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# Impact of Foreign Direct Investment on Economic Development in Algeria (2018-2022)

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## Abstract:

Foreign Direct Investments (FDI) play a pivotal role in bolstering the economic capabilities of nations, particularly in the context of globalization and the complex web of international economic interactions. FDIs act as vital channels for enhancing export capacities and introducing local products, equipped with advanced production technologies and contemporary management practices, into global markets through collaboration with multinational entities. This study delves into the dynamics of foreign direct investment in Algeria, scrutinizing the volume of incoming investments and illuminating the formidable challenges within the business and investment climate that undermine the efficacy of policies and assurances designed to attract capital and foreign investments. Furthermore, the analysis encompasses the principal characteristics and commitments extended by Algeria to encourage investment, along with their repercussions on economic progress.

**Keywords:** Foreign Direct Investment, investment flows in Algeria, barriers, economic development.

**Jel Classification Codes:** F21, F32, F43.

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## 1. Introduction:

The introduction to the article should contain a preface to the topic, and then introduce the research. The discourse on foreign investment occupies a prominent place in the global economic dialogue, drawing the attention of both scholars and policymakers. As a substantial form of capital, foreign investment has undergone significant evolution, primarily due to its crucial role in narrowing the gap between domestic investment needs and available savings. This transition has enabled many countries, particularly those in the developing world, to forge environments conducive to such investments, thereby fostering economic development.

Nations like Algeria have vigorously pursued economic liberalization, introducing legislation that not only provides enticing incentives to investors but also dismantles numerous impediments that obstruct investment flows. Whether independently or with support from international financial institutions, Algeria has endeavored to establish a market economy, promulgating laws that offer robust guarantees to foreign investors. These legislative measures are designed to augment the inflow of direct foreign investments and channel them towards pivotal economic sectors.

Unquestionably, these efforts are instrumental in accelerating economic growth, as they not only supplement domestic savings and investable funds within the host country but also facilitate the transfer of technology, skills, and contemporary managerial techniques.

### 1.1 Research Problem:

**"How can foreign direct investment impact economic development in Algeria?"**

This central question extends into several sub-questions:

- What is foreign direct investment, and what are its forms?
- What is the reality of foreign direct investment in Algeria?
- To what extent do the inflows of foreign direct investment contribute to achieving economic development in Algeria?

### 1.2 Study Hypotheses:

- Foreign direct investment is considered an international financing method influenced by the environmental factors of investment.
- Despite efforts to improve the investment climate by developing legislation and providing incentives and guarantees to develop and upgrade investment, the results achieved do not reflect the magnitude of these efforts, due to the non-application of such legislation.
- The contribution of foreign direct investment flows to economic growth is weak compared to the potential and opportunities available in Algeria.

### 1.3 Study Objectives:

- To understand the nature and essence of foreign direct investments.
- To examine the current landscape of foreign direct investments in Algeria and identify their predominant strengths and limitations.
- To investigate the trajectory of foreign direct investment flows in Algeria and assess their contribution to the nation's economic development.

### 1.4 Research Methodology:

In addressing the posed problem, we relied on the descriptive method to approach the theoretical concepts of foreign direct investment and the analytical method to interpret, analyze, and evaluate the magnitude of this investment in Algeria.

## 2. Fundamental Concepts of Foreign Direct Investment

Foreign direct investment (FDI) has captured the interest of numerous thinkers, economists, economic schools, and governments worldwide, whether in developed or developing countries.

Most economic policies encourage this type of investment across various fields, recognizing its crucial role in promoting globalization due to its ability to attract the attention and preference of host countries seeking developmental benefits in their economies. Consequently, FDI holds a prominent place in economic literature. The conclusions reached at a conference held in March 1961 in the United States, which included economists and representatives of leading businessmen, emphasized that foreign investment has become a principal channel for international relations.

### 2.1 Concept of Foreign Direct Investment:

Foreign direct investment is a complex phenomenon, as evidenced by the difficulties encountered by lawmakers, economists, and organizations in defining it fully. We will attempt to summarize the most important definitions in this field as follows:

- The International Monetary Fund defines FDI as a set of different operations aimed at influencing the market and managing an enterprise located in countries other than the home country of the parent company. According to the IMF standard, an investment is considered direct when a foreign investor owns 10% or more of the voting shares in a business enterprise, and this share is sufficient to give the investor a say in the management of the enterprise. (Mohamed, 2004, p.19)
- The World Trade Organization defines FDI as an operation carried out by an investor from one country (the home country) using their assets in other countries (the host country) with the intention of managing them. It is also considered the most effective means for the development of knowledge and productive capital in the

world and for generating wealth. Moreover, it allows the unlocking of significant amounts of underutilized production in developing countries. (Bouhezza, 2008, p.5)

- The Organization for Economic Cooperation and Development (OECD) defines it as any natural person, public or private enterprise, government, or group of enterprises that have legal personality and are interconnected, considered as a foreign investor if it has a direct investment enterprise. It also means a company or branch that conducts operations in a country other than the country where the foreign investor resides. (O.C.D.E, 1983, p.14)
- Foreign direct investment is also defined as an investment that involves obtaining a continuing interest in a specific project operating in an economy other than that of the investing entity, which owns and manages the project. This investment may occur through capital owners establishing and operating projects under their supervision, with oil companies and their marketing being prominent examples. (Khalf, 2010, pp.87-88)

From the aforementioned definitions, we can derive a general definition of foreign direct investment as the investment involving a foreign investor owning a part or all of an investment in a specific project in a country other than their own, and participating in the management of the project either partially or fully depending on the type of investment intended.

### 2.2 The Importance of Foreign Direct Investment:

Foreign direct investment is seen as a primary source of external financing for some developing countries, especially those with middle incomes. These countries are expected to benefit from the technology, technical knowledge, and administrative expertise owned by foreign companies. Although some developing countries may have the funds necessary for project establishment, the significance of FDI can be summarized as follows: (Sarah, 2010, pp.12-13)

- FDI does not establish its roots in the host countries without in-depth studies that demonstrate the economic and technical feasibility of the invested projects.
- FDI is not merely a tool for financing foreign exchange, as is the case with grants and foreign loans. Instead, it represents real financing through the transfer of real resources from abroad, including equipment and machinery necessary for establishing the investment and accompanied by technical, administrative, and organizational expertise that can overcome many barriers to development.
- Direct foreign investments contribute to creating numerous economic savings that drive the manufacturing movement in the host country. This is achieved through new projects establishing some or all of the necessary facilities, providing some production inputs and elements, establishing auxiliary projects that enhance the local workforce's level by creating institutes to train the national labor force on new advanced machinery, and encouraging national producers to open new markets abroad for local products.

Foreign investments play a role in stopping the drain of national expertise, which many developing countries suffer from, by providing competitive job opportunities and conditions compared to those these experts seek abroad.

### **2.3 Forms of Foreign Direct Investment:**

Foreign Direct Investment (FDI) manifests in various forms that differ based on multinational companies and the host country. The choice of a specific form is based on the political ideology and the socio-economic system of the host country as well as its status and objectives behind such investments. The forms of FDI are summarized as follows:

#### **2.1.1 Joint Investment or Partnership:**

Commonly referred to as a joint venture, this type of investment is based on collaboration with national capital. The percentage of participation in the project's capital is determined in light of the domestic law of the host country. A joint venture takes a specific legal form and offers significant benefits to its parties.

It arises from the contribution of at least two partners in the investment, one local (national) and the other foreign, with joint management of the projects between the foreign investing party and the local entity as per agreement, thereby ensuring joint decision-making that secures the interests of each party. (Kaki, 2011, p. 45)

#### **2.3.2 Wholly Owned Investments by the Foreign Investor:**

This is the most prominent and preferred form among multinational companies that extend across several countries through their specialized branches in production, marketing, or other productive and service activities. These investments are characterized by their large production size and monopolistic nature, involving the establishment of production and marketing branches.

Developing countries often hesitate about this form due to fears of economic dependency and its negative effects both locally and globally, and the concern over multinational companies dominating the host country's markets. However, countries, especially those in Southeast Asia, pursue this type of investment for the advantages it offers, such as the significant inflow of foreign capital to the recipient countries, the magnitude of the projects which helps reduce import bills, increase exports, and absorb a large portion of unemployment.

Despite these benefits, concerns about dependency and its consequent negative political impacts at the local level remain. (Ata Allah, 2010, pp. 163-164)

#### **2.3.3 Investment in Free Zones:**

Free zones, also known as islands of foreign investment, allow for investment away from the host country's laws, operating under special laws that regulate the establishment of economic projects in these zones. This type of investment enjoys full exemption from all fees and taxes imposed on investment projects within the host country. (Al-Matlab, 2008, p. 185)

### 2.3.4 Investment in Transferred Infrastructure Projects:

This form focuses on infrastructure projects under concession contracts ranging from 20 to 50 years, such as electricity plants, airports, and roads. These projects are built and operated for an agreed period under a concession contract, after which the project is returned to the government. This is commonly referred to as Build-Operate-Transfer (BOT) projects. (Ata Allah, 2010, p. 164)

### 2.3.5 Assembly Projects or Operations:

These projects take the form of an agreement between a national party and a foreign party (public or private), where the latter provides the former with components of a specific product to be assembled into a finished product.

In some cases, especially in developing countries, the foreign party also provides necessary expertise or knowledge related to the internal design of the factory, storage methods, maintenance, and capital equipment in exchange for an agreed return. These assembly projects or operations may take the form of a joint investment or be wholly owned by the foreign party's investment projects. (Abu Qahf, 2001, p. 274)

## 3. Analysis of the Reality of Foreign Direct Investment in Algeria (2018-2022)

Since its independence, Algeria has adopted various policies, measures, and reforms across all sectors to encourage foreign investments. These efforts have been facilitated by legislative developments and the establishment of bodies designed to attract foreign investments, offering incentives and guarantees necessary to gain the confidence of foreign investors.

### 3.1 Development of Foreign Direct Investment Flows to Algeria (2018-2022):

Below is a table that illustrates the development of foreign direct investment flows during the period (2018-2022):

**Table (01): Foreign Direct Investment Flows / Inflows to Algeria (2018-2022)**

Unit: Billion Dollars

Year	2018	2019	2020	2021	2022
Volume	1466	1381	1144	8692	7520

Source: Compiled by the researcher based on data from the World Bank: data.albankaldowli.org

From the data in the table above, it is evident that the performance of foreign direct investment in Algeria during the period (2018-2022) experienced a noticeable decline in direct foreign investment flows towards Algeria. The value of these flows reached 1466 million dollars in 2018, representing the highest value during the studied period.

This peak is attributable to the series of incentives implemented by the Algerian state under the amendments to the Investment Law, as well as the expansion of foreign investments to include other sectors outside the hydrocarbons sector such as assembly industry, mining, and steel. The continuous decrease from

2019 to 2022 can be attributed to political fluctuations in the country and the impacts of the global coronavirus crisis on investment.

### 3.2 Algeria's Advantages in Attracting Foreign Direct Investment:

Algeria possesses numerous strengths and relative advantages that enhance its foreign investment potential, along with several promising sectors for foreign investors. The key strengths of Algeria can be summarized as follows:

- **Availability of Natural Resources and Effective Policies for Their Development:** Algeria's wealth in natural resources, primarily oil and natural gas, represents one of the most significant attractions for foreign investors, especially when political and economic stability is present. Numerous policies and laws have been adopted to develop the hydrocarbons sector. In this context, the 1991 Law on the hydrocarbons sector opened it to foreign investors for production operations. For the first time since the nationalization policy of 1971, the new partnership model between Sonatrach and foreign companies has attracted significant amounts of foreign direct investment in this sector. (Bouabid, 2019, p. 86)
- **Excellent Geographical Location:** Algeria's location in North Africa, situated between the Maghreb countries and adjacent to Europe and the Arab world, gives it a strategic position for leveraging its investment capabilities. This significant and unique location should encourage direct foreign investments, particularly those aimed at exportation, and allow it to achieve advantages in partnership contracts with the European Union, including the establishment of free zones, given its geographical proximity to vital markets.
- **Low Labor Costs and Flexible Labor Market:** The workforce in Algeria is characterized by low costs across most sectors, and the labor market has seen a notable improvement in flexibility in recent years with the recognition of the principle of labor liberalization. Employers can directly negotiate employment contracts with workers. All these social factors effectively contribute to attracting foreign direct investment to Algeria. (Bouabid, 2019, p. 86)

**Guarantees Provided to Foreign Investors:** Since the issuance of Order No. 01-03, amended and supplemented by Order No. 06-08 and up to the new Law No. 16-09, the Algerian legislature has

- established several guarantees for investors to make Algeria's investment environment more qualified. This reflects the state's will to develop its national economy, including legislative guarantees embodied in the new investment law. (Khawzmi, 2020, pp. 127-128)
- Guarantee of equality among all investors in rights and obligations.
- Ensure the provisions of contracts and agreements concluded, meaning the state's commitment not to change the legislative framework governing investment, under which contracts or investment agreements were concluded, unless they consider the new provisions more suitable for their interests.

- Guarantee against expropriation and seizure of completed investments, with fair and equitable compensation in such cases.
- Guarantee the transfer of invested capital and the returns generated from it.
- Guarantee the possibility of resorting to competent regional judicial and arbitration authorities; any dispute between a foreign investor and the Algerian state falls under the jurisdiction of the relevant Algerian judicial authorities.

### 3.3. Obstacles to Foreign Direct Investment in Algeria:

Several significant barriers hinder the attraction of foreign direct investment in Algeria. Among these, administrative hurdles and bureaucracy stand out prominently, particularly as some administrative bodies handle the requirements and needs of local and foreign investments. These issues constitute 51% of the risks associated with obstructing foreign investment directions.

Clarity and improvement in policies alone lead to a 30% increase in new investments. The key impediments can be summarized as follows (Al-Taif, Korad, 2019, pp 154-155):

- **Ambiguity of Policies:** Despite simplification of administrative procedures and enhancement of public services, some legal texts remain unclear to investors. Algeria also significantly lags in shaking up its economic institutions.
- **Macroeconomic Instability:** While foreign direct investment contributes to capital formation in the host country, and multinational companies are highly efficient at generating financial surplus, it may seem initially that this is a base for expanding reinvestment in various sectors, and the balance of payments appears positive with increased government revenues through taxes and profit sharing. However, these companies remain under the control of the home country, especially if they increase imports of intermediate goods and various services and siphon investment returns back to the home country. This reverse transfer of resources leads to a persistent deficit in the balance of payments.
- **Taxes:** Despite modified tax privileges in Algerian laws, they are still high on a global level. Algerian tax incentives are weak compared to some Arab countries.
- **Regulatory Framework:** Algerian laws regarding foreign investment have improved, allowing foreigners to transfer profits abroad. However, the weight and complexity of administrative and bureaucratic procedures hinder the establishment of investment projects, as establishing an institution requires navigating through numerous lengthy procedures.
- **Corruption:** Arising from bureaucracy and routine administration, and the absence of information systems suitable for investment operations, this leads to widespread bribery. According to studies conducted by the World Bank on the investment climate in Algeria, 34.3% of corporate heads pay about 7% of their turnover in

bribes to expedite their transactions and benefit from certain advantages and services. In 2016, Algeria ranked 108th globally in the Corruption Perceptions Index by Transparency International with 34 points, placing it ninth in the Arab world.

- **Financing Issues:** This barrier is directly caused by the backwardness of the Algerian banking system and the dominance of the public sector, along with the absence of alternative financing sources and the ineffectiveness of the Algerian stock exchange. This has made the process of financing investment projects very slow, as it was restricted only to loans provided by the bank.
- **Electricity:** The difficulty in providing basic services like electricity, which still poses a significant barrier in Algeria due to its high cost.
- **Skills:** Since most foreign direct investments in Algeria are established by multinational corporations, primarily in the industrial sector, they require not just a large workforce but a skilled and specialized workforce in the required field. A lack of experience and training is a significant barrier in reducing unemployment by these companies.

#### 4. The Impact of Foreign Direct Investment Flows on Economic Development in Algeria (2018-2022)

Economic development can be achieved through the adoption of advanced technological and technical methods or a significant improvement in various production elements such as growth in labor or human capital. Therefore, the growth of economic activity sectors in any country requires the presence of capital to be invested in order to create added value that supports the state's economic cycle, providing high-quality products at competitive prices. This reflects on exports and imports, and consequently, the trade balance, which in turn balances the payments balance, leading to rapid growth in the country's gross domestic product (GDP).

This growth, in turn, reflects on the average per capita share of this output, creating economic welfare and thus achieving economic development. This financing is achieved by mobilizing domestic savings and attracting foreign direct investments (Kaki, 2011, p 224).

##### 4.1 Proportion of Foreign Direct Investment Contribution to the GDP for the Period (2018-2022):

The ratio of the balance of foreign direct investment to the gross domestic product reflects the importance of those investment flows in economic growth, and consequently the extent of the impact it can have on the economy of the host country. To understand the extent of the contribution of foreign direct investment to the gross domestic product, the following table illustrates the development of the ratio of foreign direct investment to the gross domestic product in the Algerian economy during the period (2018-2022).

**Table (2): Ratio of Foreign Direct Investment Contribution to Gross Domestic Product for the Period (2018-2022)**

Years	2018	2019	2020	2021	2022
Ratio	0.84	0.80	0.78	0.53	0.0039

Source: Compiled by the researcher based on data from the World Bank: data.albankaldowli.org

From the data in the previous table, we notice that the ratio of foreign direct investment to the gross domestic product during the period 2018-2022 experienced a continuous decline starting from 2018, where it recorded the highest rate during the studied period at 0.84, reaching 0.039 in 2022, which is a very low rate.

This indicates a reduction in the impact that the flows of foreign direct investment exert on the macroeconomic indicators of the Algerian economy. This decline is explained by the pandemic situation characterized by global lockdown measures, negatively impacting various investment projects and fears of economic recession causing multinational corporations to reevaluate their new projects.

#### **4.2 Contribution of Foreign Direct Investment to the Balance of Payments for the Period (2018-2022):**

It is essential to differentiate between foreign investment as a real phenomenon and as a financial phenomenon. Foreign direct investment is a significant source of international capital, encouraged to adapt to the lack of national savings, the deficit in commercial operations, and the disadvantages of using other international financing sources that generate debt.

The impact of foreign direct investment on the balance of payments has both positive and negative effects, reflecting the potential flows and the development of exports and reducing imports through production by the subsidiary. Negative effects vary, which can result from a potential drain on local credit resources in cases where the company is financed in the local market or repatriates profits and pays fees, returns, and profits, as well as growth in imports if the local supply covers all the subsidiary's needs.

Finally, the effects of foreign direct investment depend on the size and level of development of the host countries, which determine the future prospects of the company. (Srar, 2022, p 222)

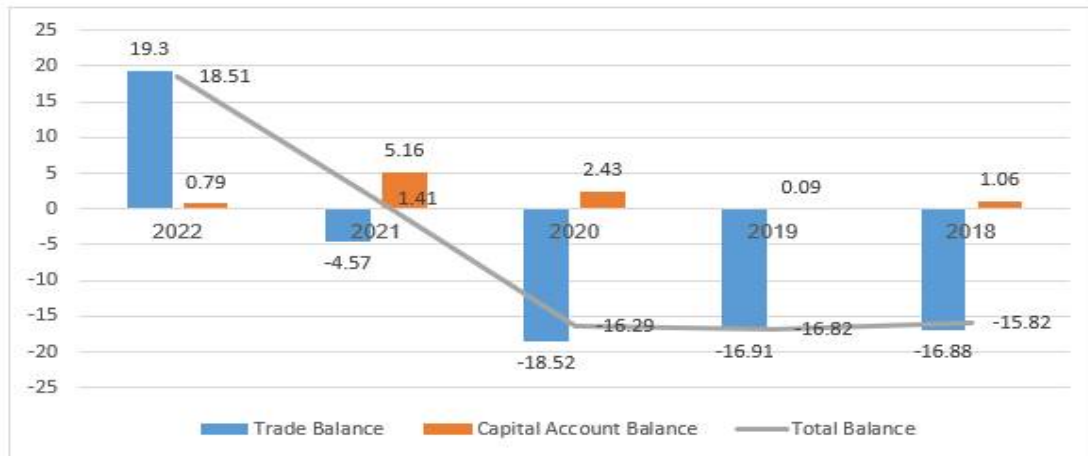
The impact of foreign direct investment on the balance of payments of the host country can be realized through several channels or balances, and we will address the most important balances of the balance of payments:

- **Trade Balance Account:** Foreign direct investment is expected to contribute to increasing financial receipts from abroad for the host country when the latter adopts a production strategy for export. It also contributes to reducing foreign payments in the case where the mentioned country adopts a production strategy for import substitution. In both strategies, the effect is positive on the trade balance of the country hosting the investment and hence on its balance of payments. (Baadat, 2008, p 57)

- Capital Account Balance:** This account includes all changes that occur during the period on the state's assets or rights before the other cycle, as well as on the concept of the state or its obligations towards these states. Thus, this account encompasses all operations representing a change in the creditor and debtor position of the state. (Awad, 2004, p 67)

To understand the contribution of foreign direct investment to the balance of payments, we include the following figure, which illustrates the development of both the trade balance and the capital account balance.

**Figure (01): Development of Key Balances of Payments for the Period (2018-2022)**



**Source:** Bank of Algeria, Annual Report 2022 on Economic and Monetary Developments, September 2023, p. 86.

From the aforementioned figure, the relationship between the overall balance of payments and its most significant accounts (trade balance and capital account) is clear. The overall balance of payments recorded a continuous deficit during the years 2018, 2019, and 2020, with values of -15.82, -16.82, and -16.29 respectively. This was due to the health and oil crisis and the recession in the global economy.

These balance of payments values are closely aligned with the trade balance values, and the difference between them is the value of the capital account balance. Here, we deduce the significant impact of the trade balance, which explains the domestic deficit in the balance of payments due to the decline in exports from the hydrocarbons sector.

We also note an improvement in the overall balance of payments value during 2021 and 2022, reaching the highest value for the period studied, estimated at 18.51. This is due to the rise in oil and gas prices and an increase in hydrocarbons exports from \$34.06 billion in 2021 to \$59.55 billion in 2022, an increase of \$25.49 billion. Additionally, non-hydrocarbons goods exports reached a record level of \$598 billion at the end of 2022, an increase of 30.57% from 2021, which led to an improvement in the overall balance of payments.

#### 4.3 Contribution of Foreign Direct Investment to Reducing Unemployment for the Period (2018-2022):

Like other developing countries, Algeria seeks to attract foreign direct investment to reap many benefits, including reducing or alleviating the problem of unemployment.

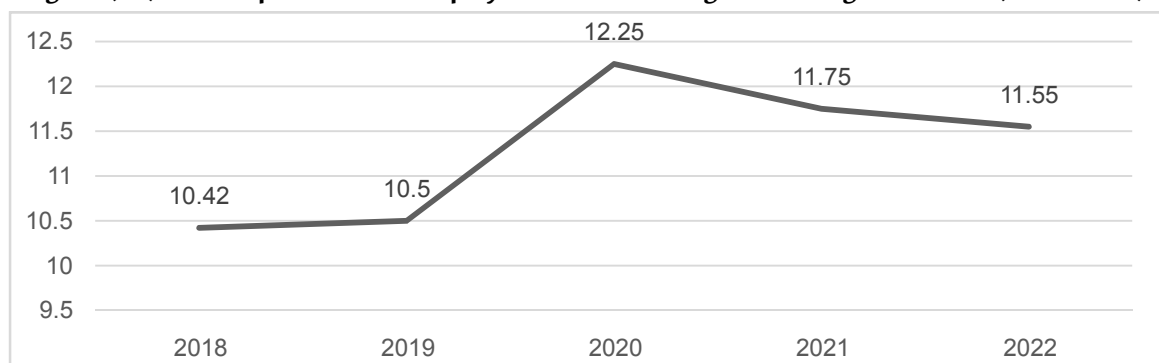
With its qualifications to attract direct foreign investments, Algeria has opened its doors to these investments through laws and policies encouraging investors and investment, hoping to create new and increasing job opportunities and all the benefits associated with these opportunities.

Foreign direct investment contributes to the training and qualification of the national workforce, which results in their ability to compete in the local and global market. If the host country achieves this, foreign direct investment has a positive effect on the labor element.

### 4.3.1 Development of the Unemployment Rate in Algeria During the Period (2018-2022):

We attempt to illustrate the development of unemployment rates in Algeria during the studied period through the following figure.

**Figure (02): Development of Unemployment Rates in Algeria During the Period (2018-2022)**



Source: The World Bank, data.albankaldawli.org

From the curve, we observe the highest unemployment rate recorded during the studied period in 2020, which is due to the COVID-19 pandemic that affected Algeria and the world as a whole. It then decreased in the years 2021 and 2022, recording 11.75 and 11.55 respectively.

The noticeable decline during this period is due to the significant role played by the state in ensuring the provision and creation of new job positions.

### 4.3.2 Development of Job Positions Provided by Foreign Direct Investment in Algeria for the Period (2018-2022):

Having discussed the development of unemployment rates, which improved in the last two years of the study period after the coronavirus pandemic that affected the world, it remains to be seen how foreign direct investment has contributed to reducing the unemployment rate in Algeria.

**Table (03): Development of Job Positions Provided by Foreign Direct Investment for the Period (2018-2022)**

Years	2018	2019	2020	2021	2022
Number of Projects	18	24	6	9	4
Number of Job Positions	1349	4988	251	650	1908

Source: Compiled by the researcher based on the Investment Climate in Western Countries, Annual Reports for the years 2019, 2020, 2021, 2022, 2023.

From the table above, which illustrates the job opportunities resulting from direct foreign investments, we observe a rise and improvement in the number of investment projects coming to Algeria, where it peaked in 2019 for the period studied (2018-2022) with 24 projects, corresponding to the creation of 4988 job positions, thus tripling the employment rate compared to the year 2018 and contributing to reducing unemployment. We also notice a decline in the number of job positions in 2020, estimated at 251 positions due to the impact of the COVID-19 pandemic, which caused a reduction in the number of projects to 6. This was followed by an increase in job positions, reaching 650 and 1908 positions during 2021 and 2022 respectively, despite a 55.5% decrease in the number of projects in 2022 compared to 2021.

## 5. Conclusion:

Direct foreign investments are recognized as crucial underpinnings in the scaffolding of development processes. Yet, their attraction necessitates rigorous efforts to cultivate a more conducive investment climate. In response, Algeria has initiated significant modifications to the regulations governing direct foreign investments, aiming to render its investment landscape more appealing through enhanced guarantees and easier market entry provisions, with the objective of maximizing investment inflows.

And falls short of its ambitious targets. This discrepancy is largely attributed to a range of persistent obstacles and challenges that serve as formidable barriers. Addressing these issues is imperative as part of a broader strategy to forge new avenues for direct foreign investments that are tightly linked to the efficacy and earnestness of policies aimed at enhancing the future investment climate in Algeria. Such measures are critical to bolstering the positive impacts of these investments on economic development.

### 5.1. Results:

- ✓ Direct foreign investment is pivotal as one of the most vital and cost-efficient international financial mechanisms for fostering development, particularly notable after local financing sources prove inadequate.
- ✓ In its quest to fortify the national economy, Algeria has implemented numerous legislative reforms, including incentives and assurances designed to nurture and expand investment, thus making its investment environment more conducive to direct foreign investments.
- ✓ The COVID-19 pandemic has had a profound impact on the volume of investment flows to Algeria and the proportion of direct foreign investment contributions to the GDP, leading to a sustained downturn in these flows throughout the analyzed period.
- ✓ Despite the overall decline, direct foreign investments have played a role in ameliorating the balance of payments and enhancing employment opportunities in Algeria during the post-pandemic era, although there has been a reduction in both the balance of payments surplus and the number of jobs generated by these investments.

- ✓ The realized benefits of direct foreign investments in Algeria have not met the anticipated levels, primarily due to the multitude of challenges and barriers that impede their efficacy.

### 5.2 Suggestions:

- \_ It is necessary to work on improving the investment climate in Algeria by addressing deficiencies in regulations and laws to reach a conducive investment climate that increases the volume of direct foreign investment flows.
- \_ Facilitate administrative procedures for foreign investors by reducing bureaucratic procedures.
- \_ Promote investment opportunities in Algeria through diplomatic representatives abroad.
- \_ Sign more international agreements and treaties to attract a larger number of foreign investors.

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