

RESEARCH ARTICLE	The Role of Startups in Developing National Economy (A Legal Approach)	
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Abstract		
<p>This study aims to highlight the critical role that startups fulfill in enhancing and diversifying the national economy, particularly through their capacity to develop innovative products and services that support sustainable development and generate added value outside the hydrocarbons sector. Recent developments in the Algerian context have illustrated a clear and deliberate political inclination toward formalizing this entrepreneurial model. This orientation is reflected in the establishment of a ministry dedicated to the knowledge economy and startups, as well as the implementation of a comprehensive support system. This system encompasses incubators, a startup support and development fund, and tax incentives integrated into the finance laws. Additionally, public authorities have undertaken efforts to create a legal and regulatory framework that is favorable to technological investment. Such a framework is designed to empower young individuals to transform their ideas into economically viable projects with tangible societal and economic impact. These initiatives contribute to steering the national economy toward a knowledge-based development paradigm.</p>		
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Introduction

Startups are widely regarded as vital components of contemporary economic systems, primarily due to their dynamic role in driving innovation, generating employment, and diversifying income sources. Achieving meaningful economic and social development in the current era necessitates a shift towards unconventional and adap-

tive models that extend beyond the traditional functions historically reserved for large enterprises. Within this evolving landscape, startups have become essential instruments for empowering individuals with the capacity to innovate and initiate.

This positioning grants them a unique status within the framework of modern economies. They serve as principal sources of creative concepts and provide diversified

solutions tailored to the demands of both the societal and economic spheres. Furthermore, they play a significant role in wealth generation, employment creation, and the mitigation of poverty and unemployment.

Nevertheless, startups encounter a multitude of challenges, particularly during their initial and often precarious stages of development. Despite their demonstrated aptitude in recognizing opportunities and navigating various constraints, they remain in need of an enabling ecosystem that facilitates their stability and long-term success. These circumstances highlight the importance of examining their current conditions and the principal difficulties they encounter—particularly within the Algerian context, which itself is undergoing economic restructuring that necessitates the mobilization of all viable growth catalysts. In light of the discussion above, the following central research question is posed: To what extent do startups possess the capacity to contribute to the development and diversification of the national economy? Furthermore, what are the principal barriers that hinder their potential effectiveness in this domain?

1. Study Importance

The significance of this study lies in its focus on a crucial and sensitive sector: startups. These enterprises are increasingly recognized as emerging engines of economic growth and social development. The study seeks to underscore the potential of startups to transform innovative concepts into tangible projects that yield added value and create employment opportunities. In addition, it aims to examine the factors that constrain the development of such enterprises in Algeria, and to investigate potential pathways for fostering an economic and legislative framework conducive to their expansion.

2. Study Objectives

- To provide a precise definition of startups.
- To examine the role of startups in generating employment opportunities.
- To determine their contribution to the promotion of innovation and technological advancement, thereby revitalizing the national economy.
- To assess the measures undertaken by governmental and institutional actors to support this category of projects.

3. Study Methodology

The study applies a descriptive and analytical methodology, and is structured around the following thematic axes:

- **Axis One: Startups as a Mechanism for Strengthening the National Economy**

- _ First: The concept of startups and their significance within the national economy
- _ Second: The contribution of startups to employment generation
- _ Third: The role of startups in advancing technological innovation

- **Axis Two: Challenges and Prospects of Startups in Algeria**

- _ First: The principal challenges encountered by startups in Algeria
- _ Second: The governmental initiatives aimed at supporting startups
- _ Third: Prospects for the evolution and expansion of the startup sector in Algeria

Axis One

- **First: The Concept of Startups and Their Importance in the National Economy**

Startups have become a central aspiration for a significant portion of the youth population, particularly among those who prefer autonomous, independent professional paths over fixed employment in structured companies where personal aspirations may be constrained. These enterprises reflect the ambitions of individuals who seek creative and flexible working environments.

In recent years, startups have garnered increasing attention from both public authorities and younger generations. They represent an innovative concept anchored in creativity and technological development. Within this context, startups are viewed as modern instruments through which the national economy can be stimulated and propelled forward.

1. Definition of Startups and Their Characteristics

a. Definition of Startups (Startup):

Linguistically, the term “startup” is defined in English-language dictionaries as a small-scale project that has recently been initiated. Etymologically, the term consists of two parts: “Start,” denoting the initiation or launch of an idea, and “up,” which implies rapid ascent or growth. The term began to gain traction shortly after the conclusion of the Second World War, coinciding with the emergence of venture capital firms (Société de capital-risque). Over time, it became widely adopted across various economic and academic contexts.¹

A startup is typically defined as an enterprise that pursues growth by introducing and marketing a new product or innovative service, targeting a broad market regardless of the firm's initial size, sector, or area of specialization. This type of enterprise is generally characterized by elevated levels of uncertainty and inherent risk, which are counterbalanced by the prospect of achieving rapid,

¹ Aïcha Sifrani & Amal Metabis, *Startups as One of the Pillars of the National Economy (Reality and Challenges)*, Araa Journal for Economic and Administrative Studies, Vol. 2, No. 2, University Center of Aflou, 2022, p. 3.

substantial growth and, in successful cases, high profit margins.²

The Algerian legislator, in Article 11 of Executive Decree No. 20-254 dated 15/09/2020—concerning the establishment of a national committee for the designation of the labels "Startup," "Innovative Project," and "Business Incubator," and specifying its missions, composition, and operational framework—outlined a series of criteria by which a startup is formally recognized. According to this decree, a startup is defined as:

"Any institution governed by Algerian law that satisfies the following conditions:

- The institution must be no more than eight years old;
- Its business model must be based on products, services, business models, or any concept demonstrating innovation;
- The annual turnover must not exceed the threshold determined by the national committee;
- A minimum of 50% of the company's capital must be held by natural persons, accredited investment funds, or other entities that have already obtained startup status;
- The company must possess substantial growth potential;
- The number of employees must not exceed 250."

b. Characteristics of Startups:³

Startups exhibit a range of attributes that mirror the current structure of the Algerian economy and its entrepreneurial landscape:

– **Emphasis on innovation and technology:** Startups are largely built upon digital technologies, with particular engagement in sectors such as e-commerce, precision agriculture, and various service-oriented applications.

– **Youth-driven entrepreneurship:** The majority of startup founders are young individuals, especially university graduates, motivated to deliver innovative responses to pressing socio-economic issues.

– **Limited yet expanding institutional support:** Despite persistent bureaucratic challenges, the Algerian government has demonstrated intent to stimulate entrepreneurial activity through mechanisms such as the "Startup Support Fund" and by enabling incubators to extend their reach.

– **Persistent financial constraints:** Startups frequently encounter obstacles in securing capital. Their financing often depends on public sector programs or bank loans, which are typically accompanied by stringent requirements.

– **Orientation toward localized solutions:** Many startups are constrained by limited access to investment capital and therefore concentrate on addressing context-specific problems, such as inefficiencies in service delivery or productivity deficits.

– **Deficiency in integrated infrastructure:** The scarcity of business incubators, venture capital firms, and platforms that facilitate interaction between investors and entrepreneurs continues to hinder the sector's progress and maturity.

c. Importance of Startups:

– Startups play a critical role in generating employment, particularly for younger demographics, at a time when formal job creation remains sluggish;

– These enterprises contribute significantly to human capital development, offering individuals the opportunity to apply their diverse and often exceptional skill sets in dynamic roles;

– They serve as catalysts for the development and diversification of the domestic economy, thus reinforcing its ability to compete on a broader scale;

– Startups are often viewed as the foundational phase of future large enterprises, acting as engines for economic expansion and hubs of innovation whose impact is both substantial and indispensable;

– Their operational flexibility and agility allow them to deliver pragmatic, cost-efficient solutions. Startups are frequently capable of addressing structural economic constraints, including high production costs and inefficiencies stemming from regulatory pressures placed upon the population by state systems.⁴

Second: The Role of Startups in Job Creation

Startups represent a vital component in fostering self-employment and encouraging investment, particularly due to their initial dependence on modest financial resources, which allows them to launch efficiently and at relatively low cost. This operational agility enables startups to contribute effectively to job creation, thereby playing a constructive role in mitigating unemployment⁵. Their structure and scope allow for the integration and recruitment of individuals with limited or no professional

² Charifa Boualchaour, *The Role of Business Incubators in Supporting and Developing Startups: A Case Study of Algeria*, El-Bachair Economic Journal, Vol. 4, No. 2, 2018, p. 420.

³ www.ministerecommunication.gov.dz
www.industrie.gov.dz
www.mf.gov.dz

⁴ Mouna Besouih et al., *Reality and Prospects of Startups in Algeria*, Vol. 7, No. 3, 2020, p. 405.

⁵ Nach Hamza, *Startups: A Reading into the Conceptual Pathways*, Algerian Journal of Law and Political Science, Vol. 05, No. 01, University of Tissemsilt, Algeria, 2024, p. 799.

experience—particularly students, recent graduates, and those possessing creative and unconventional ideas. Despite being at early developmental stages, these enterprises directly address labor market deficiencies by creating employment opportunities.

Furthermore, startups are instrumental in curbing the phenomenon of brain drain, as they offer a conducive environment for creativity and innovation—an environment that is frequently absent in large, conventional firms. This nurturing setting enables individuals with talent and ambition to remain within the national framework, thus preserving valuable intellectual capital.⁶

The significance of startups is also reflected in their ability to embed a culture grounded in initiative-taking and entrepreneurship. They promote proactive attitudes among youth, reducing dependency mindsets and encouraging autonomy and innovation. The spirit of creativity and independence is reinforced by the flexibility and freedom that startups typically provide, which in turn facilitates the development of new ideas and solutions. In this respect, startups may be regarded as strategic instruments for retaining national human resources and minimizing the outflow of skilled individuals abroad.

In addition to their impact on human capital retention, startups play a meaningful role in addressing various socio-economic challenges. They contribute to poverty alleviation, promote a more equitable distribution of opportunities, and facilitate the creation of both direct and indirect employment across different segments of the production and supply chain ecosystem.

The national government has increasingly prioritized the strategy of promoting and expanding non-hydrocarbon exports, while concurrently working toward diversifying the country's production base. Within this strategic orientation, a wide range of initiatives has been implemented, particularly to support small and medium-sized enterprises that exhibit a strong inclination toward innovation and entrepreneurship.⁷

Consistent with international approaches to unemployment mitigation, Algeria has adopted several targeted economic policies and mechanisms. Among these is the emphasis placed on cultivating entrepreneurial initiative and supporting the creation of small and medium-sized

enterprises, which are viewed as strategic vehicles for job generation and economic development. The initiation of the privatization program in 1997 represented a decisive milestone in restructuring the national economy. This program led to the liquidation of approximately 250 public-sector enterprises, which collectively accounted for nearly 30 percent of national employment. As a consequence, the state was compelled to explore alternative models capable of absorbing the resultant rise in unemployment.

This shift in policy focus led to an increased reliance on an economic framework centered around small and medium-sized enterprises, due to their capacity for generating employment in a more flexible and rapid manner. This orientation is particularly relevant in light of current economic pressures, including the notable increase in national unemployment rates.⁸

Third: The Role of Startups in Advancing Technological Innovation

Startups are among the principal drivers of innovation and technological progress across multiple economic and social domains. The evolution of global economic conditions in recent years has underscored the growing dependence of contemporary economies on knowledge and innovation. These two pillars have become essential not only for realizing sustainable growth but also for overcoming conventional challenges historically linked to finite natural resources.

Economic development is no longer determined by the possession of material resources, but rather by the ability of nations and institutions to produce knowledge and generate high-value-added innovative solutions. At present, innovation constitutes a central foundation for the formulation of comprehensive development strategies that enhance competitiveness and provide the basis for leadership within a globalized economy.

Within this framework, startups occupy a leading position by serving as agile platforms for the generation of ideas and their transformation into products and services tailored to evolving market needs. Characterized by their organizational flexibility and dependence on advanced technologies, startups are equipped to respond promptly to change and offer favorable conditions for experimentation and the application of unconventional business models.

One of the most prominent areas where startups are making substantial contributions is artificial intelligence (AI). This domain has proven to be a highly effective vehicle for supporting innovation. AI now plays a pivotal role in shaping business models, enabling sophisticated

⁶ Ben Ayad Jalila, *The Role of Startups in Economic Development*, Journal of Legal Studies, Vol. 08, No. 11, Yahia Fares University – Médéa, January 2022, pp. 169–170.

⁷ Lamouchi Zahia & Nayli Elham, *The Algerian Experience in Supporting and Promoting Entrepreneurship as a Mechanism to Achieve Economic Development: Reality and Aspiration* (collective work), Laboratory for Spatial Development and Entrepreneurship Studies, Adrar, Algeria, 2020.

⁸ Aïcha Sifrani, op. cit., p. 95.

data analysis, and improving operational efficiency. Startups involved in AI develop intelligent systems that support informed decision-making across multiple sectors, including healthcare, education, energy, and transportation. The increasing global adoption of AI-based solutions underscores the expanding relevance of this technology in the broader context of the digital economy. Cloud computing has also emerged as a foundational technology that supports innovation within startup ecosystems.⁹ It provides rapid and scalable access to data and software applications, substantially lowers entry costs, and grants access to advanced technical infrastructure without necessitating extensive upfront investments. This technological backbone enables startups to concentrate their efforts on refining their products and scaling operations with speed and precision.

Nations aspiring to innovation-driven economic advancement are increasingly channeling resources toward facilitating startup development. This support often takes the form of public financing, business incubation programs, and incentive policies. Several emerging economies have succeeded in constructing functional innovation ecosystems by leveraging education systems, scientific research capacity, and public-private partnerships. These ecosystems have proven effective in enhancing the ability to generate new technologies that align with the specific demands of contemporary economic systems.¹⁰

It is evident, then, that startups function as key drivers within the broader framework of innovation and technological transformation. Their capacity for constant renewal, testing of new approaches, and development of creative responses to pressing societal challenges renders them indispensable to the present and future of economic progress. In this light, ensuring the sustainability of startups and fostering their development within the context of the global digital economy is of paramount importance.

Innovation is a core element in this process, expressed in the formulation of an unprecedented idea that the innovator has already developed into an economic project intended for market introduction through the creation of a startup or enterprise. This innovative act is embodied in the development of a new business model accessible to entrepreneurs, fostering a continuous stream of novel

ideas that lead to the emergence of original products or services. Such models are particularly significant when directed toward emerging markets or segments that have historically been underserved, thereby increasing the likelihood of success and offering a path toward differentiation and impact.

Nevertheless, it is important to recognize that innovation inherently entails a level of risk, particularly when it is not grounded in tangible material assets. This aspect makes financial valuation during the initial stages of the project especially complex, increasing the probability of failure compared to traditional ventures that are developed within established institutions under more stable and predictable conditions.

Empirical evidence from field studies indicates that more than 90% of startups do not survive their initial phase. This high failure rate is often attributable to the absence of adequate support systems, including mentorship, financial backing, and trust in the feasibility of the project or the capabilities of the entrepreneur. Although innovation serves as the foundation for modern business models, its success is contingent upon the presence of an enabling environment that offers support through funding, structured guidance, and professional oversight.

There are numerous real-world cases in which innovative ideas initially perceived as modest went on to evolve into global enterprises. One such example is the WhatsApp platform, originally conceived as a simple search utility and later transformed into a major communication tool. Another example from the transportation sector is the proliferation of ride-hailing applications, such as Yassir and Wasselni, which are widely used in Algeria. A distinctive feature of these platforms is their flexibility in offering payment options, including both cash transactions and electronic payments via bank cards.¹¹

Second Axis: Challenges and Prospects for Startups in Algeria

In the context of rapid economic transitions and ongoing efforts to diversify revenue streams beyond hydrocarbon dependence, startups have assumed a pivotal role in Algeria's developmental framework. Despite governmental initiatives aimed at establishing a supportive ecosystem for this category of enterprise, startups operating in Algeria continue to face a range of obstacles that impede their progression. Nevertheless, these challenges coexist with promising opportunities fostered by ongoing digital trans-

⁹ Ferr, L., Spano, R., & Tomo, A. (2019). *Cloud Computing in High-Tech Startups: Evidence from a Case Study. Technology Analysis & Strategic Management*, 147.

¹⁰ Cherrak Mohamed Hocine & Fartas Fatiha, *Innovation and Digital Technology and Their Importance in Startups*, Economic Geography Journal, Vol. 1, No. 2, Tipaza, 2024, pp. 99-100.

¹¹ Rahima Chelghoum, *Activating Startup Projects in Algeria*, *Law Voice Journal*, Vol. 9, No. 01, University of Algiers 1, 2022, p. 810.

formation and a growing political commitment to promoting entrepreneurship.

First: Challenges Facing Startups in Algeria

During the initial phases of development, startups often struggle to accurately identify their internal strengths and vulnerabilities, which renders the task of establishing a meaningful competitive advantage particularly complex. This difficulty is intrinsically tied to the nuanced and often saturated nature of the market—frequently controlled by established economic actors such as producers, suppliers, and even consumers—thus complicating the ability of a new entrant to assert its presence or gain the trust of key stakeholders.

1. Causes of Failure:

This challenge is further compounded by the widespread absence of rigorous feasibility assessments, which constitutes a primary factor contributing to the failure of a considerable number of startups. Projects founded on speculative assumptions or loosely defined projections regarding profitability, cost structures, and associated risks frequently result in the depletion of financial and human resources, thereby threatening the enterprise's short-term survival.

Moreover, the neglect of essential preparatory analyses—such as comprehensive market research, consumer behavior assessments, evaluations of actual competition, and supplier dynamics—alongside an inadequate understanding of the legal and economic landscape, significantly undermines the startup's capacity to effectively situate itself within its intended professional environment.

A lack of strategic clarity and the absence of well-articulated goals are also incompatible with the standards of contemporary management practice. This organizational deficiency frequently gives rise to inconsistency and randomness in operational decisions throughout the life cycle of the enterprise, representing yet another key contributor to startup failure.

Additional contributing factors include:

- The use of unsuitable financing models, including short-term credit or funding structures in which the entrepreneur's personal investment does not exceed 10%—as is frequently observed in microcredit programs.
- A decline in motivation or energy to advance the project, particularly in cases where internal conflict among team members persists.
- A marked shortage of specialized consultancy services and supportive or qualification-focused institutions, whether public or private.
- Logistical obstacles encountered by those intending to export goods, such as challenges linked to the distribu-

tion of surplus agricultural products in Algeria's southern regions.¹²

2. The Main Obstacles Hindering the Development and Growth of Startups:

- An underdeveloped legislative and regulatory environment that lacks clarity and adaptability to the unique needs of startups.
 - The absence of a robust entrepreneurial culture, characterized by societal hesitation toward individual initiatives, largely driven by fear of failure and the scarcity of structured mentorship or guidance mechanisms.
 - Limitations in financing mechanisms: although certain governmental programs are in place, startup founders in Algeria frequently depend on personal savings, informal contributions ("friendly money"), or financing from major corporations contingent on specific guarantees. In exceptional cases, funding is accessed through business incubators. However, the country lacks crowd-funding platforms—despite their global significance as a vital funding source for early-stage ventures. In addition, university students are systematically excluded from eligibility for state-sponsored entrepreneurial loans.
 - The unavailability of digital payment systems and foreign exchange services: emerging entrepreneurs face substantial challenges due to the absence of infrastructure supporting electronic payments and currency exchange. This infrastructural gap restricts capital mobility and impedes international trade, particularly with suppliers abroad. Consequently, startups encounter significant barriers in importing raw materials or managing cross-border financial transactions, which in turn limits their capacity for growth and diminishes their competitive positioning within an economic climate that increasingly values efficiency and rapid exchange.
- Administrative rigidity in an era defined by speed presents a significant challenge. Entrepreneurship cannot thrive within an environment entrenched in traditional bureaucratic practices. While establishing a business in the United States may take no more than two hours, in Algeria, the same procedures often extend over a period exceeding two months. Considering the importance of agility in launching projects that align with evolving global economic dynamics, the inefficiency of Algeria's administrative system constitutes a considerable impediment to the growth and development of startups.¹³

¹² Ramdani Marwa & Bouguera Karima, *Challenges Facing Startups in Algeria (Examples of Successful Arab Startups)*, Annals of University of Béchar in Economic Sciences, Vol. 07, No. 3, 2020, p. 2.

¹³ Aïcha Sifrani & Amal Metabis, op. cit., p. 93.

The absence of adequate training and mentoring mechanisms continues to hinder business development, as there remains a shortage of dedicated support centers and incubation platforms capable of guiding startups through their critical early stages.

A further challenge lies in the weakness of the foundational infrastructure supporting entrepreneurship. Algeria lacks a comprehensive banking and institutional framework tailored to the needs of startups. This includes not only business incubators but also research and development centers, support networks, and consulting services. The absence of such structural components significantly reduces the probability of success for new ventures.

Second: Government Efforts to Support Startups

The Algerian government has initiated a series of actions aimed at fostering the growth of nascent enterprises, recognizing their strategic importance in reinforcing and diversifying the national economic base. These initiatives include several key developments:

1. Introduction of a Dedicated Startup Legal Framework:

The promulgation of legal and regulatory texts concerning startups marked an essential initial step in the state's approach to supporting this form of enterprise. This move reflects an official acknowledgment of the necessity to organize, structure, and develop startup activity in a coherent manner. Among the most notable of these texts is Executive Decree No. 20-254, which pertains to the establishment of startups, innovative projects, and business incubators. The decree defines their missions, structural configurations, operational mechanisms, and the formal criteria for awarding the official "startup" designation.

This legal framework also includes Executive Decree No. 20-254, which specifies the jurisdiction of the Minister of Small Enterprises, Startups, and the Knowledge Economy, and Decree No. 20-55, which details the organizational chart of the central administration within the same ministry.

a. Executive Decree No. 20-254

Executive Decree No. 20-254 serves as a cornerstone within Algeria's legal and regulatory landscape. It is designed to regulate the field of startups and innovative projects through the establishment of transparent procedures for their creation, development, and formal recognition. This decree forms part of a broader national policy aimed at fostering a culture of entrepreneurship and innovation, while constructing an enabling ecosystem for the advancement of such enterprises. These ventures are considered essential for achieving long-term econom-

ic sustainability and moving beyond reliance on traditional sectors.

The decree articulates a detailed definition of startups, emphasizing their innovative character and capacity to adapt to market changes. It sets out specific criteria and prerequisites for facilitating operational viability and conferring legal recognition under the startup label.

Moreover, the decree regulates the structure and functioning of innovative projects and business incubators, which are responsible for delivering technical, financial, and administrative assistance to emerging initiatives. These mechanisms collectively contribute to mitigating the risks inherent in early-stage enterprise development.

From an analytical standpoint, the decree represents a sophisticated expression of governmental awareness regarding the economic significance of startups, particularly against the backdrop of Algeria's current fiscal and structural challenges. Its core objective is to dismantle administrative bottlenecks that obstruct entrepreneurial progress and to create conditions favorable to business dynamism.

Nevertheless, the most significant challenge remains the practical implementation of this legal framework in real-world conditions. Effective application requires the establishment of precise monitoring and evaluation systems to assess the relevance and efficiency of the adopted procedures, as well as to ensure that the objectives set forth are effectively achieved. Equally important is the need to cultivate an entrepreneurial culture, along with the provision of continuous training and technical support for entrepreneurs, in order to secure the sustainability of startup initiatives and enhance their ability to succeed in both domestic and international markets.

From an analytical point of view, this decree represents a constructive and necessary step toward the creation of an enabling environment for startups in Algeria. However, it remains insufficient in isolation. Its success is contingent upon the integration of complementary efforts, particularly in the area of economic infrastructure development. The decree specifies, in Chapters Two, Three, and Four, the procedures related to the formation of the committee, its duties, and the operational modalities governing its work.

According to Professor Mkhansha Amina, a notable limitation of the current structure lies in the exclusion of certain ministries that hold substantial relevance—such as the Ministry of Commerce. This omission is particularly significant given that many of these enterprises operate as commercial companies, and their regulation would bene-

fit from the active involvement of commerce-related bodies.¹⁴

b. Executive Decree No. 20-54

The official designation of the ministry responsible for new economic ventures was changed to the Ministry of Small Enterprises, Startups, and the Knowledge Economy, pursuant to Presidential Decree No. 20-01 concerning the appointment of government members. This change reflects a strategic shift in state policy towards the support of innovation-driven and technology-based enterprises.

In this context, Executive Decree No. 20-54 was issued to define the competencies and responsibilities of the ministry. Article One of the decree affirms that startups and small enterprises are considered integral components of the government's overall policy and developmental agenda. The decree entrusts the minister with the task of preparing and executing a national program for the development of startups. This includes proposing appropriate policies, drafting legal and regulatory frameworks, and coordinating efforts with relevant economic and scientific actors.

When an enterprise fulfills the defining characteristics and core elements that qualify it as a startup, it gains the official legal status of a "startup." This designation grants access to a series of benefits legislated as part of the national strategy to support and guide such enterprises during their transitional growth phase. The legal framework is specifically designed to accelerate the growth trajectory of startups and facilitate their progression beyond the critical early-stage period in the shortest possible timeframe.

c. Executive Decree No. 20-55

This decree was introduced as part of the broader initiative to enhance the organizational framework of the Ministry of Small Enterprises, Startups, and the Knowledge Economy. Its primary purpose is to equip the ministry with the necessary administrative structure to effectively fulfill its mission in promoting and developing this key sector.

The decree outlines the organizational configuration of the ministry's central administration. It establishes the main directorates and subsidiary bodies, clearly assigning roles and responsibilities to ensure institutional coordination and the fulfillment of policy objectives.

The decree mandates the creation of specialized central directorates, such as the Directorate for Startup Support, the Directorate for Innovation and the Knowledge Econ-

omy, and the Directorate for Cooperation and Partnerships. These entities are tasked with formulating strategic policies, monitoring program implementation, and harmonizing related initiatives concerning both small and startup enterprises.¹⁵

It also provides a detailed definition of each directorate's role, ensuring clarity in mandates and avoiding administrative overlap. The operationalization of this structure requires the deployment of qualified human resources and appropriate logistical and technical support, along with the promotion of a collaborative culture across different departments and affiliated institutions.

2. Legal Mechanisms to Support Startups

Once an enterprise demonstrates compliance with the essential characteristics and defining elements of a startup, it becomes eligible for official startup status. This formal recognition entitles it to a set of legislated benefits, which fall under the broader framework of national policy supporting and accompanying startups during their early development stages. The legal infrastructure is aimed at expediting the growth process and enabling these enterprises to transition through the startup phase as efficiently as possible.

To reinforce this objective, the legislator has introduced several legal mechanisms. Among the most prominent is the establishment of the National Agency for the Promotion of Small and Medium Enterprises and Startups, which is mandated to provide both technical and financial assistance. Additionally, the National Consultation Council for the Development of Small and Medium Enterprises was created as a space for consultation, dialogue, and coordination among various stakeholders in the entrepreneurial ecosystem.

Furthermore, business incubators, accelerators, and startup hubs have been regulated by legal texts that define their roles and responsibilities as support institutions for startups. These provisions contribute to strengthening the entrepreneurial ecosystem and enabling startups to integrate into both national and international markets.

a- The National Agency for the Promotion of Small and Medium Enterprises and Startups

Pursuant to Articles 18 and 20 of Law No. 17-02 concerning the development of small and medium enterprises, Executive Decree No. 18-170¹⁶ was issued to define the responsibilities of the Agency for the Development of

¹⁴ Mkhansha Amina, *Startups in Algeria – Conceptual and Legal Framework*, *Law Voice Journal*, Vol. 08, No. 1, Setif 2, 2021, p. 780.

¹⁵ Mkhansha Amina, op. cit., p. 785.

¹⁶ Executive Decree No. 18-170 dated 26 June 2018, defining the missions of the Agency for the Development of Small and Medium Enterprises and the Promotion of Innovation, its organization and operations, Official Gazette No. 39 issued on 4 July 2018.

Small and Medium Enterprises and the Promotion of Innovation, along with its structural organization and operational modalities.¹⁷ This agency functions as a public institution with a distinct legal status, enjoying legal personality and financial autonomy. It operates under the authority of the delegate minister reporting to the Prime Minister, who is responsible for small enterprises, startups, and the knowledge economy.

At the regional level, the agency has been provided with support and advisory centers in addition to business incubators, aiming to decentralize services and facilitate proximity to project initiators—particularly young entrepreneurs. Its primary missions encompass oversight, mentoring, professional training, technical and scientific assistance, and financial support for small and medium enterprises as well as startups across different stages of development.

In line with the state's redefined strategy to promote entrepreneurship, the legislative framework has broadened the scope of support mechanisms. This includes the reorganization of the National Agency for the Support of Youth Employment, initially established by Executive Decree No. 96-296¹⁸. Its supervision was reassigned to the Ministry of Small Enterprises, Startups, and the Knowledge Economy via Executive Decree No. 20-195.¹⁹ This restructuring demonstrates a clear policy intent to consolidate institutional efforts and synchronize public initiatives aimed at nurturing new generations of entrepreneurs.

b. The National Consultation Council for the Development of Small and Medium Enterprises

Within the context of enhancing participatory governance and institutionalizing the role of consultation in the formulation of public policies relating to entrepreneurship, the Algerian state established the National Consultation Council for the Development of Small and Medium Enterprises, pursuant to Law No. 17-02 concerning the advancement of this sector. The council functions as a permanent advisory body characterized by horizontal and pluralistic representation. Its mandate includes the integration of various economic actors in the design of programs and policies tailored to the support and expansion of small and medium enterprises, including startups.

The council is composed of representatives from relevant government ministries, support institutions, economic and social partners, as well as members from academic and research institutions. This diverse composition reflects its multidimensional and participatory structure. Among its core responsibilities are:

- Submitting recommendations and proposals related to national strategies for enterprise support
- Assessing the practical outcomes of public policies and identifying their levels of effectiveness
- Diagnosing challenges encountered by small and medium enterprises and suggesting applicable remedies
- Facilitating coordination among various stakeholders and strengthening collaboration between public sector initiatives and private enterprise efforts

c. Incubators and Facilitation Centers (Business Incubators) as Legal Mechanisms to Support Startups

Business incubators and facilitation centers constitute essential regulatory instruments adopted by Algeria to assist startups during their formative and high-risk phases. These entities are embedded within public policy frameworks aimed at fostering entrepreneurial activity and reducing the early failure rates of startup ventures.

Business incubators are dedicated facilities that accommodate aspiring entrepreneurs during the pre-establishment stage, offering a comprehensive range of services including administrative support, capacity-building programs, consultancy, physical office space, and access to equipment—often provided at symbolic or reduced costs. The core mission of these incubators is to support the transition from concept to company, thereby enabling project holders to launch enterprises that are both legally constituted and economically viable.

Following establishment, startups may continue to benefit from the services of business incubators or facilitation centers, which provide a more advanced suite of support functions. These include guidance in innovation processes, technical and commercial consulting, assistance in securing funding, and integration into networks of economic actors and potential investors. The ultimate aim of these support structures is to increase the survival rate of startups and enhance their capacity to compete in dynamic and often saturated markets.

These structures are integrated into the national system for supporting innovation, with some operating in close collaboration with research centers and universities, thereby strengthening the link between academic knowledge and its economic application. Legal recognition has been conferred upon these entities through Executive Decree No. 20-254, which outlines their respective missions and the conditions under which beneficiaries may access their services.

The effectiveness of incubators and facilitation centers is largely contingent upon their level of integration with other components of the support system, as well as the presence of qualified administrative and technical per-

¹⁷ See Finance Law 2018, key measures in favor of SMEs and the promotion of innovation, organization, and operations.

¹⁸ Executive Decree No. 96-296 dated 8/9/1996 on the creation of the National Agency for the Support of Youth Employment and its bylaws, amended and supplemented, Official Gazette No. 52.

¹⁹ Executive Decree No. 20-195 dated 25 July 2020 concerning the organization of startups in Algeria.

sonnel capable of offering sustained and competent assistance to project initiators.

3. Startup Funding Fund

As part of its broader strategy to foster innovation and advance entrepreneurship, the Algerian state established a specialized financial instrument—fund number 150-302 within the Public Treasury—pursuant to Article 131 of the 2022 Finance Law. This instrument, titled the *Support and Development Fund for the Startup Economic Ecosystem*, was created to address the structural difficulties commonly encountered in conventional financing channels for startups, such as the absence of collateral, limited managerial experience, and lack of financial documentation.

The creation of this fund was accompanied by the institutional establishment of the Ministry of Startups and the Knowledge Economy, with the delegate minister appointed as the authorized officer responsible for its financial execution. This initiative was further reinforced by the enactment of Executive Decree No. 20-254, which regulates the conditions for awarding the “Startup” label—an essential prerequisite for accessing the fund’s financial resources.²⁰

The fund functions as an alternative legal and financial mechanism tailored to accelerate the growth of startups and provide support during their foundational stages. It offers financing instruments specifically adapted to the innovative character of these enterprises and the heightened risks they face. The legal framework governing the fund stipulates the following criteria for eligibility:

a. Obtaining the “Startup” label:

This designation is conferred by a national committee constituted under Executive Decree No. 20-254²¹. The application for this label must be submitted through a designated electronic portal and include a set of administrative and financial documents, such as the commercial registry, articles of association, proof of social security registration, a comprehensive business plan, academic qualifications, and any other documentation that evidences the innovative nature and distinctiveness of the enterprise. The label is granted for a duration of four years and may be renewed once.²²

b. Signing the financing agreement:

The financing agreement is executed between the startup and the minister responsible for the knowledge econo-

my.²³ It outlines the disbursement procedures, specifies the respective rights and obligations of both parties, and establishes the follow-up mechanisms related to project implementation. The signing of this agreement is a mandatory step for the actual disbursement of funds.

Startups benefiting from this funding mechanism are required to submit periodic progress reports detailing the utilization of allocated funds. They are also subject to scheduled and unscheduled audits conducted by the competent authorities to ensure compliance with the financing conditions and to verify that the funds are being used for their intended purposes.²⁴

Third: Prospects for Startup Development in Algeria

In recent years, Algeria has taken concrete steps to reinforce its support for startups as part of a strategic commitment to diversifying its economy and reducing over-reliance on the hydrocarbons sector. This commitment was formally manifested through the creation of a delegate ministry tasked with overseeing startups and the knowledge economy. This ministry has been charged with the development and implementation of a structured roadmap designed to encourage individuals with entrepreneurial projects or innovative ideas to establish their own enterprises. In parallel, it ensures the provision of essential support services, both in terms of access to financing and the creation of a legal environment favorable to the growth and sustainability of these enterprises.²⁵ Among the most impactful actions undertaken to support startups:

1. Developing a roadmap for startup financing:

As part of its efforts to strengthen the entrepreneurial ecosystem and provide effective support for startups, Algeria initiated the formulation of a comprehensive roadmap for financing these enterprises. This strategic framework emphasizes the diversification of funding sources, including access to capital markets and venture capital mechanisms. Additionally, the roadmap includes the establishment of regulatory procedures that facilitate the involvement of the Algerian diaspora and the application of near-total tax exemptions. These combined

²³ Article 4/1 of the Joint Ministerial Order dated 23 August 2021, defining the procedures for monitoring and evaluating Special Allocation Account No. 150-302 titled “Startup Economic Ecosystem Support and Development Fund,” Official Gazette No. 81, issued on 24 October 2021.

²⁴ Chelghoum Rahima, op. cit., p. 222.

²⁵ Mimouni Yassine, Bougataa Sofiane & Beyouih Mouna, *Reality and Prospects of Startups in Algeria*, University of Béchar, Vol. 07, No. 03, 2021, Relizane, p. 412.

²⁰ Zerouak Aïcha, *Startup Financing in Algerian Law: The Startup Economic Ecosystem Support and Development Fund as a Model*, Algerian Journal of Law and Political Science, Vol. 07, No. 01, 2022, pp. 981–982.

²¹ Article 12 of Executive Decree No. 20-254.

²² Article 14/1 of the same decree.

measures aim to empower the younger generation to assume a leading role in transitioning the national economy away from its dependence on hydrocarbons.

This roadmap includes the establishment of a "Startup City," conceptualized as a fully integrated and highly attractive technological hub aimed at positioning Algeria as a leading destination for innovation and creativity on the African continent. The roadmap also calls for the creation of specialized institutes dedicated to technology transfer. During the first quarter of 2020, the experimental phase began with the launch of two research and innovation centers within two universities. These centers focus on artificial intelligence and involve the participation of Algerian experts residing abroad in mentoring and project development—an initiative that reinforces this strategic orientation.

Furthermore, the creation of the Startup Economic Ecosystem Support and Development Fund, previously addressed, represents a concrete measure in translating high-level policy directives into practice. This initiative facilitates access to financing for young entrepreneurs, thereby enabling them to transform their innovative ideas into viable projects under favorable conditions.

In the post-2020 period, Algeria recorded substantial progress in this sector, reflected in the following developments:

- In March 2022, 390 holders of innovative projects received support through the Startup Economic Ecosystem Support and Development Fund.²⁶

- Initiatives were launched to encourage the practice of crowdfunding through digital platforms, providing a mechanism for investors to directly finance startup ventures. Investment companies and mutual funds in venture capital were incorporated into the 2022 Finance Law as part of this broader strategy.

- In December 2024, Algeria hosted the third edition of the African Startup Conference, which highlighted the critical role of startups and artificial intelligence in fostering economic and social development across Africa.²⁷

- Algeria proposed the creation of a continental African Fund dedicated to supporting startups and artificial intelligence.

- A national digital platform was activated to register startups and track their files electronically, thereby en-

hancing transparency and expediting administrative processes.

- The scope of the "Startup" label program was expanded to include innovative projects led by legal entities that fulfill the eligibility criteria. Since the launch of this initiative, thousands of labels have been granted.

- Recurring events at both national and international levels, such as "Algeria Disrupt," have been organized to connect startups with investors and decision-makers.

- The regulatory framework for incubators and accelerators has been strengthened, including the adoption of unified terms of reference governing the hosting and support of startup projects.

2. Tax Incentives for Startups in Finance Laws

Finance Law 2020:

Article 69 of the 2020 Finance Law introduced tax facilities for startups operating in the fields of innovation and technology. These measures included exemptions from Corporate Income Tax and Value-Added Tax (VAT). Additionally, Article 131 of the same law authorized the creation of a dedicated deduction account titled the "Startup Support and Development Fund."

Finance Law 2021:

Despite the economic constraints caused by the COVID-19 pandemic and its accompanying financial impacts, the 2021 Finance Law maintained the government's commitment to supporting young entrepreneurs through a set of tax relief measures. These benefits were primarily extended to micro-enterprises and business incubators. Article 86 of the 2021 Finance Law, which amended Article 33 of Law No. 20-07 dated July 4, 2020 (Supplementary Finance Law 2020), specified the following exemptions:

"Startups that have obtained the 'Startup' label shall be exempt from the Professional Activity Tax, Personal Income Tax (IRG), and Corporate Income Tax (IBS) for a duration of four (4) years from the date the label is granted. This exemption may be extended by an additional year upon renewal of the label. Such startups are also exempt from VAT. Furthermore, equipment acquired by startups bearing the label, and which is directly used in the execution of their investment projects, shall be subject to a customs duty rate of 5%."

Finance Law 2022:

Article 117 of the 2022 Finance Law amended Article 69 of the 2020 Finance Law, stipulating the following: Startups that have been granted the "Startup" label are exempt from the Professional Activity Tax, Personal Income Tax (IRG), Corporate Income Tax (IBS), and the Flat-Rate Tax (IFU) for a period of four (04) years, starting from the date the label is awarded. An additional one (01) year of exemption is provided in the event of label renewal.

Finance Law 2023:

In recognition of the essential economic contribution of startups—particularly their integral role in driving sustain-

²⁶ <https://www.aps.dz/ar/economics/www.mf.gov.dz>

²⁷ <https://news.radioalgerie.dz/ar/node/56416>
Algerian Radio (2024), *Ministry of Knowledge Economy: Four-Year Activity Report*.

able economic growth—the 2023 Finance Law introduced a new set of provisions, summarized as follows:

- A reinvestment requirement equivalent to 30% of the amounts deducted under the investment support scheme, over a period of four (04) years, renewable, in the form of investment projects to be evaluated based on the nature of the economic activity undertaken.
- A cap on the reinvested amount, with the eligible ceiling determined by ministerial departments, set at no more than 60% of the initially deducted value.
- The reinvested sum must be utilized within the defined period, specifically during the fiscal year in which the reinvestment occurs.
- The reinvested funds are to be allocated annually and systematically across the following categories:
 - Purchase of industrial or technological equipment that contributes directly to production or service delivery.
 - Acquisition of employment-related tools and materials.
 - Investment in social contributions or negotiable securities enabling equity participation in companies engaged in the production of goods, public works, or services—provided that the full value of the reinvested advantage is effectively paid.
 - Equity participation in enterprises bearing the “Startup” or “Incubator” label, under the condition that the full value of the reinvested benefit is fully released.

Conclusion:

The analysis presented throughout this study demonstrates that supporting startups in Algeria has evolved from being a policy preference into a strategic imperative for achieving the broader objectives of national economic development beyond dependence on hydrocarbons. The findings indicate that substantial progress has been made in establishing a comprehensive and supportive ecosystem for startups. This includes the promulgation of legislative frameworks with clear incentives, the creation of institutions such as the Startup Financing Fund, and the deployment of infrastructure such as incubators and business nurseries. These measures are further reinforced by legal and financial mechanisms designed to sustain and accelerate the growth of startups.

Proposed Recommendations:

- Establishing and maintaining an environment that is both conducive and attractive to the formation and expansion of startups, supported by a robust legal and economic framework.
- Ensuring comprehensive support and guidance for startups across all development stages—from ideation and planning to growth and market entry.
- Removing legal and bureaucratic barriers that obstruct the launch and sustainability of startup initiatives, by streamlining procedures and refining the regulatory environment.

- Providing targeted support in the form of financial, fiscal, and technical incentives that empower startups to compete effectively and scale sustainably.
- Formulating a coherent strategic vision rooted in innovation and creativity, recognizing these as foundational elements for the economic transformation sought by Algeria.

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