

Tourism Investment in Algeria According to Directive Scheme of Tourist Development 2030: Expectations and facts

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Abstract:

The study aimed to understand the fact of tourism investment in the context of SDAT 2030 business plan objectives. We found that tourism investment has achieved good results after the Covid19 period, and with the projects in progress it is possible to achieve the goal of 300 thousand beds to accommodate the 11 million tourists envisaged in 2030.

Keywords: Tourism; Tourism Investment; SDAT2030.

Jel Classification Codes : L83, Q56

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1. INTRODUCTION

The significant economic growing of tourism sector in the world is clear. According to UNWTO tourism indicators, 2012 was the first time when international tourists surpassing a record of 1billion tourists globally. Five years later, international tourism knew a healthy growth, it recorded in 2017 a highest increase since 2009 global economic crisis, 1,326 million tourists travelled internationally with grew of 7%, in term of receipt, the sector generated US\$ 1,340 billion. 2019 international tourism recorded significant growth, with 1,460 million visitors traveling internationally, and 3% increase in total international tourism receipts by generating US\$1,481 billion (WTTC, 2019). Although the world health crisis effects of 2020, tourism recovery was remarkable, according to the UNWTO, international tourism ended 2023 at 88% of pre-pandemic levels, with an estimated of 1.3 billion international arrivals.

Many countries work to have a share of international tourism market, especially developing countries, as like as Algeria, with tourist attractions, natural beauties, climate, historical and cultural heritage, by stimulating necessary investments in tourism sector. Algeria adopted in 2010 the Directive Scheme of Tourist Development 2030 (SDAT 2030), It constitutes the strategic reference of the Algerian tourist policy, it is considered as translates tool of the State desire to improve the natural, cultural and historical capacities. Thus, to promote them in the service of tourism, with the objective of raising the Algerian tourism to the high level in the Euro-Mediterranean region. Through this plan, it seen that tourism is neither a branch nor a sector of activity, but rather a young industry that reconciles the promotion of tourism and the environment, and it is not an option but a national necessity as a driver and accelerator of development (Tourism Development Guide, Book I). Through this scientific research, our paper deal with the following question: What is the reality of investment in tourism sector in Algeria, and has it achieved the objectives set by Directive Scheme of Tourist Development 2030?

2. Development trends in Algeria and the tourism choice according to SDAT 2030

Algeria's development trends read through Law 10/02 of June 29, 2010, that includes the National Scheme for Territory Development (SNAT), which expresses the State's project for the next twenty years, from 2010 to 2030, approved by Parliament and published in the Official Journal No. 61, dated 13 Dhul-Qi'dah 1431 corresponding to October 21, 2010. Tourism has taken a clear place in the National Scheme for Territory Development (SNAT), and this has translated into Directive Scheme of Tourist Development (SDAT2030)

2.1 Objective of Directive Scheme of Tourist Development (SDAT2030)

In order to clarify the vision of SDAT 2030, the following five main objectives have been set (Tourism Development Guide, Book I):

First objective: Making tourism onemain locomotive of economic growth, by developing an economy can shift fuel based economy, through the development of tourism offers destined to the national market, and making Algeria a destination of excellence in the Mediterranean area, in the objective to create new jobs in the general economy of the country, that can contribute to improve the balance of trade payments and budgetary balances.

Second objective: to submit through the double impact on other sectors (agriculture, construction and public works, industry and traditional industry, services) through harmonizing with the strategies of other sectors and create a global combination locally, under the structure of SNAT.

Third objective: harmonizing tourism and environmentpromotion: it is about including sustainability concept withintourism industry, which ask coupling the social axis with the economic and environmental axis.

Fourth objective: valorizing historical, cultural and religious heritage.

Fifth objective: Continuous improvement of Algeria's brand.

2.2 Tourism Development Strategy 2030

In order to achieve the objectives declared in the directive scheme of tourist development by 2030, the most appropriate path has been traced through five dynamics of SDAT. These dynamics represent the foundation of tourism developmentstrategy in Algeria, with the goal of raising the tourism industry in Algeria to the international rang (Tourism Development Guide, Book II).

First dynamic: Destination Plan “Algeria”: The objective of destination plan is to increase the notoriety of the Algerian destination and give it an attractive overall image, through a promotion and communication policy aimed to highlighting the essential characteristics of the destination, as well as building a new image and expanding and strengthening the notoriety of the destination, by organizing multi-impact communication campaigns, and also by creating a tourist destination distinguished from others in neighboring destinations, after having carried out an in-depth and specialized analysis of the current offer in Algeria as well as an analysis of the competition.

Second dynamic: Tourist poles of excellence: The second dynamic aims to highlight important tourist poles recognized as models by the international tourist market. Poles of excellence are considered as spaces that offer qualitative tourist capacities. They are a combination of tourist villages of superior life commodities in a specific area, supplied with accommodation, entertainment and tourist activities. It enjoys independence to meet market demand and has sufficient appeal at the national and

international level. The development of poles of excellence is based on the multiple Algerian tourist capacities, which are structured around six axes: seaside and nautical business tourism; Desert tourism; Medical and health tourism; Cultural and religious tourism; And other types of tourism.

Through the second dynamic, seven poles were identified, each one being considered a "symbolic facade" to highlight the excellence of the tourist destination. These are: The north-eastern tourist pole; The central-northern tourist pole; The north-western tourist pole; The south-eastern tourist pole (the oases); The south-western tourist pole; Ksour Roads and Grand Sud tourist pole. Each franchise hub is made up of a group of complexes that work in partnership and integration with each other in order to recognize the identity of the pole and to offer more diversified services to satisfy different segments of the tourism market.

Third dynamic: Tourism Quality Plan: This movement aims to launch a plan for tourism quality, and create a dynamic of valorization and promotion of the tourist destination Algeria. dynamic n° 3 of the tourism quality plan is structured around two main axes: the quality training plan and information and communication technologies.

Fourth dynamic: Public-Private Partnership Plan: the role of public organizations is salient in the tourism sector, particularly in terms of infrastructure (airports, roads...), foreign policy, security...etc. Whereas, the private sector warrants the foundations of tourism investment and operation. The sector of tourism is an interconnected network of actors, the fourth dynamic was necessary to create a public-private partnership, which allows the various actors to be supported and establish communication and harmony between them. by working to intensify efforts at the local, regional or national levels.

Fifth dynamic: Tourism Financing Plan: Tourism is an industry with a slow return on investment, the tourism financing plan came to support the tourism investor, by supporting investors and project leaders by helping with decision-making, risk assessment and financing of operating equipment; reducing the procedures for granting bank loans and granting discounts; and extending the loan term.

3. Incitation for Tourism Investment in Algeria

Through the fifth dynamic, the tourism financing plan addressed the financing objectives set out in the tourism strategy, of which SDAT proposes three fundamental measures within the framework of tourism financing: A Financial support system; Professional training/assistance; and Comprehensive promotion of quality. It proposes also a new financing instrument, it is an investment bank that will develop: Support measures, Recovery measures; and Risk assessment assistance measures. In other words, the Algerian legislator, through the 2009 Finance Law, and through the law of 2016 related to the promotion of investment, found a set of investment incentives and recognized the sectors that benefit from these privileges, including the sector of tourism. Ministry of tourism has been published on its website the advantages granted under this law, and the most important of these incentives are distinguished in three

features: common advantages; additional benefits; and exceptional features (alger.mta.gov.dz):

In completion phase the investor would benefit from an exemption from customs duties and value-added duties on goods and services directly entering in the realization of the investment, and many other exemptions and reduction on taxes and fees. In addition, the investor in tourism sector would benefit in operational phase from an exemption from corporate income tax and professional activity expenses and a 50% reduction in the annual rental fee, for a period of three years for new investments, and those up to one hundred jobs. In the period of operating benefits can be extended for a period of ten years, granting of exemption or reduction, customs and tax duties, subsidies and other facilities. Furthermore, the investor can benefit from other advantages as sponsorship by the State, reduction of the amount of the annual rent, reduction rates applied to bank loans.

4.METHODS AND MATERIALS:

To identify how much is the progress of tourism sector in any area, often, researchers and organizations used tourism key performance indicators (KPIs). In decision making in the hospitality industry, key performance indicators help managers ensure proper allocation of resources and maximize profits. Moreover, some key performance indicators are required on a daily, weekly or monthly basis to study comparisons between hotels (benchmarking), making them a useful tool for managers in creating their particular pricing policy. (Dutescu et al, 2014). John et al (2022) propose four pillar of tourism performance indicators in developed country to achieve sustainability: visitor economy, resident support, workforce satisfaction, and environmental health. In our research, we focused in key performance indicators related to tourism investment, by backing to SDAT 2030, we found in book 2 (the five dynamics) performance indicators set up by the Ministry of Tourism to achieve the monetary and physical objectives of SDAT business plan. The performance indicators correspondent to physical objectives are: the number of hotels of international standards, the volume of beds that meet the ratio of the number of inbound tourists in 2015 and in 2030 including high quality bed, and number of employees. For indicators related to monetary objectives, there is: amount allocated to invest.

Related to tourism investment axis, the second dynamic focused the concept of “Excellent Pole of Tourism” (POT) which is a combination in a defined geographical area of a tourist excellence villages equipped with accommodation facilities, leisure facilities, tourist activities and tourist circuits in synergy with a territorial development project. It has been defined as a guide and tool of business analysis. In our research we will explore annual reports of tourism ministry and official statistics published by authority’s departments to stand on the reality of tourism investment in Algeria.

5. RESULTS AND DISCUSSION :

SDAT 2030 set a various objective for medium and long term, as we mentioned above there are monetary objectives and physical objectives. For the monetary objectives, the necessary public and private tourism investment is estimated between 2008-2015 at 2.5 billion US dollars, or 350 million US dollars per year, for the share of public investments for the seven poles. By keeping the usual ratio of 15% for the share of public investment, the public authorities should be guaranteed at least (all ministries combined), 375 million US dollars over 7 years for the seven excellent poles of tourism, or 54 million US dollars per year (Tourism Development Guide, Book II). We note that according to ONS (Statistics official office) the private sector contributed more than 87% of the added value during the period 2017-2021. In other view, the physical objectives, Algeria's objective was to welcome 2.5 million tourists in 2015, respecting the same ratios as its neighbours (Tunisia), it would therefore need 75,000 beds of high quality. By 2030, the SDAT aims in its business plan to meet a national demand that would be around 11 million national and foreign tourists (aapi.dz), that will have to increase gradually to reach 14 million tourists in 2035 (at a rate of more than 3 million tourists every five (5) years), it would therefore need 330,000 high quality beds to properly accommodate the 11 million tourists in 2030. According to SDAT business plan, each bed needs tangible investment and intangible investment (all facilities included), the tangible investment cost 55000 US dollars for one bed, that mean Algeria need to invest about 3 billion US dollars over 32 years, or about 94 million US dollars per year.

Tourism activity has seen a significant increase in 2023 in terms of total arrivals, where 3,292,508 tourists were recorded, an increase of 135.5% compared to 2022 (www.mta.gov.dz). The number remains far from the SDAT objective which was a growth of three million tourists every five years, and the target for 2023, under normal circumstances, was 7.3 million tourists. the fail could due to several factors: political (Elhirak 2019), health (covid 19) and competitive. But the rate of increase in 2023 indicate the fast recovery of tourism in Algeria and we consider it as a new start for Algerian tourism. According to ministry of tourism official web site, the hotel sector was strengthened during the year 2023 with 56 hotels with an accommodation capacity equivalent to 6,171 beds, bringing the total number of hotels to 1,638 until the year 2023 with a total capacity of 151,052 beds, among them, 8724 beds in 5-star hotels, 11705 beds in 4-star hotels, and 10505 beds in 3-star hotels, totalling 30934 high-quality beds, 90.84% of hotels are private sector. Under the tourism investment, 2,235 approved projects are registered, with a capacity of 271,336 beds and 94,468 scheduled jobs. If we assume that the maximum deadline for tourism projects registered in 2023 is 5 years, we hope that 422,388 beds will be ready at the beginning of 2030 to accommodate 11 million targeted tourists. the number of beds envisaged in the projects received and started and approved in 2023 is much higher than what was recorded as objective in SDAT 2030 business plan (330,000 beds). Furthermore, the tourism sector has a land portfolio consisting of 249 expansion zones and tourist sites (ZET) for a total area of 57,829,802 hectares, which provides an opportunity for other tourism projects, and a large margin for future tourism investors to realize their projects in the sector.

According to the finance law of 2022, the tourism sector benefited from a budget of 3.5 billion dinars (around 25 million dollars), a little more than the budget allocated to the sector in 2021 (around 23 million dollars), many experts in tourism sector have highlighted the weakness of the budget allocated to the tourism sector (algeriainvest.com). Let us recall

that the public authorities should be guaranteed at least (all ministries combined) 54 million US dollars per year (SDAT2030 business plan). However, due to the lack of statistics on the amounts allocated to the tourism sector and the shares each ministry, the analysis remains missing. Through this, we note the clear desire on the part of the public authorities to involve the private sector in the national vision of tourism.

6. CONCLUSION

Tourism has taken a clear place in the National Scheme for Territory Development (SNAT), and this has translated into Directive Scheme of Tourist Development (SDAT2030). In order to clarify the vision of SDAT 2030, five main objectives have been set, and other measurable objectives set on business plan. In accordance with the 2009 Finance Act, then the Act of 3 August 2016 relating to investment incentives, a set of investment incentives has been established and clarified the sectors that benefit from these privileges, including the tourism sector. The first 10 years results were far from SDAT objectives. But, after Covid 19 health crisis, the tourism sector in Algeria knew a new start with the registration of 2235 approved projects with a capacity of 271,336 beds. The number of beds envisaged in received, started and approved projects in 2023 will be more than 400 thousand beds, much higher than what was recorded as objective in SDAT 2030 business plan (300,000 beds).

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