

# RÉPUBLIQUE ALGÉRIENNE DÉMOCRATIQUE ET POPULAIRE

## INVESTMENT CLIMATE-OPENNESS TO FOREIGN INVESTMENT

As part of its effort to diversify and modernize the Algerian economy, the Government is placing increasing emphasis on promoting foreign investment. In October 1993, the Government promulgated a new Investment Code which, grants the same privileges both to foreign and Algerian investors, thus putting them on equal footing. The Government developed a regime that equals and even exceeds many of the incentives offered by many other countries. The code grants new investors the following privileges:

- a three-year exemption from the value added tax on goods and services acquired locally or imported;
- an exemption on property taxes;
- a two to five year exemption from corporate income taxes;
- the right to pay just 3% in customs duties for 30 different products (for which duties are between 40-60%); and
- the right to pay a ceiling of 7% on social security payments for Algerian employees (the normal rate is 24%).

The incentives are more attractive for companies which establish export-oriented projects. A sliding scale has been established whereby those firms exporting 100% of their production receive a 100% exemption on all taxes, and pay only the 7% employer contribution on all taxes and pay the same 50% of their production receive a 50 % exemption on all taxes and pay the same 7% social security contribution.

The Government established in May 1995 a new investment promotion agency (Agence de Promotion, de Soutien et de Suivi des Investissements, APSI), attached to the office of the Prime Minister, to register all investment applications, accord the advantages listed by the Code, and streamline the investment process. Government officials point out that all investments are pro-approved; APSI's only role is to determine what advantages a particular investment should receive under the law.

As part of its investment promotion efforts, the Government issued a decree in October 1993 which reduced the income tax paid by foreign technical and supervisory personnel. Whereas most foreign workers previously paid taxes of up to 70% on their salaries, personnel employed by foreign companies working in most industrial sectors whose monthly salaries are in excess of 80,000 Dinars (approximately \$1,600) will now pay a flat rate of 20%.

### Investment Registration Procedure :

To register a proposed investment and apply for the advantages listed in the Code, investors must file a Declaration d'investissement and Demande d' Avantages with APSI. By law, these two documents must be processed by APSI within 60 days of their submission. In practice, it normally takes about one month.

In determining what level of advantages to accord a given investment, APSI considers the following five criteria :

- whether an investor has a foreign partner ;
- the extent of self-financing (a firm self-financing more than 30% of the total value of the proposed investment receives the maximum advantages) ;
- the dependence on foreign inputs (investments that use more than 50% local inputs or import substitution receive the maximum advantages) ;
- the extent of technology transfer, and employment creation.

### Hydrocarbon Investments:

Investments in the hydrocarbon sector are governed by the 1986 Law Governing Activities of Exploitation, and Pipeline Transportation of Hydrocarbons, in subsequent amendments. The 1986 law allowed foreign companies to enter joint-venture partnerships with the state hydrocarbon company Sonatrach, and remain in a minority position. The 1986 law was amended in December 1991 to allow foreign companies to take up to

a 49%

share in production of existing oil fields. It also allows foreign participation in natural gas exploration, and provides extra tax incentives to stimulate hydrocarbon exploration.

#### **Conversion and Transfer Policies:**

For investments made in hard currency, the new Investment Code authorizes the investor to repatriate, within 60 days of a request for capital repatriation, all capital, revenues, as well as the net proceeds of the transfer, even if the latter are higher than the original amount invested.

#### **Dispute Settlement:**

Algeria is a signatory to the Convention of the Paris-based International Center for Settlement of Investment Disputes. Algeria also ratified its accession to the New York Convention, and adhered to the Multilateral Investment Guarantee Agency (MIGA). The Algerian Code of Civil Procedure allows both private and public sector companies in Algeria to seek international arbitration. Algeria also allows local contracts to contain international arbitration clauses. Foreign investors have full recourse to international arbitration under Algerian law.

#### **Performance Requirements and Incentives:**

As part of Algeria's efforts to develop an attractive investment promotion regime, foreign investors in Algeria are not subject to any performance requirements or incentives.

#### **Right to Private Ownership:**

Foreign and domestic private entities may establish and own businesses and engage in all forms of business activity.

#### **Protection of Property Rights:**

Patents: Patents are protected by the law of December 7, 1993 and administered by the Institute Algerien de Normalisation et de Propriete Industrielle (INAPI). The December 7 law reaffirms Algeria's ratification in 1975 of the Paris Convention and its subsequent revisions. Patents are granted for 20 years from the date the patent request filed and are available for all area of technology.

#### **Trademark Protection:**

Trademark Protection is afforded by the Laws of March 19, 1966 and of July 16, 1976. In 1986, authority for granting and enforcement of trademark protection was transferred from INAPI to the Center National du Registre du Commerce (CNRC). INAPI sources indicate that a new law is under consideration which would transfer trademark authority back to INAPI.

#### **Copyright Protection:**

Algeria ratified in 1973 the 1952 Convention on Copyrights. The Government also passed on April 3, 1973 a law to provide copyright protection for books, plays, musical compositions, films, paintings, sculpture and photographs. The law also considers in the author the right to control the commercial exploitation or marketing of the above products. Copyright protection is managed by the Office National du Droit d'uteur (ONDA).

#### **Regulatory System : Laws and Procedures**

The Government has put in place the framework to transform the Algerian economy from a centrally-planned economy in which the public sector generates goals of the Government's economic reform program are reduced controls over the economy, application of market principles to the management of state-owned firms, and development of a dynamic private sector.