Algeria's inclusive budget plan points to president's fifth term

Lamine Ghanmi

Tunis

Algeria's efforts to finance a comprehensive welfare programme amid an economic crisis suggest the country's ailing president intends to stay in power beyond 2019, analysts said.

Algerian President Abdelaziz Bouteflika's cabinet has agreed to revise money and credit legislation that would allow the Central Bank to print money to manage the government`s budget deficit, estimated at $100 billion, for five years.

> **Ouyahia's economic plan amounts to "an election programme to prepare for the presidential election in 2019."**

Bouteflika ordered the "unconventional financing" to avoid incurring foreign debt and depleting foreign currency reserves.

The move was a reversal to a position laid out by Prime Minister Ahmed Ouyahia, who shocked the country with a warning that salaries and retirement pensions for government employees might go unpaid because of a budget crunch.

Algeria plunged into a severe crisis at the end of 2014 when oil prices slumped, causing an abrupt drop in the country's reserves.

The Fund for the Regulation of Receipts (FRR) — an oil savings fund that had swelled to $445 billion in 2012 — helped the government plug its budget deficit, which was 13.5% of GDP in 2016. However, successive budget deficits have depleted the fund.

Algeria's economy is dependent on oil and gas exports, with such goods accounting for 95% of foreign currency earnings and 60% of budget revenue.

The "unconventional financing" strategy is similar to quantitative easing, an expansionary monetary policy used by the US Federal Reserve and the European Union to jump-start the global economy following the 2008 financial crisis.

Volte-face. Algerian Prime Minister Ahmed Ouyahia presents the government's programme to the parliament, on September 17. (AFP)

Ouyahia outlined the new vision to parliament in mid-September, saying the country had "resisted the crisis for three years... thanks to the president's decision to bar foreign debt, set up the Fund of the Revenues Regulation and the cautious management of foreign currency reserves."

The move represents a break from austerity policies of Ouyahia's predecessors, Abdelmadjid Tebboune and Abdelmalek Sellal, and comes despite warnings from economists.

"In 2019 all the foreign currency reserves will be emptied," former Prime Minister Ahmed Benbitour said in an opinion piece printed in local dailies. "Algeria will face two choices: Reduce import bills and that is impossible or resort to foreign debt and that will be impossible too."

Ouyahia pledged the "unconventional financing" plan would keep welfare programmes afloat and help finance the construction of 1.6 million free housing units for 2018-19. It would help fund job-creation plans for 53,000 new enterprises employing 230,000 employees, as well as maintain funding for subsidy programmes that cost $27.5 billion annually, he said.

In addition, Ouyahia pledged to freeze taxes for next year's budget and push import bills higher.

Economist Samir Allam said Ouyahia's economic plan amounts to "an election programme to prepare for the presidential election in 2019."

"The Central Bank will print money for the equivalent of $20 billion annually for four or five years to finance budget deficits, to pour more money into state banks and pay debts of several state companies, including (oil monopoly) Sonatrach and (power utility) Sonelgaz worth a total of $15 billion," he said.

Former Speaker of Parliament Abdelaziz Ziari, a leading figure in the ruling National Liberation Front (FLN) party led by Bouteflika, said he could "not rule out a fifth term for the president."

"Until further notice, the president is in the same health condition of the day when he was elected for a fourth term (in 2014)," he said.

While Bouteflika's supporters hailed the president as "a man emerging from the past to save Algeria's future," opponents have called for measures to prevent him from seeking a fifth term in office in 2019. Some have suggested the military should intervene.

The military, however, has opted against such action, saying it is "committed to their constitutional republican duties."

Military Chief Ahmad Gaid Salah, in a speech September 18, expressed support for Bouteflika and his policies.

"Gaid Salah appeared to assert his allegiance to the head of state. It is a message aimed at those who ask him to intervene to stop a fifth term as well as to Bouteflika to affirm to him that he is always backing him," said political analyst Hani Abdi.

Bouteflika, elected in 1999, is credited with restoring political and social stability to Algeria after a bloody civil war in the early 1990s.

He suffered a stroke in 2013 that left him with long-term health problems and confined to a wheelchair. He has rarely been seen in public since.

Egypt's commodity price rise overshadows start of academic year

Amr Emam

Cairo

Fagala market for stationery supplies in downtown Cairo's crowded Ramses Square is the pulsating commercial heart of the Egyptian capital, especially just days ahead of the start of the academic year.

Dozens of stationery stores of all sizes take their places side by side and compete for attention as parents and students across Egypt usually come to the market to buy their school supplies at bargain prices.

However, what should be the busiest week of the year for the market has witnessed a clear slowdown, with many parents complaining about the price of school supplies.

"Stationery items' prices have never been so high," said Mohamed Sedki, an accountant and a father of two children. "Seeing these high prices here and everywhere else, I don't know how I will cope."

Millions of Egyptian families are feeling the pinch as they prepare for the academic year. About 18.5 million students will return to the classroom and many families are complaining about rising prices.

The prices of stationery items are reaching record levels. The prices of school bags, shoes and school uniforms are hitting unprecedented heights too.

A school bag that sold for $14 last year costs at least $28 this year and could go even higher. The prices of stationery items have also doubled.

Almost 75% of the 18.5 million pupils enrolled in state-owned schools pay relatively low tuition fees. The remaining 25% (around 4.6 million) are enlisted in private national and international schools, where tuition fees have soared.

Sedki, in his mid-40s, sends his two children to a private school in Giza province. The school administration has raised tuition and bus fees for this year by more than 30%.

Apart from the tuition and bus fees, he has to buy school uniforms, bags, stationery items and new shoes to outfit his children for the new academic year.

"I cannot actually afford any new items for the children, so I am repairing their bags and shoes from last year," he said.

Economists have said the trouble facing parents this year is less about the rising cost of education and more about the overall rise in prices nationwide — a symptom of Egypt's unprecedented inflation rate following a controversial currency devaluation last year.

The current inflation rate stands at 34%, which is reflected in commodity prices across the board, meaning that many items that were previously affordable for millions of Egypt's poor and middle class are now out of reach.

> **About 18.5 million**
> **students will return to the classroom, but many families are complaining about rising prices.**

"Millions of people are caught in the middle of our country's economic reform, which has made their lives hard," said Rashad Abdo, an economics professor at Helwan University. "The suffering of the people will continue so long as the nation's financial planners insist on reducing pressure on the state budget by putting this pressure on the shoulders of the public."

A weakening national currency, a growing budget deficit and a drop in foreign currency reserves at the central bank have precipitated a series of reform measures that so far have included the free flotation of the Egyptian pound, the slashing of fuel, water and electricity subsidies and the introduction of a value-added tax.

Foreign currency reserves are picking up as a result of the reforms, but the same reforms are also driving commodity prices to new heights.

This is obliterating the purchasing power of Egyptian families.

In Fagala, traders and stationery store owners said the pessimistic outlook of many customers was clear.

Tarek Mohamed, one of those traders, acknowledged that items on sale at his store cost nearly twice as much as last year but that he had no choice but to increase prices along with the rest of the market.

"The depreciation of the pound is pushing the prices of all items up and this makes it hard for my clients to cope," Mohamed said. "Some people have to buy only half of what they need; others only ask about the prices and then leave."

Briefs

Moody's: Egypt economy recovering from 2011 uprising

Egypt's economy is improving but has yet to recover from the country's 2011 uprising and the years of unrest that followed, an international credit rating agency said.

Moody's hailed economic and fiscal reforms in its annual report on Egypt, saying the changes point to "improved government effectiveness and policy predictability." Weak finances, however, remain a "key challenge" for the government, it added.

Egypt embarked on an ambitious economic reform plan shortly after President Abdel-Fattah al-Sisi took office in 2014. The government slashed subsidies, imposed a value-added tax and allowed currency devaluation to qualify for a $12 billion bailout loan from the International Monetary Fund.

(The Associated Press)

Saudi to create $2.7 billion entertainment investment firm

Saudi Arabia's sovereign wealth fund is to create a $2.7 billion entertainment investment company, state media said, as the kingdom opens avenues for the leisure industry.

The country seeks to increase domestic spending on entertainment and launch hundreds of recreation centres across the kingdom as part of its Vision 2030 plan to reduce its dependence on oil.

"The Public Investment Fund is in the process of developing a new company to act as its investment arm in Saudi Arabia's growing entertainment sector," the Saudi Press Agency said.

"The company, which will have an initial capitalisation of SAR 10 billion ($2.7 billion), will play an active investment role in various areas of the entertainment sector."

(Agence France-Presse)

At Dubai expo, Chinese firms look to tap lucrative halal market

Standing behind her stall at a Dubai exhibition centre, Dai Dong He offered passers-by what looked like carefully wrapped biscuits or chocolates.

"This is dry beef, beef snacks," said Dai, general manager of Anhui Central Asia Food Company, one of eight Chinese firms from Anhui province displaying products at Halal Expo Dubai 2017.

Dubai is hosting the show for the ninth year, with the Gulf emirate positioning itself as a major hub for the halal industry, a $3 trillion market for goods and services that are permissible under Islamic law.

Chinese firms have increasingly looked to tap the market, with organisers of the show saying the Chinese halal sector is forecast to hit $1.9 trillion by 2021, an average growth rate of 9% from its 2015 level.

(Agence France-Presse)