

The impact of Algeria's business climate on the FDI inflows in the construction sector, Case study of the Portuguese Company Batimetal Galva and the Chinese Company CSCEC Algeria.

تأثير مناخ الأعمال في الجزائر على تدفقات الاستثمار الأجنبي المباشر في قطاع البناء، دراسة حالة شركة Batimetal Galva البرتغالية وشركة CSCEC ALGERIE الصينية

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Abstract:

This research aims to analyze the attractiveness of Algeria's business climate by covering its construction sector, in order to highlight the different constraints faced by the foreign investors ,to do so we conducted several interviews at both companies Batimetal Galva and CSCEC Algeria, the results has shown that although Algeria's business climate is attractive for the foreign investors during their evaluation, there are in fact many problems that block the advancement of their investment after their settlement such as the Algerian administrative bureaucracy and the limitations of the 51/49 Rule.

Based on the found results, we suggested reducing the number of administrative procedures to guarantee efficiency, and also to cancel in priority the law of 51/49.

Keywords: Foreign Direct Investment, Foreign Investors, Algeria, Business Climate, Construction Sector, Constraints

Jel Classification Codes : F21, O50, D73

ملخص:

الغرض من هذا البحث هو تحليل مناخ الأعمال في الجزائر من خلال تغطية أحد أهم قطاعاتها (قطاع البناء) لتسليط الضوء على المعوقات المختلفة التي يواجهها المستثمرون الأجانب في هذا القطاع الأجنبي المباشر في قطاع البناء، ولتحقيق هذا الهدف تم القيام بمقابلة مع مجموعة من الموظفين في كل من شركة Batimetal Galva البرتغالية وشركة CSCEC الصينية، وقد أظهرت النتائج التي تم التوصل إليها أن مناخ الأعمال في الجزائر جاذب للمستثمرين الأجانب خلال فترة تقييمهم، غير أنهم يواجهون العديد من المشاكل التي تعيق تقدم

استثماراتهم بعد استقرارهم في البلد مثل بيروقراطية الإدارات الجزائرية، والقيود الناجمة عن قاعدة 49/51

وبناء على النتائج التي تم التوصل إليها أوصت الدراسة على ضرورة تقليص عدد الإجراءات الإدارية لمنح المستثمرين مزيداً من الامتيازات وكذلك ضرورة إلغاء الأولوية لقانون 49/51.

كلمات مفتاحية: استثمار أجنبي مباشر، مستثمرون أجانب، الجزائر، مناخ الأعمال، قطاع البناء، معوقات.

تصنيف JEL : F21, O50, D73

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1. INTRODUCTION:

In the last decade, countries assisted a third wave of globalization where the economic link has been strengthened mainly by FDI flows, the word «globalization» appeared between the late 1950s and the early 1960s, in a very neutral sense: it refers only to «becoming global, to spread throughout the world» (definition of Robert, ed.1960). The very idea of globalization in its precise meaning has not been used until the 1980s, in the field of business right before experiencing a rapid spread during the 1990s in other academic disciplines to finally win over the media (Baudrand & Henry, 2006, p. 12)

The strong expansion of international investment flows has led to faster exchanges between different areas, with a greater variety of forms and a quantitative evolution of its content, the growth in foreign direct investment and multinational companies was effective in the world economy by creating competition between countries. In this context, the developing countries opened their borders to global markets to avoid losing their competitive advantages, and they became promoters of globalization by creating a favorable investment climate. Regarding Algeria, the FDI inflows remains insufficient and modest, as a result to having an economy that operates solely on a single sector: hydrocarbons. The hydrocarbon sector occupies a dominant Position in attracting FDI whilst the others sectors, such as construction is still suffering from lack of foreign investors who accord great importance to the business climate of the host country and its evolution in their decision making.

The purpose of this research is to analyze the business climate determinants to highlight and to unveil the reasons behind the modest evolution of the

construction sector in terms of FDI as a way to increase the number of FDI inflows, for this reason we opted for the following main question: **how does the business climate of Algeria impact the FDI inflows in the construction sector?**

From this central question arise the following specific questions:

- Is Algeria attractive to FDI?
- Does the business climate affect the settlement of FDI in the construction sector?

As an attempt to answer these questions we issued the following hypotheses:

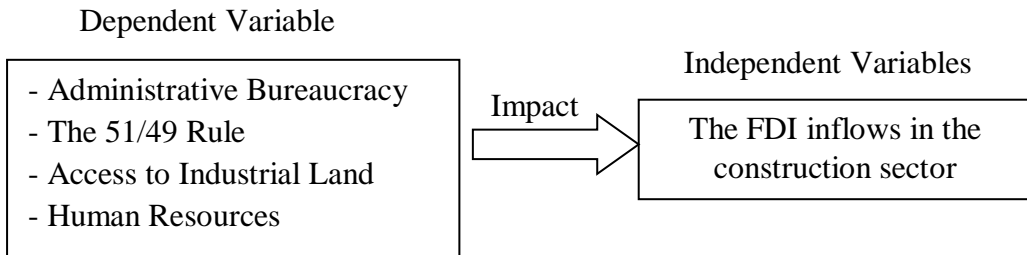
H1: The number of foreign companies settled is very restrict and modest due to the non attractiveness of the country.

H2: Despite the initiatives made by the government as well in the construction sector, the FDI inflows are insufficient, this could be related the negative effect of the business climate determinants.

In order to reach effective results that can either confirm or deny these assumptions we adopted for a research methodology that is both descriptive and analytical, carried out through several interviews with the different department managers at the both companies Batimetal Galva and CSCEC (China State Construction Engineering Corporation).

➤ **The study model :**

Fig.1. Study model



Source: (Prepared by researchers)

It is evident from the figure that this study proposes a research model that tests the effect of Algeria Business climate determinants on the FDI inflow in the construction sector, This model shows the structural relationships between the independent variable which consists of the following determinants: Administrative Bureaucracy, The51/49 Rule, Access to Industrial Land, Human Resources. And the dependent variable which is the FDI inflows

2. Overview of FDI:

2.1. Definition of foreign direct investment:

Unlike financial investments, or portfolio investments, foreign direct investments (FDI) aim to create, develop or takeover companies operating outside the national territory. FDI were viewed with caution. They posed a threat to local businesses and many states had banned their takeovers by foreign companies, or imposed very heavy conditions for such operations. Today, on the contrary, FDI is in high demand around the world. Many countries have programs in place to attract foreign capital and they often compete directly with their neighbors for large-scale investments (Adda, 2004, p. 78) FDI is also defined as a key element in this rapidly evolving international economic integration referred to as globalization. FDI provides means for creating direct, stable and long-lasting links between economies. Under the right policy environment, it is considered as an important vehicle for local enterprise development, and it may also help improve the competitive position of both the recipient ("host") and the investing ("home") economy. In particular, FDI encourages the transfer of technology and know-how between economies. It also provides an opportunity for the host economy to promote its products internationally (OECD, 2008, p. 14)

According to the widely accepted framework on the existence of multinational enterprises, a firm in one country with certain ownership advantages would open a subsidiary in another country with locational advantages, and both advantages can be best captured by internalizing production via direct investment (Dunning, 1981)

The international monetary fund's balance of payments manual defines FDI as «an investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of investor ,the investor's purpose being to have an effective voice in the management of the enterprise ‘.the united nations 1999 world investment Report (UNCTAD,1999) defines FDI as an investment involving a long –term relationship and reflecting a lasting interest and control of a resident entity in one economy (foreign direct investor or parent enterprise) in a enterprise resident in an economy other than that of foreign direct investor (Imad, 2002, p. 01)

2.2. Methods of Foreign direct investment:

As already mentioned, the aim of FDI is to establish a lasting interest in the economy, it can take several forms, all depends on the strategy and the objectives of Investors, here some methods to create a FDI:

- Greenfield Project.
- Joint Ventures.
- Merger & Acquisition (M&A) also called Brownfield investment.

The three ways are explained below:

1. **Greenfield Projects:** When FDI is used to start an enterprise in a foreign country from scratch and don't acquire an existing company to enter the market. Greenfield project also includes the construction of new plants, offices, etc.
2. **Joint Ventures:** When FDI is used to enter in venture with the foreign corporations in order to expand their business in a foreign country.
3. **Brownfield Investment:** It is another type of FDI transaction in which investment is used to merge or acquire an enterprise on foreign land. Joint Ventures and Brownfield investments are mostly used to enter the foreign market (<https://www.educba.com/>)

MNEs look for two different types of FDI based on its incentives, Market-seeking when a company decides to invest its branches abroad for efficient utilization of resources and exploitation of economies of scale (Markusen, Venables, Konan, & Zhang, 1996) for the second type Export-oriented FDI, the multinational company is motivated by factor price differentials (e.g., cheap labor in host countries) along with human capital and infrastructure conditions (Zhang & Markusen, 1999)

2.3. FDI benefits and advantages:

The role of MNEs in developing countries has received considerable attention, most recent literature considers MNEs as a direct or indirect source of foreign technology. The proposed benefits of FDI include technological diffusion, worker training and the expansion of producer services (Aitken & Hanson, 1997), in effect many countries tend to compete for FDI to attract the transfer of technology, strengthen managerial and organizational skills, increase access to foreign markets and diversify exports (World Bank Group, 2015, p. 04)

As below, table shows the benefits acquired from the implementation of FDI for the both home and host countries

➤ **On home countries :**

Table 1: Benefits on host and & home countries

Home countries	Host countries
Stream of income from foreign earnings	Capital : MNE invests capital in foreign markets
	Technology: Research supports that MNEs do transfer technology when they invest in foreign country
	Management: When MNEs invest and manage in a foreign country, they often transfer management skills to the host country’s workforce
FDI may import intermediate goods or inputs for production from the home country, creating jobs	MNEs, by investing in foreign countries, can create employment opportunities for the local workforce But: Acquisition vs. Greenfield Investment
MNEs may learn skills from exposure to foreign countries	When a company invests in a foreign country, it brings capital into that country

Source: (mohamed reza, sepehr, & ali haj, 2012, p. 277)

3. The analysis of Algerian business climate:

3.1. Definition of Business climate:

Business climate is the general economic environment within a society of enterprises and location(s) comprising of the attitude of the government, politicians, labor organizations, financial and lending institutions toward businesses and business activity, attitude of labor unions toward employers, current taxation regimen, inflation statistics through which forecast generally explore a positive twist regarding a financial system (<https://definitions.uslegal.com/>)

3.2. The business climate in Algeria:

Algeria business climate has a several advantages and opportunities for the foreign investors, Algeria is a very rich country with an important value at the international level; however, various obstacles and constraints block the investors after their settlement in the country

3.2.1. The opportunities and weakness of Algeria business climate:

❖ The opportunities :

1. Algeria: A Big Market, Close to Large Potential Markets:

In comparison to its Maghreb neighbors, Algeria has the advantage of the largest market in the region, because the size of the internal market and easiness of access to it are two essential factors in the decision making process for a company willing to invest in the area. Companies already settled in Algeria consider the expanse of the Algeria market even larger than they had thought it would be before their installation.

Geographically, Algeria occupies a strategic place and its proximity to European countries enables it to develop its potential in terms of foreign investment and to create a vast free trade area between the two shores of the Mediterranean and between Europe and African countries since it is considered as the front gate of Africa

2. Natural Resources:

Algeria has a considerable and diversified natural wealth, particularly in hydrocarbons, where it ranks 15th in terms of oil reserves (45 billion tons of proven oil reserves), 18th in terms of production and 12th in exports; its refining capacity can reach 22 million tons per year. As for natural gas, Algeria ranks 7th in the world in terms of reserves, the 5th in production and the 3rd in exports. A real energy giant with 50% of reserves, 48% of total production and an impressive 94% of natural gas exports, Algeria has no rival in the Mediterranean, where it is ranked first producer and exporter of natural gas. Algeria is the third largest supplier of natural gas to the European Union and its fourth largest energy supplier (<http://www.andi.dz/index.php/fr/>)

In addition to oil and gas, Algeria contains in its subsoil huge amounts of phosphate, zinc, iron, gold, uranium, tungsten and kaolin, making it a prime area of investment, especially as these are currently underexploited. Infrastructural challenges associated with the remote desert locations of some key reserves, as well as a historical lack of investment in the state-dominated mining sector are the main culprits, though the authorities are working to step up investment and production in the industry.

3. Investment Incentives

Significant tax and parafiscal advantages of up to 10 years of exemption, depending on the location and importance of the project (VAT, DD, DM, DC, IBS, TAP, TF)

4. Human resources:

The Algerian labor market suffers from a severe lack of good quality workers, such as skilled managers, supply chain engineers, office workers with requisite computer and business skills and even skilled plumbers or electricians. It is true that the cost of the Algerian work-force is very low comparing to others countries but the quality is still less than acceptable.

❖ Weakness :

1. Complexity of procedures:

While it is true that the government have already taken a number of initiatives to facilitate the installation and work of companies, there are still many complicated administrative procedures that have unfortunately increased the hold of bureaucracy over these good initiatives.

Access to land, obtaining issuance for a building permit and subdivision, connections to electricity, gas and water, continue still to take a lot of time. The lifting of bank loans and other facilities essential for the survival of a newly created company for example internet connection, upgrades and missions abroad, continue to be part of the obstacle course, especially when the newly created company is located far from the capital.

According to the report of doing business in his final version of 2020, Algeria ranks is 157 out of 190 countries in term of ease of doing business, this rank is very scary if we compare it with our neighbors Morocco and Tunisia (as following: 57 and 78) ,in terms of procedures , to start business in Algeria it's requires 12 procedure within 18 days , in order to get the construction permit it's requires 19 procedures within 131days (World Bank Group g. , 2020, p. 04)

Although there has been some progress over the years, the Algerian administration is far from being business friendly. About 20 percent of enterprises perceive public services as being either inefficient or totally inefficient. Foreign investor equally complains about the bureaucracy (world bank group, 2018, p. 05)

2. Land

One of the essential reasons for the weakness of investment flows remains land. It constitutes a major obstacle to investment, whether Algerian or foreign.

Much delay has been put in presenting a sufficient industrial land portfolio but also the impossibility for foreigners to acquire property contrary to neighboring countries (Morocco, Tunisia). The choice fell on the concession instead of selling land at affordable prices with safeguards to prevent speculation and the problem of delays and facilitate access to land for businesses.

3. The Rule: 51/49

The 51/49% rule is the law that governs foreign investment in Algeria. It has been approved under the Supplementary Finance Act (CFL) for 2009. This rule consists of the distribution of the capital held by a company between two partners, an Algerian and a foreigner. As its name indicates, this rule stipulates that 51% of the capital of the Algerian-foreign company must be owned by the Algerian side, whether public or private. The fact that most of the company's shares are held by the Algerian side, gives it greater decision-making power than its foreign partner. The latter cannot therefore hold more than 49% of the capital (Bedda, 2012, p. 01)

In effect, this rule is a major factor that impact the attractiveness of the country business climate, it's the main legal obstacle preventing the flow of FDI towards Algeria, the aim of the government was to protect the domestic investor and grantee the transfer of know-how and technology but because of this law, the number of investments settled in the country still insufficient , according to the United Nations Development Organization (UNDP) ,The value of non-hydrocarbon investments in Algeria is between 500 million and 1.2 billion dollars annual. This value is materialized in the field by some small FDI projects. But it should be noted that the realization of investment projects does not exceed 10% of intentions declared by investors.

4. Access to Finance:

Despite the entry of several small private and foreign banks, Algeria's financial sector is still largely dominated by the government. Access to credit or the opening of a bank account is a very long and difficult procedure. A lack of information and modern payment systems and a lack of qualified staff are also major problems for foreign investors.

Improving the financial system is currently a necessity for the Algerian government in order to attract more investors

5. Lack of visibility:

Lack of visibility is also one of the several factors that affect the investment in our country. In addition, statistical data are still insufficient to identify market segments and the economy in general.

4. The impact of the business climate component on the settlement of foreign investment on the construction sector

4.1. Overview on the construction sector in Algeria:

Construction contributed 11.7% of total GDP and employed around 17.2% of the Algerian workforce in 2017, and is poised to grow further due to the expanding population and large-scale government operations to facilitate the development of the non-hydrocarbon sector in the wake of the market's collapse in 2014. While officials are prioritizing projects that will yield revenue to the state, such as those in oil and gas and power, public housing programs and public works will continue being the recipients of consistent, large-scale investments through 2021, as stipulated in the five-year plan.

According to OBG report, there is significant potential for expansion in construction due to population growth, which increased at a rate of around 1.7% in 2017, necessitating the construction of not only housing, but also schools, hospitals, transportation networks and other public infrastructure. As the government has aimed to deliver 1.63m units between 2015 and 2019, housing developments account for the majority of construction projects in the country. In addition to ongoing demographic changes, demand is driven by the government's efforts to diversify the economy, moving away from a reliance on hydrocarbon exports and relieving the national trade deficit. As industry and agricultural outputs rise, upgrades to transportation infrastructure will become increasingly important. Large public works projects aimed at maintaining and expanding national road and rail networks, as well as developing port facilities, ensure that construction will maintain its central status (Oxford business group, 2018, p. 142)

Regarding the projects carried out in this sector, Algeria has established different joint ventures with foreign partners for the realization of important projects in the field of public works, those partnerships gives us the opportunity to gather the experience and knowledge to boost Algeria's capacity in the sector, however, a several constraints and obstacles continue to take up challenges to those partnerships and even discourage the domestic investors And nonetheless, Algeria must imperatively support and develop its local investors especially in the

field of real estate. And also it must favorite productive investments in infrastructure Projects and in the construction sector in general to overcome the problem of insufficient or unavailable essential materials necessary to carry out construction projects

4.2. Presentation and Results of the Study

4.2.1. Presentation of the study:

➤ The study objective :

The purpose of this study is to determine whether the business climate in Algeria has a positive or a negative effect on the foreign investment in the construction sector, for this reason we chosen two companies active in the same sector (**BATIMETAL GALVA and CHINA STATE CONSTRUCTION ENGENIERRING CORPORATION ALGERIER**)

In order to arrive to a conclusive result, we have conducted a qualitative study, runs by interviews with the two chosen companies, in order to answer the main question mentioned previously For this purpose, a series of open questions have been established and intended for our interviewees, to analyze their answers based on their opinions, judgments as well as their expectations on the subject.

➤ Presentation of companies :

- batimital galva:

The IMETAL group has important infrastructures and market shares in Algeria. To further develop its know-how and to increase its production capacity, the group has decided to create a new subsidiary (batimital galva) between its subsidiary (industriel batimetal group) and the Portuguese company IrmãosSilvas (Metalgalva) which, being a first class company in this industry, is eager to bring its knowledge, its experience and the latest techniques for making and producing equipment specific to this industry. This is the reason why the parties have decided to create in Algeria a joint company specializing in the design, manufacturing of metallic products and galvanizing for construction, the energy and telecommunications sectors.

Pursuant to the resolution of the board of participations of the State number 01-139 of 03.11.2013, a partnership was concluded to give birth to a joint company named EPE BATIMITAL GALVA Spa with a registered capital of 100.000.000 DA, 51% of it are distributed for the Algerian part and 49% for the Portuguese part. The investment program consists of a plant with a capacity of

50,000 tons/year, using the latest technologies in the field of metal processing (Internal documentation of the company, 2018, p. 27)

CSCEC Algeria

CSCEC Algeria was established in 1982 and is now the country's largest contractor. The company builds in 36 wilayas and works in 15 business branches, while the CSCEC brand has become synonymous with high-end projects in Algeria. As of late 2016, CSCEC Algeria was behind some 245 projects in the country, the company main activity are: housing, public works, infrastructure and investment (<http://www.cscec.dz/>)

4.2.2. The Analysis and the Study Results:

➤ the analysis of the study:

1.1. Factors of Attractiveness of FDI:

In order to assess the attractiveness of the business climate in Algeria, we asked the following question:

- In your opinion, does Algeria have significant potential to attract FDI?

For the General Director of batimetal Galva (Mr Silvas Carlos) has agreed that Algeria is a very rich country with all the means needed to succeed at the global level. While for the commercial director « Algeria is a new market, which attracted several industrialists since the seventies, but since the nineties, we had to rebuild and reinitiate all the market and at the moment it is a market that attracts a lot of FDI and a lot of people ».

In his side, The logistic and purchasing director of CSCEC ALGERIA (Mr. Zhao Liang) has confirmed that foreign investors face a lot of problems after their settlement wish affect negatively the attractiveness of Algeria business climate, according to him the bad situation of FDI in our country is caused by several constraints such as the non stability of laws and also difficulties in the customs clearness.

1.2. Administrative Bureaucracy in Algeria:

In order to analyze the problem of bureaucracy in Algeria we asked the following question:

- What is your opinion on the administrative bureaucracy in Algeria?

The purpose of this question is to know how the administrative bureaucracy affects the work progress of the company in Algeria.

Previously, we found that businesses still face excessive bureaucratic behavior, paperwork issues, tedious regulations and long delays in obtaining

permits and licenses. These barriers are present in all sectors of activity and not just in the construction sector. This problem eventually discourages investors that prefer to turn to other countries whose procedures are lightened and facilitated.

This was proved by our different interviewees as it follows:

According to the commercial director (Mr. Farsi Mustapha), 90% of the problems that scare investors in Algeria are related to bureaucracy, instead of facilitating the work of foreign investors they are blocked at all administrative levels, for example, to extract a single document it takes ten more documents, and for each document you have to go through several administrations. The bureaucracy is a real handicap in Algeria, because instead of letting work progress, we prefer the control of documents over the job.

The general director (Mr. Silvas Carlos) has also described the administrative environment of Algeria as « an administrative terrorism, unless you know the right person at the right place ».

Another opinion on the matter is that of the construction director (Mr. Belmokhtar Zakaria), who said that they suffered only to get the construction permit, even though the company is in favor of everyone in the Algerian society. He also stated the example of Batimetal Galva which is still facing complicated challenges as a result of bureaucracy, compared to same company's division in Ukraine which was created at the same time as the Algerian division and is now at a far more advanced stage.

The logistic and purchasing director of CSCEC (Mr. Zhao Liang), confirmed that the Algerian bureaucracy is a huge problem for the foreign investors, according to him the administrations employees works with their own opinion, they bloc the documents without any reasons, they act just like boos, for the constructions permit, the company didn't faced any issues, because all the projects are related to the government, so it was very easy for them to get it.

Indeed, according to the report "Doing Business of 2019" Algeria has the highest number of procedures and the longest delays compared to its neighbors. These procedures concern all the activities related to the creation of a business

1.3. The 51/49 Rule:

Introduced by the 2009 supplementary finance law, the so-called 51/49 rule sets the shareholding of a foreign investor in a company governed by Algerian law at 49%; some investors consider this rule as a brake to the development of foreign investment in Algeria.

To confirm or deny this proposition we asked the following question:

- **According to your opinion, is the 51/49 law constraint to foreign investment in the construction sector? And why?**

The general director of batimetal Galva (Mr. Silvas Carlos) said that this rule is very limiting to foreign investors, because for an investor who is willing to bring his money and work in favor of the Algerian economy, taking the advantage of having the majority in his own company away from him is a bit unfair and inconvenient.

In his side, The logistic and purchasing director of CSCEC (Mr. Zhao Liang), has confirmed, that this law must be canceled by the Algerian government, according to him the foreign investors bring his capital and know-how, as a counter part, the government takes from his the right of decision and strict limit his transfer of capital, he added, that the government should at least apply the equality between the two parts.

The commercial director (Mr. Farsi Mustapha) on his part said « this rule was established in order to control the management of joint-ventures in Algeria and to always have the final decision, and for me when a company is interested in the Algerian market, it's this company that has the expertise and the know-how, and so there is always a conflict between the one who holds the money and the one who has the knowledge, and at the end the law that is imposed is of the part that doesn't have the know-how ». So finally it is still a restraint to foreign investors.

The construction director (Mr. Belmokhtar Zakaria) thought that « since in Algeria we still don't have the necessary knowledge to be able to dictate our own decisions, we need the upper hand in another area, which is why, for the time being this rule is necessary in order to guarantee the transfer of the know-how and to keep an eye on actions that are being taken. And when the time comes where the Algerian part can stand on its own, we will be able to afford removing this rule ».

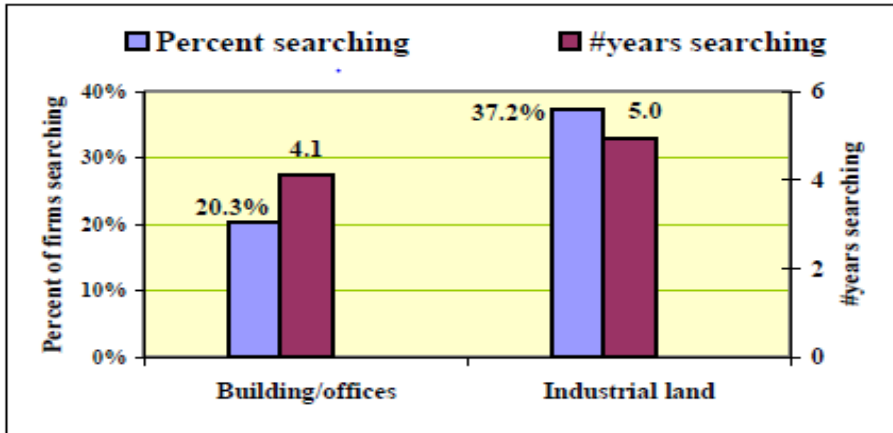
1.4. Access to Industriel Land:

Another issue related to foreign investment in the construction sector is access to land; it is for this reason that we asked the following question:

- **How did you acquire the land on which you have your production site? Was it difficult to get it? Explain**

According to our previous research, access to land was one the hardest and most complicated procedures in Algeria, the whole process of acquiring industrial land is extremely lengthy, costly and uncertain. Because of the dominant role of administrative allocation, this can be proved by the following survey of Doing Business Report which was conducted on a sample of 562 firms.

Fig.2: Looking for Land or Offices in Algeria



Source: (world Bank Group, 2003)

Comment:

37.2 percent of the companies surveyed, are searching for an industrial land plot to invest in a new venture or to expand their business. On average, they have been searching for 5 years. And 20.3 percent of them have been searching for buildings and offices for 4 years.

However, our case study has showed otherwise. For Batimetal, The general director (Mr. Silvas Carlos) mentioned that the land that they are currently using was owned by the Algerian company Batimetal wish was already dissolved by the Algerian government and the land with its buildings was rented to Batimetal Galva. So they did not have to go through any of the complicated procedures that new foreign companies usually face.

However, the logistic and purchasing director of CSCEC(Mr. Zhao Liang) has confirmed that the foreign investor has no right to acquire land, he has only the right to rent it, he added for all the projects, the land was available because as I mentioned previously, all the projects are related to the government.

1.5. Human Resources:

The abundance and the cost of the Algerian work force is one of the factors that affects positively the investors in the construction sector , however, the lack of qualified work-force in the Algerian market, frequently mentioned restraints to foreign direct investment ,in this sense , I asked the following two questions :

- **Does the abundance of the Algerian work force attract the construction investors?**

The logistic and purchasing director of CSCEC (Mr. Zhao Liang) has confirmed that the abundance of Algerian work force is very attractive factor for the investors in the construction sector, the availability of Algerian youth in the building sites has added a huge value and participate in the sites progress, however, the key positions remains occupied by foreign investors.

➤ **The study result:**

From what we have gathered as information from the interviews carried out, we have arrived at the conclusion of the following points:

- According to our interviewees' answers, the business climate in Algeria is very attractive to foreign investors and holds great potential due to its uncultivated territory and the dimension of its market, but the problems and constraint that the foreign investors face after their settlement affect negatively the image of our business climate.
- Administrative bureaucracy is one of the most repelling aspects of the economic environment in Algeria, for its huge negative effect on businesses and individuals in general;
- The 51/49 law , is consider as a huge constraint for the foreign investors and a guarantee to the Algerian part at the same time;
- Even our case study has showed that the land wasn't issue for the both companies, but as the report of doing business indicates, a lot of companies suffer just to acquire the land for their investment.
- The abundance and the cost of Algerian workforce are very attractive factor to investment in the construction sector

To conclude, our research and the case study have had coherent results except for a few discrepancies of opinions between our interviewees

Conclusion:

The previous study has show that FDI constitute an important source of growth to countries, it's a major key for development and is beneficial for the both origin and host countries. However, the FDI in our country and specifically in the construction sector still insufficient and modest. The results of our case and theoretical study have denied our first hypothesis and showed that Algeria is very attractive country to foreigner, in effect, there are several factors attract the foreign investors to create their investment in our country such as the geographical position, the abundance of work force, however, the second hypothesis is confirmed , there are several important obstacles that block the advancement of foreign companies such as the administrative bureaucracy, the 51/49 law, and access to land and others constraints.

This unfortunate situation is depriving the Algerian economy from several opportunities; the government must take in priority the following recommendations to prosper and grow into a strong and open economy built on solid foundations

- The administrative bureaucracy is the biggest obstacle to foreign investors in Algeria, the government needs to reduce the number of administrative procedures in order to facilitate the work of companies;
- The government can also establish a special committee to investigate and control corruption and employees in the Algerian administrations;
- eliminate the 51/49 rule in the non strategic sectors such as construction and others sectors that suffer from the lack of FDI , to open more possibilities of investment and make the business climate even more attractive on the international level;
- In order to improve the quality of labor in Algeria companies need to take in consideration the human factor and work to develop a motivational environment which includes correct wages in exchange for the work they performed. And ensure the top management's active involvement in the work environment;

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