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Algeria seen from the outside: Assessment and analysis of Algeria's investment climate.

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Abstract :

Through our study, we will undertake an evaluative synthesis of Algeria's investment climate through eleven recognized indexes and official international reports that regroup several macroeconomic and socio-political variables. We will analyze the various results regarding the current Algerian situation relating to the attractiveness of the investment climate and its characteristics. We will show that the different results are unanimous on the fact that the investment climate is at its lowest. Algeria holds the bottom of the list, perceived as unattractive and unable to provide and sustain an adequate climate for investment.

Key words: investment climate; indexes; reports;

JEL classification : F21 ; A14 ; E01;

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INTRODUCTION

Investment climate generally refers to the economic, financial and socio-political conditions of a country that determine whether investors, entrepreneurs, banks and institutions are willing to invest in firms and corporations operating in each country. The attractiveness of an investment climate determines if a specific country allows investments to thrive, grow and ensure adequate profitability, and guarantee the sustainability of the projects in the long run. The investment climate is affected by many factors including poverty; crime; infrastructures; labor force participation; technology; national security, political instability; taxes, policies and law; property rights; government regulations and transparency. If the government's interventions and regulation regarding infrastructures and financial services is inefficient or not sufficient, so that businesses cannot obtain reliable services and decent returns on their potential investments (or the existence of low perceived returns and high uncertainty), one would not expect quick capital accumulation and growth in these environments, hence the investment climate will be ranked as unattractive.

An unfavorable investment climate (that characterizes most of the underdeveloped countries) is the major obstacle to initial an economical jump-start. Regulatory reform is often a key element in removing barriers to investment and improving the climate, and in the past years, a number of organizations, institutions and policies have been established, with the aim of improving the investment climate and boosting economic development in these countries. Additionally, some investors are prepared to take on a high level of uncertainty associated with investing in an adverse climate due to the possibility to seize new market opportunities in a world where opportunities are getting scars; and African country are aware of the potential of a development toward enhancing their investment climate .

If the state does not provide essential reliable commercial infrastructures required to achieve the previous goals, the level of confidence that permits wealth attraction in this particular investment climate will simply, not be achieved. An effective climate allows different investors to operate efficiently and fairly through different alternatives and opportunities. If the state cannot provide a sufficient level of insurance, and ensure a favorable climate without creating time-consuming inertia, doing business on a large scale becomes problematic.

In this context, what matters to us as researchers is not the reality of the Algerian economy and investment climate, but how the country is perceived and identified by external viewers (investors, entrepreneurs, banks ...) using indexes that identify the potential and profitability of a project carried out in a particular climate. For an average investor, who does not possess sophisticated tools or does not wish to waste large resources in information gathering and analysis, he/she may refer exclusively to international indexes and reports. From this point of view, the difference between fiction and reality no longer matters. We are considering a potential universal investor who reviews the different popular indexes and reports available, to assess the investment climate and the potential of an investment initiated in a country (Algeria), we assume his/her to be ranking countries and evaluating return using exclusively indexes and reports for his/her choice. An internal view can also be assumed, but it is less likely to be as representative as an external viewer is, since a native have already a taste of the overall economic stat.

Indexes and reports are an easy access to official information and used to quickly locate data without having to search extensive documents or databases and at minimum cost. Referring to indexes rather than econometric measures has the benefit of being a “ready to use” tool, which makes them more likely to be used by the average investor who needs to have a global view on many different countries. They also have the advantage to be intuitive and descriptive in way that any investor could understand the scores. It is used in various fields and in many different forms as a measure of changes in a representative group of countries, or in other words, a composite measure that aggregates multiple indicators. The indexes summarize and classify specific observations; the investment climate can be apprehended according to several international indexes, which try to represent an image close to reality. We assume that indexes and reports are an initial evaluation stage before selecting the adequate location, if the investor uses a ranking system, the indexes will enable him to filter and reduce the number of potential investments. Indexes allow us to be more objective concerning the evaluation of the investment climate and make sense of the voluntary or involuntary transmitted signals that reach outsiders.

The problematic reveals itself in these terms:

- **What is the perceived attractiveness of the Algerian investment climate through the various international indices and the main characteristic?**

To answer the problematic, we will:

1. Identify the various international indexes relating directly or indirectly to the economic and financial investment climate.
2. Analyze the various reports and their implications.
3. Synthesize the different points referring to Algeria's investment climate.
4. Discuss solutions toward a better investment climate.

Regarding our own experience and researches, we could hypothesis that:

- The reports view the Algerian climate as unfavorable, despite the different reforms undertaken by the government, giving a deceptive perspective on the Algerian climate
- The reports view the Algerian climate as favorable or in progress, indicating the existence of investment opportunities.

1. Investment climate indexes

1.1 Summarizing table

We have summarized most of the indexes and reports in the table below, we have selected the sub-indexes that interest us in the relation to the investment climate on different levels to create an eclectic view (the references will be made as the development progresses):

Table N° 1: summarizing table of the eleven official indexes and reports

Name of index or / and report	Investigated field	ranking	Overall rating
1. Doing business index (2020)	A. overall	157/ 190	48,6/100
	B. start a business	152/190	78/100
	C. Building permit	121/190	63,5/100
	D. D. Obtaining credit / general credit quality	181/190	10/100
	E. Payment of taxes	158/190	53,9/100
	F. Export	172/190	38,4/100
	G. Resolve the insolvency	81/190	49,2/100
2. Economic freedom index (Fraser institute) (2020)	A. overall	157/162	4,97/10
	B. Credit market regulations	155/162	5,10/10
	C. Business regulations	127/162	5,59/10
	D. Sound Money	110/162	7,92/10
	E. Freedom to trade internationally	160 /162	2,58/10
3. Economic freedom index (the heritage)	A. overall	169/180 world rank (red zone: repressed)	46,9 /100

foundation) (2020)		14/19 regional rank	
	B. investment freedom		30/100
	C. financing freedom		30/100
	D. trade freedom		66,2/100
	E. business freedom		63/100
4.Travel and Tourism Competitiveness (2019)	A. overall	116/140	3,1/10
5.Fragility states index (2020)	A. overall	71/178 (with Senegal) (elevated waning)	74,6/120
	B. Economic decline		6,2/10
	C. External intervention		4/10
6.Global competitiveness (2019) (world economic forum)	A. overall	89/141	56,3/100
	B. financial system	111/141	50/100
	C. macroeconomic stability	102/141	71/100
	D. business dynamics	93/141	56/100
	E. innovation	86/141	34/100
	F. control of inflation	106/141	42/100
	G. debt dynamics	113/141	38/100
7.Global innovation index (2020)	A. overall	121/131	19,48/100
	B. Business sophistication	126/131	15,6/100
	C. infrastructure	100/131	31,5/100
	D. Market sophistication	130/131	24,6/100
8.Dhaman Investment Attractiveness Index (DIAI) 2019	Investment climate	84/109	33/100
9.Business Environment Rankings (The Economist Intelligence Unit) (2014- 2018)	Investment climate	75/82	4,81/10

10. RMB: where to invest in Africa (2020)	A. Global ranking Africa	16/54	5.2/10
	B. Global ranking world	98/198	
	C. Operating environment		3,8/10
	D. Business sophistication		51,32/100
11. Global Talent Competitiveness Index (GTCI) report (2020)	A. overall	105/132	30.75/100
	B. Gouvenement effectiveness	104/132	32,08/100
	C. Political stability	114/132	43,93/100
	D. Ease of doing business	122/132	34/100
	E. Investment in emerging technologies	84/132	33,94/100
	F. FDI and technology transfer	114/132	37,96/100

Source: performed by the researchers using the different reports

1.2 Quick outlook from the table

At first glance, the review of the different overall ranking of the indexes indicate that Algeria is generally lower than average, seven of ten indexes indicate that Algeria is below average, and three are around average, for example index 8 and 9 evaluating investment rate the Algerian climate as below average. If the figure is presented as it is to a universal investor with multiple alternatives, there is high chance the Algeria would not be in the list of the country selected. The next section discusses the observation of the different reports and indexes, we will also add completing reports and indexes that do not appear in the summarizing table.

2. Analysis of the different reports and indexes

The first index, the “**world bank doing business index**” is one of the most know index in the world and provides objective measures of business regulation and its enforcement in 190 selected economies and cities at sub-national and regional levels. According to the world bank “Doing Business was launched in 2002, examines national small and medium-sized businesses and measures the regulations that apply to them throughout their lifecycle ... The index captures several important dimensions of the regulatory environment as it applies to local businesses and provides quantitative indicators for any kind of investors. “(World bank group, 2020, p. 3)

To start a business, Algeria is not the most welcoming with its **157/190** and a rate of **48,6/100** (World bank group, 2020, p. 4) , for example: for an LLC, it takes between **18** and **19** days to be able to start a business for a number of **12** procedures compare to **6** procedures and **20** days that represents the means of countries of the Maghreb and North Africa, and this for a minimum cost of **20 710** DA without taking into account the notary fees for the validation of the executive decree n ° **08-243**, of the registration request of the company in the commercial register which must be calculated according to the capital of the company, as a benchmark , the minimum wage in Algeria is **20,000** DA. It takes **131** days and **19** procedures to be able to conclude the permit compare to **12** procedures on average for a warehouse of **24** million dinars. “(World bank group, 2020, p. 8).

What interests us most is the ease of obtaining funds on which the investor will depend on directly. Algeria takes the catastrophic place of **181** and a score of **10/100** for getting a credit and a score of **0/8** for the index on the scope and accessibility of credit information disseminated by credit bureaus and credit registers, the North African average is **5.3** (World bank group, 2020, p. 31). The report deplore the “non-existence of an integrated or unified legal framework for secured transactions that extends to the creation, publication and application of functional equivalents of movable property security and a collateral register “(the register of Guarantees is a central database that records all records of title to property or collateral created by lenders to secure loans granted to borrowers) (World bank group, 2020, p. 31). Small and medium-sized enterprises (SMEs) predominate among Algerian companies, constituting the backbone of the private sector; however, SMEs often find it difficult to access financing through the bank generally dominated by the presence of the Algerian national bank, and the lack of private banks.

Nevertheless, the DB index displays a list of reforms that the countries must complete, and Algeria has been able to put in place mechanisms to achieve these objectives, for example, the most recent (World bank group, 2020, pp. 65-66):

- Algeria has facilitated imports by setting up joint inspections between control agencies and facilitated the electrical connection process by streamlining internal administrative processes and granting new licenses to vendors of prefabricated substations. Significant progress has been made in recent years.
- In July **2016**, for example, Algeria adopted the “Revised Investment Law”, along with accompanying decrees, which update the legal

framework governing investments. An important step has been the removal of the requirement that foreign investments to generate excess foreign exchange for the host country during that investment. This made it easier for foreign investors to repatriate the profits generated in Algeria. At the same time, the reported charge for minority foreign investors has been removed in cases where the stake held does not exceed **10%** of the capital of the Algerian company.

The second index is the “**heritage foundation's economic freedom index**”: the index argues that countries with institutions and policies more in line with economic freedom have higher investment rates and faster economic growth. It suggests that economic freedom has a positive direct effect on innovative entrepreneurship and investment climate, even after controlling for several potentially confounding factors. Economic freedom is the ability of individuals in a given society to take autonomous economic actions toward wellbeing and economic development. Freedom is controlled according to several criteria. For example, as government decision-making replaces individual choice, economic freedom is reduced. According to the same source, the economic freedom is based on the concept of self-ownership. Economically free individuals will be allowed to decide for themselves rather than being forced into options by the political process, criminality, or more importantly, binding financial constraints.

According to this index; Algeria is classified as being “**repressed**”, or “**oppressed**” (Miller, Kim and Roberts, 2020, p. 2). The country's justice system is generally weak, slow and under political pressure. In addition, “Cronyism and corruption plague the business and public sectors, especially in energy”. It is estimated that half of all economic transactions take place in the informal sector. The two scores of interest to us are freedom of investment and freedom of financing which are below average (**30/100**) (Miller, Kim and Roberts, 2020, p. 112-113). Algerian capital markets are almost inexistent since it is constituted by only **five** corporations; private banks have grown, but the financial sector remains dominated by government owned and controlled banks. Despite the past improvement, bureaucratic obstacles to entrepreneurial activity and unemployment persist. The best index score was in **2002** with **61/100**, dropped to **46,9/100** by **14,1** point. (Miller, Kim and Roberts, 2020, p. 482).

The state continues to dominate the Algerian economy. Many reports, including **heritage foundation's economic freedom index**, notice that the efforts to introduce economic reforms have been

hampered by powerful vested interests; as a result, the government has made little progress in improving fiscal governance, halted the privatization of state industries, and restricted imports and foreign engagement in its economy. These policies and other institutional weaknesses, combined with persistent political uncertainty, continue to undermine the prospects for long-term sustainable economic development.

The “**Fraser institute's economic freedom index**” is quite similar to that of the **heritage foundation**; the index measures the extent to which countries' policies and institutions support economic freedom. Here, the cornerstones of economic freedom are also personal choice, voluntary exchange, the freedom to enter and compete in markets, and the security of the person and private property. This index sums up the same observation, with a rank of 157/162 and a rate of 4,97/10 (Gwartney and al., 2020, p. 10) , Algeria ranks among the last positions.

According to the **report of the oxford business group** on Algeria, **The Global Entrepreneurship and Development Institute**, based in the United States, ranks Algeria **80th** out of **137** countries in its "2018 Global Entrepreneurship Index" (oxford business group, 2020, p. 160). Regarding transactions with a party established abroad, the law provides for an exemption from the limitations of foreign trade for all products and services in which the transaction value in Algerian dinars does not exceed the current limits of the Bank of Algeria. Additionally, the report notices that Algeria initiated different technological reform like the “e-payments” and “E-commerce”, and “By law, online financial transactions must pass exclusively through “Algérie Poste” and be connected to AT payment terminals electronic consumers have to use their currency accounts to transact while enjoying any good” knowing that the national broadband download speed is **3.84 Mbps**, far behind the global average of **50.88 Mbps** (oxford business group, 2020, p. 156-157).

The **Fragile States Index of the fund for peace** develops a list that aims to assess the vulnerability of states to conflict or collapse, ranking all sovereign states members of the United Nations where there is enough data available for analysis. According to this index, Algeria, “with an economy largely dependent on the extractive sector with a failure to diversify has led to a slowdown in economic production and growth” (Messner and Fiertz, 2019, p. 22), with the indicator measuring the overall economic health of the FSI worsening by steadily when we consider the five and ten year trends ; it ranks at **71/178** alongside with Senegal with a rate of **74,6/120** , both in the elevated warning countries section (Messner

and Fiertz, 2020, p. 7). Although economic inequality appears to have improved and economical distortions reduced, “it is likely that more people, in larger parts of the economy, are provided with insufficient condition of economic interactions” (Messner and Fiertz, 2020, p. 22).

Even if Algeria, whose ancient ruins and breathtaking landscapes rival those of its Maghreb neighbors, seems to be opening up to tourism, the **Travel and Tourism Competitiveness** ranks Algeria in the **111/140** position with a rate of **3,1/10** (World economic forum, 2020, p. 15) , this could also represent a massive opportunity for investment . For **Global innovation**, an index that looks at the pulse of innovation in the world, revealing the innovation performance of economies, Algeria rank **121/131** with **19,48/100** overall (Soumitra Dutta, Lanvin, and Wunsch-Vincent, 2020, p. 216).

The **World investment report** produced by the **United Nations Conference on Trade and Development**, that supports decision-makers by monitoring global and regional trends in foreign direct investment and documenting developments in national and international investment policies, gives us another outlook on the investment climate and the existing opportunities. Algeria is among the top **5** of the African economy concerning the outflow of exports at an amount of \$ **900** million. FDI flows to Algeria increased **22%** to reach \$ **1.5 billion in 2019**. In addition to FDI in the oil and gas sector, Algeria received significant investments in the automotive industry in **2018**. It also states that: Algeria introduced a set of fiscal incentives to attract foreign investment in the oil and gas industry (Zhan J, 2020, p. 101), Algeria is ranked among the bottom five according to the average annual growth rate of commercial goods (Zhan J, 2019, p. 183) .

Different macroeconomic factors are brought together and provided by the “**Investment climate report**” of **The Arab investment and export credit guarantee corporation**, which is keen to play its role in disseminating knowledge and monitoring developments related to the investment climate in Arab countries in order to support the efforts of governments in the region, and improve their attractiveness of foreign investments.. This report offers us a new index relating directly to the investment climate, the **Dhaman Investment Attractiveness Index (DIAI) 2019**, which ranks Algeria **84** out of **109** in the world for the entrepreneurial, against a macroeconomic stability of **19/109** (The Arab investment and export credit guarantee corporation, 2019, p. 56-57) . For the Business **Environment Rankings of the Economist Intelligence Unit**, Algeria is also at the bottom of the list, it ranks in **75/82** (the

Economist Intelligence Unit, 2019, p. 4).

RMB's "Where to invest in Africa" resumes different point about the investment climate in Algeria (Rand Merchant Bank, 2020, p. 23-80) :

- Political uncertainty, causing lower private sector investment. Fiscal pressure is weakening the state's ability to overcome oil price shocks.
- South Africa's position as the third-largest market in PPP terms is at risk of being usurped by Algeria, which increased the size of its economy by **10%** in a matter of five years on the back of strong growth rates.
- The informal retail sector is still dominant in Algeria. However, the expanding middle class, relatively young population and steady economic growth stand to shift consumer tastes. Although slow, a series of modern retail developments has emerged over the last decade.
- Algeria's production growth remains conservative and does not include Sonatrach's efforts to ramp up production through new technologies as tentative figures are yet to be provided. Algeria's recent economic challenges have slowed further development.
- Algeria is ranked as a high-risk investment environment, with high political /violence interference and high supply disruption.

The overall rating of Algeria over the years is shown in the table below:

Table N° 2: rating evolution 2000-2019

years	2000	2005	2010	2013	2014	2015	2016	2017	2018	2019
rating	6,3	5,5	5,5	5,2	5,5	5,6	5,5	5,2	5,1	5,2

Source: Rand Merchant Bank, where to invest in Africa, 2020, p. 295.

We notice a fall and then a continuous trend over the years (with 1,3 point between 2000 and 2003), the same is to be seen concerning the operating investment with a large drop between 2000 and 2005 (1,2 point):

Table N°3: Operating environment scores evolution 2000-2019

years	2000	2005	2010	2013	2014	2015	2016	2017	2018	2019
rating	5,7	4,5	4,2	3,9	4,0	4,0	3,9	3,9	3,7	3,8

Source: Rand Merchant Bank, where to invest in Africa, 2020, p. 303.

We could also focus on ecological issues, by the fact that investors are now also interested in the ecological side of the investment context:

Climate change performance index ranks Algeria at the **46/61 position** with the note of **41,45/100** overall (Burck and al., 2020, p. 9), and **57/61** regarding Climate Policy with **11,9/100** (Burck and al., 2020, p. 17) . this low rating could be an investment opportunity from a certain point of view, since Algeria has low ecological type investments, this could represents a great potential market if Algeria opens toward the ecological issues specifically. If we focus on ethics and criminality ,the **Basel AML Index of the Basel institute on governance** , that ranks countries from the riskiest to most secure country in terms of money laundering and terrorist financing risks around the world, ranks Algeria in **19** on **141** (downward rate of 6,7), which makes it one of the riskiest countries . Algeria is related to as having the highest levels of financial secrecy and as major money laundering jurisdictions (the Basel institute on governance, 2020, p. 17). As for labor, the **Global labor resilience index 2020** from **Whiteshield partners** ranks Algeria in **108/145** with a rate of **37/100** (O'Sullivan and Farra, 2020, P: 11)

The US embassy in Algeria has acknowledge the different reforms and changes made in Algeria , as it observes “The Algerian economy is both challenging and potentially highly rewarding” and “ business opportunities in nearly every sector, including energy, power, water, healthcare, telecommunications, transportation, recycling, and consumer goods” (US department of state, 2020):

- The government eliminated the so-called “**51/49**” restriction that required majority Algerian ownership of all new businesses. The requirement will be retained for “strategic sectors,” identified as hydrocarbons, mining, defense, and pharmaceuticals manufacturing.
- Government also passed a new hydrocarbons law, improving fiscal terms and contract flexibility in order to attract new international investors.
- Algeria eliminated state enterprises’s “right of first refusal” on most transfers of foreign holdings to foreign shareholders, with the exception of identified “strategic” sectors.

However, it also notes that:

- International firms that operate in Algeria complain that laws and regulations are constantly shifting and applied unevenly, raising commercial risk for foreign investors.
- An ongoing anti-corruption campaign has increased wariness regarding large-scale investment projects.
- While the Algerian government publicly welcomes FDI, a difficult business climate, an inconsistent regulatory environment, and

sometimes contradictory government policies complicate foreign investment.

- Frequent and unpredictable changes to business regulations have added to the uncertainty in the market.
- There is no mechanism for public comment on draft laws, regulations or regulatory procedures. Algeria does not have any foreign trade zones or free ports.
- Algeria's bankruptcy system is underdeveloped. Bankruptcy cases rarely proceed to a full dissolution of assets.
- Secured interests in property are generally recognized and enforceable, but court proceedings can be lengthy and results unpredictable.

Any average investor could be discouraged by the only mention of the previous points mentioned by the US embassy, especially considering the relative and recurrent systemic instability of Algeria. As said before, it is not a matter of objectivity, for the investor without robust relationship with pertinent stakeholders and political partners, and a specific project based view regarding a specific opportunity implementation and settlement, the indexes are incentives for the risk aversion he embodies to choose safer allocations for a safe and decent return. It is arguable the indexes are not a full assessment of the full potential of the country, and that it may represent a myopic view of the context, disadvantages, and inner possibilities. but firstly, our approach concerns the “actual” situation for investment in Algeria and doesn't use a prospective view, secondly, for the investor, in an era of speed, quick return policy, and financial crises, first hand data are determinant in the selection of investments and creating a broad view of a country

4. Focus on the Algerian situation

Through the various indexes that can confirm that Algeria's investment climate is far from emitting an attractive aura for any foreign or even local investors, the global dynamic of the climate is utterly deficient. We have observed that despite several efforts to restore order to the national economy and the overall investment climate, it remains in most indexes among the bottom of the list. The problem is more apparent when viewed from the outside of the country. If we exclusively use the indexes presented to make our investment and entrepreneurship decisions, there will be a high probability that Algeria will not be among the list of investment preferences for any rational and risk-averse individual. Even if Algeria is still a young country due to its recent independence (68 years),

and its young institutional and political structures, nothing can prevent it from finding an optimal configuration of allocation of various resources and varying its position. Algeria has a strategic geographic location and has put massive investments toward many structures and sectors, which explains its relative great place among the rest of the African countries; and yet the indexes show that its entrepreneurial environment is deficient. Algeria has not succeeded in making a breakthrough in tourism or in creating an innovation engine powerful enough to allow it to catch up with other fully developed countries, and which does not provide it with any gain in competitiveness compared to them.

The observation of the crucial points that constitute the ease and the freedom of financing and investment for investment and entrepreneurship are very mixed, accentuated by the informational opacity that Algeria knows. It is more and more difficult to envisage investments in the long term, especially if the necessary fund is subject to heavy and restricted rationing. The indexes exclusively dealing with investment clearly show how badly structured Algeria is.

We can also use the foreign direct investment FDI (foreign direct investment) to get an idea on the Algerian climate, according to the **Santander trade markets**, Algeria signed bilateral investment agreements with more from thirty countries. They define the framework for the protection of foreign investments in Algeria for each of the signatories .but “protectionist measures taken by the Algerian Government, as well as corruption, bureaucracy, a weak financial sector and legal insecurity in terms of intellectual property rights are serious obstacles to investment”. In terms of needs, Algeria suffers from a housing shortage and has significant needs in the health sector. Furthermore, the manufacturing sector is underdeveloped: Algeria imports most of its manufactured products. They also refer to the **World investment report** already mentioned, who notes that FDI inflows between 2017 and 2018 increased by 22% and reached 1.5 billion dollars (Santander trade, 2020). The **Global competitiveness index of the world economic forum** , sums up the situation well, the sub-indexes (financial system, economic stability, business dynamics ...) with a ranking of 89/141 and a rate 56,3/100, shows that out of 141 countries, Algeria still ranks among the bottom 40-45 (Schwab, 2019, P-P: 50-53). The **Global Talent Competitiveness Index** also resumes the Algerian situation with an overall position of 105/132 and a rate of 30,75/100 (Lanvin and Monteiro, 2020, P: 128)

5. What solution can we afford?

Algeria represents a major project that must be treated with the greatest possible rigor on several fronts: technology must be updated, the prospects for tourism must be enlarged, infrastructures renewed or created, knowledge acquired, distributed, and absorbed, and policies must be adjusted. Simply put: An evolution and a radical change of mentality and culture must take place. The problem must not be treated from the classical economic point of view, manipulating the interest rate would not solve the problem. Algeria must absolutely open up to the world and encourage foreign investment, it must roll up its sleeves to create value and fabricate its own path by aiming for the principal goal of any country: self-sufficiency.

Economic modernity obliges countries to improve their situation not only for the well-being of its citizens but also to attract foreign money flows, in which case Algeria must create a brand image. At any extent, this is not a ‘impossible task’ considering the resources available to the country, and the strategic place among the rest of the world. If we take the example of Singapore, whose soils do not contain any petroleum, became one of the largest black gold processing platforms. Algeria suffers from what (Menna and Mehibel, 2018, P-P: 1-20) calls the attractiveness paradox of Algeria. They notice that global FDI are rising while declining in North African countries including Algeria, even if it has adopted several policy measures relating to foreign investments. They give two principals reasons 1) the fact that Algeria is “industrializing industries which has led to weak international integration” 2) Algeria has long suffered from low factor productivity, institutional, political and macroeconomic instability. They have also constructed an attractiveness index called “ICA”: Algeria ranks last.

One of the two key concepts is undeniably stability. Algeria must reach a stat where a deficiency of a fraction will not drag down the rest in the long term. Economic, financial, political, social stability is the primary attraction vector. Progression does not mean material or technological innovation, going back to the land is as valuable as any deep restructuration. Internal successes constitute by themselves a positive signal for outside investors, even if there are also specific conditions to meet to attract outside investors. One of those conditions could be the existence of a well-constructed financial market, it is not a “necessary” condition for a country but could be a necessary criterion for the outside investor; and the Algerian financial market is almost inexistent. Inner stability sets up a first step toward the second key concept: promotion. It is not promotion in the sense of a “marketing” view, but rather signaling

the presence of the country in the different global shelves. It could be performed through embassies or Chambers of Commerce around the world. The article of (Moran, Görg, Seric, and Krieger-Boden, 2017) proposes the creation of an **Investment Promotion Agency (IPA):**” A successful IPA could target suitable foreign investors and could then become the link between them and the domestic economy. On the one side, it should act as a one-stop shop for the requirements investors demand from the host country.” They also propose to Shape **Export Processing Zones (EPZs)** in a way that they spearhead into the domestic economy by the creation of local supplier relationships or set up a secondary industrial zone for local suppliers. In a later stage of development, Algeria could also develop “Special economic zones”: “geographically delimited areas governments facilitate industrial activity through fiscal and regulatory incentives and infrastructure support... The SEZ boom is part of a new wave of industrial policies and a response to increasing competition for internationally mobile investment.”

For the investor with an outside view, several stereotypes could be systematically considered while subjectively evaluating the Algerian climate. Wars, poverty, past colonization damages, terrorism, and investors are not as familiar to the climate as citizen from that country, several websites and articles discuss the high riskiness stereotypes of North African and under development countries. Algeria must quickly invest in infrastructures, with correlation to tourism, signals about the emergence of better investment climate could spread faster and easier, but we need to keep in mind that the image of the past could be resistant to reforms.

The problem when we talk about FDI and investment climate attractiveness is the competitiveness aspects of it, if they are not absorbed by Algeria they will be by the other countries. Algeria needs to keep in mind that the investor has choice among several different countries and that he aims for secured returns. Algeria has a choice between internal focus and external focus, even though internal change has also an effect on external view, the pace and effectively of the two alternatives are not the same, which means that at some point, Algeria must value one of them more than the other.

The trick question is to know if a sustainable economy is systematically attractive. To answer this question, we need first to understand is at what level can we consider a country as “sustainable”. Investment attractiveness is the last picture in a country’s development, since it must initiate a long-term strategy for economic and ecological sustainability. For example, in

a multistep plan, Algeria could focus exclusively on upgrading and enhancing the tourism sector, Algeria has the most diversified panorama among African countries, but in the same time it has to contextualize such development to understand the downside of such plan (natural degradation, exploitation of culture ...). The situation gets more complicated when we understand that the “priority” criterion is not sufficient to understand configuration setting in an economy; enormous sums of data must be collected to understand the dynamic of a country. Transparency and the flow of information must be a priority for any strategy. It could be less pertinent to ask “What solution can we afford?” rather than “can we even afford a solution to our situation?” the fact that many different priorities exist in the same time obliges the country to weight the different consequences, many view FDI strategies as an obligatory “release the kraken” strategy where all valves must be open, But a careful management of efficacy control is the most important step.

Algeria uses what we call a “follow up” strategy where any new FDI must go through government control and jurisdiction. This strategy could be very useful in the sense that the investment could be performed regardless of the investment climate, since every need, procedure could be provided by the government, and any disturbance could be taken down by it, since it has the resources at disposition. The government can focus on specific investment, as to prior quality over quantity, and to make effective, voluntary and predictable signals. It can also be a solution for specific problem like unemployment. This strategy could bring great benefits if it focuses on transfer of technology, knowledge and know-how, an essentiality that Algeria lacks.

This strategy gets rid of the investment climate, which means the climate concept is not independent from the entities of control and executions. The downsides of this strategy is that it limits greatly FDI that the government could take in the same time, it also hinders the execution of the FDI especially if the bureaucratic weight slows down execution. It also hinders the free flow of the FDI and their quick implementation by the fact that this strategy implies a closed market and the fact that the government does not necessarily have the adequate skills. Another problem is that if there is lack of experience, the government will less likely avoid recurrent problems. If this strategy isn't joined with screening and an effective reform of the investment climate, the climate could remain in the *statu quo* or face even further degradation.

The attractiveness of an investment climate is situated on higher level than simple procedures. It is, as we have seen, the correlation between

different aspects that permits investment expansion, but it's not either the sum of those aspects. Attractiveness does not permit us to propose a reform or a program since that are different aspects and each aspect must be treated separately and in common with the other aspects. The climate investment attractiveness is a newly formed concept and remains an appreciation, it could applied to different contexts, for example, America's investment climate during the "gold rush" was attractive for the reason that opportunities were available (gold) with no binding restriction. Nevertheless, it has great impact on how doing business in a country is perceived by internal and external investors.

Conclusion

Our research made sure to bring together the maximum official international index likely to shed light on the situation of the Algerian investment climate as seen from an external point of view. We have dissected and extracted the essential remarks attributing to the climate and concluded that Algeria ranks among the most unfavorable climate for investment. Nevertheless, the evidence suffices to prove that Algeria is not using its capacity to the best of its ability. Algeria has the ability to move forward, not for a quick take-back or to reach the level of the most advanced countries within the shortest period possible, but to make positive progress and reduce negative leaks that originate from political or social distortion one-step at the time. Investment climate attractiveness is not an adequate measurement to base on realistic political intervention, but support greatly our primary objective, which is to analyze the qualitative degree of the signals send to universal and average investors.

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