

SWOT Analysis of Potential Territorial Competitiveness in Algeria

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Abstract :

The purpose of this study is to examine the external macro-environmental forces along with the internal country-specific attributes of Algeria as they influence Territorial competitiveness. This article presents a SWOT analysis for the field of Territorial competitiveness. It is hoped that this structured examination of the factors relevant to the current and future status of territorial competitiveness, will provide a good overview of the key issues and concerns that are relevant for understanding and advancing this territorial competitiveness. The results of the study show us that Algeria has numerous natural resources that can be developed into new businesses. In addition, major opportunities exist in renewable resources, while the major threat is political instability in frontier countries.

Keywords: SWOT analysis, territorial competitiveness, clusters, Algeria.

Jel Classification Codes : F63, F64, C19, R11.

Résumé :

Le but de cette étude est d'examiner les forces macro-environnementales externes ainsi que les attributs propres au pays de l'Algérie dans la mesure où ils influencent la compétitivité territoriale. Cet article présente une analyse SWOT pour le domaine de la compétitivité territoriale. Il est à espérer que cet examen structuré des facteurs pertinents pour le statut actuel et futur de la compétitivité territoriale fournira un bon aperçu des principaux problèmes et préoccupations qui sont pertinents pour comprendre et faire progresser cette compétitivité territoriale. Les résultats de l'étude nous montrent que l'Algérie dispose de nombreuses ressources naturelles qui peuvent être développées en de nouvelles entreprises. En outre, des opportunités majeures existent dans les ressources renouvelables, tandis que la principale menace est l'instabilité politique dans les pays frontaliers.

Mots clés : analyse SWOT, compétitivité territoriale, groupes, Algérie.

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1- Introduction :

The purpose of this article is to analyze competitiveness clusters and presents a SWOT analysis for the territorial competitiveness in Algeria. The diagnosis, based on international comparisons, allows us to highlight their success factors. The objective is to detect the prospects of their creations in an economy, such as the Algerian economy. Our purpose will be to explain the possibility of meeting the necessary conditions for the creation of competitive clusters. One of the fundamental elements of the organization of these poles of competitiveness is that they are specialized in trades, and that they are comforted by the regrouping of the actors of the formation (ex: university), of the research (laboratories), and that they are supported by important and sustainable means, in particular by local, national and European funding. (MEIER.O, 2005). The transformation of our society towards a society based on innovation, R & D is in fact a vital issue. It is in this perspective that an analysis of the advantages of competitiveness clusters will be presented in order to define the objectives to be achieved and the actions to be implemented.

- ✓ **There are two categories of spaces:** The new growth areas: whose essential role is to organize the renewal and sustainability of the existing tissue industry to better meet the objectives of the Program Regions and enhance the attractiveness of the territory;
- ✓ **Competitiveness and excellence clusters:** Devoted to the development of high-level scientific and technical research, from teaching to the valorization of innovations in relation to the economic world.

2- Outlook for the creation of competitiveness clusters in Algeria:

We note that the public policy of creating competitiveness clusters is based on the goodwill of the players who make them up. In many cases, the clusters have opened up internationally.

The free zone, as envisaged by the Algerian texts, intended

essentially a portion of the national territory open to investments to be made in industrial, commercial and service activities for the purpose of exporting goods and services produced (Legislative Decree of October 5, 1993). Investments made in the free zone shall be exempt from any direct or indirect taxation or parafiscal system, including customs duties, except, on the one hand, duties and taxes relating to passenger vehicles other than those relating to, however, social security contributions. In addition, capital income distributed in the free zone is exempt from tax levies. Finally, an interest subsidy for the bank credits obtained is provided and its terms and conditions must be fixed by a subsequent order. The creation of such spaces is apparently in line with the achievement of national economic objectives, such as job creation, the strengthening of the trade balance through foreign exchange and an increase in exports, as well as the contribution to a national economy and greater interindustrial integration. It aims to increase the international competitiveness of the national industry, the competence of the workers and the maintenance of the on-site workforce to curb migratory flows (MEKIOUI. A, 2005). The new Constitution, adopted on November 26, 1996, enshrines the freedom of trade and industry and sets up the guardian institutions that will allow Algeria to return to stability once and for all. These reforms initiated at the institutional level will allow Algeria to occupy a privileged position of competitiveness at the regional level, in terms of attractiveness to foreign investment flows. With its important energy resources, its human potential, its productivity reserves in agriculture, its tourist wealth, and an industrial and infrastructural fabric unique in the Maghreb.

2-1. Competitiveness clusters in Algeria:

Catching up the emerging countries by diversifying its production and exports, preparing its territories for competitiveness and attractiveness is an important challenge for Algeria. One of the fundamental elements of the organization of competitiveness clusters is that they are specialized in trades, and that they are supported by the regrouping of the actors of the formation, the research and that they are supported by important and sustainable means, particularly through local, national and European funding (MEIER.O, 2005). The transformation of our society towards a society founded on innovation, R & D is in fact a vital issue. It is in this perspective that an analysis of the advantages of competitiveness clusters will be presented to define the

objectives to be achieved and the actions to be implemented. Beyond the economic difficulties, it is necessary to admit that Algeria meets today all the conditions of the creation of the clusters of competitiveness.

In 1995, the Ministry of Regional Planning and Environment launched a speech on the creation of competitiveness clusters throughout the country. A national land-use strategy has been developed. This strategy translated by the SNAT encourages territorial competitiveness to meet the demands of the new economy, without negating the role of the state in economic development. It should be emphasized that only innovation and technical progress open the door to competitiveness and therefore promote access to the international market.

The SNAT "National Scheme of Spatial Planning 2025" reminds the importance of an organization of the territory which favors the play of the forces of the market in order to adapt it to the requirements of the contemporary economy, notably that of the competitiveness. This requirement, far from denying the role of the state in economic development, only recalls that the globalized market is a strong reality that must be taken into account to project the country into the future. However, the globalized market is conquered - the everyday experience amply demonstrates this - by innovation in all its forms (innovation in products, services, organizations). It is an innovation that enables competitiveness and prioritizes companies and nations. This is why it is important to conduct studies and reflections on the competitiveness and excellence poles to be created by 2030 and the conditions to be met to promote them in the country.

Indeed, the diagnosis made on the Algerian industry shows the objective limits of the claims that the country can have in terms of the creation of Poles of Competitiveness and Excellence: everything - or almost everything - is still to be done. This provides a decisive argument for the desire to start this difficult but exciting task as soon as possible. The Awareness of the vital need to create Competitiveness and Excellence Poles in Algeria lies in understanding the decisive importance of the knowledge-based economy (SCE) for the country's future. The recent experience of developed countries and some emerging countries in this area shows how SCF has become an integral part of their development strategies and the basis of their competitiveness.

2-2. Six poles of competitiveness and excellence have been pre-identified by the SNAT 2025 in Algeria: (SENAT 2025)

- ✓ Bi-Pole of Sidi Abdallah / Bouinan: the first pole of competitiveness in Algeria.
- ✓ Oran - Mostaganem - Sidi Bel Abbes - Tlemcen poles.
- ✓ Constantine - Annaba - Skikda Pole.
- ✓ Sétif poles - Bejaia - Bordj Bou Arreridj - M'sila.
- ✓ Médéa - Boughezoul - Laghouat poles.
- ✓ Ouargla - Hassi Messaoud – Ghardaïa.

2-3. Goals :

Without denying the role of the state in economic development, SNAT recalls that the globalized market is a strong reality that is conquered; through technical progress and innovation, the key to competitiveness.

In this context, one of the great characteristics of Algeria lies in the diversity of its territory. This diversity could be considered as an unfavorable factor of a global policy in favor of territories. Concerned with the harmonious development of territories, the Algerian State is committed to a national spatial planning scheme called "SNAT 2025" whose main axes are based on the sustainability of strategic resources, the dynamic balance of territories, the attractiveness and competitiveness of the territory and the territorial social equity. In addition, a national industrial development program approach which is part of a resolute future for a competitive Algeria, concretized by the adoption and implementation of the competitiveness clusters, is one of the concrete actions that can be taken to achieve these objectives.

- ✓ Make a catch-up in the key sectors (ICT, biotechnologies new materials and advanced technologies,) at the level of the New Town of Sidi Abdallah and the New Town of Bouinan; prevent problems that will be those of half of the world within 20 years and transform the material disadvantages (oil depletion, aridity and desertification and water stress,) in comparative advantages built at the level of the New Town Boughzoul (MATE, 2008);
- ✓ The organization of the Algerian territory which favors the play of the market forces to adapt it to the requirements of the contemporary economy, in particular, that of the competitiveness;
- ✓ Ensure a territorial organization that favors the play of market forces to adopt the requirements of the contemporary economy, primarily competitiveness;

- ✓ Boost territories best equipped to bring them closer to international standards,
- ✓ Enable the emergence and promotion of high value-added activities driven by research and innovation;
- ✓ Optimize territories with global connection facilities that give them strengths in international competition, competitiveness and excellence in order to tie in with globalization;
- ✓ Identify the most important places where growth and excellence take place;
- ✓ These are the emerging and host territories for competitiveness clusters (POC).

3- Conditions of creation and success of competitiveness clusters in Algeria:

Many countries highlight the conditions of success necessary for the development of competitiveness clusters. One of the conditions of success of a cluster, emphasized by the authors, lies in the geographical proximity of companies on the one hand, but also in the need to have between companies of same cluster exchanges characterized often by cooperative projects

These different analyzes lead us to ask ourselves a certain number of questions related to the Algerian poles of competitiveness coming from an analysis of the conditions that we think are necessary for the success of the latter in Algeria, which has invested a lot these last years in several domains (road infrastructure, housing, health, water, research, etc.). The weak point of Algeria is in the lack of innovation, which is a strategic factor of competitiveness, the basic requirements and measures incentives. The only strong point the country can claim is macroeconomic stability. It must be said that the Algerian state has considerably reduced its external debt and enjoys a comfortable financial situation. Is it possible to meet these conditions in Algeria? In other words, it is necessary that good practices in terms of creating bonds of trust can spread in all competitiveness clusters, and that a policy of creation of poles of competitiveness, which leads to the establishment of an ecosystem associating industry, research, and training, to generate and stimulate significantly innovation, dynamics and growth of local

economies, thus generating economic benefits at the local, national, and international levels.

4- Good governance of the competitiveness clusters requires:

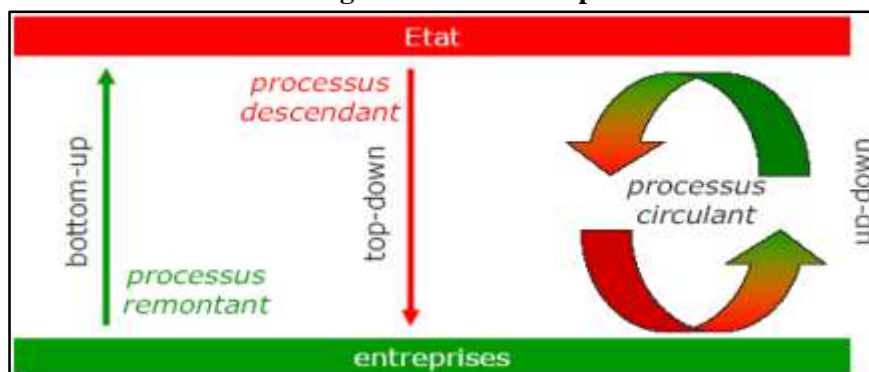
There are certain conditions that Algeria must take into account to avoid any failure in the future creation of poles. Among these invariants, we will mention the main ones:

- ✓ The existence of an effective system of scientific and technological research to identify promising "critical" sectors through the organization of thematic networks, ensure an attractive status for researchers and research professors through remuneration rewarding, Promote access aids, documentation..., Consolidate the principle of the mobility of researchers between research centers, the university, the company and Enter the principle of mobility in the statutes;
- ✓ The cooperation between the actors of the poles favored by the compartmentalization and Good governance at the level of the actors (MATE, 2006), concerning the actors in Algeria we have for example:
 - Ministries Institutions and State Organizations (Local Authorities).
 - Agencies: ANAT, ANSA, ANSEJ, ADPME...
 - Universities and engineering schools: R & D centers, Diaspora, Researchers, expatriates.
 - MESRS (ministries of higher education and scientific research).
 - SMEs, SMIs: National and foreign "leading" carriers.
 - ANDI, FINALEP, FGAR, FNR, Capital Risks, Leasing...
 - IINAPI, ONDA.
- ✓ Links between research, businesses and territories
- ✓ To take a gradual, pragmatic and dynamic approach organized in two stages. The first of which is to catch up in the key sectors, in relation to the specific skills of the developed countries and the needs of the internal market. In addition, the second one must anticipate the problems that will be those of half of the planet in 20 years and transform the natural disadvantages "water stress, arid

and desertification, hydrocarbon depletion" comparative advantage built.

- ✓ The existence of dynamic companies concerned as much with the conquest of external markets as the satisfaction of the local market.
- ✓ The need to increase the budgetary resources devoted to research and development and the creation of the conditions of support for clusters in the territories: infrastructure, business reception capacity
- ✓ favor a proactive approach of the state based on consultation:
 - It is neither Bottom-up or Top-down
 - It is a mixed approach: the up-down horizontal type, synergistic, cooperative and responsible, the most suitable for the Algerian context.

Figure N ° 01 : The up-down



- ✓ The refinement of the incentive schemes (tax and Para fiscal advantages granted by ANDI), the creation of a support system for young innovative companies, creation within banks of venture capital subsidiaries

5- SWOT analysis :

5-1. Definition :

One of the most classic models for studying strategy is the so-called SWOT model. Mintzberg links this model to the school of design. According to him, this school « proposes a simple approach which relies on a process of conception of a strategy (creative act) starting from the search for a congruence between, on the one hand, threat and external opportunities (fruits of the data sectors) and on the other hand, distinctive internal resources and competences » (Mintzberg H, 2005).

SWOT is a strategic analysis tool. It combines the study of the strengths and weaknesses of an organization, a territory, a sector, etc. with that of the opportunities and threats of its environment, to help define a development strategy. It is one of the tools that contribute to the study of the relevance and coherence of future action (whether it is a one-off action or an overall strategy). As part of the preparation of a decision-making process, the goal of the approach is to ensure that decision-makers take into account all factors (internal and external) in order to maximize their potential, Strengths and opportunities and minimize the effects of weaknesses and threats.

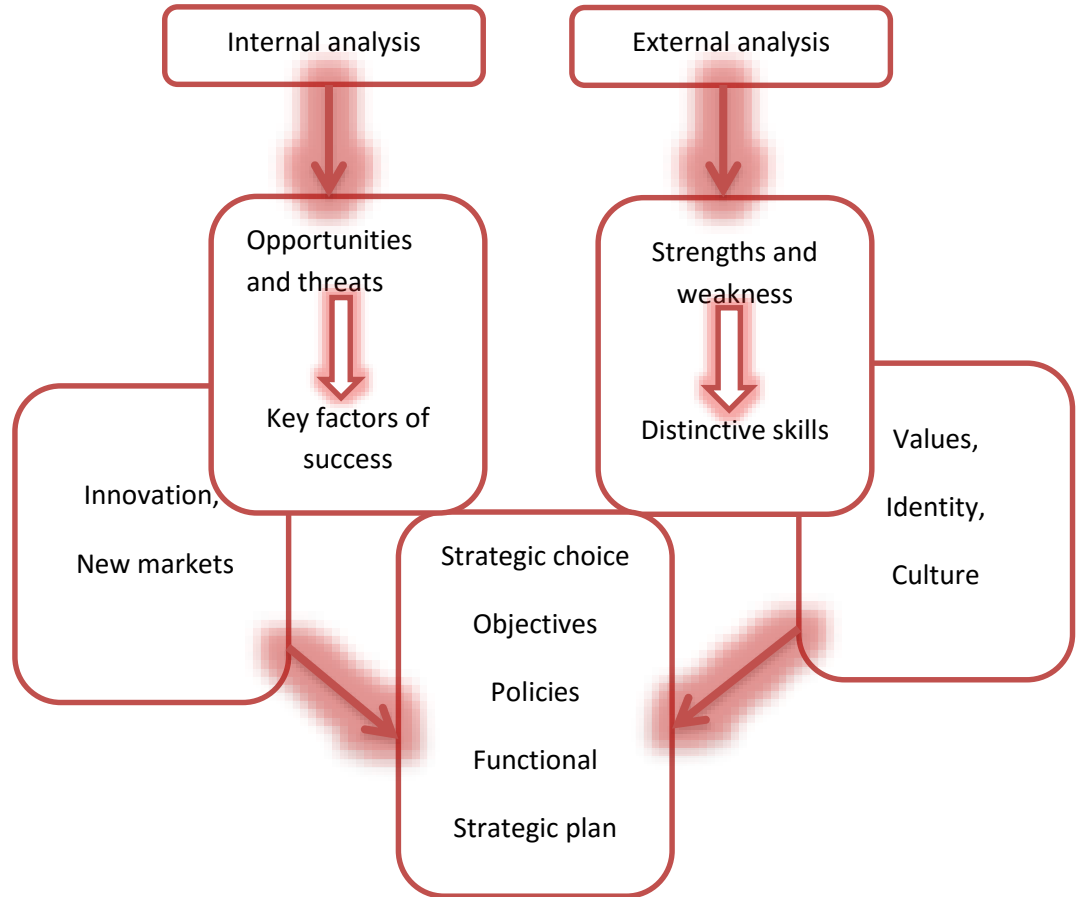
As part of an evaluation, the use of SWOT analysis usually focuses on the "ex-ante" evaluation of action programs. By formalizing its positive and negative points and by identifying the factors of its environment that may favorably or adversely affect the course of the action program, the SWOT analysis makes it possible to reduce the uncertainties and thus to refine or evaluate the envisaged strategy.

5-2. The objectives of the SWOT method:

Conducting a SWOT analysis involves performing two diagnoses:

- ✓ **External diagnosis:** This identifies opportunities and threats in the environment, which can be determined using a series of strategic analysis models, such as the PESTEL analysis, Michael Porter's model of 5 competitive forces, or scenario analysis. For example, the emergence of new competitors, the emergence of new technology, the emergence of new regulations, the opening of new markets, etc. By definition, the results of the external analysis are the same for all competitors.
- ✓ **Internal diagnosis:** This identifies the strengths and weaknesses of the strategic business area. These can be determined using a series of strategic analysis models, such as the value chain, benchmarking or cultural fabric analysis. Examples include the technology portfolio, awareness level, geographical presence, network of partners, corporate governance structure, and so on. By definition, the results of the internal analysis are specific to the organization studied.

Figure N° 02: SWOT model



Source: (B.Garrette, Paris 2009, PP.12

5.3. The application of the SWOT method on territorial competitiveness in Algeria:

This method is a strategic analysis tool. It combines the study of the strengths and weaknesses of territorial competitiveness with that of the opportunities and threats of its environment, in order to help in the preparation of the action plan.

Table N ° 01: SWOT matrix of the territorial competitiveness in Algeria

Internal factors	
Strengths	Weaknesses

<ul style="list-style-type: none"> -Size of the market - Geographical proximity of potential markets: Europe and Africa -Abundance of human resources -Availability of natural resources - Positive evaluation of reforms completed by foreign business circles - Hydrocarbons and energy (low cost of energy) -the large surface of the Algerian territory - national defense and security -The climate and environment 	<ul style="list-style-type: none"> -political instability -unstable macroeconomic - Delays in infrastructure -Slowdown in the implementation of the privatization program -Low diversification of sources of growth and the productive base of the economy - Existence of important informal sector -Differences in regional development -Corruption - Business climate not conducive to private sector development -poverty -Inadequate efficiency of the banking and financial sector -Unskilled labor - Weakness of public administration capacities - Weakness of Technology and innovation - Deficiency of image and communication abroad - structure of the network -Logistics and infrastructure
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	- Difficulty of access to industrial land
External factors	
Opportunities <ul style="list-style-type: none"> - renewable resources -Exploiting the network and the Internet -privatization of the different sectors - economic diversification and Market development - Free Trade - Future accession to the WTO -rehabilitation of the workforce 	Threats <ul style="list-style-type: none"> -political instability in frontier countries. -Regard of deregulation - Bureaucratic heaviness of the public administration - Delay in upgrading public administration officials - Low ICT penetration rate which limits the development of the sector as a whole - Brain drain - Upgrading of national policies with respect to Algeria's international obligations - Lack of coordination between national policies -depletion of natural resources which will threaten the wealth of future generations - Overlap of the functions of the institutions responsible for investment - Non-competitive operation of certain markets -Lack of arable land

Source : realized by the researchers

We present the SWOT results in details:

5-3-1. Strengths (internal factors)

- ✓ **Size of the market**
- ✓ **The geographical proximity of potential markets:** The geographical position of Algeria is strategic for the development of its investment potential. Indeed, Algeria is located at the gates of Europe, Africa and the Arab countries. This remarkable geographical position should favor export-oriented foreign investment and take advantage of the Association Agreement with the European Union for the creation of a Free Trade Area
- ✓ **The abundance of human resources:** Since independence, Algeria has opted for a free and compulsory school. It maintains an enrollment rate higher than 85% of children aged 6 to 14 years. Algeria has a young and skilled hand that is not busy and looking for work. Given the level of wages in Algeria, the Algerian workforce is very attractive.
- ✓ **Availability of natural resources and proactive policies for the development of these:** The availability of natural resources represents a major asset for the national economy, which should be able to play a geostrategic role in the region.
- ✓ **Positive evaluation of reforms completed by foreign business circles**
- ✓ **Hydrocarbons and energy (low cost of energy):** The economic sector of energy in Algeria occupies a predominant place in the economy of Algeria; hydrocarbons alone represent 60% of budget revenues and 98% of export earnings. Algeria was in 2015 the 18th largest oil producer, the 10th largest natural gas producer and the sixth-largest natural gas exporter in the world. Energy production and consumption, including the electricity sector, is derived from hydrocarbons at over 99%.
- ✓ **The large surface of Algeria territorial:** the surface of Algeria is important that must be exploited to diversify the economy and create projects. Moreover, the large surface of Algeria territorial can improve the living standards.
- ✓ **National defense and security**
- ✓ **The climate and environment:** climate diversity is one of the most important assets of the competitiveness of Algerian territory. This climate diversity allows a diversity of activities in all sectors.

- ✓ **Structure of the network:** the structure of the network, in particular the social network, allows territorial competition to promote the circulation of information as well as the diffusion and adoption of technology.
- 5-3-2. Opportunities (external factors)
- ✓ **Renewable resources:** the Algerian state begins to think about environmental solutions by investing in renewable energies. According to the Algerian Program of Development of Renewable Energy and Energy Efficiency (PENREE) in 2012, Algeria hopes to stabilize 22,000 megawatts of renewable energy by 2030. Three years after this plan, the expected results: the Annual Report of the World Wind Energy Council reminds Algeria, The IAEA report only announces that Algeria has installed 300 megawatts. That is why the Algerian government must take care of the new resources.
 - ✓ **Exploiting the network and the Internet:** Technological developments, for their part, concern a growing number of economic sectors, which contribute to creating new competitive landscapes, or changing the positions acquired by existing players, particularly in the following areas:
 - Development of satellite technologies (increased precision, development of information markets, etc.)
 - Digital Images and their Treatments, Consumer GPS
 - Development of personal and professional computing and telecommunications, including the rise of the Internet, making it accessible to a much wider audience
 - More and more precise geographical information.
 - The uses of geographic information are rapidly developing, sometimes affecting important industrial sectors, which can be the source of new powerful actors in the field.
 - The use of information and communication technologies (ICT) to improve the activities of public sector organizations and their agents.
 - ✓ **Privatization of different sectors** (health and education ...) to improve the quality of services offered.
 - ✓ **Market development and economic diversification:**

- Economic diversification is the process of shifting the Algerian economy from a single income source (hydrocarbons) toward multiple sources from a growing range of sectors and markets. Traditionally, it has been applied as a strategy to encourage positive economic growth and development.
 - The development of the Algerian market in terms of agricultural products, which is a large and promising market, exploitation of desert and handicrafts, and increased interest in tourism and e-commerce.
- ✓ **Free Trade:** Creation and destruction? Of the free trade zone with the European Union, the Maghreb Union and the African Union.
 - ✓ **Future accession to the WTO**
 - ✓ **rehabilitation of the workforce**
- 5-3-3. Weaknesses (internal factors) :
- ✓ **Political instability:** stability is an important and crucial factor for any development program in general. Indeed, political instability is synonymous with lack of visibility, the climate of insecurity, interruption of activities, uncertainty about the future, which are the major concerns of Algerian and foreign actors established in Algeria. According to most of them, priority must be given to the resumption of economic activity in a stable and a clear political environment. It is only through such a climate that companies can meet deadlines, reassure customers, and manage new contracts and commitments.
 - ✓ **unstable macroeconomic**
 - ✓ **Delays in infrastructure:** Many delays have been noted in the construction of infrastructure. For example, despite progress made, it has been noted that the port chain, which processes almost all goods imported into Algeria, suffers from serious dysfunctions. Indeed, coordination between the various actors, including port authorities, freight forwarders, customs officers, importers and ship-owners, is inefficient. As a result, there has been a multiplication of delays detrimental to the smooth movement of goods (BENACHENHOU.A, 2004), these delays in infrastructure, particularly in ports, but also in international airports and railways, as well as in the distribution of goods and services. Electricity, gas,

and access to telecommunications, constitute for foreign investors barriers to foreign investment, discourage them in their investment approach, and move towards other countries, which are themselves equipped with adequate infrastructures and developed for their activities.

- ✓ **The slowdown in the implementation of the privatization program:** Indeed, because of a long legacy of a centralized and planned economy, where the public sector played an important role in the economy, certain segments of the economy remain under state control and pace. Privatization program has slowed down. The financial sector is the most telling example since more than 90% of the market is still under the control of public banks. This omnipresence could thus constitute a real obstacle for the penetration of any new local and foreign private operator.
- ✓ **Low diversification of sources of growth and the productive base of the economy:** After more than 20 years of reforms initiated by Algeria, the economy is still dependent on hydrocarbons (oil and gas). The real problem that threatens the Algerian economy is probably that of dependence on hydrocarbons (structural problem). The economy is still heavily dependent on hydrocarbon exports and is therefore sensitive to pressure on oil prices and oil production. Nevertheless, short-term growth prospects are promising. No hydrocarbon sectors have experienced strong growth and strong domestic demand generated by efforts to develop the construction, electricity and water sectors continue to attract foreign funds. In conclusion, the Algerian economy cannot stand without the hydrocarbons sector. Forecasts, plans, budget financing, decisions, projects, equipment imports and even food and medicine are determined by hydrocarbon resources (MERNACHE.A, 2012).
- ✓ **Existence of an important informal sector:** Among the obstacles regularly terminated by economic operators, the weight of the informal sector in the national economy and the lack of transparency of administrative procedures. Indeed, the various national and foreign private operators are often confronted with the problem of the fraudulent importation of goods, without taxes or duties that flood the Algerian market. The informal economy in

Algeria is estimated at 30% of the total national economy by the Algerian Ministry of Commerce, 34% by the World Bank, and more than 40% by the Delegation of the European Commission.

- ✓ **Differences in regional development:** The Algerian economy continues to face considerable regional imbalances. Most of the population and economic activities are concentrated in the maritime fringe, which constitutes only about 4% of the territory. Large areas in the south, representing nearly 87% of the country's surface, remain under populated (9% of the population) and lack sufficient economic and social infrastructure. In addition to this fragmentation of territorial order, Algeria experienced between 1980 an important urbanization, with an urban population, which went from 40% in 1977 to almost 70% in 2010. This important migration towards cities is one of the reasons for the deterioration of the living conditions of populations in both urban and rural areas. These huge imbalances represent a major challenge for the Algerian economy. (BAD, 2011)
- ✓ **Corruption:** According to the non-governmental organization "Transparency International", Algeria ranks in the year 2016 the 108th place worldwide, down 20 places compared to the year 2015, shares the same performance with Egypt, Cote d'Ivoire, Ethiopia and Guyana. The country is the third most corrupt in the Maghreb. According to the Algerian Anti-Corruption Association (AACC), the credible criteria for assessing the situation of corruption in Algeria are:
 - The impossibility of applying the provisions of the UN Convention against Corruption (UNCAC) in the current political context.
 - Permissive regulation on the fight against corruption Act No. 06-01 on the prevention and fight against corruption and subsequent texts. In addition to the non-conformity of the texts with the UN convention, the Algerian government does not apply its own laws.
 - The undemocratic political context and not ensuring the independence of the judiciary and the liberticidal laws preventing the associative movement to get involved in

- the fight against corruption, the freezing of control organs "IGF and Courts of Accounts";
- The legislative and regulatory context, which concretizes the control of the executive body over elected bodies and control bodies;
 - The economic context based on oil rent, the public economy, and the lack of control and regulation of the private sector.
- ✓ **Business climate not conducive to private sector development:** The business climate is one of the major impediments to the development of the private sector and its role as an engine of growth. Regarding this constraint, a more in-depth examination of reforms to provide Algeria with a business climate conducive to the private initiative is imperative. It is mainly a question of continuing the upgrading and development of infrastructures, of increasing the efficiency of certain public services (justice, taxes, customs, etc.), of improving the administrative procedures, and of facilitating the conditions of SME access to finance.
- ✓ **Poverty:** makes a person look for a living only, it often produces an illiterate person or social affliction, and it limits the development of the country.
- ✓ **Inadequate efficiency of the banking and financial sector:** Still much dominated by the public sector (The banking sector is dominated by six public banks, which represent 90% to 95% of all deposits and assets); the system Algerian banking sector is insufficiently involved in financing the private sector. The capital market is also lagging behind and offers only a limited number of tools and alternative sources of bank financing. This means :
- measures to assist banks to modernize their practices and procedures;
 - the establishment of instruments more suited to the financing of private investment;
 - Strengthening the control of banks.
- ✓ **Unskilled labor**
- ✓ **The weakness of public administration capacities:** The effective implementation of the extensive Public Investment Program (PIP 2010-2014), of approximately 286 billion USD, requires a high-

performance administration capable of efficiently managing public resources. However, institutional weakness, strategic planning, project appraisal and monitoring, which remain the sine qua non-conditions, are still present, for this program to achieve its objectives.

Indeed, the initial schedules established for the execution of major projects are not generally respected. The large number of actors involved in the implementation of the public investment program is likewise a major problem for the Algerian administration. In this context, the public authorities will have to continue their efforts to improve and reinforce the capacity of the administration concerning the coordination of public policies as well as the design and implementation of the public investment program.

- ✓ **The weakness of Technology and innovation**
- ✓ **Deficiency of image and communication abroad:** Despite the important reforms implemented by the authorities, Algeria has an image deficit abroad. This lack of image and communication currently characterizes Algeria with foreign private investors. In particular, the weight of the state in the economy and the general business climate is perceived as unfavorable for the creation of wealth and therefore the attraction of FDI. In addition, the completed reforms have not been clearly presented to potential private investors. In this regard, the country should put in place concrete measures to fill this gap and ensure the practical application of existing rules and laws.
- ✓ **The weakness of structure of the network:** the structure of the network, in particular the social network, allows territorial competition to promote the circulation of information as well as the diffusion and adoption of technology. But Algeria suffers from a weak network structure.
- ✓ **Logistics and infrastructure:** the development of transport, roads and improved logistics performance are key issues for Algeria, which intends to become more competitive on the international geo-economic scene. Good infrastructure, capable of smoothing trade, represents an additional success for international trade in particular.

- ✓ **The difficulty of access to industrial land:** Industrial land is a real constraint in the investment process in Algeria. This problem is summarized in the high cost of industrial land and its legal nature since it is sometimes a private property that escapes the control of the state and generates a blatant gap between the price of public land and that of private. It should be noted that the legal nature of industrial land in most of the usable land is a collective matter and, in the absence of property deeds, any sale or transfer action becomes difficult.

5-3-4. Threats (external factors) :

- ✓ **Political instability in frontier countries.**
- ✓ **The regard of deregulation:** regulation is not up-to-date with the current changes.
- ✓ **The bureaucratic heaviness of the public administration:** Entrepreneurs still face unfavorable bureaucratic behavior, excessive formalities, tedious regulations and long delays in obtaining permits and licenses. Barriers are ubiquitous in all sectors of activity. This slowness eventually discourages investors who prefer to turn to other countries whose procedures are lightened and the steps facilitated. Frankly, Algeria has not made any effort to facilitate business creation procedures.
- ✓ **Delay in upgrading public administration officials**
- ✓ **Low ICT** penetration rate which limits the development of the sector as a whole
- ✓ **Brain drain**
- ✓ **Upgrading of national policies** with respect to Algeria's international obligations
- ✓ **Lack of coordination between national policies:**
 - Leads to clutter in statistics,
 - Disputes between ministries, over strategic decisions, for example, disputes between the Ministry of Agriculture and the Ministry of Housing over land use.
- ✓ **depletion of natural resources** which will threaten the wealth of future generations
- ✓ **Overlap of the functions** of the institutions responsible for investment

- ✓ **Non-competitive operation of certain markets**
- ✓ **Lack arable land:** insufficient agricultural land as well as the extension of reserved areas to the detriment of cultivated areas, which will hinder and threaten the diversification of the economy.

6- Conclusion :

The Algerian authorities must take up a major challenge, namely the improvement of the business climate and the creation of a more attractive economic environment for FDI which allows Algeria to be more competitive at the international level i.e. increase its participation in world production and exports and integrate the process of globalization of the economy. Algeria must act as an actor and not as a simple passive subject and participate in the benefits of free trade and world trade, and we note that the transition is taking place against the background of a `multidimensional crisis. Furthermore, the analysis of the transition period shows that behind the statistics of declining production, there are progressions: good macroeconomic indicators, large foreign exchange reserves, minimal external debt, a positive balance of payments, and a significant drop in public deficits.

Despite the difficulties caused by the phenomenon of the Dutch syndrome, Algeria is pursuing its economic reforms on the basis of comparative advantage by developing the production of hydrocarbons, while waiting to promote, in the medium and long term, " other sources of external means of payment.

The territorial competitiveness clusters are a lever for the future; they must be backed up beforehand with a national policy of excellence. New areas of growth, competitiveness and territorial competitiveness are essential for the future of Algeria. They form the basis of the country's new dynamism at the national, regional and international levels. They prepare Algeria after oil and draw a new innovative vision for its economic, social and territorial development.

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