

Startups in Algeria : Reality, Challenges, and Prospects for Economic Transformation

المؤسسات الناشئة في الجزائر: الواقع والتحديات وآفاق التحول الاقتصادي

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Abstract:

the startup sector in Algeria is seeing increased interest, especially with the reforms launched since 2020 to support innovation and entrepreneurship. However, the technological environment and entrepreneurial culture remain weak, limiting the growth of these ventures. Algeria has adopted a new organizational framework that includes a dedicated ministry, a national committee to grant startup status, tax incentives, and a special funding fund. Startups suffer from funding challenges, lack of expertise, and poor coordination between universities and industry. Negative social perception is an additional barrier. However, the Algerian government has provided multiple support mechanisms such as business incubators, business houses, and institutional incubators. These efforts remain a promising step in diversifying the economy and achieving sustainable development away from oil rents.

Keywords: startups-incubators-challenges for startups-enterprise nurseries-economic development

Introduction:

In recent decades, the world has witnessed a radical shift in the concept of economic development, driven by the spirit of innovation and entrepreneurship. Startups have emerged as a new player in the global economic landscape, becoming a major driver of growth and an important source of wealth and job creation, particularly in knowledge- and technology-based economies.

In this context, Algeria has not remained isolated from these transformations, as it has begun to adopt a new economic discourse focused on encouraging creativity and innovation, moving away from the traditional rentier economic model based on hydrocarbon revenues. This approach is consistent with the state's clear political will to diversify the national economy, which has been effectively translated through the issuance of several legal and regulatory texts to govern the startup sector, most notably Executive Decree No. 20-254, which sets the conditions for granting the status of "startup" and the bodies responsible for classifying and supporting them. However, the reality of startups in Algeria still faces numerous structural and regulatory obstacles, as well as cultural, financial, and logistical challenges, which hinder their development and prevent them from becoming a true pillar of sustainable development.

From this perspective, the topic of startups in Algeria is of paramount importance, both in terms of exploring their current reality and the challenges they face, and in terms of analyzing the future prospects for their role in building an innovation- and knowledge-based economy.

To discuss this topic, we pose the following question:

To what extent does the legal and regulatory framework in Algeria provide a stimulating environment for the growth and development of startups, and how effective is it in addressing the challenges that hinder their contribution to diversifying the national economy?

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In this article, we adopted an analytical and inductive approach by studying the legal and regulatory texts regulating the activity of startups in Algeria, most notably executive decree 254-20 on startups, as well as the related implementing decrees. This aims to clarify the content of these legal rules and assess their suitability for the specificity of this type of enterprise.

We also adopted a descriptive and analytical approach to deconstruct the institutional and regulatory framework accompanying these companies and to uncover the challenges facing their development, whether in terms of financing, incubators, or the investment environment. We also adopted a comparative approach by examining some leading international experiences in supporting and promoting startups, with the aim of extracting effective models that will help develop the Algerian economy, in addition, we adopted a critical and propositional approach aimed at providing practical and legal recommendations that would improve the legislative and administrative environment for these companies and enhance their role in economic development and innovation.

To answer the question posed, this article will provide a comprehensive legal analytical reading of the reality and prospects of startups in Algeria, through the following axes:

- Diagnosing the reality of this type of company, with reference to the regulatory framework governing it and the requirements for its establishment and development.
- Shedding light on the national structures and mechanisms dedicated to supporting it.
- Presenting the strategic prospects available to this emerging sector, in contrast to the practical and legal challenges that may hinder its development.

Section I: The Reality and Prospects of Startups

In this section, we will discuss the reality of start-ups and the most important strategies for start-ups, which are considered a stimulus and encouragement for Algerian youth.

A) Regulatory framework for startups in Algeria

The topic of start-ups in Algeria has been one of the most prominent topics in the Algerian business environment recently. However, Algeria has been slow to launch this type of enterprise, particularly in light of the technological backwardness recorded in several sectors, and the absence of a culture of innovation and business creation, not to mention the weak government spending on scientific research and development, which did not exceed 1 percent of the gross domestic product in 2016, ranking 64th globally, and Despite the existence of numerous initiatives to establish start-ups, there is no pioneering experience, and most existing start-ups operate in the field of e-marketing, and they are merely examples of previous experiences worldwide¹.

The topic of start-ups is one of the most highlighted topics in the Algerian business environment recently, the Finance Law includes new tax measures and incentives for start-up owners, especially those active in the fields of innovation and new technologies, by exempting them from the profit tax and value-added tax with the aim of ensuring the development of their performance, which allows for the achievement of sustainable economic development for our country in the medium term.

In January 2020, a Ministry for Small Enterprises, Startups, and the knowledge economy was created, and the executive decree No 20-54 of February 25, 2020, defines the powers of the minister, who is himself the founder of a startup², Startups in Algeria have been one of the most prominent topics in the Algerian business environment recently, However, Algeria has been slow to launch this type of enterprise, particularly given the technological backwardness recorded in several sectors and the absence of a culture of innovation and business creation³.

Although there are numerous initiatives in establishing start-ups, there is no pioneering experience. Most existing start-ups operate in the field of e-marketing, and they are merely examples of previous experiences worldwide.

Algeria, like other countries, has sought to drive growth, achieve parallel development, and prioritize large enterprises within the framework of strategies for major manufacturing industries and growth poles⁴. However, with the changes taking place in global economies, a reconsideration of the development approach has been reached, focusing on enterprises of all types and focusing specifically on start-ups, which are based on development, creativity, innovation, and the search for modern financing methods, This type of enterprise in Algeria is an urgent necessity, especially for the success of many international experiments in this field, following the realization of its importance and significant developmental role as an important tool for achieving the desired economic diversification within the new economic model⁵.

The development of start-ups is linked to the societal cultural outlook, and this makes the Algerian youth who want to invest in this field subject to the surrounding influences. When we see a start-up, we do not give it importance. For example, when young people want to do an internship, they choose and prefer the largest institutions over small ones. The reason is that they believe that the small or start-up institution does not have anything to give or add to them. However, the reality is completely the opposite. The student or the intern can learn many things in start-up institutions instead of large institutions.

Startups do not have a good reputation in Algeria due to this narrow societal and cultural perception. Their owners are often considered to be wasting their time or engaging in worthless activities. However, in other countries, the activities of these start-ups create wealth and provide employment opportunities, for example, 100,000 small start-ups with a monthly income of 200000 euros in Europe represents a huge number in the field of business and employment, as 100,000 small businesses managed by two or three people equal 100,000 jobs⁶.

Executive Decree No. 20_55 of February 25, 2020, regulates the central administration of the Ministry of Startups and the Knowledge Economy, In June 2020, start-ups were separated from microenterprises, and the Minister Delegate for the Knowledge Economy and Start-ups was attached to the Prime Minister. His powers were regulated by Executive Decree No 20-306 of February 15, 2020, defining the powers of the Minister Delegate to the Prime Minister in charge of the Knowledge Economy and Start-ups. A special fund to finance start-ups in cooperation with public banks. The President of the Republic had ordered, during the ministerial meeting, the preparation of an urgent program for start-ups and small and medium-sized enterprises, especially with regard to establishing a special fund or bank directed to finance them and establishing a ministry delegated specifically to start-ups⁷.

Algeria has recently been seeking to change its economic model and move away somewhat from oil revenues, which it has relied on for decades, this has driven the wheel of development and increased interest in and support for startups, especially given the genuine political will of public authorities to diversify the economy and seek alternatives to hydrocarbons. We cannot deny that all these measures only saw the light of day under the leadership of His Excellency the current President of the Republic "Abdelmadjid Tebboune", who in turn organized national sessions specifically for startups, the most prominent of which was held on September 20, 2020, and another on January 26, 2024⁸.

1-The Reality and Requirements of Startups:

The reality of startups is one of the most popular topics in the Algerian business environment, given that startups are primarily based on an innovative idea that is difficult to translate into a productive project, there are a number of reasons, problems, and challenges that stand in the way of their development and the achievement of the objectives for which they were established, given their nature and specificity, on the one hand, and their recent emergence, on the other. This requires some time to create the appropriate framework for their development and support.

To embody the idea of start-ups, a set of requirements must be met, including:

-Startups need an ecosystem with all its institutional and financial components to support and accompany them throughout all stages of their life cycle until they become self-sufficient. Financing is one of the most prominent obstacles facing start-ups in Algeria, whether at the beginning of the project, financing to expand the business, or financing to accelerate growth at a faster rate, therefore, the government has adopted a new approach that differs from the traditional methods based on bank loans, this approach is based on the principle of accompaniment and field participation, through the launch of a special fund to finance start-ups in 2020.

-The need for expertise among startup owners: establishing a startup requires diverse expertise, in addition to a high academic and technical level, and a professional feasibility study for the company's project, this study typically relates to a financial study related to assessing financing needs, how to reach customers, and promoting the product.

-The need for coordination between various development agencies, including universities and research institutions on the one hand, and the production sector on the other, as well as between financing, research, and consulting institutions. Scientific research must be transformed from the theoretical stage to the applied stage in the form of goods and services⁹.

-The need for an accurate feasibility study for projects: If the project feasibility study, its expected returns, costs and risks are based on inaccurate and general information, it will be at risk in the near future of spending a lot of money, effort and time without taking into account the limitations of its capabilities.

-The need to strengthen the role of business incubators, as they help startups overcome administrative obstacles and achieve high growth rates by providing an integrated set of administrative services and consulting in various fields, in cooperation with universities and various research centers¹⁰.

2-Conditions for startups in Algerian legislation:

The provisions of Executive Decree No. 254-20 include a specific definition of start-ups through the following conditions:

-The establishment must be subject to Algerian law, this is a regional standard defined by the provisions of the Commercial Code, which obligates every establishment operating within the national territory to comply with Algerian law¹¹.

-The age of the start-up must not exceed 8 years from the day it first obtained the start-up label, Because the start-up label is granted for a period of four years, renewable once¹².

-The establishment's activity and business must be focused on producing goods and/or providing services, regardless of their nature or type. This is the definition included in the provisions of the guiding law for the development of small and medium-sized enterprises in terms of activity. The activity must include an innovative idea, which contributes to attracting talent and creative ideas. However, it does not specify the criteria for classifying an innovative idea in light of the tensions surrounding the concept of innovation¹³.

-The enterprise's turnover must not exceed the limit set by the competent committee, which is not specified in the provisions of Executive Decree 20-254. In any case, the maximum turnover for granting the status of a small and medium-sized enterprise must not exceed four billion Algerian dinars.

- At least 50 percent of the enterprise's capital must be owned by natural persons, approved investment funds, or other institutions that hold the startup label.

- The enterprise's activity must include significant growth potential, accelerating its exit from the incubation period and contributing to the launch of efficient, growing, and developing projects. This is a characteristic inherent in startups in all countries.

-The number of employees in an establishment must not exceed 250, This is the limit adopted to distinguish between small and medium-sized enterprises and large enterprises. This

indicates the influence of the provisions of Executive Decree No. 254-20 on the concept of small and medium-sized enterprises¹⁴.

3-Regulatory Framework:

Embodying the state's efforts to support and promote start-ups, a regulatory framework has been established for this institutional fabric by establishing a dedicated ministry, in addition to the establishment of a national committee responsible for awarding start-up labels, innovative projects, and business incubators, as will be explained below:

- Ministry of Small Enterprises, Start-ups, and knowledge economy: As part of the state's efforts to advance the start-up sector, the Ministry of Small enterprises, Start-ups, and knowledge Economy was named after an Algerian ministry for the first time. This ministry is the primary official body overseeing this sector in Algeria.

On the other hand, the ministry's organizational structure includes the Start-up Directorate, which is responsible for everything related to start-ups and the Sub-Directorate for the Start-up Ecosystem¹⁵.

- The National Committee for Granting the Startup, Innovative Project, and Business Incubator Label: Pursuant to Decree No. 20-254 of September 15, a National Committee for Granting the Startup, Innovative Project, and Business Incubator Label was established. This committee also contributes to identifying and promoting innovative projects and participating in promoting startup ecosystems¹⁶.

Consequently, the term "startup" and its associated concepts have spread across the world, and in recognition of the important characteristics of this type of enterprise, the Algerian state has also allowed them to emerge in Algeria, providing opportunities for them to operate within clearly defined legal frameworks. At the beginning of 2020, a legal system was issued with a predominantly regulatory character. A series of separate executive decrees were issued instead of a basic legislative law, including those directly targeting startups, the most important of which is Executive Decree No. 20-254 regarding the establishment of a startup, innovative project, and business incubator, defining their tasks, composition, and operation, as well as the conditions for granting each label. And Executive Decrees No. 20-54, which include defining the powers of the Minister of Small Enterprises, Startups and Knowledge Economy, while other legal texts were issued aimed at supporting these institutions¹⁷.

Regarding encouraging investment outside the hydrocarbon sector, the legislature approved in the 2020 Finance Law tax incentives and facilitations for startups operating in the fields of innovation and new technology, exempting them from profit tax and value-added tax (VAT), with the aim of supporting them during the startup phase and ensuring their subsequent development.

The Ministry of Small and Medium Enterprises, Startups, and the Knowledge Economy is working to establish a legal and regulatory framework and define methods for evaluating the performance of startups by developing a roadmap to support and finance these enterprises, involving the stock exchange and venture capital, determining how expatriates can contribute, and implementing tax exemption mechanisms (nearly total) to enable young people to effectively contribute to decoupling the national economy from hydrocarbons and enabling them to play a significant role in the national economy¹⁸.

An investment capital fund was also created with the participation of public banks and the National Agency for the Promotion and Development of Technological Parks with the aim of forming a capital financing company with a holding of more than 49 percent. It was also proposed to create four types of economic zones at the national level, to incubate start-ups and other investments with stimulating financial and tax advantages¹⁹.

The start-up is the sum of human and material resources allocated for the promotion of a creative idea that may be new and existing in markets outside the scope it targets. Its financing

is usually from economic operators such as banks, leading institutions, and supporting governmental bodies²⁰.

B) Startup Support Structures in Algeria:

The start-up support structures in Algeria are as follows:

1- Incubators: According to Article 11 of Executive Decree No. 293-12 of July 21, 2012, which defines the tasks, organization, and operation of the Joint Scientific and Technological Research Services²¹, an incubator is defined as a structure that hosts and supports an innovative project directly related to research. This structure helps the project owner realize and demonstrate the feasibility of its long-term implementation and provides support to project owners in the areas of training, consulting, and financing, accompanying them until the establishment of the enterprise²²

Incubators are also located in research centers, such as the Advanced Technology Development Center, and outside of research entities, such as the incubators of the National Agency for the Promotion and Development of Research and Technological Development and the incubator of the National Agency for the Promotion and Development of Technology Parks in Sidi Abdellah, as well as private incubators such as CAPCOWORK(an Algerian Startup Incubator and Coworking space located in Hydra - Algiers, Designed specifically for young and talented entrepreneurs, students, freelancers...etc. We aim to deliver a unique experience that enhances people development and learning in business), SYLABS(a company active in the fields of entrepreneurship and technology, based in the heart of Algiers since 2015, it provides all the necessary services to entrepreneurs, startups, and tech innovators to help them launch and realize their adventures, and encourage the use of digital technologies in all sectors), and INCUBME(an Algerian project founded by executives and managers of companies in Algeria and abroad, its goal is to enable young people with potential and the desire to create their own business to find the ecosystem that would allow them to achieve their projects)²³

2- Entrepreneurship house: thanks to the partnership between universities and the National Agency for the Development and Promotion of Entrepreneurship, approximately 85 entrepreneurship houses have been established in universities, covering the entire country. These houses have financed several projects in various sectors, such as agriculture, fisheries, construction, and others. They train the largest number of students in the culture and spirit of entrepreneurship, even after the establishment of their companies, by training them in management, human resources, accounting, and all fields, they also focus on improving job opportunities and the spirit of initiative to establish their own companies, facilitating and providing support to them in implementing their business ideas, which leads to the creation of new job opportunities. They also support start-ups by accompanying business owners, providing financial and quasi-financial assistance, and facilitating legal procedures. And listening to the needs of the institution for better partnership and local, regional and national development²⁴.

3- Institutional nurseries: according to Article 2 of Executive Decree No 78-03 dated February 25, 2003, nurseries are considered public institutions of an industrial and commercial nature subject to the supervision of the Minister in charge of Small and Medium-Sized Enterprises. Nurseries come in one of the following forms:

- Incubator: A support structure that supports entrepreneurs in the services sector.
- Succession Workshops: A support structure that supports entrepreneurs in the small industries and crafts sector.
- Institutional Hotel: A support structure that supports entrepreneurs in the field of research.

The mission of the nurseries is to receive, house, and provide support for specific periods of time to active companies and entrepreneurs, such as managing and leasing premises, providing personalized services and advice, and managing the rental of premises, making

premises available to entrepreneurs that are compatible with the nature of the nursery and the needs of the project's activity²⁵.

Business incubators are located in 13 provinces: Adrar, Oum El Bouaghi, Batna, Biskra, Sidi Bel Abbes, Annaba, Ouargla, Oran, El Bayadh, Bordj Bou Arreridj, Khenchela, Mila, and Ghardaia.

The Foundation for the Promotion and Management of Startup Support Structures was also established by Executive Decree No. 20-356, which was named "Algeria Venture" It is a public institution of a commercial and industrial nature. Its relationship with the state is subject to administrative law, and its relationship with third parties is subject to commercial law. The foundation is placed under the supervision of the Minister in charge of start-ups, and it enjoys legal personality and financial independence. Its headquarters are in Algiers, according to Article 1 of decree no. 20-356.

By virtue of this executive decree, the Algerian legislator has distinguished itself with a unique support, as "Algeria Venture" is considered a tool of the public authority to implement the national policy for promoting and managing start-up support structures, according to the content of Article 2. The institution is also subject to the forms of oversight stipulated in the applicable legislation and regulations, pursuant to Article 26 thereof.

Therefore, the existence of this type of institution reinforces the central administrative bodies that assist start-ups.

A close examination reveals the significant involvement of this institution in providing start-ups with everything they need for their establishment, growth, and continuity of activity. It is tasked with strictly implementing the government's policy for promoting and developing start-ups, in terms of its contribution to the establishment of support structures and bodies for these institutions, whether from the perspective of assistance in accessing innovation, information, and funds, as well as providing guidance, concluding contracts, and dealing with national and foreign institutions²⁶.

SectionII: Prospects and Challenges for Startups in Algeria

A) Prospects for Startups in Algeria:

1- The Business Climate for Startups in Algeria: Algeria's interest in startups is recent, especially after the decline in oil prices and the attempt to move toward an economic diversification policy based primarily on enterprises. The method of creating added value and jobs, the trend toward innovation, and encouraging the creation of start-ups generally depends on factors related to macroeconomic aspects and a favorable governance and business environment, adequate financing, and qualified administrative and technological skills²⁷.

The success and development of successful companies depends on a favorable business environment, and the weak activity of startups in Algeria is due to several reasons, which can be summarized in the following points:

The budget allocated to scientific research in Algeria does not exceed 1 percent.

- The absence of a clear policy for innovation in partnership with all stakeholders, including the state, private and public institutions, and universities.

- The weak relationship between universities, research centers, and the economic fabric.

- The absence of statistics on the number of active startups in Algeria.

- The difficulty of finding sufficient funding for innovative startup projects in Algeria.

- The absence of a legal framework regulating the work of startups in Algeria.

2-Prospects for startups in Algeria: Algeria has recently sought to increase interest in and support for startups, especially with the presence of a genuine political will on the part of public authorities to diversify the economy and seek real alternatives to hydrocarbons.

Signs of this interest are embodied in the establishment of a special ministry responsible for startups and the knowledge economy, tasked with developing a roadmap to encourage idea holders to establish their companies and provide all support, both in terms of financing and providing a legal environment for such companies²⁸.

Among the most important measures taken to support startups in Algeria are:

- Establishing a legal, regulatory, and functional framework for starting work, as well as identifying methods and means to evaluate their performance.

- Develop a roadmap for its financing, to include the stock market and venture capital.

- Establishing The roadmap for financing it will include the stock market and venture capital.

- Establishing a special fund to finance startups in cooperation with public banks.

- Establishing a National Innovation Council.

- Developing a roadmap for financing this type of enterprise through the stock exchange and venture capital, identifying how expatriates can contribute, and implementing tax exemption mechanisms.

- Establishing a startup city that will serve as a highly attractive multi-service technology center, strengthening Algeria's position as an African hub for creativity and innovation.

- Undertaking a comprehensive reform of the tax system and all related regulations and tax incentives for private enterprises and small and medium-sized enterprises.

- The 2020 Finance Law includes new tax measures and incentives for startups, particularly those operating in the fields of innovation and new technologies, this includes exempting startups from income tax and value-added tax, eliminating the guarantee for performance improvement, which will enable sustainable economic development for our country in the medium term²⁹.

- During the ministerial meeting, the President of the republic ordered the preparation of an urgent program for start-ups and small and medium-sized enterprises, particularly with regard to the establishment of a special fund or bank dedicated to financing them. He also stressed the need for a "deep reform" of the tax system and all its associated regulations and tax incentives for enterprises, particularly start-ups and small and medium enterprises. The law also includes exemptions from taxes and customs duties during the operating phase, while facilitating these enterprises' access to real estate to expand their investment projects³⁰.

The most important prospects can be summarized as follows:

- Establishing an investment fund dedicated to financing and supporting start-ups

- Establishing a higher council, which will be the cornerstone of the strategic direction in the field of valuing innovative ideas and initiatives and national scientific research capabilities in the service of developing the knowledge economy

- Establishing a legal framework defining the concepts of start-ups and incubators, as well as the terminology specific to the knowledge economy ecosystem, in order to facilitate the procedures for establishing these capabilities. In addition, the process of preparing relevant regulatory texts will lead to a review of existing texts to adapt financing mechanisms to the growth cycle of enterprises and emerging markets

- Transforming the National Agency for the Promotion and Development of Technology Parks into the Ministry of Small and Medium Enterprises

- Transferring the regional technology excellence hub for start-ups, currently being implemented by Sonatrach at the large wind farm "Donia Park," to the Ministry of Small Enterprises, Start-ups, and the Knowledge Economy.

- Enabling innovative project holders and start-ups to benefit from the available spaces within institutions affiliated with the youth and vocational training sectors at the national level.

- Developing local areas for spaces dedicated to start-ups, giving priority to regions with significant potential for innovative project holders, particularly the provinces of Bechar,

Ouargla, Constantine, Oran, Tlemcen, Setif, and Batna, before expanding this effort to the entire national territory.

Finally, and in order to ensure cross-sectoral synergy in implementing start-up development strategies, the Minister of Small Enterprises, Start-ups, and the Knowledge Economy is tasked with ensuring the quantification of contributions provided by all sectors³¹.

Accordingly, the topic of start-ups in Algeria is one of the most highlighted topics in the Algerian business environment recently.

It is worth noting that Algeria has been a little late in launching this type of project, especially in light of the technological backwardness at various levels, in addition to the weak government spending on scientific research and development, which did not exceed 7 percent of the gross domestic product for the year 2016, thus occupying the 64th place at the high level. As for Algeria, despite the existence of some specific initiatives in establishing start-ups, there is still no pioneering experience. It is also noted that most start-ups are active in the field of electronic marketing, and they are merely an imitation of previous experiences in the world, as is the case with the most successful start-ups at the national level, the company Oued Kniss, which is an electronic website dedicated to advertising, launched in 2006, and it is a re-imagining of an idea that was implemented in France³².

B- Challenges Facing Startups in Algeria:

Startups, or what is known as entrepreneurship, face significant challenges in Algeria due to their nature and uniqueness, on the one hand, and their recent emergence, on the other. This requires time to create a suitable environment for their growth and support. It is difficult to transform startups based on an innovative idea into a productive project, given the challenges and obstacles they face that often hinder their success and continuity, so the most important of these challenges are:

1-Financing: financing is one of the most prominent obstacles facing startups. Obtaining financing in various forms represents the most prominent challenge for these companies, whether it is seed funding to launch a company, growth financing to expand their business, or acceleration financing to accelerate their growth. Fortunately, venture capital initiatives, companies, and even growth accelerators have begun to emerge, albeit gradually, to encourage and facilitate access to financing³³, however, this is not enough, as there is still a gap between startups qualified for growth and investors (individuals or companies) who offer their money to invest in them. Financing, although a significant challenge, is not a problem for everyone. Many self-funded companies have rejected financing offers because they did not align with their vision³⁴.

The most prominent challenge facing startups is the difficulty of securing sufficient funding or finding suitable investors to support these projects. Given the young age of many entrepreneurs, this in itself poses a significant challenge in gaining the trust of investors due to their lack of experience³⁵. Moreover, the success of any idea requires the presence of an appropriate team of talented professionals capable of developing the product or service, while possessing the ability to learn and evolve to keep pace with the rapid technological and scientific growth we are witnessing³⁶.

2- Small market size: the challenge of marketing a startup's product is a significant one facing these companies. Marketing is the primary goal of the company and ensures its continued revenue generation, thus relying on self-financing. Although startups in Algeria are not numerous compared to other countries, this is justified by the generally small size of the local market.

Several factors play a role in making it small, including population size, internet penetration, ease of electronic payment, and startup cultures themselves. However, given the small size of the market, startups must explore other marketing alternatives, such as e-marketing³⁷.

Startups don't have much time to waste when it comes to getting their products or services to customers, especially for companies trying to make a quick mark, as investors want to see a return on investment on the money they have invested³⁸.

3- Lack of experience among startup owners: establishing a startup requires diverse expertise, a high level of scientific and technical knowledge, and mastery of management fundamentals such as organizational structure, work teams, marketing, and strategy.

If this experience was not available to the owner of the company or institution, he will be forced to acquire it by accepting funding from an investor who has the necessary experience and a public relations network. In this case, he must give him a share of his company. The lack of experience among the owners of emerging companies is also embodied in the lack of a professional feasibility study for the company's project. This financial study assesses the company's financial needs, especially in its early stages. The marketing study focuses on marketing the product and determining the company's financial needs, especially in its early stages. It also examines how to reach customers, introduce the product, and promote it through various means, particularly online marketing. Additionally, a technical feasibility study addresses the company's structure, accurately defining the roles of those assigned to it, and setting long-term goals and strategies for the company³⁹.

4- Teamwork: teamwork and working as a team are of paramount importance to startups and companies, we think that the most successful startups started as teams, this challenge may initially arise from the fact that the company lacks a human resources department responsible for recruiting employees. Instead, the process begins with searching through acquaintances and asking them to recommend certain employees. This is where favoritism comes in, affecting the principle of hiring based on competence. Startups often struggle with their inability to quickly secure a suitable employee to complete an urgent project. They may publish several advertisements, but as long as the company is a startup that not many have heard of, the advertisement will not be visible to those truly interested⁴⁰.

5-The technological challenge: technological innovations are accelerating at an unprecedented pace. Every day, something new emerges, especially in artificial intelligence and machine learning in their various manifestations. Each leap forward opens up new opportunities while threatening old business models⁴¹. Statista company predicts the global AI software market will reach \$126 billion by 2025. Future-oriented startups must adapt to technological advancements in terms of:

- Keeping up with rapid technological changes: Startups must keep pace with the ever-evolving technology landscape to remain competitive.

- Integrating artificial intelligence: artificial intelligence into business processes and decision-making can be a challenge for startups, but it's something they must overcome to remain relevant.

- Cybersecurity Threat: Protecting sensitive data and ensuring cybersecurity measures are in place is critical for startups and is another challenge they must adapt to.

6-The Challenge of maintaining quality: this is extremely important if startups want to maintain their presence, and to overcome this challenge, startups must work on acquiring and retaining customers through:

- Understanding customer needs: Startups must conduct comprehensive market research to understand customer preferences and needs.

- Providing an exceptional customer experience: Providing a seamless and personalized customer experience is vital for startups.

- Product-market fit: identifying the right target market and ensuring product-market fit is a challenge for startups.

- Continuous innovation: Staying ahead of the competition requires a commitment to continuous product development and innovation.

7- The Challenge of Patience: this is perhaps the most important challenge, which is being patient when faced with problems, not giving up in the face of obstacles, and continuing to search for solutions, to overcome any failure that an entrepreneur may encounter, as it is natural for every project to face challenges in its early stages, and this is where the company owner's ability to overcome them and transform stumbling blocks into steps on the ladder of success and excellence becomes apparent. Therefore, start-ups in Algeria suffer from a number of shortcomings and face numerous challenges that hinder their development.

- The novelty and limited nature of the start-up concept in Algeria
- The lack of qualified human resources and their lack of sufficient background in entrepreneurship in Algeria, which faces numerous difficulties and challenges, particularly regarding the lack of creative and innovative ideas.
- Weak financing and a lack of venture capital for investment.
- Bureaucratic procedures and a failure to keep pace with legislation and laws.
- Lack of productivity and a failure to conform to international standards, which renders Algerian products unable to enter major markets due to their weak competitiveness⁴²
- Weak government spending on scientific research, as well as the disconnection of universities and scientific research centers from the real world.
- Technical backwardness and a failure to keep pace with developments in the global business environment (electronic payment and e-commerce)⁴³

The topic of start-ups and business incubators has been one of the most popular topics in the Algerian business environment recently. It should be noted that Algeria was somewhat late in launching this type of project due to the poor economic and social conditions that prevented widespread awareness of such initiatives contributing to economic and social development.

- The delay in issuing laws and decrees regulating the activity of business incubators and nurseries until 2003.
- The ambiguity of the concepts of business incubators, particularly within the legal framework, as Algerian law has limited the scope of business incubators to the service sector only.
- The lack of the necessary personnel and competencies to manage and operate such incubators and nurseries.
- Bureaucratic obstacles and impediments that continue to plague public administrations and bodies in Algeria constitute the most significant obstacle to establishing incubators and nurseries.
- Weak coordination between various development agencies, including universities and research institutions on the one hand and the production sector on the other, as well as between funding, research, and consulting institutions.

Conclusion:

it is clear that startups in Algeria represent a strategic option for strengthening the national economy beyond rentierism, especially in light of the current economic challenges and the public authorities' desire to transition to a knowledge and digital economy.

Despite the legislative and regulatory initiatives that have been taken—such as allocating a legal framework for incubators, ratifying the law on startups, and establishing a national fund to finance them—the practical reality reveals a number of legal and institutional shortcomings that continue to limit the effectiveness of these reforms.

In particular, there is a lack of coordination among stakeholders, the ambiguity of some legal concepts, the delay in issuing complementary regulatory texts, and the limited tax and financial incentives compared to countries that have successfully built startup incubator systems. From this perspective, empowering startups requires a thorough and comprehensive

review of the legal framework governing them, along with the adoption of a collaborative approach that integrates economic actors, legal researchers, and innovators. This approach ensures that legislation aligns with economic and technological transformations, establishes an attractive and flexible legal environment that supports the aspirations of young entrepreneurs, and contributes to revitalizing the national economy.

To ensure the consolidation of the role of startups in achieving economic development and providing job opportunities, especially for young people, we offer a set of proposals:

- Reviewing and updating the legislative framework: it means updating the laws related to startups, particularly the Commercial Code and the Investment Code, to reflect the specific nature of these companies in terms of activity, growth, and financing, while establishing a precise and unified legal definition of the concept of "startup."

- Accelerating the issuance of regulatory texts: it includes expediting the issuance of implementing decrees related to the law on startups, particularly those related to financing, incubators, intellectual property, and tax incentives.

- Enhancing tax and financial incentives by granting extended tax exemptions and customs concessions to early-stage startups, in addition to simplifying procedures for accessing the National Fund for Financing Startups and attracting private investment.

- Facilitating administrative and digital procedures: Simplifying administrative procedures for establishing companies and disseminating unified digital platforms for their registration, reducing bureaucracy and saving time and effort for young entrepreneurs.

- Enhancing legal protection for innovation: by reviewing the Intellectual Property Law to ensure effective protection for patents, software, and digital applications developed by startups, while providing fast and effective mechanisms for registering and protecting rights.

- Activating a specialized economic judiciary by establishing specialized divisions for startup disputes within commercial courts, to ensure rapid resolution of disputes and provide a stable and secure legal environment for investment.

- Enhancing the role of universities in supporting entrepreneurship: Encouraging partnerships between academic institutions and startups by supporting applied research and motivating students to create legally-framed innovative projects.

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