

Exploring the Startups Funding and Support Mechanisms in Algeria

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Abstract

This study seeks to investigate the current landscape of startups in Algeria, emphasizing their development. It also examines the strategic approach employed by the Algerian government to finance these startups. The findings of the study indicate that Algeria has placed considerable focus on the startup sector as a strategic means of fostering economic growth, reducing dependence on the oil sector. This focus is reflected in the various policies and initiatives introduced to support such enterprises. However, despite these efforts, the startup sector has yet to undergo substantial growth and development

Key words: startups, funding mechanisms, support structures

Jel Codes Classification : M13,

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استكشاف آليات تمويل ودعم الشركات الناشئة في الجزائر

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ملخص

تهدف هذه الدراسة إلى استكشاف المشهد الحالي للشركات الناشئة في الجزائر، مع التركيز على تطورها. كما تتناول النهج الاستراتيجي الذي تعتمده الحكومة الجزائرية في تمويل هذه الشركات. وتشير نتائج الدراسة إلى أن الجزائر قد أولت اهتمامًا كبيرًا بقطاع الشركات الناشئة، باعتباره وسيلة استراتيجية لتعزيز النمو الاقتصادي والحد من الاعتماد على قطاع النفط. ويتجلى هذا الاهتمام في السياسات والمبادرات المختلفة التي تم إطلاقها لدعم هذه المشاريع. ومع ذلك، وعلى الرغم من هذه الجهود، لم يشهد قطاع الشركات الناشئة نموًا وتطورًا كبيرًا حتى الآن.

الكلمات المفتاحية: الشركات الناشئة، آليات التمويل، هياكل، الدعم، النمو الاقتصادي

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Introduction:

Algeria is striving to establish a new economic model that serves as a genuine alternative to the rent-based economy. As a result, promoting investment and supporting the development of startups has become a key priority for economic policymakers. In this context, public authorities have initiated a range of mechanisms aimed at fostering the growth of startups, while also working to establish a legal and regulatory framework that facilitates their advancement and enables them to reach competitive levels comparable to those of large enterprises.

However, startups continue to face numerous challenges, chief among them being difficulties related to financing. These challenges stem primarily from limited access to capital markets and bank financing, as financial institutions often require collateral—whether in the form of physical or personal guarantees—and prioritize the borrower's ability to meet loan repayments within predefined deadlines. Such conditions are particularly difficult for startups to fulfill, especially during their early stages, when they often lack financial track records or historical accounting data. Furthermore, the uncertainty regarding how the market will respond to these ventures increases the level of risk. Consequently, there is a pressing need to explore alternative financing solutions that align with the financial and technical nature of startups and address their specific characteristics.

Al these lead us to ask the following question: What Are the Support Structures and Funding Mechanisms for Startups in Algeria?

Significance of the Study: The significance of this study stems from the growing global trend toward strengthening the role of startups in economic development. Startups have become key drivers of growth and innovation in many countries. This study is particularly relevant as it provides insights into the concept of startups, along with an in-depth examination of the funding mechanisms and available in Algeria.

Objectives of the Study: This study's primary objective is to investigate the startups funding and support structures beside:

- To provide a comprehensive definition of startups within the Algerian context;
- To highlight the main support mechanisms established by the Algerian government to promote startups;
- To examine the various funding mechanisms available to startups in Algeria;
- To analyze the challenges facing Algerian startups and propose modern strategies for their development and sustainability.

Structure of the Study: To tackle the research question, this study is divided into two main parts:

- Part One: The conceptual framework of startups;
- Part Two: The support funding and support mechanisms for startups in Algeria.

Previous studies

-Sara Bouredjaa&AbdelhammidBourouaha (2022) – "Factors of Startups Success: To Do Not Fail, What Should Startups Do?", In their theoretical exploration, Bouredjaa and Bourouaha delved into the essential elements that shape the trajectory of startups, emphasizing both the pitfalls that lead to failure and the strategies that contribute to lasting success. Their findings stress that for startups to thrive, they must proactively avoid common failure traps and deliberately embrace growth-enabling practices. The key takeawaysinclude:

- Startups must establish clear, adaptable roadmaps to navigate the inevitable hurdles they'll encounter as they scale and evolve.
- Constant experimentation and active learning aren't optional—they're core to refining and innovating the business model over time.
- Boyoung Kim, Hyojin Kim, &Youngok Jeon (2018) – "Critical Success Factors of a Design Startup Business", This research focused on pinpointing the pivotal factors behind the success of startups in the design sector. The authors discovered that the ability to effectively

commercialize ideas stood out as the most significant driver of success, particularly from an innovation standpoint. In addition, the study highlighted that:

-The personal qualities of the entrepreneurs—such as their ability to set clear objectives and their individual capabilities—play a vital role in steering the startup toward success.

-Aliaksandr Amelyaniuk & Alla Kasych (2020) – "The Nature of Startup Development", Amelyaniuk and Kasych explored the theoretical underpinnings of startup evolution by integrating insights from entrepreneurship, innovation, organizational theory, and management. They also examined the dynamic between startups and established corporations, noting mutual benefits from collaboration. Crucially, they argue that:

-A thriving entrepreneurial ecosystem is essential for startup success.

-To build this ecosystem, efforts should focus on boosting public investment, encouraging socially impactful innovation, fostering a culture of entrepreneurship, reinforcing intellectual property laws, and expanding access to global innovation networks and supportive legislation.

I -The Conceptual Framework of Startups

This section aims to provide a comprehensive theoretical foundation on startups by exploring their definitions, characteristics, and classification criteria. It also highlights their economic and social significance, the objectives they pursue, and the various stages of their life cycle.

I-1 Definition and Characteristics of Startups

I-1-1 Definition of Startups

In this part, we present the most commonly cited definitions of startups in economic and management literature, with a focus on the distinctive features that differentiate them from other types of enterprises.

A startup is typically understood in English as a small, newly launched venture. The term "start-up" combines "start," indicating the beginning of something, with "up," implying rapid growth. The concept gained traction after World War II, coinciding with the rise of venture capital firms (sociétés de capital-risque), which helped popularize the term. Today, the French dictionary defines a startup as a young, innovative company, often within the tech sector. However, Paul Graham, in his well-known essay on growth, describes a startup as a business specifically built to scale quickly. Simply being newly established doesn't automatically make a company a startup. Startups don't necessarily need to be tech-based or venture-funded—their defining trait is rapid growth. According to Graham, healthy growth rates for startups typically range from 5% to 7% per week, and occasionally as high as 10% (مخاطر، 2021، الصفحات 79-80).

-Entrepreneur Steve Blank conceptualizes a startup as a transient organization focused on identifying a sustainable economic model that facilitates continuous, measurable growth. It experiments with various business models, explores its market environment, and progressively adjusts to it. This implies that a startup must rapidly advance its project towards success and immediately make a significant impact in the market it aims to enter (بلعابد، 2020، صفحة 359).

-Therefore, and from the above, it can be said that: A startup is a temporary organization focused on developing an economically sustainable model that enables continuous and profitable growth. It tests different economic models and gradually adapts to its market environment. While these companies are often associated with technology, the key distinguishing factor is rapid growth, regardless of the sector or source of funding.

-As In Algerian legislation, startups are defined according to Executive Decree No. (20/254), which outlines specific conditions for obtaining startup status. These conditions include:

-Compliance with Algerian law, a regional requirement mandating that all institutions operating within the national territory must adhere to local legal frameworks.

The company must be no older than 8 years. According to Article 14, this 8-year period begins from the first issuance of the emerging institution status, which is granted for an initial 4-year term, renewable once.

-The company must engage in the production of goods or the provision of services, regardless of their nature or type, and should involve an innovative, creative idea, though the decree does not specify how to classify such an idea.

-The company's turnover must not exceed the limit set by the relevant committee, though this limit is not defined in the decree. In any case, it should not exceed the turnover threshold for small and medium enterprises (SMEs), which is set at 4 billion dinars, as stated in the definition of SMEs.

-At least 50% of the company's capital must be owned by individuals, accredited investment funds, or other institutions that hold startup status.

The company should have significant growth potential, enabling it to quickly transition out of its incubation period and contribute to the development of successful projects—a characteristic common to emerging institutions worldwide.

-The number of employees must not exceed 250, aligning with the definition of small and medium enterprises, indicating that the provisions of Executive Decree 20/254 are influenced by the concept of SMEs.

I-1- 2 Characteristics of Startups company

A start-up is an organization that is still in its early stages. These traits are given in the following table and are exclusive to this kind of organization:

Table n°1: Start Up Characteristics

Dimension Characteristics	Dimension Characteristics
Organization	Small scale organization
	Young age
	Homogeny environment
	Informal structure
	Few differentiation
	Centralized
Ownership	Owner-manager
	Intuitive decision making
	Direct supervision
Strategy & Innovation	Niche marketing strategy
	Prefer risky decision than the secure one
	Fast innovation
	First mover or second mover
	Lack of product research
Financial	Funding from personal savings or from relative

Source: Nurcahyo R. et al, 2018, p44

startups can be classified into four types of owner-managers. Decision-making in startups tends to be intuitive. When competing with established companies, startups often focus on specialized or niche markets. They tend to have a high rate of innovation and typically adopt a first-mover strategy. Funding for startups is usually sourced from personal savings or from relatives, with another common method being bootstrap financing, which involves using modest personal funds for financing.

As we distinguish a startups company from other types of enterprises through:

Characteristics of a Startup

A startup is defined by a set of values that go beyond those of a traditional company. It possesses several unique characteristics that distinguish it from conventional businesses (Necib, 2024, pp. 605-606):

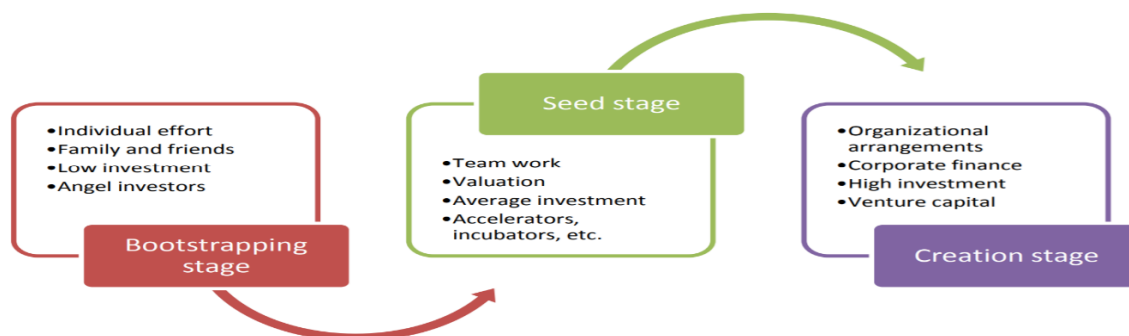
Young Enterprise: Startups are typically newly established businesses, often founded by entrepreneurs.

- **Innovation:** Innovative startups offer new solutions that address unmet needs or significantly improve existing products or services. They foster a culture of innovation and are continuously seeking new ideas.
- **High Growth Potential:** Startups are characterized by their strong growth potential and aim for rapid expansion.
- **High Risk:** These ventures carry a high risk of failure due to market uncertainty and intense competition.
- **Agility:** Startups are highly adaptable, able to adapt rapidly to market developments and increasing client demands.
- **Passion:** Startup founders are usually deeply passionate about their projects and demonstrate strong motivation and commitment.
- **Resilience:** Startups have the ability to overcome challenges and recover from setbacks or failures.

I-2- Startups lifecycle

Startups, on the other hand, are complicated and varied entities with a lifetime. Hopefully, in recent years, research on the lifetime of startups has advanced significantly (see Salamzadeh, 2015a,b). Since each business may have a distinct order of activities and stages, this article presents a holistic approach to provide a better understanding of the startup lifecycle. The phases consist of the following (Hiroko Kawamorita, 2015) :

Figure n°1: lifecycle of startups



Source: Prepared by the researcher relying on <https://www.startupranking.com/top/algeria>

-The bootstrapping stage: is when an entrepreneur uses personal funds, family investments, and creativity to turn an idea into a profitable business, while managing risks, building a team, and demonstrating feasibility for growth. This stage is crucial for attracting angel investors and positioning the venture for future success.

-In the seed stage: startups focus on team development, prototyping, market entry, and seeking support from accelerators and incubators, though it is often marked by uncertainty and high failure rates. Success in securing support increases the likelihood of profitability and business growth.

-The creation stage : marks the startup's entry into the market, product sales, and initial hiring, transitioning it into a formal organization. At this point, corporate finance and venture capital become key funding sources, signaling the shift from entrepreneurship to structured business operations.

I-3 Major Differences Between Startups and Small Businesses

There are several fundamental distinctions between startups and small businesses, which can be articulated as follows (الهرش، 2021، صفحة 25):

I-3-1 Innovation in Products or Services:

A defining characteristic of startups is their commitment to innovation, whether by developing entirely new products or services or by significantly enhancing existing ones. Startups are inherently driven by the pursuit of novelty and uniqueness in the market. In contrast, small businesses typically operate within established sectors, offering conventional services or products such as hair salons, law firms, or retail outlets. These ventures generally do not aim to introduce groundbreaking innovations but instead focus on delivering proven solutions to meet local demand.

I-3-2 Scope of Operations:

Small businesses usually operate on a limited scale, often targeting a specific local customer base. The business model is typically designed with predefined boundaries for growth, emphasizing stability and sustained service within a particular geographic or demographic niche.

Startups, however, are characterized by their scalability and ambition for expansive growth. They aim to achieve significant market penetration, often beyond local or national boundaries, with the potential to develop globally relevant products or services.

I-3-3 Growth Objectives:

Startups are inherently growth-oriented, striving to achieve rapid expansion within a short time frame. Their goal is to establish a scalable and replicable business model that can be implemented across various markets and regions.

While small businesses also seek growth, their emphasis tends to be on achieving financial sustainability and consistent profit margins. Rapid expansion is less of a priority than ensuring operational viability.

I-3-4 Profit Generation:

The primary objective of small businesses is to attain profitability, often from the outset, as a means of ensuring livelihood and business continuity.

In contrast, startups may operate without profit for an extended period, with initial revenues often delayed for months or even years. The principal focus is on product development and market validation, with the long-term aim of achieving substantial returns once a viable and desirable offering has been established.

I- 4 The Status of Startups in Algeria

I- 4-1 Algeria's Startup Ecosystem: Progress Amid Persistent Challenges

Despite Algeria's recent focus on startups, there has been a delay in launching this type of enterprise, primarily due to technological setbacks in various sectors, the lack of an innovation and entrepreneurship culture, and insufficient government spending on research and development. However, Algeria has implemented several measures and initiatives to support the creation, growth, and development of startups. Despite these efforts, the top startups still rank relatively low in the global startup rankings, as illustrated in the following table:

Table n°2: Ranking of the top 10 startups in Algeria globally

Ranking in Algeria	Organization Name	Definition of the institution	Ranked globally
1	YASSIR	Yassir is the premier mega App for on demand, ride-hailing, last-mile deliveries, payment services and more, set to change the way daily services are provided. It currently operates in 45 cities across multiple countries. With the help of top investors	1142

		including BOND and Y Combinator, the forerunner of companies like Airbnb, Stripe, Dropbox, and Doordash, among others, it has secured \$150 million in Series B fundraising, five times as much as it did in its last pricing round last November.	
2	Legal doctrine	Legal Doctrine is a legaltech start-up, publisher of the legal-doctrine.com platform, which collects and posts online the laws, regulations and court decisions of African countries, starting with Algeria since February 2018. In order to provide access to this data, we analyze legal texts using powerful artificial intelligence algorithms. They make the information available and usable via a search engine and an automated legal monitoring system. Legal Doctrine has been recognized for its innovations by receiving the title of “Best African Legaltech Startup” twice in 2018 in Zurich and in 2019 in Tunis.	2372
3	<u>Siamois QCM</u>	Algerian medical students and those getting ready for the residency exam may use the e-training portal Siamois QCM. They may save a great deal of time and money with it, but more importantly, it makes their job more structured. It includes almost 50 thousand multiple-choice questions and clinical examples categorized by themes, topics, sources, and soon by difficulty.	3714
4	<u>OkStore</u>	A commerce platform called Okstore makes it simple for anybody to sell goods online, in physical stores, and anywhere else.	4046
5	Zawwali	Connect Users to Retailers with the Best Price, they have the largest selection of inexpensive items on the web. Pioneers of e-commerce in Algeria, Zawwali provides the customers with a catalog rich in references and quality services.	5440
6	<u>MdinJdida</u>	In Algeria, MdinJdida is a multi-seller online marketplace that connects producers and retailers of electronic goods, including phones, household appliances, and more, and offers home delivery and payment options.	5911
7	<u>TalabaStore</u>	In a market where special student discounts are almost non-existent for products or different services, talabastore.dz is an online sales site that targets students and aims to become the No. 1 choice for students, by offering them:	6993

		- A student rate on products and discounts on services (medical, driving schools, travel, sports & leisure,...). - A delivery to the 58 wilayas. - An after-sales guarantee.	
8	epay.dz	Epay.dz - Payment via Internet in Algeria.	7149
9	TkawenX	Tkawen: Pioneering Innovation in Education and Technology, Founded under Ministerial Decree 1275 by the Ministry of Higher Education and Scientific Research, Tkawen emerged from the University of Badji Mokhtar-Annaba. Recognized as a startup with a patent by the university in 2023 and awarded the "Innovative Project" and "Startup" labels by the Ministry of Knowledge Economy and Startups, Tkawen is at the forefront of revolutionizing the education and training sector.	8100
10	Lafirist	Online platform aims to enhance the Arabian online content in Algeria in ARABIC. The Main Goal of Lafirist.com is to provide the Algerian youth with high quality content about creating their own business having a good job and high-quality information about doing the best deals in Algeria. Case Studies (both online and offline), banking, insurance, job openings, success stories, resource libraries, etc.	8327

Source: Prepared by the researcher relying on <https://www.startupranking.com/top/algeria>

The table above presents a ranking of Algerian organizations, providing their descriptions and global rankings. Here's a summary of the key points:

1-Industry Coverage: The table showcases a variety of organizations from different sectors such as technology (Yassir, Legal Doctrine, TkawenX), e-commerce (OkStore, Zawwali, TalabaStore, MdinJdida), education (Siamois QCM, TkawenX), and payment services (epay.dz). This highlights Algeria's expanding startup landscape, particularly in tech-driven fields like legaltech, e-commerce, and education.

2-Global Rankings:

Top Performer: The highest-ranked organization is YASSIR, a leading super app in ride-hailing and various services, ranked 1142 globally. This reflects its success and international recognition, driven by its diverse offerings and substantial funding.

Legal Doctrine, which ranks 2372 globally, is an innovative legaltech startup using AI to aggregate and present legal content, signaling growth in the tech and legal sectors.

-Siamois QCM, ranked 3714, serves Algerian medical students with its e-learning platform, underlining the importance of specialized educational tools.

3-E-commerce and Online Platforms:

-OkStore (4046), Zawwali (5440), MdinJdida (5911), and TalabaStore (6993) are e-commerce platforms targeting different customer needs, from affordable products to services tailored to students. These companies reflect the growth of Algeria's digital retail sector and the increasing demand for convenience in online shopping.

These platforms focus on various target markets, such as Zawwali offering low-cost items and TalabaStore catering to student discounts, indicating a trend towards niche e-commerce solutions in Algeria.

4-Innovation and Technology:

-TkawenX (ranked 8100) is a startup focused on advancing education and technology, recognized for its innovation and awarded various labels by the Ministry of Knowledge Economy and Startups. Its success highlights the growing importance of tech-driven education in Algeria.

-Lafirst (ranked 8327) aims to enrich Arabic content by providing resources on business creation, job opportunities, and personal success stories, aligning with the broader trend of increasing digital content platforms in Algeria.

5-Key Takeaways:

-The global rankings of these organizations reveal a competitive and rapidly growing startup scene in Algeria, with YASSIR standing out as a clear leader. The rankings suggest varying stages of development, market penetration, and funding, with a noticeable gap between top-ranking organizations and those with lower ranks.

-Most of these startups cater to specific local markets or niche groups (e.g., students, medical professionals, e-commerce shoppers), reflecting a customer-centric approach in Algeria's entrepreneurial ecosystem.

-So we can declare that Algeria's startup ecosystem is evolving and diversifying, with strong performances in sectors such as tech, e-commerce, education, and legaltech, indicating a bright future for its growing number of entrepreneurs.

I-4-2 Startup Distribution in Algeria

Startups in Algeria are unevenly distributed across the country:

-**Algiers (Capital):** 27 startups – the main hub.

-**Blida, Oran, Mostaganem:** 3 startups each – moderate presence.

-**Annaba, Sétif:** 2 startups each – low presence.

-**El Oued, Jijel, Tlemcen:** 1 startup each – very limited activity.

From the statistics above we can do an analysis of the Distribution of Startups in Algeria:

I-4- 2-1 Strong Geographic Concentration of Startups in the Capital

A significant portion of Algeria's startups—27 in total—are located in Algiers, greatly outnumbering those in other provinces.

This clustering is largely due to several influential factors, including:

- The presence of well-developed infrastructure such as communication networks, research institutions, universities, incubators, and business accelerators.
- The capital's proximity to key political and economic hubs, providing easier access to funding sources, state-backed support, and investment opportunities.
- A dynamic entrepreneurial environment that fosters collaboration, knowledge sharing, and mutual support among founders.

I-4-2-2 Minimal Startup Presence in Other Regions

Outside the capital, startup activity is limited. Blida, Oran, and Mostaganem each have three startups, followed by Annaba and Setif with two, and El Oued, Jijel, and Tlemcen with just one each.

Several reasons contribute to this underrepresentation:

- A lack of a strong entrepreneurial support ecosystem beyond Algiers.
- Limited access to regional funding or investment platforms.
- Few public or private programs aimed at nurturing and incubating startups outside the capital.
- Low levels of awareness around entrepreneurship, coupled with a lack of training and mentorship opportunities.

I-4- 2-3 Regional Disparities in Startup Distribution

The uneven distribution of startups across the country reflects a well-documented trend in economic studies known as "urban entrepreneurial concentration," where startup activity tends to cluster in large urban centers.

This trend highlights deeper regional development imbalances and raises concerns about a growing digital and economic divide between metropolitan areas and more remote regions.

As a result to all that we can provide some causes of the imbalance, so Algiers holds a dominant position because it offers:

- Superior infrastructure and easier access to financial resources.

A concentration of incubators, accelerators, and leading universities.

- Close ties to government bodies and investors.

- In contrast, other regions fall behind due to:

A shortage of support systems like funding and incubators.

A less developed entrepreneurial mindset.

Inadequate tech infrastructure and fewer local opportunities.

II - Mechanisms to support and finance startups in Algeria

In this section, we will explore ways to support startups and the mechanisms that can be relied upon to finance them as follows.

II-1 startups support mechanisms in Algeria:Algeria has prioritized startups by implementing various initiatives and actions to boost entrepreneurship, foster business leadership, and stimulate innovation. In this regard, it has undertaken several measures, outlined as follows.

II-1-1 Creation of a Ministry for Startups:

As outlined in Article 1 of Presidential Decree No. 20-01 dated January 2, 2020, a dedicated ministry was established to oversee startups and the knowledge economy. This initiative reflects Algeria's commitment to providing direct support to startups, guiding them, and prioritizing their development due to the significant role these businesses play in driving economic growth.

II-1-2 Establishment of a National Committee for Awarding the Startup Label:

According to Article 1 of Executive Decree No. 20-254 dated September 15, 2020, a national committee was formed to award the "Startup" label, the "Innovative Project" label, and the "Business Incubator" label. The committee, chaired by the minister responsible for startups or their representative, is tasked with the following responsibilities:

- Granting the Startup label;

- Granting the Innovative Project label;

- Granting the Business Incubator label;

- Assisting in the identification and promotion of innovative projects;

- Supporting the development of startup ecosystems.

II-1-3 Activating the Role of Business Incubators and Accelerators

II-1-3-1 The definition of business incubator:According to Algerian legislation, business incubators are defined in Executive Decree No. 20-254, which establishes a national committee responsible for granting the labels "innovative project," "start-up," and "business incubator." This committee, operating under the authority of the minister in charge of start-ups, is tasked with granting the incubator label to any legal entity from the public sector, state-owned assets, or a public-private partnership specialized in incubating and supporting start-ups and innovative projects. These incubators provide support in the form of accommodation, funding, consulting, and training.

Business incubators aim to nurture a specific group of emerging enterprises and assist them in surviving and growing—particularly during the early stages, which are considered the most critical and risky. They achieve this by offering a suitable work environment along with various support mechanisms, facilities, and guarantees. According to Article 20 of Executive

Decree No. 20-254, the roles and responsibilities of business incubators are defined as follows (البندة، 2022، صفحة 162):

- Hosting incubated startups and providing them with suitable workspaces;
- Supporting project holders during the establishment phase;
- Assisting them in conducting market research, developing a financing plan, and creating a business plan;
- Providing high-quality training to project holders, particularly in business management, legal, and accounting obligations;
- Offering logistical support to startups, such as access to meeting rooms and office supplies;
- Assisting startups in developing prototypes of their ideas;
- Helping identify appropriate sources of funding and facilitating market entry.

Accordingly, business incubators work to support and accompany project holders in launching their startups by offering a comprehensive range of services. These include providing suitable workspaces, identifying appropriate solutions to the technical, administrative, and legal challenges faced by the project, and even addressing financial needs, as incubators strive to secure funding and create a conducive environment to attract investors.

II-1-3-2 Business Incubators types in Algeria:

Algeria has 4 main types of business incubators(Boufarh mounira, 2024, p. 140):

-Public Business Incubators: These are enterprise hubs managed by the Ministry of Small and Medium Enterprises, and facilitation centers as well.

-Technology Business Incubators: created as technology parks in 2004 when the Ministry of Post and Information Technology established the National Agency for the Promotion and Development of Technology Parks.

-University Incubators: On March 28, 2012, the National Agency for the Promotion and growth of Technology Parks established an incubator at the National Institute of Communications and Information Technology to further support the role of universities in economic growth and innovation.

-Private-Public Partnership Incubators: Launched in collaboration with the National Agency for the Development of Small and Medium Enterprises and Ooredoo on May 14, 2011, the T-Start program supports emerging technological enterprises by providing both material and moral support to innovative projects.

II-1-3-3 Business incubator services

Business incubators help new businesses by offering a variety of services. Physical areas, infrastructure, technical tools, labs, chemical or biological labs, research facilities, and specialist contemporary equipment are all considered logistics services.

Business incubators, on the other hand, provide entrepreneurial services to aspiring entrepreneurs who may possess technical know-how but lack prior entrepreneurial experience.

By providing training and financial networks, the incubator's financial services may assist new ventures in obtaining bank financing based on a strong business plan.

Business incubators also often provide their resident firms professional services including networking with important suppliers and clients, legal protection, training, licensing, and auditing.

Belonging to a reputed business incubator or partnering with prominent institutions is an extra credential for new projects, which helps these projects overcome or reduce the problem of lack of brand recognition and the usual initial lack of credibility towards customers

and enhances the ability of emerging projects to compete.

II-1-3-4 Obstacles Facing Business Incubators and Startups in Algeria

While business incubators have played a vital role in supporting and advancing startups globally, Algeria still lags behind in reaching the progress seen in other countries. Generally, business incubators and startups in Algeria face numerous challenges and limitations that

hinder their growth and success. These issues can be attributed to several key factors (منى، 2020):

The concepts of business incubation and startups are still relatively new and underdeveloped in Algeria;

There is a shortage of skilled and qualified human resources, with many lacking sufficient knowledge of entrepreneurship, which itself encounters many obstacles—particularly a shortage of innovative and creative ideas;

Limited access to funding and a lack of venture capital investment;

Cumbersome bureaucracy and outdated legal frameworks that fail to keep up with current business needs;

Low productivity and failure to meet international quality standards, which reduces the competitiveness of Algerian products in global markets;

Insufficient government investment in scientific research and a disconnect between academic institutions and the practical needs of the economy;

Technological underdevelopment and a slow adoption of modern business tools such as e-commerce and electronic payment systems;

Public incubators often suffer from being located far from urban centers and not aligning with international incubation models—for example, the high cost of infrastructure rental for entrepreneurs.

II-1-4 Algeria's business accelerators

Because business accelerators are crucial for giving new ventures financial and logistical assistance and for preparing them for full access to technology, international markets, and the digital economy, Algeria has set up facilities to establish them.

II-1-4-1 In Algeria, the most important business accelerators are (Said FETNI, 2022, pp. 29-30):

-Ooredoo supports startups through three main programs:

tStart: Helped five startups and trained around 1,000 students across 15 universities and business schools through the Ooredoo Algeria Training Institute.

iStart: Focuses on developer training and supports tech initiatives like Algeria's first mobile app store and the app "thegreekFtour".

“Program” Competition: A large-scale event that promotes mobile app development under the “Made in Algeria” label, attracting over 5,000 participants.

Sylabs: Established in 2015 in Algiers, Sylabs acts as both an incubator and accelerator. It supports startups by providing entrepreneurial tools, mentorship, and helping founders integrate into the Algerian business ecosystem. It also facilitates professional networking and community building.

IncubMe: Based in Algiers and managed by the Algerian diaspora, IncubMe offers comprehensive support (technical, financial, administrative, and logistical) to innovative startups. It also promotes entrepreneurship culture through events and conferences.

Cyberparc de Sidi Abdallah: A public institution under the National Agency for the Promotion and Development of Technology Parks. Founded in 2004, it supports innovation by fostering tech-driven startups and projects, aiming to build a national entrepreneurial ecosystem in Algeria.

Bcos: Located in Mohammedia, BCos offers advisory services, project acceleration, mentorship, and entrepreneurship training. It also organizes conferences and networking events to support business development in Algeria.

algerian center for social entrepreneurship: Since its founding in 2016, ACSE has worked to advance social entrepreneurship in Algeria by increasing awareness, providing advice and consulting, and assisting social entrepreneurs and initiatives within the country's entrepreneurial ecosystem.

-Fikra Tech - Cdta: Alternatively referred to as the Advanced Technologies Development Center, it has its headquarters in the capital, Baba Hassan. Supporting creative initiatives in the sectors of science and technology, scientific research, and technological innovation, as well as helping to increase the value via training, are some of its services. Its specialization is in science and technology.

-Hababah Institut: Located in Belouizdad, Algiers, Habbeh is a startup accelerator that fosters innovation and entrepreneurship through Fablabs, a Think Tank, and a scientific council that evaluates and supports project growth using various tools.

II-1-4-2 Algerian Startups' and Accelerators' Challenges

While accelerators have played a crucial role globally in promoting and advancing emerging institutions, Algeria's accelerators remain far from reaching the advanced stages seen in other countries. During a visit on March 2, 2020, Yassine El Mahdi Walid, the Minister Delegate to the Prime Minister for Knowledge Economy and Emerging Enterprises, emphasized the need for a roadmap to support, finance, and empower startups, recognizing their role in the national economy. However, accelerators and startups in Algeria face numerous challenges that hinder their development, including:

- The novelty and limitations of the accelerator and startup concept in Algeria.
- Insufficiently qualified lack of entrepreneurship knowledge and human resources, leading to difficulties, particularly in generating creative and innovative concepts.
- Limited funding and a lack of venture capital.
- Bureaucratic obstacles and outdated laws and regulations.
- Low productivity, competitiveness, and failure to meet international standards.
- Insufficient government investment in scientific research, and a disconnect between universities and research centers.
- Technical lag and failure to adapt to global business trends such as e-commerce and electronic payments.
- Delays in recognizing the significance of accelerators and startups in transforming the economy away from a dependency on hydrocarbons.
- These factors collectively impede the growth and success of accelerators of Algerian startups.

II-2 startups Funding mechanisms in Algeria:

Supporting startups necessitated attention to developing new mechanisms that encourage them to continue during the early stages of their lives, which led to the development of new funding mechanisms from them. Among the funding methods known to startups in Algeria, we mention the Fund for Financing Institutions, Startups and Crowdfunding Platforms, which we discuss as follows

2-1: Institutional and Startup Fund:

A special allocation account, numbered 150-302, titled "Fund for Supporting and Developing the Economic System of Startups" (Startup Fund), has been established. The minister responsible for startups is tasked with overseeing its disbursement, in accordance with Article 68 of Law No. 20-07, which amends and supplements Article 131 of Law No. 19-14, included in the 2020 Finance Law. It is referred to as the Algerian Startup Fund. (ASF), a public venture capital company structured as a joint-stock company. The fund is responsible for financing companies that obtain the "Startup" label, and it is supported by six public financial institutions: the Agricultural and Rural Development Bank, the National Algerian Bank, the Algerian Popular Credit Bank, the National Savings and Reserves Fund, the Local Development Bank, and the External Bank of Algeria. The fund's resources include (الزهران، 2023، صفحة 202):

- State grants;
- Revenue from taxes and quasi-taxes;
- Supervisory bodies and agencies;

-All other resources and contributions.

These resources are primarily directed toward financing:

-Feasibility studies;

-Business plan development;

-Technical assistance;

-Costs related to prototype development;

-Training and capacity-building.

The "Startup Fund for Supporting and Developing the Economic System of Startups" in Algeria is still in its establishment phase, having been created in October 2020. The fund requires continued support from the government, particularly through an increase in its capital, which currently does not exceed 1.2 billion Algerian Dinars. With the launch of this fund, many of the financial challenges faced by startups could be addressed. To overcome these challenges, the fund must be governed with sound management practices, free from bureaucratic hurdles, and within the framework of an ambitious program that adheres to effective and sustainable management tools and mechanisms.

2-2Crowdfunding Platforms:

Crowdfunding is a particularly useful mechanism for startups, which often require capital to turn practical ideas into new businesses and create jobs. The importance of crowdfunding for startups is evident in the following:

-Crowdfunding platforms allow startups to connect with investors who support their business ideas, unlike traditional financial institutions that typically reject startup loan applications due to the perceived high risk when assessed through the credit and risk evaluation lenses of banks.

-Crowdfunding platforms via the internet enable startups to reach investors who support their business ideas, in contrast to traditional financial institutions that typically reject loan applications from startups due to the perceived high risk when assessed through banks' credit and risk evaluation criteria.

-Crowdfunding provides startups with valuable opportunities to select the best financing options.

-Crowdfunding is considered easier for startups compared to traditional financing methods, as it involves simpler procedures and does not require collateral.

-Crowdfunding platforms help present a startup's idea globally via the internet, enabling it to quickly gain exposure among investors. Additionally, entrepreneurs and startups can gauge the market by promoting their product development ideas online and seeking feedback from the target market, which facilitates better product innovation and customization based on the responses received.

The supplementary finance law for the year 2020, in its Article 45, authorized the establishment of platforms for advisors in the field of crowdfunding investment via the internet. The Stock Exchange Operations Regulatory and Monitoring Committee was tasked with issuing the conditions for their accreditation. Article 45 states: "The role of crowdfunding investment advisors, responsible for creating and managing consultation platforms for crowdfunding investments and public capital investment in online projects, can be held by commercial companies established for this purpose, certified stock market intermediaries, and investment fund management companies. A regulation issued by the Committee for the Organization and Monitoring of Stock Exchange Operations will define the conditions for accrediting and overseeing advisors in the field of crowdfunding investment."

In 2019, a group of French-Algerian institutions launched a platform to fund innovative projects for youth, named "INVESTI." According to its president, "Nazim Sini," it is the first crowdfunding platform in Algeria. The platform was established by a group of young people and business owners from French-Algerian economic entities with the aim of creating a cooperative funding site. It will facilitate connecting young entrepreneurs with innovative

projects to French-Algerian businessmen and institutions interested in investing in innovative projects in Algeria. It is worth noting that the platform operates through traditional funding methods, in addition to offering electronic payment options using various types of bank cards. The platform is equipped with applications that ensure the security of professional information and smooth banking transactions, reflecting the current economic reality.

2-3 Tax Incentive Financing

Tax incentives are considered an indirect method of financing startups, as the government waives a certain amount of money that it would otherwise be entitled to, by exempting startups from paying certain taxes, as outlined in the following financial laws:

-2020 Finance Law: The 2020 Finance Law, in Article 69, established tax facilities and incentives for startups operating in the fields of innovation and new technologies, exempting them from profit taxes and value-added tax on commercial transactions.

-2021 Finance Law: The government introduced a set of incentives for young entrepreneurs, as stipulated in Article 86, which grants "startup" companies an exemption from professional activity taxes, income taxes, and corporate profit taxes for a period of 4 years.

-2022 Finance Law: Article 117 of the 2022 Finance Law modified Article 69 of the 2020 Finance Law. It states that startups bearing the "startup" label are exempt from professional activity taxes, income taxes, and corporate profit taxes, as well as from the flat-rate tax, for a period of four years, with an additional year if the label is renewed.

-2023 Finance Law: This law eased the provisions related to reinvesting the tax benefits granted for investment support. It mandates that 30% of the tax exemptions, deducted from distributable profits, be reinvested in acquiring tangible or intangible assets directly involved in the production of goods and services, purchasing bonds, stocks, or similar securities that allow participation in the capital of another company, or contributing to the capital of a startup or incubator company.

2-4 Venture Capital in Algeria

In Algeria, venture capital companies were established under Law No. 06/11, dated June 24, 2006. This legal framework was specifically designed to support the financing of small, medium-sized, and emerging enterprises. To operate legally, these firms must obtain approval from the Ministry of Finance, as outlined in Executive Decree No. 08/56 of February 11, 2008 (مختار، 2021، الصفحات 81-82).

These companies are required to be managed by qualified professionals and must participate in financial markets by managing and trading securities. As such, they are subject to oversight by the Commission for the Organization and Supervision of Stock Exchange Operations (COSOB), as stipulated in Regulation No. 04/16 dated September 1, 2016.

Venture capital firms in Algeria may also benefit from certain fiscal incentives, including a five-year exemption from corporate income tax. Structurally, they operate as joint-stock companies with a minimum capital requirement, at least 50% of which must be paid upon establishment.

These firms provide financial support to enterprises, up to a defined budgetary limit. However, they are only permitted to invest a maximum of 15% of their own capital and reserves in any single enterprise. Furthermore, their direct equity investments must not exceed 10% of their net capital.

Conclusion:

Algeria has adopted a new model for entrepreneurship and institutional support, focusing on supporting startups and relying on them to achieve development goals, away from the oil sector, which has become a burden on the country. To achieve this, it has developed various measures and strategies to support these institutions and encourage innovative youth with creative ideas to turn their concepts into startups. However, despite these efforts, several challenges have hindered the success of these initiatives as expected.

The following results were reached from this study:

- The size of startups has allowed them to possess a set of characteristics that enable them to contribute effectively to the development of the national economy.
- Business incubators play a significant role in supporting new entrepreneurs and providing them with the tools necessary for the success of their projects.
- Algeria places special emphasis on the startup sector, which is evident through the mechanisms in place to support this type of institution currently, although the sector has not developed significantly yet.
- Financial laws alone are not enough to develop startups; they must be accompanied by executive decrees that activate the legal provisions addressing the issues faced by startups.
- The Startup Funding Fund, if its leaders do not have the genuine will to change the status quo and drive economic movement within a knowledge-based economy, will not be able to keep up with the developments in startups.

-Crowdfunding, through its electronic platforms, enables the presentation of startup projects and provides easy and rapid access to a very large audience of both small and large investors.

Study Recommendations: The following key recommendations are derived from this study:

- Focus on the startup sector by organizing awareness campaigns to educate youth on the importance of startups and the available support for their establishment.
- Introduce new incentives and benefits to encourage startups, enhance their performance, - increase their numbers, and improve their competitiveness.
- Establish specialized advisory centers to provide financial consulting and help startups identify the best financial structure for their projects.
- The government should take measures to reduce the sectoral concentration of startups, as most are concentrated in urban areas.
- Create offices and mechanisms to evaluate and monitor startups from the beginning, providing guidance to minimize mistakes.
- Utilize media, advertising, and digital platforms to organize programs that highlight how to establish startups and the government support provided to them.
- Increase government spending on R&D and foster collaboration between universities, research centers, and business climate to drive innovation.
- Advocate for and promote the creation of business incubators as a key means of assisting and mentoring startups.
- Improve the business environment in Algeria to provide a conducive setting for startup activities.
- Simplify administrative procedures and clarify legislation related to startups to facilitate their growth.
- .Increase funding sources for creative ideas and startups, especially through venture capital.

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