

The reality and prospects of startups in Algeria from idea to realization

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Abstract

This paper examines the reality and prospects of startups in Algeria, focusing on their role in the country's economic transition from a rentier system to a knowledge-based economy on how they contribute to shifting based on natural resources to one driven by knowledge and innovation. It emphasizes the significance of startups, in creating employment opportunities fostering variety and encouraging thinking. The research delves into interpretations and features of startups setting them apart from small and medium sized businesses (SMEs). The paper emphasizes the increasing involvement of universities in fostering entrepreneurship among students through laws and regulations and financial support methods along, with the significance of business incubators in this regard. The study offers insights into how these startups contribute to sustainable development and economic growth. Recommendations for enhancing support systems and facilitating administrative processes for startups are also provided.

Keywords: Startups, Algeria, Knowledge-based economy, Entrepreneurship, Business incubators, Economic diversification

1. Introduction

Lately there has been a change, in the economy towards knowledge driven economies where startups play a crucial role, in driving innovation and boosting economic development, traditionally dependent on hydrocarbon revenues, is actively pursuing economic diversification through the promotion of startups and entrepreneurial initiatives. This change signifies a milestone, in the nation's economic advancement plan. It is especially crucial as the country aims to lessen its reliance on oil profits and generate prospects, for its well-educated populace.

In times Algeria has experienced changes, in its economic environment predominantly due to the push to reduce reliance on oil profits. This transformation has underscored the significance of broadening the economy by nurturing an environment, for business ventures. Startups are viewed as pivotal in driving progress, enabling the country to build a knowledge-based economy and create sustainable employment opportunities for youth. Startups are playing a critical role in this process, as they represent innovative solutions that can address socioeconomic challenges, drive growth, and reduce the economic dependence on the oil sector [1].

The Algerian government has implemented several legislative and strategic measures to support startups, reflecting a robust policy framework that aims to promote entrepreneurship and innovation. For instance, Executive Decree No. 20-254 established a national committee tasked with recognizing and supporting startups, while other decrees have outlined criteria for startup classification and funding [2]. In startups benefit greatly from these structures as they provide them with the tools to secure funding and guidance needed to thrive in a business environment according to Souiki (2023). This hands-on assistance, from the government is vital, in nurturing a spirit., thereby promoting economic development as an alternative to wealth creation without relying on economic rents [3].

Advancements in technology and innovation play a role in driving the growth and success of startups in Algeria by positioning them in both local and global markets according to Asma et al's research (2024). They highlight how technological innovation empowers startups to create business models that cater to Algeria's economic landscape. [4]. Furthermore, business incubators and accelerators, supported by government initiatives, have become instrumental in nurturing startups by providing essential resources, networking opportunities, and capacity-building programs. Research highlights that incubators play a significant role in the entrepreneurial ecosystem, as they offer tailored support that enables startups to overcome challenges in accessing finance and developing market-ready products [5].

The fast expansion of the scene in Algeria reflects a pattern where nations are turning to startups to drive innovation and economic strength forward effectively. In Algeria these days successful examples like the ones backed by Yassir and other reputable organizations are seen as benchmarks highlighting how startups can play a role in fostering sustainable economic progress. [6]. Thus, this paper examines the current landscape of startups in Algeria, exploring both the opportunities and challenges they face as they evolve from ideas into market-ready enterprises. The study also offers insights into how these institutions, with continued support, can lead the transformation of the Algerian economy toward diversified, innovation-driven growth.

2. Algeria's Transition to Innovation-Driven Growth

Through its new economic policy, Algeria seeks to develop an appropriate and strong ecosystem aimed at diversifying and multiplying the devices dedicated to establishing and supporting startups to make them the locomotive that leads the transition of the Algerian economy from a rentier system to a model that relies on other productive sectors and on the knowledge economy

Whereas small and innovative projects are one of the solutions in the recent period adopted by developed and developing countries alike and their effectiveness in advancing economic and social development, and given the importance and role played by these institutions at the economic level, and through their ability to create jobs without the need for large capital to start, in addition to the liquidity of their establishment and flexibility, and the speed of response to the developments and challenges of the economic environment,

These startups have also been sponsored and taken care of by various legislations that sought to create and improve an appropriate environment and open the way for the holders of ideas and entrepreneurial projects and encourage them to embody their projects, in order to contribute to the elimination or reduce the aggravation of unemployment and encourage project holders to create startups, which called on the public authorities in Algeria and to get out of the circle of oil dependence to provide financial, material and moral support and provide assistance and reduce the difficulties facing the owners of startups and also accompany their projects and develop many mechanisms to support and develop startups, especially in solving the scarcity of financial resources and developing a legal and regulatory framework that contributes to their anticipation and access to the ranks of major institutions

Algeria has also decided to incorporate a new dynamic to adapt to the developments of the global environment through a set of strategic axes. Among these areas is supporting startups with the aim of promoting a culture of entrepreneurship and a spirit of innovation. Therefore, we ask:

- **What is the reality and prospects for startups in Algeria?**

To answer this question, it was necessary to address:

- The theoretical framework of startups
- The reality of startups in Algeria
- The prospects for startups in Algeria
- The best startups active in Algeria.

The importance of the study: The study derives its importance from the importance of the issue of startups in the economies of the countries of the world in general and in the Algerian economy in particular, as it has become one of the most important sources of enhancing the revenues of countries in light of this effective role played by these institutions.

3. Theoretical Framework for Startups

3.1. Introducing Startups

According to the Cambridge English Dictionary, startups are defined terminologically as "A small business that has just started, a business or a set of activities that generate the start-up of a new business and that need rapid revenue generation. It is a compound word. The first term start means start or launch. The second term UP means moving or heading towards a higher location, and therefore it means start and strong growth. It is also defined according to the Business dictionary as the innovative stage of the life of the institution where the entrepreneur moves from the stage of thinking to securing financing and setting up the basic structure of business and starting business operations. There are also many definitions on the subject of startups, but there is no unified definition of startups, and among the definitions provided to startups we mention:

- The startup is "a small-sized institution that is characterized by being easy to create and that requires huge funding, and young people can reach the establishment of this type of institution, in the sense that young people who have not graduated and have not obtained certificates can develop their projects and ideas and establish an startup instead of occupying a job position in an institution, and only the study of market requirements requires stopping the project that they wish to establish so that they know the extent of its embodiment and success .
- The startup, according to the famous entrepreneur Steve Blank, is a temporary organization looking for an economic model that allows growth, which is profitable, frequent and measurable. It considers different economic models, discovers their environment and gradually adapts together, that is, the startup must work on the success of its project quickly and has an impact on the market in which it wants to exist and work immediately.

As for Graham Paul, the founder of the business incubator Combinator Y, he defines the startup as "an institution designed to grow quickly and its newness does not make it a startup, nor is it a requirement that startups work in the field of technology, or are funded by venture capital. The only basic thing is growth, everything else we associate with startups follows growth; As others have defined it, it is a temporary institution that is looking for a profitable model for workers, it cannot be repeated and expanded, which in the beginning is a covered panel of ideas and ideas.

Another definition says: "Startups include all newly established institutions in the world of small capital workers, which did not exist before, regardless of the nature of their activity. We can also introduce the most important differences between startups and SMEs

Table.01: The most important differences between startup and SMEs

Standard / Type	Startups	Small and Medium Enterprises
path switchover	Temporary	Long-term as it seeks to continue and slow growth
Expected Rate of Return	Large and in multiples of expenses and costs	Low and constitutes a small percentage of expenses and costs
Growth	Fast and very fast	Tardy (adj.)
Funding Resources	Non-traditional sources Venture Capital	Traditional sources Banks and government grants
Risks	High	Low
Product	Innovative, creative and high-tech	Traditional and Stereotyped

Source: Maryam Sherif , Yesser, A Leading Model for Startups in Algeria, Success Factors and Challenges, Journal of Business Administration and Economic Studies, Volume 9, Issue 01, 2023

3.2. Characteristics of Startups

The characteristics of start-ups can be summarized in the following Table:

Table 2: Characteristics of Startups

FEATURE	Explanation
Temporary	Startups are a special and key stage The goal is to turn the idea into a business and find a new way to provide the service by creating new value
to look for a workable business model	Startups should look for a model that can grow and operate at scale and is measurable
Creativity and Innovation	One of the characteristics of start-ups and the most needed is to break out of the traditional pattern, by keeping pace with technological and technological developments, where successful sustainable start-ups enjoy a culture of innovation. The team should constantly think about ways to improve the product or service and business model. They should also be willing to take risks and try new ideas.
Growth Speed	Successful sustainable startups have a business model that focuses on revenue generation. The business model should be designed in a way that allows the startup to expand and grow over time
Extending	Scalable startups are startups that are able to adapt to environmental change and be open to feedback in order to improve, and to become an economic model that allows producing more, and maintaining performance while achieving economies of scale at the same time It does not follow a consistent and sustainable model but is constantly looking for development

Source: Prepared by researchers by reviewing several sources

3.3. Definition of startups according to the Algerian legislator

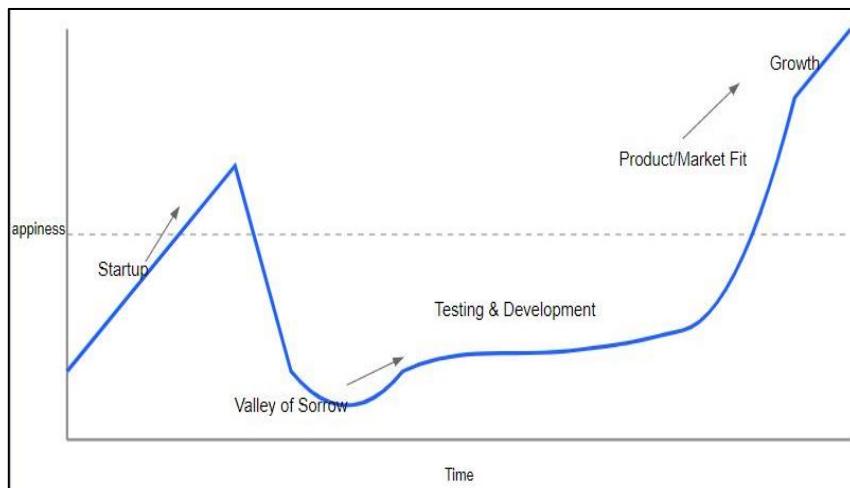
The Algerian legislator tried to define emerging and innovative institutions in the text of Article 6 of Law No. 15-21 containing the Orientation Law on Scientific Research and Technological Development as: " Means the institution that ensures the embodiment of basic or applied research projects, or those that carry out research and development activities

a) Conditions and procedures for granting the mark of a start-up institution:

Executive Decree No. 20-254 specified the criteria to be relied upon to classify the institution into a start-up institution and named it the conditions for granting the mark of a start-up institution, as well as the procedures for obtaining this mark, which are as follows:

b) Startup Lifecycle

- 1) **Pre-Launch Phase:** Startups A group of individuals prototype a new idea
- 2) **Launch phase:** Launching the first phase of the product or service
- 3) **Early stage of quitting and growth:** the product peaks and there is high enthusiasm
- 4) **Slip Stage: Although** financiers continue to venture, there is a stage where growth rates are low and may lead to the project leaving the market.
- 5) **Climbing the slope stage:** the entrepreneur's mother made modifications to show the rise again
- 6) **High Growth Stage:** Develop the product in a complete manner, and get out of the trial and testing stage

Fig.1: Startup Lifecycle

Source: Prepared by researchers based on source;” Nassira Allawi, Requirements and Funding Mechanisms for Emerging Businesses in Algeria, Forum Journal of Economic Studies and Research, Volume 6, Issue 02 , 2022

Table.3: Strengths and Weaknesses of Startups

Strengths	Weaknesses
<ul style="list-style-type: none"> *Balance the structure of non-productive activity *Support from large companies; * Generate real and diverse employment opportunities; * Investing small domestic savings; *Contribute to the achievement of the local development strategy; * Its flexibility and ability to adapt to the changes that its surroundings are witnessing, due to its nativist nature. 	<ul style="list-style-type: none"> *Limited and inability to select and formulate business strategy; * The difficulty of accessing financing resources, for several reasons, the most prominent of which are: the weakness of the financing structure, the lack of guarantees, and their inability to benefit from economies of scale due to their small size

4. The reality of startups in Algeria

Algeria has recently sought to increase interest and support for startups, especially with a real political will on the part of the public authorities to diversify the economy, as evidenced by:

4.1. Criteria for classifying startups

Through the text of Article 11 of Executive Decree 20/254, the criteria for classifying startups and distinguishing them from other institutions can be used. These criteria are:

- 1- **The term criterion**, which means that the age of the institution does not exceed 8 years, because it grants an startups scientist for a period of four years, renewable once
- 2- The **criterion** of Bakkar: Bakkar is defined as every new idea, new practice or new expression for the individual to adopt, which is the ability to discover opportunities, and it is a pattern of Bakkar that is based on a new reading of needs and expectations and a creative vision, not discovering the ability of the new product to create effective demand and discover the new market that is unknown

3- Enterprise Business Number Standard: It is an amount determined by the National Committee for Women Scientists of "Startups", "Innovative Projects" and "Incubators". The capital criterion, which is that the company's capital is owned by 50%, at least by a natural person or approved investment funds or by other institutions that have a «start-up institution». Labor standard, the number of workers in the establishment must not exceed 250 workers.

4.2. Sources of funding for startups

- 1- **Traditional sources of funding:** Startups can resort to traditional financing mechanisms, which we find in:
 - **Self-financing of the Foundation:** Self-financing is the sum of the internal sources of funding that the Foundation has created for itself and re-employed, in order to increase its non-productive capacity, or to meet the financial deficit in which the Foundation has fallen. This source may be from private funds, not the owners of the institutions, or resulting from the non-productive operations of the Foundation
 - **Financing by bank loans:** The majority of non-economic institutions suffer from the problem of financing, even if its causes vary, so that self-financing is considered as the first solution to eliminate the observed lack of means of payment and meet the needs of new investment, namely bank loans, which are the transfer of funds from banks to the economic institution with an undertaking to return them on specific dates, and to pay periodic interest. Since bank loans are directed to finance the activity of institutions, they take several types that vary according to the period necessary to return them, as well as according to their purpose, so we find short, medium and long-term loans
- 2- **Modern sources of funding:** The incubator system is one of the most important alternatives to funding for startups.
 - **How to support incubators for start-ups:** Incubators work to accelerate the successful development of start-ups, through a set of resources and services to support only workers that are developed or organized by the incubator's management. Incubators are specific companies that provide assistance to start-ups and small companies to develop them. Incubators differ in the way they provide their services in their organizational structure and in the types of workers they serve, but the most common incubator services are:
 - Help with the basics of business and communication activities, and help with marketing
 - Assistance in accounting and financial management, access to bank loans, loan funds, guarantee programs, owner investors or venture capital,
 - As well as helping with presentation skills, strengthening links with the higher education sector and strategic partners,
 - Assist with comprehensive business training programs, advisory boards and mentors
 - Assisting in the marketing of technology, and the incubator also provides administrative guidance
 - Technical assistance and consultations designed for startups, making the incubator graduates a role in job opportunities and strengthening the national economy
 - **Services provided by the business incubator:** The business incubator works to incubate projects between the start-up phase and the growth phase of business establishments, and to support new contractors and help them launch start-up projects. Accordingly, the business incubator works to provide contractors with the necessary tools for the success of the project. The following diagram shows the services provided by the business incubator to the contractor in order to launch a project
 - **Dar Al Muqawaliyah:** Thanks to the partnership between universities and the National Agency for the Development and Development of Entrepreneurship, approximately 58 entrepreneurial houses have been completed in universities, covering the entire national territory. It has financed several projects in various sectors such as agriculture, fishing, construction, etc. It trains the largest number of students on the culture and spirit of entrepreneurship even after the establishment of their institutions, such as training them on issues of management, human resources, accounting and all areas of interest. It also improves employment opportunities and the spirit of initiative to establish their own institutions and facilitate and provide them with support to implement their business ideas, which leads to the creation of new job opportunities. It also supports startups by accompanying the owners of institutions, providing financial and semi-financial subsidies and facilitating legal procedures, and listening to the needs of the institution for a better partnership and local, regional and national development.

5. Prospects for startups in Algeria

5.1. Establishing a delegated ministry for startups

A delegated ministry in charge of emerging small enterprises and knowledge economy was established by the Algerian legislator in Article 1 by Presidential Decree No. 20-01 dated 6 Hamadi I in 1441 corresponding to 02 January 2020, which includes the appointment of members of the government, where Mr. " Yassine Khridan" was appointed Minister of Small Enterprises, Emerging Enterprises and Knowledge Economy. The powers of the Minister Delegate to the Prime Minister in charge of knowledge economy and startups were also specified in Executive Decree No. 2000 dated 27 Safar 1442 corresponding to 15 October 2020. The process of creating a ministry concerned with startups after direct support for startups and the government's intention to bless and accompany startups and give them priority and priority. This is due to the importance of these livestock institutions in creating economic development in the country

5.2. Establishment of the National Committee for Granting the Brand of a Startups

By virtue of Article 1 of Executive Decree No. 20-24 dated 27 Muharram 1442 corresponding to 15 September 2020, the National Committee for Presentation was granted the mark of the startups and an innovative project, especially works called the National Committee at the core of victory. The National Committee shall be held by the Minister in charge of startups. The National Committee shall be chaired by the Minister in charge of startups or his representative and shall undertake the following tasks:

- From the "Startup" label
- Awarding an Innovative Project Mark
- Awarding the mark "Business Acquirer"
- Contribute to the diagnosis and anticipation of innovative projects

5.3. Business incubators to accompany startups

Business incubators nominated to carry the business incubator brand shall accompany the startups that have been guaranteed during the period of time. In this capacity, they shall abide by the following:

- Accompanying project holders during the establishment of the institution
- Helping startups complete models
- Accompanying startups that are sponsored to find sources of funding and spread in the market
- Assisting start-ups in the completion of business plan, market studies and financing plans
- Providing qualitative training, especially in business management and legal and accounting obligations. Putting all means at the disposal of project holders such as meeting rooms, automatic media stubbornness, office supplies and high-flow Internet

5.4. Fund for the Support and Development of Startups

This fund was established for the purpose of supporting and developing the economic system of startups and in order to contribute to the promotion of the startups.

The Fund for the Support and Development of the Economic System for Startups was established under Article 131 of Finance Law No. 1419 of December 11, 2019, which includes the Finance Law of 2020. According to the statements of the officials, this fund undertakes the financing of emerging projects and bears the burdens, including covering the possible losses of the project, and this is by placing at its disposal the services of obtaining financing for its activity, which falls within a comprehensive perspective, which is to support entrepreneurship in Algeria. In practice, the official launch of the fund's work took place on October 4, 2020. The fund actually begins to finance startups under a permit to the Director General of the fund. This is for startups that have obtained the rating under the award of the "Startups" mark, which is considered necessary to benefit from funding based on the principle of risk

6. Ranking of startups in Algeria

According to startup ranking, Algeria ranked second at the African level with 800 startups, followed by Nigeria with 803 startups, followed by Egypt and South Africa. It is also ranked as the 18th most available country for startups out of 206 countries. This classification counts startups at the global level, and according to each ecosystem, based on their activities, field of competence, and data related to the services they provide. In Algeria, one of the most active startups is arranged according to the location of the same site in the following table:

Table.5: Top Five Startups in Algeria

Rank	Startup	SR Score	Description	Country Rank
990	 YASSIR	60,149	Enhancing the way services are provided in Africa. - Yassir is the leading super App for on demand, rid	1
2,903	 Herd Academy	38,846	Online learning revolution in Algeria - Herd Academy is an Algerian online learning platform	2
3,140	 Siamois QCM	37,687	The first medical MCQ platform in Algeria - Siamois QCM is an E-training platform for Algerian	3
3,802	 Zawwali	34,353	Connect Users to Retailers with the Best Price. - We have the largest selection of inexpensive items ...	4
5,571	 MdinJdida	24,238	Le commerce du future - MdinJdida is a multi-vendor sales platform	5

Source : www.startupranking.com Access Date 01-04-2024

7. Conclusion

The issue of startups has received great attention recently as one of the most important drivers of sustainable development, especially in light of the technological revolution and the digital trend in the Algerian economy. Also, in the current year, university students were encouraged to translate their projects into startups with the aim of developing this sector, and universities received instructions in this regard, according to which offices should be allocated to startups and innovative projects that have the label "Label".

Algerian universities have registered 234 projects in various fields of innovation prepared by graduating students, which can turn into a start-up institution, during the academic season 2022-2023, in the fields of biotechnology, smart agriculture, renewable energies, artificial intelligence, as well as services. "

With the increasing interest in the culture and skills of entrepreneurship, we are talking today about the leading university, whether in the field of education or in the field of entrepreneurship

Recommendations

- Interest in promoting the role of business incubators
- Providing the necessary funding for start-ups that are in the pre-construction stage or in the construction stage and accompanying them
- Identify legal and regulatory methods for start-ups
- Facilitate the administrative procedures for the owners of emerging economic institutions Startup to benefit from the necessary funding through the Fund for Financing Startups, which ensures their survival and perfection Coordination between government programs and universities with regard to projects that bear the nature of innovation and marketing until these structures finance them
- Supporting startups by public authorities and continuous follow-up
- Developing a spirit of responsibility, innovation, risk-taking and encouraging creative ideas.

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