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Exploring the Determinants and Constraints of Foreign Direct Investment Inflows in Algeria: Firm-Level Analytical Evidence

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Abstract:

Algeria has been encouraging foreign direct investment (FDI) through several programs and incentives' packages; however, the level of inward FDI is very fluctuating compared to other African countries. Therefore, this study tried to analyze the main determinants and impediments of FDI inflows to the country from a firm-level perspective. Foreign companies in Algeria were surveyed to achieve this objective. The study's empirical findings demonstrate that the availability of natural resources, the domestic and regional market opportunities, the availability of cheap labor and the political and social stability, were among the main determinants of FDI. In contrast, the 49/51 rule, the delays in licenses and work permits, the lack of clear policies and regulatory impediments and the corruption were identified as the main factors that have the potential to deter foreign investment in Algeria.

Keywords: FDI; Determinants; Obstacles ; Algeria.
Jel Classification Codes: F21, F23, O55.

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1. Introduction

The huge interest in the determinants of FDI has been driven by the fact that FDI has become an important factor in the globalization process; it triggers technology spillovers, assists human capital formation, contributes to international trade integration and helps to create a more competitive business environment. Hence, FDI can contribute to higher economic growth and serve as a potent tool for poverty alleviation in developing countries. In this context, many developing African countries including Algeria have liberalized their trade regime and attempted to create an investment friendly climate through improving their infrastructures and adjusting macroeconomic instabilities to benefit from the FDI inflows.

Following the economic reforms in 2001s, Algeria was able to attract a huge FDI inflows, and became an area of attraction for foreign investments, especially after the issuance of the 2001 law related to investment development, and the establishment of special bodies to receive and direct foreign investors, the most important of which is the National Agency for Investment Development And the National Investment Council, in addition to the partnership agreement with the European Union and the rise in fuel prices, which qualified it to rank fourth in Africa.

However, from 2010 onwards, Algeria's FDI ranking began to drop due to regulatory uncertainty, particularly after the 2009 introduction of the 51/49 rule, as well as political and economic instability. While still attracting investment in the hydrocarbons sector, its overall FDI competitiveness diminished in comparison to other African countries that implemented more liberal investment policies.

Studies show that determinants of FDI inflows are debated in many Asian, Latin American and African countries. However, these studies suggest that there are no single determinants of FDI inflow globally. (Asiedu, 2002) supports this argument by explaining the fact that determinants in East Asia and Latin America do not apply to

African countries. Moreover, majority of the studies on Africa in general and Algeria in particular use macroeconomic determinants and looks over the importance of other variables such as firms. The present study endeavors to conduct an empirical investigation into the factors influencing and constraints hindering inward foreign direct investment (IFDI) flows to Algeria, adopting a micro-level analytical approach by surveying multinational enterprises engaged in operations within the country.

The paper is structured as follows: the second section reviews the literature on foreign direct investment (FDI), encompassing empirical evidence regarding its determinants and barriers; the third section provides a thorough review of FDI in Algeria; the following section outlines the methodology, results, and discussion of the findings; the final section presents the study's conclusion and recommendations derived from the research.

2. The literatures on FDI

Dunning created the fundamental theoretical framework for FDI determinants. He outlined the three advantages that multinational firms (MNEs) have when investing abroad: ownership (O), location (L), and internalization (I) (Dunning, 1977).

The firm must have both an ownership (O) advantage, which takes the form of firm-specific assets that are both tangible (e.g., products or technology) and intangible (e.g., patents or brands), and an internalization (I) advantage, which means that the enterprise benefits from leveraging the ownership advantage by choosing to produce abroad internally rather than through the market by franchising or licensing the product or process internationally. In turn, the foreign market must provide a location (L) advantage, which is important in selecting where the firm decides to manufacture its products. These location advantages include factor prices, customer access, government trade regulations, exchange rates, capital flows, institutional and political stability, and so on; On the other hand, four FDI motivations, including market seeking, efficiency seeking,

resource seeking, and strategic asset seeking, are widely used in previous studies to explore the determinants of OFDI ((Amighini, Rabellotti, & Sanfilippo, 2011); (Cheung & Qian, 2009); (Kolstad & Wiig, 2012); (Zhang & Daly, 2011).

(Campos & Kinoshita, 2003) believe that FDI determinants are based on three goals of the investment firm: Market-seeking FDI: the key driving reasons behind this form of FDI are the size and expansion of the host market, as well as the barriers to reaching local markets, such as tariffs and transportation costs. Asset-seeking occurs when a company invests abroad in order to obtain resources that are not available in the home country, such as natural resources, raw materials, or low-cost labor. In the manufacturing sector, factor-cost issues become more significant when multinationals directly invest to export; unlike horizontal FDI, vertical or export-oriented FDI includes transferring elements of the production chain to the host country. In the presence of economies of scale, efficiency-seeking occurs when a corporation can benefit from shared management of geographically distributed activity. (Bevan & Estrin, 2004) found that prospective EU membership, which promotes the creation of regional corporate networks, appears to have attracted more efficiency-seeking FDI into the first wave of EU accession countries following the initial announcement of EU accession progress.

(Fedderke & Romm, 2006) developed a policy framework to explain what factors influence FDI. This framework categorizes FDI determinants into policy factors (such as trade barriers, openness, product market regulations, corporate tax, and infrastructure) and non-policy factors (such as host country distance or geographical location, market size, factor endowments, and political and economic stability). This method offers a more methodical way of examining FDI determinants.

(Morisset, 2000) concluded that nations with larger local markets and/or natural resources receive more FDI. He stated that liberalization, updated investment rules, and robust economic growth are the primary criteria for expanding FDI in Africa.

(Asiedu, 2002) examined if the factors influencing FDI in developing countries are similar to those in SSA. He finds that Africa is unique based on three major variables: return on investment, infrastructural development, and trade openness. Although trade openness encourages FDI, the marginal gains of greater trade are lower in Africa than in other developing countries, therefore Africa requires different FDI policies than other emerging regions.

(Breslin & Samantha, 2008) examined the relationship between FDI and corruption in 11 African nations over a 20-year period (1995-2004). Their research showed little indication that corruption influences FDI inflows.

On the other hand, there were some studies exploring the main impediments of FDI in the developing countries in general, and in African countries in particular, (Dupas P & Robinson J, 2012) stated that overcoming barriers for FDI remains a key challenge for small, vulnerable and weak economies, (Kinuthia, 2010) reported that some of the main impediments to companies doing business in Africa are bribery and extortion, access to international markets, economic and political situation and access to finance among others, according to (CUTS, 2002) a number of causes have stalled FDI into African countries, these include lack of transparent policies, market size, lack of profit opportunities, inconsistent setup, shortage of skills, corruption, poor infrastructures, complexities caused by the need to administer poorly-designed incentives schemas, insecurity and political social instability, (Mwilima, 2003) indicated that extortion, bribery and the lack of access to global markets are some of the factors that discourage investors from coming to Africa, he also attributed the delay in getting approval to start a business as a cause for the drop of FDI to Africa.

In the case of Algeria, (Medini & Chekka, 2024) in their study found that the lack of transparency in laws, biased tax administration, and compromised judicial independence are all deterrent factors for FDI in Algeria.

To sum up, all these sets of studies share in common that the factors such as adopting liberalization measures, modern investment codes, strong economic growth, return on investment, infrastructure development, political risk, institutional framework, government policy and resource seeking were among the determinants of FDI inflows to most African countries. The other common features of these studies are that all depended on macroeconomic data. However, this study takes point of departure in analyzing the determinants and impediments of FDI inflows to Algeria from foreign investors' perspective. This will both reinforce and provide a fresh insight on the determinants of FDI at a country level.

3. A comprehensive analysis of FDI in Algeria

3.1 Algeria's efforts in attracting Foreign direct investment

Following economic reforms, the state has worked to promote domestic and foreign investment since adopting economic liberalization. Law 12/93, issued in 1993, was a key step towards a market economy by removing distinctions between public, private, domestic, and foreign investments. However, it faced criticism for state interference in investment decisions. To address this, Presidential Order 03/01 in 2001 introduced new concessions, licenses, and established the National Agency for Investment Development (ANDI) and the National Council for Investment (CNI). A single-window system was also created to streamline investment processes and offer various incentives to investors.

Then, decree 06/08 of 2006 amended and supplemented this order to draw major lines for reform in the legal framework for investment promotion, to develop it towards international best practices, and to manifest a set of principles: freedom of investment, protection of investment, non-compliance with discrimination, not prejudice privileges to promote private sector development. The drop in oil prices since mid-2014 has reduced fuel revenues, which has hurt Algeria's economy and foreign direct investment. In

2016, the government drafted a new investment law to attract investment. Foreign investors were given several incentives and privileges under this regulation to make investing more attractive, which included several axes that can be summarized as follows:

- Encouraging foreign direct investments: by simplifying the legal system, accelerating investment procedures, strengthening the National Agency for Investment Development's role in promoting investment, information, and awareness among investors, and canceling the investment authorization and benefit request procedure. The agency's procedures center may designate projects that deserve special benefits and compensate them with a simplified administrative procedure, such as registration.
- Maintaining rule 49/51Rule.
- Foreign investors can use international financial institutions to finance their projects; therefore internal financing is no longer required.
- Aligning incentives and economic policy by dividing privileges into common, supplementary, and exceptional levels based on activity sector importance.

Despite the efforts made to amend laws to become more encouraging and stimulating for foreign investment, the economic crisis that Algeria went through in 2015 due to the significant drop in oil prices, in addition to the government's acquisition of the foreign stake in the Djezzy telecommunications firm, the political and financial crises that the country went through after 2016, the Corona pandemic in 2019, and keeping On Rule 49/51, has adversely affected the economic landscape and macroeconomic indicators, prompting Algeria to reevaluate its investment legislation to promote and invigorate foreign investments in the pursuit of alleviating its challenging economic circumstances, law 18/22 was enacted in July 2022, among its most significant provisions are those related to:

-Expanding the framework for guaranteeing the transfer of invested capital and future returns to non-resident (foreign) investors.

-emphasizing the repeal of Rule 49/51 introduced in the 2020 Finance Law, while retaining it in specific strategic sectors.

- Establishing the principles of investment freedom, transparency, and equality.

- The government grants the investor exemptions from specific foreign trade procedures, including bank settlements for imports, as long as these procedures pertain to the entry of products for investment and the acquisition of export and import permits.

- Formulating incentive systems for investment in priority sectors, as well as regions of particular state concern—those afflicted by poverty, deprivation, and substandard living conditions—.

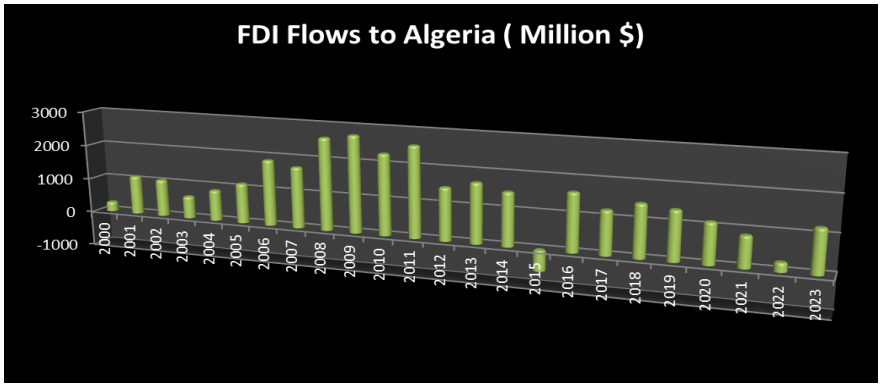
- Facilitating investments that diminish the import expenditure and rely on domestic raw materials.

3.2 The progress of foreign direct investment flows in Algeria

In spite of Algeria's economic and natural resource endowments, as well as the initiatives and reforms implemented to stimulate and attract foreign direct investments, the influx of such investments has remained weak and inconsistent in comparison to neighboring countries and other African nations

Below is an overview of the developments in FDI inflows to Algeria for the period from 2000 to 2023:

Fig.1. Fdi flows to Algeria for the period 2000-2023



Source: (World bank data, 2024)

The above chart indicates a substantial rise in FDI from 2003 to 2006, followed by a minor decrease in 2007, and a notable surge in 2008, estimated at 2,632 million dollars, representing an increase of over 66% compared to the prior year. The apex was attained in 2009, with a valuation of 2754 million dollars, attributable to enhancements in the investment climate, particularly in political and security dimensions, which facilitated the influx of new investments, especially in the hydrocarbons sector. Subsequently, foreign investment exhibited fluctuations, with both gains and declines, yet predominantly demonstrated a drop despite the enactment of the supplementary finance law, which included several provisions and legislative guarantees for foreign investors following the significant debate generated by the 49/51 rule.

According to the annual investment climate report issued by the Arab Investment and Export Credit Guarantee Corporation for the year 2014 Algeria was the fourth largest beneficiary of international investments in the Arab world. Subsequently, foreign investments exhibited volatility in subsequent years, most notably a substantial fall in 2015, which recorded a negative flow estimated at -585 million USD due to the government's acquisition of the foreign stake in the Djezzy telecommunications firm. Furthermore, there was a retraction of investments after to the 2014 oil shock, as the majority of foreign investments are concentrated in the hydrocarbons sector, adversely affecting all economic indices and creating a pessimistic outlook on the investment climate in Algeria.

Subsequently, the investment climate enhanced in 2016 due to legislative improvements that offered guarantees and several incentives to international partners, resulted in an influx of FDI amounting to 1,546 million US dollars. The UNCTAD's 2021 report on global investment indicates that FDI flows to Algeria decreased by 19% in 2020, amounting to 1,143 million dollars, down from 1,382 million dollars in 2019. The volume of these flows fluctuated until it attained a value of 870 million US dollars in 2021.To decline once again to 240 million dollars in 2022 as a result of the COVID-19

pandemic, which impacted FDI around the world.

In 2023, it began to recover, registering a flow value of 1,216 million dollars.

However, Algeria delays significantly in FDI, positioned 17th among African nations with regard to average FDI flows from 2020 to 2023, following Egypt, which ranks second with an average 11 times that of Algeria, and Morocco, which ranked sixth with 3 times Algeria's average (Agarwal, Ayele, McGarrell, & Murinde, 2024).

Algeria's recognition of the significance of FDI becomes apparent during adverse oil shocks, which create a demand for external financial resources. In these circumstances, the government is endeavoring to improve the investment climate and reassess the legal structure regulating investment. Once recovery transpires and financial surpluses emerge, dependence reverts to the general budget for investment financing, rendering FDI a negligible consideration once again (Keddi, 2022).

The application of the 49% - 51% investment rule, regarded by some observers as a significant barrier to FDI in Algeria, obscures the multitude of recorded challenges and impediments. Abolishing this rule constitutes merely a segment of the answer, necessitating an impartial evaluation of all issues and challenges, subsequently followed by efforts to address them (Si Ali, Tarchani, & KhalfaAllah, 2021).

As per the report issued by the Arab Investment and Export Credit Guarantee Corporation, Algeria occupies the eighth position among 17 Arab nations for the acquisition of foreign projects, accounting for about 1% of the total number of projects, 0.9% of new employment opportunities, and ranked seventh, accounting for 9.7% of the overall investment inflows to Arab nations (The Arab Investment and Export Credit Guarantee Corporation, 2022).

Despite Algeria's natural, human, and economic assets, the volume of FDI remains significantly low in comparison to Arab or foreign nations with analogous economic characteristics. Furthermore, most of them focused on the energy industry and fail to promote

economic diversification.

Numerous researchers ascribe the subdued influx of FDI in Algeria to various impediments inherent in the investment environment, including the prevalence of the informal economy, the fragility of the financial sector, challenges related to industrial real estate, restrictions on profit repatriation, corruption, and an excess of bureaucratic procedures.

4. Methodology and Main Survey Findings

4.1. Methodology

The main objective of this study was to analyze the determinants and impediments of FDI inflows to Algeria from foreign investors' perspective; thus, In pursuit of this objective, a thorough analysis of empirical research about the factors that promote and obstruct foreign direct investment in Africa, with a specific focus on Algeria, was undertaken. The principal factors and impediments to FDI inflows were properly outlined, and then structured questionnaires were used to obtain the desired information.

The researcher administered questionnaires to selected foreign firms based in Algiers, Oran, Blida and other cities. Questionnaire was developed from review of literature on the main determinants and impediments of FDI in Africa and the region, the questionnaire comprised three sections: the first for general information, the second for the determinants of FDI, and the final for the impediments.

The survey was exclusively concerned with productive activities, with the explicit exclusion of purely commercial and consulting activities. Sectors covered by the survey include: (1) agriculture and related processing activities; (2) manufacturing; (3) construction; (4) service activities providing a direct and substantial support to productive activities.

The questionnaire was directed towards top executives, including general managers, directors, executive managers, and senior

executive managers. The data obtained was analyzed using 22 Version SPSS, then summarized in the tables below.

A total of 120 questionnaires were disseminated, and 104 of them were deemed suitable for examination. Accordingly, the study makes an important contribution to understanding the motivation and impediments and the fluctuation of FDI in Algeria.

4.2 Reliability Analysis

The internal consistency of the items was evaluated using Cronbach's Alpha. The initial annex, describing the determinants of FDI, exhibited a Cronbach's Alpha of **0.871**, indicating good reliability. The Cronbach's Alpha for the second annex, which addresses the barriers of FDI, was **0.830**, also reflecting good reliability.

Cronbach's Alpha readings ranging from 0.8 to 0.9 are generally seen as indicative of strong internal consistency.

4.3 The determinants of FDI in Algeria

Table.1 illustrates the 5-point Likert scale data collected from responses concerning the determinants of FDI in Algeria, with respondent agreement levels ranging from 4.7341 (strongly agree) to 2.6708 (neutral).

The highest-ranked component for which respondents expressed "strongly agree" was as follows:

1- *Availability of natural resources:* this factor is ranked first, Algeria ranks 16th globally in oil production and 7th in natural gas production, making it the leading natural gas producer in Africa. This status attracts numerous foreign investors. Additionally, Algeria generates over 25,000 megawatts of electricity, with an average demand of 12,000 megawatts and a peak of no more than 17,000 megawatts, establishing it as an appealing environment for energy resources.
2- *Domestic and regional market opportunities:* Industrial equipment, semi-manufactured materials, and non-food consumer

goods account for 26%, 23%, and 16%, respectively, of Algeria's imports, indicating a promising market for industrial investors. Furthermore, Algeria's strategic location serves as a gateway to both African nations and Europe. Consequently, investing in Algeria would ensure access to the local market, as well as regional and international product marketing, representing a potential long-term investment.

3- *The Availability of cheap labor:* this factor is ranked third. The National Agency for Employment released statistics for the third quarter of the current year, indicating 1,161,986 job applications, while only 28,455 positions were filled, representing 2.43 percent. This data illustrates the extent of the disparity between supply and demand in the labor market, as well as the prevalence of unemployment among those with university degrees, vocational training, and graduate qualifications. Moreover, in comparison to wage levels in the MENA region and the broader African continent, wages in Algeria are deemed exceedingly low, with the minimum wage not surpassing $145 per month. According to 2023 statistics, the average wage in Algeria is approximately $266 per month, positioning the country at rank 98 out of 105 in terms of wage levels. Consequently, this presents a significant opportunity for foreign investors concerning the availability of labor and low wage costs.

4- *Political and social stability:* it is regarded as a critical determinant of foreign investment attraction, influencing the level of trust the business sector has in the environment. Algeria has made significant efforts to restore stability following the severe repercussions of the black decade, and since then, the nation has been endeavoring to ensure security and safety while altering the perceptions held by both locals and foreigners.

5- *Reliability and quality of infrastructure and utilities:* The quality and reliability of Algeria's infrastructure and utilities may not be exemplary; but, in comparison to its neighbors, the broader African continent, and other developing countries, it serves as an

incentive for international investors and does not impede commercial operations.

6- *Macro-economic stability and growing economy*: The macroeconomic indicators of Algeria are generally unfavorable; nonetheless, they exhibit a degree of stability, which is advantageous and may mitigate various economic risks for foreign investors.

Respondents generally concur that the *favorable climate* and *investment incentives* may influence FDI in Algeria, yet they do not rank highly among the determinants. It appears that Algeria's incentives for attracting foreign investment remain ineffective or do not yield the expected results. Additionally, responses regarding other factors were neutral, indicating respondents' hesitance to commit, leaving them ambivalent about the actual impact of these factors on their investment intentions in Algeria, particularly concerning *the ease of doing business*, as Algeria is positioned 157th out of 190 in the ease of doing business index.

Table 1. The determinants of FDI in Algeria

Determinants	*Mean*	*Std-Dev*	*respondents' attitudes*	*Rank*
Availability of natural resources	4.7341	0.4417	Strongly agree	1
Domestic and regional market opportunities	4.7215	0.4482	Strongly agree	2
Availability of cheap Labor	4.6455	0.6372	Strongly agree	3
Political and social stability	4.5596	0.7753	Strongly agree	4
Reliability and quality of infrastructure and utilities	4.3291	0.6104	Strongly agree	5
Macro-economic stability and growing economy	4.3164	0.6273	Strongly agree	6
Favorable climate	3.8354	0.8920	agree	7
Investment incentives	3.4177	0.4931	agree	8
Bilateral trade agreements	3.1772	0.3818	Neutral	/
Ease of business doing	2.6962	1.3250	Neutral	/
Geographic proximity to your country	2.6708	0.9360	Neutral	/

Source: Author's own calculations using SPSS output data.

4.4 Impediments of FDI in Algeria

Foreign investments in a country may be impeded by numerous factors. This study highlighted various elements that provide significant risks to enterprises, potentially obstructing their investment decisions in Algeria. The table below illustrates the 5-point Likert scale data collected from responses concerning the impediments to FDI in Algeria, with respondent agreement levels ranging from 4.6582 (strongly agree) to 2.3417 (disagree).

The highest-ranked factors that respondents strongly feel are the primary obstacles to FDI in Algeria are as follows:

1- *The 49/51 rule:* This rule has consistently posed the most significant barrier for international investors seeking to enter Algeria, as it stipulates that they must not exceed 49 percent ownership in bilateral partnerships and 33 percent in tripartite partnerships, with the Algerian counterpart retaining 51 percent or 34 percent, respectively. Algeria implemented the regulation to safeguard its national economy; nonetheless, foreign investors frequently perceive it as an insurmountable obstacle. The Finance Law of 2020 revised and revoked this regulation in most sectors, although retained it in six designated critical sectors, which are particularly appealing to foreign investors, notably the energy sector. Consequently, alternative protective measures should be contemplated aside from Rule 51/49.

2- *The delays in licenses and work permits:* Algeria ranks poorly in terms of project initiation duration and permit acquisition, despite efforts to enhance its standing, particularly through the 2022 investment law; however, results remain elusive, primarily due to bureaucracy and corruption. Moreover, all the scrutinized institutions commenced their operations in years preceding the modifications enacted by Algeria.

3- *The lack of law enforcement/weak legal infrastructure*.

4- *The lack of clear policies and regulations:* These two factors received identical rankings with the same mean. Despite the Algerian legislator's efforts and ongoing revisions to investment

laws, policies, and regulations, they remain ambiguous and unclear to foreign investors, leading them to perceive these factors as weak and dissuasive for investing in Algeria.

5- *The exchange rate volatility and currency risk:* Fluctuating exchange rates complicate international trade and investment decisions, as volatility heightens exchange rate risk. For foreign investors targeting the local market, such as the enterprises in the study, exchange risk may result in financial losses when converted to dollars. The deficiency of foreign currency reserves in Algeria may potentially exacerbate foreign investors' apprehension regarding exchange rate risk. Given that Algeria presently has a regulated floating exchange rate, these investors may experience diminished earnings when the value of the dollar increases.

6- *The corruption:* The catalogue of corrupt practices is extensive and encompasses various forms; the most prevalent in Algeria include extortion, bribery, fraud, influence peddling, and nepotism. The ramifications of corruption are extensive. According to the United Nations, corruption, bribery, theft, and tax evasion impose an annual cost of approximately US $1.26 trillion on developing countries. This sum could sustain individuals living on less than $1.25 per day for a minimum of six years. Regrettably, Algeria is positioned 116th out of 180 countries in the 2022 rankings of the least corrupt countries globally.

7- *The leasing and purchasing of industrial real estates:* The issue of real estate is regarded as a significant impediment for foreign investors, despite the laws and regulations enacted to streamline the acquisition process and to develop industrial zones and allot space for investors. The issue identified is not the scarcity of real estate, but rather the inadequate exploitation of the current real estate, which compels investors to lease industrial properties and exposes them to potential legal disputes with the original landowners, thereby jeopardizing the stability of foreign investments.

Additional variables have been cited as potential deterrents to FDI in Algeria, including:

- *The competition* with other domestic and international firms within the same investment sector;
- *The restrictions on profit repatriation:* which are substantiated by the government's inclusion of this issue in the new 2022 Investment Law, nonetheless, the respondents' enterprises were established prior to the law's enactment.
- *Lack of skilled labor*: skilled labor is frequently specialized and necessitates an extended duration of training and experience, which is absent in the Algerian labor force due to the lack of training during the educational period, compounded by the fact that most national institutions do not support internships.
- *Unreliable port services*: Algerian ports are classified as first-generation ports, indicating they are traditional transport hubs that no longer accommodate the dimensions of contemporary vessels or the advancements in maritime transit. Furthermore, Algeria has poor performance in the logistics performance measure, indicating ineffective port services and elevated service costs. Notwithstanding the Algerian-Chinese accord about the development of the Hamdaniya port, a third-generation port that will serve as the nation's largest and inaugural deep-water port, as well as the second deep-water port in Africa, construction activities have ceased and remain undeveloped.

The respondents were neutral regarding the *prohibition from borrowing from foreign banks* and *the high production cost*, while they contend that the following factors do not adversely impact FDI in Algeria: *the unreliable infrastructure*, *the crime and insecurity*, *the political instability and lack of social privileges for personal/family life.*

Table.2: The impediments of FDI in Algeria

Impediments	*Mean*	*Std-Dev*	*respondents' attitudes*	*Rank*
The 49/51 rule	4.6582	0.6914	Strongly agree	1
Delays in licenses & Work permits	4.5696	0.7578	Strongly agree	2
Lack of law enforcement/weak legal infrastructure	4.5569	0.7588	Strongly agree	3
Lack of clear policies and regulatory impediments	4.5569	0.7753	Strongly agree	3
Exchange rate volatility/ Currency risk	4.4683	0.9787	Strongly agree	5
Corruption	4.3417	0.8698	Strongly agree	6
Leasing and purchasing industrial real estate issues	4.2278	0.7282	Strongly agree	7
Competition	3.8987	0.9492	Agree	8
Unreliable port services	3.7468	0.9204	Agree	9
Lack of skilled labor	3.5662	1.3090	Agree	10
Profit repatriation restrictions	3.4177	0.4931	Agree	11
prohibition from borrowing from foreign banks	2.9746	0.3889	Neutral	/
High cost of production	2.9113	0.2841	Neutral	/
Unreliable infrastructure	2.5569	0.5680	Disagree	/
Crime and Insecurity	2.5316	0.8394	Disagree	/
Political instability	2.4177	0.9360	Disagree	/
Lack of social privileges for personal/family life	2.3417	1.0297	Disagree	/

Source: Author's own calculations using SPSS output data.

5. Conclusion and recommendations

The present study aimed to analyze the determinants and obstacles facing foreign direct investment in Algeria from a firm-level perspective. In pursuit of this objective, a comprehensive examination of empirical research pertaining to the factors influencing and hindering foreign direct investment in the African continent in general and in Algeria in particular was conducted. The primary determinants and obstacles of FDI inflows were succinctly outlined. A questionnaire was subsequently formulated based on the existing

literature, and it was then distributed to a sample of foreign companies based in Algiers, Oran, Blida and other cities.

The empirical findings of the study reveal that many factors greatly influence foreign direct investment in Algeria from the perspective of foreign investors. These factors include: the availability of natural resources, the domestic and regional market opportunities, the availability of cheap Labor, the political and social stability, the reliability and quality of infrastructure and utilities and the macro-economic stability and growing economy. The main factors that have the potential to discourage and hinder FDI in Algeria include: the 49/51 investing rule, the delays in licenses and work permits, the lack of law enforcement or weak legal infrastructure, the lack of clear policies and regulatory impediments, the exchange rate volatility or currency risk, corruption and the leasing and purchasing industrial real estate issues.

The additional discoveries outlined in this research article can be succinctly summarized as follows:

Algeria has witnessed the emergence of new factors driving FDI in recent years, in addition to the conventional motives such as resource seeking. The empirical study demonstrates that foreign companies in Algeria have been primarily focused on seeking opportunities in the domestic and regional markets. The advantageous geographical position of Algeria as a gateway to Africa, coupled with its close proximity to the European Union and existing partnership and concession agreements, presents significant market potential for foreign corporations. The presence of affordable labor and a stable political and social environment are significant factors that contribute to the attraction of foreign investors to Algeria.

Moreover, to enhance foreign direct investment (FDI) inflows into Algeria, it is essential for the government to prioritize many key drivers. These include the regulatory requirement of a 49/51 ownership limit on foreign investment, extended delays in obtaining necessary licenses and work permits, volatile exchange rate fluctuations accompanied by related currency risks, deficiencies in

port services intensified by unreliability, and widespread corruption. Addressing these obstacles requires a multidimensional strategy that includes extensive legislative reforms and administrative changes, aimed at fostering a favorable investment environment for foreign capital in Algeria.

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