

Investment incentive system in Algeria under Law 22-18

نظام الحوافز الاستثمارية في الجزائر بموجب القانون 22-18

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*Date of send: 28/11/2024**date of acceptance:18/03/2025**date of publication: 29/12/2025***abstract:**

In Algeria, a series of laws have been enacted since independence to enhance the investment environment. Beginning with the cautious Investment Law of 1963, subsequent legislation aimed to promote investment freedom and regulate foreign investment. The Currency and Credit Law of 1990 strengthened financial oversight. A 1993 executive decree signaled Algeria's readiness to integrate into the global economy by encouraging and promoting investment, reflecting the country's commitment to creating an attractive investment climate.

Keywords: keyword, keyword, keyword, keyword.**ملخص:**

في الجزائر، تم إصدار سلسلة من القوانين منذ الاستقلال لتعزيز بيئة الاستثمار. بدءًا من قانون الاستثمار الحذر في عام 1963، استهدف التشريع اللاحق تعزيز حرية الاستثمار وتنظيم الاستثمار الأجنبي. قانون النقد والائتمان لعام 1990 قوى الرقابة المالية. وبمرسوم تنفيذي في عام 1993 أعلنت الجزائر استعدادها للاندماج في الاقتصاد العالمي من خلال تشجيع وتعزيز الاستثمار، معبرة عن التزام البلاد بخلق بيئة استثمارية جذابة.

الكلمات المفتاحية: الكلمة الأولى، الكلمة الثانية، الكلمة الثالثة، الكلمة الرابعة.

Author sent:*Introduction:**

Investment is a fundamental process in the business world that involves depositing money or other resources into specific assets with the aim of achieving future returns. Investments can be made in stocks, bonds, real estate, businesses, or any other type of assets that are expected to increase in value over time.

Investment is key to economic growth and achieving sustainable development in any country. One of the countries that attracts international investors is Algeria, thanks to its vast natural resources and strategic location. Understanding the reality of investment in Algeria is essential to identify the opportunities and challenges that investors may face in this country.

First section :

Demanding the First: Concept of Investment

Firstly - Language:

In language, the term "investment" comes from the verb "to invest," which is derived from the word "fruit." Investment is defined as the use of money with the purpose of yielding the fruit of this use, where money grows and expands over time. Investing money means seeking fruit, which includes several meanings such as carrying the tree, having a lot of money, growth, and increase.¹

Secondly - Terminology:

In terminology, investment is defined as the human activity aimed at multiplying material and moral wealth by employing funds in productive projects that consider the goals of society and align with national values and ethics.

Thirdly - Definition of Investment:

In the context of investment, it is considered acquiring funds for the purpose of obtaining a product or consuming it as a fundamental step. This can involve purchasing assets such as real estate or stocks or even investing in a business venture. These operations aim either to achieve future financial returns or to benefit directly from the product or service.²

When funds are invested in a specific product, it becomes necessary to effectively utilize that product to achieve growth in financial wealth. This may include developing effective marketing strategies, improving production processes, or even reselling the product with profits. This effective utilization contributes to enhancing the financial value of the investment.

It is the abandonment of money owned at a specific moment and for a specific period of time, which may vary, and linking it to one or more assets that are retained for that period with the intention of obtaining future financial flows to compensate for:

- The current value of the money relinquished in order to obtain that asset or assets.
- The expected decrease in purchasing power of that money due to inflation.
- The risk arising from the possibility of not receiving the desired financial flows as expected."

The second demand: The Importance of Investment at the National Level

The issue of investment is of great importance to all countries around the world, whether advanced or developing, especially considering the role of political and economic decision-makers. Investment is considered a fundamental driver for achieving economic surplus, which contributes to increasing national income, enhancing economic development, and improving social welfare for society.

Investments play a vital role in achieving positive effects on the national economy by distributing them across sectors and regions, leading to an increase in national income, creating new job opportunities, and boosting production. With increased investment rates, a country's productive capacity grows, consequently increasing income through the proliferation of investments³.

Furthermore, investment plays a prominent role in stimulating economic activity, as it is a key variable in determining economic growth rates, supporting trade balance and payments, and enhancing economic and social development processes.

However, developing countries still face challenges in assigning sufficient importance to investment due to capital scarcity, high consumption and population growth rates, lack of awareness about the importance of saving and investing, absence of a suitable investment environment, and ineffective use of available capital.

The importance of economic investment in society can be summarized through several points:

Spending on forming productive assets: Investment contributes to renewing equipment and machinery, maintaining productivity, and transitioning the economy from recession to prosperity.

The impact of investment on national income: Investment increases national income and stimulates the national economy, leading to improved savings and interest rate regulation.

Maximizing the investor's wealth and achieving prosperity: Investment contributes to increasing profits, achieving social welfare, and providing guarantees for individuals after retirement.

The fundamental role in economic development: Investment is a crucial factor in the economic development process of developing countries, supporting foreign trade and achieving balance in payments.⁴

Based on these points, it is evident that investment is not just an economic process; its impact extends to social aspects such as creating job opportunities, supporting scientific research and creativity, enhancing education and health, thereby achieving comprehensive development and sustainability in society.

Chapter Two: The Reality of Investment in Algeria

Section One: The Legal Reality of Investment in Algeria

Since its independence, Algeria has focused on organizing investments through a series of laws aimed at enhancing the investment environment and attracting capital. These efforts began with the issuance of the Investment Law in 1963, which adopted a cautious stance towards foreign investment, with vital projects receiving support from the public sector.

With the evolution of the economy and global transformations, subsequent laws underwent significant development. In 1982, a law was enacted to promote investment freedom and eliminate discrimination between the public and private sectors. In 1988, another law was introduced to regulate foreign investments and curb inflation.⁵

As part of enhancing the financial and banking system, the Currency and Credit Law was issued in 1990, granting the Bank of Algeria the authority to monitor commercial banks and regulate the distribution of loans. This law included protections for capital and guarantees against expropriation.⁶

In a step towards a market economy, an executive decree was issued in 1993 aimed at encouraging and promoting investment in Algeria, reflecting the country's readiness to capitalize on global economic opportunities and integrate into the world economy. These efforts demonstrate Algeria's commitment to developing an attractive investment environment open to both domestic and foreign investments.⁷

In the global economy, there is no longer a distinction between private and public investment, or between resident and non-resident investors. Investment freedom was granted to declared investors, and Presidential Decree No. 01-03, dated August 20, 2001, concerning investment development, facilitated government interventions to provide the necessary incentives for investors through the National Investment Development Agency (ANDI), which was established as a one-stop shop for this purpose. This law also ensured the transfer of capital and profits and the possibility of resorting to international arbitration in case of disputes between contracting parties.

Under Law No. 12/93 and Presidential Decree No. 01-03, the contours of the investment sector and everything related to it became clear, specifying areas explicitly excluded for the state or any specific legal entity based on legislative text. This applies to both private national investments and foreign investments carried out within economic activities for the production of goods or services.

Investment must be subject to a special investment permit from the National Investment Development Agency, including details such as the investor's identity, the nature of the activity, the investment structure and capital, the expected job opportunities, the required land characteristics, the technology used, and the location of the project. These conditions are outlined in Article 04 of the law.

The legal guarantees provide equality between foreign and Algerian natural and legal persons regarding investment, safeguarding investment rights from future interventions or cancellations, unless explicitly requested by the investor. The law also stipulates the right of investors to resort to arbitration in the event of disputes with the Algerian state.⁸

Section Two: The System of General and Exceptional Incentives Under Law 22-18 for National Investment

In the context of efforts made to promote investment in Algeria, it is clearly observed through Chapter Four and Chapter Two of Law No. 22-18 the focus on providing various advantages and incentives for investors. These advantages and incentives can be divided into two main categories:

First Category: General Advantages and Incentives

Law No. 22-18 offers general advantages that encompass all types of investments, whether commercial, industrial, or technological. These advantages are largely similar to those found in previous laws, but with some differences in details. The advantages include:⁹

- **Tax and Financial Facilities:** Including tax reductions or exemptions.
- **Flexible Customs Regulations:** To facilitate the movement of goods.
- **Equal Opportunities:** Ensuring that all investors can benefit from these advantages regardless of the nature of their investments.

Second Category: Exceptional Advantages and Incentives

The exceptional advantages, as stipulated in Chapter Four of the law, are directed towards specific types of investments. These advantages are determined based on certain conditions, as outlined in Articles 27 to 33 of the law.

Conditions for Benefiting from Exceptional Advantages:

- **Project Registration:** Investors must register their project with the relevant authorities.
- **Disclosure of Information:** All information related to the project and the goods and services benefiting from the advantages must be disclosed.
- **Specific Exemptions:** Goods and services must not be included in the prohibited lists.

Content of Incentives and Advantages

The law features serious content that avoids previous bureaucratic practices, including:

1. Exemption System:

- **Exemptions from Procedures:** The law allows certain exemptions from administrative and technical conditions, facilitating the initiation of projects without complications.
- **Exemption from Foreign Trade Procedures:** Such as banking localization, enhancing investors' ability to export and import.

2. Facilities in Project Management:

- **Accelerated Procedures:** Aiming to reduce the time required to complete investment projects.
- **Government Support:** Providing dedicated support for projects in priority sectors or in underserved areas.

Conclusion

Investing in Algeria presents both opportunities and challenges. With its rich natural resources, strategic location, and growing economy, Algeria has the potential to be an attractive investment destination. The government has been taking steps to improve the investment climate, such as implementing economic reforms and offering incentives to foreign investors.

In conclusion, investing in Algeria can be rewarding for those willing to navigate the challenges and uncertainties. It is essential for investors to conduct thorough research, understand the local business environment, build strong partnerships, and stay informed about the political and economic developments in the country to make informed investment decisions. Algeria's potential for growth and diversification beyond the energy sector can offer long-term opportunities for savvy investors.

Margins:

¹ * Ramadan Ziad: Principles of Financial and Real Investment (Dar Wael for Publishing and Distribution, First Edition, 1998), p. 13.

² *ibid*, p. 41.

³ Tayeb Daoudi: Financing Economic Development from an Islamic Perspective, Master's Thesis, Institute of Economic Sciences, University of Algiers, 1990, pp. 74, 73.

⁴ * Abdel Salam Abu Qahf: Business Economics and International Investment, University Press, 1989, no page number.

⁵ * Publications of the National Agency for Investment Development available at the website: WWW.ANDI.DZ.

⁶ * Erzel El Kahina: The Role of Algerian Banks and Financial Institutions in Foreign Trade, National Conference on Banking Reforms in Algeria, Faculty of Law and Literature, 8 May 1945 University, Qalmah, 2010, p. 2.

⁷ Sihem Ben Sahl: Investment Strategy in Biskra Province (Thesis for obtaining a Bachelor's degree in Economic Sciences, Mohamed Khider University of Biskra, 1996), p. 2.

⁸ Sihem Ben Sahl: *Op. cit.*, p. 2.

⁹ Executive Decree No. 12-3 dated March 1, 2012, specifying the conditions and procedures for obtaining the status of authorized economic operator with the Customs Administration, Official Gazette No. 14, issued on March 7, 2012.