

## NEW DECREE IN ALGERIA'S AUTOMOTIVE ASSEMBLY ACTIVITY

Algiers, 28 May 2024



### Key points

- An additional 12 months is granted to manufacturers who have not achieved the local integration rates.
- Decree 24-159 provides long-awaited clarifications for operators already approved, those who invested before its publication, and those in the process of investing with the necessary infrastructure.
- The latter are exempt from prior authorisation and the usual criteria for structuring investments.
- Decree 24-159 strengthens the requirements in terms of the documentation needed to obtain definitive approval.

In line with the Algerian government's strategy to boost industrialization across key sectors, including automotive, a new executive decree has been enacted to address several objectives for the automotive industry in Algeria. These include enhancing the quality of locally produced vehicles, increasing the integration of domestic components, promoting foreign investment, and developing a comprehensive industrial sector.

Executive Decree No. 24-159, dated 12 May 2024 ("**Decree 24-159**"), published on 13 May 2024, amends and supplements Executive Decree No. 22-384 of 17 November 2022 ("**Decree 22-384**"), which establishes the regulatory framework for the vehicle construction industry.

The key provisions of Decree 24-159 are summarized as follows:

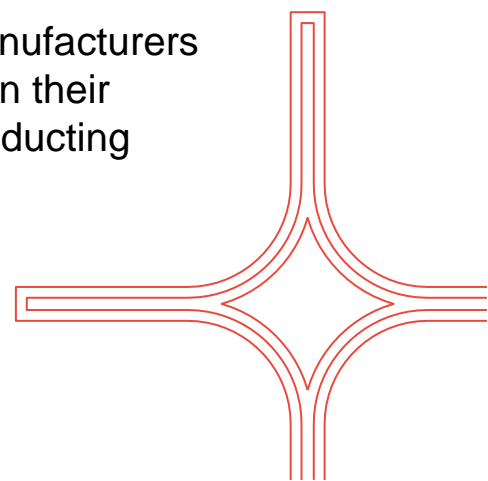
### Integration rates

The operation of vehicle manufacturing activities is contingent upon meeting specified minimum integration rates from the time approval is granted, which progress as follows:

- By the end of the 2nd year: 10%;
- By the end of the 3rd year: 20%;
- By the end of the 5th year: 30%.

The methods for calculating these integration rates were detailed in a joint ministerial order by the ministers responsible for industry, finance, and commerce, dated 17 August 2023.

Decree 24-159 stipulates that if these integration rates are not met at the specified stages, manufacturers will be granted an additional 12 months for each stage to comply, along with a 25% reduction in their annual procurement program, calculated based on the previous year's approved plan, after deducting un-assembled imported sets, sub-assemblies, and accessories.



If the manufacturer fails to meet the integration rates by the end of the additional period mentioned above, its procurement program for the affected vehicle model will be suspended until the required integration rate is achieved.

The authorized services of the Ministry responsible for industry are required to conduct inspections at the production sites of manufacturers and, where applicable, subcontractors, to ensure compliance with the stipulated integration rates by stage.

## Important clarifications for existing manufacturers

Decree 24-159 provides long-awaited clarifications for three categories of operators:

- Operators already holding approvals;
- Operators who have completed their investments, whether operational or not, prior to the publication of Decree 24-159;
- Operators with ongoing investments, prior to the publication of Decree 24-159, who possess the necessary infrastructure and equipment to engage in vehicle construction activities.

For these categories, Decree 24-159 stipulates that they are exempt from the prior authorisation and criteria normally applicable to structuring investments. It also specifies the documents and information required to obtain final approval.

### ❖ Exemption from prior authorization

The above operators are exempt from obtaining prior authorization as specified by Decree 24-159.

### ❖ Exemption from criteria applicable to major investments

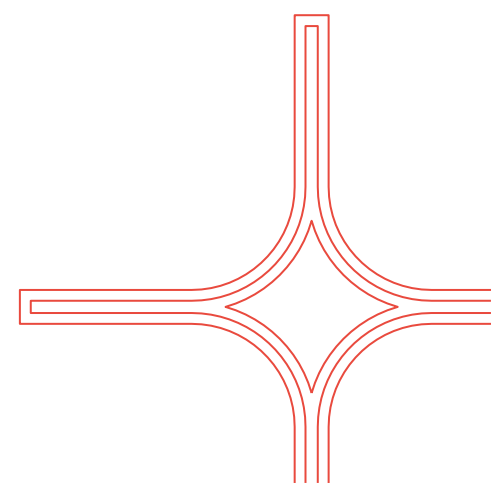
Although exempt from prior authorization, these operators must still adhere to the specifications and obtain final approval.

However, these operators, whether already approved or with ongoing investments, engaged in the construction of passenger and light commercial vehicles, are not required to meet the criteria for qualifying structuring investments, namely (i) the creation of at least 500 direct jobs and (ii) investment of at least 10 billion Algerian dinars (approximately 70 million euros).

### ❖ Clarifications on obtaining final approval

Decree 24-159 details the documents necessary for obtaining final approval, enhancing the documentation requirements, by adding for example:

- Documents evidencing the commencement or completion of the investment, or its operational status prior to the publication of Decree 24-159;
- The partnership contract or any other relevant partnership documentation, as applicable, between the Algerian investor(s) and the foreign partner(s), including the vehicle brand owner, specifying the commitments made by the parties involved in the investment, and highlighting:



- The purpose and legal form of the company;
- The duration of the partnership;
- The distribution of shares or equity among the investment stakeholders, specifying the brand owner's stake in the company's capital, if applicable;
- The projected or already achieved integration rate, if applicable;
- The types, models, and volumes of vehicles to be produced annually;
- The brand owner's commitment to supporting the investment's success in accordance with its standards and norms, particularly regarding technical training for local staff and management of industrial operations and production chains.

In addition to the above documents, applicants for the activity of constructing passenger and light commercial vehicles must submit the following:

- The brand owner's commitment to adhering to the national vehicle construction strategy, including:
  - The manufacturer's strategy for supporting and certifying local subcontractors;
  - The multi-year procurement program for sets, subassemblies, and accessories;
  - The extent of vehicle exports.
- Proof of ownership of the vehicle brand(s) to be produced.

Should you have any inquiries or require legal assistance, do not hesitate to reach out. We would be delighted to assist.

## CONTACT:



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