

Free zones in Algeria: Between the necessity of integration and opportunities for activation to enhance investment'. A review in light of current legislation and regulation'

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Abstract---The changes made by the Algerian state to its legal system are an important step towards establishing a market economy characterised by investment, competitiveness and multifaceted development, with the aim of achieving stability in the social and economic environment within its geographical scope. This includes creating opportunities for national and foreign investment in industry, trade and services. The issuance of Law No. 22-15 on 20 July 2022 was therefore necessary, as it defines the rules governing free zones and supports investment by granting investors privileges regarding management, taxation, and customs, in accordance with the legally established conditions and procedures assigned by Law No. 22-18 on investment, also dated 24 July 2022. Furthermore, Executive Decree No. 24-168, dated 28 May 2024, specifies the methods for granting management privileges for free zones. This requires an analysis of the legal controls adopted by the Algerian legislator to prepare and direct free zones in order to attract investment and provide guarantees.

Keywords---Free zones, investment, management privileges, guarantees.

Introduction:

Free zones are considered a gateway to economic development in countries experiencing significant growth. Like other countries, Algeria is striving to establish legal and practical mechanisms that align with its new economic approach. This approach enshrines the principle of economic freedom, supported by logistical tools and advanced infrastructure reflecting the state's public policy objectives. These objectives are aimed at achieving development and sustainable, multi-sectoral growth. They also

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ensure a productive work environment and a stable economic area that can sustain commercial, industrial and service transactions.

Attracting foreign direct investment and local investment alike hinges on effective legal and institutional reforms that establish Algeria as a hub for regional trade and a prime Mediterranean trade corridor. This strategy considers the outcomes of international experiences, particularly those of Arab countries such as Egypt, the UAE, Kuwait, Morocco, Tunisia and Jordan, which have utilised free zones to attract foreign capital and diversify production. Algeria has therefore expedited the establishment of a clear, comprehensive and balanced legal and regulatory framework to transform the landscape of local and foreign investment and integrate it into an attractive and secure environment for capital accumulation, in line with the country's material, human, financial and geographical capabilities.

To demonstrate integration into the capitalist system and adaptation to economic and technological development, Framework Law No. 22-15 was issued on 20 July 2022¹. This law defines the rules governing free zones. This was accompanied by the new Investment Law No. 22-18, issued on 24 July 2022², and the regulatory text in the form of Executive Decree No. 24-168, issued on 28 May 2024³, which specifies the methods for granting management privileges for free zones. This leads us to pose the following research question:

To what extent do the current legal frameworks ensure the integration of free zones into the global economy and the sustainability of foreign direct investment?

To address this issue, a descriptive and analytical approach was adopted to determine the elements of the legal framework for free zones, highlighting their regulatory and functional characteristics. These zones encompass the dynamics of foreign direct investment and serve as a means of achieving the guarantees established by Law No. 22-18. These guarantees include investment freedom, transparency and equality in dealing with investments⁴, particularly with regard to their specific privileges, management practices, types of activities to be undertaken and the operational system established for foreign employees working within them. This is ensured by Framework Law No. 22-15.

The discussion will also cover the legal and procedural mechanisms established under Executive Decree No. 24-168 relating to the real estate and movable requirements necessary for conducting activities within the geographical area designated as a 'free zone'. This includes the preparation of specific infrastructure for these zones and the definition of eligible investment activities related to industry, trade, services and export (with a focus on supporting domestic products by enhancing commercial and industrial exchange mechanisms).

Additionally, emphasis will be placed on the process of granting management privileges and the accompanying terms of reference. This will enable us to draw conclusions and make proposals. The work is divided into two parts:

First Axis: The conceptual framework of investment in free zones in light of Laws Nos. 22-15 and 22-18.

Second Axis: The practical mechanisms for granting privileges to free zones under Executive Decree No. 24-168.

¹- Law No. 22-15, dated 20 July 2022 and published in Official Gazette No. 46 on the same date, defines the rules governing free zones.

²- Law No. 22-18 of 24 July 2022 concerning investment (Official Gazette No. 5, published on 28 July 2022).

³- Executive Decree No. 24-168, dated 28 May 2024 and published in the Official Gazette No. 36 on the same date, specifies the procedures for granting management privileges in free zones.

⁴- Article 3 of Law No. 22-18, dated 24 July 2022 (previously referenced).

First Axis: The Conceptual Framework of Investment in Free Zones in Light of Laws No. 22-15 and No. 22-18.

Free zones are one of the mechanisms adopted by the Algerian state to implement its policy of economic openness. Laws No. 22-15 and No. 22-18 were enacted to establish a comprehensive legal framework combining the geographical and economic concepts of free zones⁵. This demonstrates the intersection between concept and purpose, establishing their material and objective organisation in line with the strategic investment goals of free zones with regard to the applicable rights and the required obligations of economic operators. In this section, we will address the following:

- The nature of investment in free zones.
- Activities specific to free zones.
- The functions of free zones designed for investment.

1. The nature of investment in free zones:

In the introduction to his research, Armand Colin⁶ states that free zones are a prominent example of the acceleration of trade liberalisation since the mid-1980s. Almost all countries have opened up to market economies, experiencing unprecedented increases in international trade and foreign direct investment. This reflects the global spread of globalisation. Nevertheless, the study of free zones remains a relatively unexplored topic in geography and economics. Nevertheless, these areas clearly embody the world's openness to international trade, as evidenced by their proliferation over the past two decades, even in countries that have been most resistant to capitalism. By 2007, 123 out of 192 countries had free zone systems in place, totalling 1,257 worldwide. Of these, 76% were located in developing countries and Eastern Europe. Due to their activity in labour-intensive sectors and reliance on advanced technologies, these zones employed over 45 million people in 2007.

A free zone is a type of trade zone that is traditionally found in industrial and developing countries. It is located within free ports and airports, along major transport routes, or in cross-border areas. Therefore, free zones are primarily situated in areas that play a significant role in international transport.

A thorough examination of this concept reveals constants and variables that determine the geographical area in which a free zone is established and its objectives.

Constants: represented by the strategic geographical location (land, sea and air).

- Variables: The economic and social objectives that change with the changing determinants associated with them, namely:

- A. Type of activity.
- B. The nature and type of labour force.

Consequently, the geographical structure and economic and social objectives are the primary drivers for adopting this type of zone. This type of zone cannot be established or exploited without a legal framework that governs it and aligns with the investment requirements according to the state's general strategy in this regard. This framework specifies the execution location and the mechanisms for initiating and accomplishing it. The necessity for this led to the issuance of a new law for free zones that aligns with accelerating economic globalisation and technological development, as well as the reasons for establishing free zones, the objectives they seek to achieve, and their resulting effects.

These will be presented in Framework Law No. 22-15, dated 20 July 2022, which defines the rules governing free zones, and in the aforementioned new investment law No. 22-18.

⁵- The process of investing in free zones is subject to the general provisions of Investment Law 22-18, the primary aim of which, according to Article 2, is to:

- Develop priority sectors with high added value;
- ensure sustainable and balanced regional development;
- Optimise natural resources and local raw materials;

Strengthen and enhance the competitiveness of the national economy and its ability to export.

⁶- François Bost, 'Interfaces of Globalisation: Free Zones and Globalisation', *Annales de Géographie*, November–December 2007, No. 658, pp. 564–567.

1.1. Investment in Free Zones: Elements of Definition and Foundations of Establishment:

The definition of investment in free zones consists of two parts: the first pertains to investment and the second to free zones. In both cases, Laws No. 22-15 and No. 22-18 appear to be temporally integrated and substantively aligned with regard to the general provisions applicable to investors and the guarantees offered to attract foreign investment at the time of issuance. They also address how free zones are established for exploitation and investment. Therefore, we will present:

1.1.1 Elements of the Investment Definition under Law No. 22-18:

Law No. 22-18 does not define investment, but rather presents the fundamental rules that determine and organise investment; the rights and obligations of investors; and the incentive systems applied to investments in economic activities for the production of goods and services, carried out by natural or legal persons (whether national or foreign, resident or non-resident) as a core objective, as stated in Article 1.

Investment is therefore defined as the totality of binding rules for investors in relation to the state, in exchange for financial and tax privileges granted by law relating to the activity in question, whether at the time of establishment or exploitation. This includes procedural facilities concerning permits, registrations and transfers, as outlined in Chapter Two under the titles ‘Guarantees’ and ‘Obligations’, from Article 6 to Article 15. It is also noteworthy that it directly defines the investor in Article 5, Paragraph 17, which states: ‘Any natural or legal person, whether national or foreign, resident or non-resident, who undertakes an investment in accordance with the provisions of this law, under the specific regulations on foreign exchange.’

Moreover, the text addresses the complementary role that expands the concept of investment to include accompanying, monitoring, evaluating, and supporting efforts undertaken by state institutions, both directly and indirectly, to ensure stability and continuity in the investment process and to guarantee its sustainability across all levels, such as the National Investment Council and the Algerian Investment Promotion Agency established under the provisions of Chapter Three, titled the institutional framework for monitoring and evaluation, as stated in Article 17.

Regarding the National Investment Council, it participates directly in shaping the state’s investment strategy by submitting proposals and ensuring their overall coherence and evaluating their implementation. Article 18⁸ clearly outlines the responsibilities of the agency in the field of:

- Promoting and enhancing investment in Algeria and abroad, and improving Algeria’s attractiveness through communication with Algerian diplomatic and consular representations abroad.
- Informing and raising awareness among the business community.
- Managing the digital platform for investors.

Processing and managing investment files.

- Assisting investors with investment-related procedures.
- Managing benefits, including those relating to the portfolio of declared or registered projects prior to the issuance of this law.

Monitoring the progress of investment projects.

- Setting up single windows for major projects and foreign investments.

Based on the information presented, a comprehensive definition of investment can be provided, defined as follows: ‘The deployment of tangible and intangible capital, whether national or foreign, within legal, regulatory and institutional frameworks, with the aim of establishing, expanding, renewing or rehabilitating economic activities that generate wealth and job opportunities, and contribute to achieving sustainable development.’ This is conducted within the framework of the incentives and privileges guaranteed by law, while respecting the principles of investment freedom, fair competition and national sovereignty, as well as the country’s economic interests.’

This reflects the findings of the United Nations Conference on Trade and Development’s (UNCTAD)⁹ annual report on global investment, titled ‘Global Investment in the Digital Economy’, which

⁷- Article 5, paragraph 1, of Law 22-18, dated 24 July 2022.

⁸- Article 18 of Law 22-18, dated 24 July 2022, previous reference.

⁹- United Nations Conference on Trade and Development

highlighted the increase in foreign direct investment flows to Algeria despite global challenges, reaching \$1.43 billion — an 18% increase compared to 2023¹⁰. The report identified several factors contributing to Algeria's gradual return to the global investment landscape, summarised as follows:

Legislative reforms provided by the Investment Law and the clarity and legal stability they offer:

Algeria's commitment to diversifying its economy beyond hydrocarbons

The report commends Algeria's efforts in this area, enhancing its appeal in sectors such as industry, agriculture, tourism and renewable energies.

- Algeria's strategic location positions it as a regional platform and gateway to Africa and Europe.
- Notable improvement in infrastructure, particularly with regard to ports, transport projects and energy connectivity, facilitating export and import activities.
- Clear political will to attract investment: This enhances the credibility of the Algerian Investment Promotion Agency with investors.
- Development of digital tools and means: Simplifying investment procedures, as demonstrated by the digital platform for investors.
- Algeria's accession to continental and international agreements, such as joining the African Continental Free Trade Area, enhances Algeria's attractiveness in terms of export opportunities to African markets.

1.1.2 Definition of Free Zones under Law No. 22-15 and Their Establishment

A. Definition:

The definition of free zones has sparked extensive discussion in the literature and has been given various names, such as special economic zones, free zones, export processing zones, technological free zones and logistics zones, to name a few. These names reflect differences in characteristics such as geographical form (centrally located or widely distributed), type of activity (transit, processing, commerce, etc.) and industrial specialisation (services, technology, logistics, etc.). Free zones broadly represent specific definitions within national definitions and/or financial policies, serving as export processing zones for imported goods prior to the export of manufactured products¹¹. Thus, we conclude that each designation has a specific purpose and type of activity.

The definition of a free zone focuses on: 'An area within a state's borders where imports can enter duty-free and be subsequently re-exported after any necessary modifications.' Free zones are geographically defined by clear boundaries, whether natural (such as mountains and seas) or artificial (such as walls), which isolate them from the host state's borders. It is subject to the laws of the host state, as outlined in the strategic plan established at its creation¹².

Key elements of free zones include:

- Exemptions from duties, taxes, currency controls and customs procedures.
- Simplified administrative procedures.
- The isolation of the free zone from the host state's customs territory.
- Subjection to the sovereignty of the host state.

Free zones are typically established near airports, ports or waterways, or in remote areas, to facilitate their development.

The Algerian legislator combines geographical and territorial advantages with multidimensional developmental activities to achieve a balance between available investment opportunities and the necessity for regional and international integration within the framework of international trade. This results in sustainable impacts across social, economic, technological and urban environmental dimensions. This is articulated in Article 2 of Law No. 22-15, which states that free zones are defined

¹⁰- A report issued by the United Nations Conference on Trade and Development and reviewed on 5 September 2025 at 20:11. The UNCTAD report on global investment praises the growth rate of foreign direct investment in Algeria (AAPI).

¹¹- Jean-Marc Siroën and Ayçil Yucer, 'Trade Performance of Free Trade Zones', DIAL Working Document, Dauphine University Paris, September 2014, pp. 5–6.

¹²- 'Port of Salasa and Promising Opportunities', seminar title: 'Free Zones and Their Role in Encouraging Investments and Boosting Re-export Trade', reviewed on 11 October 2025 at 10:50. Free Zones and Their Role in Encouraging Investments and Promoting Re-export Trade, Islamic Books University.

spaces within the customs territory where industrial, commercial and/or service activities are conducted and are subject to the provisions of this law.

Article 3 addresses how a free zone is established, detailing the parties involved in the process, whether directly or indirectly.

B. Legal establishment:

Through an executive decree based on a proposal from the Minister of Commerce and/or the ministers concerned with the sector of activity within the free zone, the legislator has granted the executive authority the task of establishment, as stated in the framework text and its accompanying regulatory texts. This is for preparing the infrastructure of the free zone, as provided in Article 4 of Executive Decree No. 24-168, which pertains to the sector of activity. Those ministers concerned include the Minister of Finance, the Minister of Industry, the Minister of Energy and Mines, the Minister of the Pharmaceutical Industry and Production, the Minister of Housing, Urban Planning and the City, the Minister of Agriculture, Rural Development and Fisheries, the Minister of Energy and Renewable Energies, the Minister of Foreign Trade and Export Promotion, and the Minister of Post and Telecommunications (wired and wireless). Notably, the Algerian legislator established a national advisory committee for free zones in the same executive decree (Article 17), assigning it the task of providing mandatory opinions on strategic areas, including proposals for creating new free zones.

C. Geographical Establishment:

In accordance with the provisions of Executive Decree No. 24-168, and in reference to Executive Decree No. 24-169 dated 28 May 2024, the establishment of the ‘Tindouf’ free zone involves defining its geographical location, boundaries, area, components, operations and nature, as well as the licensed activities practised within it. Specifically, the attached annex outlines the following requirements for the geographical establishment:

- geographical location;
- boundaries (north, south, east and west).
- Area in hectares.
- Nature (type of activity).
- Geographical coordinates.

Investment in free zones operates under the principles of transparency, competitiveness and equality. It is situated within a specific geographical area of the state and is defined by specific legal texts. This positions the host state as a prominent economic hub, achieving sustainable sectoral, local, regional and global development.

1.2 Characteristics Associated with Investment in Free Zones:

Investment in free zones is characterised by features that distinguish it within the state’s economic system. It offers a blend of legal and regulatory flexibility, as well as economic privileges and incentives, thereby encouraging both local and foreign investors to participate in the free zone’s investment activities and fulfilling the core objectives of its establishment. These objectives include:¹³

- Developing and enhancing the industrial, trade and service sectors as the primary areas of investment activity within the free zone.
- Attracting local and foreign investors through the privileges and incentives granted in free zones.
- Creating a space for marketing and promoting products and goods, activating international trade exchanges and increasing trade volume, thereby revitalising the commercial sector due to ease of marketing, flexibility and lower prices.

Generating significant revenues in hard currency.

- Creating direct job opportunities as the free zone’s industrial activities require a labour force. This aligns with the state’s strategy of utilising the free zone as a mechanism for multi-sectoral development through investment.

¹³- Toubia Elías, 'Investment in Free Zones and the Experience of Free Zones in Algeria', fourth-year graduation thesis, Customs Management branch, National School of Administration, Hydra, Algeria, 2001–2002, unpublished.

- Integrating into the international and regional economic system.

These characteristics manifest in three ways:

1.2.1 Legal characteristics:

Based on the provisions of Laws Nos. 22-15 and 22-18, the key legal characteristics can be summarised as follows:

The exceptional nature of the legal system: investment in free zones is subject to specific rules that deviate relatively from the general investment framework, particularly with regard to greater freedom in economic activities and the alleviation of administrative and customs restrictions¹⁴.

Expanded legal guarantees for investors include protection of property, the freedom to transfer profits and capital abroad, and guarantees related to expropriation or nationalisation, which can only occur according to the law and with fair compensation¹⁵.

- Freedom of contract and multiple investment forms: The law permits an investment project to be executed in various legal forms based on the investor's choice, such as individual investment, partnership investment, and investment in special areas such as free zones or economic expansion zones. This also covers the nature of economic activities, such as construction, distribution, expansion, and rehabilitation investment¹⁶, as well as import and export contracts and transfers, as outlined in Article 16 of Law No. 22-15.

1.2.2 Economic characteristics: These can be summarised as follows:

- Export-Oriented Activity: Most of the production from projects established in free zones is directed towards external markets, making them a means of supporting the balance of payments and diversifying exports. This is recognised in Article 2 of Executive Decree No. 24-168, which sets out the procedures for granting management privileges to free zones.

- Attracting foreign capital and technology: thanks to the privileges granted, free zones attract foreign direct investment, as well as technical and managerial expertise. This is evident from the provisions in Articles 9, 10 and 11 of Law No. 22-15, which stipulate that investments made by non-resident legal entities in Algeria must be in convertible currencies officially quoted by the Bank of Algeria, or in convertible dinars where applicable.

- Activating supporting sectors: This includes stimulating the transport, logistics, insurance and handling sectors, creating a comprehensive economic role. This is reflected in Articles 7 and 9 of the annex to Executive Decree No. 24-168, which set out the conditions for granting management privileges in the free zone.

- Creating job opportunities and local national development: Free zone projects contribute to reducing unemployment and achieving regional development through the privileges established by the legislator. Article 12 of Executive Decree No. 24-168 states that the privilege holder must carry out the necessary preparations according to the free zone's development plan. This requires mobilising a diverse workforce.

1.2.3 Organisational and procedural characteristics: These are the tools that guarantee and secure investments in general, and foreign direct investment in particular. Through our analysis of the current legislation on the establishment of free zones and investment procedures, we can identify the most important organisational and procedural characteristics.

Speed in completing procedures: as set out in Article 19 of Law No. 22-18, which focuses on the single window for major projects and foreign investments. The legislator considers it to be the sole national authority responsible for carrying out the necessary procedures to implement and support major investment projects and foreign investments. Additionally, Article 23, Paragraph 1 establishes a digital

¹⁴- Article 8, paragraph 1, of Law 22-15, dated 20 July 2022, previous reference.

¹⁵- Article 8 of Law 22-18, dated 24 July 2022, previous reference.

¹⁶- Article 3, paragraph 1, of Law 22-18, dated 24 July 2022, same previous reference. Articles 5, paragraphs 2, 3, 4 and 5 of Law 22-18 dated 24 July 2022 (same previous reference).

platform for investors, providing all the necessary information, particularly regarding investment opportunities in Algeria, real estate offerings, and the incentives and advantages related to investment and associated procedures.

- **Independent and flexible management:** this is evident in Article 23, Paragraph 2, which illustrates the flexible role by removing the physical nature of the investment process from all procedures and adopting internet-based access to the digital platform, which is connected graphically to the information systems of the relevant authorities and administrations. This platform serves as a guiding and supporting tool for investment and monitoring, from registration through to the exploitation period.

- **Transparency and competitiveness:** As previously mentioned, Article 3, paragraph 2 of Law No. 22-18 presents this as a general principle for any type of investment and contractual form concerning any activity recognised by law. It also ensures equality among all investors targeting the various types outlined in the applicable legislation.

1.3 Scope of Investment Application in Terms of the Geographical Area of Free Zones:

A careful reading of the provisions of Investment Law No. 22-18 indicates that it applies comprehensively and generally to the entire national territory. This is supported by Article 1, which states: 'This law aims to define the rules governing investment, the rights and obligations of investors, and the incentive systems applied to investments in economic activities for the production of goods and services carried out by natural or legal persons, whether national or foreign, resident or non-resident.' This intersects with Article 2 of Law No. 22-15, which states: 'Free zones are defined spaces within the customs territory in which industrial, commercial and/or service activities are conducted and which are subject to the provisions of this law.'

Furthermore, Article 2 of Law No. 17-04, which includes the amended and supplemented Customs Law No. 79-07¹⁷, states: 'Customs laws and regulations are applied uniformly across the entire customs territory; however, free zones may be established within the territory, provided these zones are not subject to existing legislation and regulations, according to conditions determined by law.' Article 4 of Law No. 17-04 further clarifies that 'customs legislation and regulations apply to all imported or exported goods, as well as goods placed under a licensed economic customs regime'.

Therefore, while free zones are subject to the general investment rules outlined in Law No. 22-18, they also possess specific rules that consider their economic and customs particularities in terms of objectives, actions, and effects. This is reflected in the provisions of Law No. 22-15 and Executive Decree No. 24-168, which grant privileges, incentives and guarantees to investors in free zones during their investment activities.

The provisions of the Customs Law are applied to the extent permitted by law, specifically the exemptions granted on goods from customs duties and rights under the law. Economic operators can operate freely in the free zone according to the tax, customs, and currency systems stipulated by law.

2. Subject of investment activity in free zones:

This refers to all economic activities permitted within this distinctive geographical area, which are organised according to specific rules aimed at encouraging export-oriented production, activating foreign trade and attracting foreign capital. According to Law No. 22-18, Law No. 22-15 and Executive Decree No. 24-168, these activities can be summarised as follows:

Commercial and service activities with an external focus.

- Logistical and port activities.

Technological and research activities.

- Transformative industrial activities.

Thus, we observe that investment activity in the free zone is based on the principle of freedom constrained by development. This freedom is not absolute, but must align with the state's general policy and comply with its specific regulations in such procedures and practices.

¹⁷- Law No. 79-07, dated 21 July 1979, concerning the Customs Law, amended and supplemented by Law No. 98-10, dated 22 August 1998, and amended and supplemented by Law No. 17-04, dated 16 February 2017. Published in the Official Gazette of the People's Democratic Republic of Algeria, No. 13, on 26 February 2017.

3. Functions of Free Zones Designed for Investment:

Our examination of the legislative and executive provisions related to investment in free zones reveals that adopting such a multidimensional investment policy enables us to identify functions that facilitate genuine economic activity with social, legal, technological and financial impacts. Traditionally, the functions of free zones were centred around:¹⁸

- unloading and loading goods for re-shipment;
- storing transit goods prepared for export.
- Developing product specifications according to the needs of export markets.
- providing assembly, repair, construction and equipment services.
- conducting certain industries due to the abundance of raw materials and basic inputs.
- Unloading, storing, depositing, transporting and communication services.

The new functions established by the current legislation, particularly Laws No. 22-18 and 22-15 and Executive Decree No. 24-168, which regulate the investment process in free zones, can be categorised into two main groups: economic and legal. The aim is to achieve economic and legal security within the geographical area when conducting investment activities by granting privileges, monitoring their implementation, providing guarantees and verifying performance. We can summarise these functions as follows:

- The function of attracting and developing investment.
- Function of creating job opportunities and enhancing regional development.
- The function of activating foreign trade and facilitating the movement of goods.
- Function of transferring technology and knowledge.
- The function of economic reform and risk management.
- Financial and tax incentives.

Second Axis: Practical Mechanisms for Granting Privileges in Free Zones under Executive Decree No. 24-168.

Free zones have become a global phenomenon and an integral part of logistics and global value chains over the past fifty years. Their rapid expansion is primarily due to political decisions closely linked to national economic development strategies. Free zones encourage foreign direct investment and reduce government regulations and procedures, thereby acting as a driver for national and regional economic growth¹⁹.

Due to the widespread and diverse nature of free zones around the world, it is crucial to assess the economic and social benefits of this tool, which is regarded as an economic policy instrument in terms of its stated goals. These objectives are not always limited to enhancing exports, despite the fact that the reputation of free zones may be damaged by certain companies' labour practices. Nevertheless, free zones can contribute to economic and social development, and the conditions for their success must be further developed in a manner suitable for each country, if not each zone²⁰.

In this context, we will analyse the provisions of Executive Decree No. 24-168, which sets out the regulations for free zones. The decree specifies the methods for granting management privileges in free zones in exchange for a fee paid to the National Property Administration. It outlines the procedural stages and specific conditions for operating in free zones under a set of defined terms. A model of the privilege is presented.

Similarly, Law No. 22-15 defines the form, shape and legal model through which free zones are managed, as well as governing the relationship between the 'authority holding the right of privilege' (the state) and the 'privilege holder' (a public institution with an industrial and commercial nature). This is all within the framework of terms of reference that clarify and define the rights and obligations of each

¹⁸- Economic Research Department, Chamber of Commerce and Industry, 'Free Zones and Their Role in Encouraging Investment and Boosting Re-export Trade', previous reference, p. 4.

¹⁹- World Customs Organization, Practical Guide on Free Zones, December 2020, p. 5. Accessed on 15 August 2025 at 15:23 (wco-fz-guidance_fr.pdf).

²⁰- Marta Menéndez, Jean-Marc Siroën and Aude Sztulman, 'Are Free Zones a Development Model?', Dialogue, IRD, Dauphine University Paris, October 2015, p. 11.

party from the beginning to the end of the agreement. This is under the title: 'Terms of Reference Applicable in Granting Management Privileges for the Free Zone', as set out in Articles 6, 7, 8, 9 and 10 of the Decree.

The privilege contract, established in a model format, includes the formal, substantive and financial conditions agreed upon for granting the privilege and its duration. The privilege holder is required to respect the terms of the agreement and the terms of reference.

Thus, we will address the following two main elements:

1. The terms of reference applicable in granting management privileges for the free zone.

Referring to the annex of Executive Decree No. 24-168, which includes the model terms of reference for granting management privileges in the free zone, we find that the stipulated terms include the following:

1.1 Referring to the conditions for granting the privilege, as well as the obligations, rights and duties of the stakeholders in the investment process within the free zone, and the management privilege process and its time frame.

1.1. General substantive conditions for granting management privileges: These include:

Participants in the investment process in the free zone: 'The privilege holder, the authority holding the right of privilege, and economic operators (investors).'

Subject of the terms of reference: granting the privilege and the duration of the privilege.

- Subject of the privilege grant: 'Detailed geographical description of the free zone subject to the privilege.'

- Commencement of utilisation and exploitation: starting from notification to the relevant authority holding the privilege.

- Notification and announcement of the commencement of operations in the free zone.

1.2 Financial conditions for the privilege

These include:

- Payment of state property fees by the privilege holder, in accordance with the prescribed accounting procedures, based on the applicable rates and conditions.

Granting permits: authorisation to collect rental fees and revenues for services, as well as revenues owed by economic operators.

- Regulating the conditions for utilising and exploiting real and movable properties: This is done in terms of reference presented by the privilege holder to economic operators and requires prior approval from the authority holding the right of privilege.

1.3 Ensuring the safety of the subject of the privilege through maintenance and by adopting the principles of caution and prudence, including obtaining insurance.

1.4 Monitoring, inspection and financial auditing of the privilege: conducted in accordance with regulations and laws, with authorised inspection agents empowered to carry out all operations related to monitoring or inspecting the free zone, as well as conducting financial audits related to management functions.

1.5 Termination of Management Privileges: This occurs based on legally stipulated general and specific reasons and ensures that the appropriate consequences are applied to each case (notification, compensation and transfer back to the state).

2. Model Agreement for Granting Management Privileges for the Free Zone:

The Algerian legislator has articulated the provisions contained in the regulatory texts regarding the process of granting management privileges for free zones established for investment purposes through industrial, commercial and service activities, in a format deemed a unified model for granting management privileges. This privilege is defined as 'a contract or agreement whereby the granting authority (whether the state, province or municipality) assigns a natural person or legal entity (whether public or private) to manage and exploit a public facility for a specified period'. The privilege holder manages the facility with their own capital and labour, and assumes the resulting responsibilities. In

return for providing this service, i.e. managing the public facility, the privilege holder receives financial compensation specified in the contract and paid by the beneficiaries of the facility's services²¹.

The model agreement includes:

- The title of the agreement and its subject.

The preamble represents the legal acknowledgement of the consent of the parties to the contract and their legal capacity to enter into the agreement. It also includes the legal basis covered by the relevant legal and regulatory texts relating to the subject of the agreement and the nature of the granting act, which reflects the sovereignty and authority of the state.

An acknowledgement of acceptance of the agreement under the phrase: 'It has been agreed as follows:'

- The terms of the agreement: Ten articles in the form of clauses, which are the same as those in the terms of reference.

- The subject of the agreement.

Designation of the free zone.

- The contents of the free zone that are subject to the privilege.

- The duration of the privilege.

Financial conditions for granting the privilege.

The terms of the agreement are as follows: Ten articles in the form of clauses, which are the same as those in the terms of reference.

- The subject of the agreement.

- Designation of the free zone.

- The contents of the free zone that are subject to the privilege.

- The duration of the privilege.

Financial conditions for granting the privilege.

Special provisions.

- Choice of domicile.

- Dispute resolution.

Publication.

Final provisions.

The agreement concludes with the domicile and date, along with the signature of the privilege holder on the right and the authority holding the privilege on the left.

Thus, we conclude that the true purpose of the annex is to acknowledge the standardisation of the terms of reference and the management privilege agreement, while also emphasising the state's authority to implement and execute the investment objectives outlined in the general policy for establishing and promoting foreign direct investment in free zones.

Conclusion:

The analysis of this research paper's elements makes it clear that free zones in Algeria are a strategic asset on the path to economic transformation, as well as being a central pillar of investment attraction and national income diversification policy. The necessity of integrating into the global economy has emphasised the importance of reactivating free zones within a modern, systematic legal and regulatory framework. This framework is embodied by the establishment and implementation texts represented by Law No. 22-15, Executive Decree No. 24-168 and Executive Decree No. 24-169. These texts address the requirements of regional and international competition, aligning with the provisions of Investment Law No. 22-18 and showcasing standardised tools for utilising free zones, such as the terms of reference and the privilege agreement.

The analysis demonstrated the interrelationship and integration between investment legislation and the texts establishing the geography of investment execution within these zones. Furthermore, the legislative and regulatory analysis revealed that the success of free zones hinges not only on the granting of incentives, but also on the clarity of the legal framework governing them and the state's ability to

²¹- Nasser Labad, Concise Administrative Law, Labad Publications, 1st edition, Algeria, 2006, p. 212.

strike a balance between freedom of investment and economic and security oversight requirements. The activation of guarantees of transparency, equality and direct and indirect investment competitiveness means that real opportunities for success in free zones depend on the practical implementation of regulatory texts. This is evidenced by the establishment of the Tindouf free zone under Executive Decree No. 24-169.

Improving the business climate and maintaining simplified procedures while enhancing coordination among various stakeholders in the investment system located in free zones is essential.

Based on this, the future challenge for free zones in Algeria lies in shifting from a logic of exemption and incentives to a logic of “efficiency and innovation,” making them an effective tool for achieving sustainable development and a genuine bridge toward balanced and fruitful economic integration in regional and international markets. As a result of this descriptive and analytical study, we can conclude the following:

- The effectiveness of free zones is achieved through a synergy between traditional approaches and strategic vision, focusing on technology transfer, infrastructure development, and achieving real production rather than merely acting as a transit area or for exemptions.

The issuance of framework laws and accompanying regulatory texts related to investment and its mechanisms in established free zones has been delayed. However, these texts precisely define the conditions for the establishment, organisation and management style of free zones, making them more compatible with and integrated into the Investment Law in terms of concept and objectives.

The current legal and regulatory texts have enhanced institutional coordination between the Ministry of Investment, customs and financial oversight bodies. Soon, environmental oversight will be added as a fundamental requirement to ensure that procedures run smoothly without compromising regulatory requirements.

Linking other zones with the national strategy for sustainable development ensures that economic objectives are aligned with environmental and social dimensions.

The proposals in this context are as follows:

- Periodically reviewing the tax system to provide genuine incentives for investors in the free zone without harming the state’s financial interests.

- The principle of legal security should be established by ensuring the stability of investment legislation and regulations to avoid confusing local and foreign investors when entering the free zone.

Encouraging partnerships between the public and private sectors to share risks and enhance financing for infrastructure development in free zones, particularly by defining the privilege holder as a ‘public institution with an industrial and commercial nature’.

- Developing support and financing programmes aimed at start-ups within free zones to encourage local innovation.

Integrating environmental and sustainable development standards into free zone projects through clear legislative and regulatory acknowledgement (e.g. green economy, material recycling, clean energy).

References:

Legislative and Regulatory Texts:

- Law No. 79-07 dated 21 July 1979, which includes the Customs Law as amended and supplemented by Laws Nos. 98-10 dated 22 August 1998 and 17-04 dated 16 February 2017, as published in the Official Gazette of the People’s Democratic Republic of Algeria No. 13 on 26 February 2017.
- Law No. 22-15, dated 20 July 2022, which defines the rules governing free zones (Official Gazette No. 46, published on 20 July 2022).
- Law No. 22-18 of 24 July 2022 concerning investment (Official Gazette No. 5, published on 28 July 2022).
- Executive Decree No. 24-168, dated 28 May 2024 and published in Official Gazette No. 36 on the same date, defines the methods for granting management privileges for free zones.

- Executive Decree No. 24-916, dated 28 May 2024, concerning the establishment of the ‘Tindouf’ free trade zone, defining its geographical location, boundaries, area, components, operation and character, and the activities licensed for practice there. Published in the Official Gazette No. 36 on 28 May 2024.

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