

The Business Climate in Algeria and Its Impact on the Promotion of Investment in the Tourism Sector – An Analytical Study

LAZHAR Kharchi^{1♦}, BEN AOUAG Charafeddine Amine²

¹ Laboratory of Marketing and Economic Studies and Research, Setif 1 University (Algeria),
lazhar.kharchi@univ-setif.dz

² Laboratory of Marketing and Economic Studies and Research, Setif 1 University (Algeria),
charafeddineamine.benaoug@univ-setif.dz

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Abstract:

This research paper examines the business climate in Algeria and its role in promoting tourism investment in the country. The study aims to analyse how Algeria's business climate influences investment in the tourism sector by providing a comprehensive overview of the general business environment based on various indicators, including laws and regulations governing this field, as well as other indicators such as ease of doing business and economic freedom. The significance of the topic lies in highlighting the obstacles and challenges that hinder tourism investment in Algeria. To achieve the study's objectives, a descriptive-analytical approach was used, first by presenting the independent and dependent variables, then analysing how the business climate impacts tourism investment in Algeria.

The study concluded that the rigidity of the institutional and legislative framework and the complexity of bureaucratic procedures are among the most significant factors hindering the support of tourism investment in Algeria.

Keywords: Business climate, tourism investment, economic freedom, tourism sector, Algeria,

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♦ Corresponding author

1. Introduction:

In recent years, the tourism sector has received increasing attention from governments worldwide as a vital driver of economic growth, especially for countries with the necessary resources to develop this industry. Algeria, recognizing its potential, has initiated several measures to promote investment in the tourism sector. These efforts aim at economic diversification, reducing dependency on hydrocarbons, and enhancing integration between productive sectors in the Algerian economy, particularly in light of declining oil prices. Consequently, the country seeks to simplify legal procedures, reduce administrative obstacles, and ensure security and stability to improve its business environment.

1.2 Research Problem :

Given the above context, the study raises the following key question:

- Does the business climate in Algeria support tourism investment in the country?

Through this main question, a set of **sub-questions** can be asked :

- Can the current business climate in Algeria be considered appropriate to support investment in the tourism sector ?
- Are the laws and administrative measures taken by the Algerian state encouraging the promotion of investment in the tourism sector?

1.3 Research Hypotheses :

To answer the research question, the following hypotheses were formulated:

1. The current business climate in Algeria is conducive to supporting tourism investment.
2. The legal and administrative measures implemented by the Algerian government encourage tourism investment.

1.4 Objectives of the Study :

This study aims to achieve the following objectives :

- Identify different theoretical approaches to the business climate.
- Define tourism investment and analyze its key characteristics and types.
- Highlight the relationship between intellectual capital and entrepreneurial activities.
- Assess the role of the business climate in supporting tourism investment.

1.5 Significance of the Study:

The importance of this study stems from the significance of the subject itself. The business climate and its impact on tourism investment remain key concerns for researchers and policymakers, given the rapid changes in the global economic environment. Many countries face challenges that necessitate the creation of a favorable business environment to support and promote investments across various sectors, particularly tourism. This study aims to shed light on the significant role of intellectual capital in enhancing entrepreneurial activities and investment opportunities in the tourism sector.

1.6 Methodology:

To address the study's subject from multiple dimensions and achieve its objectives, a descriptive-analytical approach was employed, utilizing data collection and analysis to draw meaningful conclusions.

1.7 Previous Studies:

• **Mahboub Fatima (2017)**, titled “**Analysis of the Business Climate in Algeria during the Period 2007-2016.**”

This study aimed to identify the business climate in Algeria using the Ease of Doing Business Index issued by the World Bank, as well as its sub-indicators, during the period 2007-2016.

The study concluded that Algeria ranks significantly low in most indicators, which directly affects the business climate, making it repellent to foreign investments rather than attractive.

• **Daoud Ghediri, Malika Belfetahi, and Sarah Bouhabel (2020)**, titled “**The Reality of Tourism Investment in Algeria – With an Overview of the Granted Incentives and a Diagnosis of the Main Hindering Obstacles.**”

This study aimed to diagnose the reality of tourism investment in Algeria by assessing its status at the national level, determining the share of local and foreign tourism investments, and examining the impact of tourism investment on certain economic indicators in Algeria. Additionally, it presented the volume of incentives and privileges granted for its development and identified the various obstacles and challenges hindering the advancement of the tourism sector and tourism investment in Algeria.

The study found that despite Algeria's enormous tourism potential and the incentives and privileges granted to encourage tourism investment and develop the tourism sector—qualifying it to be a prominent tourist destination—the sector suffers from severe weakness due to a lack of attention and the existence of numerous challenges and obstacles preventing its growth.

• **Yamina Rendi and Abdallah Ben Salah (2023)**, titled “**An Analytical Study of the Business Liquidity Index and Its Role in Assessing the Business Climate in Algeria.**”

This study aimed to analyze the Business Liquidity Index and its role in assessing the business climate in Algeria through an analytical study of its rankings during the period 2010-2020, in order to determine its position within the sub-indicators of the Business Liquidity Index.

The study concluded with an assessment of the business climate in Algeria and the role of the new investment law in improving it. It highlighted that, within the “Starting a Business” indicator, the investment law in Algeria introduced a digital platform for investment promotion, which facilitates administrative procedures required to obtain permits and licenses necessary to start a business. These include building permits and the streamlining of business startup processes, significantly contributing to attracting both foreign and domestic investors, as well as reducing costs.

1.8 Study Structure:

In order to answer the main problem of the study, along with its sub-questions, the study has been divided into the following sections:

First: Generalities on the Business Climate;

Second: Theoretical Framework of Tourism Investment;

Third: Evaluation of the Business Climate in Algeria and its Impact on Tourism Investment.

The study concludes with a number of results that lead to suggestions we consider important in encouraging tourism investment.

2. Generalities on the Business Climate:

Due to the significant value of business in our current time, a business climate has emerged consisting of bodies, administrations, and institutions, each of which has strategies, policies, and ideas that help to achieve good business performance

2.1 Definition of the Business Climate:

Since the term "business climate" consists of two components, we need to address each element in order to reach the comprehensive concept.

2.2 Definition of Climate:

Climate can be defined as: "That complex whole, which includes various aspects and conditions such as legal, economic, political, social, security, and cultural, all interrelated to form a single structure, thus creating a specific impact, either positively or negatively, on certain operations." (Bahanas, 2018-2019, p. 5)

It is also defined as: "A complex phenomenon in which political, economic, financial, legal, administrative, cultural, and psychological factors intervene." (Mahboub, p. 319)

From the above definitions, we can define climate as the collection of legal, economic, political, social, security, and cultural conditions that have either a positive or negative effect on certain operations.

2.3 Definition of Business :

Business consists of "the various activities carried out by traders (both legal and natural persons) on one hand, and the commercial contracts found in commercial law and other related laws on the other hand. It may also extend to other transactions dictated by economic life." (Mahboub, p. 319)

2.4 Definition of the Business Climate:

The Arab Organization for Investment Guarantee defines the business climate as "a set of legal, economic, political, and social conditions that create the environment in which investment takes place." (Mahboub, p. 319)

It can also be defined as: "A set of political, economic, social, and legal conditions in which the processes of producing goods and providing services are carried out by private institutions primarily, and public institutions exceptionally, within the framework of a free market economy governed by competition. These conditions reflect both the positive and negative opportunities for the work and success of these institutions, thus acting as factors of attraction or hindrance, creating an incentive for action and an obstacle for hesitation."

(Bahanas, 2018-2019, p. 7)

From the previous definitions of the business climate, the following definition can be inferred: "The business climate is a set of legal, economic, political, and social conditions surrounding an institution, enabling it to carry out its activities, in addition to the conditions for undertaking investment processes, from the beginning of the project to its liquidation."

3. Theoretical Framework of Tourism Investment:

Tourism investment is considered one of the important areas that the state seeks to exploit in the best way in order to improve economic and social indicators.

3.1 Concept of Tourism Investment:

Tourism investment has multiple definitions depending on the perspective from which it is viewed. Some of the most important definitions include:

The World Tourism Organization defines tourism investment as "the development of tourism investment that meets the needs of tourists and the host sites, while protecting and providing opportunities for the future. It involves the guiding principles in resource management to meet the economic, social, and cultural issues, achieving cultural integration, environmental factors, biodiversity, and supporting life systems." (Amari, Shaabnia, & Saadane, 2021, p. 70)

The African Development Bank Group defines it as: "Tourism investment refers to capital creation or goods capable of producing other goods and services within the tourism industry, which can increase profits in the private sector or lead to regional economic activity and growth in the public sector." (Ghediri, Belfetahi, & Bouhabel, 2020, p. 122)

From the above, it can be said that tourism investment refers to the total expenditures in the tourism sector in all its components, in addition to the development and training of human resources working in the tourism sector, leading to economic development and increased growth rates.

3.2 Characteristics of Tourism Investment:

Tourism investments are characterized by a number of features, including: (Amari, Shaabnia, & Saadane, 2021, p. 71)

- Tourism investments are in assets for a long and fixed period, ranging from 20 to 25 years, which results in several political and social changes with varying risks;
- The returns from tourism investments are not quick due to the long duration of investments;
- Tourism investments require a high level of operation and skilled, qualified labor;
- Tourism investments do not require complex elements like technology; they rely heavily on human resources.
- Tourism investments contribute to supporting the economy of any country by providing new job opportunities that contribute to tourism income.
- Tourism investments are considered invisible exports, and they cannot be relocated from one place to another.

- The sensitivity of tourism investment to laws, regulations, and government legislation that govern investment in any country.
 - Tourism investment is considered a stimulator of the national economy, due to its dense interconnection with the rest of the economic sectors. (Ben Marzouk Nabil, 2018)
- Additionally, there are high establishment costs, which include investment and capital costs. (Yahiaoui & Bouhied, p. 317)

3.3 Objectives of Tourism Investment:

The main objectives of tourism investment are as follows: (Amari, Shaabnia, & Saadane, 2021, pp. 72-73)

✓ Economically:

Investment in the tourism sector brings many economic benefits to the country and society, with the economic objectives being:

- Expanding the contribution of tourism to the national output and developing infrastructure and public facilities;
- Improving the balance of payments through the influx of foreign capital in hard currency;
- Increasing added value by diversifying income sources and the national economic base, attracting national capital (private sector), and investing in crafts and traditional industries related to the tourism industry;
- Developing other economic sectors through the "multiplier effect," meaning that tourism investment generates income, leading to increased earnings for workers in the sector, who will spend their income on meeting their consumption needs. This consumption will increase the income of others, thus raising the demand for both consumer and investment projects;
- Developing and qualifying tourist attractions to increase tourism revenue, which contributes to increasing national income and improving the balance of payments. (Saïdani, 2017, p. 7)

✓ Socially and Culturally:

Tourism investment and the tourism industry aim to socially and culturally transform the way people view and interact with tourists, ensuring the preservation of social, cultural patterns, and the local community's traditions and heritage. At the same time, efforts are made to enhance the community's ability to interact with incoming cultures, creating harmony between the local social system and the social and cultural system accompanying the entry, stay, and interaction of tourists with the local population. Social and cultural objectives include:

- Contributing to achieving social and economic balance between different regions and governorates of the country. This can be achieved by distributing new tourism projects

across various areas, leading to the development and social growth of these regions and governorates ;

- **Providing job opportunities:** Tourism investment has an exceptional ability to generate employment opportunities, especially in the service sector, surpassing other economic activities. In this regard, the direct effects of investment cannot be overlooked;

- Tourism investments in the cultural field leads to interest in the cultural heritage and its preservation, as well as the protection of The relics and their safe delivery for subsequent generations to know their history .(Shahid Lias, 2016)

✓ **Providing Job Opportunities:**

Investment in the tourism sector and the tourism industry is one of the sectors with a great ability to generate job opportunities, especially in the service sector, where it surpasses other economic activities in this area. It is essential not to overlook the direct effects of tourism investment, such as paid salaries, as well as the indirect effects resulting from the increase in job opportunities and the reduction of unemployment, which helps lower its rates. The increase in job opportunities also leads to an improvement in social welfare, along with other benefits related to enhancing economic and social growth.

✓ **Environmental Sustainability:**

The goals of environmental sustainability are primarily concerned with preserving the characteristics of the natural environment and cultural and natural heritage resources, protecting them from exposure to any disruptions or negative effects caused by investment in the tourism sector and tourism activities. Therefore, it is crucial to focus on the principles of sustainable tourism development that ensure the optimal use of cultural and natural resources to meet the needs of the current generation while also considering the rights of future generations. Tourism investment aims to maintain environmental balance, preventing any change or degradation in the environment and its resources, as well as preserving the components of the environment and the ecology of the place, which refers to the interaction between humans and the environment. It also works on raising environmental awareness among both local and international tourists, as well as investors and decision-makers in both the public and private sectors.

3.4 Types of Tourism Investment:

Tourism investment is generally divided into the following: (Amari, Shaabnia, and Saadan, 2021, pages 73-74)

3.4.1 Investment in Tourism Services:

This includes several key sectors in tourism activities, the most important of which are:

- **Accommodation Services:** These include hotels, resorts, and everything related to the stay of tourists, including facilities such as catering and other entertainment services.

o**Transportation Services:** This includes the construction of roads, providing transportation for tourists, as well as building airports and providing transport routes between the tourist's home country and the host country.

o**Communication Services:** This includes providing mobile phone networks, especially in desert areas visited by tourists, and offering high-speed internet services to provide tourists with all necessary facilities for their enjoyment.

3.4.2. Investment in Tourism Resources :

This includes many areas owned by the state, such as:

o**Investment in Natural Resources:** This involves focusing on the natural resources of the host country and maintaining them.

o**Investment in Cultural Resources:** This includes encouraging and organizing cultural festivals, preserving historical monuments, and opening archaeological sites for investment by both the public and private sectors.

There are also other forms of tourism investment, such as:

- **Material Investment**

- **Syndicated Investment**

- **Investment in Research and Development:** This is particularly important in developed countries, where significant amounts are allocated for tourism research and studies to enhance the competitiveness of companies or tourism projects in the local markets of the country. (Khafi and Khiri, 2019, page 320)

4. Evaluating the Business Climate in Algeria and Its Impact on Tourism Investment :

There are many international indicators used to evaluate and measure the extent of development and the suitability of the business climate. These indicators generally aim to assess the overall business climate and the investment situation in any country, which helps investors make the best decision about whether to invest in that country or not. Among the key indicators that we will address in this discussion are : the Ease of Doing Business Index and the Economic Freedom Index.

4.1 Ease of Doing Business Index :

The Ease of Doing Business Index measures the impact of laws and government procedures on economic conditions in the business environment. This index is published annually by the World Bank and the International Finance Corporation since 2003. It consists of an average of ten sub-indicators, which together form the business environment database. (Randi and Ben Saleh, 2023, p. 183). To clarify Algeria's position in the sub-indicators of the Ease of Doing Business Index, the following table will be discussed :

Table 1: «Algeria's ranking in the overall Ease of Doing Business Index and its sub-indicators for the period (2016-2020) »

Sub-indicators	2016	2017	2018	2019	2020
Starting a Business	145	142	145	150	152
Dealing with Construction Permits	122	77	146	129	121
Getting Electricity	130	118	120	106	102
Registering Property	163	162	163	165	165
Getting Credit	174	175	177	178	181
Protecting Minority Investors	174	173	170	168	179
Paying Taxes	169	155	157	156	158
Trading Across Borders	106	178	181	173	172
Enforcing Contracts	176	102	103	112	113
Resolving Insolvency	73	74	71	76	81
Overall Ranking in Ease of Doing Business Index	163	156	166	157	157

Source: (bank, 2015-2019, pp. 153-168), (the world bank, 2025)

Based on the data in the above table, we can deduce the following:

Algeria ranked 163rd globally in the overall Ease of Doing Business Index out of 190 countries in 2015. There was a slight improvement in 2017, when it moved to 156th place. However, it declined again in the following year, reaching its lowest point in 2018, with a ranking of 166th. For 2019 and 2020, Algeria improved by 9 positions, reaching 157th place. Despite this improvement, the country's performance remained fluctuating and unstable. When comparing the ranking in 2016 to that of 2020, we find that Algeria gained six positions in the overall Ease of Doing Business Index. Therefore, Algeria is one of the countries that has not made significant positive changes in the World Bank's indicators during this period, despite the administrative and economic reforms undertaken, particularly Article 43 of the 2016 Constitution, which is seen as a major step in this field. This article states that:

- Investment and trade freedoms are recognized and practiced within the framework of the law.
- The state works to improve the business climate and encourages the growth of businesses without discrimination to serve national economic development.
- The state ensures market regulation and defines consumer rights by law.
- The law prohibits monopolies and unfair competition.

Despite these reforms, the report from the World Bank indicated that Algeria does not provide an attractive environment for investment, citing several factors. It described the country as a difficult destination for investors due to the complexity of procedures from some agencies and institutions, as well as the bureaucratic nature of the administration, which makes the investment process within Algeria more challenging.

Regarding the sub-indicators, it is noted that some have improved their rankings, while others have declined despite the reforms implemented by the Algerian state, as mentioned earlier. Among these indicators, we highlight:

✓ **Indicator of Starting a Business:** Starting a business in Algeria requires 14 procedures over a period of 24 days. These procedures are divided into two types: basic procedures and additional ones resulting from the basic ones. The large number of procedures burdens the investor, despite Algeria's establishment of a "one-stop-shop" to complete most of these procedures and expedite the company formation process. However, this has led to the addition of new procedures, further complicating the process. (Mahboub, p. 324) We observe a decline in Algeria's ranking by 7 positions from 2016 to 2020, dropping from 145th to 152nd place globally.

To expedite the process of starting commercial activities, the Algerian government should address certain aspects, such as automating the file processing to speed up the review process, in addition to reconsidering some laws and procedures to reduce delays and costs.

✓ **Building Permit Extraction Indicator:** We notice an improvement in some years and a decline in others. In 2016, Algeria ranked 122nd, then in the following year (2017), it made a significant leap in ranking to 77th. However, it again declined sharply in 2018, reaching 146th. For 2019, there was some improvement compared to 2018, with Algeria ranking 129th. In 2020, the country improved by 8 positions, reaching 121st place. It is noticeable that Algeria's ranking in the building permit extraction indicator fluctuated, and this requires Algeria to take swift measures to expedite the process of issuing building permits in order to support investment in general and tourism investment in particular.

✓ **Electricity Access Indicator:** We notice a significant improvement in this indicator. From 2016 to 2020, Algeria improved its ranking by 28 positions, reaching 102nd place globally. This improvement can be attributed to the positive measures taken by the Algerian state in this regard.

✓ **Property Registration Index:**

It is noted that Algeria ranks poorly in this index for all years from 2016 to 2020, and Algeria recorded a periodic decline in each year, reaching 165th place globally in property settlement. It is worth mentioning that Algeria has taken some measures in this area, including reducing the cost of property registration by lowering advertising and documentation fees by 0.4% of the property value. (Mahboub, p. 325)

✓ **Getting Credit Index:**

It is noted that Algeria ranks very low in this index, with Algeria ranking 174th globally in

2016, and reaching 181st by the end of 2020. This is due to the complex legal procedures in this field and their lack of flexibility, which led the bank to categorize Algeria as one of the worst countries in the Getting Credit Index.

✓ **Investor Protection Index:**

It is noted that Algeria ranked 174th globally in 2016, and then dropped to 179th in 2020, showing a significant decline in Algeria's ranking in this index. This is due to insufficient reforms in this area, especially those related to investor protection.

✓ **Paying Taxes Index:**

It is noted that Algeria ranked very low in 2016 (169th), and in the next four years, its ranking improved slightly with varying degrees, but it remained low. Despite Algeria's significant efforts to attract and satisfy investors, the improvement was not substantial.

✓ **International Trade Across Borders Index:**

It is noted that Algeria ranked 106th in 2016, then its rank dropped in 2017 to 178th, and in 2018, it significantly declined to 181st, a drop of 3 positions. In 2019, it improved to 173rd, and in 2020, it reached 172nd. This decline is due to the numerous procedures required to conduct import and export operations.

✓ **Contract Enforcement Index:**

It is noted that Algeria ranked 176th in 2016, and then in the following year, it improved significantly by 74 places, reaching 102nd in 2017. For the years 2017-2020, there was slight improvement compared to 2016, but it still didn't reach competitive levels. This is due to the legal gaps regarding commercial disputes.

✓ **Resolving Insolvency Index:**

It is noted that Algeria ranked 73rd in 2016, then continued to gradually decline in the following years, reaching 81st in 2020, with a delay of 8 places over 5 years. Despite these low rankings in the global scale, which reflect the worsening business climate in Algeria, and the persistence of many practices disliked by foreign investors, such as bureaucracy, complex procedures, excessive documentation, and the long time required to complete transactions, it is important to highlight some achievements Algeria has made in certain sub-indicators.

4.2 Economic Freedom Index:

The Heritage Foundation in collaboration with the Wall Street Journal issues this index since 1995. It is used to measure the impact of government intervention in economic activities on all aspects of economic and political freedom, business performance, and international relations. The calculation of this index is based on ten main factors, which include: trade policy (tariff rates), the financial management system of the state budget (tax structure), the volume of national and foreign private investment, the performance of the banking and financial sector, the adequacy of legal legislation and the quality of administrative and bureaucratic procedures, the relative weight of the public sector in the economy (as a percentage of GDP), monetary policies (exchange rate and inflation), clarity

of respect for intellectual property rights, wage levels, and the activity of the parallel black market. (Daghoun, 2020, p. 357)

It is worth noting that a reference guide was established to be used in determining and interpreting the degree of economic freedom in a given country by comparing the values in this guide with the economic freedom value of that country. The calculation of a country's economic freedom score is done by averaging the points related to the main factors that form the Economic Freedom Index. Recent editions of the index have relied on the percentage value of the index, where the closer the value is to 100, the freer the economy is considered. Conversely, the further the value is from 100, the more closed and repressive the economy is considered. (Daghoun, 2020, p. 357)

In general, the Economic Freedom Index helps provide an overall picture of the business climate in the country, as it takes into account developments related to administrative and bureaucratic obstacles, trade barriers, the rule of law, and workers' protection laws. (Daghoun, 2020, p. 357)

The following table summarizes Algeria's global and Arab rankings in the Economic Freedom Index, along with the sub-indicators of economic freedom in Algeria for the period from 2015 to 2020.

Table (2): «Algeria's Global and Arab Ranking in the Economic Freedom Index and its Sub-Indicators for the Period (2019-2024) Unit: (%) »

Indicator	2019	2020	2021	2022	2023	2024
Property Rights	31.6	37.9	34.0	27.9	27.8	27.5
Freedom from Corruption	36.2	35.0	32.7	30.1	29.5	28.9
Tax Freedom	76.4	75.4	67.2	67.2	71.9	79.4
Government Spending	48.7	52.6	55.4	57.1	50.7	54.7
Business Freedom	61.6	63.0	63.5	50.0	53.6	54.4
Labor Freedom	49.9	50.5	51.3	51.5	51.4	51.4
Monetary Freedom	74.9	76.2	84.3	80.1	75.1	71.9
Trade Freedom	67.4	66.2	57.4	57.4	57.5	57.4
Investment Freedom	30.0	30.0	30.0	30.0	30.0	30.0
Financial Freedom	30.0	30.0	30.0	30.0	30.0	30.0
Economic Freedom Index Value	46.2	46.9	49.7	45.8	43.2	43.9
Arab Ranking	14	14	13	15	15	13
Global Ranking	171	169	162	167	168	164

Source: (Foundation, 2019-2020, pp. 76-305), (Kevin D. Roberts, 2024)

Based on the data presented in the table above, it is evident that economic freedom in Algeria, in all its components, remains weak and has not reached the desired level, both at the Arab and international levels. The report issued by the Heritage Foundation in collaboration with *The Wall Street Journal* indicated that despite some improvements introduced to enhance the business environment in Algeria, bureaucratic obstacles in

business activity and economic diversification persist. The capital market remains stagnant, and the unemployment rate among the youth is still very high. The report also criticizes the food and fuel subsidy policy and the price capping policy. Additionally, the report highlighted that the Algerian government has neglected policies for maintaining regulatory efficiency and open markets, with the economy becoming more reliant on the state-dominated energy sector, along with trade and investment systems that are considered burdensome and obstructive to investors, which has led, according to the source, to hindering the development of the private sector.

This places a significant responsibility on policymakers and decision-makers in Algeria to improve its investment climate, upgrade it, and liberalize the investment sector by eliminating all obstacles such as administrative corruption, bureaucratic restrictions, and non-transparent practices that hinder all forms of economic liberalization. The low ranks that Algeria occupies in the economic freedom index are conclusive evidence of the widespread social and economic maladies such as corruption, bribery, bureaucracy, and nepotism. (Daghmoum, 2020, pages 358-359)

According to a report by the U.S. Department of State, complex customs procedures, burdensome bureaucracy, and difficulties in currency transfers were all factors that limited the economic freedom index, thereby increasing commercial risks for foreign investors. (STATE, 2021)

As for the sub-indicators of economic freedom, the following observations can be made:

- The presence of more than half of the sub-indicators below the 50-point mark indicates that these areas are characterized by complete absence of economic freedom, such as property rights, freedom from corruption, government spending, investment freedom, and financial freedom. Additionally, labor freedom does not exceed fifty points. The stagnation of laws, regulations, and investment-related regulations significantly affects property rights, especially in terms of registration and transfer of ownership, which reduces the guarantee of its establishment, especially for foreign investors.

- The 51/49 law regarding foreign investment has restricted and limited investment freedom, where foreign investors cannot own more than 49% of any project's capital in Algeria, whether in the hospitality, industrial, or other sectors.

It is also noticeable that all the sub-indicators are far from reaching 100 points, which indicates that the Algerian economy is not free and can be considered a closed economy.

4.3 Mechanisms to Improve the Business Environment to Support Investment in the Tourism Sector:

In order to support investment in the tourism sector, the Algerian state must follow certain mechanisms and mechanisms to improve the business environment, which will have a positive impact on Algerian tourism in general. These mechanisms can be outlined as follows:

4.3.1 Improving the Legislative and Institutional Framework:

Laws and regulations related to investment are one of the main obstacles to establishing, expanding, and upgrading projects. Therefore, there must be a reconsideration

of these laws to make them more flexible and adaptable to external changes and the various challenges facing the tourism sector. In addition to strengthening the institutional framework through: (Shaabnia and Halimi, 2018, p. 349)

- Strengthening the legal framework with regulations that organize investment activities, with a unified law that guarantees the protection of investors from various risks and ensures their rights;

- Ensuring the compatibility of regulations with previously issued laws and their alignment with the rules imposed by Algeria's openness to the outside world and its international organizations;

- Strengthening the institutional framework with bodies and organizations that assist the National Investment Development Agency in various tasks and other bodies, ensuring full horizontal and vertical coordination between them and the relevant ministry to define powers and tasks, avoiding overlaps, without contradicting the granting of wider powers and more independence in their decisions from public authorities;

- Purging the administrative environment from all forms of bureaucracy and corruption and taking serious measures to improve public service and simplify administrative procedures.

4.3.2 Improving the Financial Aspect:

This can be achieved through: (Shaabnia and Halimi, 2018, p. 348)

- Adopting partnership in the financing process to reduce the pressures and burdens of financing on the public sector by involving the private sector in tourism investment as a strategic partner for the public sector in achieving economic development, and opening the door for foreign investors to increase the capacity of tourism offerings, which increases competitiveness between various institutions and thus opens the door to improving the offered product;

- Adapting bank financing to suit the nature of tourism investments by providing long-term loans and adopting leasing financing, among others; as well as establishing a loan guarantee fund specifically for tourism;

- Giving priority to tourism investment by providing tax incentives and exemptions, thus reducing costs, which is reflected in the prices of the tourism product, which is considered high compared to its counterparts in neighboring countries, such as hotels, catering, etc.

4.3.3. Boosting Tourism Real Estate:

Tourism real estate is an important link in the tourism investment chain, as the state is responsible for providing land for investment projects by using legal tools for planning at the local level and designating areas for tourism expansion.

4.3.4. Providing Some Technological Requirements:

The success of tourism institutions in promoting their services has become highly dependent on the efficient use of electronic technology in all their transactions to facilitate the access of information and data to their target customers in various global markets in order to increase their market share and demand for their services. Among these requirements, we mention: (Amari, Shaabnia, and Saadane, 2021, pp. 92-93)

- Creating a dedicated website for the tourism institution: which allows it to showcase its tourism services, highlight its specifications, prices, distribution systems, and electronic and traditional payment methods. This site can also include all the information and data related to tourist areas, according to the specificity of each area, in order to promote them and encourage tourists to visit them.

- Using search engines and directories: Tourism institutions seek to introduce search engines and various directories to their website by submitting a brief description of the institution's website. This technology facilitates customer access to the website when they search for tourism services available on the internet through the search engine.

- Advertising videos: These include brief information about the tourism institution and its website, as well as a link to the website of the requested tourist destination, leading to more detailed information about its geographical location and services. These videos may be either moving or static, often colorful, and include images and designs in the form of a message directed to tourists.

4.3.5. Investment Diversification:

The capabilities and tourism components owned by Algeria, along with its diverse climate, can satisfy the varied directions of tourist demand if investment in various regions, particularly desert areas, is done well. There is a need to review the directions of the tourism planning strategy in this context. According to its vision, desert tourism still lags behind the tourism projects in the north, east, and center in terms of quantity, despite the vastness of the Algerian desert, which makes each of its poles unique in offering tourist attractions. Diversification in desert tourism products is a competitive factor that Algeria excels in. (Shaabnia and Halimi, 2018, p. 350)

4.3.6. Training the Human Resource :

Investing in the tourism sector is one of the most labor-intensive sectors that require skilled and trained workers. Therefore, human resource training, development, and enhancement have become an imperative necessity due to the multiple characteristics of tourism, whether in delivering the product or promoting it. (Shaabnia and Halimi, 2018, pp. 350-351)

4.3.7. Economic Policy :

There must be a re-evaluation of the economic policy pursued by the state by utilizing its tools to encourage tourism investment, particularly through fiscal policies such as tax incentives, public spending, and others, and monetary policy in the financial aspect, such as reducing interest rates on loans. (Shaabnia and Halimi, 2018, p. 351).

5. Conclusion:

Based on what has been presented in this research, it can be said that despite the tourism and natural components that Algeria possesses, as well as the financial resources allocated to the tourism sector, this sector is still characterized by stagnation and inertia, due to the accumulation of several problems, particularly those related to the administrative and legal aspects and bureaucratic procedures. This has created an unfavorable investment climate. Based on the analysis of the indicators used to evaluate the business environment in Algeria in recent years (Ease of Doing Business Index and Economic Freedom Index), it can be concluded that this climate is not conducive to investment and is difficult for business operations, which has had a direct impact on tourism investment, due to many obstacles highlighted in previous reports, such as financing issues, lack of transparency, excessive administrative procedures, and the absence of a flexible and effective institutional and legal framework to face the various challenges in the tourism sector in Algeria amidst strong competition from other countries.

In order to improve the business environment in Algeria, which would positively reflect on the tourism sector, several **recommendations** can be made that are believed to help support the development of the tourism sector.

These **recommendations** include :

- Providing real incentives for investors and eliminating all difficulties and obstacles they face, particularly those related to financing procedures, administrative issues, and tourism real estate;
- Spreading tourism culture among Algerian citizens, working on marketing a positive image of Algeria as a tourist destination by tourism agencies focusing on external markets, in addition to preserving all current assets, particularly the natural and tourism components that our country boasts;
- Modernizing the legal and administrative framework with regulations that organize investment activities, especially in tourism;
- Purging the administrative environment of all forms of bureaucracy and corruption, and taking serious and practical measures to improve public service and simplify administrative procedures;
- Supporting and developing the use of information and communication technology in all tourism transactions to facilitate the access of information and data to all target customers in various global markets;
- Working on developing and enhancing the capabilities and skills of human resources through training programs and internships abroad.

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