

GEOPOLITICAL RISK OBSERVATORY

Algeria

An overview

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February 2026

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GRO Country Profile: Algeria

GRO Country Profiles are neither extensive analysis nor news updates. Instead, they offer a general perspective over countries and issues, trying to provide a series of factors and variables that organizations should monitor to anticipate risks. For in depth analysis or day to day updates you should contact the observatory at strategicchange@luiss.it

Summary

- Algeria is a semi-presidential republic in which political power remains concentrated among military-backed elites, with President Abdelmadjid Tebboune serving since December 2019. Hydrocarbons account for approximately 95% of export revenues and 60% of government income, creating structural vulnerability to energy price volatility.
- Algeria maintains diversified partnerships with Russia, the EU, and increasingly with China, while avoiding exclusive alignments. This stance provides flexibility but exposes the country to great power competition pressures.
- Key business challenges include endemic corruption, unstable regulatory frameworks marked by frequent policy reversals, and moderate security risks linked to terrorist activity, primarily, in southern border regions adjacent to the Sahel, as well as instability spillovers from Libya.

Basic Parameters

Indicator	Score (latest year)	Source
GDP (PPP, USD bn)	824.9 (2024)	World Bank
Share of income, top 10% (%)	48.7 (2024)	World Inequality Database
Share of wealth of the top 10% (%)	62.2 (2024)	World Inequality Database
Population (mn)	47.85 (2026 projection)	International Monetary Fund

Population over 65 (%)	7 (2024)	World Bank
Urban population (%)	75 (2024)	World Bank
Unemployment rate (%)	11.7 (2024)	World Bank
Youth unemployment 15-24 (%)	29.9 (2024)	World Bank
CPI inflation (%)	4.0 (2024)	World Bank
Debt-to-GDP ratio (%)	46.2 (2024)	World Population Review
FDI inflows (USD mn)	1,439 (2024)	United Nations Conference on Trade and Development (UNCTAD)
FDI growth rate (%)	+18.3 (2023-2024)	United Nations Conference on Trade and Development (UNCTAD)

Historical context

Algeria achieved independence from France in July 1962 after eight years of conflict (1954-1962), a foundational experience that shaped the nation’s anti-colonial political identity. Following independence, the National Liberation Front (FLN) established a single-party socialist state, positioning Algeria within the Non-Aligned Movement during the Cold War. The regime pursued state-led industrialization financed by hydrocarbon revenues discovered in the Sahara in the 1950s.

The collapse of oil prices in the mid-1980s exposed structural weaknesses in this model and triggered severe social unrest. In this context, the October 1988 riots prompted the introduction of multiparty democracy in 1989. However, after the Islamic Salvation Front (FIS) won the first round of parliamentary elections in December 1991, the military intervened in January 1992, cancelling the electoral process and banning the party. This decision led to the “Black Decade” civil war (1992-2002) between Islamist insurgents and security forces, with documented atrocities and forced disappearances.

President Abdelaziz Bouteflika, elected in 1999, oversaw a gradual restoration of stability through controversial amnesty and reconciliation policies to security forces and insurgents. While these measures helped end large-scale violence, they left key accountability issues unresolved and reinforced the political dominance of the military. Bouteflika’s two-decade rule, which relied on hydrocarbon-funded patronage, was marked by endemic corruption and was sustained through repeated constitutional changes aimed at extending presidential term limits.

In February 2019, mass protests under the Hirak movement sparked in response to Bouteflika’s announcement of a fifth-term candidacy, mobilizing a broad segment of the population demanding systemic reforms. Bouteflika resigned in April 2019, and Abdelmajid Tebboune won the December presidential elections. Since then and following his re-election in September 2024, Tebboune has pursued selective anti-corruption prosecutions targeting figures linked to the Bouteflika era, while simultaneously tightening restrictions on civil society, independent media, and political dissension.

Institutional set-up and structural challenges

Algeria is a semi-presidential republic with a unitary state structure. Despite the existence of formal democratic institutions, effective power remains concentrated within “Le Pouvoir”, an informal network encompassing senior military officers, intelligence services, FLN elites, and regime-connected business groups. The 2020 constitutional amendments formally reintroduced a two-five-year presidential term limit and enhanced parliamentary oversight mechanisms, yet (in practice) preserved executive dominance and military political influence. Tebboune’s administration has ensured short-term stability by leveraging elevated hydrocarbon revenues to expand social spending. At the same time, military loyalty has been reinforced through sharply increased defence budgets. However, persistently disputed electoral turnouts underscore enduring legitimacy deficits. Reflecting these structural vulnerabilities, the Fund for Peace Fragile State Index 2024 classifies Algeria under an “elevated warning” category. Corruption remains systemic across state institutions and key economic sectors, while judicial independence is severely compromised by executive interference, with courts frequently issuing politically motivated rulings.

Economically, Algeria exemplifies a rent-based system characterized by extreme hydrocarbon dependency. Oil and gas account for approximately 95% of export revenues, 40% of government income, and 30% of GDP as of 2024. At the same time, recent policy initiatives have sought to promote gradual economic diversification (please refer to section “Business implications – opportunities” below for further details); these efforts remain limited in scope but signal a partial shift in policy orientation. The state maintains command control over strategic sectors through public enterprises in energy, banking, telecommunications, and transport. Despite these structural constraints, foreign investment has not been fully deterred: inward FDI increased by 18.3% between 2023 and 2024, indicating renewed investor interest in selected sectors. Nonetheless, foreign investment remains constrained by regulatory barriers, including the persistence of minimum Algerian shareholding requirements (i.e., 51%) in strategic sectors.

Demographically, Algeria has an Arab majority population, alongside a significant Berber community estimated at around 30% of the population, with widespread bilingualism across Arabic and Berber languages. Socio-economic and regional disparities are pronounced: the northern coastal regions concentrate roughly 75% of the urban population, which benefits from comparatively stronger infrastructure, while southern Saharan and eastern border areas suffer chronic underdevelopment with an unemployment rate exceeding 40%. These imbalances periodically fuel localized protests demanding redistribution of hydrocarbon revenues. Finally, while wealth is concentrated among regime-connected elites, extensive subsidy systems continue to mitigate extreme poverty and social unrest.

Algeria pursues a historically non-aligned foreign policy rooted in post-colonial identity. Russia remains the primary supplier of Algerian military equipment. The European Union constitutes Algeria’s main trading partner, with Italy serving as its principal gas export destination. China has steadily expanded its footprint through infrastructure developments (such as the 950-km-long Béchar–Tindouf–Gara Djebilet railway line - Africa’s first heavy-haul desert railway) and telecommunications projects (such as satellite IoT services and low-Earth-orbit satellite development with Chinese Geespace), whereas cooperation with the United States remains limited, largely confined to counterterrorism intelligence sharing. Regionally, Algeria confronts multifaceted security threats. Libya’s civil war has created permissive spaces for jihadist groups along Algeria’s eastern border, while escalating violence across the Sahel region involves AQIM, JNIM, and Islamic State affiliates. Algeria, which borders Mali,

characterized by remote desert terrain, serves as a corridor for militant infiltration, arms trafficking, and illicit flows. In this context, Algeria-Mali relations deteriorated after 2024, following Bamako's accusation of Algerian support for Tuareg separatist groups. To the west, the unresolved Western Sahara conflict with Morocco remains Algeria's most sensitive dossier. Algeria continues to back the Polisario Front, even if diplomatic momentum has shifted toward Morocco following US recognition of Moroccan sovereignty and growing EU support. Algeria closed its land border with Morocco in 1994 and formally severed diplomatic relations in August 2021.

Forward-looking indicators point to mounting structural pressures. Algeria's fiscal position deteriorated in 2025, with the IMF upgrading sovereign stress risk to "high" and projecting double-digit fiscal deficits for 2025-2026. At the same time, declining global hydrocarbon prices and Europe's energy transition structurally threaten Algeria's rent-based economic model, with future oil-price volatility representing a key sensitivity for fiscal and external balances beyond 2025. Youth unemployment, estimated 29.9%, combined with pervasive corruption, sustains significant protest potential. Politically, ahead of the next electoral cycle (expected by 2026), the authorities are reshaping the framework through a new Organic Law on political parties and planned amendments to the electoral law. These measures raise registration thresholds, penalize electoral boycotts, and tighten party-finance rules, further enhancing executive control over the political system.

Business implications

Opportunities

Algeria presents opportunities for foreign investors mainly in capital-intensive and government-driven sectors, with the energy complex remaining the primary entry point. The government allocated approximately \$60 billion to energy projects for 2025-2029, with roughly 80% directed to upstream oil and gas exploration and enhanced production. In parallel, successive solar tenders aim to increase renewables to about 25% of power generation by 2035, creating opportunities for developers of utility-scale solar, grid-stabilization technologies, and gas-efficiency solutions.

Downstream initiatives, such as the planned SouthH2 green-hydrogen corridor to Europe, point to demand for engineering, EPC services, and equipment suppliers in power generation, water desalination, and broader infrastructure. Additional openings are emerging in pharmaceuticals, defence, ICT, agribusiness, and food processing as the state seeks to reduce import dependence and develop non-hydrocarbon export capacity.

Automotive localization further illustrates these dynamics. The Stellantis Tafraoui-Oran Fiat plant signals opportunities across the supply chain in components manufacturing, logistics, and after-sales services, particularly for investors willing to commit to local content requirements and technology transfer. At the same time, start-up-oriented reforms and capital-market measures, such as fee waivers and simplified stock-market access for certified start-ups, support niches in digital services, fintech, and other knowledge-intensive activities.

Finally, the planned Algerian-Italian Chamber of Commerce in Algiers is expected to institutionalize support for joint ventures and trade promotion, particularly in sectors relatively better insulated from geopolitical shocks, such as domestic services, telecommunications and consumer goods.

Challenges

Security challenges: Algeria faces moderate security risks that are geographically concentrated. Terrorist activity involving AQIM and Islamic State affiliates persists primarily in mountainous northern regions and southern border areas adjacent to Mali and Niger, typically targeting security forces and infrastructure. Organized crime operates in border regions through arms trafficking, drug, and migrant smuggling. Urban crime levels are moderate, with petty theft common but violent crime relatively limited. Social unrest, as demonstrated by the Hirak movement, has shown the capacity for mass mobilization (particularly between 2019 and 2021, mainly disrupting commercial activity in major urban centers). Energy companies operating in remote hydrocarbon fields rely on extensive security measures, including military escorts and fortified facilities. Manufacturing and service sector businesses in urban areas face limited operational disruption, although supply chains may experience delays in southern regions.

Algeria's security is assessed as Band 3 (medium challenges).

Regulatory challenges: Algeria presents moderate obstacles stemming from policy volatility, ownership restrictions, and currency controls. Domestic regulations change frequently and often unpredictably, in some cases with retroactive application. Laws are unevenly enforced, with business contracts subject to reinterpretation or revision. The 49/51% ownership rule restricts foreign investors to minority stakes in strategic sectors, including energy, mining, and pharmaceuticals. Customs procedures remain complex and subject to discretionary interpretation. Import restrictions introduced in 2021 have constrained supply chains and triggered EU dispute-settlement proceedings over alleged violations of the EU-Algeria Association Agreement.

While Algeria faces no international sanctions or major trade restrictions, some European financial institutions exercise caution due to money laundering concerns. The impact on business operations is material. Supply chain procurement is affected by import barriers and customs delays. Financial operations are disrupted by currency controls, and profit repatriation faces moderate bureaucratic hurdles. Market access is further constrained by mandatory local partnerships.

Algeria's regulatory risk is assessed as Band 3 (medium challenges).

Governance challenges: Algeria's governance environment presents high risks, driven by weak rule of law, endemic corruption, and limited institutional independence. Judicial autonomy is severely constrained by executive interference, with courts frequently functioning as instruments of political control, including through politically motivated rulings. Businesses cannot rely on impartial adjudication of commercial disputes, particularly where state interests or politically connected actors are involved. Contract enforcement remains unreliable without political backing, while property rights are exposed to arbitrary regulatory actions with limited legal recourse. Cronyism and preferential treatment pervade the economy, disadvantaging firms lacking political connections. Compliance with anti-corruption international standards poses challenges for multinational companies, while intellectual property protection remains weak, with inconsistent enforcement of patents and copyrights, and an elevated risk of technology leakage.

Algeria's governance risk is assessed as Band 4 (high challenges).

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