Promoting Startups in Algeria - A study from a public policy perspective –

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Khalil ZEGHDI*

University of the eloued (algeria), khalilelouedi@gmail.com.

Abstract

Start-ups are the newly created mechanism to support the national economy in Algeria. This approach cannot be adopted unless a set of general policies are available in the form of requirements and facilities that enshrine the cooperative principle between this mechanism and local communities. This is what we will show through this research paper, through which we will address the problem of Algeria's efforts to develop start-ups and their new innovative projects and present what the 2025 Finance Law has provided through amendments that come within the context of Algeria's vision to enhance the knowledge economy. The content analysis approach was used to interpret the legal texts related to start-ups. The study reached a set of results, the most important of which is that there is a real official interest in these institutions due to their role in driving economic and social development.

Keywords

Start-up;
Public Policies;
Social development;
Finance Law 2025;
Algeria.

ملخص

المؤسسات الناشئة هي تلك الآلية المستحدثة لدعم الاقتصاد الوطني بالجزائر، إذا لا يمكن تبني هذا التوجه ما لم تتوفر جملة السياسات العامة في شكل متطلبات و تسهيلات و التي تكرس المبدأ التعاوني بين هاته الآلية و بين الجماعات المحلية،هذا ما سوف نبينه من خلال هذه الورقة البحثية،التي سنعرج من خلالها إلى إشكالية مساهمة جهود الجزائر في تطوير المؤسسات الناشئة و مشاريعها المبتكرة الجديدة و عرض ما جاء به قانون المالية 2025 من خلال تعديلات تأتي في إطار سياق رؤية الجزائر لتعزيز اقتصاد المعرفة،حيث تم استعمال منهج تحليل المضمون لتفسير النصوص القانونية ذات الصلة بالمؤسسات الناشئة، وقد توصلت الدراسة إلى مجموعة من النتائج أهمها أن هناك اهتمام رسمي حقيقي بهذه المؤسسات لما لها من دور في الدفع بالتنمية الاقتصادية و الاجتماعية.

الكلمات المفتاحية

المؤسسة الناشئة؛
السياسات العامة؛
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* *Corresponding author. E-mail:* khalilelouedi@gmail.com
Doi:

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I- Introduction:

The demand to achieve development in its various fields is a fundamental goal for many official and unofficial stakeholders, especially in the economic field, if this goal cannot be achieved unless a package of procedures and mechanisms are available that the authority approves and puts into effect at the sectoral and local levels, in order to achieve a national economic renaissance. Based on this, the Algerian authority has recently adopted a modern approach that increases the effectiveness of various emerging and innovative projects, by providing appropriate facilities to their owners in order to expand their activity and upgrade their own resources and diversify their products within the framework of devoting the cooperative principle in economic life at the local and national levels, within the framework of supporting social development programs, this is what we will show through this study.

1-Research problem: Through what was mentioned above, the following problem can be raised: To what extent can policies to promote emerging institutions contribute to supporting the national economy in Algeria?

2-Sub-questions: -What is the concept of emerging institutions? -What are the contents of the new trends for developing emerging institutions in Algeria? - How do startup promotion programs support the development of the economic sector in Algeria? - What are the most important amendments introduced by the Finance Law for the year 2025 to promote startups?

3- Study methodology: In our study of this topic, we relied on the analytical approach, through which we aim to analyze some legal texts related to the new trends for promoting startups in Algeria, according to objective interpretations and this in view of reality.

4- Study objectives: - Knowing the backgrounds of the trend towards activating the role of startups in Algeria. - Identifying the new contents in the field of promoting startups in terms of the procedures and measures followed in this regard. - Analyzing the new amendments introduced by the Finance Law 2025 regarding promoting the activity of startups that support the national economy.

5- Study plan: The research can be divided as follows:

1- The intellectual foundations of startups in Algeria.
2- Policies for promoting the areas of cooperation and financing for the startup.
3- Procedures for activating the areas of training and quality improvement for the startup.
4- New policies in the 2025 Finance Law for the development of emerging institutions.

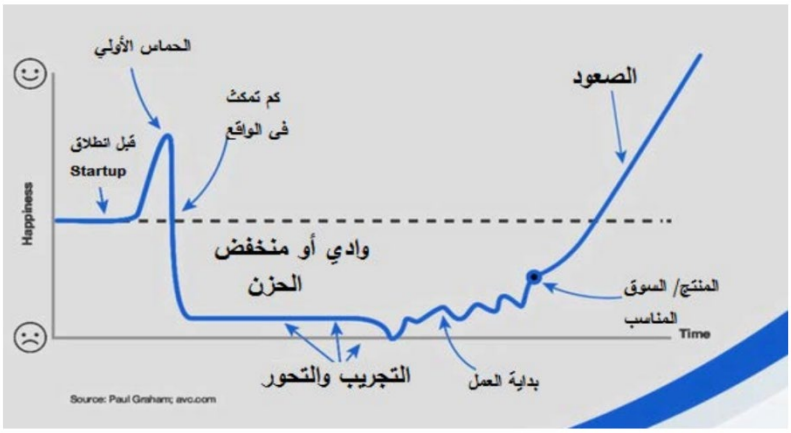
1-The intellectual foundations of startups in Algeria:

through this aspect the foundations on which the start-up institution in Algeria is based.

1-1- Definition of startups :

Most projects arise from an initial idea that is either brought by a customer or comes from within the organization, and such ideas usually crowd out the available resources or funding until they are transformed into effective projects on the ground[1]. This indicates that startups arise from initial ideas that can be embodied and translated into reality according to the available resources. So, a startup is technically defined according to the English dictionary: as a small project that has just started, and the word start-up consists of two parts "star" which refers to the idea of launching, and "up" which refers to the idea of strong growth, and it is also an organization that seeks to market and launch a new product or innovative service targeting a large market, regardless of the size of the company, sector or field of activity[2]. From this definition, it becomes clear to us that the start-up is the young entity that carries ideas to be applied in producing services or products in specific fields, supporting development within its local and sectoral framework, so the state must

accompany and support this effective device by establishing a legal framework and measures that would facilitate its participatory role in driving the wheel of development. This diagram shows the path of the start-up development from its inception to the leadership stage:



Startup Evolution Curve[3].

The start-up development curve We notice through this curve different levels of the start-up development, so that it is stable in the birth stage and then its effectiveness increases, which is the stage of emergence, enthusiasm and proving its existence in the field in which it practices its activity, but there are some obstacles that limit this growth, so it begins to descend to low levels, then stabilizes at this level, then begins to review some of the performances it performs, and here lies the role of the accompaniment it receives from the state, so it starts again to rise, and here its real role in supporting development emerges, and its features appear as a real device that competes with other institutions in its field of activity. Startups are a key player in developing and building smart solutions that add more modernity and effectiveness to the management of local public facilities and thus are a great opportunity for local communities to modernize and improve the quality of service provided to citizens, within the framework of sustainable local development, modernizing local work, improving the living conditions of citizens and strengthening participatory democracy.[4]

Based on this, we can propose a definition of the start-up, as that newly established organization in the field of business, practicing its activity with limited capabilities, seeking leadership and achieving excellence in its production and services, relying on technological requirements in its activities, counting on the support of government agencies at the national and local levels, and this is considered one of the most important mechanisms for developing the local economy, and this trend has been adopted by many countries, and Algeria calls for devoting this proposal within the framework of achieving economic and social development at all levels.

1-2 - Motivations for Startup Development in Algeria:

Executive Decree 20/254 included the establishment of a national committee specialized in granting the label of a start-up and an innovative project to institutions and projects, and enabling them to benefit from support mechanisms, in return for the contributions they make to the national economy, society and scientific research.[5]

It is clear from this legal text that there is an official interest in the start-up institution that frames and supports start-up projects and enables them to benefit from the accompanying mechanisms within the framework of developing the national economy and society and activating the principle of harmony between scientific research and start-up institutions. It can be summarized as follows:[6]

-Preparing and proposing elements of the policy and strategy to promote and develop start-ups, implement them and ensure their follow-up.

-Proposing the legislative and regulatory framework related to start-ups. -Preparing and proposing measures to support innovation, research and development in the field of start-ups.

-The distance in defining the label of "start-up institution".

-Proposing any procedure or measure that encourages the establishment, promotion and development of start-ups.

- Proposing any procedure or measure aimed at improving the competitiveness of start-ups and supporting their development and sustainability.

All these proposals point to the need to structure and establish a regulatory framework that shows and clarifies the start-up as an effective body that deserves support for its development and sustainability.

2- Policies for promoting cooperation and financing for start-ups :

It can be divided into two branches:

2-1- Promoting the cooperative field between official stakeholders and start-ups:

- Encouraging and ensuring the establishment of an integrated system for start-ups consisting of all actors or stakeholders in their various categories.

- Promoting the role of business incubators at the level of this integrated system: universities, specialized incubators, assistant or facilitating intermediaries, start-up nurseries, companies and public operators, banks, research centers and training and cooperative work spaces.

- Establishing a regulatory framework that defines the basic law for start-ups.

- Establishing a national agency responsible for coordinating this system, as well as promoting and supporting start-ups and business incubators.

- Creating spaces for exchange and consultation between the various stakeholders in the system and identifying the main parties of this system.

- Developing the experience of contact points at the level of 48 states in order to ensure the role of facilitator and mediator between start-ups on the one hand, and local communities on the other hand;

- Generalizing institutional incubators, especially those affiliated with universities and local institutions.

- Enriching the electronic platform for start-ups created by the Ministry of the Interior and opening it to holders of innovative ideas to enable them to embody their ideas in the form of real projects.

- Encouraging start-ups to group together in the form of local or national associations and create cooperation networks to unify their efforts.[7]

All these measures illustrate the importance of developing institutions by devoting the principles of cooperation and financing, which are two things necessary for the emergence of the start-up at the local level, and this can only be achieved with the presence of a local administration that opens a space for dialogue and support between it and the start-up within the framework of developing and growing the local economy, and the implementation of this approach remains the responsibility of the local official and the availability of local municipal and state councils with competencies that bear a real will to reach its actual implementation.

2-2-Activating the principle of financing for the benefit of emerging institutions:

- Facilitating start-ups' access to public demand by adapting the specifications that require them to resort to outsourcing with start-ups.
- Reactivating the provisions of Article 87 of Presidential Decree No. 15-247 of September 16, 2015 regulating public contracts and public service delegations, by issuing a decision by the Minister of Finance, programmed in this regard with the aim of supporting small businesses and start-ups.
- Urging ministerial sectors, regional groups and economic institutions to promote partnerships with start-ups and young people with innovative projects.
- Taking incentive measures (tax) to encourage public and private operators to resort to innovative solutions offered by start-ups.
- Giving permanent status to the instruction of the Ministry of the Interior, Local Authorities and Urban Planning addressed to local authorities regarding the allocation of a financial envelope for the year 2020 directed to the acquisition of smart solutions in the field of public service.
- Encouraging ministerial sectors to develop applications that can be integrated into the biometric national identity card.
- Establish a central mechanism to monitor projects carried out within the framework of the partnership between local authorities and start-ups.

- Encourage local authorities to sign expertise agreements with innovative start-ups; - Launch the "First Customer" project, allowing start-ups to obtain a first contract through public request.
- Update the code of public investment programs: municipal development plans, state and municipal budgets, by including new innovative solutions.[8]

The decision maker in Algeria has put in place a package of measures to support emerging institutions, so that the latter can contribute to the development of the public service that the local citizen aspires to, and also participate in turn in supporting local investments through the deals concluded with them to employ expertise and ideas that can be applied in reality, but what has not been clarified through these measures is the nature of the mechanisms that lead to the consecration of the principle of financing institutions.

3- Procedures for activating the areas of training and quality improvement for the start-up:

It can be divided into two branches:

3-1- Development of specialized training and development programs for start-ups:

- Programming the creation of business incubators at the level of the Ministry of the Interior, Local Authorities and Urban Planning, as well as at the level of local authorities, especially the states, in order to help the emergence of start-ups specializing in the field of priority public services (biometric national identity card, local taxation, local budget, waste management, public lighting, etc.).
- Organizing training and coaching sessions for start-ups and business incubators, on topics related to neighborhood public facilities. These training sessions must be held at the level of local administrations and public institutions of an economic and commercial nature responsible for managing the public facility in order to ensure the development of appropriate solutions.
- Reviving the role of business incubators in the field of training and support for start-ups.
- Creating an annual national competition "Best Start-up" with the aim of encouraging innovation in smart solutions with the aim of improving and modernizing neighborhood public facilities.[9]

In fact, training is a basic requirement to improve the performance of cadres and owners of emerging projects, as there must be training courses and awareness days to educate them about the importance of this very important facility, but devoting this goal requires the existence of another legal framework that clarifies and explains the methods of the owners of these projects and the requirements for their benefit from performance improvement seminars.

3-2- Developing international cooperation to improve the quality of performance of start-ups:

- Valuing and benefiting from the expertise of the elite immigrants and the community abroad in the field of supporting and developing start-ups.
- Including the axis of start-ups and innovation in bilateral and joint cooperation agreements and protocols (European Union, African Union, Arab Maghreb Union).
- Including the axis of promoting start-ups in decentralized cooperation agreements.
- Encouraging and supporting the establishment of cooperative relations between Algerian start-ups and their foreign counterparts.
- Creating an annual competition called the Start-up of the Year directed at African start-ups with the aim of enhancing exchange between African countries and promoting the image of Algerian start-ups.[10]

Achieving the principle of cooperation between these institutions and other start-ups depends on the efforts and facilities provided by local communities, by overcoming obstacles and opening spaces for communication and exchanging experiences with them, depending on the nature of each institution and its field of activity, but the problem lies in the lack of a mechanism that mediates between them, and here lies the role of the central authorities in embodying this goal.

4- New Policies in Finance Law 2025 for Startup Development:

4-1- Startup Upgrade Requirements:

These can be summarized as follows:
- A healthy and sound climate must be provided for the growth and development of emerging institutions, starting from the pre-foundation stage to the exploitation and expansion stage.
- Start-ups must be one of the main components of national programs for economic and social development.
- Creating an economic environment that encourages young people to take the initiative to establish such institutions. This economic environment must meet a set of conditions, the most important of which are:
-Eliminating corruption that leads to blocking the principle of equal opportunities and thus leads young people to fear and refrain from investing.
- Combating mediation and favoritism methods that are now considered a condition for young people to be able to obtain loans.[11]

In no way can local groups be the only actor supporting and accompanying these institutions, but civil society must also support these trends within the framework of cooperative work between it and the government in a way that contributes to supporting economic and social development projects.

4-2- New contents to support start-ups in the 2025 Finance Law:

These amendments came within Articles: 10 - 39 - 41 and 42[12], which aim to promote research and development, support startups and business incubators, and improve the business environment in Algeria.

- Article 10: **Support for research and development and open innovation**:

Article 10 provides tax incentives for companies that invest in research and development activities or participate in open innovation programs in cooperation with startups and business incubators. The incentives include a discount of up to 30% of taxable profits, with a maximum of 200 million Algerian dinars per year. This step aims to encourage companies to promote research in the institution or adopt innovative solutions that contribute to strengthening the national economy.

- Article 39: Tax exemptions to support startups:

Article 39 grants exemptions from transfer fees to companies that have obtained the label "startup" or "business incubator" when purchasing assets or real estate designated for industrial activities. This measure reflects the state's commitment to encouraging entrepreneurship and providing a supportive environment for innovation.

-Article 41: **Tax exemptions for establishing companies for the benefit of owners of innovative projects:**

According to Article 41, all contracts are exempted from registration fees related to the establishment of companies established by holders of the "Innovative Project" label. This measure aims to encourage the establishment of companies and promote innovation and entrepreneurship.

-**Article 42**: **Supporting incubators with tax incentives**:

The new amendments include extending the exemption of companies that have obtained the "Business Incubator" label from the Income Tax (IRG) or Corporate Profit Tax (IBS) from two (2) to four (4) years starting from the date of obtaining the label. In general, these measures aim to promote business incubators as a pivotal link in the innovation and start-up ecosystem.

In general, these amendments come in the context of Algeria's vision to promote a knowledge economy and support the transition towards a diversified and sustainable economy. These measures are expected to contribute to strengthening an environment that encourages innovation and attracts investments, thus strengthening Algeria's position as a leading center for business and innovation in the region.

4-3- Prospects for upgrading start-ups:

We summarize them as follows[13]:
- Start-ups contribute to economic development and support various programs related to the social aspect.
- Determining a legislative and regulatory framework that stimulates the start-up sector.
- Achieving the principle of regional balance in development by encouraging the establishment of small enterprises in all regions of the country.

- The necessity of embodying entrepreneurial projects in reality on the ground. - Benefiting from national and international forums in the field of entrepreneurship, as well as from awareness days held by various bodies in this field. Start-ups are one of the most important topics that Algeria has recently placed on its list of programs locally and nationally, but it has become necessary to establish an administrative and legislative system to exploit and develop this very important entity and benefit from it at all levels.

Conclusion:

The need to develop the Algerian economy by contributing to the promotion of emerging institutions has become a basic requirement for both the public policy maker and the academic, as there has been a growing interest in the need to accompany and support these institutions at all levels. Developing emerging projects is one of the major goals of the state in Algeria, according to what has been stated in many legal texts recently.

Based on this, it can be said that local communities cannot in any way be the only actor supporting emerging institutions, but there are other actors that can be relied upon to participate in the advancement of these important entities in activating economic development, including civil society and the private sector.

On this basis, we draw a set of conclusions as follows:

-There is an official orientation and governmental interest in developing emerging institutions by accompanying them.

-There is an official interest in supporting emerging institutions as an important tool in driving the national economy.

-The decision maker in Algeria acknowledges the centrality of emerging projects as a basic supporter in achieving local development.

- The absence of legal texts clarifying the methods of supporting emerging institutions in their activity supporting economic development.

- There is ambiguity in defining the legal framework for the institution bearing the label of a emerging institution.

- The absence of a clear strategy that shows the channels of cooperation and coordination between local communities and the emerging institution.

It has become necessary for the central authorities to provide more legal, administrative and procedural clarifications regarding the process of supporting and accompanying emerging institutions.

As recommendations on this subject, we show them as follows:

- Establishing practical mechanisms to monitor the extent to which the measures and procedures in force regarding cooperation between local communities and emerging institutions are implemented.

- The necessity of highlighting the emerging institution as a party contributing to achieving comprehensive development based on activating the social role of the state. - Establishing a database and a digital platform that shows the partnership and accompaniment programs between the owners of emerging institutions and the official bodies related to the activity of emerging institutions.

- Including topics of developing emerging institutions within the studies and scientific programs in institutes and universities and involving the latter in formulating ideas that further improve these institutions.

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