

Foreign direct investment is a mechanism to finance local development in Algeria

- Indonesian model under the framework project-

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الاستثمار الأجنبي المباشر كآلية لتمويل التنمية المحلية في الجزائر - النموذج الإندونيسي في ظل المشروع الإطار-

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Summary:

Through our study, we aim to understand the role of foreign direct investment in financing local development as a development strategy through the policy of economic diversification and the activation of existing economic blocs.

Finally, it was concluded that foreign direct investment was a critical element in stimulating and encouraging change and innovation, as well as bringing in new technologies and knowledge and supporting the conditions of adult governance in developing countries, and thus an important source of economic diversification as well as financing for domestic development, as emphasized by international experiences in general and the Indonesian experience in particular.

Keywords: Local development, Foreign direct investment, Indonesian model.

Jel Classification Codes : F21, R58

ملخص:

نهدف من خلال دراستنا إلى معرفة دور الاستثمار الأجنبي المباشر في تمويل التنمية المحلية باعتبارها استراتيجية تنموية من خلال اتباع سياسة التنوع الاقتصادي وتفعيل التكتلات الاقتصادية القائمة.

وفي الأخير تم التوصل إلى أن الاستثمار الأجنبي المباشر عنصر حاسم في تحفيز وتشجيع التغيير والابتكار وكذا جلب التكنولوجيات والمعارف الجديدة بالإضافة إلى دعم شروط الحكم الراشد في الدول النامية، وبالتالي مصدر مهم للتنوع الاقتصادي وكذا لتمويل التنمية المحلية وهو ما أكدّت عليه التجارب الدولية بصفة عامة والتجربة الإندونيسية بصفة خاصة.

الكلمات المفتاح : التنمية المحلية، الاستثمار الأجنبي المباشر، النموذج الإندونيسي.

تصنيف JEL : F21, R58

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Introduction:

Despite the improvement in the Algerian economy compared to previous years, the situation in which Algeria is located is not comfortable and the Algerian economy is interspersed with many weaknesses such as the efficiency of the commodity market, the efficiency of the labor market, the development of the financial market, Algeria's last place in the world rankings, which places more responsibility on all official bodies based on the Algerian economy in an attempt to increase the effectiveness of micro-indicators and then raise Algeria to advanced levels such as that enjoyed by other countries and the best example. That's Indonesia.

The following problem can be raised: **to what extent is foreign direct investment in financing local development in Algeria?**

Sub-questions: We try to simplify the problem by asking a set of sub-questions:

- What are the most important pillars of foreign direct investment?
- Indonesian competence ... who is behind it?
- What are the most important international and regional indicators to assess the investment climate in Algeria? Is the climate suitable for investment?
- What is the role of investment in achieving local development?

Research goals: Through our research, we aim at the following points:

- Identifying the most important axes of the Indonesian model for promoting economic diversification under the framework project;
- Assessment of the investment climate in Algeria;
- Knowing the most important factors for the success of the Indonesian experience in the field of local development;
- Show how Algeria benefits from activating foreign direct investment.

Structure of the research: In the light of the problem we will try to address through the following axes:

The first axis: The Indonesian model for enhancing economic diversification.

The second axis: Assessing the investment climate in Algeria through the most important international and regional indicators.

The third axis: The role of foreign direct investment in financing local development.

The first axis: The Indonesian model for enhancing economic diversification.

Indonesia is among the countries that encourage foreign direct investment the most, through setting up a number of programs that support it, including the promotion of economic diversification under the framework project.

Firstly: The Indonesian model for enhancing economic diversification under the framework project:

Indonesia possesses a wealth of primary and human resources that qualifies it to diversify its economy, as its population reached 252.8 million people, according to estimates in 2016, to be

the fourth largest country in terms of population, distributed unevenly over the fifteenth largest global region with a total area estimated at 1.9 million square kilometers consisting of More than 17,508 islands, 29% of the total area are agricultural, added to a water region estimated at 6.2 million square kilometers, and Indonesia has the third global vegetation cover, which represents 52% of the total area of the country (Organisation for Economic Co-operation and Development, 2015, p. 11).

Indonesia is working through diplomatic representations and the involvement of all concerned actors under the slogan: 'Everyone is involved', which is the Indonesian strategy to promote tourism, trade and investment. Strategy, Trade, Tourism, and Investment (TTI), where the most important areas of economic diplomacy under the framework project are the following:

1- Encouraging and stimulating trade as well as developing exports:

Indonesia launched construction work in its pavilion at Expo 2020 Dubai, and Indonesian officials laid the foundation stone with the participation of Najeeb Al-Ali, Executive Director of the Expo Bureau, and on the other hand, Ahmed Abu Talib, Mayor of the Dutch city of Rotterdam, was appointed as the representative of the Netherlands's participation in Expo 2020 Dubai. Abu Talib will inform the local business community about the promising opportunities in the UAE and the Arab Gulf region and those that are rich in Expo, and will also work to contribute to strengthening the advanced position and components of the Netherlands in the field of innovating solutions for the energy, water and food sectors (Indonesia Pavilion construction kicks off at Expo 2019, 2019).

In a statement issued by the National Export Development Authority of the Indonesian Ministry of Trade and published by the local media, the Director General of the Authority, Dodi Edward, affirmed that laying the foundation stone for the pavilion constitutes the start of the preparatory journey for Indonesia's participation in Expo 2020, and pointed out that the pavilion will witness cooperation between the public and private sectors. That Expo is a strategic event that will contribute to strengthening Indonesia's reputation with the world and developing its relations with Arab countries, East and South Asia and Africa in general, and Edward, who is also the Commissioner-General of the Indonesian Pavilion at Expo 2020, explained: 'The event displays a new technical innovation and forms a platform for exchange. Cultural and civilizational among the various peoples of the participating countries, which will be reflected positively on the development of international relations and upgrading the prospects for cooperation in various fields, including trade, investment and tourism. Through its pavilion, Indonesia will showcase the tourism potential and the various investment opportunities it enjoys by relying on interactive display media. Indonesia's vision for 2045 will also be introduced and the country's position as a partner will be strengthened. my world (Indonesia Pavilion construction kicks off at Expo 2019, 2019).

2- Tourism sector:

Indonesia cannot be separated from tourism, as this sector represents 9.5% of the GDP, and the latter employs 1 out of 11 workers, as despite Indonesia attracting nine million tourists in 2014 and achieving 250 million \$ in revenues for the sector, it remains behind its neighbor. Malaysia,

which has succeeded in attracting 25 million tourists, which is the goal that Indonesia seeks in the horizons of 2025, and this by raising the challenges facing the sector such as developing tourism facilities and health services, facilitating procedures for obtaining visas and promoting these achievements using diplomatic and non-diplomatic media channels, official and unofficial (Khali, 2018, p. 845).

Tourism is one of the elements of economic growth in Indonesia and an important source of its foreign exchange earnings. In 2017, Indonesia ranked twentieth in the world in terms of the tourism industry, and in terms of the fastest growing tourism sector, it ranked ninth in the world and third in Asia and first among all Southeast Asian countries in 2018, the Indonesian cities ranked "Jakarta" and "Batam" among the ten fastest-growing cities in tourism in the world, and Indonesia plans to achieve 8% of its GDP from the tourism sector by attracting 20 million visitors by the end of 2019. The cost of tourism in Indonesia before heading towards it, as it should be known that the tourism sector ranks fourth among the sectors of exporting goods and services. (<https://sotor.com>)

3-Stimulating and encouraging foreign investment:

In the 1980s, Indonesia began to attract foreign capital by establishing free trade zones, providing tax incentives, reducing customs and non-tariff restrictions, and similar policies were implemented in Malaysia and Mexico, and joining the North American Free Trade Agreement contributed an important role in attracting foreign direct investment that Facilitate the development of the automotive sector and other strategic sectors (Ghellab, Saidani, Raziqat, 2017, p. 88).

Foreign direct investment leads to strong productivity gains including spillover effects for other parts of the economy and ignoring it in Indonesia reduces the overall efficiency of investment due to the state's preference for relying on its owned companies to implement its development agenda through direct allocation to major projects rather than going to market. And tenders, which are the mechanisms that have called some analysts to question the declared economic profits of the infrastructure, as Indonesia ranks third in the restrictive system out of 68 countries that are the most restrictive to foreign investors, and for this it faces complex restrictions in obtaining external financing grants that require a significant increase in the process. Tax collection according to a recent report by the International Monetary Fund, and he demanded that it make a number of policy changes, especially removing many meaningless exemptions, increasing taxes on value-added, and raising real estate taxes to global levels, which, if applied, might make Indonesia more in line with international practices and increase GDP by about 3 % By 2022 (Fawzi Salem, 2019).

Indonesia is betting to attract foreign direct investment on its political stability and the benefit of being one of the largest democracies in Asia Pacific, and despite the criticism directed at it by the countries of the Economic Cooperation Organization regarding the investment climate, Indonesia is promoting through active diplomacy to provide the legal framework encouraging investment through equality between the local and foreign investor Simplifying investment licensing procedures, amending the investment law to make it more business-friendly and providing tax incentives for labor-intensive, export-oriented industries, and generally providing them with a positive investment climate (Business Climate Report 2016, 2019).

Foreign direct investment in Indonesia (excluding investment in the banking and oil and gas sectors) jumped 17.8 percent year on year to reach 105 trillion Brazilian reals (7 billion US dollars) in the September quarter of 2019, compared to a 9.6 percent rise in the previous quarter. This was the second consecutive increase in foreign direct investment, as Singapore was the largest source of investment, followed by the Netherlands and China, while the transport, storage and communication sectors were the largest beneficiaries, and the average foreign direct investment in Indonesia reached 75.553 trillion Brazilian reals from 2010 to 2010. 2019, as it reached 112 trillion Brazilian Real in the fourth quarter of 2017, a record number of 35.40 trillion Brazilian Real in the first quarter of 2010, as foreign direct investment in Indonesia is expected to reach 108 trillion Real at the end of this quarter, According to global macroeconomic models and analyst forecasts, It is estimated that foreign direct investment in Indonesia will reach 105 within 12 months in the long term, as the trend of foreign direct investment in Indonesia is expected to reach about 98.80 trillion riyals in 2020, according to econometric models (Investment Coordinating Board of the Republic of Indonesia , 2019).

The above ranking is based on 190 countries, so that the rise of points represents an improvement in the investment climate.

Economic diplomacy is based on three priorities: (Khali, 2018, p. 845)

➤ **Development of infrastructure and infrastructure:**

Attracting investment sought to cover all regions and sectors in order to connect all archipelago islands to improve communication between cities and rural areas to facilitate the movement of goods and people, as well as foreign trade by developing and improving available ports as well as establishing new development zones near the high seas;

➤ **Strengthening energy security:**

By attracting investment sought to build new fossil fuel power plants as well as to invest in clean and renewable energy sources;

➤ **Promoting food security:**

By investing in the construction of dams to reach 25 dams in 5 years as well as reviving and creating 65 thousand hectares of irrigation.

Secondly: Factors for the success of the Indonesian development experience:

The most important factors for the success of the Indonesian development experience can be attributed to the following factors: (Nazir Shukr, p. 39; 34)

- The use of external borrowing only in limited and economically necessary cases when international confidence is needed in the Indonesian economy, the promotion of foreign investment and the attraction of large companies to the Indonesian market has been the catalyst for the significant growth of the Indonesian economy. One of the critical factors for achieving democracy

in Indonesia has been the insistence from the outset on the removal of the military from political life, where political leaders have decisively separated the police from the military and abolished the right of control for any military personnel on duty to run for parliament or obtain a parliamentary election. Membership or position in political parties, and at the same time the army has been allowed to retain its economic projects so that the army can continue to participate economically in development and to be a compromise that also helps political stability and economic growth so that the army can finance its military budget from its commercial revenues;

- The successful democratic development in Indonesia is civil society that has managed to maintain a strong presence in society, as the stage of democratic transition in Indonesia has relied on the end of the militarization of the State, the restructuring of the Indonesian security services, the adoption of national dialogue among all political communities, the adoption of a policy of national reconciliation and national reconciliation among all political and religious currents, as well as amendments to the Constitution to ensure the public interest, freedoms in its broad sense, strengthening the power of civil society to build a new modern state, develop local communities and pursue a policy of transparency, and also to adopt a policy of national reconciliation and reconciliation among all political and religious currents, as well as to make amendments to the Constitution to ensure the public interest, freedoms in its broad Est sense, strengthening the power of civil society to build a new modern state, develop local communities and pursue a policy of transparency, and also to adopt a policy of national reconciliation and national reconciliation among all political and religious currents. Activating the role of control over government institutions as a basis for the development and stability of the state.

Foreign capital is an important element in the development process, especially in the early stages of development, hence developing countries should adopt a policy that works to attract foreign capital and provide an investment atmosphere for foreigners through the establishment of some public facilities, the provision of many facilities and priorities, the granting of many exemptions and tax incentives, in addition to the need to provide: (Daoud Salman al-Dulaimi, 2015, p. 129)

- Investment environment and political stability;
- The reality of the exchange rate arrangements in the host country and its banking system;
- Administrative regulations relating to relations between foreign investors and the host government, in addition to the fact that, despite the debt crisis suffered by these countries, these international bodies must be convinced of responsibility in the economic crisis and pushed to contribute to making the international trading environment supportive of development;
- Developing countries must seek regional economic integration through harmonization and cooperation, and join global markets by redressing imbalances in their systems.

The second axis: Assessing the investment climate in Algeria through the most important international and regional indicators.

Algeria's investment climate is assessed by the following indicators:

Firstly: Economic Freedom Index:

An indicator of the degree of government intervention in the economy and its impact on the economic freedom of members of society, published by the Heritage Foundation in collaboration with "the Wall Street Journal" since 1995 (Arab Investment Guarantee Corporation, 2006, p. 18).

Algeria's position in this indicator can be explained by the following table:

We note from the table above that Algeria ranked 171st in the world for 2019 in the Economic Freedom Index by 46.2 points and ranked 14th in the Middle East and North Africa, which indicates a lack of economic freedom and its explanation of the existence of imbalances and distortions in Algeria's investment climate.

Secondly: Composite Country Risk Index.

Published monthly by THE (PRS) Political Risk Services through the International Country Risk Guide (ICRG) since 1980 for the purpose of measuring investment risks, the index covers 140 countries, including 18 Arab countries, and consists of three sub-indicators: The Political Risk Assessment Index (50% of the Composite Index), the Economic Risk Assessment Index (25%), the Financial Risk Assessment Index (25%) (Arab Investment Guarantee Corporation, 2007, p. 97).

Algeria's rating according to this indicator is as indicated in the following table:

From the table above, we can see that the positions occupied by Algeria from 2014 to 2018 were close, with 62 degrees in 2018, which was characterized by a moderate risk due to the political and security stability that the country was experiencing at that time.

Thirdly: Coface Country Risk Index:

This indicator measures the risks of the ability of countries to pay and reflects the short-term non-payment risks of companies operating in these countries, and highlights the extent to which the financial obligations of companies are affected by macroeconomic performance, domestic political conditions and the business environment, as Algeria's classification is included in this indicator as described in the following table (Hamidato, 2019, p. 87):

From the above table, we note that Algeria was ranked by the coface Country Risk Index as a "Maximum of Country Risk" (A4) during the 2014-2015 years, i.e. the possibility of non-payment is very acceptable, and from 2016 to 2019 it has moved from investment grade B to C, the repayment record is poor due to the low oil prices and the negative effects on Algeria's balance of payments.

Fourth: Transparency Index (Corruption Perception Index):

Transparency International has been issuing the Transparency Index since 1995 as a composite index that reflects the degree of anti-corruption and enhanced transparency in these practices, and is based on 14 field products carried out by 7 independent international institutions

that monitor the views of local and foreign investors, dealing with relevant government departments, experts and locals on the procedures and suffering they face (Ben Lakhal, 2017, p. 141).

The cursor guide is as follows:

- Zero (high degree of corruption);
- 10 (high degree of transparency);
- 1-10 (progressive levels of transparency- perception of corruption).

The Corruption Perception Index 2018 issued by Transparency International (Transparency) states that Algeria ranked 105th out of 180 countries, with a rate of 35 points out of a hundred, and the country's ranking has improved slightly compared to the corruption index for 2017 as it was ranked 112 (<https://www.aljazeera.net>), which is what It confirms the significantly low level of transparency and the high rates of corruption.

Fifth: Global Competitiveness Index:

The World Economic Forum's Global Competitiveness Index is ranked 92nd out of 140 by the World Economic Forum and is an important tool in shaping economic policies and guiding investment decisions, with the World Economic Forum's Global Competitiveness Report for 2018/2019 ranking Algeria at 92nd out of 140, after receiving 53.8 points out of 100, a small percentage indicating that the competitiveness ratio is low (<https://www.aljazeera.net>).

Sixth: The general indicator of ease of doing business.

Since 2004, the World Bank has issued a series of reports covering the business environment aimed at providing an objective basis for understanding and improving the procedural environment of business activities for 190 countries, including 19 Arab countries.

According to the World Bank's Doing Business Report issued by the World Bank in 2019, Algeria ranks 157th in the world out of a total of 190 countries, up from 166th in the world in 2018, indicating that the investment climate is not conducive to attracting Foreign direct investment (world bank, 2018, p. 143).

The third axis: the role of Foreign direct investment in financing local development.

Foreign investment plays a major role in local development as follows:

Firstly: the role of Foreign direct investment in the internationalization of research and development projects.

As the intensity of production increases in terms of knowledge, the need to develop technological capabilities grows, so countries are eager to link up with international innovation networks, where foreign investment in research and development is the way to do so, and the internationalization of research and development projects opens up new opportunities for

developing countries to reach the latest generations of modern technology and to produce products and services that are highly environmentally efficient and value-added in terms of cost reduction and input use (Jean-Eric Aubert, 2004, p. 23).

Foreign direct investment can therefore be a critical element in stimulating and encouraging change and innovation, as well as bringing new technologies and knowledge to developing countries, as well as being a driving force behind improving the business climate and supporting the conditions of adult governance in developing countries.

Secondly: foreign direct investment and adult governance.

In 2003, "Globerman" and "Shapiro" tested the importance of adult governance for U.S. Foreign direct investment and concluded that a country that fails to create a minimum of adult governance cannot attract U.S. investment, in addition to highlighting the need for the host country to have infrastructure to ensure the proper and complete exercise of government (Bayoud, 2011, p. 155).

Thirdly: The relationship of Foreign direct investment to technology transfer.

Technology transfer is the most important mechanism that translates the positive impact of Foreign direct investment on host developing economies, as it is a very effective means of technology transfer, where in developing countries local companies are preparing and lurking the opportunity to improve their production paths by monitoring and imitating the practices of multinational companies as well as partnership projects involving direct contact (learning by interaction and learning by observation), and another way to spread technology is through learning, which is the combination of skills reflected in the use of multinational products, these methods end. With the birth of a product similar to the original at lower costs and developed thanks to local efforts (Kvinge, 2007, p. 33).

Fourth: Indonesian efficiency... Who's behind it?

The 'politics and then politics' thus indicates the Indonesian experience that reaps the price of reform after suffering from poor governance, poverty, illiteracy and inflation, the largest Muslim country in terms of the number of Arab and Muslim cocoons who have become between two options that have no third of either democracy or development, and the Indonesians have broken the myth of the fear of dismantling democracy for national unity, making them more united than before, political freedom brings high economic growth over time and not the other way around;

On the economic level, Indonesia has not achieved these strong rates from a vacuum that was carefully planned efforts 20 years ago and resulted in strong surprises throughout the journey of continuous economic growth, and succeeded during this march in overcoming the global financial crisis in 2008, and as a result of strong thinking and flexibility have reaped long-term successes, which led experts to warn of the challenges that the country could face if it completes its path to economic expansion in the new year, caught by the poisonous eye of Trump, and includes it in the list of countries monitored by America that A trade war is being waged against it to remove any threat to the country's economic hegemony;

Economic reform policy, including foreign and domestic trade, investment and the business environment, all of which were contested by political parties to win the confidence of Indonesians, freed up the financial space for infrastructure investments as well as an ambitious social policy agenda that achieved an advanced degree of ease of doing business with the World Bank's assessments of the most commonly used business environment index;

The industry is of paramount importance in the Indonesian economy, followed by the services sector for the largest possible number of citizens through agriculture, thus the Government plays a major role in strengthening the economy by relying on the language of a market that controls it and continues to determine the prices of commodities such as electricity, fuel and rice, despite its 'calculated' openness to free market laws, its welfare and support to the private sector, and Indonesia is clearly working to strengthen this mix since it recovered from the mid-1997 crisis that hit the country at that time. The government was forced to buy corporate assets, non-performing bank loan assets and restructure debt (Halawa, Saleh, 2010, p. 281).

In summary, it can be said that there are also important internal factors that have been behind the success of Indonesia's development experiment, with the following factors at the forefront: (Kvinge, 2007)

- The abundance and mobilization of the cheap labor component within a strict system of labor exploitation;
- The set of macroeconomic policies that have been selected intelligently and fully consciously to create the right environment for saving, investing, working, manufacturing and exporting as well as establishing close and successful relationships with the outside world.

Fifth: How Algeria benefits from the activation of Foreign direct investment and the benefits it gives.

Foreign investment brings a number of advantages that can be summarized as follows: (Bayoud, 2011, p. 235)

- Foreign investment plays an important role in supporting and supporting the economic growth of host countries with its administrative and regulatory expertise, transfer of modern technology, supporting local research and development programmes, stimulating domestic investment and competition as well as enhancing export capacity;
- Foreign direct investment provides the appropriate framework for the growth of sectors with comparative advantage to host countries, especially if the high profitability of these sectors is provided as an economic catalyst for their orientation;
- The growth of positive incentives for Foreign direct investment on the social side, particularly with regard to raising operational capacity, improving the level of wages, developing and qualifying the capacities and efficiency of the local currency if these investments are directed to labor-intensive sectors, one of the most important demographic characteristics of developing countries.

Algeria's geostrategic location and availability of enormous natural resources and the size of the market towards development and Algeria's forthcoming accession to the World Trade Organization (which opens the door to its death to integrate into the world economy) all these factors represent positive points for attracting foreign direct investment, so the state must follow a number of solutions in order to attract foreign direct investment, the most important of which is: (Ben Mariam, Ben Nafleh, 2017, p. 32)

- Develop the investment climate by solving the problem of economic real estate, which is a real problem in the face of foreign investors, simplifying procedures for the creation of private enterprises, reforming the Algerian legal system so that the investor can put confidence in the legislative system, strengthening bilateral contract networks, especially partnership agreements between Algeria and other countries in terms of investor protection;
- A real investment policy must be developed, as a real investment policy must be developed with the participation of all bodies and conflicting decisions between different bodies must be developed;
- Improving the country's image abroad, as Algeria's image remains very modest in the foreign media through the state's relationship with foreign investors, for a number of reasons, including: state intervention in the economy and investment climate is considered unsaturated and therefore unattractive to investment because of delayed reforms, so it must develop a strategy to promote investment through the national agency and the need to carry out the audit process for this agency in order to meet international standards to bring foreign investment, as well as it must work in partnership with the Office of the Office of the President. International marketing to show Algeria's capabilities and the attractiveness of its markets through the formation of frameworks in this area whose mission is to work on advertising for the attractiveness of the market;
- Strengthening the private sector and the fabric of Small and Medium Enterprises (SMEs) as the dynamic private sector is specific to attract FDI by linking relationships between national and foreign institutions, so we believe that those responsible must strengthen public-private dialogue and remove all barriers between them;
- Valuing human resources, as the formation of quality human capital is an important determinant of attracting foreign direct investment, so the state must raise the budget for universities, especially the research and development budget, to work to create a link between the university and training and research centers on the one hand and the public and private sector on the other, and this policy enables local and foreign private clients to participate in the development of study programs and this is in response to the needs of the labor market.

Conclusion:

Based on this study, it can be said that the development of a rational development strategy through the policy of economic diversification and the activation of existing economic blocs, as well as strengthening the exchange between them in a stable political climate that works to restore confidence between the various levels that make up society and open the way for foreign direct investment, all of this would remove the country from the effects of economic dependence and start

a real self-development and build a diversified productive economy through a well-defined development strategy by activating all economic sectors.

Results: Through this study, the following results were obtained:

- Investment in its activity is based on three priorities: infrastructure development, strengthening energy security as well as food security;
- The extent to which the positive effects of foreign direct investment are achieved is linked to the legislative framework governing the entry and settlement of such investments as well as the process of exercising their strategic, manufacturing or service activities, as demonstrated by Indonesia;
- After assessing the investment climate in Algeria through the most important international and regional indicators, including: Economic Freedom Index, Country Risk Composite Index, Covace Country Risk Index, Transparency Index, Global Competitiveness Index and General Index of Ease of Performance, we find that the investment climate in Algeria is not conducive to attracting foreign direct investment;
- Foreign direct investment is a critical element in stimulating and encouraging change and innovation, as well as bringing in new technologies and knowledge, as well as supporting the conditions of adult governance in developing countries, and thus an important source of economic diversification as well as financing local development.

Recommendations: Through the results reached, the following suggestions can be made.

- Developing the investment climate;
- Develop a real investment policy;
- Improving the country's image abroad through the State's relationship with the foreign investor;
- Linking relationships between national and foreign institutions as well as strengthening Small and Medium Enterprises.

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Appendices

Table N (01): About the local administration in Indonesia.

Country	The presence of a local administration	Powers of local administration	Financing arrangements	Electoral arrangements
Indonesia	Article 18: The territory of Indonesia is divided into provinces, districts and municipalities.	Article 18 (2): The authorities exercise their powers in accordance with the principles of regional self-government and the duty to assist.	Article 18 (b): The relations between the central government and regional authorities in financial affairs, public services, and exploitation of natural and other resources shall be regulated and administered fairly and equitably in accordance with the law.	Article 18 (3-4): Members of local representative bodies are democratically elected, as are governors, managers, and mayors.

Source: United Nations General Assembly (2004), **We the peoples: civil society, the United Nations and global governance:** Report of the Panel of Eminent Persons on United Nations-Civil Society Relations, UN Doc A/58/817, 11 June.

Table No. (02): Ranking of Indonesia according to the 2016 investment climate indicators.

Ease of doing business	Start a business	Construction permit	Get electricity	Registration of ownership	Get credit	Protecting minority investors	Tax and graphics clearanc	Cross-border trade	Execution of contracts	Settlement of insolvencies
91	151	116	49	118	62	70	104	108	166	76

Source: Business Climate Report 2016, available at: <http://arabic.doingbusiness.org/rankings> 31/11/2019 at 16:08.

Table 03: Algeria's International Ranking by Economic Freedom Index (2019-2014):

Years	2014	2015	2016	2017	2018	2019
International ranking	146	157	154	172	172	171
Middle East and North Africa ranking	14	14	14	14	14	14
Percentage point	50.8	48.9	50.1	46.5	44.7	46.2

Source: Heritage Foundation and The Wall Street Journal, available at <https://www.heritage.org/index/download#>
Date: December 26, 2019 at 00:49.

Table 04: Country Risk Composite Index scores.

Index score (percentage point)	Profile
0 to 49.5	Very high risk.
50 to 59.5	High risk
60 to 69.5	Moderate risk score
70 to 79.5	Low risk
80 to 100	Very low risk.

Source: Arab Investment Guarantee Corporation (2005), *Investment Climate in Arab Countries*, Kuwait, p. 64.

Table 05: Placing Algeria in the Composite Country Risk Index for the period (2014-2018).

Years	2014	2015	2016	2017	2018
Algeria	67	64	63	62	62

Source: Asma Ben Tarad (2016), Chrit Abed, *Mechanisms for Creating a Climate of Foreign Investment in Algeria*, Arab Economic Research Journal, Issue 72-73, Beirut, Lebanon, Fall 2015-Winter 2016, p. 207. (Acting)

Table 06: Placing Algeria in the Coface Country Risk Index for the period (2014-2019).

Years	2014	2015	2016	2017	2018	2019
Algeria	A4	A4	B	C	C	C

Source: <https://www.coface.com> consulted on 26/12/2019 at 01:33.

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