



Challenges for developing social entrepreneurship in Algeria

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Abstract :

Over the last years, the interest for the potential of social entrepreneurship to support and produce economic and social development has increased substantially. Social Entrepreneurship is gaining attention in Algeria in last years, but its growth is still slow. This paper seeks to investigate the reality of social entrepreneurship in Algeria by analyzing its legal context, institutional structures and the challenges faced by social entrepreneurs. We first try to clarify the existing efforts for developing social entrepreneurship in Algeria, then we explore the environment of social enterprise and we describe the phenomenon of social entrepreneurship through its various characteristics in Algeria, and finally we analyze the main challenges faced by social enterprises. The analysis focuses on the legislative framework and some of the components of the ecosystem of social entrepreneurship.

Key Words: Algeria, Social enterprises, Social entrepreneurship, factors of development.

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Introduction:

Social entrepreneurship is a disciplinary field that emerged in the 1980s when Bill Drayton founded Ashoka, when Muhammad Yunus developed microcredit, and when the social economy in Europe evolved towards market models (Barthélémy & Slitine, 2011). The appearance of the concept of social entrepreneurship and its diffusion in the world is encouraged by the decline of the role of the State and the gaps in the provision of social services.

Nearly absent in academic research until the end of the 1990s, social entrepreneurship and social enterprise have become an important research area since then, with a growing number of articles and books devoted to the issue (Huybrechts & Nicholls, April 2012).

Social Entrepreneurship is often defined as the application of the entrepreneurial principles of risk, innovation, and collaboration toward a social, not commercial, goal and many empirical studies have demonstrated the important role of social entrepreneurship, and several scholars have examined its contributions in the economy. Santos find that social entrepreneurship serves as a second invisible



hand in the economy that arises from the concern and moral commitment of individuals and their sense of shared (mutual responsibility) (Santos, 2012).

There are numerous ways to look at the role of social entrepreneurship on economic growth. It creates jobs through its engagement with communities directly. It also employs innovative ways to create value for societies. For example, it can add value to goods produced within communities, hence increasing income for those involved. It also promotes sustainable methods of doing business and gives hope for the future. Social entrepreneurship has an impact on for profit firms as well.

In Algeria, where pollution problem, poverty, and high unemployment present major challenges, social entrepreneurship may be considered as key player to face these challenges. It may be unique way to complement government efforts to make a lasting impact on youth unemployment and other social problems by creating large-scale sustainable employment and fostering entrepreneurial talent (Aliouche & Bonet Fernandez, 2017).

Since independence, Social entrepreneurship in Algeria has evolved slowly and little significant, this is mainly linked to the political and economic conditions of the country. There is no national consensus around the definition of social enterprise, nor is there a single legal structure dedicated to this type of enterprise. However, the principles of solidarity and mutual aid are deeply rooted in Algerian traditions which foster the emergence of social enterprises. Even if some of these organizations do not define themselves as being social enterprises, they have in common an enshrined social (and/or environmental) purpose and drive to deliver social value as well as an enterprise business model. There is also no official statistical data on social enterprise in Algeria.

The aim of this paper is to provide an overview on social entrepreneurship in Algeria and it will focus on various challenges faced by social enterprises. The paper is organized as follows: Section one gives an overview of the definition of the social entrepreneurship, social entrepreneurs and social enterprise; Section two discusses the elements of developing social entrepreneurship; Section three represents the current context of social enterprises in Algeria; Section four discusses the main challenges faced by social entrepreneurs in Algeria.

I. What are social entrepreneurship, Social entrepreneur and social enterprise?

The notions of social entrepreneurship, social entrepreneur and social enterprise are sometimes used in the literature, indiscriminately, although, there are some important differences between them. Also, these three concepts are used almost interchangeably in most of the English-language literature, although the choice of one term rather than another is not neutral (Petrella & Battesti, 2014). In this first section, we discuss the various definitions that have been given to these terms.

For social entrepreneurship, the concept is increasingly being used in a very broad sense (Defourny & Nyssens, 2008) and numerous scholars have attempted to explain the definitions of social entrepreneurship in continuum.



Austin et al. (2006) note that there are various definitions of social entrepreneurship (Austin, Stevenson, & Wei-Skillern, 2006). Dees described that the concept of social entrepreneurship means different things to different people (Dees, 1998). For some, social entrepreneurship is exclusively concerning not-for-profit organizations starting for-profit venture for earned-income. Others may view it to describe anyone who starts a not-for-profit organization. And, some use it to refer to business owners who integrate social responsibility into their operations. Certainly, this perplexity in the concept of social entrepreneurship leads to the difficulty in defining social entrepreneurship. Everyone has attempted to define, but not many of them are the same and the words used tend to depend on the perspective of the author (Sullivan Mort, Weerawardena, & Carnegie, 2003).

Apart from the intricacy of its concept, this new area of academic research with unsettled boundaries has a limited number of literature, that resulted in little consensus on its definitions. This is due to the fact that the definitions of social entrepreneurship have been developed in various domains, such as not-for-profits, for-profits, the public sector, and combinations of all three (Short et al., 2009).

It is also now refers to a wide spectrum of initiatives, ranging from voluntary activism to corporate social responsibility (Nicholls & Cho, 2006). For examples, Austin et al (2006) explain the definitions of social entrepreneurship range from broad to narrow (Austin, Stevenson, & Wei-Skillern, 2006). The broader definitions of social entrepreneurship refers to innovative activity with a social objective in either the for-profit sector, such as in social-purpose commercial ventures or in corporate social entrepreneurship; or in the non-profit sector, or across sectors, such as hybrid structural forms which mix for-profit and non-profit approaches (Dees, 1998). Whereas, the narrow definitions of social entrepreneurship typically refers to the phenomenon of applying business expertise and market-based skills in the non-profit sector such as when non-profit organizations develop innovative approaches to earn income (Thompson, 2002).

Despite differences in definitions, the underlying driver is to create social value, characterized by innovation or the creation of something new. Social entrepreneurship is primarily driven by the social problem being addressed, and a social enterprise should take a format that mobilizes the resources needed to address that problem most effectively. Social entrepreneurship can therefore follow different avenues.

If the definition of entrepreneurship includes the creation of social and economic value it can be applied to both private, entrepreneurial ventures as well as social enterprises (Chell, 2007). The notion of “social enterprise” refers to the “tangible outcome of social entrepreneurship” (Petrella & Battesti, 2014). Thus, companies resulting from social entrepreneurship emerge from citizen initiatives. They produce goods and services independently of the public administration. To do this, they employ employees and partners who participate democratically in work and governance, and they deploy a financial strategy to manage risk and uncertainty (Barthélémy & Slitine, 2011). The purpose of these companies is to



create localized wealth to improve well-being, income and social relations, in addition to culture and innovation.

A social enterprise is a business created for a social purpose – i.e. alleviating/reducing a social problem or market failure – and generating social value while operating with financial discipline, innovation and sustainability.

According to (Dobele, Dobele, & Sannikova) previous findings authors deduce that social enterprise has 3 main characteristics: Firstly, it has a social purpose or purposes. Social enterprises have social aims such as job creation, training or the provision of local services. Secondly, it is achieving the social purpose by, at least in part, engaging in trade in the marketplace. It means they are run as a regular business just with social purpose. Organizations are directly involved in business activity, supplying goods or services to a market and earning incomes as a result. For many social enterprises, being sustainable - in every sense of the word - enables them to become more independent and to reduce any dependency on public grants. It also ensures they can continue to help provide a solution for a social or environmental problem. Thirdly, many social enterprises are also characterized by their social ownership.

In its widespread usage, "social entrepreneur" is the individual and "social enterprise" is the organization. Therefore, social enterprise is an institutional expression of the term social entrepreneur" (Alter, 2007).

The notion of "social entrepreneur" focuses on the individual characteristics of the entrepreneur and his behavior. An Entrepreneur is defined differently by different people but generally refers to someone who recognizes an opportunity and creates business value to fit in by organizing, managing and assuming the risks of the business or enterprise. "An entrepreneur is a person with the vision to see an innovation and the ability to bring it to the market" (The Global Entrepreneurship Index, 2019).

Social entrepreneurs have special traits and a strong ethical fiber. Social entrepreneurs have a vision of the social change, they want to achieve, do take risks to do so, are creative and have leadership skills. By contrast, the notion of "social entrepreneurship" is a way to put more emphasis on the process, on the organizational and collective dimensions of the entrepreneurship.

It should be noted that the figure of the social entrepreneur, the one who undertakes organizations in a context of social and solidarity economy, uses his creativity and his ingenuity to create and diffuse value where market organizations have not invested. On the business side, Porter and Kramer (2011, p. 70) argue that the time when corporations were the only ones that found profitable solutions to social problems is over; now, social entrepreneurs are discovering great opportunities to respond to needs. However, their sustainability depends on their ability to produce shared value and not just social benefit, unlike a public program, for example.

Similarly, Drayton (2002) describes social entrepreneurs as creative individuals with a "powerful new, system changing idea". He considers social entrepreneurship as the result of very special traits shared by only a small



percentage of the population, traits that go beyond altruistic motivation and which affect positive change in the world (Ghalwash, Tolba, & Ismail, 2017). Multiple authors have attempted to dive deeper into the characteristics of the social entrepreneur. Phills et al suggest boldness, accountability, resourcefulness, ambition, persistence and unreasonableness as common traits of effective social entrepreneurs (Phills, Deiglmeier, & Dale, 2008). Thompson et al, meanwhile, identify vision and fortitude as important qualities. Other traits identified in the literature include passion, clarity of purpose, commitment, courage and flexibility and abilities include thinking strategically, taking risks, focusing on customers, thinking like a businessman and having an entrepreneurial mindset (Thompson, Avly, & Lees, 2000).

II. The elements for developing social entrepreneurship:

The development of entrepreneurship involves the existence of entrepreneurship ecosystems consisting of several individual elements that combine in a complex way, the general areas being culture, politics and leadership, finance, human capital, markets, support (Isenberg, 2010, p. 41). Therefore, according the European Economic and Social Committee “the environment and ‘ecosystem’ of the social economy is a major factor that can facilitate the development of social economy entities or can constitute an external barrier to them” (Racolța Paina, 2018, p. 164)

Entrepreneurial ecosystem is “combination of social, political, economic, and cultural elements within a region that support the development and growth of innovative startups and encourage nascent entrepreneurs and other actors to take the risks of starting, funding, and otherwise assisting high-risk ventures” (Spiegel, 2015, p. 50). From the perspective of the authors in the fields of entrepreneurship and organizational theories, the interest in entrepreneurial ecosystem addresses issues such as the availability of financial capital for funding; the existence of support entities – such as business incubators and accelerators, the existence of certain workforce characteristics and cultures in which the risk assumption and innovation are encouraged, and failure is accepted (Roundy, 2017, p. 4) .

Veciana and Urbano consider six large categories of environmental factors that influence social entrepreneurship activities, namely public spending, access to finance and governance effectiveness (formal institutions), respectively social needs, societal attitudes and education (informal institutions) (Veciana & Urbano, 2008, p. 9).

According to (Brouard, Larivet, & Sakka, 2012), There are many elements that can encourage the development of social entrepreneurship. It is possible to categorize these elements into a limited number of items, namely the legal context, support infrastructures, support for social innovation, financing, formation, promotion, and evaluation of the social entrepreneurship. The legal context represent an essential element for developing social entrepreneurship, because The legal forms of existing organizations are rarely suitable for social entrepreneurship. The legal forms used by social entrepreneurs are either the classic form of private



for-profit enterprise, or forms such as associations, foundations, cooperatives or mutual, non-profit organizations and/or participatory mode of governance. Find the right legal form, guaranteeing the possibility of pursuing both objectives economic and social, is therefore a complex question. This is particularly true when it comes to generating profits salespeople intended to finance solidarity actions.

Social entrepreneurship is a relatively young sector that lacks support structures (Johnson, Novembre 2000). There is little infrastructure organized allowing a coordination of concrete actions in the field. The mesh of the territory is insufficient. The assistance programs sometimes exist, but necessarily without A concerted and global approach.

Financing start-up and growth is a challenge for social enterprises. In fact, several sources of funding can exist for a social enterprise. grants, credits, charitable contributions, investments related to a specific program are just a few examples. however, the type of funding a social enterprise is likely to obtain often depends on several factors including its maturity, reputation, legal structure and the availability of a not-for-profit capital market.

The growth of social enterprises is often hampered by the lack of funds or by difficult access to financial backers from the "classic" economy. This situation worries the actors of social entrepreneurship, especially since they are in competition with for-profit companies which have access to this capital.

Technological innovation is recognized both by the world economy and government. Beyond prizes and contests, social innovation needs "concrete" recognition, i.e. support. Social entrepreneurs themselves advocate the opening up of innovation support schemes to social enterprises that innovate differently. They plead also for international collaborations, in order to promote the transfer of knowledge and skills, following the example well-known technology transfers. They claim finally the establishment of a watch on "emerging themes" social entrepreneurship (practices, actors, legislation, etc.). He it is desirable that collective monitoring systems see the day, like what is done for "classic" SMEs in the through professional unions or territorial institutions.

In addition to financial capital, human capital must be able to meet the great expectations of social entrepreneurship: social entrepreneurs must possess the skills of managers in the for-profit economy and, at the same time, master social issues. With a general lack of entrepreneurial culture and specific training for social enterprises in most countries, there are fears of gaps in the managerial skills of the managers of these organizations. One of the main difficulties is to arm social entrepreneurs to move from the creation stage to that of the sustainability of their projects (Johnson, Novembre 2000)

The social entrepreneurship education model consists of two parts, namely one in which students are taught "about" entrepreneurship and social entrepreneurship (focusing on identifying opportunities, social opportunities, types of social businesses, etc.), respectively the second, where the students are coached for these activities, and they are taught entrepreneurship and social entrepreneurship (aimed at developing entrepreneurial skills, more precisely those who "bridge competing



social-welfare, commercial and public-sector logics”) (Pache & Chowdhury, 2012, p. 500). As “entrepreneurship education has to start in the primary schools .., ..., entrepreneurship is above all a mindset.” (Duma, 2014, p. 71) . We believe that, at this level, the first steps towards SE education can be made.

Promote knowledge capitalization an action in social entrepreneurship and the results of research in social entrepreneurship are essential for disseminating knowledge and joins the issue of training.

For-profit entrepreneurship and social entrepreneurship are worlds with sometimes radically different cultures. The first sometimes goes so far as to accuse the second of competition unfair. Promote social entrepreneurship, its vocabulary, its reference frameworks and practices could contribute to better collaboration between the two worlds (Johnson, Novembre 2000). This is all the more important as the development of social entrepreneurship will not happen without the participation of classical economic actors (Fulton & Blau, 2005). It is also a means of attracting the human resources whose social entrepreneurship needs. Even within the industry the social and solidarity economy, social entrepreneurship is sometimes considered a UFO. The market is traditionally there seen as the problem, and non-profit organizations lucrative as the solution. However, social entrepreneurship considers that the market is part of the solution, but not necessarily for all (Edwards, 2008). One immense work of awareness-raising and promotion therefore remains to accomplish.

It is interesting to create and operate social enterprises, but still it is necessary to know what impact they can have on the society (social performance) and at what cost (efficiency, ethics). Here we find the issue of accountability which is of concern for a long time non-profit organizations (Cutt & Murray, 2000). For social entrepreneurs, the impact of their activity can be seen by lives that take a happy turn or needs social services which are met, at least in part. But he is not always clear to demonstrate this impact to investors potential or existing. Moreover, as we mentioned above high, the development of a certain form, very spectacular, of social entrepreneurship has recently raised critical questions about the true social contribution of certain initiatives. Have tools evaluation of the benefits of entrepreneurship social, like the “Social Return On Investment” (SROI), is one of the major challenges of tomorrow. The bet of social entrepreneurship is therefore not yet won: these challenges, the list of which is not exhaustive, are all obstacles to be overcome little by little.

There are many obstacles capable of fostering the development of social entrepreneurship; - The first factor is the lack of funding for social enterprises to accomplish their missions. Financing by external funds (donations) may be subject to significant fluctuations, especially in times of crisis. Therefore, organizations with a vocation are obliged to develop their own resources, for example through Commercial activities.

The second factor is the existence of growing social needs. Indeed, with the State disengagement in many sectors, organizations with a social mission must respond intelligently to increasingly numerous and diversified needs. The



demographic changes, immigration, civil wars, diseases, natural disasters pose long-term social challenges to services. - The third factor derives from the first two. In specific contexts the proliferation and multiplication of organizations with a social vocation, to respond to the social needs, not financed by aid, donations and subsidies, is likely to lead to increased competition and therefore looking for innovative solutions to survive as that organization. - According to Dees (1998) another factor may be the growing market acceptance as a mechanism capable of meeting social needs by appealing to the power of competition. This is justified today by the appearance of a new generation of social entrepreneurs call for “reconciling economic performance and social progress” which makes it possible to say, whatever the case, forced or desired, social entrepreneurship seems to have a bright future ahead of it. - The fifth factor is the call for the use of funds in the social and solidarity sphere in an efficient and more responsible way. The general public and funders have become very demanding with regard to the use of public and private funds (Cutt & Murray, 2000). And this pressure for greater efficiency can lead to the adoption of modes of governance similar to those of private companies (Queinec, 2007).

III. The current context of social entrepreneurship in Algeria:

In Algeria, as in many other developing economies, the government’s inability to response to human needs such as food, housing, healthcare, employment, and other necessities, means that opportunities exist for social entrepreneurship across society. So, entrepreneurial initiatives to find solutions to group problems have existed, but with multiple needs and constraints, varying from access to finance (a main problem across the board in Algeria) to issues of legislation, structure, rights, organization,...

In this section we represent the context and ecosystem of social entrepreneurship in Algeria.

1. Legal forms adopted by social entrepreneurship:

Social entrepreneurship in Algeria takes many modern forms such as associations, cooperatives, and others. But entrepreneurship in its current, contemporary, structured, organized and established form is a recent thing in Algeria, as is the case for the rest of the Maghreb countries (Morocco and Tunisia).

In Algeria, there is no legal form designed specifically for social enterprises, but there are many existing legal forms that they can adopt:

1.1 Social mutual society:

In Algeria, mutual societies are nonprofit organizations whose mission is to carry out solidarity, mutual aid and provide activity to benefit their members. Indeed, Art. 2. of executive decree n° 15-02 of January 4th 2015; defines social mutual societies as “a non-profit legal person governed by private law”.

Resources of mutual societies mainly come from members’ subscription fees, donations and bequests; income from funds invested by the mutual society; and other income. The resources and profits of mutual societies can be allocated to individual and collective benefit, into investments and reserves.



The tasks of mutual societies are limited compared to associations, although the Algerian legislator also defined them as associations and are established according to the same provisions, but they provide services only to their members and those with rights according to the basic law of the profession involved under it.

1.2 Associations:

Associations, have developed in Algeria and have gained ground in several areas long reserved for the State: the provision of services and basic equipment, particularly in rural areas, the fight against illiteracy, the creation and support of development projects, the promotion and integration of women in the economic circuit, the promotion of income-generating activities, etc (Ahmed- Zaïd, Touhami, & Ouelhazi, 2013).

Although some people may not consider associations to be social enterprises, Law no. 12-06, articles no. 29 and no. 31 allow for the possibility for associations to generate an income, on the condition that the allocation of this income must be used to achieve the objectives of the organization. It is therefore possible for associations to meet the criteria we have adopted to define social enterprises, even if some may not recognize themselves as such. NB: associations are forbidden to receive funds from foreign institutions and NGOs, unless they are authorized to do so by the Ministry of Interior, Local Authorities, and Territory Planning.

1.3 Foundations

Foundations are considered as associations of a specific nature and are governed by law 12-06 of 12/01/2012, particularly by its Articles 49 to 55 of Chapter II. This law defines a foundation as private institution created by one or more natural or legal persons, by the devolution of a fund or of goods or rights intended to promote a work or specifically defined activities. Foundations have the same rights and obligations as associations in Algeria (Ahmed- Zaïd, Touhami, & Ouelhazi, 2013).

1.4 Craftsperson and enterprise:

In Algeria, the craft sector benefits from a specific status: people can either choose to adopt the legal personality of an enterprise or work as craftspeople. Any individual who practices a craft activity has the right to be registered as a craftsperson in the register of crafts and trades. Similarly, any enterprise which practices a craft activity, employs a number of employees and is managed by a craftsperson can benefit from the status of craft enterprise. Craftspeople and craft enterprises benefit from incentive measures such as: a simplified tax regime (tax exemption at the beginning of their activity, low VAT rate, etc); an ease of access to loans for the acquisition of raw materials, equipment, tools and operating cost; facilitation for the acquisition of a land.

1.5 Co-operatives:

Cooperatives are the second institution of the social and solidarity economy In terms of the number and abundance of activity in Algeria. The term “cooperative” was used in independent Algeria for the first time through events Agricultural cooperatives in 1970, which are governed by Ordinance N°. 23-72. Currently, there are approximately 1091 An agricultural cooperative that provides



about 34% of the national production of cereals of all kinds, as this type of Cooperatives concerned with agriculture, whether they are specialized in agricultural credit or multi-purpose, are considered better A source of funding for the members involved in it due to the self-monitoring that comes with it, which reduces risks and gives more confidence in its members, and given the success achieved by this type of cooperative, the legislator decided Algeria created other types of cooperatives that differ according to the sector in which they are active.

So it was created Real estate cooperatives according to the decision of January 21, 1978, which includes the model organic law For real estate cooperatives, then the establishment of consumer cooperatives in 1987, in accordance with Order n° 146/87 related consumption cooperatives, and then the establishment of the traditional industry and crafts cooperative in 1997 according to the decree Executive n°. 97/99. And after that, savings and loan cooperatives were established in 2007 pursuant to Law n° 01/07. These cooperatives have contributed to providing various services to their members and solving many obstacles prevent them from performing their activities.

2.Public programs to encourage the creation of social enterprises:

According the Global Entrepreneurship Network, Algeria has been ranked first globally for the number of activities organized in the field of entrepreneurship in 2022 with 2,187 activities. Through these initiatives, the Ministry of the Knowledge Economy aims to “consolidate the spirit of initiative, encourage young scientific elites and also promote the mechanisms and incentives for holders of innovative projects and startup developers,” (Algerian Press Service, 2022). Despite this, efforts and initiatives related to social entrepreneurship are still unclear. As yet, there are no initiatives directed specifically at developing social entrepreneurship.

Since 2013, the Algerian government has been implementing various programs with the objective of building a strategic framework to support local development. These programs often include a dimension related to social economy. They include: PAP-ENPARD (Pilot Action Program for agricultural and rural development), was part of the European initiative ENPARD (European Neighborhood Program for Agriculture and Rural Development) aimed the implementation of Algeria's agricultural and rural development through the development of various projects and initiatives. The overall objective of the program is to improve living conditions by increasing income and employment in rural areas. With the support of partner associations, the program organized training sessions on social enterprise and the wider social and solidarity economy.

The PAJE program (Youth Employment support program) started in 2015 and ended in 2019. It was co-founded by the European Union (providing €23.5 million) and the Algerian government (providing €2.5 million). The main objective of this project was to support employment of youth between 16 and 35 years old, and Support for the creation of activities which favor employability, in particular through the development of the social and solidarity economy.



CAPDEL program (2016) Focused on capacity building of local development actors, the CAPDEL program (Capacity building program for local development actors) promotes transparent local governance, the strengthening of social cohesion and the emergence of local and diversified social enterprises. As such, the program has funded 40 associative projects, especially those which would create employment for young people and women.

The PADSEL-NOA program (2017) (Support Program for Sustainable Local Development and Social Actions in North-Western Algeria) that aims to promote local and sustainable development and social actions in the North Western region of Algeria and contribute to the reduction of social and economic disparities. The program provides training and coaching on social enterprises.

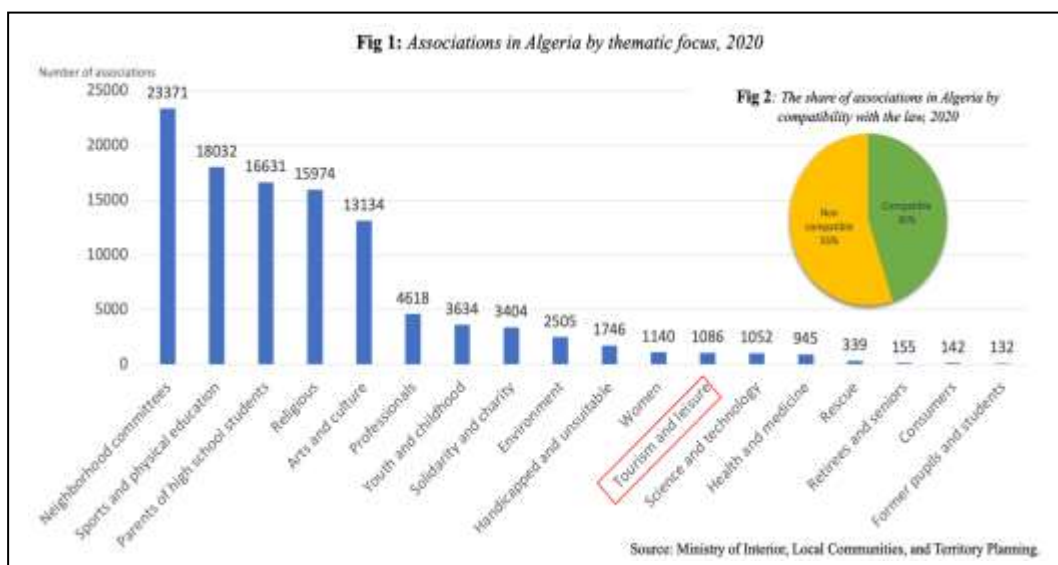
UNDP program (United Nations Development Program) launched In March 2020, and called 'social economy in the service of economic inclusion and social innovation'. This program, aims to support and training to create micro enterprises.

3. Estimate of the number of social enterprises in Algeria:

With no legal status specifically designed for social enterprise in Algeria, and considering the contribution of the informal sector to the national economy, it is difficult to assess the exact number of social enterprises in the country.

Nowadays, Algeria has 180,940 associations in 48 provinces [Fig 1]. Algiers as the capital city hosts a large number of them, with 11,692 associations in different domains. Most of them are concentrated in the northern cities, within the broader region of Algiers, due to the lack of means and material capabilities and the weak education structure in Algeria's southern part in the Sahara desert (Boulassel, 2021).

Fig 1: Associations in Algeria by thematic focus, 2020; and figure 2: The share of associations in Algeria by compatibility with the law, 2020.



Source: Boulassel, S. (2021). Challenges of civil society organizations in tourism in Algeria: a civil participation approach. *Espaço e Economia* (22), p.8



The first thing that reflects the condition of social enterprise in a country is the sheer number of associations. However, in the case of Algeria, this figure does not reflect the actual performance of these institutions in reality. First, 55% of all associations in the country do not follow the rules of association law, implying that less than half of them is legitimate [Fig 2].

For cooperatives, agriculture is one of the most important sectors in which the largest number of co-operatives is concentrated in. The agricultural sector witnessed a great demand for the establishment of agricultural cooperatives, especially after the issuance of Decree n°. 274-20 on September 2020. Where statistics indicate that the number of agricultural cooperatives has reached about 1091. An agricultural cooperative that provides about 34% of the national production of grains of all kinds. This type of cooperative concerned with agriculture, whether specialized in agricultural credit or multi-purpose.

For mutual organizations, At the end of 2019, the Ministry of Labor and Social Security counted more than one million and 300 thousand people involved in social cooperatives in Algeria distributed among 30 mutual and more than 07 million Algerians benefit from it (Berria, 2020-2021).

VI. Challenges faced by social entrepreneurs in Algeria

Those who are interested by developing social entrepreneurship are confronted by many challenges. These challenges differ from country to another. For Algeria, The major challenges which are faced by Social Entrepreneurs are:

1. Social enterprises do not yet have a legal form or framework:

One of the biggest challenge facing the government in Algeria is the lack of legal recognition as to what constitutes a social enterprise and lack of a specific legal status adapted to social entrepreneurship.

The lack of a unifying entity to coordinate and champion social entrepreneurship in Algeria creates further complexity. Social enterprise remains formally undefined. While some businesses are arguably unknowingly social enterprises, others may claim to be social enterprises when in fact they merely undertake a degree of Corporate Social Responsibility (CSR), rather than having a social mission at the core of their practice. Currently, therefore, businesses that claim to be social enterprises have no access to preferential support or to a distinct legal framework (either a distinct legal framework or an additional legal status), since there is no formal distinction between a traditional for-profit enterprise and a social enterprise.

In the other hand, the current legal framework does not encourage the creation of social enterprises. For example, the procedure for establishing and registering an association is extremely difficult. If you decide to create an association, you will find yourself in a huge procedure. The establishment of our association required nearly a year of continuous and diligent work (Boulassel, 2021).

This lack of a formal framework or support is sometimes perceived as a source of fiscal and operational disadvantage for social enterprises. For instance,



public officials do not understand the specificities of social enterprise, leading to inappropriate tax demands and difficulties in accessing conventional finance. Regardless of this perspective, there is also a lack of guidance regarding the legal structures that social enterprises can adopt to help them navigate and surmount the challenges they face.

The experts believe that it has become necessary to adopt a legal framework for the social entrepreneurship, and to adopt a set of reforms for the benefit of cooperatives, associations and other forms of social enterprises. (Tafiani, 2021).

2. Lack in institutional framework:

Existing support structures that are directly related to supporting social entrepreneurship remain insufficient. And as an example of these entities we find :

The "Algerian Center for Social Entrepreneurship" which is created in 2006. This center has as its main objective the search for innovative and entrepreneurs for each social challenge in Algeria. This center undertakes the task of introducing the culture of social entrepreneurship in Algeria, is a clear indication of its desire to encourage young people to move towards this type of entrepreneurship in order to search for creative solutions to the problem of persistent unemployment and the economy of austerity.

A platform has been created in Algeria (Algerian Social Entrepreneurship Space, ASSES) whose role is to develop an environment favorable to economic activities with a strong social impact. This platform acts as a real network, spokespersons for the development of social entrepreneurship in Algeria. Support a generation of entrepreneurs in response to the generation of unemployed. Its role is multiple: communication via social networks, seminars, modules, calls for Euro-Mediterranean projects and their actions; training and support for project leaders, future social entrepreneurs; promoting and supporting incubators and start-ups with a social vocation.

3. Lack of Education in social entrepreneurship:

Higher education institutions offer entrepreneurship course to some students. Institutes of higher education in Algeria often include a focus on entrepreneurship. Public and private universities offer courses on entrepreneurship as part of their curriculum mainly to students pursuing economics and management degrees. On the other hand, students in the sciences, arts and humanities rarely have access to these modules. Special events are often organized in nearly all universities that expose students to prevailing commercial knowledge and entrepreneurship. For example, a recent campaign delivered by the Ministry of Start-ups called 'A Youth, an Idea' encouraged young students to believe in their abilities and to transform their ideas into projects. Specific programs are available on social enterprises.

In addition, most universities have local incubators called 'houses of entrepreneurship'. Their goal is to help students with business ideas realize their projects. In some universities, social enterprise is part of a degree program. For example, the University Mouloud Mammeri of Tizi Ouzou offers a Master program called 'Territorial management and project engineering'. This includes a



comprehensive coverage of the social economy and specializes in social and solidarity enterprises.

Despite the growing focus on entrepreneurship in higher education, social enterprises are yet to receive much attention. In institutions that teach it, the concept is not a syllabus priority, and very few universities offer it as a degree program or specialty. Thus, the education sector still plays a marginal role in the development of social entrepreneurship in Algeria

4. Lack of financial assistance:

One of the major challenges for Social Entrepreneurship in Algeria is Lack of financial resources or assistance. Social Entrepreneurs run their organization generally by their own funds.

Social enterprises face difficulty in accessing funding and developing profitable business models. Most social enterprises rely on personal funding and their turnover rarely exceeds 1 million DZD.

There is an other factor that can limit financing of social entrepreneurship through banks in Algeria which is that loans with interest rate are not to be used by the society, known locally as 'Riba'. For this reason, the government tried to solve this by covering the 1% interest rate in ANSEJ loans. Few interest-free credits have emerged to the surface, but they stay constrained (Sedkaoui, 2018).

5. Lack of government support:

In Algeria one of the major hindrances for social entrepreneurship is "Lack of Government support."

Since the 1990s, the Algerian government has been encouraging young people to create their own enterprises as a way to diversify the economy and reduce unemployment. A series of incentives have been developed through the creation of three agencies, each dedicated to different target populations. These agencies offer non-interest-bearing loans; facilitation in obtaining bank loans with public banks; interest rate subsidies on bank loans; and tax exemptions (e.g. on VAT, custom tax and corporate tax). Government support has largely been supporting enterprises more widely rather than targeted at social enterprises.

Although Algeria has a significant number of structures and programs through which social enterprise can be developed, such as the presence of the Ministry of National Solidarity, the Social Development Agency and the Zakat Fund of the Ministry of Religious Affairs, it has not achieved the required effectiveness so far.

6. Lack of awareness:

Awareness in people plays a vital role in the success of Social Entrepreneurship In any country. In Algeria, there is a big "Lack of awareness regarding social entrepreneurship. The word social is often perceived differently .However; the terminology 'social enterprise' can be misleading or problematic in the Algerian context. Indeed, the word 'social' is sometimes perceived to refer to state hand-outs and to people who rely on welfare.

While principles of solidarity and mutuality are rooted in Algerian culture, there is no consensus on the definition of social enterprise in the country. There is a



misconception surrounding the concept of social enterprise in Algeria, with many confusing them with voluntary work. This unawareness of what a social enterprise is also present among Algerian students. However, more than 50 per cent of the students who were surveyed declared that want their university to play a role in raising awareness and understanding (British council, 2019).

The concept of a social entrepreneur can also be confused with the existence of a social figure named by Mohamed Madoui (2012) “Religious Entrepreneurs” (Entrepreneur) who seeks economic profit through his/her ambition to achieve wealth and social-symbolic profit by caring for the family, especially parents, and giving charity and “zakat for divine reward (Badraoui & Kaddouri, 2021).

Conclusion:

Social entrepreneurship challenges can be traced from at least two perspectives, one of the entrepreneur (as an individual) – focusing on motivation, qualities, knowledge, training, etc., and the other is the process of creating social enterprise, which is strongly conditioned by formal and informal institutions.

The present study adopts the second perspective, our interest being to identify the social entrepreneurship challenges that are given by the environmental factors and the components of the ecosystem of the social enterprises in Algeria.

A first conclusion is that Social entrepreneurship in Algeria is a new and too late event to be accepted as it is and especially as a viable alternative to other forms of social economy. It must be noted that it is difficult to define the scope and limits of social entrepreneurship in Algeria. It is also difficult to determine the weight of this type of leadership in terms of economic importance and job creation. The reason for the difficulty in measuring the reach and impact of social entrepreneurship is due to the types of activities it covers. The lack of visibility of the activities of social entrepreneurship must be sought among other activities, where are the relations and interactions with public policies, because of the importance of the state's intervention in particular, especially in the last two decades, which witnessed a substantial increase in the external revenues of the state. Also, the entrenchment of free public service in the minds of citizens does not stimulate the development of the spirit of social entrepreneurship and taking the initiative, especially since the emergence of social entrepreneurship applications is not in line with an unchangeable social environment.

The second conclusion is that there is no policy framework to support or encourage the creation and development of social enterprises, in Algeria. Local social enterprises have been facing a predicament of choosing the right legal structure to register and operate their respective entities. The deficiency in legal definition and recognition of social enterprise as a distinct form of entity in Algeria resulted in variety of legal forms under which social enterprises are operating governed by different acts and regulations. Another predicament facing local social entrepreneurs in choosing the right entity is related to the “hybrid” nature of social enterprise. Sole proprietorship and partnership registration are considered as the



cheapest and most convenient way to start a social enterprise but it does not warrant the same tax benefits and government incentives that non-profits or charitable entities are receiving. Contrarily, social enterprises that operate as a society, charitable or non-profit entities are facing substantial risk of legal non-compliance if they engage in commercial activities to earn some income in order to sustain their operations and increase their impact. Obviously, the deficiency in legal entity structure limits many social enterprises in Algeria from properly operating thus could inhibit development of the sector.

Another conclusion of this study concerns the access to finance, identified as the major challenge by social entrepreneurs in Algeria. Limited access to financial resources is also a major barrier to the development of social enterprises in Algeria.

The following conclusion is that Algeria, like the majority of developing countries, is early stages of development of social enterprise infrastructure and activity, in particularly with regard to sensitizing key players and arousing the interest of the General public.

A final conclusion of this research is that, once these challenges of social entrepreneurship are identified, it is necessary to carry out further studies leading to a series of possible solutions, considering the increase of the interest for this field in our country, respectively the development of the social economy sector.

Experts are convinced that Algeria has many potentials and areas of activity in which social entrepreneurship can develop, especially since Cooperation and solidarity are among the Algerian traditions and are among the values that characterize the culture in Algeria. Among these areas we find: fair trade, crafts, combating desertification, tourism, especially sustainable and ecological tourism, which represents only tourism in the Mediterranean region. Experts point out that Algeria has important tourism potentials that can be exploited in this field, not through building large hotels on the beaches, but through a tourism approach that respects citizens and the environment. For them, social entrepreneurs represent an influencing creative force that can collaborate with public authorities and private for-profit foundations to bring about public change.

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