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Economic Diversification in Algeria: Navigating the Challenges of Reality and the Imperatives of Economic Takeoff

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Abstract:
This study delves into the subject of economic diversification and takeoff, aiming to highlight aspects of Algeria's economic development policies. Algeria, despite its earnest efforts in recent years, is still classified globally as a developing country in the economic domain. However, it has made notable strides in recent years in altering its economic structure through reforms, a shift towards a market economy, and a greater focus on economic diversification beyond the hydrocarbon sector. This is significant in the context of Arab and international economic integration.

Keywords: Economic Takeoff, Economic Diversification, Economic Integration, Startups.
Jel Classification Codes: O11, O57, F63.

1. INTRODUCTION

Economic diversification, economic integration, and economic takeoff represent the current strategies upon which developing countries, particularly Arab economies outside the hydrocarbon sector, are relying to achieve a qualitative leap in their economies. It has become imperative for these nations to adopt innovative and modern approaches to achieve sustainable development, capable of adapting flexibly to new global environmental changes. Consequently, Algeria has recently adopted a policy of economic diversification by focusing on previously neglected sectors, including tourism and agriculture, the latter being the most critical sector for achieving food security and potentially self-sufficiency. The importance of this shift

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cannot be overstated, as it is a key factor in the economic growth and resilience of these nations.

1.1. Research Problem: In light of the above discussion, the following research problem is proposed:

How can Algeria achieve economic takeoff through economic diversification amidst existing challenges?

1.2. Research Questions:

Based on the research problem, the following questions are raised:

• What are the terms 'economic takeoff' and 'economic diversification'?

• Has Algeria achieved an acceptable level of economic diversification?

• What are Algeria's strategies for achieving a significant leap in economic diversification?

• Has economic diversification in Algeria been employed effectively to achieve economic takeoff?

1.3. Research Hypotheses:

• Economic diversification relies on multiple factors, the most important being the diversity of resources.

• Economic takeoff depends on the presence of economic strategies, including economic integration.

• Algeria experiences limitations in economic takeoff due to insufficient economic diversification.

2. General Approach to Economic Diversification:

The term 'economic diversification' has gained prominence recently, mainly as developing countries often rely on rentier economies to cover their expenses and expand investments primarily concentrated in hydrocarbon products. Therefore, countries have hastened to implement an economic diversification strategy.

2.1. Definition of Economic Diversification:

Economic diversification is primarily divided into two main types: product diversification and export diversification. Generally, economic diversification is how an economy becomes more varied regarding the goods and services it produces. Export diversification refers to deliberate policies that alter the composition of goods within the current export mix, introduce new products into the export portfolio, and enter new geographic markets.

Both types are believed to drive economic growth, create a conducive environment for productive investment, and reduce short-term macroeconomic volatility. (Esanov, 2023) More precisely, it is about moving away from reliance on a single resource and transitioning towards strengthening the industrial and agricultural base, creating a productive foundation that contributes to building a sound national economy capable of achieving self-sufficiency across multiple sectors. (Belaidi, 2008, p. 190)

2.2 Indicators for Measuring Economic Diversification:

To assess the presence or absence of economic diversification, several indicators are used: (Qamat, 2020, p. 754)

• The rate and degree of structural change: These indicators reflect the percentage contribution of different sectors to the **GDP**, either increasing or decreasing over time. It is also advisable to measure the actual growth rates of **GDP** by sector.

• The instability of oil prices and its impact on fluctuations in GDP growth rates;

• The ratio of oil and gas revenues to total government revenues, where a lower ratio indicates the presence of economic diversification;

• The ratio of non-oil exports to total exports, where a higher ratio indicates economic diversification;

• The overall employment growth in all sectors, which reflects changes in the sectoral composition of GDP;

• The change in the contribution of the private and public sectors to GDP, where this indicator expresses economic diversification.

3.2 Conditions for Achieving Economic Diversification in Economies:

Development relies on building human capital, innovation, and technological advancement. Meanwhile, the growth model in the **GCC** countries depends on two key factors: robust government spending and the intensity of production factors. The **GCC** states must adopt a model based on export diversification and the leadership of a manufacturing sector oriented towards exports. Diversifying production structures requires three essential elements: (Al-Khater, 2023)

• **Human Capital Development**: Human capital accumulation is the most critical element and the biggest challenge in the development process and diversification of economies.

• **Public Sector Reform:** The public sector represents the largest source of employment for the national workforce and serves as the primary mechanism for redistributing wealth among the citizens of these countries.

• **Private Sector Reform and Reducing Market and Wealth Concentration:** Policies directed towards the private sector should aim at reducing market concentration, protecting consumer rights,…ect. This drives diversification by developing production technologies, making breakthroughs in export markets, and employing citizens. Moreover, industrialization is crucial for diversification.

3. Algeria's Economic Diversification Strategy for Achieving Economic Takeoff:

Algeria has recently adopted a new strategy for managing its economy and accelerating governmental economic reform plans to reduce reliance on energy exports.

3.1 Motivations for Economic Diversification in Algeria:

According to economic studies, Algeria's economy is classified as rentier, characterized by a low diversification index. This is due to Algeria's heavy reliance on revenue from the energy sector, which is distinguished by four key attributes: its volume, source, stability, and secrecy. These attributes fluctuate in response to the growing power of state-owned oil companies. (El Djoudi, 2021, p. 353)

Algeria recognized the need to shift its economic strategies away from focusing on hydrocarbons, driven by the economic shocks caused by fluctuating oil prices and the potential depletion of these resources. The country has turned to other sectors that could foster economic growth. The following arguments support economic diversification in any nation**:** (Dhaif, 2018, p. 22)

• **Risk Reduction:** Studies have shown that countries with a high concentration of economic activity are more vulnerable to crises. Additionally, risks associated with price or market volatility, such as imbalances in supply and demand, technological advancements in competing products, and price fluctuations in raw materials—particularly in developing countries like Algeria that rely heavily on hydrocarbons—are significant.

• **Strengthening Intersectoral Linkages:** Economic diversification, which results from increased productive economic sectors, enhances the intersectoral relationships within the economy.

• **Reducing GDP Volatility**: A lack of economic diversification, resulting from a concentration of production in a limited number of products, leads to significant fluctuations in **GDP** levels.

• **Job Creation:** Diversification stimulates economic growth, achieves sustainable development, and increases the degree of interconnectedness among economic sectors. This, in turn, leads to higher demand for labor, creates job opportunities, and reduces unemployment rates.

• **Increasing Added Value:** Vertical diversification enhances forward and backward linkages within the economy. The outputs of one sector become inputs for another, contributing to job creation and subsequently increasing the returns on production factors and their stability. This, in turn, leads to a rise in sectoral and local added value.

3.2 Algeria's Potential for Economic Diversification:

Algeria possesses several resources that contribute to the development and growth of the national economy. Beyond its abundant petroleum resources, Algeria has numerous other potentials across various sectors that could facilitate advanced economic growth. Here, we briefly outline the essential resources within Algeria's economic landscape:

• **Agricultural Sector:** Algeria has significant opportunities in the agricultural sector, given its position as the gateway to Africa, a central point in the Maghreb countries, and its proximity to the European market. Furthermore, Algeria boasts vast fertile lands, abundant water resources, and the human and financial capacities necessary to develop this sector and boost the national economy.

Despite the challenges posed by the **COVID-19** pandemic and declining oil prices, the Algerian economy exhibited resilience, as the International Monetary Fund noted in November of last year, which pointed to positive indicators and recovery potential. Official data revealed encouraging figures for Algeria in 2021, with non-oil exports reaching $4.5 billion by the end of

November 2021—a remarkable 160% increase compared to 2020, marking an unprecedented achievement since independence. Algeria had anticipated completing several economic projects in 2022. (Kaabash, 2022)

Economist "**Houari Tighrisi**" believes it is imperative to begin implementing economic reforms across various sectors for the anticipated economic takeoff to be realized. He highlights that many of the President's initiatives have served as a roadmap for numerous areas, such as the National Conference on Industrial Recovery.

3.3. Mechanisms of Economic Diversification for Achieving Economic Takeoff in Algeria

Algeria adopts economic diversification as a pivotal mechanism to realize economic takeoff. Economic integration, in particular, adds significant value by enhancing the national economy, promoting exports, and substituting imports with locally produced goods. Integration requires essential prerequisites, including the removal of customs barriers and the unification of intra-regional trade policies.

3.3.1. Economic Integration as a Mechanism for Economic Takeoff

Economic integration plays a crucial role in addressing deficiencies among countries and optimizing the utilization of resources. It facilitates the marketing of products and the exchange of expertise in the economic sphere.

3.3.1.1. Fundamentals of Economic Integration:

• Availability of Natural Resources: Economic activities in integrated countries are primarily based on utilizing natural resources to expand the production of goods and services.

• **Specialization and Division of Labor:** For economic integration to yield returns that exceed what could be achieved before such integration, it must be founded on specialization and division of labor. This allows for production efficiencies and large-scale operations based on the comparative advantage of each integrated nation.

• **Availability of Production Inputs:** Integration provides more significant opportunities and capabilities for the availability of specialized, technical, and skilled labor, which is crucial for the execution of productive activities and the achievement of efficiency in these operations.

• **Provision of Transportation Infrastructure:** The extent and effectiveness of integration will remain limited if the integrated countries lack adequate transportation infrastructure, including land, air, and sea transport.

3.3.1.2. Algerian-Arab Economic Integration: Algeria's foreign policy prioritizes the Arab world, considering it an integral part of the Arab milieu. Algeria is an active member of the Arab League and plays a significant role in its relations with regional and international organizations. Furthermore, Algeria is a founding member of the Arab Maghreb Union and is committed to strengthening ties between Arab countries.

⌖ **Free Trade Area:** This marks the initial and crucial integration phase, laying the foundation for subsequent stages. Establishing a free trade area aims to facilitate the free movement of goods and services between two or more countries. (Khalf, 2004, p. 233_236)

Creating an Arab Free Trade Area yields numerous benefits for all participating Arab countries, including the unification of Arab markets, which will pave the way for industrial, agricultural, and other sectoral development projects capable of confronting the challenges posed by World Trade Organization agreement. (Al-Ani, 2023)

Nineteen Arab countries have ratified the Agreement on the Facilitation of Commercial Exchanges among themselves, including Algeria, Jordan, Syria, the United Arab Emirates, and other, Additionally, Algeria submitted its accession file to the Arab Free Trade Area to the General Secretariat of the Arab League on December 31, 2008.

The "Evaluation and Monitoring Committee," established within the Algerian Chamber of Commerce and Industry, oversees the Arab Free Trade Area. Executive Decree No. 13-85, dated February 6, 2013, which amends and supplements Executive Decree No. 10-89, dated March 10, 2010, outlines the modalities for monitoring imports exempt from customs duties under free trade agreements. (Algeria, 2024)

Following the Algerian government's official commitment to implementing the area's program, trade exchanges between Algeria and other Arab member countries have benefited from total customs exemption since January 1, 2009.

⌖ **The Arab Common Market:** Despite the intense economic dependence on Western countries, an active intra-Arab market dynamic remains. The prerequisites for fostering regional trade include: (Brahimi, 1983)

• **Harmonization of Economic Policies**: A critical requirement for increasing regional trade is coordinating economic policies among member states, particularly in customs, trade, monetary, and tax policies.

• **Distribution of Integration Gains:** Developing a standard policy to implement corrective measures is desirable and feasible..

• **Establishment of Adequate Infrastructure:** The presence of suitable infrastructure holds a distinguished place among the conditions necessary for the development of regional trade.

• **Political Conditions:** The recent history of political independence in Arab countries presents a challenge to achieving regional economic integration.

• **Creation of Joint Institutions:** These institutions would serve to distill the common interest of the region, contribute to the preparation of regional action plans and studies, coordinate economic policies, and reinforce regional solidarity.

3.3.1.3 Algeria's Path to Arab Economic Integration: Economic integration between Algeria and other Arab countries progresses through several sequential stages, each overcoming a specific obstacle to integration. Below, we briefly outline the critical

⌖ **indicators of Algerian-Arab economic integration:**

Firstly, we observe the economic integration between Algeria and the Maghreb. The Maghreb Union is a link in the chain of regional groupings within the African continent. In its current state, the union encompasses over 90 million inhabitants and spans an area of approximately 6 million square kilometers. In recent years, the Maghreb countries have achieved notable stability in their macroeconomic conditions, with low inflation and relative currency stability.

The Arab Free Trade Area is founded on three pillars for the establishment of a greater Arab free trade area: (al, 2022, p. 09)

• The liberalization of goods trade and the facilitation of commerce between Arab countries;

• The liberalization of services trade among Arab states;

• The establishment of the Arab Customs Union.

Table 1. Foreign Trade Integration Index among Maghreb Countries Excluding Mineral Fuels

Exports (%)	Imports (%)									
	Countries	Tunisia		Algeria		Morocco		Libya		Mauritania	
		2007	2018	2007	2018	2007	2018	2007	2018	2007	2018
	Tunisia	_	_	88.1	92.7	91.3	85.9	88.9	89.2	88.0	94.6
	Algeria	50.4	52.0	_	_	55.7	58.8	46.7	51.6	60.3	57.0
	Morocco	87.5	89.4	83.0	84.2	_	_	80.6	85.2	91.7	89.5
	Libya	51.5	52.7	45.2	46.6	56.8	59.5	_	_	61.4	57.7
	Mauritania	51.3	89.5	44.2	46.4	55.8	59.3	46.8	52.0		

Source: Ahmed El-Shazly et al, 2022, p. 44.

The table above shows that Algeria engages in economic transactions with all the Maghreb countries listed, with non-fuel trade ranging between 45% and 60% from 2007-2018. The highest trade interaction was with Mauritania in 2007, though inter-regional trade decreased by 2018. Trade between Morocco and Tunisia was notably stronger, with percentages ranging between 80.6% and 91%, and Tunisia's trade with the other countries (Algeria, Morocco, Libya, Mauritania) consistently exceeded 80%, reaching 94.6% with Mauritania in 2018. This indicates that Algeria is more of an importer than an exporter to the Maghreb countries outside the hydrocarbons sector, which contradicts its agricultural and industrial potential.

⌖ Strengthening the Agricultural Sector as a Strategy for Economic Diversification and Revival

Under President Abdelmadjid Tebboune's leadership, the Algerian state has adopted a new economic approach primarily focused on efficiency and productivity, opening the door to both domestic and foreign investment, provided it meets the desired outcomes (Mohamed Salah Brahamy, 2021). Among the key sectors relied upon for economic diversification are agriculture and tourism. Algeria boasts significant tourism potential and substantial agricultural resources that could elevate the country to an advanced nation if optimally utilized.

♦ Food Availability in Algeria:

Food availability refers to the actual quantity of food in a country or region, encompassing all forms, such as national production, reserves, and commercial imports. The availability of agricultural products has notably

improved, particularly for the products listed in the following table:

Table 2. Agricultural Statistics in Algeria for 2022

Products	Percentage (%)
Wheat (both durum and soft)	29%
Legumes	39%
Vegetables	184%
Potatoes	235%
Citrus fruits	115%
Dates	80%
Milk	69%
Red meat	28%
White meat	100%
Eggs	162%

Source: Agricultural Statistics, Ministry of Agriculture and Rural Development, People's Democratic Republic of Algeria, available at: https://madr.gov.dz/.

♦ Government Action Plan for Implementing the "Towards Better Food Security" Program

The agricultural sector holds paramount importance in all countries, regardless of their level of development, as it safeguards society from famine and poverty. In Algeria, the sector has received significant attention and reforms. However, it faces challenges and difficulties that require government strategies, including providing modern technologies and skilled expertise to advance this sector. The following outlines some aspects of the Algerian government's program for agricultural development:

- **In Agriculture:** The government will implement comprehensive measures through a cohesive policy to enhance the country's food security and promote modern, efficient agriculture that generates wealth and employment. This approach is expected to contribute to the diversification of the national economy and reduce trade imbalances. The agricultural and rural sector development policy is designed with a structural and integrated approach, ensuring a consistent framework alongside other policies. The growth model adopted in agriculture, which addresses numerous challenges, primarily focuses on boosting agricultural and food investment, relying on increased mobilization of private capital and initiative, essential for revitalizing the agricultural and rural sectors.

In this context, the priority objectives the government aims to achieve by 2024 include primarily stimulating the development of rural areas, forests, deserts, mountains, and high plateaus, which will have a substantial impact on agricultural growth by:

- Intensifying production to enhance productivity, thus increasing domestic supply and reducing imports of agricultural products, particularly crops.
- Fostering strategic and industrial growth in critical areas (e.g., cereals, rapeseed, maize, sugar beets).
- Encouraging private investment primarily by facilitating land access and reducing economic bureaucracy (one-stop-shop approach).
- Integrated development of rural areas by establishing comprehensive agricultural centers as a guiding lever for agricultural and rural development strategies.
- Activating seed, seedling, and progeny production programs.
- Modernizing agriculture through the integration of innovation and digitalization.
- Diversifying production, particularly those with comparative advantages, and exporting agricultural products.

⌖ Valuing the Tourism Sector as a Strategy for Economic Revival and Diversification

The tourism sector has become a top economic priority in Algeria. Following several crises, including the recent COVID-19 pandemic, there has been a notable resurgence in Algerian tourism, encompassing coastal, forest, desert, and other types of tourism. The government has implemented several reform measures, such as promoting a tourism culture among citizens and boosting foreign tourist attractions. Below is an overview of Algerian tourism:

♦ Overview of Tourism in Algeria

Algeria's coastline extends for 1,200 kilometers, featuring beautiful beaches, stunning forests, and mountain ranges with picturesque views along the coastal strip. Despite tourist facilities in coastal areas, their effectiveness remains below expectations for several reasons, including the need for a clear vision for tourism in Algeria and a relative absence of a tourism culture. (Bennin, 2016, p. 81)

The tourism and handicrafts sector has a substantial land reserve, consisting of 225 tourist expansion zones covering a total area of 56,472.06 hectares, distributed across 34 provinces. Among these 225 tourist expansion zones: (Handicrafts, 2024)

- **166** zones are spread across **14 coastal provinces**.
- **36** zones are distributed in **12 highland provinces**.
- **23** zones are located in **8 southern provinces**.

♦ Tourism Sector Development in Algeria

The statistics presented on the Ministry of Tourism and Handicrafts website offer crucial indicators related to the tourism and handicrafts sector for the year 2022, reflecting the sector's progress. Noteworthy among these are:

- The hospitality sector, comprising 1,576 accommodation establishments, with a total capacity of 145,526 beds.
- Travel and tourism agencies, totaling 4,722 accredited agencies, including 3,962 travel agencies and 760 branches, collectively providing 11,506 job positions.

Table 3: Statistics on Tourism Indicators in Algeria

Tourism Statistics	Numbers
Number of Hospitality Establishments	1,576
Number of Beds	145,526
Number of Travel and Tourism Agencies	4,722
Number of Tour Guides	200
Number of Tourism Projects Under Development	2,585

Source: People's Democratic Republic of Algeria, Ministry of Tourism and Handicrafts, available at: https://www.mta.gov.dz.

♦ National Guiding Plan for Tourism Development Horizons 2030

The National Guiding Plan for Tourism Development Horizons 2030 (SDAT) is a reference for a new policy adopted by the Algerian state. It is part of the National Territorial Planning Plan for Horizons 2030 (SNAT). It reflects Algeria's ambitions for sustainable development by aiming for a triad of social advancement, economic effectiveness, and environmental sustainability. Consequently, within the sustainable development framework, the state provides strategic directives for tourism planning across the entire national territory. The five goals of the tourism planning guidance plan are:

- To position tourism as a sector contributing to economic development;
- To ensure the involvement of other sectors, such as public works, agriculture,..ect.
- To harmonize tourism promotion with environmental considerations.
- To enhance the historical, cultural, and religious heritage.
- To continuously improve Algeria's image.

This economic sector continues to evolve and refine itself through tourists' demands, new economic data, and technological advancements. In this

context, the government commits to the following**:** (Algérienne, 2021, p. 40)

• Encouraging travel incentive schemes through charter flights to enhance the appeal of the Algerian tourism destination,

• Promoting the establishment of centers of tourism excellence that meet international standards;

• Developing domestic tourism by completing the modernization and upgrading of public hotels;

• Providing investors with opportunities to build lightweight and model structures for sustainable development;

⌖ Strategy for Supporting Startups as a Mechanism for Economic Revitalization

Developed countries focus on capturing and utilizing creative ideas by fostering an environment conducive to the growth of startups. In recent years, the Algerian government has increasingly prioritized the development of startups. Consequently, we will outline key aspects that support entrepreneurial thinking and young investors in achieving their ambitions through startups capable of stability and expansion.

♦ Overview of Startups in Algeria:

Startups are crucial for revitalizing the national economy, playing a "critical role in economic development by adding value to the country and transforming consumers' lives wherever they are, providing them with sustainable solutions." (Startups:, 2024)

After a period of stagnation in the industrial and productive sectors, Algeria has recently witnessed the emergence of several startups, with some achieving success locally and internationally. In October 2020, Algeria hosted the National Startup Conference, featuring over 1,000 participants from startups, business incubators, government and financial representatives, economic operators, associations, universities, and research centers.

The new Algeria is poised to cultivate startups leading in local and international arenas, positioning Algeria as a leader in innovation in Africa and the Middle East. For the academic year 2023-2024, the number of innovative projects at the national level reached 821, compared to 83 in 2022, marking the beginning of the "Label" certification. In 2023, over 5,000 applications were submitted

for the startup label, with 1,100 companies receiving the "startup" designation. (Entrepreneurship., 2024) By November 2023, nearly 2,000 labels were awarded to the best startups. The Ministry of Knowledge Economy and Startups encourages the emergence of skilled and highly qualified entrepreneurs and highlights the support provided by the state to startups. (Examples of Promising Startups in Algeria, 2023)

♦ **Intellectual and Guidance Support for Startups:**

In valuing innovative ideas, the Algerian government has established a digital business incubator, an initiative of the Ministry of Higher Education and Scientific Research in Algeria. It aims to "empower startups and business incubators while fostering innovation. It provides comprehensive support, from nurturing ideas to market entry, leveraging local and international expertise. The incubator plays a pivotal role in enhancing the culture of innovation by contributing to developing a knowledge-based and diversified economy." (Research, 2024)

The Algerian government has also created business incubators within higher education institutions under Law 1275. These institutions are designed to attract students who wish to develop investment projects or establish startups. The following table presents some statistics related to incubators and facilitation centers in Algeria for nurturing, guiding, and mentoring entrepreneurial and investment ideas.

Table 4: Development of the Number of Incubators and Facilitation Centers in Algeria (2018–2019)

Years	Operational Structures		Structures Under Construction	
	Facilitation Centers	Business Incubators	Facilitation Centers	Business Incubators
2018	**26**	**16**	**01**	**03**
2019	**2**	**1**	**02**	**02**

Source: Ben Chlaat Mustafa et al, 2020, p. 242.

♦ **Legal and Legislative Support for Startups:**

Algeria has adopted a new governmental policy establishing mechanisms for creating startups within institutional, legal, and regulatory frameworks. The Algerian government has enacted several laws to foster entrepreneurial and investment spirit among youth, particularly those in higher education institutions. (Research, Digital Business Incubator:, 2024) Additionally, several regulatory decrees were issued in 2020 concerning startups, providing a regulatory framework outlining the procedures, conditions, and methods for their operation and measures

to enhance their performance to achieve the economic goals set by the Algerian government. Notably, two fundamental laws have significantly contributed to supporting and regulating the activities of creative and innovative entrepreneurs: (Industry, 2024)

- **Executive Decree No. 20-254, dated 27 Muharram 1442, corresponding to September 15, 2020**, establishes a National Committee for granting the "Startup," "Innovative Project," and "Business Incubator" labels, outlining its functions, composition, and operations.
- **Executive Decree No. 20-356, dated 14 Rabi' al-Thani 1442, corresponding to November 30, 2020**, establishes an institution for promoting and managing support structures for startups and details its functions, organization, and operations.

♦ **Administrative and Financial Support for Startups:**

Recently, there has been a growing focus on startups in Algeria, akin to global trends, due to their potential to stimulate and develop the economy and promote sustainable development across various sectors. Consequently, "Algeria has adopted a new governmental policy to establish mechanisms for creating startups, building on previous frameworks, within institutional, legal, and regulatory contexts, including the establishment of the Ministry of Knowledge Economy, Startups, and Micro Enterprises." (Industry A. C., 2024)

A dedicated ministry was established under Presidential Decree No. 20/01, dated January 2, 2020, which appointed government members and named it the Ministry of Small Enterprises and Startups. This ministry holds extensive powers to promote and enhance startups. Additionally, a "National Committee for Granting the Startup, Innovative Project, and Business Incubator Labels was established according to Article 1 of Executive Decree 20/245. This committee is responsible for awarding the startup label, innovative project label, and business incubator label, identifying and promoting innovative projects, and contributing to advancing startup ecosystems."

Moreover, a "Higher Council for Innovation" was created, which has become central to the strategic direction for enhancing innovative ideas, initiatives, and national research capabilities to support the knowledge economy (Linda, 2022).

On the financial front, the Algerian government has implemented several measures to incentivize young entrepreneurs, driving them towards achieving their aspirations and adding value to the national economy. Specifically, "The

supplementary finance law for 2020 included tax incentives for startup owners, particularly those in the technological sector, such as exemptions from profit taxes and value-added tax for three years. The law also provided exemptions from taxes and customs duties during the operational phase, along with measures to facilitate access to land and financing for expanding investment projects. The President of the Republic decided to establish an investment fund to finance startups during the opening of the first edition of the Algeria Disrupt 2020 annual conference." (Joumaa Zakaria, 2024)

Additionally, financial institutions support youth projects through loans, fostering a financial environment conducive to advancing production and manufacturing, translating ideas into reality, contributing to national growth and economic development, and reducing dependency across various sectors. (al B. N., 2020, p. 141)

4. Analysis of Results:

In the previous study, hypotheses were established to be addressed as follows:

- Economic diversification relies on numerous factors, the most significant of which is the variety of resources. This process also requires a strong commitment from managers across various sectors and the implementation of flexible programs and policies that encourage investors and innovative ideas to engage in entrepreneurship and contribute to economic development.
- Economic revitalization depends on the presence of economic strategies, including economic integration. Economic integration plays a crucial role in addressing economic gaps.
- Recently, Algeria has shifted its economic structure by placing greater emphasis on the agricultural and tourism sectors and supporting young entrepreneurs in realizing their ambitions and nurturing their innovative and creative ideas towards optimal utilization.
- Algeria faces shortcomings in economic revitalization due to insufficient economic diversification. Despite having promising potential, the country encounters challenges that hinder achieving adequate economic diversification.
- The current Algerian government aims to achieve economic sustainability by implementing strategies focused on enhancing other sectors and diversifying revenue sources;
- Algeria requires robust economic reforms to diversify beyond hydrocarbons and reshape its growth model.

5. CONCLUSION:

Advanced countries have made significant strides in embodying the concept of economic diversification and revitalization by achieving economic stability, broadening revenue bases, and increasing sectoral value-added. Successful international models like China have leveraged their

natural and other resources beyond the hydrocarbon sector to boost economic growth. Developing countries follow similar paths, with Algeria aiming to rejuvenate its faltering economy. Algeria strives to catch up with developed nations by capitalizing on its economic assets while moving away from a rentier economy. The country focuses on developing key sectors such as agriculture and tourism. Economic integration strategies are employed to enhance value-added in the local economy, fostering innovative and creative ideas through legal frameworks and creating a conducive environment for emerging enterprises.

Based on this, we propose the following recommendations:

- Adopt an operational and production excellence strategy across all sectors and value innovation and invention.
- Algeria should explore all possibilities to enhance economic diversification and integration.
- Address economic obstacles and create an environment conducive to industry growth, optimizing underutilized energy resources and income-generating sectors.
- Replace regional product imports with local products, enhance export processes, and reduce sustained dependence on oil rents as much as possible.
- Expand the use of non-renewable energy resources to address deficits across sectors.
- Accelerate growth by implementing policies to absorb unemployment by promoting startups and entrepreneurial ventures, which will generate new employment opportunities for the youth, a significant demographic in society.
- Provide extensive support and encouragement to startups and innovative projects that reflect the ideas of talented individuals by fostering an investment-friendly environment.

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