Startups in Algeria: Reality, and Ecosystem Challenges

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Abstract:

This research paper analyzes the reality of startups in Algeria and the key challenges affecting their performance within the national entrepreneurial ecosystem. It adopts a descriptive-analytical approach based on official reports, regulatory texts, and relevant international startup indices.

The findings indicate a significant increase in the number of startups in recent years, reflecting stronger governmental commitment and targeted policy interventions. However, this quantitative expansion has not been proportionally reflected in Algeria's standing within global startup ecosystem rankings. The research identifies persistent structural constraints, including limited access to diversified financing sources, administrative complexities, insufficient digital infrastructure, and the restricted size of the domestic market.

The research concludes that, despite measurable regulatory progress, structural imbalances continue to limit startups' capacity for sustainable growth and global competitiveness. Strengthening ecosystem integration, diversifying financing mechanisms, and enhancing market openness are essential to fostering long-term entrepreneurial resilience and innovation-driven development.

Key words: Startups; Entrepreneurship; Entrepreneurial Ecosystem; Algeria
Jel Classification Codes : L26, O38, G24

Introduction:

The global economy has witnessed profound transformations in recent decades as a result of rapid technological development and the growing reliance on innovation and knowledge as key drivers of economic growth. In this context, startups have emerged as one of the most important modern tools contributing to economic revitalization and enhancing the capacity for growth and development, given their ability to provide innovative solutions, create new job opportunities, and contribute to diversifying the economic base, particularly in economies that rely heavily on natural resources in their gross domestic product, such as Algeria. These enterprises have become a fundamental pillar in building a knowledge-based economy, owing to their role in developing digital services, stimulating investment, and enhancing competitiveness.

In Algeria, startups have gained increasing attention in recent years amid the public authorities' orientation toward supporting the digital economy and promoting entrepreneurship and innovation. This orientation has been reflected in the establishment of legal and regulatory frameworks, as well as the provision of financing, support, and incubation mechanisms, reflecting a growing commitment to developing this type of enterprise and strengthening its position within the economic system. This growing interest highlights the importance of examining the reality of startups in Algeria by analyzing the regulatory framework, the available support and financing mechanisms, and the various factors influencing their development and role in the economic environment.

Research Question and Hypothesis

Based on the foregoing, this research seeks to answer the following research question:

What is the reality of startups in Algeria, and what are the most prominent challenges hindering their effectiveness within the entrepreneurial ecosystem?

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This research question leads us to propose the following hypothesis:

Despite the relative improvement in the reality of startups in Algeria in terms of the regulatory framework and their increasing number, the effectiveness of these enterprises remains limited due to structural imbalances in the entrepreneurial ecosystem, particularly in the financing, regulatory, and market aspects.

Research Objectives:

This research seeks to achieve a set of objectives, which can be summarized as follows:

- Analyzing the legal and regulatory framework governing the activity of startups in Algeria;
- Identifying the most important mechanisms available for financing startups in Algeria;
- Evaluating Algeria's position within the international startup ecosystem indices;
- Diagnosing the most prominent challenges facing startups and proposing ways to improve their environment.

1. Research methodology

To comprehensively address the topic of startups in Algeria and answer the research question, this study adopted the descriptive-analytical method, which is the most suitable for the nature and objectives of the subject. This approach allows for describing the studied phenomenon and then analyzing and interpreting it to reach meaningful scientific conclusions. The descriptive dimension focused on providing a comprehensive conceptual framework for startups, including their definition, characteristics, principles, and objectives, as well as the legal and regulatory framework governing their activities in Algeria. Meanwhile, the analytical dimension examined the available financing mechanisms, Algeria’s position within international startup ecosystem indices, and the structural challenges and obstacles that startups face.

Regarding data and information collection tools, the study relied on diverse and complementary secondary sources. These included legal and legislative texts, such as executive decrees regulating the granting of startup and incubator labels; international reports and indices, most notably the Global Startup Ecosystem Index (StartupBlink 2025) and the "Startup Ranking" platform; and official institutional data issued by relevant bodies, such as the Algerian Startup Fund (ASF) and the Ministry of Knowledge Economy, Startups, and Micro-Enterprises.

2. Introduction to Startups

Since the late 1990s, the term “startups” has gained widespread currency and become closely associated with remarkable growth and impressive success stories. Notably, this increasingly prevalent term does not refer to a specific legal form of business entity; rather, it reflects a practical and economic reality at the global level (Rattat & Alexandre, 2021, p. 5).

According to Larousse, a startup is a young company based on an innovative idea in the modern technology sector. It is also defined as a young innovative company with high growth potential. Both definitions converge on the fundamental characteristic of startups, namely innovation (Cornet, 2017, pp. 27-28).

A startup is inherently linked to the concept of experimenting with a new activity in a new market while facing risks that are often difficult to assess. Steve Blank defines it as “a temporary organization designed to search for a repeatable, scalable, and profitable business model.” (BPI France, 2023).

Generally, startups are companies that seek to apply innovative approaches and ideas to solve problems and possess high scalability potential, that is, the capacity to achieve rapid growth. Their added value lies in generating innovation, achieving breakthroughs, and delivering significantly improved products or services to the target market (Janáková, 2015, p. 74).

2.1 Characteristics of Startups

Startups are distinguished by a set of characteristics that can be classified into four dimensions: organizational (characteristics of the startup itself), ownership (owner attributes, decision-making, and supervision), strategy and innovation, and finance. The following table (Table 01) presents a compilation of the common characteristics for each dimension.

Table 1. Characteristics of Startups

Dimension	Characteristics
Organization	Small in size
	Newly established
	Homogeneous environment
	Simple organizational structure and centralization
	Little differentiation
Ownership	The manager is the owner
	Intuitive decision-making
	Direct supervision
Strategy and Innovation	Niche marketing strategy
	Preference for risky decisions over safe ones
	Rapid innovation
	Lack of product-related research
	First mover or second mover strategy
Financing	Funded through personal savings or borrowing from informal sources

Source: (Nurcahyo, Akbar, & Gabriel, 2018, p. 44)

2.2 Principles of Startups

The startup model combines the structured rigor of traditional management with the iterative and experimental approach characteristic of startups. The following highlights the key principles of startups (Djekidel, Doua, & Rais, 2021, p. 421):

- Continuous Innovation: While many leaders pursue breakthrough innovations, long-term growth depends on establishing a method that continuously identifies new opportunities by leveraging creativity and talent across all levels of the organization;
- The Startup as an Atomic Unit of Work: Creating cycles of continuous innovation and identifying new sources of growth requires teams capable of conducting experiments to discover them. These teams function as internal startups, effectively operating as independent units within the organization;
- The Missing Function: Integrating startups into the ecosystem requires moving away from traditional approaches. However, most organizations lack the critical skill of entrepreneurship, which is as essential for their future success as the marketing and finance functions;
- The Second Founding: Implementing a fundamental structural change in an organization is, in essence, akin to founding it a second time, whether it is five years old or a hundred years old;
- Continuous Transformation: This entails developing a new organizational capability that enables the organization to respond to the multiple challenges it faces. One should by no means cling to a single transformation; once a company succeeds in renewing itself, it must prepare to repeat this experience.

2.3 Objectives of Startups

Startups are designed to achieve a set of objectives, as outlined below: (Gouasmia & Yacoub, 2022, p. 101):

- Promoting individual and collective entrepreneurial spirit through the creation of new economic or service activities, as well as reviving activities that were previously abandoned for reasons unrelated to market rejection;
- Creating new job opportunities;
- Localizing activities in remote areas, making startups an important tool for promoting and valorizing local wealth, as well as fostering integration and complementarity between regions;
- Serving as a link within the economic fabric through the relationships that connect them with other enterprises;

In addition to their economic objectives, startups also pursue banking and technological goals, including: (Bouacca, 2022, pp. 43-44):

- Diversifying banking activities to respond more effectively and quickly to customer demands;
- Leveraging technology to conduct business based on pioneering ideas, fulfill market needs efficiently, and achieve sustainable growth and progress;
- Securing financing through online platforms and relying on modern technological tools to support core business operations.

2.4 Factors Affecting Startups

Several key factors have been identified as significantly affecting the performance of startups during their early stages (Balik, Demirci, & Dik, 2019, p. 153):

- Entrepreneurs' skills, experience, and decision-making abilities;
- Internal locus of control, complemented by personal investment, risk mitigation methods, and a clear business idea;
- Availability of venture capital;
- Exposure to macroeconomic fluctuations;
- Compensation levels and quality of the work environment;
- Network of alliances and collaborative relationships;
- Market position and competitive advantage;
- Comprehensiveness of the business plan;
- Effectiveness of marketing communications;

3. Regulation of Startups in Algeria and Their Financing Mechanisms

Despite the global trend of nurturing and empowering startups as a driving force for sustainable economic development, Algeria joined this movement relatively late, mainly due to technological lag and low investment in research and development.

Recently, in response to recurring economic shocks and the imperative of technological advancement, the authorities have shown a clear commitment to supporting startups, regulating their activities, and facilitating their growth.

To institutionalize this commitment, a dedicated ministry was established to provide support, remove obstacles, and foster the development of startups, aiming to achieve the country's strategic objectives and aspirations.

3.1 Regulation of Startups in Algeria

In 2020, through Presidential Decree No. 20-163, the state established the Delegated Ministry to the Prime Minister in charge of the Knowledge Economy and Startups. Its missions were subsequently defined through Executive Decree No. 20-254. This decree includes the creation of a national committee responsible for granting the labels "Startup," "Innovative Project," and "Business Incubator," as well as defining the committee's missions, composition, and functioning. According to Article 08 of this decree, the committee deliberates on granting

the "Startup" label to newly established innovative enterprises. It also grants the "Innovative Project" label to holders of innovative projects who have not yet established an enterprise, and the "Business Incubator" label. Additionally, the committee examines appeals filed after the rejection of any label.

Article 11 of the same decree stipulates that a startup is any enterprise subject to Algerian law that meets a set of criteria as follows:

- The enterprise must not exceed eight (08) years of age;
- The enterprise must have a business model based on innovative products, services, or ideas;
- The annual turnover must not exceed the limit determined by the National Committee;
- At least 50% of the company's capital must be owned by natural persons, accredited investment funds, or other startups holding the "Startup" label;
- The enterprise must demonstrate significant growth potential;
- The number of employees must not exceed 250.

According to Article 14 of the same decree, the startup label is granted to an enterprise for a period of four (04) years, renewable once.

In May 2022, the concerned ministry introduced new criteria for proving the innovative nature of an enterprise and obtaining the "Startup Label." Four objective criteria were defined, and meeting just one is sufficient to obtain the label (AlbadilABC, 2023):

- Research and development expenditure: the company must spend at least 15% of its turnover on research and development.
- Qualifications of founding members: at least half of the founding team must hold a doctoral degree or higher.
- Intellectual property: the company must hold a patent or a registered software, either nationally or internationally.
- Prototype submission: the applicant must present at least one prototype of the proposed innovation.

As for the "Scale-up" label, the conditions for granting it were defined in accordance with Executive Decree No. 25-311, issued in December 2025, which amended and supplemented Executive Decree No. 20-254. This label is granted to enterprises that:

- Rely on innovative products, services, or business models;
- Have increased their turnover by at least 20% over the last three years;
- Allocate at least 3% of their revenues or capital to research and development;

The "Scale-up" label is granted for four years and is renewable.

3.2 Financing Mechanisms for Startups in Algeria

Financing challenges are among the most significant difficulties faced by startups in their early stages. The main sources of financing for startups in Algeria include:

3.2.1 Business Incubators

According to Article 21 of Executive Decree No. 20-254, any public, private, or public-private partnership structure that provides support to startups and holders of innovative projects is eligible to obtain the "Business Incubator" label. This support may include hosting, training, consultancy, and financing.

Article 25 of the same decree defines the obligations of business incubators, which include supporting the incubated startups as follows:

- Hosting incubated startups and providing them with fully equipped workspaces.
- Supporting project holders throughout the enterprise establishment procedures.
- Assisting startups in developing business plans, market studies, and financing plans.

- Providing quality training, particularly in business management, legal, and accounting obligations.
- Making logistical resources available, such as meeting rooms, IT equipment, office supplies, and high-speed internet.
- Helping startups develop prototypes.
- Supporting incubated startups in securing financing sources and expanding into new markets.

3.2.2 Algerian Startup Fund (ASF):

The Algerian Startup Fund (ASF) is the first public fund in Algeria dedicated exclusively to supporting startups. It is a public venture capital entity that provides financing to companies holding the "Startup" label through equity and quasi-equity instruments. The fund was established through a collaboration between the Ministry of Startups and six public banks: the Bank of Agriculture and Rural Development (BADR), the National Bank of Algeria (BNA), the Bank of Algeria for Foreign Trade (BEA), the National Savings and Provident Fund (CNEP), the Local Development Bank (BDL), and the Algerian Popular Credit (CPA) (Ministry of Knowledge Economy, Startups, and Micro-Enterprises, n.d.).

This fund relies on a financing mechanism based on capital investment rather than traditional loan-based financing. It operates on a risk-sharing model, with profits and losses shared, and does not require the provision of collateral (Arrab & Siddiki, 2021, p. 43).

The objective of establishing the fund is to support the development of startups and integrate them into a path of sustainable growth. It also aims to assist startups in exporting their products and services. The fund finances innovative projects across 20 sectors, with a particularly services, information and communication technologies (ICT), health, transport, and tourism.

By February 2026, the fund was present across 41 wilayas nationwide. It received 963 startups and processed 445 financing requests, with 1.3 billion Algerian dinars invested in these projects (ASF, 2026).

3.2.3 Financing Through Islamic Finance Instruments

Due to their limited financial capacity and constant need for funding, startups often seek alternative financing sources. Islamic finance instruments are among the most important alternatives, as they provide a safer option for project owners compared to conventional, interest-based bank loans. Banks typically impose conditions on loans that are often incompatible with startups' financial capacity, such as requiring collateral in case of default and charging high interest rates. Consequently, bank loans are generally not a preferred solution due to the high financial risk for project owners, as well as the prohibition of interest under Sharia law, which further discourages reliance on conventional loans.

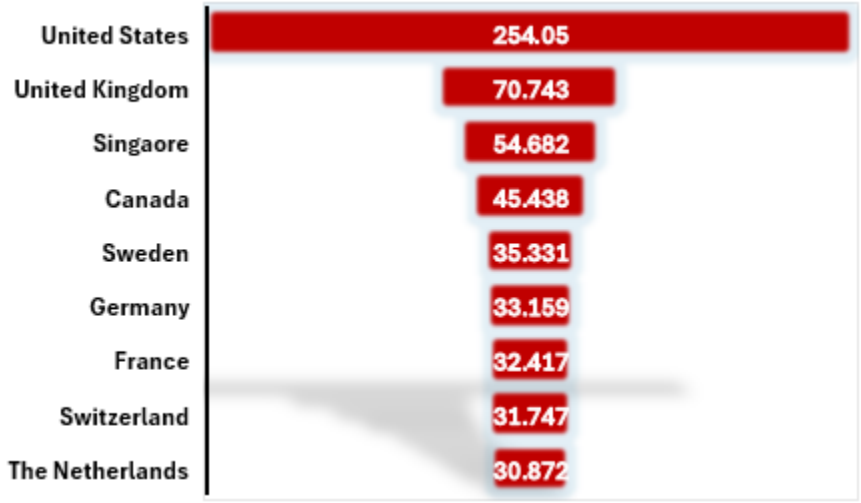
Islamic finance is defined as the provision of in-kind or monetary wealth from an owner to another person, who manages and utilizes it to generate profit. The yield must comply with Sharia rulings. Islamic banks provide this type of financing and are distinguished by replacing the conventional lending relationship with a partnership model, and the interest (usury) relationship with a profit-sharing arrangement. This approach fundamentally changes the tools and priorities of financing (Bournan & Ali, 2020, p. 141). The most important Islamic financing instruments for projects include Musharakah (partnership financing), Mudarabah (profit-sharing financing), Murabaha (cost-plus financing), and Salam (forward sale financing).

4. Algeria's Position Within the Global Startup Ecosystem

According to the Global Startup Ecosystem Index for 2025 (StartupBlink, 2025), which covers more than 100 countries and 1,400 cities worldwide, the United States ranks first in startup development for the sixth consecutive year. It accounts for more than 46% of global entrepreneurial activity, with a total score roughly four times higher than that of the United Kingdom, which holds the second position. Additionally, 221 American cities are ranked among

the top 1,000 cities worldwide. This ranking demonstrates the considerable focus that developed countries place on startups, highlighting the pivotal role and substantial economic impact of startups within their systems.

Figure 1. Startup Ecosystem Index Ranking of Leading Countries by Total Score for 2025

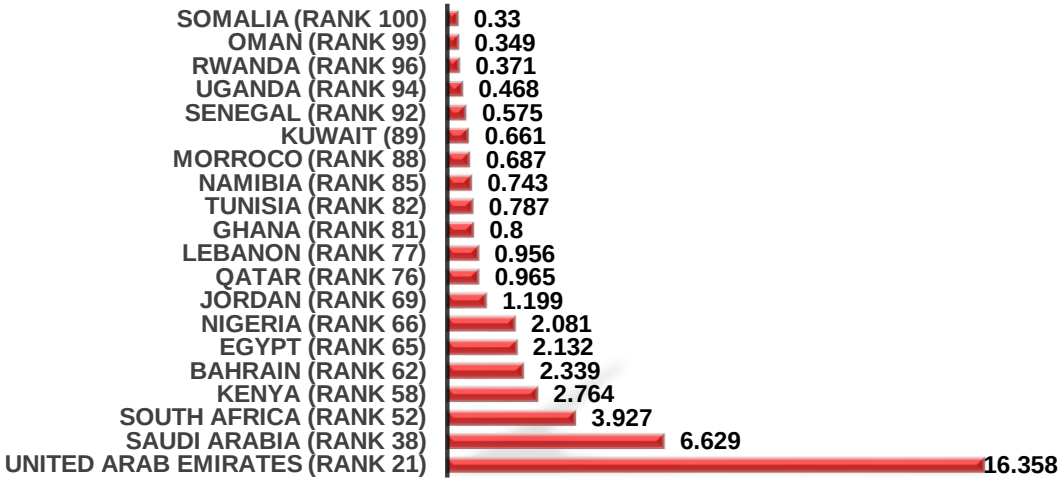


Source: Prepared by the researcher based on: (StartupBlink, 2025, p. 25)

The overall index (total score) is composed of three sub-indices:

- Quantity Index: Measures the number of startups, co-working spaces, and accelerators;
- Quality Index: Assesses parameters indicating the qualitative outcomes achieved by the ecosystem. These parameters include:
  - Unicorns: Startups valued at over 1 billion US dollars that have not yet been publicly traded;
  - Exits: Startups valued at over 1 billion US dollars that are publicly traded, based on transactions from the last five years.
- Business Environment Index: Evaluates companies that have significantly influenced their ecosystem.

Figure 2. Startup Ecosystem Index Ranking for Middle East and African Countries for 2025



Source: Prepared by the researcher based on: (StartupBlink, 2025, p. 25)

Figure 2 reveals a clear and significant disparity in the level of startup ecosystem development among countries in the region. The United Arab Emirates leads the regional

ranking, occupying the 21st position globally with a total score of 16.358. This reflects the strength of its entrepreneurial infrastructure, the availability of funding, and the effectiveness of its innovation-supportive policies. Saudi Arabia follows in the 38th position globally, with a score of 6.629, indicating rapid growth but a persistent and significant gap compared to the UAE. At the African level, South Africa leads the continent, occupying the 52nd position globally; however, its total score of 3.927 remains far behind the two regionally leading countries. Countries such as Kenya, Egypt, and Nigeria fall within the moderate performance category, while Morocco, Tunisia, and Lebanon record relatively low scores, reflecting the limited scale of their entrepreneurial activity and weak integration into the global startup ecosystem.

Overall, the figure highlights a concentration of entrepreneurial activity in a small number of countries, contrasted with a notable developmental gap in the remaining countries of the region. This underscores the importance of policies that support financing, innovation, and the improvement of the business environment to enhance the competitiveness of emerging ecosystems.

The report classified 20 Arab and African countries within the top one hundred; however, Algeria was not among them. According to the StartupBlink platform, Algeria is ranked 111th, an improvement from its 115th position in 2024 (StartupBlink, 2026), with an estimated annual ecosystem growth rate of 7.2%. This ranking reflects the limited size of Algeria's startup ecosystem, particularly in terms of investment, as well as the lack of supportive infrastructure, such as incubators and entrepreneurial events. It may also indicate certain regulatory and legal challenges that hinder the rapid growth of companies, despite the existence of a market with significant potential for digital innovation.

Regarding the city ranking in the report, Algiers—the only nationally ranked city—occupied the 543rd position out of 1,473 cities worldwide. Although it advanced by 441 positions compared to 2021, when it was ranked 984th, it experienced a decline relative to 2024, when it held the 502nd position. These fluctuations reflect the variable performance of the local startup ecosystem and indicate that the city still faces challenges in attracting investment, supporting startups, and developing innovation infrastructure, despite notable long-term improvements. This underscores the need for more effective strategies to promote the sustainable growth of startups in Algiers.

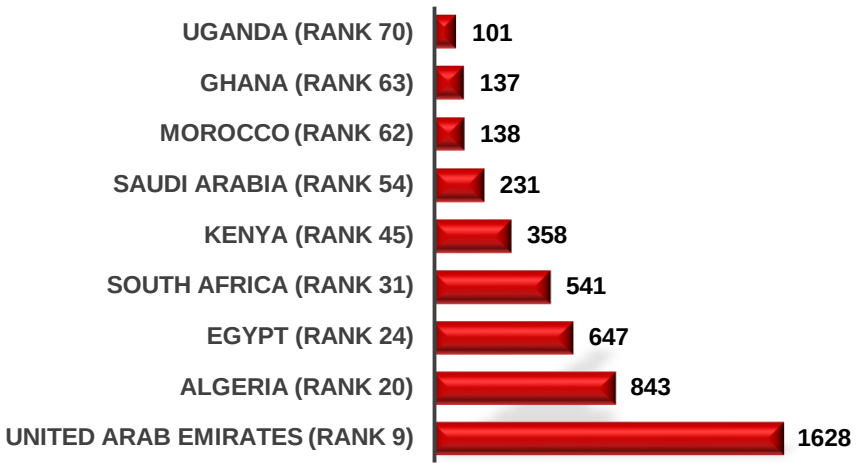
Given Algeria's significant potential, the country could be a candidate to enter the top 100 in the 2026 ranking, provided that efforts are intensified to support startups through the effective provision of resources and institutional backing.

The Startup Ranking platform, which specializes in discovering, ranking, and promoting startups, offers a country ranking based on the number of startups, in addition to a global ranking of companies according to the “SR Score” index. This score ranges from 0 to 100,000 and is calculated based on two main components: the “SR Web” index, which reflects the startup’s online importance, and the “SR Social” index, which measures its social impact (Startup Ranking(1), 2026):

- **The Startup Web Importance Index (SR Web):** ranges from 0 to 100,000 and is calculated based on several factors, including:
  - The number and quality of web pages linking to the startup’s website;
  - Internal link distribution within the website;
  - The number and quality of external links directing users to other websites;
  - On-page search engine optimization (SEO) factors;
  - Estimated audience metrics, such as the number of visits and unique visitors.
- **The Social Impact Index (SR Social):** also ranges from 0 to 100,000 and reflects the startup’s presence and influence on social media platforms. It is determined based on indicators such as the number of followers, page likes, and engagement metrics including likes, shares, and comments on posts.

According to the ranking provided by the website, the United States leads in terms of the number of startups, with a total of 87,191 companies—approximately five times more than India, which holds the second position. This confirms the previous ecosystem ranking, highlighting the United States as a global leader in startups, both in terms of quantity and quality.

Figure 3. Ranking of Top Middle East and African Countries by Number of Startups as of February 2026



Source: Prepared by the researcher based on: (Startup Ranking(2), 2026)

Figure (03) highlights the development of the startup ecosystem in the African and Middle Eastern region as of February 2026, revealing significant disparities among countries. The data show that the United Arab Emirates leads with 1,628 startups, reflecting a highly supportive entrepreneurial environment compared to other countries in the region. Algeria follows with 843 startups, ranking 20th globally and first in Africa, ahead of Egypt, South Africa, and Kenya. This progress is particularly striking when compared to 2022, when Algeria had only 115 startups and ranked 62nd worldwide. The increase to 843 startups within three years indicates a substantial expansion in the size of the national innovation and entrepreneurship ecosystem. This rapid growth can be partially attributed to improvements in the regulatory framework, increased government support for startups, and growing interest in digital transformation and technological entrepreneurship. These developments position Algeria among the fastest-growing African and Arab markets in quantitative terms. However, the number of startups alone does not constitute a comprehensive measure of ecosystem performance. Although Algeria ranks 20th globally in terms of quantity, its exclusion from the top 100 countries in the Startup Business Environment Index points to structural weaknesses in qualitative performance and the overall business climate. This distinction underscores the gap between quantitative expansion and qualitative maturity, highlighting the need for deeper reforms aimed at improving financing mechanisms, strengthening innovation infrastructure, enhancing governance efficiency, and fostering a more sustainable entrepreneurial environment.

According to the "Startup Ranking" platform, the leading and highest-ranked startups in Algeria are as follows:

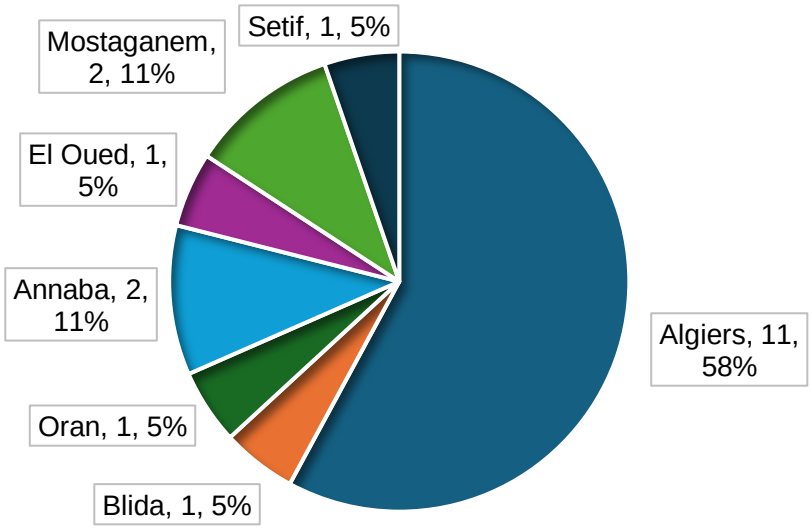
Table 2. Top Five (05) Startups in Algeria as of February 2026

Local Ranking	Startup	Date of Establishment	Description	Global Ranking	SR Score
01	Yassir	13 Sep 2017	On-demand transportation services, delivery services, payment services, and others...	994	**61563**
02	Legal doctrine	01 Jan 2018	A legaltech startup that collects and publishes online laws, regulations, and court decisions in African countries, starting with Algeria since February 2018.	2644	**40512**
03	OkStore	01 Jan 2021	An e-commerce platform for easy online selling.	3211	**37980**
04	Siamois QCM	10 June 2017	An online training platform for medical students preparing for the residency exam.	4693	**27966**
05	MdinJdida	04 Jan 2018	An online sales platform that brings together a group of sellers and manufacturers of electronic devices, phones, and more, offering sales and home delivery services.	4788	**27070**

Source: Prepared by the researcher based on: (Startup Ranking(3), 2026)

According to Table (2), Yassir leads the local startup ranking by a considerable margin, occupying the 994th position globally. This placement demonstrates a degree of international competitiveness, particularly given that the ranking includes thousands of startups operating within more mature and structured business environments. This performance reflects the success of Yassir's multi-service digital model, which integrates transportation, delivery, and electronic payment services, as well as its ability to expand beyond the domestic market. More broadly, the ranking of the top five startups in Algeria reveals the dominance of ventures operating in digital services, e-commerce, legal technology (legaltech), and digital education. This trend indicates that the Algerian startup ecosystem is increasingly oriented toward sectors driven by the digital economy and platform-based business models. It is also noteworthy that relatively older startups, such as Yassir and Siamois QCM, exhibit comparatively stronger performance. This suggests that accumulated experience, organizational maturity, and gradual market expansion play a crucial role in enhancing the global competitiveness of Algerian startups.

Figure 4. Distribution of the Top 19 Startups in Algeria by Region as of February 2026



Source: Prepared by the researcher based on: (Startup Ranking(3), 2026)

Figure (4) reveals a clear geographical concentration of entrepreneurial activity, with Algiers accounting for the largest share of startups—11 companies, representing 58% of the total. This dominance confirms its position as the country's primary hub for innovation and entrepreneurship. This concentration can be explained by several structural factors, including the availability of digital infrastructure, the presence of financial institutions, accelerators, and business incubators, as well as the proximity to key government bodies. These elements collectively create a more supportive ecosystem compared to other regions. In contrast, the remaining regions exhibit a relatively weak presence of startups, reflecting regional disparities in access to financing, mentoring, institutional support, and infrastructure. Such imbalance indicates that entrepreneurial opportunities remain unevenly distributed across the national territory. This situation underscores the need to strengthen regionally targeted innovation policies aimed at fostering a more balanced geographical distribution of entrepreneurial activity and encouraging the emergence of new startups across various regions of the country.

5. Challenges Facing Startups in Algeria

Over the past years, numerous challenges facing startups in Algeria have been identified. The Algerian state has undertaken several measures to address many of these challenges, particularly in the legal and regulatory domain. Notable actions include the issuance of Executive Decree No. 20-254 and its amending and supplementary Executive Decree No. 25-311, as well as the launch of a national digital platform in 2021 that facilitates the creation of startups and the online acquisition of the "Startup" label. The state has also addressed challenges related to human resource qualifications and competencies through a variety of initiatives. These include the establishment of entrepreneurship development centers within universities, in collaboration with the NESDA agency, and the creation of university-affiliated business incubators. Nevertheless, several challenges continue to confront startups in Algeria, including:

5.1 Financing Challenges

Financing is considered one of the most significant obstacles facing startups in Algeria, particularly due to the limited availability of venture capital and the difficulties in obtaining bank financing, which often requires collateral. These challenges are further compounded by the complex procedures involved in accessing support from various support and financing structures, such as ANADE, CNAC, and ANGEM;

5.2 Technological Infrastructure Challenges

Despite notable improvements in internet speed and coverage, its cost remains relatively high, which negatively impacts the performance of startups that rely on digital platforms and electronic services. Furthermore, weaknesses persist in digital infrastructure, including the scarcity of modern data centers, limited local cloud computing services, and insufficient infrastructure to support the development of digital applications. As a result, startups are often forced to rely on foreign services, which increases operating costs and introduces additional challenges related to data protection, ultimately affecting digital sovereignty;

5.3 Market and Competition Challenges

Startups in Algeria face numerous challenges related to market conditions and competition, which significantly affect their ability to grow and sustain operations. One of the most prominent challenges is the narrowness of the local market compared to global markets. This is particularly critical for startups relying on digital economy–based business models and electronic platforms, which incur high costs for software development and digital infrastructure. The combination of limited market size and high operational costs leads to increased service prices and lower profitability. This reduces the attractiveness of these startups to potential investors and intensifies competition among enterprises for a relatively small customer base. The situation is further complicated by difficulties in accessing international markets. These include regulatory restrictions, limited experience in external expansion, and constraints on foreign currency transfers, all of which hinder startups from scaling beyond domestic boundaries;

5.4 Challenges of Access to Information and Networks

Startups in Algeria face significant difficulties in accessing information related to market research, which limits their ability to make informed decisions and develop products and services aligned with market needs. Moreover, weak integration into professional networks and limited participation in events such as conferences and exhibitions constitute a major barrier. These networks and events are crucial for facilitating the exchange of expertise, building strategic partnerships, and connecting with potential investors and customers. The limited availability or accessibility reduces opportunities for collaboration, knowledge sharing, and innovation, ultimately constraining the growth and competitiveness of Algerian startups.

Conclusion

The reality of startups in Algeria has witnessed a tangible transformation in recent years, both in the legal and regulatory framework and in the number of classified enterprises, as well as in the growing official interest in the knowledge economy. Public authorities have initiated the enactment of clear regulatory texts, introduced specialized support and financing mechanisms, and established a ministry in charge of the knowledge economy and startups. This reflects a clear political will to position this type of enterprise as a lever for economic diversification and for reducing dependence on hydrocarbons.

Among the most important findings of this study is that Algeria has recorded rapid growth in the number of startups, increasing from 115 enterprises in 2022 to 843 enterprises at the beginning of 2025. This represents a notable quantitative development that reflects increasing dynamism in entrepreneurship. The results also revealed the existence of diverse financing mechanisms, such as the Algerian Startup Fund and business incubators, in addition to Islamic financing instruments that may represent a suitable alternative given the nature of this type of project. However, the analysis also showed that this quantitative improvement has not been matched by qualitative progress at the same pace. Algeria remains outside the list of the top 100 countries in the StartupBlink Global Startup Ecosystem Index, despite improving its ranking to the 111th position globally. The study further revealed the persistence of structural imbalances affecting the financing system, weaknesses in advanced technological infrastructure, the narrowness of the local market, difficulties in accessing foreign markets, and a clear geographical concentration of startups in the capital. This concentration reflects regional disparities in the availability of an innovation-friendly environment.

The significance of these findings lies in demonstrating that establishing a regulatory framework for startups alone is not sufficient to build an effective and integrated entrepreneurial ecosystem. Enacting laws and creating support structures represent essential steps. However, achieving real economic transformation remains contingent upon addressing the challenges facing these enterprises. Accordingly, the value of this research lies in highlighting the strengths that can be built upon to develop startups in Algeria, while identifying the challenges and structural imbalances that require strategic interventions in order to enhance the effectiveness of the entrepreneurial environment and ensure its tangible contribution to economic development.

Regarding the proposed hypothesis, the findings largely confirm its validity. A notable development has been achieved at the regulatory and quantitative levels. However, the limited overall quality of the entrepreneurial environment and the weakness of qualitative indicators suggest that the economic effectiveness of these enterprises remains below the desired level.

In light of the foregoing, the following recommendations can be proposed:

- Expanding and diversifying funding sources for startups, encouraging the establishment of private investment funds, while simplifying procedures and reducing the timeframes for reviewing applications;
- Improving the local digital infrastructure, particularly with regard to data centers and cloud computing services;
- Facilitating access to foreign markets by simplifying export procedures and foreign currency transfers, and supporting the participation of startups in international exhibitions and events;
- Stimulating investment in inland wilayas and providing incubators and accelerators outside the capital in order to achieve a more balanced regional distribution of startups.

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