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The Contribution of Tax Incentive Policy to Promoting Investment in Algeria
"An Analytical Study on the Impact of Tax Incentives on the Investment Landscape (2002–2026)"

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Abstract:
This study aims to examine the policy of fiscal incentives—including its objectives and its role in attracting investors and promoting investment—and to highlight the contribution of this policy to investment promotion in Algeria during the 2002–2026 period. This is achieved by analysing the legislative framework governing the fiscal incentive system within Algerian investment law and assessing its impact on the investment landscape and indicators in Algeria. The study concluded that the policy of generous tax incentives and benefits—embodied in successive investment laws in Algeria during the period under review—failed to achieve its objectives of promoting investment. This failure is attributed to other factors related to the investment climate, necessitating greater efforts by the state to correct the imbalances that have distorted the investment climate.
Keywords: Tax incentives; Investment; policy of tax; managing economic; Algeria.

Introduction:
Taxation plays a fundamental role in managing economic and social activity and in achieving development plans. Given that investment represents the cornerstone of economic activity, states have accorded great importance to investment and to attracting investors, owing to its effective role in accelerating sustainable development. This requires the creation of an economic climate that encourages investment and generates employment. Taxation is considered one of the principal instruments that influence investment rates through the system of tax incentives.
Algeria, like other countries, has accorded considerable attention to the investment sector, regarding it as one of the most important instruments for achieving economic and social development and progress. Successive governments over the past decades have worked to improve the investment climate to attract investors and promote investment through a range of

mechanisms, the most important of which has been the reform of the tax system and the adoption of a policy of tax incentives as embodied in the investment law.

Problem Statement:

Proceeding from the foregoing idea, this study will investigate the policy of tax incentives and their impact on investment promotion in Algeria, based on investment indicators during the period under review. This investigation proceeds from the following research problem:

To what extent has the policy of tax incentives contributed to investment promotion in Algeria during the period 2002–2026?

The main research problem gives rise to a number of subsidiary questions:

- What is the role and importance of tax incentives in promoting investment?
- Have the tax incentive measures adopted by the Algerian state in favour of investors succeeded in achieving their objectives?
- What are the main obstacles that have hindered investment promotion, and where do the avenues for reform lie?

Hypotheses:

To address the aforementioned research problem, we proceed from the following main hypothesis:

- The policy of tax incentives has not contributed to achieving its objective of attracting investors and promoting investment.

The main hypothesis gives rise to a number of subsidiary hypotheses:

- Serious investors base their decisions on factors more important to the investment climate than the policy of tax incentives.
- The factors underlying weak investment are linked to distortions, obstacles and opacity in Algeria's investment climate.
- The reforms undertaken by the state in recent years (2022–2026) in the field of investment have led to relative growth in investment rates across various sectors, particularly the agricultural sector.

Significance of the Study:

The significance of this study lies in the importance of investment as a topic of contemporary relevance, in addition to the growing importance that the state attaches to investment and the national economy. The study's significance is further demonstrated through the comparison between two periods: the period preceding the political transformations that Algeria experienced in 2019 and the subsequent period, during which the state undertook major reforms, including in the investment sector. This enables an assessment of the impact of Investment Law 18-22 on investment indicators.

Objectives of the Study:

This study aims to enrich the discussion on investment and the policy of tax incentives, and to track the reality, obstacles and challenges of investment in Algeria. This enables us to diagnose impediments and highlight challenges and possible solutions. The study also aims to compare investment indicators during a previous political system period (before 2019) and the current political system period (2020–2026), which emerged following the transformations experienced by Algeria, particularly in light of the recent investment statistics published for the 2022–2026 period.

Previous Studies:

To enrich the research, a number of previous studies addressing the research topic were consulted, including:

- A study by Yamma Ibrahim (2017) entitled "Tax Incentives and Their Role in Promoting Non-Hydrocarbon Investment in the Southern Provinces". This study aimed to demonstrate the various tax incentives established by the legislator in the 2016 Investment Law specifically for the southern regions, and the extent of these incentives' contribution to promoting investment in Adrar Province. The study concluded that investment had not risen to the level targeted by the tax incentives for developing the southern regions (Yamma, 2017).
- A study by Khallaf Allam (2023) entitled "Tax Incentives as a Mechanism for Promoting Investment in Algeria", which aimed to demonstrate the importance and objectives of tax incentives. The study concluded that benefiting from tax advantages is not easily achieved (Allam, 2023).
- A study by Halilali Amina and Abdessadek El-Sheikh (2025) entitled "The Role of Tax Incentives in Promoting Investment under Law 18-22 on Investment". This study aimed to trace the tax incentives introduced by Investment Law 18-22 and their importance for investment and development in Algeria. The study concluded that these incentives represent a pillar for investment promotion (Halilali & El-Sheikh, 2025).

Numerous studies and research have addressed the research topic, but most of these studies are characterised by theoretical presentation and are linked to a specific temporal framework according to the period studied and the laws in force. This is where the research gap and the novel approach of our topic emerge, through the temporal period under study (2002–2026), a period in which Algeria experienced events and political, economic and social transformations, the most recent being 2019 and the political and economic reforms that followed. This gives our topic particularity through the comparison between two political systems in the field of investment and its reality, and between previous investment laws and the current law 18-22, in addition to the recency of official statistics relating to investment indicators for the 2022–2026 period, published on 25 May 2026 by the Algerian Agency for Investment Promotion.

Research Methodologies:

The nature of the research topic necessitates the use of a set of scientific methodologies and approaches that enable us to answer the research problem and test the validity of the hypotheses. These methodologies include:

- Descriptive-analytical methodology: As the most appropriate approach for presenting theoretical frameworks and collecting information, data and facts, and attempting to interpret and analyse them.
- Legal methodology: Evident in reviewing and analysing successive investment laws containing the legislative texts for the various incentives and advantages established for investors.
- Statistical methodology:The role of this approach is demonstrated through the collection of statistical data relating to sectoral investment rates and indicators across various regions of the

country and attempting to analyse them. This enables us to diagnose the reality and highlight obstacles and ways to address them.
- Case study methodology: Reaching facts, understanding reality, highlighting obstacles and proposing possible solutions requires the researcher to conduct a field study on the phenomenon or research subject. This is what we have undertaken within the framework of our research centred on the policy of tax incentives and its role in investment promotion. We chose Algeria as a sample due to its abundant resources and enormous potential across various sectors, which allows for field knowledge of the investment reality.

Structure of the Study:

To address the research problem and investigate the subject of investment and the policy of tax incentives in Algeria, this study is divided into two sections. The first section addresses the theoretical foundations of the concepts of tax incentives and investment. The second section examines the extent of the contribution of the tax incentive policy to investment promotion in Algeria, by tracking investment indicators and the obstacles that prevented the achievement of objectives and ways to address them.

Section One: Conceptual Framework of the Study

Part One: Concept of Tax Incentive Policy

Understanding the concept of tax incentive policy requires addressing the various definitions, objectives, forms and characteristics attributed to it.

1. Definition of Tax Incentive Policy

Definitions of the concept of tax incentive policy are numerous.

Tax incentive policy is defined as "a set of incentive-based measures and facilities adopted by the state in favour of a specific category of economic agents for the purpose of directing their activities towards sectors and regions that the state wishes to encourage in accordance with its general policy" (Allam, 2023, p. 786).

It is also defined as "the set of incentives aimed at reducing investors' costs, whether at the initial stage of projects or during their implementation" (Halilali & El-Sheikh, 2025, p. 472).

Furthermore, it is defined as "the use of taxation as a policy to incentivise individuals to adopt a certain behaviour or specific activity that helps achieve the state's objectives by granting permanent or temporary exemptions or certain reductions in the tax base or tax rates" (Hadj Said & Rabahi, 2021, p. 1236).

The United Nations defined tax incentives as: "the granting of a special privilege resulting from public expenditure—financial contribution—related to the establishment, acquisition, expansion, management, operation, implementation or investment undertaken by a contracting or non-contracting party within its territory" (Allam, 2023, p. 786).

Based on the foregoing definitions, we can define the policy of tax incentives as: "A mechanism based on granting general financial privileges to a category of economic agents and capital owners with the aim of attracting domestic and foreign investors and promoting investment in the state."

2. Forms of Tax Incentives

The forms of tax incentives are numerous across various tax laws, including (Hadj Said & Rabahi, 2021, p. 1237):

a. Tax exemption system: This consists of waiving the state's right to receive taxes that certain taxpayers would otherwise be required to pay, in return for their commitment to engaging in a specific activity under certain conditions. These exemptions may be permanent or temporary.

b. Tax reduction system:This means subjecting the taxpayer to tax rates lower than prevailing rates or reducing the tax base in return for compliance with certain conditions.

3. Characteristics and Objectives of Tax Incentives

The policy of tax incentives is characterised by a set of attributes and aims to achieve a number of objectives.

a. Characteristics of tax incentives:

The characteristics of tax incentives include the following (Chilhi, 2008, p. 137):

- Optional measure: Economic agents, particularly investors, have the freedom to choose between accepting or rejecting the tax privileges contained in this policy in return for their compliance with certain specified conditions, without any penalty being imposed in the event of refusal.
- Targeted measure: The policy of incentives aims to direct economic agents towards activities and sectors that require development and revitalization due to their importance in development programmes.
- Measurable measure: Given that tax incentives are directed towards a specific category of taxpayers; this category must respect the criteria established by the legislator.
- Means: This refers to the instrument used by the tax incentive policy to encourage investors to move towards priority sectors, activities and regions, namely the granting of facilities, exemptions and tax privileges.

b. Objectives of the policy of tax incentives:

States seek through the policy of tax incentives to achieve a range of economic and social objectives, summarized as follows (Allam, 2023, p. 787):

- Encouraging investment and increasing the number of investment projects.
- Supporting imports of capital goods essential for implementing and sustaining the development process, by exempting capital goods from customs duties or reducing their rates.
- Increasing the competitiveness of domestic goods against foreign goods.
- Broadening the tax base, as tax incentives are granted with the aim of expanding the base upon which taxation will be imposed in the future, with the intention of increasing tax revenues.
- Creating employment opportunities and reducing unemployment, achieved through the increase in investment projects resulting from tax incentives that stimulate business activity and employ the maximum possible number of workers.
- Achieving regional balance between the different regions and territories comprising the state, by granting tax incentives to investment projects undertaken in remote and isolated areas and regions targeted for development.

Part Two: Concept of Investment

Addressing the concept of investment as a term requires deconstructing this concept by examining various definitions, constituent elements, determinants, types and importance.

1. Definition of Investment

Like other concepts, definitions of investment are multiple and varied according to the numerous perspectives and angles from which each economic researcher views it.

Linguistically: Derived from the root meaning growth and increase; to invest means to develop or increase, and growth may take its final form in monetary, financial or commercial form, or in the form of real estate or movable property (Mezyani, 2009, p. 55).

Terminologically: Investment as a term means "the employment of funds or their allocation in investment fields or opportunities that achieve the best return" or "a purposeful process of capital formation or increase in that capital" (Berkan & Hani, 2018, p. 56).

Investment in the economic sense is "the acquisition of tangible assets and the employment of funds to contribute to production, i.e. the creation of value in the form of goods and services" (Boufassa, 2010, p. 3).

Investment is also defined as: "Additions of new capacities to existing productive assets in society through the establishment of new projects, expansion of existing projects, or replacement or renewal of projects that have reached the end of their useful life" (Al-Sakhawi, 2012, p. 17).

As for Dietelen, "investment lies at the heart of economic life, monetary theory, development theory and interest theory" (Boubaker, 1988, p. 12).

From the foregoing definitions, we observe that the concept of investment has evolved with the evolution of different economic schools and theories around the world. We can define investment as: "The process of attracting, employing and directing capital towards economic sectors and activities with the aim of creating and establishing developmental economic projects that enable the advancement and development of the national and local economy, meet market needs and create wealth."

2. Elements of Investment

The investment process consists of essential elements or pillars, namely (Chaouri, 2008, p. 11):

- Contribution (L'APPORT): The investor makes a contribution in the form of funds, tangible assets or otherwise.
- Intention to make a profit (Le BUT LUCRAIF): The investor aims through the investment process to obtain profits or benefits; otherwise, the process would not be considered investment.
- Risk-taking (LE RISQUE): The intention to make a profit does not mean the actual realisation of that profit, as the contribution is undertaken at risk; the investor may achieve large or small profits or incur losses.
- Time factor: The investor naturally expects to wait a certain period to see the fruits of their investment; profit is not generally achieved immediately, as the production process to which the newly created value from the investment process is linked takes time. This is perhaps the most important feature distinguishing the investment process from the sale process.

3. Types of Investment

Investment is divided into several types according to the implementing entity and according to origin.

a. According to the implementing entity: This is divided into two types:

- Private investment, undertaken by the private sector.
- Public investment, undertaken by the public sector.

The purpose of distinguishing between these two types is that private investment is based on the profit motive, whereas public investment is undertaken to meet social needs represented by expenditure on public services.

b. According to origin: Investments are divided into two categories:

- Foreign investments.
- Domestic investments.

4. Determinants and Importance of Investment

a. Determinants of investment:

Investment determinants differ between individuals and the state. Individuals' motivations centre on profit, while the state's motivations are distributed among political, economic, social and environmental considerations. The most important factors determining investment include (Hajjaj, 2006, p. 35):

- Investment costs: The interest rate and taxes are considered the most important factors entering into investment costs. Among the most significant factors affecting investment costs, we mention:

  - Interest rate: This is the rate paid by the investor when borrowing the funds necessary for investment from various borrowing sources. Since most investment projects rely on borrowing, the interest rate plays an important role in the demand for capital and thus in influencing investment. It can be said that there is an inverse relationship between the interest rate and the volume of investment: the lower the interest rate, the more it encourages borrowing and thus increases investment, and vice versa.

  - Taxes: Taxes are among the most important cost items affecting investment. It is observed that the majority of countries, especially developing ones, rely on taxation to finance their investments through their tax policy, using exemptions and reductions granted to develop investments and encourage certain investment fields while discouraging others.

- Expected rate of return on investment: An increase in aggregate demand, which translates into increased revenues, stimulates investors to undertake more investments to meet this increase. Typically, the increase in investment is greater than the increase in aggregate demand.
- Investor expectations: Expectations play an important role in guiding investment decisions. Investors make their investment decisions based on their future expectations regarding economic activity in society. Optimistic expectations regarding future investment conditions lead to an increase in the level of investment, and vice versa. Expectations concerning the future are linked to the nature of direct and indirect economic policies adopted by the state to stimulate or direct investments towards specific fields.

- Scientific and technological progress: Scientific and technological progress encourages the investor to continuously increase investment of funds if they wish to remain in the market and face intense competition.

b. Importance of investment:

The importance of investment can be summarised as follows (Hajjaj, 2006, p. 38):

- Increasing growth and achieving economic development, economic progress and well-being.
- Increasing domestic production and productivity, leading to an increase in national income and consequently an improvement in citizens' standard of living.
- Providing services and goods demanded by citizens and investors.
- Providing employment opportunities and eliminating unemployment.
- Transferring knowledge and technology and training and qualifying the local workforce.
- Exporting production surplus abroad, reducing imports, and consequently providing foreign currency.
- Achieving political, economic and social stability for the state, and thereby achieving national security.

Section Two: The Impact of the Tax System on Investment Development and Unemployment Reduction in Algeria (2002–2026)

The Investment Law represents the true translation of the tax system in the field of investment. It also serves as the fundamental reference in any state for organising and promoting domestic and foreign private investment, providing the legislative, legal and regulatory framework that governs investment operations. Investment laws vary between those that encourage and those that deter private investment. Therefore, states—particularly under the capitalist system based on the mechanism of market economy and competition—enact investment laws that are adapted to the requirements of the market economy and provide the best guarantees and conditions to attract national and foreign investment, especially in the tax field where the best tax advantages and incentives are offered to attract investors. Taxation is considered one of the principal instruments that influence investment.

Part One: The Legal and Institutional Framework for Investment

The legislative and institutional structure for investment consists of the following:

1. The Investment Law of 2001

In response to the deficiencies of the 1993 Investment Law in achieving its objectives, Presidential Decree No. 01-03 of 20 August 2001 (Order No. 01-03 of 20 August 2001 on Investment Development, 2001) was issued. This addressed the shortcomings of the previous law, improved the investment climate and increased incentives and guarantees for investors.

We will briefly present the most important provisions of this order relating to investment in the tax field:

- Increased exemptions and reductions on customs and tax duties compared to those provided for in the 1993 Investment Law. The exemption period from various taxes reached 10 years, compared to 2 to 5 years in the previous law.

Bodies responsible for investment under the 2001 Investment Law:

Under Order No. 01-03 on Investment Development, the institutions responsible for investment development consist of:

a. The National Investment Council (CNI):
Established under the 2001 Investment Law and placed under the authority of the Head of Government. Its main functions include:
- Proposing to the government all measures and decisions necessary for implementing investment support arrangements.
- Proposing the investment development strategy.
- Proposing incentive measures for investment.
- Researching and encouraging the establishment of appropriate financial institutions and instruments for investment transformation and development.
- Adjudicating on privileges granted within the framework of investment.
- Designating the regions to be promoted that benefit from the exceptional regime.
b. The National Agency for Investment Development (ANDI):
This is a public institution that replaced the National Agency for Investment Promotion and Support established under the 1993 Investment Law and amended by the 2001 Investment Law. It is a public institution with legal personality and financial independence, of an administrative nature, established under the 2001 Investment Development Law, with branches at the level of all provinces. Its functions include:
- Working to provide administrative facilities in coordination with other administrations concerned with investment.
- Promoting investment and accompanying and assisting investors.
- Granting privileges linked to investment within the framework of applicable regulations.
- Providing land holdings.
c. The One-Stop Shop:
This is a body that coordinates the administrations and bodies concerned with investment, present in all provinces. This measure aims to reduce bureaucratic procedures facing investors and simplify administrative procedures, by having the One-Stop Shop service deal directly with other concerned administrations on behalf of the investor. It includes representatives of "the Central Bank—tax authorities—Customs—the National Trade Register Centre—State Property Administration—Industry—Environment—Labour...".

2. The Investment Law of 2016

Law No. 16-09 of 3 August 2016 on Investment Promotion (Law No. 16-09 of 3 August 2016 on Investment Promotion, 2016) was issued, containing a set of incentives, facilities and guarantees for foreign and domestic investors, with the aim of attracting them and driving the national investment wheel and consequently the national economy and achieving economic development.
Article 12 of this law contained a set of tax incentives, consisting of:
In addition to the tax, quasi-tax and customs incentives provided for in the general law, the investments concerned with the advantages and specified in the above article benefit from the following:
Implementation phase: Benefiting from the following advantages:
- Exemption from value-added tax on imported or locally purchased goods and services that are directly used in investment implementation.

- Exemption from payment of property transfer rights.
- Exemption from registration fees, property advertising tax and mortgage rights on real estate (10-year exemption on property tax on real estate included in the investment from the date of acquisition).

Operation phase:Consisting of the following incentives:
- Exemption from corporate profit tax.
- Exemption from the professional activity tax.
- 50% reduction on annual land lease fees.

Implementation phase: In addition to the advantages mentioned in the general regime:
- Reduction of the annual land lease fee for land granted by concession for investment implementation.
- At the symbolic dinar per square metre for ten (10) years, increasing after this period to 50% of the land lease fee for projects established in the high plateaus and regions targeted for promotion.
- At the symbolic dinar per square metre for 15 years, increasing to 50% of the state property fee for the southern regions.

Operation phase:
- Exemption from customs duties and value-added tax (VAT) for 10 years.

Additional advantages for privileged activities creating employment:
In addition to the previously mentioned advantages granted to investment projects, for tourism activities, industrial activities and agricultural activities (2016, p. 20):
- The operation advantages granted to investments outside the regions benefiting from the special regime are increased from 03 years to 05 years when they create more than 100 permanent jobs from the implementation phase to the first year of the operation phase.

Investment bodies under the 2016 Investment Law:
The new 2016 Investment Law maintained the institutional framework for investment established under Law No. 01-03 on Investment, consisting of the following bodies: "The National Investment Council (CNI)—The National Agency for Investment Development (ANDI)—The One-Stop Shop."
It should be noted that we have already addressed above the functions of these investment bodies established under the 2001 Investment Law. Therefore, within the investment bodies included in the 2016 Investment Law, we will only address the National Agency for Investment Development (ANDI), due to the amendments made to its functions and working methods.
The National Agency for Investment Development (ANDI):
This body was established under Investment Law 01-03 and is considered "a public administrative institution with legal personality and financial independence." It is responsible, in coordination with other concerned administrations and bodies, for (2016, p. 22):
- Registering investments.
- Promoting investments in Algeria and promoting them abroad.
- Promoting regional opportunities and potential.
- Facilitating business operations and monitoring company establishment and project implementation.

- Supporting, assisting and accompanying investors.
- Informing and raising awareness in business sites.
- Qualifying and evaluating projects and preparing investment agreements to be submitted to the National Investment Council for approval.

3. The Investment Law of 2022

Following the transformations experienced by the political scene in 2019, the Algerian state paid great attention to the national economy and economic and local development. It committed to a series of reforms that would enable the construction of a national economy beyond oil rent and the creation of economic alternatives. After completing the political structures, the current government is working to bring about an economic revolution through efforts to reform the legal and institutional economic system. Among the laws that took priority on the reform agenda is the Investment Law, as an effective mechanism enabling the development and promotion of the national economy and the achievement of development.

a. Content of Investment Law 18-22:

Law No. 22-18 of 28 July 2022 on Investment Promotion (Law No. 18-22 of 28 July 2022 on Investment, 2022) was issued, containing a set of incentives, facilities and guarantees for foreign and domestic investors, with the aim of attracting them and driving the national investment wheel and consequently the national economy and achieving economic development.

Guarantees and advantages granted under the 2022 Investment Law:

Articles 6 to 13 contained a set of guarantees, consisting of (Article 6 of Investment Law No. 18-22, 2022):

- The possibility of benefiting from land belonging to the private property of the state.
- Digitalisation of the investment sector and making information relating to land availability accessible to the investor through the digital platform for investors.
- Exemption of foreign contributions in kind and goods entering into investment activities from foreign trade procedures and bank domiciliation.
- Guarantee of transfer of the investor's capital and returns arising from investments.
- The state guarantees the intellectual property rights of the investor.
- Guarantee that the administration shall not requisition the completed investment except in cases provided for by law, with just and equitable compensation resulting from such requisition.
- Establishment of a National Higher Appeals Committee for Investment under the Presidency of the Republic, responsible for adjudicating appeals and objections submitted by investors within a period not exceeding one month.
- Enabling the investor to exercise their right to resort to competent judicial authorities to submit appeals and objections.
- Disputes between the investor and the state shall be subject to competent judicial authorities, except in cases where there are bilateral or multilateral international agreements that have been ratified and whose provisions relate to conciliation, mediation and arbitration.
- Guarantee and protection of the investor's rights granted against the effects arising from the future repeal of this law.

b. Institutional framework of Investment Law 18-22:
The 2022 Investment Law maintained the institutional framework established under the 2001 Investment Law, consisting of the aforementioned bodies: The National Investment Council—The National Agency for Investment Development—The One-Stop Shop. The change was represented in the renaming of the National Agency for Investment Development to the "Algerian Agency for Investment Promotion," with changes in the powers and functions of both the National Investment Council and the National Agency for Investment Promotion.
- The National Investment Council:
The National Investment Council was established under the provisions of Article 18 in force within Order No. 01-03 of 20 August 2001 on Investment. Its main functions include proposing the state's strategy in the field of investment, ensuring its overall coherence and evaluating its implementation. The National Investment Council is also responsible for preparing an annual evaluation report submitted to the President of the Republic, in addition to other functions mentioned above within the framework of the 2001 Investment Law.
- The Algerian Agency for Investment Promotion:
The new 2022 Investment Law maintained the National Investment Agency body established under the provisions of Article 6 within Order No. 01-03 on the 2001 Investment Law. The change was represented in the renaming of this body under the provisions of Article 18, from the "National Agency for Investment Development" to the "Algerian Agency for Investment Promotion."
The Algerian Agency for Investment Promotion is responsible, in coordination with other administrations and bodies concerned with the field of investment, for:
- Working to promote investment in Algeria and abroad and its attractiveness, involving Algerian embassies and consulates abroad.
- Advertising and marketing the qualifications, guarantees and advantages of investment in Algeria to investment and business circles.
- Ensuring the management of the digital platform for investors.
- Registering and processing investment files.
- Accompanying investors at all investment stages, from the stage of administrative procedures to the stage of managing advantages, and monitoring the progress of the investment situation.
- The One-Stop Shop:
This is a body of national competence attached to the National Agency for Investment Promotion, responsible for major investment projects and foreign investments. It is responsible for carrying out all necessary procedures for the implementation of major and foreign investment projects. It includes the various administrative bodies directly responsible for implementing procedures related to:
- Implementation of investment projects.
- Granting decisions and authorisations.
- Obtaining land allocated for investment.
- Monitoring commitments subscribed to by the investor.
- Decentralised Desks:

These are bodies of local competence attached to the National Agency for Investment Promotion, responsible for small and medium-sized investment projects at the local level. They are responsible for carrying out all necessary procedures to assist, accompany and implement local projects. They include the various local administrative bodies directly concerned with the field of investment.

Advantages granted to investors under Investment Law 18-22:

The new 2022 Investment Law contains a set of generous incentives and advantages for investors, with the aim of attracting them and driving the national investment wheel. These investments are diversified according to regimes and phases, with investments divided into three regimes—according to priority, region and sector targeted for promotion—while the phases are represented in the implementation phase and the operation phase.

These measures contained in the Investment Law include almost total exemption from customs and tax duties for the investor for a period ranging from 3 to 5 years, extending to 10 years in the southern regions, and the abolition of the 51%/49% rule, in addition to the freedom to transfer profits and the creation of a digital platform and granting broad powers to governors at the local level in the field of local investment.

Part Two: The Reality of the Contribution of Tax Incentives to Investment Promotion in Algeria (2002–2026)

The Algerian state has paid great attention to the field of investment and given it the necessary care, especially at the beginning of the third millennium, when it completed the legal and institutional structures for regulating and developing investment, relying on a set of facilities, incentives and advantages for investors. This was clearly evident through successive investment laws. The Algerian state aimed through these amendments to reform the legislative and institutional frameworks for investment and to prepare the investment climate, with the aim of attracting domestic and foreign investments that create wealth and employment.

Investment Indicators 2002–2026

1. Investment Development during the Period 2002–2012

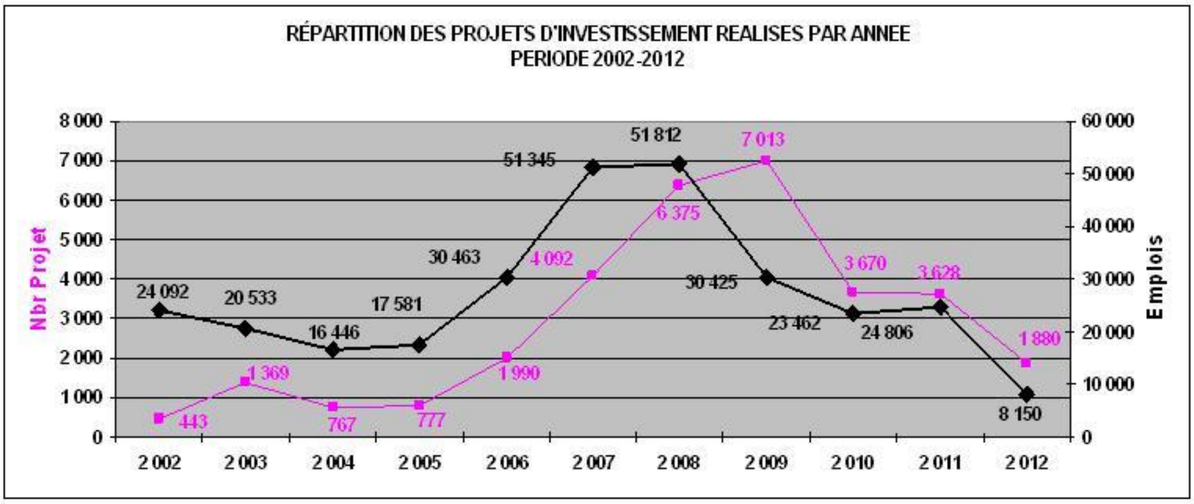
Table 01: Distribution of Investment Projects by Year

Years	**Number of Projects**	**%**	**Financial Value (Million DZD)**	**%**	**Employment Positions**	**%**
2002	443	1%	67,839	3%	24,092	8%
2003	1,369	4%	235,944	9%	20,533	7%
2004	767	2%	200,706	8%	16,446	5%
2005	777	2%	115,639	5%	17,581	6%

Years	Number of Projects	%	Financial Value (Million DZD)	%	Employment Positions	%
2006	1,990	6%	319,513	13%	30,463	10%
2007	4,092	13%	351,165	14%	51,345	17%
2008	6,375	20%	670,528	26%	51,812	17%
2009	7,013	22%	229,017	9%	30,425	10%
2010	3,670	11%	122,521	5%	23,462	8%
2011	3,628	11%	156,729	6%	24,806	8%
2012	1,880	6%	77,240	3%	8,150	3%
Total	**32,004**	**100%**	**2,546,840**	**100%**	**299,115**	**100%**

Source: National Agency for Investment Development (ANDI), www.andi.dz

Figure 01: Distribution of Investment Projects by Year



Source: National Agency for Investment Development (ANDI), www.andi.dz

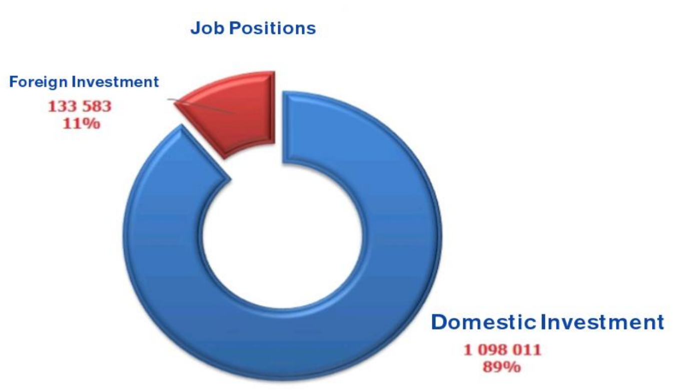
The annual development rate of completed investments in terms of projects reached 1% in 2002, then continued on an upward trajectory during the period 2005–2009 until reaching 22% in 2009, maintaining the maximum rate at 11% in the two consecutive years 2010 and 2011. The year 2012 recorded a notable decline reaching 6%. This upward development during these years was reflected in the volume of financing and newly created employment positions.
The development experienced by the investment rate during this period can be attributed to several factors related to the investment climate, characterised by security and political stability, an improvement in the economic and social situation resulting from the volume of expenditure on public investments, infrastructure and development programmes, in addition to the advantages, incentives and facilities provided by the Investment Laws of 2001 and 2006. The government's policy of supporting and encouraging start-ups also played a significant role in the growth of domestic investment.
As for the significant decline in investment rates recorded in 2012, this can be attributed to the impact of the 2009 Finance Law, which introduced a new measure requiring foreign investors to enter into partnerships with local investors or the public sector according to the 49% foreign—51% local or public sector rule. This measure did not appeal to foreign investors and affected foreign investment flows into Algeria.

2. Investment Declaration Data 2002–2017
The statistical tables below represent investment projects declared during the period 2002–2017, consisting of live data from the National Agency for Investment Development database updated in August 2018 in light of cancelled projects.
Table 02: Distribution of Investments by Type of Investment

Type of Investment	**Number of Projects**	**%**	**Value in Million DZD**	**%**	**Employment Positions**	**%**
Domestic Investment	62,334	98.58%	11,780,833	89.15%	1,098,011	89.15%
Foreign Investment	901	1.42%	2,519,831	10.85%	133,583	10.85%
Total	**63,235**	**100%**	**14,300,664**	**100%**	**1,231,594**	**100%**

Source: National Agency for Investment Development (ANDI), www.andi.dz

Figure 02: Distribution of Investments by Type of Investment



Source: National Agency for Investment Development (ANDI), www.andi.dz

The data in the table indicates the notable development of investment in Algeria during the period 2002–2017, with the value of investments reaching 14,300,664 million DZD, yielding a total of 63,235 investment projects and creating 1,231,594 employment positions. The largest share was for domestic investment, which contributed 89% of newly created employment positions. Meanwhile, foreign investment flows recorded significant weakness, with their contribution not exceeding 2% of the total number of projects (901 projects). This weakness also applied to financial value, which did not exceed 17% (2,519,831 million DZD), and employment positions, which accounted for 10% (133,583 positions).

The data in the above table also indicates the significant growth experienced by the private sector in Algeria during this period, attributable to the policy pursued by public authorities in the privatisation process and the support and encouragement of start-ups, and the granting of a significant role to the private sector in economic development through the mechanisms and institutions established in the field of supporting small and medium-sized enterprises (SMEs) in Algeria, such as the National Agency for Youth Employment Support, the National Fund for Unemployment Compensation, and special-purpose funds for start-ups and investment support. Small and medium-sized projects are considered a necessity relied upon in the early stages of development and constitute the main nucleus for establishing the production base, building large industrial projects, diversifying the economy and creating added value for the economy.

Although foreign investment flows witnessed notable development during this period compared to the pre-2001 period, they remain weak and far from the international and regional rates recorded by other countries. This is due to the underdevelopment of the investment environment in Algeria, despite the incentives and advantages provided.

3. Registered Investment Data 2020–2026

Table 03: Summary of Registered Investment Projects (from 30 November 2022 to 24 May 2026)

Registered Projects	Financial Value (Billion DZD)	Potential Employment Positions
22,236	9,326	554,594

Source: Algerian Agency for Investment Promotion, https://aapi.dz/wp-content/uploads/2025/12/Investment.dz

In reading the data in the above table, we note that the investment sector in Algeria has recorded notable development and positive results in terms of investment values and registered projects during the period from 30 November 2022 to the end of May 2026, with the number of registered projects reaching 22,236 projects with a value approaching 1,000 billion DZD, creating more than half a million employment positions.
These positive indicators suggest that this development is due to the political will and reforms undertaken by the state in the field of investment, particularly Investment Law 18-22, which introduced reforms, facilities, incentives and guarantees for investors, in addition to other laws relating to investment such as the Loan and Money Law and the Property Law...
Table 04: Distribution of Investment Projects by Year

Years	Declared Financial Value (Billion DZD)	Number of Projects	Value of Foreign Direct Investment (Billion USD)
2020–2021	526	1,877	1.12
2023	3,000	5,000	1.05
2024	4,730	11,780	1.43
2025	8,329	20,000	1.50

Source: Prepared by the researcher based on statistics from the Algerian Agency for Investment Promotion.
The statistics recorded in the above table indicate the notable annual development of investment during the period from 2020 to the end of 2025. After the years 2020 and 2021 experienced economic stagnation, with values not exceeding 500 billion DZD and only about 2,000 projects, the year 2023 witnessed a significant launch in the field of investment, with continuous growth continuing during 2024 and 2025. The value of registered investments jumped from 3,000 billion DZD in 2023 to over 8,000 billion DZD in 2025, while foreign investment remained weak at around 1 billion dollars during this period.**
The statistics in the table indicate that the weakness in investment value in 2020–2021 was due to the crisis and political and economic transformations that Algeria experienced in 2019, in

addition to the global health crisis due to the COVID-19 pandemic, which led to significant paralysis in the global economy. As for the positive investment indicators that characterised the post-2023 period, these are attributed to the end of the global health crisis and the major reforms undertaken by Algeria in the economic field, particularly regarding the new Investment Law 18-22, which contained a set of legal and administrative reforms, facilities and tax incentives.

Table 05: Summary of Registered Investment Projects (from 30 November to 25 May 2026)

Local Projects / Foreign Investments	**Registered Projects**		**Declared Project Value**			**Expected Jobs**	
	Number	**%**	**Amount (Billion DZD)**	**Amount (Billion USD)**	**%**	**Number**	**%**
Local Investments	18,413	98.4%	6,777.9	50.2	84%	416,187	91%
Structured Investments	31	0.2%	2,977.3	22.7	37%	36,067	7.9%
Major Projects	164	0.9%	1,435.6	10.6	17.8%	35,412	7.8%
Projects Related to Foreign Parties	299	1.6%	1,271.1	9.4	15.8%	38,615	8.5%
Direct Foreign Projects	115	0.6%	167.7	1.2	2.1%	10,598	2.3%
Partnership	184	1.0%	1,103.3	8.1	13.7%	28,017	6.2%
Total	18,712	100%	8,049.03	59.6	100%	454,802	100%

Source: Algerian National Agency for Investment Promotion, Invest Magazine, Issue 00, December 2025, p. 80.

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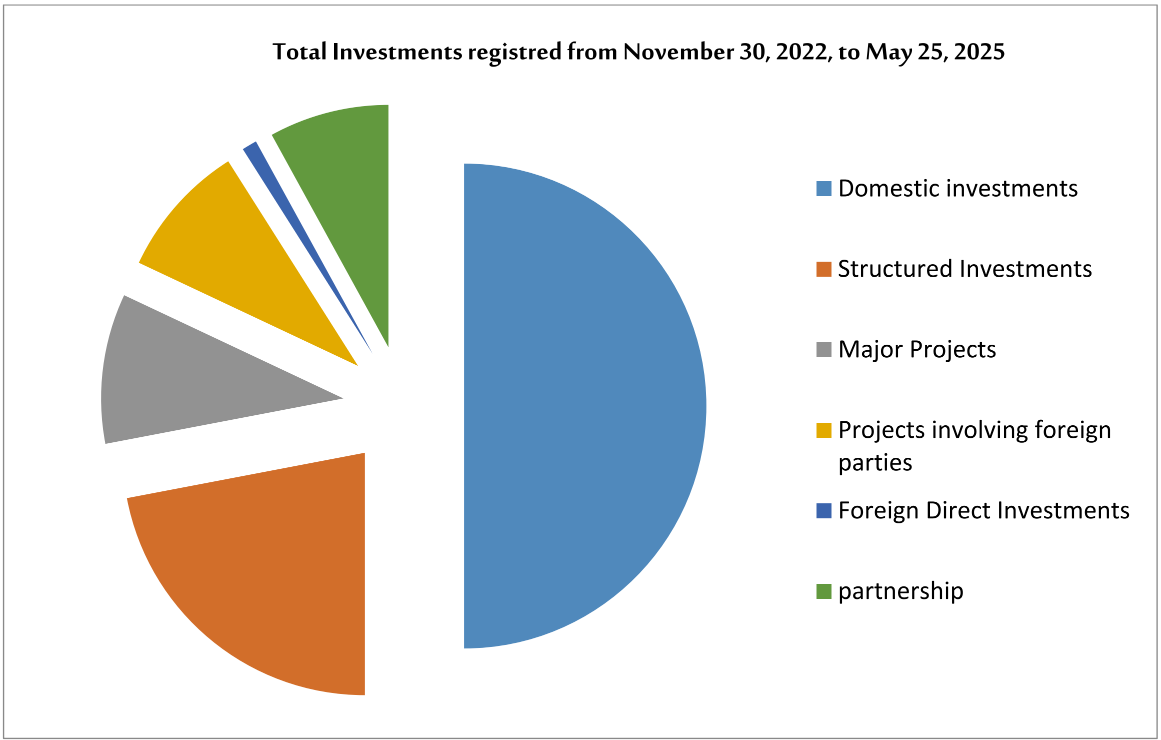

Source: Prepared by the researcher based on data from Table 05.

The data in the table indicates notable development in investment indicators in Algeria during the period from 30 November 2022 to 24 May 2026, with the value of registered investments reaching over 8,000 billion DZD, equivalent to 59.6 billion US dollars, distributed across approximately 9,000 projects, thereby creating half a million employment positions.

The largest share of these registered investments was for domestic investment at 91%, i.e. approximately 18,000 projects with a financial value exceeding 6,800 billion DZD. The remaining 9% of total investments during this period was distributed in similar proportions among other types of investments, with foreign investment recording the weakest share at approximately 1%, as the financial value did not exceed 1 billion US dollars with only 115 projects, representing 0.6% of total investments.

Despite the continuous improvement and positive development of investment indicators during this period resulting from the reforms undertaken by the state and the promulgation of Investment Law 18-22, they remain far from the targets set by the government and record weak levels far from international and regional levels in the field of investment, particularly foreign investment.

Statistics for this period (2022–2026), compared with indicators for the previous period (2002–2019), confirm that investment indicator levels remain weak despite notable improvement, political will and reforms undertaken by the state. This indicates that the investment environment in Algeria remains distorted by the obstacles that characterised the previous period.

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Table 06: Distribution of Investment Projects by Sector of Activity (from 30 November 2022 to 30 November 2025)

Sectors	Registered Projects		Declared Project Value			Expected Jobs	
	Number	%	Amount (Billion DZD)	Amount (Billion USD)	%	Number	%
Manufacturing Industry	6,240	33.3%	3,073.1	27.6	46.3%	245,743	54%
Transport and Storage	4,891	26.1%	916.66	6.7	11.4%	53,999	11.9%
Construction	4,512	24.1%	890.84	6.6	11.1%	74,201	16.3%
Agriculture and Maritime Fishing	1,311	7%	517.82	3.8	6.4%	21,730	4.8%
Health	471	2.5%	201.32	1.4	2.3%	14,976	3.3%
Tourism	247	1.3%	213.14	1.5	1.5%	14,466	3.2%
Strategic Industry	209	1.1%	567.89	4.1	6.9%	7,416	1.6%
Services	831	4.4%	1,668.15	7.89	13.2%	22,271	4.9%
Total	**18,712**	**100%**	**8,049.03**	**59.6**	**100%**	**454,802**	**100%**

Source: Algerian National Agency for Investment Promotion, Invest Magazine, Issue 00, December 2025, p. 80.

From the above table on the distribution of investments by economic sector, we observe that approximately one third of projects (30%) were directed towards the manufacturing industry. The reasons for the attractiveness of this sector to investors include its lack of requirement for large capital, technical expertise and qualifications in management, production and marketing, and its generation of short-term profits. The same observation applies to the transport and construction sectors at 25% each, as they are small projects. In contrast, the strategic and promising sectors as economic alternatives did not attract investors' interest, with project percentages ranging between 1% and 7% for each sector. Investors' aversion to these sectors is attributed to their requirement for large capital, qualifications and expertise in the field, and their generation of medium and long-term profits.

Part Three: Tax Incentive Policy and Obstacles to Investment Promotion in Algeria

From our tracking of the reality of investment in Algeria during the period 2002–2026 and the impact of the tax incentives policy, and based on the previous data and statistics on investment, we conclude that the volume of investments in Algeria is characterised by weakness and does not correspond to a country like Algeria, which is the size of a continent and possesses all the qualifications and potential that could make it a global and regional investment hub. This weakness is clearly evident from reports issued by various international and regional organisations concerned with finance and business, which rank Algeria in low positions globally and regionally, particularly in the field of foreign direct investment.

This reality confirms that investment in general remains weak and requires strong will from actors in the national and local economy, particularly public authorities. This necessitates the development of strategic plans, monitoring and coordination of efforts, provision of an appropriate climate, and reduction of legislative, administrative and financial obstacles that continue to characterise the Algerian investment environment, despite the efforts made by the state to drive the investment wheel and economic development.

The Algerian state's reliance on a policy of generous tax incentives to encourage and attract foreign investment has proven the failure of this adopted strategy, as evidenced by the fact that foreign investment remains weak according to figures and statistics. To this day, Algeria—despite the economic and structural reforms it has pursued over three decades—still relies on importing various products, with the import bill continuously rising to around 40 billion dollars. This is an indicator of the weakness of the national economy's productive capacity. On the other hand, these incentives and advantages have cost the state treasury and regional communities tens of billions of dollars without any corresponding benefit or addition to the national economy. This means that the investor who made the decision to invest in Algeria was motivated by profit through benefiting from advantages and state subsidies rather than for the purpose of genuine enterprise. Even the foreign investor is found to invest in easy sectors (manufacturing industry—public works—services) that yield quick profits and enable capital transfers abroad, and that rely on re-exporting or reselling imports, and does not favour sectors requiring medium and long-term investments that create added value, particularly in the field of technologies. Once the incentive period ends and state subsidies cease, the investment is frozen.

Many studies have confirmed that serious investors are not enticed by incentives as much as they attach importance to the environment or investment climate in all its political, security, economic, social and legislative aspects. They do not risk their funds in an environment characterised by fragility and instability, or a distorted economic structure and corrupt administrative environment. Therefore, the development of genuine investment requires the

Algerian state to undertake comprehensive reform measures and prepare the investment climate alongside the policy of tax simplification, incentives and advantages. This is what the Organisation for Economic Co-operation and Development has recommended and what Malaysia, Indonesia, China and Korea have followed...

Following the Korean model, since its opening to foreign investment in the 1960s, Korea adopted a strategy for developing its economy and achieving development through encouraging foreign investment and granting it all privileges, incentives and guarantees conditional upon export to abroad and technology transfer.

As for Malaysia, it stipulated in return for the tax incentives, advantages and guarantees granted to foreign investments that they invest in productive sectors, transfer technology to local investors, and rely on local resources at a rate of not less than 30%.

Like other countries and within the framework of competition to attract investments, Algeria has accorded great attention and care to the investment file and its promotion and development through improving the investment climate in Algeria, aiming to achieve economic development, particularly with regard to providing employment and reducing the phenomenon of unemployment. These efforts have been embodied in the adoption of a reform policy for the legal, legislative and institutional system, especially the tax system that governs investment, in an attempt to provide incentives to investors in the customs, tax, administrative, banking, real estate and infrastructure fields, targeting the continuous improvement of the investment climate.

However, the reality acknowledges that despite these efforts, Algeria has failed to promote and develop investments, especially foreign ones, and the delay of small and medium-sized enterprises (SMEs) compared to many developing countries that have succeeded to a large extent in this field, such as Malaysia, Indonesia, China, Korea, Japan, South Africa, and even Tunisia and Morocco... The evidence for this is the unemployment rates and the import bill, which reached 40 billion dollars annually against weak non-hydrocarbon exports (not exceeding 1 billion dollars). This failure is attributed to a set of obstacles from which the Algerian economy suffers and which have limited investment flows, placing Algeria at the bottom of global rankings in the field of investment climate and business (Global Competitiveness ranking 84—Economic Freedom 119).

These reforms included positive tax measures to incentivise investors, through tax and customs reductions and exemptions and simplification of the tax system. However, these efforts have not succeeded in raising investment growth due to the distortions that have characterised the investment climate in both its legal and regulatory aspects, in addition to other factors related to economic opacity, corruption, administrative rigidity, real estate, financing and the parallel economy.

Emerging from this vicious circle and driving the investment wheel requires genuine political will and comprehensive reform of the political, economic, social and administrative systems, by addressing the aforementioned distortions, making it more adaptable to global economic developments in the field of investment and finance, and contributing to attracting domestic and foreign investors.

Since the political transformations that occurred at the end of 2019, the Algerian state has given great importance to the investment file, working to combat the negative phenomena and structural backwardness that limited investment development, caused by a previous political system allied with corrupt financiers. It has undertaken major reforms affecting political, economic, legal and administrative structures during the period 2020–2025, and reform efforts continue. These efforts culminated in the promulgation of Investment Law 18-22, which contains incentives, guarantees and advantages for investors. Despite the notable improvement in investment indicators during this period, they remain far from the targets set and insufficient, which requires greater efforts and more rigorous reforms of Algeria's investment environment, which has been characterised by opacity.

Conclusion:

At the conclusion of this study, in which we have attempted to investigate the impact of tax incentives on investment promotion through investment indicators in Algeria over 26 years, and to compare these indicators between the two periods before and after the transformations that Algeria experienced in 2019, aiming to diagnose the reality of investment in Algeria, we have reached the following conclusions:

- The weak contribution of tax incentives to developing and promoting investment, with the latter being the true translation of the tax system and investment law. These indicators confirm that weak investment in Algeria is linked to other factors of greater importance than tax incentives for investors, particularly foreign investment.
- Despite the state's efforts to promote investment and start-ups through successive reform packages over the past 20 years, these reforms have failed and have not succeeded in building a solid economic base. The reasons for this failure are attributed to the distortions and imbalances characterising the investment climate in Algeria, including instability of legislation, corruption, administrative backwardness, financing problems, real estate issues, the parallel economy and infrastructure... These are the distortions that the state has targeted and is working to address through major reforms since the political transformations that occurred at the end of 2019, particularly concerning investment. These efforts have culminated in notable improvement in investment indicators, as a result of the reforms and incentives contained in Investment Law 18-22.

Recommendations

Activating the role of tax incentives in promoting investment in Algeria requires improving the business and investment climate in Algeria from all political, economic and social aspects, and reconsidering the legal, legislative and institutional system governing the national economy, particularly with regard to the legal, tax and financial aspects. This necessitates radical change and genuine reform of political, economic, social and administrative structures, combating corruption and ensuring the rule of law.

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