

Evaluating the Development of Algeria's Startup Ecosystem: Current State and Future Prospects

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Summary: Algeria's startup ecosystem has gained momentum since the 2020 Startup Law and the creation of institutions such as Algeria Venture and the Startup Fund. These reforms show a strong political will to foster innovation and digital integration. However, challenges remain, including limited funding, heavy bureaucracy, and a still fragile entrepreneurial culture. Coordination between universities, businesses, and institutions is also insufficient. Yet, the country holds strong potential through its creative and digitally active youth. The rise of university incubators and international programs like Shiraka offer new opportunities. To succeed, an integrated strategy and cross-sector cooperation are essential.

Keywords: Startup; Algeria; ITC; Reforms; Firm.

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1. Introduction :

Over the past two decades, the global economy has been increasingly shaped by startups small, innovation-driven ventures capable of disrupting traditional industries and fostering structural economic transformation. In both developed and emerging economies, startups play a pivotal role in accelerating digitalization, creating employment, and driving technological progress (Audretsch & Belitski, 2021). Within the Middle East and North Africa (MENA) region, governments have recognized entrepreneurship as a strategic lever for economic diversification and youth employment.

In Algeria, this dynamic has gained traction following the 2020 Complementary Finance Law, which established the country's first legal framework for startups. The reform introduced key mechanisms such as the Startup Label Committee, Algeria Venture accelerator, and the Algerian Startup Fund (ASF). Together, these institutions symbolize a policy shift toward the knowledge economy, aiming to reduce dependency on hydrocarbons and stimulate private-sector innovation (World Bank, 2022.).

However, despite this ambitious framework, several structural weaknesses continue to hinder the consolidation of a coherent startup ecosystem. Bureaucratic rigidity, weak inter-institutional coordination, and an underdeveloped financial system constrain entrepreneurial growth (OECD, 2023). Moreover, Algeria still lacks a critical mass of venture capital, university–industry partnerships, and successful startup role models that could inspire new generations of innovators.

The central problem addressed in this article is the mismatch between Algeria's strong institutional efforts and the limited performance of its entrepreneurial ecosystem. The study seeks to answer the following research question:

- **How can Algeria transform its current startup ecosystem into a sustainable, innovation-driven environment aligned with the principles of the knowledge economy?**

The main objective is to critically analyze the country's policy frameworks, institutional structures, and emerging trends between 2020 and 2025. The study adopts a conceptual and theoretical approach, supported by secondary data from global entrepreneurship reports, government publications, and peer-reviewed literature.

2. Conceptual and Theoretical Framework

2.1 Definition of Startups and the Entrepreneurial Ecosystem

A startup is an emerging company with high potential for innovation and growth, characterized by an evolving business model often centered around digital technology. Startups differ from traditional small businesses in their focus on research and development (R&D), intensive use of technology, and pursuit of venture capital.

The entrepreneurial ecosystem refers to the entire set of actors, institutions, and relationships that enable the creation, expansion, and sustainability of startups: universities, research centers, incubators and accelerators, venture capital, business angels, public authorities, large companies, civil society, and the natural environment. The effectiveness of the ecosystem depends on the fluidity of knowledge, capital, and talent exchanges.

2.2 Methodological Approach

This study adopts a qualitative and analytical research design based on a structured bibliographic review. The methodology relies on secondary data collected from academic articles (ASJP and international peer-reviewed journals), institutional reports (such as the Global Entrepreneurship Monitor and ministerial publications), specialized economic press, and publicly available statistical data. The objective is to ensure a comprehensive and reliable understanding of the entrepreneurial financing ecosystem.

The collected documents were selected according to relevance, scientific credibility, and recency. A thematic content analysis was conducted to classify information into key dimensions: public policy framework, funding and support mechanisms, the role of universities, identified constraints, and development potentials. This approach allows for a systematic comparison between institutional discourse and empirical realities.

The study is organized into structured sections reflecting these analytical dimensions. The final section synthesizes the main findings and provides evidence-based recommendations aimed at improving the effectiveness of financing policies and strengthening the entrepreneurial ecosystem.

3. Public Policies and Institutional Frameworks

3.1 The 2020 Startup Law and the Knowledge Economy

In June 2020, Algeria enacted a complementary finance law that created a specific legal regime for startups. This law defines a startup as an innovative company less than eight years old, generating revenue below 2 billion dinars, and presenting strong growth potential. It introduces the “Startup” label granted by a national labeling committee, essential for benefiting from tax advantages and access to public funding.

The committee includes representatives from the Ministry of Knowledge Economy, universities, and experts. It reviews applications and grants labels to startups, innovative projects, and incubators. This procedure, initially semiannual, had to be accelerated in 2024: in response to the increase in projects (from 6,000 in 2023 to 9,000 in 2024), the committee now meets four times a month instead of two. This intensified pace responds to the enthusiasm of students and aims to reduce evaluation delays.

3.2 The Ministry of Knowledge Economy, Startups, and Micro-Enterprises

Established in 2020 and promoted to a full ministry in September 2022, the Ministry of Knowledge Economy, Startups, and Micro-Enterprises leads national policy in favor of startups. The ministry has launched several initiatives, including:

- Startup label and portal: a website where project holders submit their applications to obtain the label and where statutes and regulatory texts are available.
- University Diploma in Startups and University Diploma in Patent: established in universities to encourage students to create their own businesses.
- Entrepreneur Student Status: allows students to benefit from specific support and adapted educational arrangements to pursue their projects (MEKSME, 2022).
- Entrepreneurship Development Centers (CDE): 84 centers created across the country and about 1,200 offices made available to student entrepreneurs (APS, 2023). These centers provide support, training, and a network of mentors.

The Scientific Council for Artificial Intelligence: a body composed of national experts and members of the diaspora aimed at guiding research and innovation policies (AI Council, 2022).

3.3 Self-Employed Status and Tax Measures

Among the significant reforms is the law on self-employment, adopted to integrate individual entrepreneurs and freelancers into the formal economy. This status offers tax advantages: a reduced tax rate of 5%, lowered to 0.5% in the 2024 finance law, and social coverage. By 2025, a national portal and a National Self-Employment Agency are to be operational (APS, 2024). This measure aims to reduce the informal economy, encourage individual initiative, and prepare entrepreneurs for the formalization of their startups.

3.4 Algerian Startup Fund (ASF) and Innovation Fund

The Algerian Startup Fund (ASF), launched in 2020 with an initial capital of 2 billion dinars, is a public venture capital vehicle. In 2023, authorities increased ASF's capital and announced the creation of the Algerian Innovation Fund in collaboration with foreign investment funds (Derbal et al., 2024). These funds primarily intervene in the seed and startup phases and can take minority stakes in labeled startups. Additionally, the 2020 finance law authorized crowdfunding. An implementing text has been announced to allow platforms to raise funds for startups and innovative projects. Authorities also encourage the creation of private funds and the stock market entry of certain startups (Mebarki & Tadjine, 2024).

3.5 Algeria Venture and Support Programs

Algeria Venture (AVenture) is a public accelerator launched in 2021 to support high-potential startups. Its role is to provide acceleration programs, coworking spaces, mentoring, and connect entrepreneurs with investors. Programs like KickStart, Shiraka (cooperation with the Netherlands), and Blue UP have been added to offer training, boot camps, and international immersion.

In 2023, Algeria hosted the African Startup Conference, which gathered thousands of participants and resulted in the adoption of the Algiers Declaration aimed at energizing the startup ecosystem in Africa. These events enhance Algeria's visibility on the continental stage.

4. Funding and Support Programs

4.1 Public and Private Funding Sources

Access to funding remains a major challenge. Algerian startups primarily finance themselves through:

- Public funds (ASF, Innovation Fund, Wilaya Funds): public funding remains the main source of seed capital. The ASF takes equity stakes, while Wilaya funds (local investment funds) can finance strategic projects.
- Crowdfunding: authorized by the 2020 finance law, this mechanism allows for fundraising via platforms. Its official launch is imminent and should diversify resources (Mebarki & Tadjine, 2024).
- Private venture capital and business angels: still in their infancy. The lack of a clear legal framework for venture capital companies hinders the establishment of foreign investors.
- Grants and public markets: a draft law will allow public enterprises to negotiate directly with startups to access public markets (Draft law, 2024). This measure will provide new financial opportunities in addition to the stock market for certain mature startups.

Despite these provisions, many companies struggle to raise capital. According to several studies (Derbal et al., 2024; Mebarki & Tadjine, 2024), the amounts invested remain low compared to Maghreb ecosystems. Most funding is provided by public mechanisms, while private funds remain cautious due to perceived risk, a weak venture capital culture, and a lack of exits in a still illiquid stock market.

4.2 Support and Acceleration Programs

In addition to funding, the success of a startup depends on support. Algerian programs include:

- University incubators and development centers: 84 incubators have been created to support students and project holders (APS, 2023). They offer entrepreneurship training, prototyping spaces, and legal support.
- Algeria Venture: the accelerator offers intensive programs lasting three to six months and connects startups with foreign investors.
- International programs (Shiraka, KickStart, Blue UP): funded by foreign partners (Netherlands, European Union), they offer training, immersions in foreign ecosystems, and pitch competitions.
- Prototyping centers and intellectual property support: MEKSME covers prototyping costs for student projects and finances patent applications at national and international levels (MEKSME, 2024).

These programs help create a pipeline of young businesses, but the effectiveness of support depends on the quality of mentors, compatibility with market needs, and the ability to access international networks.

4.3 Labeling and University Dynamics

The university dynamic is at the heart of the system. In 2024, the number of innovative projects submitted by students increased by 50%, rising from 6,000 to 9,000. This growth is accompanied by a stronger commitment from universities to entrepreneurship. Minister Noureddine Ouadah emphasizes that Algerian universities are increasingly involved in the national economy: participation by students and vocational training interns is intensifying, and initiatives even target the diaspora (Ouadah, 2024).

The labeling committee now meets four times a month to process applications (APS, 2023). Labeling grants access to public funding and tax exemptions. The minister also notes that all economically viable innovations can obtain funding (APS, 2024), which boosts young entrepreneurs' confidence. Setif University has an incubator and an entrepreneurship development center where many innovative projects are presented (Setif University, 2024). This model is expected to be generalized across all universities. The award-winning projects cover various sectors: robotics and artificial intelligence, medical, automotive, agriculture, etc.

5. Role of Universities, Human Capital, and the Diaspora

5.1 A Young and Creative Human Capital

Algeria has over 42 million inhabitants, with nearly 45% under the age of 25. This youth is connected and familiar with digital technologies. MEKSME has initiated programs to raise students' awareness of innovation from high school and to develop skills in artificial intelligence and robotics (APS, 2023). The government also encourages the involvement of vocational training interns and diaspora skills in the entrepreneurial dynamic (APS, 2024). Algerians living abroad often possess valuable technical and managerial skills for local startups. Programs like "Algeria Venture Diaspora" facilitate mentorship and investment from the diaspora.

5.2 University Incubators and Development Centers

The 84 university incubators created since 2020 play a central role in supporting students (APS, 2023). They provide a one-stop shop for labeling, access to funding, and entrepreneurship training. Thanks to these structures and the 1,200 offices made available, universities are transforming into true innovation hubs. The ministry plans to generalize innovation centers based on the Annaba Innovation Center model, which has become one of the country's innovation poles (APS, 2024). These centers aim to gather all innovators from a Wilaya, promote collaborative work, and host manufacturing laboratories (fab labs) and prototyping platforms.

5.3 Entrepreneurial Culture and University-Business Interaction

Despite progress, the entrepreneurial culture remains insufficiently entrenched. Students often prefer public sector jobs or large companies. To address this, MEKSME and the Ministry of Higher Education organize awareness programs, hackathons, and competitions (Algeria Startup Challenge, Blue UP) to familiarize young people with entrepreneurship. Coordination between universities and businesses remains improvable: there is a lack of research partnerships, difficulties in obtaining internships in companies, and low private sector involvement in mentoring. However, some large public companies (Sonatrach, Sonelgaz) are beginning to collaborate with startups through project calls, especially in the energy sector. Mechanisms for technology transfer and intellectual property must be established to facilitate these relationships.

6. Obstacles and Limitations of the Ecosystem

Despite political commitment and reforms, several obstacles hinder startup growth:

- **Access to Financing:** The share of private financing remains marginal. Commercial banks are reluctant to lend without guarantees, and foreign investors are scarce due to a lack of visibility on exits. Crowdfunding is not yet operational, and public funds are insufficient to meet demand.
- **Bureaucracy and Administrative Burden:** Labeling, business registration, and importing equipment procedures remain lengthy and complex. Multiple authorizations (fiscal, customs) discourage some entrepreneurs.
- **Unstable Legal and Fiscal Framework:** Although the startup law and self-employed status exist, many implementing texts are delayed. Tax laws change frequently, creating uncertainty for investors.
- **Limited Entrepreneurial Culture:** The salary mentality remains dominant, and risk aversion is strong. The lack of local success stories and media visibility on achievements does not sufficiently encourage young people to undertake.
- **Weak Coordination Among Stakeholders:** The ecosystem suffers from fragmented initiatives: universities, incubators, ministries, and public and private enterprises still collaborate little. Many programs are conducted in silos and lack synergy.
- **Digital and Logistical Infrastructures:** Although internet coverage has improved, the quality of broadband and logistical services (delivery, online payment) remains inadequate, limiting the development of e-commerce startups or SaaS services.

7. Potentials and Opportunities

7.1 Digitalization and Digital Transformation

Algeria has seen rapid progress in digital technology in recent years. The widespread availability of fiber optics and the increase in smartphone penetration create a significant potential market for digital solutions. The government initiative Digital Algeria 2030 aims to modernize administration, facilitate e-payment, and encourage innovation in information technology. The upcoming launch of a digital platform for startup services announced by the minister (Ministry,

2025) will connect startups with their clients, improve product and service visibility, and promote B2B interactions.

7.2 International Programs and Regional Cooperation

Openness to international markets presents a major opportunity. The Shiraka program (supported by the Dutch government) offers training and support to Algerian startups. Partnerships with the European Union and the African Union are being realized through the African Startup Conference, hosted by Algeria in 2022 and 2023. Algerian startups also participate in international events (Web Summit, GITEX Africa) where they meet potential investors and partners. These exchanges allow for benchmarking against foreign ecosystems and attracting expertise.

7.3 Diaspora and Foreign Capital

Mobilizing the diaspora is an important lever. Several programs aim to attract skills and capital from Algerians living abroad, whether through direct investment in startups, mentorship, or access to international markets. The ministry emphasizes the importance of mobilizing all skills, whether from the academic world or not, to achieve the goal of 20,000 startups (MEKSME, 2025). Furthermore, the gradual opening of startup capital to foreign investors via the Algerian Innovation Fund could diversify funding sources and transfer know-how.

7.4 Promising Sectors

Several sectors offer opportunities:

- **Information and Communication Technologies (ICT):** development of mobile applications, fintech, e-commerce, and cybersecurity.
- **Agritech and Agrifood:** optimization of the agricultural value chain, smart agriculture, and valorization of local products.
- **Energy and Environment:** solutions for energy transition, waste management, and renewable energy.
- **Health:** e-health, production of local medical devices (example of a microenterprise visited by the minister in Setif (APS, 2025)).

These sectors meet local needs and offer export prospects to Africa and the Middle East.

8. Perspectives and Recommendations

8.1 Towards an Integrated Strategy Based on the Quintuple Helix

To consolidate the startup ecosystem in Algeria, an integrated strategy inspired by the quintuple helix model is recommended:

- **Universities:** strengthen entrepreneurship programs, integrate innovation into curricula, develop incubators, and promote research-industry collaborations. Create entrepreneurial doctoral schools where doctoral candidates work on industrial issues.
- **Businesses and Industry:** encourage large public and private companies to collaborate with startups through corporate venture programs and innovation challenges.
- **Government:** simplify administrative procedures, stabilize the fiscal framework, swiftly implement implementing texts (crowdfunding, public markets), and strengthen incentives for private investors.
- **Civil Society and Media:** promote a culture of innovation and entrepreneurship, highlight success stories, and raise family awareness of the importance of risk-taking.
- **Natural Environment:** encourage environmentally friendly innovations, integrate the circular economy and green technologies into support programs, and assess projects based on their socio-ecological impact.

This framework ensures coherence among the actions of different helixes and promotes synergies for sustainable growth.

8.2 Enhancing Access to Financing

Accelerate the operationalization of crowdfunding: publish implementing texts, authorize local platforms, and encourage individual investors to participate.

Develop private venture capital: clarify the legal status of venture capital companies, allow foreign investment funds, and create tax incentives for business angels.

Internationalize financing: establish partnerships with African and European funds, and use guarantee mechanisms to reduce perceived risk for foreign investors.

8.3 Simplify the Regulatory Framework

Harmonize and simplify business creation and labeling procedures. Introduce online services to reduce delays and limit travel.

Stabilize taxation by guaranteeing a fixed tax regime for startups during their initial years.

Facilitate the importation of R&D equipment by lifting customs barriers and establishing lists of exempted equipment.

8.4 Strengthen the Entrepreneurial Culture

Integrate entrepreneurship from middle school and high school through workshops, clubs, and competitions.

Train trainers: raise awareness among higher education and vocational training teachers about innovation and project management methods.

Disseminate success stories: use public and private media to highlight successful startups and their impacts.

8.5 Promote International Openness

Intensify exchange programs (Shiraka, Erasmus for entrepreneurs, African programs) to expose Algerian entrepreneurs to mature ecosystems.

Establish liaison offices abroad to facilitate startups' access to international markets and attract partners.

Leverage the diaspora by creating an official network of Algerian tech professionals abroad, with incentives for investment and mentorship.

9. Conclusion

Algeria is committed to building a national startup ecosystem capable of supporting economic diversification. The reforms implemented since 2020—startup and self-employment laws, the establishment of MEKSME, the launch of the Algerian Startup Fund, and university incubators—have led to notable advancements: Algeria has improved its position in African rankings and witnessed a 50% increase in innovative university projects over the past year.

However, these results remain fragile. Access to private funding is still limited, bureaucratic hurdles and an incomplete legal framework slow down projects, and the entrepreneurial culture needs further development. The country's potential—represented by an educated youth, a mobilizable diaspora, advances in digital technology, and international programs—serves as a significant advantage.

Achieving the goal of 20,000 startups by 2027 requires a cohesive strategy that synergizes the efforts of universities, industries, government, civil society, and the natural environment. A comprehensive policy approach must prioritize simplifying processes, enhancing funding opportunities, and fostering an entrepreneurial mindset among the younger generation. By addressing these challenges and leveraging its strengths, Algeria can successfully cultivate a vibrant and sustainable startup ecosystem that contributes to its long-term economic growth and innovation.

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