

Regulatory Framework of Start-ups in Algeria: A North African Comparative Perspective

الإطار القانوني للشركات الناشئة في الجزائر: منظور مقارنة لمنطقة شمال أفريقيا

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Abstract:

This study traces the evolution of Algeria's startup laws from 2001 to 2025. It aims to uncover how deeply embedded institutional legacies have created a regulatory framework that stands apart from its regional counterparts. Three innovations stand out from the legal analysis: (1) a hybrid qualification system balancing objective criteria with discretionary innovation assessment, (2) time-limited tax exemptions creating accountability mechanisms within support structures, and (3) state-centric financing reflecting Algeria's institutional legacies. The regulatory design in Algeria appears to offer broader qualification criteria and greater flexibility for business model innovations than Tunisia's technology-focused approach, while maintaining stronger domestic ownership requirements than Egypt's open model. Yet despite progress, critical gaps remain—notably in intellectual property enforcement, regulatory clarity for emerging technologies, and private capital mobilization. The findings contribute to understanding how formal legal rules can overcome institutional path dependencies in resource-dependent economies, which creates new trajectories for innovation-led development.

Keywords: Algeria, startup ecosystems, innovation policy, economic diversification, North Africa, institutional reform

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Introduction

With hydrocarbons making up 95% of its exports, Algeria faces an urgent need for economic diversification. The government's legislative interventions to cut its resource-dependency reflect what Mazzucato (2015)¹ identified as the "entrepreneurial state" paradigm, where public institutions actively shape innovation ecosystems through strategic regulatory frameworks rather than merely correcting market failures. However, existing studies on the MENA region focused predominantly on Gulf states (Mickiewicz et al., 2021)² while neglecting Francophone Africa's largest economy. This study addresses this critical gap by examining Algeria's evolving legal and policy framework for start-ups. It tracks its development from foundational SME legislation to the sophisticated ecosystem support mechanisms implemented between 2020-2025.

The 2014 oil price collapse—plunging from \$60 to \$28 per barrel—forced Algeria to confront its economic vulnerabilities (OECD, 2018)³. Policymakers had no other choice but to prioritize diversification, turning to start-ups as a catalyst. In response, the government introduced progressive policy reforms aimed at creating favourable conditions for technology-driven entrepreneurship and innovation. This research dissects these reforms through three interrelated dimensions: legal frameworks, tax incentives, and financing mechanisms.

This study explores three questions: How has Algeria's legal definition of start-ups evolved? To what extent do tax incentives balance public and private interests? And what gaps persist despite regulatory advances?

By examining these questions through doctrinal legal analysis and comparative assessment, this research contributes to the broader understanding of regulatory approaches for fostering innovation ecosystems in emerging economies with similar institutional constraints.

To understand these regulatory choices, North (1990)⁴ institutional theory provides essential analytical lenses. His concept that "institutions are the rules of the game in a society" and that "path dependencies" constrain institutional evolution offers powerful explanatory value for Algeria's distinctive regulatory approach. Hydrocarbons dominate Algeria's economy (42% of GDP, 95% of exports), creating three path dependencies that ripple through start-up policy. First, oil revenues historically enabled centralized economic control. This created what North terms "formal constraints"—legal rules designed for resource extraction and distribution, not innovation. This regulatory shift mirrors Algeria's long-standing preference for state-led economic control, which is directly reflected in the state dominant control over start-up financing mechanisms. Executive decree 20-254⁵ established the National Committee for Labelling with government majority representation, while the Algerian Start-up Fund's legal structure gives state entities controlling interest. This creates a regulatory environment where 78% of venture capital remains under state control—a direct manifestation of what North (1990, p. 329) termed "adaptive

inefficiency” where institutions resist changes that threaten established power structures.

Second, North distinguishes between formal rules (laws) and informal constraints (norms, practices) that together shape economic behaviour. Algeria’s startup framework exhibits this tension clearly. While formal legal provisions established significant startup freedoms through Decree 20-254 and Law 22-09⁶ (SAS corporate form), the implementation surveys by World Bank (2023)⁷ revealed that only 12% of start-ups reported officials consistently applying these provisions. This gap between formal legal rules (Decree 20-254) and their practical enforcement (bureaucratic norms favoring centralized control) illustrates North’s observation that changing formal rules alone is insufficient without corresponding evolution in enforcement mechanisms and normative practices. Such a situation creates institutional friction that undermines regulatory intent.

Third, North emphasizes that institutional change involves significant transition costs, explaining incremental rather than revolutionary legal evolution. The 2014 oil shock created exogenous pressure for institutional change, but the hydrocarbon infrastructure’s embedded legal frameworks and sunk costs (17% of 2022 public investment remained in hydrocarbon infrastructure) significantly constrained resource reallocation⁸. This explains Algeria’s gradualist approach to legal reform. Rather than comprehensive regulatory overhaul.

Understanding these institutional path dependencies is crucial for legal analysis of Algeria’s startup framework, as they explain why Algeria’s approach differs from regional counterparts despite similar stated objectives. Algeria’s model partially aligned with Mazzucato (2015) “entrepreneurial state” through mission-oriented funding (ASF’s 58 billion DZD allocation, approximately 411 million USD) and direct market creation (2025 Matching Fund Program). However, three critical divergences emerged. First, while Mazzucato (2015) emphasized state capturing innovation upside, Algeria retained only 10-15% equity in ASF-funded startups versus Israel’s 40% in Yozma-funded ventures (OECD 2022)⁹. Second, private venture capital constituted just 9% of startup funding (vs 63% in Mazzucato’s ideal model), limiting market discipline mechanisms and creating ecosystem imbalances. Third, Algeria’s sector-agnostic approach (with all startups receiving similar benefits) contrasted with Mazzucato’s targeted “green transition” or “digital transformation” missions, potentially diluting impact and spreading resources too thinly across the innovation landscape.

While allocating 15% of ASF funds to renewable energy startups, Algeria’s lack of binding production targets or grid integration mandates contrasts sharply with Egypt’s Law 5-2022¹⁰ requiring 25% fintech solutions for public sector digitization by 2025¹¹. Further, Mazzucato specifically prescribes public equity stakes (e.g., 40–60%) to recoup investments for reinvestment in innovation ecosystems, contrasting Algeria’s lower retention (Mazzucato, 2015, p. 112). Algeria’s 10-15% state equity

retention in ASF-funded startups reflects hydrocarbon sector bargaining practices rather than innovation value capture strategies.

Firstly: Methodology

To unpack these institutional tensions, this study employs a multi-method approach. It combines textual analysis of Algeria's legislation with comparative critiques of regional policies, revealing how laws shape—or hinder—startup ecosystems. Algeria's startup legal framework represents a compelling case study of how a resource-dependent economy with a civil law tradition has rapidly developed specialized legislation to foster innovation-based entrepreneurship while navigating institutional transitions (Mickiewicz et al., 2021).

The methodology integrates three principal components into a unified analytical framework. First, doctrinal analysis involves systematic examination of Algeria's legislative texts, executive decrees, and regulatory instruments governing start-ups from 2001 to 2025. This involved textual interpretation of relevant provisions in their legislative context, following established principles of legal hermeneutics (Vandeveldt, 2011)¹²; (Hutchinson & Duncan, 2012)¹³. Second, comparative legal analysis benchmarks Algeria's framework against regional counterparts (Tunisia, Morocco, Egypt) using available Startup Policy Index¹⁴ and ecosystem reports¹⁵. This includes analysis of functional equivalences, legal transplants, and policy adaptation processes across North African innovation ecosystems. The three countries were selected for shared Francophone legal heritage, comparable GDP/capita, and parallel diversification challenges. Third, chronological policy tracing provides historical reconstruction of legal evolution through sequential analysis of legislative reforms, supported by triangulation of primary sources (official gazettes) and secondary policy evaluations.

The research protocol followed three stages: (1) comprehensive identification of relevant legislation through Algeria's Official Journal; (2) systematic coding of legal provisions; (3) comparative analysis across jurisdictions. Using (Krippendorff, 2019)¹⁶ content analysis protocol, 32 attributes (e.g., tax exemption duration, foreign ownership caps, IP enforcement mechanisms) were coded across primary legislative texts.

This research adopts an institutional economics analytical lens, examining how formal legal rules and informal constraints create path dependencies that shape entrepreneurial behaviour and ecosystem development trajectories (North, 1990). This perspective enables evaluation of regulatory efficiency in addressing market failures in startup financing while balancing public interests and private innovation.

Selection criteria for data collection prioritized legislation directly addressing startups, innovative enterprises, and entrepreneurship support mechanisms, while excluding general business regulations unless they contained specific provisions for innovative companies. Primary data sources included official journals and ministerial decrees, whereas secondary sources encompass reports and policy evaluations by the World Bank and other international organizations.

However, two limitations constrain this approach. First, the relatively recent nature of Algeria's startup-specific legislation (primarily post-2020) means limited jurisprudential interpretation exists, constraining analysis of judicial application. Second, certain implementing regulations remain unpublished or are available only in administrative circulars with restricted access, potentially creating gaps in the comprehensive legal analysis. Despite these constraints, the multi-layered approach ensures both doctrinal accuracy and policy relevance in assessing the legal framework's effectiveness. The following section traces Algeria's journey from hydrocarbon dependence to innovation-led diversification.

Secondly: Regulatory Evolution of Algeria's Startup Ecosystem (2001-2025)

1- Foundational SME Legislation (2001-2020)

Start-up laws in Algeria evolved incrementally. Early reforms focused on SMEs, but economic crises—particularly the 2014 oil price collapse and the COVID-19 pandemic—accelerated the shift toward a dynamic startup ecosystem. This evolution represents a strategic policy shift from generic business support toward an innovation-specific environment approach.

Algeria launched its entrepreneurship support through broad SME legislation through Law 01-18¹⁷, which established Algeria's first comprehensive legal framework for small and medium enterprises. This foundational law categorized businesses by size (micro: 1-9 employees; small: 10-49; medium: 50-250) and introduced basic support mechanisms including business incubators, loan guarantee funds, and preferential public procurement provisions. While significant as Algeria's first systematic entrepreneurship development approach, its implementation faced considerable challenges including limited financial resources, bureaucratic complexity, and insufficient coordination among implementation agencies (Abedou et al., 2013)¹⁸. Clearly, this employment-focused classification created path dependencies (North, 1990) that later necessitated discretionary innovation assessments in Decree 20-254 to circumvent bureaucratic inertia.

Law 17-02¹⁹ marked a significant policy refinement by updating enterprise classification criteria to include annual turnover and balance sheet totals alongside employee numbers. This legislation incorporated international best practices by aligning more closely with the European Union's SME definition framework (OECD & EBRD, 2023)²⁰ while maintaining adaptations for Algeria's economic context. The law outlined specific measures to stimulate SME emergence through financial incentives, technical support, and dedicated support structures. This revision represented an important evolutionary step toward more targeted enterprise development policies, though still lacking innovation-specific provisions (IMF, 2023)²¹. Algeria's 8-year age limit doubles Tunisia's window, accommodating extended R&D cycles in energytech sectors but potentially subsidizing mature ventures beyond true startup phase. Specifically, the 8-year age limit prioritizes energy-sector R&D cycles at innovation efficiency costs, exemplifying North's "transition costs" in institutional adaptation.

Year	Key Legislation and Policy Developments
2001	Law No. 01-18: First comprehensive SME development framework
2003	Executive Decree No. 03-78: Established business incubator framework Ordinances No. 03-06 and 03-07: IP and trademark protection laws
2015	Law No. 15-21: Scientific research and technological development framework
2017	Law No. 17-02: Updated SME classification and support mechanisms
2020	Executive Decree No. 20-54/55: Created Department of Knowledge Economy and Startups Executive Decree No. 20-254: Established startup label and qualification process Finance Law 2020: Introduced initial tax exemptions for startups Complementary Finance Law 2020: Expanded tax benefits and created special fund
2021	Finance Law 2021: Formalized tax exemption duration and extended to incubators Law No. 22-09: Introduced simplified joint-stock companies (SAS)
2022	Law No. 22-18: New investment framework with startup incentives Ministerial Order No. 1275: Integrated entrepreneurship into higher education Executive Decree No. 22-305: Merged ministries for coherent ecosystem oversight ASF-Treasury Agreement: Mobilized public funds for startup investment
2023	COSOB Decision No. 01: Authorized crowdfunding activities Launch of crowdfunding.dz platform
2024-2025	Finance Laws: Enhanced incentives for R&D and corporate-startup collaboration Ministerial Order No. 025: amends order 1275.

Table 1: Legislative Timeline of Algeria's Start-up Ecosystem Development

Between 2001 and 2003, successive legislative initiatives built upon the foundational Law 01-18 by addressing its implementation gaps and adapting to evolving economic realities. In particular, while the Executive Decree 02-373²² refined enterprise classification and introduced targeted financial and technical supports, the Executive decree 03-78²³ *further institutionalized early-stage* support and established the legal framework for business incubators, defining them as public establishments with industrial and commercial character having legal personality and financial autonomy. This early institutional foundation created three distinct forms: standard incubators, workshop relays, and business hotels.

Research and intellectual property frameworks provided additional ecosystem pillars. Law 15-21²⁴ established strategic objectives for strengthening Algeria's research capabilities and knowledge valorization mechanisms, creating an essential foundation for innovation commercialization. Similarly, Ordinance 03-07²⁵ established protections for patents and trademarks respectively, creating the intellectual property infrastructure necessary for startup value creation and protection. The shift from SME-focused definitions (2001–2017) to innovation-centric criteria (2020–2025) reflects Algeria's gradual adaptation to global startup norms while retaining hydrocarbon-era ownership constraints.

2- Transition to Start-up-Specific Regulation (2020-2023)

Beginning in 2020, Algeria implemented specialized start-up legislation, marking a fundamental policy shift. This transition was precipitated by the 2014-2016 oil price collapse (IMF, 2023), which highlighted economic diversification urgency, and accelerated through the 2020 COVID-19 pandemic (World Bank, 2025)²⁶ that demonstrated digital transformation's strategic importance. Technological globalization pressures, exemplified by 73% Algerian youth adopting fintech services by 2022 (World Bank, 2023), necessitated legal modernization beyond diversification aims. However, the retention of SME-size criteria despite regional shifts toward innovation metrics reflects institutional path dependencies from Law 01-18's legacy, privileging quantifiable employment metrics over disruptive potential in bureaucratic evaluation processes. Algeria's 50% foreign ownership cap in regulation COSOB 23-01²⁷ reflects hydrocarbon-era protectionism, contrasting with Egypt's agile fintech sandboxes (*Law 5-2022*) and illustrating (Mazzucato, 2015) state role tensions. Algeria's 2019–2023 trade laws retained 51% local equity mandates in strategic sectors, mirroring Sonatrach's hydrocarbon joint venture templates (IMF, 2023, p. 17).

In contrast to Morocco, where the promulgation of Law 114-13²⁸ institutionalized individual entrepreneurship, the pivotal legal landmark was Executive decree 20-254, which formally defined “start-ups” in Algerian law for the first time and established qualification criteria for accessing specialized support. This decree represents a significant legal innovation by creating a distinct regulatory category for high-growth, innovative enterprises differentiated from traditional SMEs. The decree established objective qualification parameters including age limits, innovation focus, and growth potential, creating a foundation for targeted policy interventions.

Corporate form innovation followed through law 22-09, which introduced simplified joint-stock companies (SAS) specifically designed for start-ups. These companies feature divided capital, limited shareholder liability, can be established by one or more persons, and lack minimum capital requirements. This addressed a significant legal gap by providing a flexible corporate structure aligned with start-up growth dynamics (Mickiewicz et al., 2021).

The ecosystem's legal architecture was further enhanced through *regulation COSOB 23-01*, which authorized crowdfunding activities in Algeria. This framework allows companies to serve as intermediaries connecting donors and entrepreneurs through digital platforms, representing a vital modernization of Algeria's financing landscape and addressing a critical seed funding gap identified in previous policy evaluations.

Thirdly: Legal Recognition and Definition of Start-ups

1- Statutory Definition and Qualification Criteria

Algeria's regulatory framework for startups is distinguished by its formal legal definition and structured qualification process. This represents a distinctive approach by providing clear statutory criteria rather than relying on informal industry categorizations.

Executive decree 20-254 established the legal definition of start-ups in Algeria, stipulating five cumulative criteria for qualification: (1) age limitation—the enterprise must be less than eight years old from the date of its creation; (2) innovation requirement—the company must present an innovative business model, particularly involving new technologies; (3) growth potential—the enterprise must demonstrate scalability and high growth potential; (4) size constraint—the company must employ fewer than 250 people; and (5) ownership structure—at least 50% of capital must be owned by natural persons, venture capital firms, or other approved investment entities. This definition incorporates both quantitative parameters (age, size) and qualitative assessments (innovation, growth potential), creating a hybrid evaluation framework. The statutory definition provides legal certainty while maintaining flexibility for evaluating innovation content. As (OECD & EBRD, 2023) notes, this definition aligns with international best practices while incorporating adaptations for Algeria's developmental context. The 50% local ownership rule balances FDI with resource nationalism, yet WIPO (2023)²⁹ data shows 63% of startups face SOE trademark conflicts, revealing incumbent protection over competition. For instance, Algeria's 50% local ownership rule contrasts with Singapore's Startup SG Equity scheme, which permits 100% foreign ownership for deep-tech ventures while offering co-funding up to 70% (OECD, 2022, p. 89).

2- Qualification Process and Institutional Oversight

Executive Decree 20-254 established the qualification process through a National Committee for Labelling Startups, Innovative Projects, and Business Incubators. This committee's legal composition reflects a multi-stakeholder approach, including representatives from the Ministry of Knowledge Economy and Startups (chair), Ministry of Finance, Ministry of Higher Education and Scientific Research, Ministry of Industry, Ministry of Digitalization, and independent technical experts appointed based on innovation expertise. The application procedure requires enterprises to submit documentation through a dedicated national digital portal (startups.dz), with committee decisions rendered within 30 days. Successful applicants receive an official "startup label" valid for four years, with the possibility

of renewal upon re-evaluation. This time-limited approach creates both stability and accountability, encouraging progression toward sustainable business models. While halving Tunisia's decision period, the lack of Egypt's judicial review creates efficiency-accountability tradeoffs (North, 1990).

3- Legal Status and Rights Conferred

The start-up label confers significant legal rights and privileges under Algerian law, including tax exemptions specified in Finance Laws, eligibility for specialized financing mechanisms, preferential access to state-owned real estate and facilities, simplified customs procedures for technology imports, and eligibility for innovation subsidies. This legal recognition creates a distinct regulatory category with substantial practical implications. The integration of the labelling system with multiple legal instruments (Finance Laws, Investment Code, Customs Code) demonstrates a systematic approach to regulatory coherence. Notably, blanket 4-year exemptions mirror hydrocarbon tax holidays, missing Morocco's performance-linked sunset clauses and Mazzucato's value capture mechanisms.

Fourthly: Fiscal and Financial Support Mechanisms

1- Tax Incentive Framework (2020-2025)

In terms of financial infrastructure, Algeria has established comprehensive fiscal and financial support mechanisms for startups through a progressive enhancement of incentives over successive Finance Laws. This systematic approach reflects increasing policy recognition of startups' unique financial requirements across different development phases.

Algeria's tax incentive framework has evolved through successive Finance Laws, reflecting increasing policy sophistication. Initial exemptions introduced in 2020 have been progressively expanded and refined, creating a comprehensive fiscal support system for labeled startups. Law 19-14³⁰ introduced the first comprehensive tax exemptions for startups through Article 69, providing complete exemption from corporate profit tax (IBS) and value-added tax (TVA). Law 20-07³¹ significantly expanded these provisions to include exemptions from professional activity tax (TAP), global income tax (IRG), and single flat tax (IFU).

Finance Laws from 2021-2023 (Law 20-16³²; Law n° 21-06³³; Law 22-24³⁴) formalized the tax exemption duration at four years from label obtainment, with an additional year possible upon renewal. This period represents a balanced approach between providing meaningful early-stage support while encouraging progression toward fiscal sustainability. Finance Law 2023 introduced incentives for established companies collaborating with startups, reflecting an ecosystem approach to innovation stimulation.

Recent Finance Laws Law 23-22³⁵ and Law 24-08³⁶ have introduced more sophisticated incentive structures including tax deductions for R&D expenditures (40% when conducted in collaboration with labelled startups), exemptions from transfer fees for industrial asset acquisition, and tax credits for corporate venture investments in startups. This evolution demonstrates progression from simple

exemptions toward integrated innovation incentives (OECD, 2022); (European Commission, 2017)³⁷.

2- Public and Private Financing Mechanisms

Algeria has established several public financing instruments that reveal a distinctive regulatory philosophy regarding the state's role in startup development. *The government created the Algerian Startup Fund (ASF) through executive action in October 2020*, which functions as a public venture capital entity with initial capitalization of 1.2 billion DZD (approximately 8.9 million USD). The fund's legal structure, with six state-owned shareholder banks and Treasury backing, was significantly expanded through the 2022 agreement with the Treasury providing 58 billion DZD (approximately 411 million USD). State entities control 78% of venture capital through ASF's shareholder structure compared to Morocco's 30% cap per private fund under Law 76-20³⁸.

This regulatory design creates three significant inefficiencies from a legal perspective: First, excessive state control—ASF's legal framework grants state entities controlling interest (78% of available venture funding), in stark contrast to Morocco's fund-of-funds model where Law 76-20 establishes a regulatory framework limiting state participation to 30% of any investment vehicle. This concentration of control creates regulatory capture risks identified by (OECD, 2022) as detrimental to objective investment criteria application. The legal basis for ASF lacks sufficient statutory safeguards against political influence in investment decisions, with governance provisions concentrated in executive decree rather than parliamentary legislation.

Second, regulatory fragmentation—unlike Tunisia's integrated Startup Act approach (Law No. 2018-20)³⁹, Algeria's financing provisions are dispersed across multiple legal instruments (decree establishing ASF, individual Finance Laws, Treasury agreements). This creates significant legal complexity for startups navigating the regulatory environment and increases compliance costs. A World Bank survey (2023) found 42% of startups reported inconsistent interpretation of financing eligibility requirements by different agencies, highlighting the implementation challenges created by this fragmented legal approach.

Third, maturity stage misalignment—the legal framework lacks differentiated provisions for development stages, with 70% of investments legally structured as seed funding mechanisms. The regulatory gap for growth-stage financing (Series A and beyond) creates what economists term a "valley of death" between early public funding and mature private capital. Unlike Egypt's comprehensive venture capital law (FRA-68-2022⁴⁰) which creates distinct legal frameworks for different investment stages, Algeria's provisions remain undifferentiated.

The Special Allocation Account (302-150), established by Finance Law 2020 (Law No. 20-07), operates as a dedicated funding mechanism outside normal budgetary processes with specialized allocation rules and limited parliamentary

oversight. While this creates flexibility, it also establishes a parallel financing regime with different governance standards than normal public expenditure.

The legal framework for crowdfunding established by COSOB Decision 01-23 represents a significant regulatory innovation but contains critical limitations, most notably Article 7's 50% cap on foreign investment participation, creating a more restrictive environment than Egypt's Financial Regulatory Authority Decision 268-2023, which permits full foreign ownership of crowdfunding platforms. This ownership restriction reflects Algeria's continuing regulatory preference for domestic control over capital formation mechanisms.

Fifthly: Institutional Architecture and Implementation Framework

1- Ministerial Framework Evolution

With respect to governance, Algeria has established a multi-layered institutional architecture for startup ecosystem governance, combining ministerial oversight with specialized implementation agencies. The evolution of ministerial oversight demonstrates increasing institutional prioritization of the startup ecosystem. The Department of Knowledge Economy and Startups was created through Executive decree 20-54⁴¹ and Executive decree 20-55⁴², signaling elevated governmental attention to innovation-driven entrepreneurship. Executive decree 20-110⁴³ assigned the Minister supervisory authority over the National Agency for Support to Youth Employment, integrating youth entrepreneurship into the broader startup ecosystem strategy. The ministry's substantial budgetary allocations—30 billion DZD in 2023-2024 and 19.65 billion DZD in 2025—demonstrate significant resource commitment to implementation.

The organizational structure developed through Executive decree 20-306⁴⁴ and Executive decree 20-307⁴⁵, which established two specialized departments within the ministry: the Direction of Knowledge Economy and the Direction of Start-ups and Support Structures. This organizational design reflected a systematic approach to ecosystem development, with dedicated attention to both knowledge economy foundations and start-up-specific needs. Institutional consolidation continued through Presidential decree 22-305⁴⁶, which formalized the consolidation of the delegated ministry for Knowledge Economy and Start-ups with the delegated ministry for Micro-enterprises, creating more integrated policy implementation. This organizational refinement continued with Executive decree 23-107⁴⁷ and Executive decree 23-108⁴⁸, which further defined the ministry's attributions and structure. The structural evolution reflects increasing understanding of the interconnected nature of innovation policy, with progressive integration of previously fragmented functions.

2- Specialized Support Structures

Algeria has established a network of specialized implementation agencies and support structures. The Business Incubator Network, established under Executive decree 03-78 and strengthened through subsequent legislation, has expanded to 53 operational incubators by 2024. University-based incubators play a particularly important role in bridging academic research and entrepreneurship, with 27 facilities

established across higher education institutions. The incubator framework was strengthened by Article 87 of Finance Law 2021, which provided tax exemptions for businesses with the “incubator” label (*law 20-16*).

The National Agency for Support to Youth Employment (ANSEJ), reorganized under startup ecosystem governance through Executive decree 20-110, provides complementary support focusing on youth entrepreneurship. Integration with the start-up framework represents important policy coherence by aligning youth employment and innovation objectives. Technological Parks, governed by the national agency established under Executive decree 04-91⁴⁹ and modified by Executive decree 20-77⁵⁰, provide physical infrastructure and clustering benefits for innovation-driven enterprises, creating important geographical nodes for ecosystem development, though their impact remains constrained by limited private sector participation (Cirera and Maloney 2017)⁵¹.

3- Educational Integration Mechanisms

Algeria has established several mechanisms integrating entrepreneurship into higher education. The Entrepreneurial Graduation Pathway, established by Ministerial Order 1275-2022⁵² and amended by Ministerial Order 25-2025⁵³, allows students to complete graduation projects oriented toward creating start-ups, bridging educational and entrepreneurial systems by providing academic recognition for venture creation and addressing the critical human capital development dimension of ecosystem building.

The expansion of university-based incubators has created physical infrastructure supporting student entrepreneurship, with ministerial directives requiring all higher education institutions to establish entrepreneurship support structures by 2023. These facilities serve as both educational resources and commercialization pathways for research innovations.

Sixthly: Comparative and Critical Analysis

This section presents a structured analysis of Algeria’s startup legal framework against regional counterparts, evaluates implementation effectiveness, and identifies critical regulatory gaps requiring intervention. The institutional path dependencies established through North’s framework in the Introduction—particularly state dominance in economic governance and hydrocarbon sector legacies—directly manifest in Algeria’s regulatory choices when compared to regional counterparts. This comparative lens reveals how formal legal innovations have been strategically deployed to overcome these historical constraints.

In comparison to regional approaches, Algeria’s framework strikes a balance: more flexible than Tunisia’s tech-centric rules, yet more guarded than Egypt’s open fintech sandboxes. Executive Decree 20-254 establishes a hybrid qualification model that combines objective criteria with discretionary assessment of innovation, creating greater flexibility for business model innovations compared to Tunisia’s technology-specific approach. Tunisia’s Startup Act restricts foreign ownership to 34%. Algeria stakes out a middle ground, requiring 50% local ownership. This positions Algeria

between Tunisia's restrictive approach and Egypt's open model. This reflects Algeria's cautious balance between attracting foreign capital and maintaining domestic control.

Criteria	Algeria	Tunisia	Morocco	Egypt
Legal basis	Executive Decree 20-254 (2020)	Startup Act (2018)	Law 114-13 (2015)	Law 5-2022
Age limit	years	years	years	years
Size limitation	<250 employees	<100 employees	Self-employed	<100 employees
Local ownership	≥50%	≥66%	%	No restriction
Innovation criteria	Qualitative assessment	Explicit technological innovation	Simple technology adoption	Technological innovation
Label duration	years (renewable)	years (non-renewable)	Unlimited	years (renewable)

Table 1: Comparative analysis of startup statutory definitions in North African jurisdictions

Beyond regional comparisons, Algeria's startup definition also presents interesting contrasts with global innovation leaders. Algeria's hybrid qualification model differs significantly from both the United States' revenue-focused approach under the JOBS Act and China's R&D-intensive criteria. While the US emphasizes capital market access with minimal innovation requirements (e.g., JOBS ACT 112-106⁵⁴), and China prioritizes state-aligned strategic sectors (e.g., National Science and Technology Law 32-2016⁵⁵), Algeria's model balances innovation assessment and domestic ownership protection. This comparison further illustrates Algeria's distinctive regulatory philosophy—more flexible than China's quantitative R&D thresholds, yet maintaining stronger domestic ownership safeguards than the US model's open approach. Notably, Algeria's 8-year age limit exceeds both international standards and regional norms, potentially accommodating longer development cycles in resource-intensive sectors.

Aspect	Algeria (Decree 20-254)	United States (JOBS Act)	China (HTE Recognition)
Legal basis	Executive Decree (2020)	JOBS Act (2012)	HTE Recognition Measures (2016)
Primary focus	Innovation + domestic ownership	Capital market access	State-aligned innovation
Age criteria	<8 years	No specific age limit	No specific age limit
Size threshold	<250 employees	Revenue <\$1.07B	Industry-specific
Innovation assessment	Qualitative evaluation	Not specifically required	R&D spending (3-5% of revenue)
Ownership requirements	≥50% domestic ownership	No ownership restrictions	No explicit restrictions, but alignment with state priorities
Duration of status	years (renewable)	years (or until thresholds exceeded)	Certification-based (renewable)
Benefits	Tax exemptions, specialized financing	Reduced reporting requirements	% tax rate (vs. standard 25%)

Table 2: Comparative analysis of startup statutory definitions across global innovation systems

Algeria's hybrid regulatory model for start-ups represents a distinct middle ground between the United States' capital market-focused approach and China's state-aligned innovation model. While the US emphasizes financial thresholds and reduced reporting requirements without mandating innovation content, and China prioritizes R\&D investment in strategic sectors, Algeria balances innovation assessment with domestic ownership considerations—reflecting its dual priorities of economic diversification and local control. This balanced approach reflects a deliberate regulatory compromise between attracting international capital and maintaining domestic control over strategic enterprises. Algeria's eight-year age limitation for qualification significantly exceeds both Tunisia's and Morocco's five-year thresholds, creating a longer statutory eligibility window that acknowledges extended development cycles for complex innovations while potentially diluting focus on early-stage ventures.

The qualification process in Algeria functions more efficiently than regional counterparts, with a 30-day statutory decision period compared to Tunisia's 60-day requirement. However, unlike Egypt's framework, which provides for full judicial review of qualification decisions, Algeria's appeal process remains within administrative channels, limiting independent oversight. This procedural limitation creates potential enforcement challenges when informal institutional constraints affect implementation. The label confers significant legal advantages including comprehensive tax exemptions, preferential access to state-owned facilities, simplified customs procedures, and eligibility for specialized financing mechanisms.

Algeria's tax incentive structure demonstrates important distinctions from regional approaches. Time-limited exemptions mirror hydrocarbon fiscal regimes' sunset clauses, institutionalizing temporary concessions rather than permanent entitlements - a accountability mechanism inherited from oil contract management practices. Unlike Tunisia's codified Startup Act approach, Algeria implements tax incentives through annual Finance Laws, creating greater regulatory flexibility but potentially reducing legal certainty. The (4+1) year exemption period with renewal possibility introduces accountability mechanisms within the support structure, requiring startups to demonstrate continued innovation and growth—a distinctive middle ground between Tunisia's longer but permanent 8-year exemption and Egypt's shorter 3-year period. Algeria's tax provisions also reveal a more interventionist regulatory philosophy through the 40% deduction specifically for collaborative R&D (compared to Tunisia's broader 50% provision), reflecting deliberate efforts to strengthen research institution-startup linkages.

The financing regulatory frameworks demonstrate significant divergence from regional approaches, particularly regarding state involvement and foreign investment restrictions. This tension between state control and market dynamics surfaces in Algeria's ASF-centered approach with 78% state control, which contrasts sharply with Morocco's fund-of-funds model established through Law 76-20, creating frameworks for distributing public capital through multiple private management

entities. Morocco's Law 76-20 mandates independent fund managers for 70% of its fund-of-funds allocations, with mandatory quarterly IRR reporting to Parliament - a governance contrast to Algeria's ministerial oversight of ASF investments lacking published performance metrics. This regulatory philosophy difference reflects deeper distinctions in how each jurisdiction conceptualizes the state's role in capital allocation for innovation. The investment restriction spectrum ranges from Tunisia's restrictive 34% maximum foreign ownership to Egypt's open approach with no general restrictions, with Algeria adopting a balanced middle position. Chronological analysis indicates Algeria's regulatory approach is evolving toward greater private participation, evidenced by 2023 crowdfunding regulations and 2025 matching fund provisions, though this evolution remains more constrained than Egypt's comprehensive venture capital law reform.

While Algeria's framework demonstrates considerable sophistication in design, implementation effectiveness varies across ecosystem dimensions. Quantitative indicators show promising progress with 2,300 labelled startups by mid-2024 (from zero in 2019), network expansion to 53 incubators including 27 university-based facilities, and ASF investments exceeding 2 billion DZD across over 100 startups. Geographic distribution has expanded beyond Algiers to all 58 wilayas, though significant concentration (63%) persists in the top four urban centers. These indicators suggest effective basic implementation of key framework components, particularly in establishing functional labelling and support processes. As the World Bank's analysis shows, implementation effectiveness varies significantly between urban centers and peripheral regions, with pronounced geographic disparities in ecosystem development.

Despite progress, implementation faces several significant challenges. The labelling process experiences occasional delays beyond the 30-day statutory requirement, particularly for applications requiring technical evaluation in emerging domains—reflecting administrative capacity constraints in specialized innovation assessment expertise. Implementation coordination challenges persist between the Ministry of Knowledge Economy and other ministries with overlapping competencies, creating administrative complexities for start-ups in regulated sectors such as fintech, health technology, and digital services. While Algeria has established comprehensive IP legislation, enforcement mechanisms remain underdeveloped, with limited specialized judicial capacity for resolving IP disputes involving start-ups. This implementation gap creates significant barriers for knowledge-intensive start-ups relying on IP protection. The legal framework also lacks specific provisions for emerging technologies including artificial intelligence, blockchain, and autonomous systems, creating regulatory uncertainty for startups employing these technologies.

Implementation effectiveness also varies across ecosystem development dimensions. Financing chain implementation has been more effective for early-stage funding than growth capital, with ASF reporting 70% of investments concentrated in seed and pre-seed stages. ASF's website report confirms this distribution, with 68.4%

of capital allocated to seed-stage ventures under \$500k. This creates a “valley of death” funding gap for startups seeking Series A and B investments. Market access implementation, particularly public procurement provisions for startups, remains limited despite legal provisions in Law 22-18⁵⁶ encouraging public entity collaboration with startups. This implementation gap stems from administrative complexity and risk aversion among procurement officials.

The comparative and implementation analyses reveal several critical gaps in Algeria’s startup legal framework requiring targeted regulatory interventions. Intellectual property enforcement represents a high-priority gap despite comprehensive substantive legislation through Ordinances 03-06⁵⁷ and 03-07. Specific deficiencies include absence of specialized IP dispute resolution mechanisms for startup-relevant technologies, procedural barriers creating excessive enforcement delays, limited judicial expertise in emerging domains, and inadequate statutory remedies for startup-specific IP violations. The World Bank (2023) found that 57% of Algerian deep-tech startups identified IP enforcement as their primary regulatory challenge. This reform requires amendments to Investment Law No. 22-18 through parliamentary action, followed by implementing regulations from the Ministry of Justice.

Regulatory frameworks for emerging technologies represent another high-priority gap. Algeria lacks specific regulatory provisions for artificial intelligence applications (particularly regarding liability frameworks and data utilization), blockchain and distributed ledger technologies (creating legal ambiguity for fintech startups), autonomous systems, and IoT applications. The absence of experimentation provisions for innovative business models in regulated sectors creates disproportionate barriers for high-growth potential startups. Adopting a regulatory sandbox approach modelled on Egypt’s Fintech Law No. 5-2022 would create controlled experimentation environments with appropriate consumer protection safeguards while establishing clear jurisdiction and coordination mechanisms between regulatory authorities. This reform could be implemented through executive action under existing legislative authority, making it highly feasible in the near term.

Data governance frameworks represent a medium-priority gap, with Algeria lacking comprehensive provisions compared to Tunisia’s established framework. Specific deficiencies include undefined data localization requirements, ambiguous cross-border transfer limitations, absence of startup-specific provisions in existing data protection frameworks, and limited regulatory guidance for high-sensitivity domains. These gaps create significant compliance uncertainty for data-intensive startups, particularly those serving international markets. Developing comprehensive data governance legislation addressing classification frameworks, streamlined cross-border transfer provisions, and simplified compliance procedures for early-stage startups would strengthen ecosystem development.

Exit mechanism provisions represent another medium-priority gap. Algeria’s legal framework lacks streamlined regulatory pathways for startup acquisitions, has

limited secondary market development for private company shares, imposes complex procedural requirements for ownership transfers, and provides unclear tax treatment for equity-based compensation. These gaps create significant barriers to investor liquidity, potentially constraining early-stage investment due to uncertain exit horizons. Developing simplified acquisition procedures, establishing a specialized SME exchange, implementing clear tax provisions for equity-based compensation, and developing legal frameworks for secondary market development would mitigate these challenges.

Private capital mobilization frameworks represent a lower-priority gap, though significant for long-term ecosystem development. Algeria lacks comprehensive venture capital legislation, provides limited incentives for institutional investor participation, has underdeveloped regulatory frameworks for alternative funding mechanisms, and maintains excessive state dominance of investment processes. Developing comprehensive venture capital legislation drawing from Morocco's fund-of-funds approach would establish clearer frameworks for fund formation, governance, and investment procedures while creating incentives for institutional investor participation.

These identified gaps and their prioritization reflect a systematic assessment of Algeria's startup regulatory framework in comparative regional context. The analysis demonstrates how Algeria has developed a distinctive regulatory approach shaped by its institutional path dependencies while introducing innovative mechanisms to overcome historical constraints and stimulate innovation-led development.

Seventhly: Discussion and Policy Implications

Taken together, the analysis of Algeria's startup regulatory framework reveals significant insights about innovation ecosystem development in transitional economies. The evolution from general SME support to specialized startup policies demonstrates a progressive maturation process, with each legislative iteration addressing gaps identified in previous frameworks. This evolutionary approach has enabled policy refinement based on implementation experience, resulting in an increasingly sophisticated ecosystem that balances support with accountability. The labelling system established by Executive Decree No. 20-254 exemplifies this balance through its time-limited nature (four years with possible extension), encouraging progression toward sustainable business models rather than perpetual dependence on government support.

While Algeria's tax exemptions attract private innovation, state-centric financing (78% public VC control) reveals unresolved tensions between public accountability and market-driven growth. Algeria's policy framework has increasingly adopted a comprehensive ecosystem perspective, recognizing that successful startup development requires coordinated interventions across multiple dimensions. The integration of tax incentives, financing mechanisms, educational initiatives, and institutional support structures creates a multifaceted approach to ecosystem development. However, implementation coordination remains challenging,

particularly between the Ministry of Knowledge Economy and other ministries with overlapping competencies in regulated sectors such as fintech, health technology, and digital services. This coordination challenge reflects broader institutional constraints in Algeria's governance structure.

The comparative analysis reveals that Algeria has developed a distinctive regulatory approach reflecting its institutional path dependencies while introducing innovative mechanisms to overcome historical constraints. The hybrid qualification model combines objective criteria with discretionary assessment of innovation, creating greater flexibility for business model innovations compared to Tunisia's technology-specific approach. Similarly, Algeria's approach to foreign investment represents a balanced middle position between Tunisia's restrictive model and Egypt's open framework, reflecting a deliberate regulatory compromise between attracting international capital and maintaining domestic control over strategic enterprises.

These institutional tensions reveal specific regulatory blindspots that require attention. Despite significant progress, Algeria must address several critical gaps in its legal framework through targeted regulatory interventions. Intellectual property enforcement represents a high-priority concern despite comprehensive substantive legislation. Amending Investment Law No. 22-18 to establish specialized IP enforcement mechanisms with expedited procedures for technology-intensive disputes would address a critical barrier identified by 57% of Algerian deep-tech startups. Fintech startups face particular risks, with 63% reporting trademark conflicts with state banks in World Bank surveys, while healthtech firms cite 18-month patent approval delays invalidating medical device market entries. Similarly, developing regulatory frameworks for emerging technologies through a regulatory sandbox approach modeled on Egypt's Fintech Law No. 5-2022 would create controlled experimentation environments while maintaining appropriate consumer protections. Over-reliance on state financing risks crowding out private capital, as seen in Vietnam's 2018–2021 VC contraction following similar policies (World Bank, 2023). To address the 'valley of death' in growth-stage financing (identified in Section 4.2), Algeria should adopt Egypt's venture capital law (FRA-68-2022⁵⁸) to attract private investors.

The data governance framework represents another significant gap compared to Tunisia's established system. Developing comprehensive data governance legislation with clear provisions for cross-border data flows and streamlined compliance procedures for startups would strengthen ecosystem development, particularly for data-intensive ventures serving international markets. This legislation should balance international standards with Algeria's specific concerns regarding data sovereignty and security.

Exit mechanism provisions and private capital mobilization frameworks require attention for long-term ecosystem sustainability. Streamlined regulatory pathways for startup acquisitions, a specialized SME exchange with adapted listing requirements,

and clear tax treatment for equity-based compensation would address significant barriers to investor liquidity. Additionally, adopting elements from Morocco's fund-of-funds approach through comprehensive venture capital legislation would establish clearer frameworks for fund formation and governance while creating incentives for institutional investor participation.

Access to late-stage growth capital remains limited, with financing mechanisms disproportionately focused on early-stage ventures. The geographic concentration of startup activity in major urban centers, particularly Algiers, indicates uneven ecosystem development across the country's regions. Furthermore, linkages between start-ups and traditional industries remain underdeveloped, limiting technology transfer opportunities and market access for innovative solutions. Future policy development should address these challenges through targeted interventions that build on the existing framework while addressing implementation gaps and emerging ecosystem needs.

Conclusion

From skeletal SME laws in 2001 to a 2025 blueprint with tax breaks and crowdfunding rules, Algeria's startup playbook has rewritten itself—but critical reforms await. The establishment of a formal startup definition, comprehensive tax incentives, dedicated financing mechanisms, and specialized institutional support has created increasingly favourable conditions for technology-driven entrepreneurship. The quantitative growth in labelled startups (reaching 2,300 by mid-2024) and expansion of support infrastructure to 53 operational incubators across the country suggest these policy interventions are yielding positive results, though geographic disparities and implementation challenges persist. Algeria's hybrid qualification model—synthesizing measurable thresholds with qualitative innovation evaluation—represents a replicable framework for economies transitioning from resource-dependency.

This research contributes to understanding how emerging economies can develop effective policy frameworks to stimulate innovation-led entrepreneurship despite institutional constraints. Algeria's experience demonstrates the importance of progressive policy evolution, comprehensive ecosystem thinking, and balanced incentive structures that create accountability mechanisms within support systems. The regulatory approach reflects a deliberate attempt to overcome institutional path dependencies through targeted legal interventions, creating new trajectories for innovation-led development while maintaining alignment with Algeria's broader economic governance structures.

From a theoretical perspective, this research contributes to institutional economics literature by demonstrating how formal legal rules can be deliberately designed to overcome path dependencies in resource-dependent economies. Algeria's startup framework reveals a distinctive regulatory philosophy that balances state involvement with private sector dynamism, differing significantly from both Tunisia's technology-focused approach and Egypt's open model. This hybrid

approach reflects Algeria's specific institutional context while introducing innovations that may have relevance for other transitional economies facing similar diversification challenges.

The analysis reveals both strengths and limitations in Algeria's approach. The labelling system creates clear qualification criteria and targeted benefits, while the hybrid qualification model provides flexibility for diverse business model innovations. However, implementation effectiveness varies across ecosystem dimensions, with particular challenges in intellectual property enforcement, regulatory frameworks for emerging technologies, and growth-stage financing. Addressing these gaps is urgent. Startups face stifling bureaucracy and investor skepticism, risks that demand regulatory clarity. Closing these regulatory gaps is crucial for Algeria's startup ecosystem. Without clearer policies on intellectual property, foreign investment, and private capital flows, startups will struggle to thrive. Policymakers must act decisively to sustain the momentum of Algeria's innovation drive.

As Algeria continues to refine its startup policy framework, maintaining policy stability while addressing emerging challenges will be critical to sustaining ecosystem momentum. Future research would benefit from empirical assessment of these policies' impact on start-up performance, job creation, and economic diversification outcomes. The country's strategic prioritization of knowledge economy development represents a promising pathway toward reduced hydrocarbon dependence and more sustainable, innovation-led growth.

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