



## **The Importance of Tourism Loans in Achieving Financial Sustainability for Tourism Projects - Analytical Vision of the Case of Algeria (2002-2021)**

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### **Abstract**

This study aims to highlight the importance of tourism loans in achieving financial sustainability for tourism projects, in general, and in Algeria in particular. Tourism loans considered as one of the most important mechanisms used to finance projects and initiatives in the tourism sector, whether for developing tourism infrastructure, improving tourism services, or enhancing tourism promotion. The aim of these loans is to promote economic growth and sustainable development in tourist destinations, ensure increased tourist inflows and, thereby, achieve international leadership in the field of tourism project industry. Therefore, based on this premise and considering the importance of tourism loans in activating the hotel sector, we posed the following question: **"To what extent can tourism loans contribute to supporting the financial sustainability of tourism projects in Algeria?"**

To clarify this, the descriptive-analytical method was adopted by reviewing concepts related to tourism loans and their impact on the tourism sector. The research sample included tourism projects in Algeria, focusing on infrastructure projects and the development of tourism services. Data was collected from primary sources (surveys, interviews with tourism project managers) and secondary sources (official reports and statistics from the Ministry of Tourism in Algeria). The data was analyzed to assess the impact of tourism loans on the sustainability of projects. The findings mostly concluded that tourism loans are a fundamental requirement to support and develop tourism projects.

Tourism loans are of great importance in activating the financial sustainability of the tourism sector. We recommend the necessity of diversifying sources of tourism lending as a fundamental condition to address the challenges and financial risks in the tourism sector.

**Keywords:** Tourism loans, tourism finance, tourism projects, Algeria.

### ملخص

تهدف هذه الدراسة إلى إبراز مدى أهمية القروض السياحية في تحقيق الاستدامة المالية للمشاريع السياحية بصفة عامة و الجزائر على وجه الخصوص ، باعتبارها من اهم الاليات التي تستخدم لتمويل مشاريع ومبادرات في قطاع السياحة، سواءً كانت لتطوير البنية التحتية السياحية، أو تحسين الخدمات السياحية، أو تعزيز الترويج السياحي، بغية تعزيز النمو الاقتصادي والتنمية المستدامة في الوجهات السياحية مما سيضمن لها المزيد من التدفقات السياحية ومنه تحقيق الريادة الدولية في مجال صناعة المشاريع السياحية.

فمن هذا المنطلق و نظرا لأهمية القروض السياحية في تفعيل القطاع الفندقي، طرحنا التساؤل التالي: "إلى

أي مدى يمكن للقروض السياحية أن تساهم في دعم الاستدامة المالية للمشاريع السياحية بالجزائر؟"

و لتوضيح ذلك تم إتباع المنهج الوصفي التحليلي من خلال استعراض المفاهيم المتعلقة بالقروض السياحية وأثرها على القطاع السياحي. و شملت عينة البحث المشاريع السياحية في الجزائر، مع التركيز على مشاريع البنية التحتية السياحية وتطوير الخدمات السياحية. وقد تم جمع البيانات من خلال مصادر أولية (استطلاعات، مقابلات مع مديري المشاريع السياحية) ومصادر ثانوية (تقارير رسمية وإحصاءات من وزارة السياحة في الجزائر). ليتم تحليل البيانات من أجل تقييم تأثير القروض السياحية على استدامة المشاريع. وخلصت الدراسة إلى أن: - القروض السياحية كمتطلب أساسي لدعم و تطوير المشاريع السياحية - للقروض السياحية أهمية بالغة في تفعيل الإستدامة المالية للقطاع السياحي، و نوصي بـ: - ضرورة تنويع مصادر الإقراض السياحي كشرط أساسي لرفع التحديات والمخاطر التمويلية في القطاع السياحي.

**الكلمات المفتاحية:** قروض سياحية، تمويل سياحي، مشاريع سياحية، الجزائر.

## INTRODUCTION

Tourism projects are crucial for attracting foreign capital and skilled labor, as they bring diversification and expertise to the tourism sector. This, in turn, leads to increased cash flows and expansion in tourist areas, fostering development in the tourism industry.

One of the main challenges facing investors in the tourism sector is financing these projects to revitalize and develop the tourism industry, many countries, including Algeria, are seeking effective solutions to fund tourism projects. Among the most significant solutions is tourism financing through loans provided by several banks such as Cr dit Populaire d'Alg rie, Al Baraka Bank, and Soci t  G n rale Alg rie, with guarantees from

the Loan Guarantee Fund for Small and Medium Enterprises. Special benefits for tourism loans in Algeria include interest rate reductions of up to 3% in northern provinces and 4.5% in southern provinces to support tourism projects. The repayment period for these loans extends up to 8 years with a 3-year grace period, and the processing of loan applications takes between 30 to 60 days. Investors can also benefit from the advantages of Investment Promotion Law No. 16-09. All of this is aimed at improving the quality of tourism services provided, thus enhancing the local tourism economy and raising the standard of living in the country.

This study aims to analyze the role of bank financing in supporting tourism infrastructure and improving the sustainability of projects in this sector. It also seeks to present the current state of tourism project financing indicators in Algeria in order to evaluate the impact of these loans on the success and sustainability of tourism projects. Subsequently, various measures and procedures to support the sustainable financing of tourism projects in Algeria will be proposed. Based on this, we pose the following fundamental question:

To what extent can tourism loans contribute to supporting the financial sustainability of tourism projects in Algeria?

Under this main question, the following sub-questions arise:

- What is the current situation of indicators for financing tourism projects in Algeria? What are the challenges facing the financing of such projects in Algeria?
- What are the measures and support initiatives for financing tourism projects in Algeria?
- What is the importance of tourism loans in supporting the sustainability of financing tourism projects in Algeria?

In an attempt to discuss and evaluate the aforementioned issue, we have decided to divide our research into three main sections, preceded by an introduction and followed by a conclusion. These sections are designed to answer all the posed questions, which are as follows:

- an overview of tourism loans and financial sustainability of tourism projects.
- the current situation of indicators for financing tourism projects in Algeria.

- Measures and initiatives to support the sustainability of financing tourism projects in Algeria.

The importance of tourism loans in achieving financial sustainability of tourism projects in Algeria.

## THE OTHER STUDIES

Alwan, Naufal Abd Al-Ridha (2009). **The Impact of Diversifying and Developing Hotel Services on Revenues in the Iraqi Hotel Industry**, article in Journal of Administration and Economics, Issue 75, Al-Mustansiriya University. This study aimed to emphasize the necessity for hotels to offer comprehensive, high-quality services. The study concluded with several findings, the most significant being that the majority of Iraqi hotels, about 51%, limit their services to accommodation only. This limitation is attributed to the weak capabilities of Iraqi hotels, with a higher proportion of popular hotels compared to luxury ones.

Salem, Alaa Tahir (2009). **Commercial Banks and their Role in Financing Tourism Activities in Iraq, report in Financial and Banking Sciences**, 2018, University of Al-Qadisiyah. This study aimed to highlight the role of commercial banks operating in Iraq and their capacity to finance tourism activities, as well as ways to enhance this role. The study reached several findings, the most notable being that regardless of the type of tourism project, it requires financing from commercial banks.

Samaka, Ali Mahmoud Ali (2010). **The Role of Traditional and Comprehensive Banks in Activating the Tourism Sector in Najaf Governorate: A Field Study**, article in Journal of Administration and Economics, Issue 17, University of Kufa. This study aimed to assess the issue of banks, whether traditional or comprehensive, showing limited interest in financing investment projects within the tourism sector in the city, with the level of financing provided being below expectations. The study's key findings included that most investors in the tourism sector prefer seeking partnerships with other partners for funding rather than relying on banks for financial support.

## METHODOLOGY

To study the subject of our research and address it from various dimensions and

aspects, while clarifying its purpose, we adopted an academic research methodology of an educational nature, commonly used in well-established scientific research. This includes the descriptive approach, by reviewing the theoretical framework of various basic concepts related to tourism loans and the financial sustainability of tourism projects. Additionally, we utilized the analytical approach by collecting statistical data and information available from the Ministry of Tourism and Handicrafts in Algeria concerning the reality of tourism project financing indicators at the national level. Furthermore, we gathered information regarding the procedures and measures supporting the sustainability of tourism project financing in Algeria. These data, which cover all provinces of the country, were processed from their sources objectively and scientifically to reach the expected research results.

## **AN OVERVIEW OF TOURISM LOANS, FINANCIAL SUSTAINABILITY OF TOURISM PROJECTS**

Every tourism project requires funds for its establishment, or development, and obtaining funds can either rely on its own financial sources or resort to borrowing from banks. Therefore, we will examine the following aspects:

### **What Are Tourism Loans?**

Tourism loans are defined as: "One of the types of financing provided by financial institutions to support projects in the tourism sector. These loans aim to support and finance various tourism projects such as building hotels and tourist resorts, developing tourist attractions, establishing new tourist facilities, and improving tourism infrastructure. They can be directed to large companies, small and medium-sized enterprises, and even government projects. Repayment terms and interest rates are usually linked to project performance to achieve the targeted financial return."

They are also defined as: "Funding dedicated to tourism promoters and project managers in the field of tourism. This funding is related to new projects as well as to improving and preparing the basic structures for tourism." (Local Development Bank, 2023)

Tourism loans also refer to loans provided by financial institutions to individuals planning to invest in the travel and tourism sectors. These loans are usually used to

finance tourism projects, whether on the supply side such as building hotels and resorts, developing villages and tourist areas, or on the demand side such as exhibitions, marketing companies, tourism promotion, and on both the supply and demand sides. In other words, they are loans that meet the financing needs of any company operating in the tourism sector.

### **Types of Tourism Loans**

Although tourism loans in the world are very diverse, they are as follows. : (Ministry of Tourism of Saudi Arabia, 2021) (Local Development Bank, 2023) (The official website of the Housing Bank, 2021)

- Financing accommodation projects (hotels, resorts, furnished residential units).
- Financing travel agencies, tourism guides, tour organizers, events, and tourism exhibitions.
- Financing entertainment and sports projects (entertainment cities, equestrian centers, diving centers, ski resorts, and sea excursions).
- Financing the construction, purchase, or renovation of hotels, motels, or inns.
- Financing agricultural and environmental tourism projects (environmentally friendly inns, rural retreats, resorts, and desert camps).
- Financing restaurants and cafes in tourist and heritage sites in need of funding.
- Financing the establishment of new tourism projects.
- Matching and restructuring tourism projects financing.
- Financing the purchase of fixed assets.
- Financing capital (purchases and sales).
- Financing construction, renovation, and expansion operations.

### **The Importance of Tourism Loans**

Its importance is reflected in : (Salem , 2018) (Setareh, Sami , & Andrew , 2021) (Dominick , 2013)

- ***Flow of Foreign Capital:*** Providing financing to foreign companies and allowing investment in tourism projects contributes to providing part of the foreign exchange to the recipient countries for tourism.
- ***Transfer of Modern Technology:*** Loans granted to foreign companies for tourism

and hotel investment in the country can achieve a high degree of technological progress by introducing new equipment that can be used to facilitate the provision of tourism services or produce industrial goods for tourism purposes.

- ***Expansion of Tourism Projects:*** As well as other complementary projects related to them. Assisting in creating new job opportunities in the tourism and hotel sector, whether this employment is direct or indirect.
- ***Development of Managerial Skills and Creation of a New Class of Managers:*** This is done by educating individuals working in various fields related to tourism through the establishment of scientific and training institutes and colleges.
- ***Creating Economic Relations Between Economic Sectors, Service Sectors, and Tourism:*** The establishment or development of current projects leads to the emergence of other new projects that engage in specific economic and service activities which are increasingly in demand.
- ***Achieving Regional Balance:*** If sufficient funding is available to establish tourism projects in various regions of the country, this will lead to the development and achievement of economic and social balance in these regions, whether developed (urban) or underdeveloped (rural).
- ***Improving the Balance of Payments:*** Through the flow of national or foreign funds into tourism projects, revenues are generated.
- ***Increasing Value-Added and Gross National Product:*** The aforementioned benefits will lead to a tangible increase in the value-added and gross national product of the country.

### **The Nature of Tourism Projects**

Several definitions of tourism projects have been provided, the most important of which are as follows:

"Tourism projects are investment projects in the tourism sector that contribute to the development of domestic tourism and attract tourists from around the world to explore the heritage and nature of a country." (LAW INSIDER, 2024)

"Tourism projects involve providing financial resources and directing them towards the establishment of tourist facilities, according to the rules related to hospitality and the general principles of investments. These projects are established within tourist

expansion areas and rely primarily on tourist properties prepared to carry out specific programs outlined in the tourism development plan." (Valley, 2024)

It is also defined as "a complex industry consisting of several tourism activities, and each activity within it is not considered an independent industry, but when combined, it represents the tourism industry. This includes accommodation industry, and transportation industry..." (Ahmed Fawzi, 2007)

### **Types of Tourism Projects**

Investment in the tourism sector is divided into: ( Bashiri, 2022) (La Direction du Tourisme et de l'Artisanat , 2024)

- **Long-Term Projects:** These projects focus on building and establishing large tourist complexes.
- **Short-Term Projects:** These involve the establishment and development of small-scale tourism projects such as restaurants of all kinds and travel agencies.
- **Human Investment Projects:** These projects focus on developing training, teaching, and educational programs in tourism.
- **Investment in Research and Tourism Development:** This holds particular importance in advanced countries where substantial amounts are allocated for research and tourism studies. These studies help increase the competitiveness of the company or tourism projects in the local, regional, and global markets, and create new tourism opportunities and products.

### **Objectives of Tourism Projects**

The objectives that tourism projects aim to achieve are diverse and varied, with the most prominent being: (Mohammed , 2008) (Organization, 01)

- Developing services and increasing guest satisfaction and contentment through qualified and trained human, technical, and managerial capacities in line with developments in the external environment.
- Achieving the maximum possible return on investment capital in the tourism project, enhancing organizational management efficiency, and increasing project productivity.
- Ensuring the provision of services at prices that continuously align with the



purchasing power of customers.

- Continuously providing high-quality tourism services.
- Achieving economic and social objectives, including sustainable tourism development.
- Increasing national income and the welfare of citizens by providing foreign currency and eliminating unemployment in the country.

### **Concept of Financial Sustainability of Tourism Projects**

Financial sustainability of tourism projects means "maintaining the financial capacity of tourism projects over time by using surplus tourism revenues to achieve objectives instead of placing them in the category of distributed profits." (springer, 2022)

The financial sustainability of tourism projects refers to the ability of public tourism administrations to maintain current and future policies without causing a continuous increase in debt levels. This concept includes several key elements: (David, 2013)

- **Balance between Revenues and Expenses:** Tourism projects must achieve sufficient revenues to cover operational and investment costs, ensuring the continuity and development of their operations.
- **Diversification of Income Sources:** Financial sustainability relies on the ability of projects to diversify their income sources, such as offering new services, organizing events, and collaborating with other entities to enhance revenues.
- **Risk Management:** Financial sustainability should involve effective strategies for managing risks, such as market fluctuations, natural disasters, and changes in tourist demand, to ensure continuity of operations under challenging conditions.
- **Investment in Service Improvement:** Sustainable tourism projects invest in enhancing and developing their services to attract more tourists and increase customer satisfaction, which contributes to boosting revenues.

### **Sources of Funding for Tourism Investments**

Tourism projects require significant financial investment, as these large-scale projects cannot be undertaken with small or medium capital and they must be substantial. These projects attract numerous tourists from various regions of the world, necessitating

top-notch infrastructure and a variety of high-quality services. Therefore, the sources of financial funding for tourism investment projects are diverse and varied, but they mainly revolve around two primary types: (Hanin , 2022) (National Capital Region Planning Board, 2024)

- **Government Support for the Tourism Sector:** This support is primarily allocated from the budget of the Ministry of Tourism. It may involve providing investors and designated entities with soft loans from national development funds, which often entail lower profits or financial interests compared to banks or various lending institutions.
- **Private Investment Projects:** These projects are undertaken by investors and businessmen who operate individually and independently from the public sector. Typically, investors provide funding for tourism projects from banks or their own private funds.

## THE REALITY OF THE INDICATORS OF FINANCING TOURISM PROJECTS IN ALGERIA

### Distribution of Financial Allocations Allocated to the Tourism Sector from the General Budget During the Period (2023-2015)

Through the following table, we will illustrate the distribution of financial allocations of the tourism sector from the general budget during the period (2015-2021) as follows:

**Table 1.** Distribution of Financial Allocations of the Tourism Sector from the General Budget During the Period (2015-2023)

Year	General budget of the country	The financial allocation of the tourism sector
2015	4.436.059.221.000	3.429.022.000
2016	4.359.144.400.000	4.117.881.000
2017	4.126.290.127.000	3.622.324.000
2018	4.109.479.306.000	3.157.141.000
2019	4.276.292.488.000	3.202.041.000
2020	4.399.874.548.000	3.117.974.000
2021	4.620.969.327.000	3.244.688.000
2022	6.311.532.437.000	3.585.273.000
2023	15.275.282.544.000	7.654.830.000

Source: Compiled by us based on: (The Finance Law , 2015-2023)

Based on table 1 above, it is evident that there has been fluctuation in the value of financial allocations of the tourism sector by the state's general budget during the period (2015-2021). It amounted to 3,429,022,000 DZD in 2015, increased to 4,117,881,000 DZD in 2016, and then experienced a noticeable decrease year by year until reaching 3,585,273,000 DZD in 2021. However, it rose to 7,654,830,000 DZD in 2023, and this reflects the recent interest of the Algerian state in this sector.

### **Amount of Investment Projects in the Tourism Sector Compared to Other Sectors During the Period (2002-2017)**

Based on the following table, we will illustrate the size of investment projects in the tourism sector compared to other sectors during the period (2002-2017).

**Table 2.** The Amount of Investment Projects in the Tourism Sector Compared to Other Sectors During the Period (2002-2017)

Sector	Number of projects	%	Value in a million Algerian dinars	%
Agriculture	1342	2.12	260750	1.82
Construction	11031	17.44	1331679	9.31
Industry	12698	20.08	8373763	58.56
Health	1093	1.73	221383	1.55
Transport	29267	46.28	1164966	8.15
<b>Tourism</b>	<b>1266</b>	<b>2</b>	<b>1228830</b>	<b>8.59</b>
Utilities	6531	10.33	1272057	8.90
Commerce	2	0	10914	0.08
Communications	5	0.01	436322	3.05
<b>Total</b>	<b>63235</b>	<b>100</b>	<b>14300664</b>	<b>100</b>

Source: (National Investment Development Agency, 2024)

Indeed, from the Table 2 above, it is noticeable that the financial allocations for tourism projects are small compared to other sectors. This can be attributed to the austerity measures pursued by the Algerian government.

### **Status of Tourism Projects in Algeria for The Period (2015-2021)**

To understand the current situation of investment projects in the tourism sector during the period (2015-2021), we will present the following table.

**Table 3.** The Amount of Investment Projects in The Tourism Sector Compared to Other Sectors During the Period (2002-2017)

	2015	2016	2017	2018	2019	2020	2021	2022
Under construction projects	504	584	764	799	889	804	747	701
On-hold projects	101	119	147	181	239	308	342	427
Unstartled projects	607	793	928	1163	1220	1380	1385	1342
Finished projects	58	106	107	67	107	87	111	92
<b>Total</b>	<b>1270</b>	<b>1602</b>	<b>1946</b>	<b>2210</b>	<b>2455</b>	<b>2579</b>	<b>2585</b>	<b>2562</b>

**Source:** (the official website of the Ministry of Tourism , 2024)

The previous Table 3 illustrates the status of investment projects in the tourism sector during the period (2015-2022). Tourism projects that have been completed have shown a significant development from year to year, reflecting the efforts made by the state and its interest in this type of projects as an alternative sector to the hydrocarbons sector. the number of completed projects reached 747 in 2021, after being 504 completed projects in 2015, and then decreased to 701 projects that are currently on hold. This decrease can be attributed to several challenges that hindered their progress, The primary challenges include limited access to bank financing, a shortage of tourist properties, insufficient infrastructure, and a lack of incentives and support for tourism projects.

As for the stalled projects, there has been a significant increase. In 2015, there were 101 stalled projects, which rose to 342 stalled projects in 2021. This increase is primarily due to the lack of funding, as well as the measures taken by the state in light of COVID-19, and other obstacles such as tourism real estate issues and the instability of the legislative and regulatory environment for investment climate in the country.

## **PROCEDURES AND MEASURES TO SUPPORT THE SUSTAINABILITY OF FINANCING TOURISM PROJECTS IN ALGERIA**

### **Economic Contribution Indicators of Tourism Projects in Algeria:**

- *Contribution Of Tourism Investments to Gross Domestic Product:* The contribution of tourism investments to gross domestic product varies and it fluctuates around 1.8%. This indicates a lack of flow of local and foreign tourism projects. The following table illustrates this.

**Table 4.** The Contribution of Tourism Investments to Gross Domestic Product During the Period 2015-2020

Year	2015	2016	2017	2018	2019	2020
The amount of tourism in gross domestic product	1.3	1.4	1.6	1.7	1.8	1.1

**Source:** (the official website of the Ministry of Tourism , 2024)

**Note:** Gross domestic product excludes fuels

The Table 4 illustrates the percentage contribution of investments in the tourism sector to the Gross Domestic Product (GDP) in Algeria during the period from 2015 to 2020. It shows that the contribution of tourism investments to GDP increased gradually from 1.3% in 2015 to 1.8% in 2019, indicating an improvement in the economic performance of the tourism sector and an increase in tourism investments. However, in 2020, there was a significant decline to 1.1%. This noticeable decrease can be attributed to the impact of the COVID-19 pandemic, which resulted in a sharp decline in travel and tourism worldwide, adversely affecting tourism investments in Algeria.

- ***Contribution of Tourism Investments to Increasing Employment Rate:*** Tourism investments play a significant role in creating job opportunities and reducing unemployment as they continue to rise. However, the contribution percentage remains modest compared to the potential of the Algerian state, as shown in the following table.

**Table 5.** Contribution of Tourism Investments to Increasing Employment Rate (Hotels, Cafes, and Restaurants) During the Period 2015-2019

Year	2015	2016	2017	2018	2019
Number of workers	265803	270317	300000	308027	320000

**Source:** (the official website of the Ministry of Tourism , 2024).

The Table 5 shows the increase in the number of workers in the tourism sector (represented by hotels, cafes, and restaurants) in Algeria from 2015 to 2019. The number of workers experienced a noticeable increase, rising from 265,803 in 2015 to 320,000 in 2019. This represents an approximate increase of 20% during that period. This growth reflects the continuous rise in tourism investments and the increasing demand for tourism

services.

- Contribution of Tourism Investments to the Flow of Tourism Revenues and Improvement of The Balance of Payments:** Similarly, regarding its contribution to the flow of tourism revenues and improving the balance of payments, we notice that there is a variation in the accumulation of tourism revenues, which are considered an important source of income directly affecting the balance of payments (Table No. 6). However, they have not reached the required level, and this is due to the low level of tourism services provided as well as the decrease in the number of domestic and foreign tourists.

**Table 6.** Contribution of Tourism Investments to Improving the Balance of Payments During the Period 2015-2020

Year	2015	2016	2017	2018	2019	2020
Income	304	209	140	169	165	42.9
Expenses	677	475	580	494	500	232.6

**Source:** (the official website of the Ministry of Tourism , 2024) .

The Table 6 indicates a continuous deficit in Algeria's balance of payments from 2015 to 2020, with expenses consistently exceeding revenues. The main reasons for this situation include insufficient investments in the tourism sector and a lack of full utilization of the country's tourism potential. Additionally, the COVID-19 pandemic had a significant impact, resulting in a sharp decline in tourist numbers and increased expenses related to preparations for guests. These combined factors reflect the urgent need to enhance tourism policies and invest in infrastructure to boost tourism revenues and achieve balance in the payments.

- Contribution of Tourism Investments to Increasing Accommodation Capacities:** We also observe that with the increase in the number of tourism investments, accommodation capacities continue to increase steadily, but at a modest rate compared to other countries. This is due to the halt in the completion of many tourism investments, similar to those in progress. This is illustrated in the following table.

**Table 7.** Contribution of Tourism Investments to Increasing Accommodation Capacities During the Period (2015-2021)

Year	2015	2016	2017	2018	2019	2020	2021	2022
Public	47962	13569	86169	71274	80470	86381	57785	93906
Coastal	38030	20032	32631	58132	32926	97132	58833	37586
Desertation	6363	4912	9284	4775	5895	2996	6206	6946
Hamoui	8663	2024	2664	5024	4502	5984	5984	5189
Environmental	8831	8831	8831	8831	8831	8831	8831	1899
<b>Total</b>	102244	107420	112264	119155	125676	127614	132266	145526

**Source:** (the official website of the Ministry of Tourism , 2024).

The Table 7 shows a consistent growth in Algeria's accommodation capacities from 2015 to 2021, driven by targeted investments in both urban and coastal tourism sectors. Urban accommodation saw the most significant increase, from 62,479 units in 2015 to 90,693 in 2022, reflecting Algeria's focus on urban hospitality infrastructure. Coastal and desert areas also expanded, though at a slower pace, indicating diversification of tourism development efforts. This growth suggests an ongoing effort to enhance Algeria's tourism potential and attract more visitors, thereby contributing to the economy.

### **The National Efforts to Support the Sustainability of Tourism Project Financing in Algeria**

The Tourism Development Master Plan, known as the Sustainable Tourism Development Action Plan in Algeria "Horizons 2010", was issued in 2001. Two years later, the Ministry of Tourism introduced a new project called "Horizons 2013" to define quantitative and qualitative objectives, as well as support measures for enhancing tourism investment, in addition to products that needed upgrading by 2013. The People's National Assembly approved on 17-02-2003 two draft laws related to sustainable tourism development and tourist sites, as well as laws concerning beach exploitation and tourist expansion areas. This confirms the Algerian authorities' direction towards developing the tourism sector according to the principles of sustainable development. Subsequently, the Tourism Development Master Plan 2025 came as a realization and translation of the actual and real estate management to make tourism a national priority within the framework of sustainable development and among its objectives we find:

- ***Sustainable Tourism Development Law in Algeria:*** Law 03/01 defines the conditions for sustainable development of tourism activities, as well as the measures and tools for their implementation. The aim of this law is to create a conducive and stimulating environment for: promoting investment and developing partnerships in tourism, integrating Algeria's destination within the international tourism market by enhancing its tourism image. It also specifies the types of tourism that need to be promoted: cultural tourism, business and conference tourism, desert tourism, thermal and sea-water therapy tourism, maritime tourism, recreational and leisure tourism. Article 18 of Law 03/01, related to sustainable tourism development, declares: "The state shall take measures, support actions, provide assistance, and grant financial and tax privileges specific to tourism investment, in order to encourage rapid and sustainable tourism development and create positive effects on the national economy. In this context, it seeks to establish other tools to support the process. (Boutoura & Smaïli, 2021)
- ***Tourism Development Strategic Plan:*** After realizing that the development of the tourism industry has become a national priority and a key choice that can occupy the forefront as a growth factor, the responsible ministry embarked on establishing a necessary strategy to enhance the attractiveness of tourism investments and highlight Algeria as a competitive destination. This culminated in its final formulation under the title: "Tourism Development Strategic Plan SDAT 2025". The "Tourism Development Strategic Plan SDAT 2025" refers to the tool that embodies the state's will to capitalize on its cultural and historical capacities and to put them at the service of the tourism transformation in Algeria. It aims to elevate it to the level of a privileged destination in the Mediterranean region. It is the reference strategic framework for the tourism industry policy in Algeria, through which the state announces its vision for the national tourism industry development in various perspectives over the short term (2009), medium term (2015), and long term (2025), within the framework of sustainable development: (Ministry of Tourism, 2011)  
Within this plan, the fifth activity focuses on the financial sustainability of tourism projects in Algeria: (Ministry of Territorial Planning, 2008)



- ***Tourism Financing Plan Content:*** The primary objectives are: (Ministry of Territorial Planning, 2008)
  - Assisting investors, promoters, and project owners in decision-making, risk assessment, and financing of operational equipment.
  - Streamlining bank loan procedures and preventing deductions.
  - Extending the loan period.
- ***Role of The Tourism Financing Plan:*** The role of the financing plan includes:
  - Protecting and supporting small and medium-sized tourism enterprises (SMEs).
  - Ensuring the continuity and sustainability of tourism projects.
  - Attracting and safeguarding both national and foreign major investors.
  - Encouraging investment in the tourism sector through tax and financial incentives.
  - Facilitating and adapting bank financing for tourism activities, especially through the establishment of an investment bank, which is under consideration by the government.

## **THE IMPORTANCE OF TOURISM LOANS IN ACHIEVING FINANCIAL SUSTAINABILITY FOR TOURISM PROJECTS IN ALGERIA**

### **Diagnosis of The Reality of Challenges in Achieving Financial Sustainability for Tourism Projects in Algeria:**

There are several obstacles that have prevented the achievement of financial sustainability for tourism projects in Algeria, including: (Ministère de l'Aménagement, 2008) (Saliha & Hamdani, 2014)

- Weak income of businessmen and investors and their inability to obtain international loans to finance their tourism projects.
- Weak loans granted to the private sector.
- Heavy registration and licensing procedures to start their tourism projects.
- Absence of specialized funds or banks in financing tourism investments.
- Inadequacy and weakness of modern payment methods in banks and tourism-receiving facilities.

- High interest rates on loans.
- Difficulties and complexities in banking procedures.
- Lack of alignment between investment financing and tourism activity with the nature of tourism investment.
- Long repayment period in some tourism investment fields due to high investment costs.
- Seasonality of the tourism sector and its impact on the regularity of financial flows.
- Generally higher commercial risk ratio in small and medium-sized tourism enterprises due to lack of managerial experience.
- Reluctance and hesitation of banks to lend cash to small and medium-sized tourism establishments, due to some banks' inability to assess the possibility of default.
- High cost of loan evaluation.
- High cost of lending to small and medium-sized establishments due to high credit risks.
- Decrease in available funding for the services sector in general and the absence of a specialized government fund to support and finance the tourism sector.
- Lack of mechanisms for convincing funding parties by owners of small and medium-sized tourism establishments.
- Weak expertise and capacities enabling the tourism project owner to financially analyze the project.
- Lack of investment vision among both the tourism project owner and some funding entities.
- Banks relying on large guarantees to face potential risks sometimes equal to twice the value of the project, with banks taking a long time before granting the loan.

Additionally, tourism projects in Algeria face a range of problems and challenges, summarized as follows: (Fahd bin Saleh , 2011)

- Lack of qualification and human support in the tourism field.
- Instability of legislation and investment laws in the tourism sector, and sometimes their absence.

- Unavailability of modern and qualified transportation lines.
- High tax rates on tourism investment projects, especially hotels and restaurants.
- Non-allocation of necessary lands for building tourism projects, as well as difficulty in obtaining property rights.

**Requirements for Activating the Financial Sustainability Strategy for Tourism Projects in Algeria:**

- Activating government financing for tourism projects and related programs for domestic tourism.
- Accelerating the establishment plan of a Tourism Development Fund.
- Facilitating loan procedures related to tourism activities by banks and providing an appropriate grace period for the nature of the activity.
- Enhancing Islamic financing: where funding of tourism projects can be obtained through Islamic financial mechanisms such as shared financing, lease-to-own, and other Islamic financing methods that adhere to Islamic Sharia principles.
- Increasing awareness of tourism financing sources and the conditions of each funding entity.
- Providing tax incentives for tourism projects, whether domestic or foreign.
- Activating public-private partnerships: as a means of financing and developing tourism projects, where private sector financing is provided while the government provides facilities, lands, and necessary permits.
- Developing the public tourism loan program, including the criteria and means of tourism lending currently used.

**Role of Tourism Loans in Activating the Financial Sustainability of Tourism Projects in Algeria:**

Tourism activities require significant financial resources for establishing essential tourism facilities (resorts, tourist cities, tourist centers, etc.), as well as projects serving the tourism and hospitality sectors. Therefore, both local and foreign investors urgently need this type of loans to: (Fahd bin Saleh , 2011)

- Provide the necessary capital for establishing new tourism projects or expanding existing ones.

- Act as the most important and largest source of funding for hotel projects similar to other tourism projects.
- Ensure the implementation of decisions to encourage tourism investments to meet the increasing demand for tourism.
- Increase the productive capacity of tourism services and, thus, increase tourism income.
- Provide employment by investing borrowed funds in productive tourism projects with high returns.
- Expand tourism activity by achieving multiple objectives, as tourism loans aim to improve the quality of tourism services in terms of quantity and quality.
- Increase accommodation capacity with high quality, allowing the attraction of many local and foreign tourists.
- Improve the operation of tourism projects to enhance their profitability.
- Utilize surplus liquidity obtained from tourism loans to finance various tourism.

## **CONCLUSION AND DISCUSSION**

From the foregoing, it is evident that tourism projects are among the most important projects in our current era, as they seek to achieve a range of goals in every country. Algeria, like other countries, is diligently working to develop its tourism economy by enhancing tourism services, relying on several measures to aid in this endeavor. However, despite adopting a new strategy reflected in the Tourism Development Plan, which prioritizes tourism projects as the cornerstone for raising Algeria's tourism indicators, the obstacles facing tourism loans in Algeria have kept the level of tourism projects below Algeria's aspirations.

Among the most significant findings reached are:

- Tourism loans are the primary resource for establishing tourism projects.
- Tourism loans work to expand various tourism activities.
- Tourism loans are essential for improving the quality of services in the tourism sector, aiming to promote the tourism image and attract new tourists.
- The Algerian Ministry of Tourism takes proactive steps to address the various challenges facing the financing of tourism projects, which will support and encourage all investors in this sector, as reflected in tourism indicators in Algeria.

When comparing the findings of the current study with previous studies, we find alignment with Alaa Tahir Salem's (2009) study, which emphasized the importance of bank financing for tourism projects, highlighting the need for loans to strengthen the sector's infrastructure. Similarly, the current study aligns with Naufal Abd Al-Ridha Alwan's (2009) research by showing the role of loans in expanding tourism activities and developing services, which requires diverse funding sources. The study also noted the role of loans in improving the quality of tourism services and attracting tourists, a point echoed in Alwan's study, although Iraqi hotels face challenges in providing comprehensive services. Lastly, the current study highlights the Algerian Ministry of Tourism's role in addressing financing challenges and encouraging investors, whereas Ali Mahmoud Ali Samaka's (2010) study in Iraq shows that investors rely on partnerships rather than banks due to a lack of institutional support.

## RECOMMENDATIONS

In light of this study, we recommend the following:

- The necessity to provide a conducive business environment for tourism investments to achieve financial sustainability in the tourism sector.
- Facilitating administrative, banking, financial, and tax procedures for loans.
- Exploring alternatives for tourism financing such as Islamic finance to avoid problems associated with high loan interest rates.
- Establishing a special fund for tourism development.
- Learning from the experiences of advanced and developing countries in upgrading tourism projects.
- Establishing financial institutions or specialized banks to support tourism projects by providing easy loans with long repayment terms and subsidized interest rates.
- Compiling a monthly report on the obstacles facing tourism investors in Algeria by the Evaluation and Support Directorate of Tourism Projects and presenting it to the responsible authorities for resolution.
- Establishing a national tourism information center to provide tourism information and expedite service delivery.
- Considering tourism training as an essential element for tourism industry

development, which requires the expansion of tourism and hotel training centers to enhance the quality of tourism services.

- Disseminating these recommendations to all entities responsible for the tourism industry in Algeria.

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### EXTENDED ABSTRACT

Tourism projects are among the most important tourism resources for attracting foreign capital and qualifying technical labor, by diversifying and introducing expertise in the field of the tourism sector. This, in turn, leads to increased cash flows and expansion in tourist areas to achieve development in the tourism sector.

Financing these tourism projects is one of the most important challenges facing investors in the tourism sector. In order to revive and develop the tourism industry, many countries, like Algeria, are working to find effective ways and solutions to finance tourism projects. One of the most important solutions is tourism financing for tourism investments through tourism loans.

As one of the main pillars in sustaining the financing of tourism projects, tourism loans contribute to enhancing comprehensive and sustainable economic and social development by improving the quality of tourism services provided. Therefore, it helps enhance the local tourism economy and raise the standard of living in the country.

In order to study the topic of our research and address it from its various dimensions and aspects and to clarify its purpose, we adopted the academic scientific research methodology of a pedagogical nature used in well-known scientific research, that is, the descriptive approach by reviewing the theoretical aspect of the various basic concepts related to tourist loans, the financial sustainability of tourism projects. And on the analytical approach by collecting available data and information about the reality of indicators of financing tourism projects in Algeria and procedures and measures to support the sustainability of financing tourism projects in Algeria.

From its sources and processed in an objective, scientific manner to reach the expected results of the research.

From the foregoing, it is evident that tourism projects are among the most important projects in our current era, as they seek to achieve a range of goals in every country. Algeria, like other countries, is diligently working to develop its tourism economy by enhancing tourism services, relying on several measures to aid in this endeavor. However, despite adopting a new strategy reflected in the Tourism Development Plan, which prioritizes tourism projects as the cornerstone for raising Algeria's tourism indicators, the obstacles facing tourism loans in Algeria have kept the level of tourism projects below Algeria's aspirations.