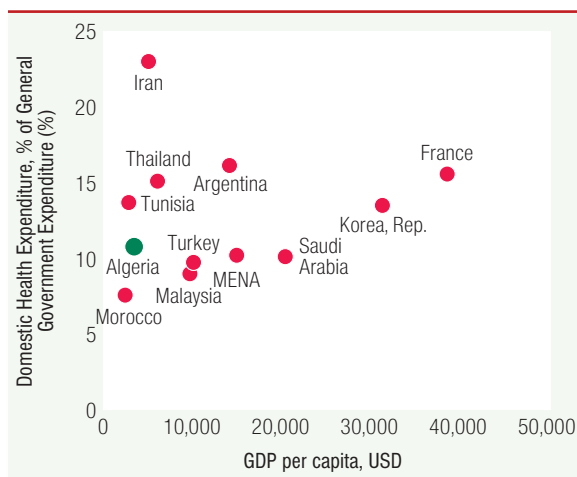
the shock of COVID-19 has demonstrated, strong health system capacity is needed to ensure effective management of COVID-19 cases as well as continuity of essential services. A strong primary health system plays a pivotal role in this regard.

Health financing system

Algeria spends about 6 percent of its GDP on health, and over 10 percent of general government expenditure is allocated to health. Since 1973, all care has been provided free of charge at Algerian public health facilities. This was also guaranteed in the latest health law of 2018, which has further expanded benefits and coverage for the population. Compared to other middle-income countries and to countries with a similar level of GDP per capita, Algeria spends about a similar level of its general government budget on health, but has lower public health spending as a fraction of its GDP, demonstrating the need to improve fiscal space for health (Figures 51 and 52).

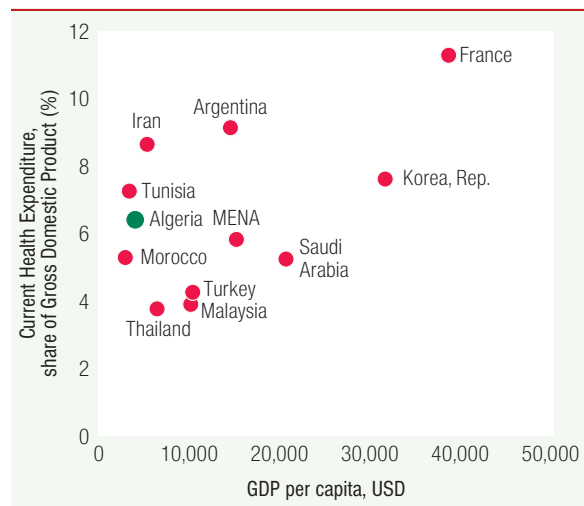
⁶⁵ The World Bank's WDI data is internationally comparable, but might not match national administrative data. According to the Ministry of Health, Algeria had 2.1 physicians per 1,000 and 3 paramedics per 1,000 in 2018.

FIGURE 51 • Domestic General Government Health Expenditure as a Percentage of General Government Expenditure, 2018



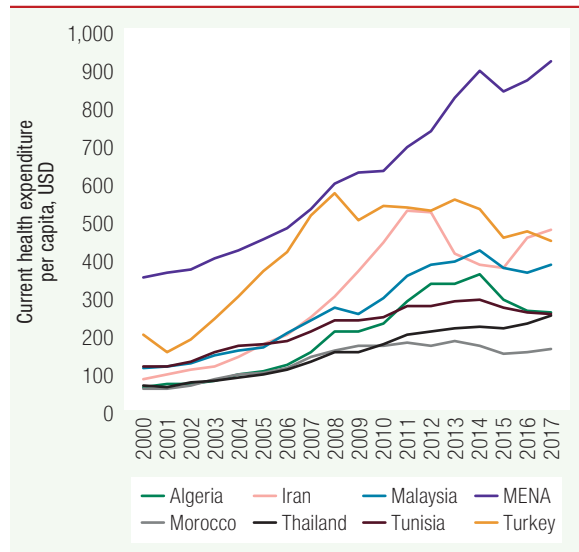
Source: WB WDI.

FIGURE 52 • Current Health Expenditure as a Percentage of Gross Domestic Product, 2018



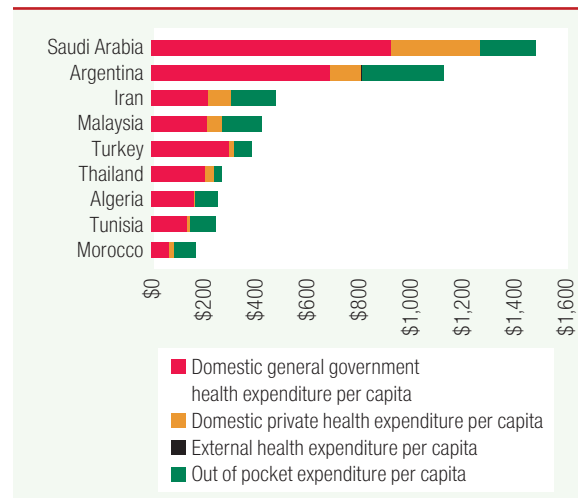
Source: WB WDI.

FIGURE 53 • Current Health Expenditure per Capita Over Time, 2018



Source: WB WDI.

FIGURE 54 • Current Health Expenditure Per Capita Disaggregated by Financing Source, 2018



Source: WHO Global Health Expenditure Database (GHED).

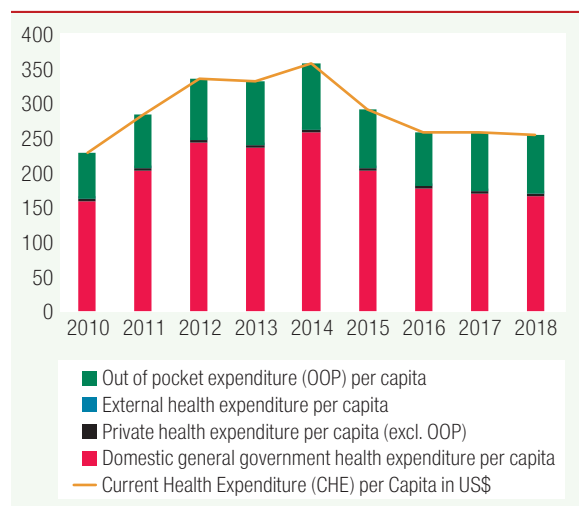
Note: Excludes South Korea and France for legibility.

Both of these shares have remained constant over the past decade in Algeria, highlighting the cyclical nature of health spending.

Per capita health spending has been declining, particularly driven by a decline in government spending per capita for health, further demonstrating the cyclical nature of health

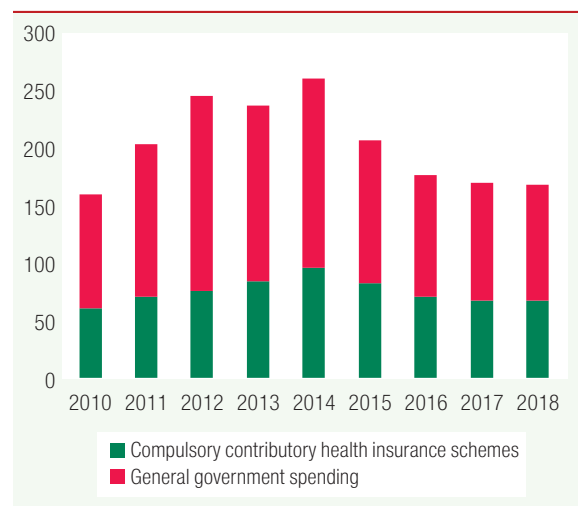
spending. Current health expenditure per capita from all sources is US\$260 per capita as of 2018, and even though this has been steadily increasing until 2014, when it reached US\$358, it has declined since. The decline has been driven by a decline in government spending for health, which went up from its peak in 2014 of US\$258 to US\$168 in 2018. While

FIGURE 55 • Distribution of per Capita Health Financing in Algeria across Financing Agents



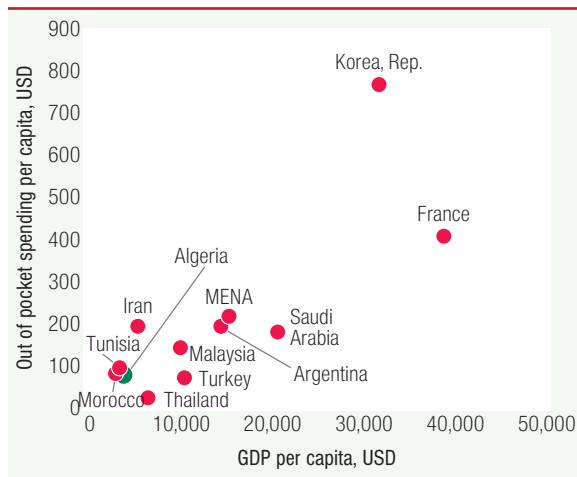
Source: WHO GHED.

FIGURE 56 • General Government Spending on Health Versus Expenditures through Insurance Schemes



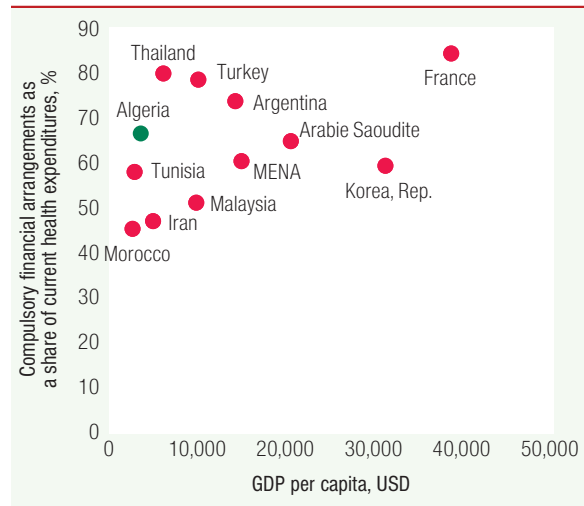
Source: WHO GHED.

FIGURE 57 • Out of Pocket Health Expenditure per Capita Versus GDP Per Capita, 2018



Source: WB WDI.

FIGURE 58 • Pooled Health Spending as a Share of Total Health Spending, 2018



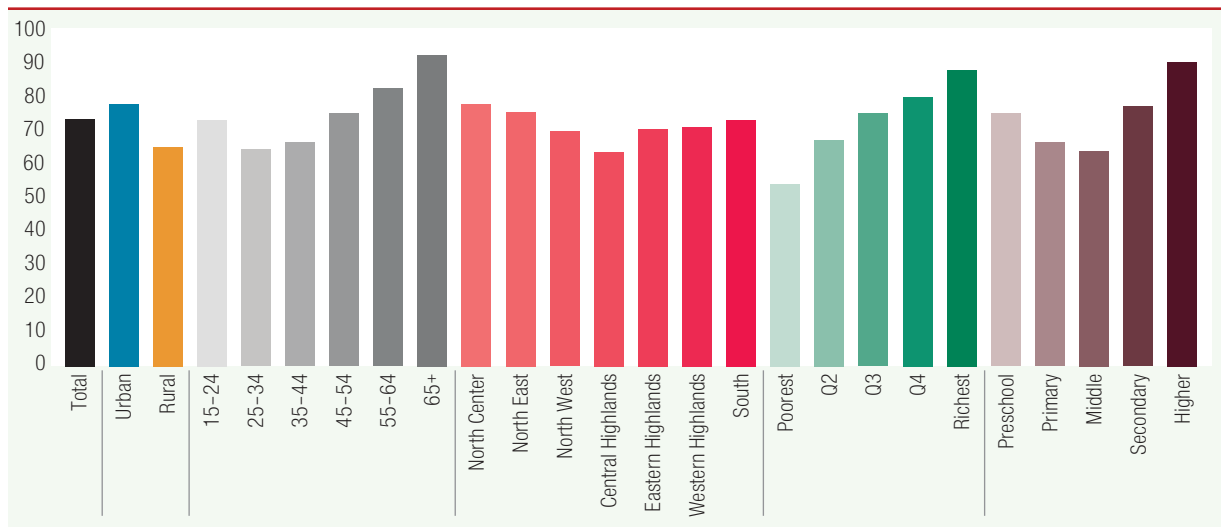
Source: WB WDI.

Algeria spends more than Maghreb countries, it spends less than other middle-income comparators (Figures 53 and 54). Compulsory financing arrangements (government health expenditure and health insurance contributions) as a share of current health expenditure have remained relatively constant, ranging from 66 to 72 percent in the course of the past two decades (currently at 66 percent). Compulsory health insurance as a share of current health expenditure remained at 26 percent for most of the past two

decades, highlighting that most government health expenditure is financed by the general government budget (Figure 56).

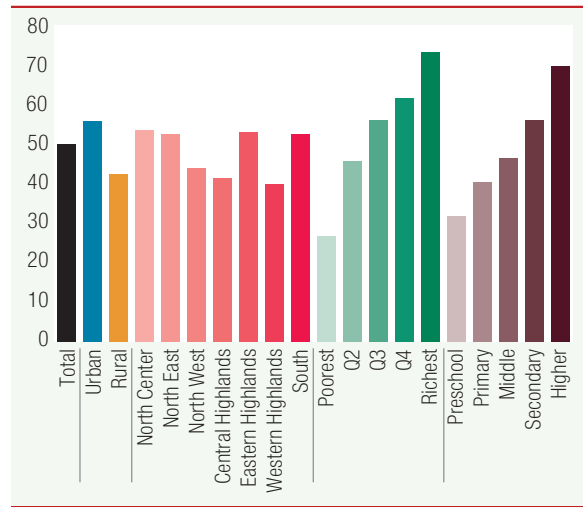
Despite a high share of pooled health spending, out of pocket spending in Algeria is higher than countries with comparable GDP per capita, and financial risk protection is inequitably distributed (Figures 57 and 58). While coverage rates for financial protection schemes are relatively high, they are not equitably distributed, indicating

FIGURE 59 • Coverage within a Health Insurance Scheme for Population above Age 15



Source: MICS 2019.

FIGURE 60 • Coverage within a Health Insurance Scheme for Children Under 5



Source: MICS 2019.

potential gains from improving the targeting and equity of insurance schemes. In 2019, 74 percent of the population was affiliated with a health insurance scheme, a coverage rate that is higher for women than for men (78 percent versus 70 percent), and for those in urban areas than in rural areas (78 percent versus 65 percent) (Figures 59 and 60). Those in the richest quintiles were more likely to have been covered by an insurance scheme than those in the poorest (88 percent versus 54 percent). Coverage was lowest in the Central Highlands region, and higher for the elderly. A more regressive pattern is found with health insurance for children: about half of children have health insurance, and those in the richest quintile are three times more likely to have health insurance than the poorest (74 percent versus 27 percent). The Western Highlands region has the lowest coverage rate. Of the children who have health insurance, almost all were covered by social security schemes (i.e., CNAS or CASNOS), as opposed to private schemes. As will be seen in the next section, this likely is a driver of low levels of care seeking for children, slowing down potential human capital accumulation: even though immunization and preventive services are free, curative services, especially medicines, are not.

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Chapter 4

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DATA APPENDIX

	2017	2018	2019	Estimate	Projections	
				2020	2021	2022
Output and prices						
	Annual percentage change					
Real GDP	1,3	1,2	0,8	-5,5	3,7	2,5
Non-hydrocarbon sector	3,7	5,1	3,4	-4,3	2,9	2,2
Hydrocarbon sector	-2,4	-6,4	-4,9	-8,5	5,7	3,3
Per capita	-0,8	-0,8	-1,2	-6,9	2,2	1,1
Indice des prix à la consommation (moyenne sur la période)	5,9	3,5	2,4	2,1	3,9	4,1
GDP (in trillions of current DZD)	18,9	20,5	20,4	19,1	22,3	24,5
GDP (in billions of current US\$)	170,1	175,4	171,2	150,3	165,8	175,4
Oil and gas sector						
Crude oil production (thousand barrels per day)	1,059	1,040	1,023	899	896	945
Natural gas production (billion of m3)	94,8	95,9	89,6	89,8	99,8	101,7
Algeria's oil export prices (US\$ per barrel)	54,1	71,4	64,5	40,4	63,2	62,9
External sector						
	In percent of GDP					
Current account	-13,0	-9,5	-10,0	-14,0	-9,7	-9,0
Trade balance	-13,2	-8,9	-9,3	-13,3	-9,0	-8,4
Exports of goods and services	22,2	25,3	22,4	16,0	20,1	21,0
Hydrocarbon exports	19,7	22,2	19,4	13,2	17,3	18,1
Nonhydrocarbon exports	2,5	3,1	3,0	2,8	2,8	2,9
Imports of goods and services	35,3	34,2	31,7	29,3	29,1	29,3
Gross official reserves (months of imports) ^a	19,2	15,4	13,6	12,8	7,3	3,0
Exchange rate (Algerian dinar per US\$; period average)	111,0	116,6	119,4	126,8	134,7	139,8
Central Government Finance						
	In percent of GDP					
Government revenue and grants	32,0	33,4	32,2	30,4	26,2	26,5
Hydrocarbon revenue ^b	11,5	14,1	13,1	10,5	10,8	10,9
Nonhydrocarbon revenue	20,5	19,3	19,1	19,9	15,4	15,6
Tax revenues	13,9	13,3	13,9	13,9	12,0	11,7
Non-tax revenues	6,6	6,0	5,2	6,0	3,4	3,9
Expenditures ^c	38,6	37,8	37,8	41,8	39,9	38,6
Current expenditures	24,8	26,0	23,8	28,0	26,6	25,4
Capital expenditures	13,8	11,8	13,9	13,8	13,3	13,2
Special Account Balance and Treasury Interventions	1,9	2,4	4,0	5,1	4,5	4,0
Fiscal balance	-6,5	-4,4	-5,5	-11,4	-13,7	-12,1

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	2017	2018	2019	Estimate	Projections	
				2020	2021	2022
Overall budget balance	-8,4	-6,8	-9,6	-16,5	-18,1	-16,1
Primary overall budget balance	-7,5	-6,3	-9,0	-15,8	-17,5	-15,5
Nonhydrocarbon overall budget balance	-19,9	-20,9	-22,7	-27,0	-28,9	-27,0
Total central Government debt	26,5	37,8	45,1	49,8	56,6	64,1
Domestic debt	25,5	36,9	44,3	48,9	55,8	63,3
External debt	1,0	0,9	0,8	0,9	0,8	0,8

^a Excluding IMF Special Drawing Rights (SDR).

^b Includes dividends from Sonatrach and hydrocarbon revenues transferred to the oil savings fund.

^c In 2018, a transfer to the national pension fund was reclassified from capital expenditures to current expenditures.



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