

Startups as a lever for economic stability: Analytical study of the Algerian economy between opportunities and challenges

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Abstract---This study aims to analyse the role of start-ups in enhancing economic stability in Algeria. To achieve this, it examines various concepts related to the study variables, such as start-ups, economic stability and its indicators. The study then analyses the reality of the Algerian economy in terms of stability during the period 2000–2024, focusing on relevant indicators such as economic growth, inflation, exchange rates and unemployment. The goal is to diagnose the national economy and identify the nature of the structural challenges it faces, in order to explore ways in which this type of institution can contribute to achieving sustainable economic stability. The study concluded that start-ups represent a promising tool for diversifying the production base, creating job opportunities and stimulating innovation. This has a positive impact on growth and reduces unemployment, especially given the increasing interest from the authorities in enhancing the role of these institutions in transitioning from a rentier economy to a productive one. However, limited access to appropriate financing, complexities in the administrative environment and weak integration into value chains continue to hinder their ability to fulfil their potential in achieving economic stability. Therefore, the study recommends enhancing the legislative and regulatory framework supporting start-ups, expanding alternative financing mechanisms and venture capital, strengthening the link between universities and businesses, and developing incentive policies that ensure the sustainability of this type of institution, transforming it into a contributor to sustainable economic stability in Algeria.

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Introduction

In light of the ongoing transformations in the Algerian economy, the discussion of economic diversification has evolved from a circumstantial option to a pressing necessity, driven by the current phase's nature and the fluctuations in the international environment. As we seek new sources of growth and strive for greater stability in macroeconomic indicators, startups have emerged as a distinct economic actor, separate from the traditional institutions that were long relied upon to support development according to classical economic perceptions. Startups are characterized by innovation and rapid growth in high-risk environments.

Problem Statement

The problem of this research arises from an attempt to understand the relationship between the growing interest in startups and the urgent need for sustainable economic stability. Thus, the problem centers on the following question:

To what extent can startups contribute to achieving sustainable economic stability in Algeria, considering the available opportunities and existing structural challenges?

Hypotheses:

To address this issue, the research is based on several hypotheses, most notably:

- Start-ups are an effective tool for diversifying the economic base, enhancing growth and creating jobs.
- Startups can contribute to economic stability indicators if they are supported by a suitable regulatory and funding environment.

The difficulties faced by start-ups in Algeria result from the interaction of multiple factors, notably the misalignment of funding tools with the specific nature of these institutions.

Objectives: This research primarily aims to analyse the role of start-ups in enhancing economic stability in Algeria, considering both available opportunities and existing challenges. The following sub-objectives are also addressed:

- Clarifying the theoretical and conceptual framework of start-ups and defining their distinguishing characteristics.
- analysing the current state of economic stability indicators in Algeria and diagnosing the main imbalances during the period 2000–2024.
- Assessing the capacity of start-ups to contribute to economic diversification, growth and employment.
- Identifying the most significant opportunities for startups in the Algerian context.
- Identifying the challenges and obstacles that limit their effectiveness and developmental role.
- Proposing practical solutions to support startups in achieving sustainable economic stability.

Structure of the study:

The study is divided into three interconnected sections. The first section is dedicated to the theoretical and conceptual foundations of start-ups. The second section analyses the current state of economic stability indicators in Algeria. The third section addresses the opportunities and challenges of enhancing the role of these institutions in supporting economic stability in the medium and long term.

Section One: The Theoretical and Conceptual Foundations of Startups

This section highlights startups from the perspective of their theoretical and conceptual foundations. It begins with their emergence and the most significant definitions formed around them. Then, it transitions from the traditional, classical concept to the modern one. Finally, it provides a detailed discussion of their key characteristics compared to other institutions.

Emergence and Definition of Startups

The term “startup” has been used in economic and management literature since the period immediately following World War II. This coincided with the emergence of venture capital firms in the United States. These firms provided a new funding mechanism to support innovative projects. Historically, the concept has been associated with launching and achieving rapid growth in a high-risk environment. As venture capital activity expanded during the 1950s and 1960s, the term “startup” was widely adopted to describe institutions operating in high-risk environments characterized by uncertainty yet seeking rapid, scalable growth (Fridenson, 2014).

Linguistically, the term “startup” consists of two parts: “start,” which denotes the launch of a project, and “up,” which reflects the idea of ascent or accelerating growth. Together, these parts capture the economic essence of startups, which focus not only on surviving in the market, but also on rapid expansion and creating a tangible economic impact (Gompers & Lerner, 2001).

Traditionally, startups were defined by age and size as newly established projects that are small and have limited resources. However, startups face a high degree of risk and instability in the early stages of their life cycle. Their definition is primarily linked to novelty and organizational independence rather than the nature of growth or innovation (Drucker, 1985). This perception dominated classical literature, which categorized startups as small and medium-sized enterprises (SMEs) without distinguishing them based on business model or expansion prospects. The Organization for Economic Cooperation and Development (OECD) defines startups as “newly established companies that begin operations on a small scale and gradually seek to achieve market stability” (OECD, 2005).

However, the economic and technological transformations that have occurred worldwide in recent years, particularly the rise of the knowledge economy and the evolution of venture capital, have led to a reevaluation of this traditional perception. Moreover, modern economic literature offers different approaches to defining startups, ranging from a focus on growth as the core phenomenon to viewing them as entities with specific structural and functional characteristics. In his famous article, “Startup = Growth,” Paul Graham defines startups as companies designed to achieve rapid growth. He does not imply that they are newly established, operate in the technology sector, or are funded by venture capital (Graham, 2012). Graham emphasizes that rapid, scalable growth is the characteristic that distinguishes startups from traditional institutions, regardless of their age, size, or area of activity. This definition reflects the vision of the innovation economy and venture capital, where growth is the primary indicator of a startup’s success and sustainability.

In contrast, Patrick Fridenson takes a more complex approach. He notes that the concept of a startup is not solely defined by growth, but rather by the presence of four essential conditions (Fridenson, 2014).

1. Existence of a clear developmental project: This means the company is built on a vision for future expansion or the development of a scalable business model.
2. Reliance on innovative technologies or methods. Innovation serves as the foundation of its activity, in terms of both technology and presenting a new approach to delivering value or solving an existing problem.
3. High degree of uncertainty regarding future performance and expected outcomes: Since growth and expansion are still in the experimental phase, the future remains uncertain.
4. Pursuit of rapid and scalable growth: The primary goal is not just survival, but also rapid market expansion once feasibility is proven.

Renowned entrepreneur Steve Blank agrees with this perspective, defining a startup as a business built to search for a repeatable and scalable business model (Kafi, 2022, p. 53). Additionally, Sataev and Soloveychik (2021) view startups as newly established entities characterized by their innovative nature, potential for expansion, and high level of risk. They are often still searching for their position in the market before full-scale expansion.

Thus, a startup is not defined by age, size, or sector as in classical thought, but by growth and innovation integration. This helps us analyze their role in achieving economic stability, which is realized not only through rapid growth, but also through innovation and the ability to adapt to uncertainties in a high-risk environment.

Among the various definitions of startups, they are described as temporary institutions that seek a profitable, repeatable, and scalable business model. Initially, they are a canvas covered with ideas and guesses (Ben Lekhdar, Shenbi, Mekhnach, & Berik, 2020, p. 28). This implies that startups must rapidly achieve success in their projects and immediately impact the markets they aim to enter.

The Algerian legislator has defined startups as follows: “A startup is an institution responsible for implementing basic or applied research projects, or engaging in research and development activities” (Official Journal, 2020).

Based on these definitions, a startup is a newly established economic entity built around a new idea that gradually develops into an applicable, scalable business model. Startups are characterized by an entrepreneurial spirit, calculated risk-taking, and innovation in product or service design. They employ available resources—material, human, and technological—in a flexible and effective manner that allows for rapid experimentation, course correction, and continuous improvement of outputs. Startups distinguish themselves not only by establishing traditional economic activities, but also by creating added value in the market through new solutions or innovative methods of delivering value. They have clear potential for growth and expansion in changing environments.

2. Characteristics of Startups

Startups are distinguished by a set of common traits that are evident in various experiences worldwide, contrasting them with traditional institutions. The most notable characteristics include:

- They are considered innovative projects because they stem from an unprecedented creative idea.
- They have low start-up costs, especially compared to the unexpected and rapid profits they generate, as seen with companies like Google, Facebook, Instagram, and TikTok.
- They are independent entities not affiliated with established companies or branches.
- They grow gradually through stages known as the institutional lifecycle, which includes the idea development stage, launch stage, growth stage, decline stage, and increasing growth stage.
- They either grow and mature or fail and go bankrupt.
- They rely on distribution channels that are often social media platforms primarily accessed via smartphones, which makes it significantly easier to reach customers (Mekhnach, 2021, p. 10).

Section Two: The Current State of Economic Stability Indicators in Algeria During the Period (2000-2024)

Economic stability is the ultimate goal of all economies, both advanced and developing. It is linked to essential economic factors reflected in numerous macroeconomic indicators. Like many other countries, Algeria aims to achieve this goal, especially in light of the negative implications of oil price fluctuations in the global market on the national economy. This section will analyze the current state of economic stability indicators in Algeria to identify possible opportunities and challenges in enhancing the role of startups in achieving economic stability.

1. Concept of Economic Stability (Definition and Indicators):

1.1. Definition of Economic Stability:

The United Nations Economic and Social Commission for Western Asia (ESCWA) defines economic stability as a state in which a country’s financial system exhibits slight fluctuations in production growth and is characterized by low, stable inflation. It is generally viewed as a desirable state for an advanced country and is often encouraged by the policies and actions of its central bank.

It represents a state of relative macroeconomic equilibrium when inflation, unemployment, economic growth, and exchange rates remain within stable bounds and do not display sharp fluctuations. This creates an environment conducive to productive activities and investments, ensuring long-term sustainable growth (Mahriz, 2017).

Additionally, economic stability represents an environment free from fluctuations in macroeconomic variables. According to Aamer (2010, pp. 149-150), stability is achieved when output grows at a moderate rate. This helps maintain stability in the general price level, achieves higher employment levels, and reduces the budget deficit while improving the balance of payments.

Thus, economic stability reflects a state of non-volatility in a country's economy, where balance is achieved in macroeconomic indicators. This is manifested by regular, sustainable economic growth and moderate inflation levels, which ensure stability in general price levels while achieving acceptable employment levels and reducing unemployment rates.

1.2 Indicators of Economic Stability:

The economic stability of a country can be gauged through a series of key indicators, including:

A- Internal stability indicators: Reflect the balance of economic performance within the country and include:

B- Economic growth rate: Measures the change in real GDP and reflects the economy's ability to achieve sustainable expansion. Economic stability is achieved by maintaining a positive and growing GDP rate that covers increasing expenses.

C- Inflation rate: Measures the degree of stability in general price levels and the purchasing power of the currency. Having low and moderate inflation rates is linked to achieving economic stability and facilitates consumers' and investors' spending, saving, and investment decisions.

D- Unemployment/employment rate: These are among the most important indicators of labor market stability. Full employment means increasing the workforce to boost output, which involves maximizing productive capacity to achieve potential output and prevent resource idleness. A lower unemployment rate indicates effective and stable economic activity (Hoshidar, 2004, p. 40).

Real Income Level per Capita: Based on the aforementioned indicators, real income level is a crucial indicator of purchasing power and economic well-being. It serves as a measure of individuals' living standards.

1.2.2 External Stability Indicators: These measure the balance of the economy with the external environment and include:

A- Balance of Payments: Reflects the economic relationship between the country and the rest of the world. Stability means that exports and foreign investments cover imports and international commitments.

B- Exchange rate: Stability of the national currency's exchange rate against foreign currencies indicates economic strength and market confidence.

C- International reserves represent a country's ability to finance imports and meet external obligations. They are an important indicator of financial and monetary stability.

1.2.3 Financial Stability Indicators:

A- Budget Deficit or Surplus: A reduction in the deficit or achieving a surplus indicates financial balance and fiscal sustainability.

B- Public debt level: An increase in debt exceeding GDP may threaten economic stability, and vice versa.

2. Analysis of Some Economic Stability Indicators in Algeria

2.1 Achieving Economic Stability Through Enhancing Economic Growth:

Economic growth is considered the cornerstone of achieving economic stability, given their integrative relationship. Neither can be achieved in isolation from the other. Economic stability provides a conducive environment for investment activities, whether productive or service-oriented, by controlling inflation rates and maintaining stable general price levels. This reflects the stability of the financial and monetary systems, which enhances confidence in the economy and encourages the expansion of production. Conversely, economic growth supports this stability by increasing national income, improving the efficiency of resource distribution, and creating job opportunities. This reduces inflationary pressures and strengthens the state's budget. Thus, economic stability ensures the sustainability of growth, and economic growth enhances the economy's resilience against crises and cyclical fluctuations.

In recent decades, Algeria has made efforts to utilize all the tools and potential of its economic policy to achieve an effective balance between economic growth requirements and maintaining overall stability, especially in light of fluctuations in the global oil market and their direct impact on various macroeconomic indicators. Since the early 2000s, the government has relied on fiscal policy as a primary tool to stimulate growth by increasing public spending on infrastructure projects, housing, and support for small and medium-sized enterprises within the framework of economic recovery programs. Meanwhile, the Bank of Algeria has adopted a balanced monetary policy aimed at controlling liquidity levels, limiting inflation, and ensuring exchange rate stability. This protects citizens' purchasing power and the stability of the financial system.

Recently, the government has pursued structural reforms to diversify the economic base and reduce dependence on the hydrocarbons sector. These reforms encourage local and foreign investment, simplify administrative procedures, and improve the business climate. These reforms have supported non-oil growth and enhanced the resilience of the Algerian economy to external shocks, gradually contributing to economic stability despite global challenges.

The development of growth rates in Algeria from 2000 to 2024 can be illustrated as follows:

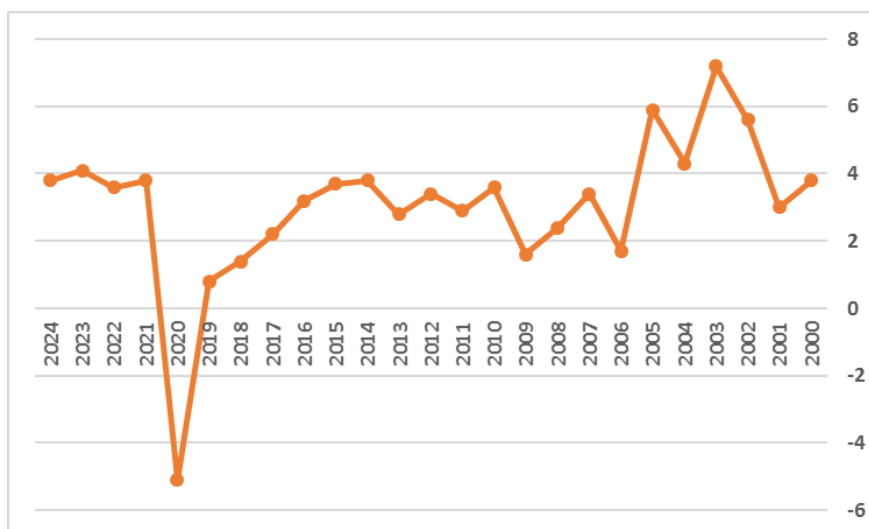


Figure 1 illustrates the development of growth rates in Algeria during the period.

Source: Compiled by the researchers based on: World Bank Data:

<https://donnees.banquemondiale.org/>

- National Office of Statistics: www.ons.dz (<http://www.ons.dz>)

Economic growth reflects the development of a country's Gross Domestic Product (GDP). Algeria has experienced fluctuations in growth rates, which are similarly linked to oil revenues and fluctuations in oil prices. Based on the above, it is evident that the highest growth rate occurred in 2003, exceeding 7.2%, coinciding with the economic recovery program on one hand and rising oil prices on the other. Additionally, growth rates declined from 3.8% in 2014 to 1.4% in 2018, and then below 1% in 2019, largely due to the recent oil crisis. This negatively affected foreign investment inflows, as investors are wary of countries with low growth rates because these reflect the stability and development of domestic output, which in turn expresses the added values achieved from both domestic and foreign investments. The Algerian economy has continued to face challenges, particularly those resulting from the global health crisis of 2020. The country recorded a sharp economic contraction of about -5.1%, due to a decline in production activity and a contraction in domestic and external demand. However, economic indicators have shown gradual improvement in recent years, supported by rising oil prices and structural and financial reforms. These reforms contributed to a positive growth rate of 4.1% in 2023, despite a drop to 3.8% in 2024. This positive trend reflected improvements in the balance of payments and public revenues. It contributed to achieving a foreign surplus and enhancing the level of official foreign currency reserves. This strengthened the country's overall economic situation. According to reports from the International Monetary Fund, the increase in financial spending significantly contributed to the economic recovery following the pandemic, particularly with regard to improving income levels, reducing unemployment, and creating new opportunities in industry, construction, and services. This has had a positive effect on the growth of gross domestic product.

2.2. Achieving Economic Stability Through Controlling Inflation

The central bank and economic authorities have implemented various measures to control inflation and maintain moderate levels, aiming to achieve economic stability. These measures include setting the key interest rate in light of the decline in imported inflation pressures resulting from Algeria's recent import restrictions.

They also regulated money supply growth and organized bank loans. Additionally, they used reserve requirements and absorbed liquidity in banks when necessary. This limited the spread of excess liquidity, which is considered a component of potential negative inflation. These policies resulted in a decrease in inflation, from approximately 9.3% in 2022 to 7.84% by the end of 2023. The following figure illustrates this trend:

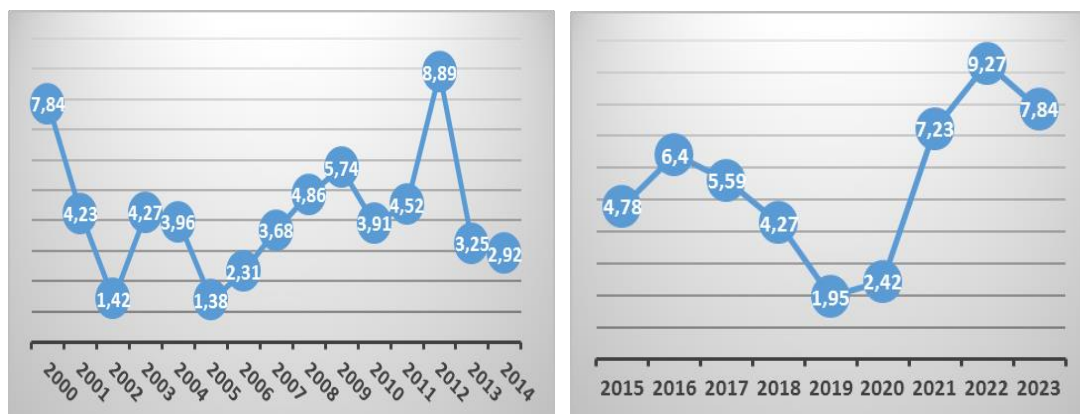


Figure 2 shows the development of the inflation rate in Algeria between expansion and contraction for the period (2000-2023).

Source: Compiled by researchers based on World Bank data (<https://data.albankaldawli.org/>).

Continuous growth in the money supply, whether under an expansive spending policy (2000–2014) or a contractionary policy (2015–2024), led to increased economic liquidity at a rate exceeding GDP growth. This is reflected in the liquidity index, which measures financial depth and the volume of financial intermediation by expressing the ratio of the broad money supply (M2) to gross domestic product (M2/GDP). A low ratio indicates a shortage of cash liquidity, which can lead to an economic slowdown. A high ratio indicates an excessive cash surplus, which reflects on inflation. For example, the index surpassed 80% in 2020, indicating that the growth of the money supply exceeded GDP growth. However, it declined in 2021 and 2022 due to the acceleration of GDP growth compared to the increase in the money supply.

Unit: %

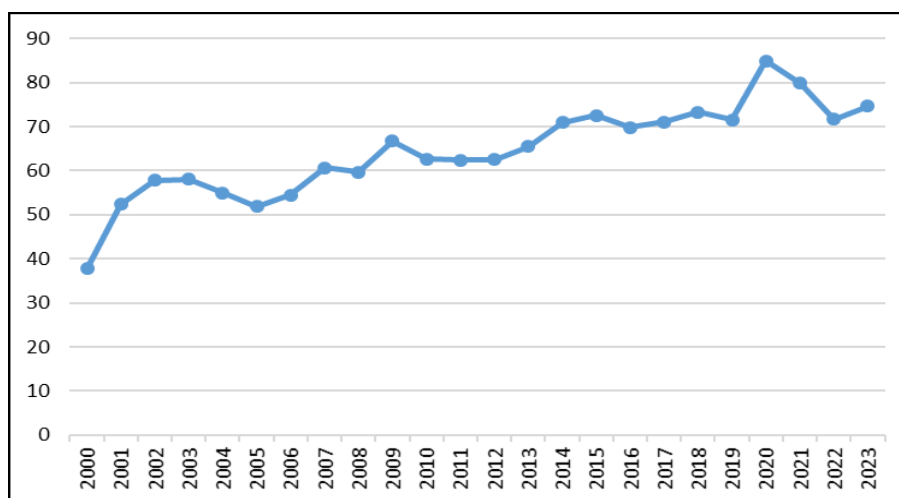


Figure 3 shows the development of the economic liquidity index in Algeria from 2000 to 2023. Source: Compiled by researchers based on World Bank data (<https://data.albankaldawli.org/>).

In recent years, Algeria has intensified its efforts to control inflation levels by implementing various measures aimed at curbing price pressures, particularly those arising from rising food prices and imports. These measures are intended to protect the purchasing power of citizens and prevent imported inflation. These measures include easing certain customs barriers, modifying import restrictions, and opening imports of food commodities.

2.3 Achieving Economic Stability Through Exchange Rate Stability

Achieving external balance is one of the objectives of monetary policy, as stipulated in Law No. 90-10 and Order No. 03-11. Thus, achieving external balance leads to economic stability. This is achieved by improving the balance of payments and stabilizing exchange rates. From 2022 to 2023, the Bank of Algeria implemented an exchange rate adjustment policy, during which the Algerian dinar appreciated by approximately 4.5% against the US dollar and by about 1.9% against the euro. This helped mitigate the effects of imported inflation. Despite existing inflationary pressures, the monetary authority maintained the key interest rate at a steady 3% to avoid severe exchange rate fluctuations that could threaten trade and investment stability. Furthermore, fiscal policy tools, such as controlling spending, improving non-oil revenues, and imposing trade restrictions on imports, have reduced demand for unofficial foreign currencies. This limits significant differences between the official exchange rate and the parallel rate of the Algerian dinar.

Table 1 shows the development of the exchange rate of the Algerian dinar against the US dollar for the period 2000-2023.

Year	2000	2001	2002	2003	2004	2005	2006	2007
Value	75,257	77,260	79,683	77,395	72,060	73,360	72,647	69,376
Year	2008	2009	2010	2011	2012	2013	2014	2015
Value	64,583	72,635	74,391	72,857	77,550	79,380	80,560	100,460
Year	2016	2017	2018	2019	2020	2021	2022	2023
Value	109,470	110,960	116,620	119,360	128	135	138	135

Source: Compiled by researchers based on the links below.

National Office of Statistics: www.ons.dz

Ministry of Finance: <https://www.mf.gov.dz/index.php/fr>

Overall, the value of the national currency has declined against foreign currencies (e.g., the dollar). Under the managed float policy, the country's monetary authorities intervene to reduce the dinar's value to achieve announced goals related to encouraging foreign investment, which naturally favors countries with weak national currencies. According to the table below, the value of the dinar decreased from 75.257 DZD per dollar in 2000 to over 119.30 DZD per dollar in 2019 and to 135 DZD in 2023.

2.4 Achieving Economic Stability by Reducing Unemployment Rates

According to Article 55 of the Currency and Credit Law, employment is one of the most important objectives of monetary policy in Algeria. There is a close link between economic growth and employment. Not achieving high annual growth rates will necessarily lead to unemployment that cannot be absorbed, reflecting the reality of the Algerian economy. In this context, the development of unemployment rates will be monitored, as illustrated in the following figure.

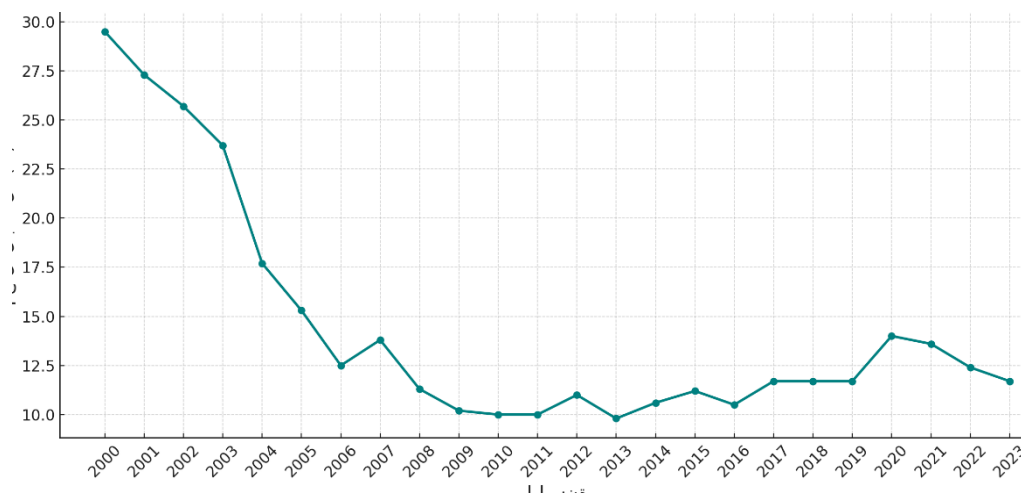


Figure 4: Development of the Unemployment Rate in Algeria from 2000 to 2023

Source: Compiled by researchers based on World Bank data.

World Bank Data: <https://donnees.banquemondiale.org/>

Bank of Algeria Annual Reports: <https://www.bank-of-algeria.dz>

Unemployment rate data from 2000 to 2023 in Algeria indicates a changing trajectory, reflecting the impact of economic and social policies on the labor market. Initially, at the beginning of the millennium, unemployment rates were very high, reaching 29.5% in 2000. Then, they began a gradual

decline over the following years, reaching 12.5% in 2006. This decline reflects the effects of reformist economic policies, increased economic activity, and the expansion of employment programs, which absorbed part of the available labor force.

However, with the onset of the global economic crisis and subsequent challenges, unemployment rates slowly declined, reaching their lowest levels of around 10% in 2010 and 2011. Then, they rose slightly again, reaching 11.2% in 2015. These fluctuations indicate the fragility of the Algerian labor market, which relies on temporary policies to support employment without addressing structural unemployment issues, such as the misalignment between workforce qualifications and market requirements.

In recent years (2016–2023), the rate has stabilized around 11–12%, with a noticeable increase to 14% in 2020 reflecting the direct impact of the pandemic on the economy and the increased deficit in job opportunities. Rates gradually declined afterward as economic activity recovered, stabilizing at 11.7% in 2023. This indicates that the labor market still faces structural challenges, requiring integrated economic, monetary, and trade policies to enhance employment and reduce unemployment.

Section Three: Opportunities and Challenges in Enhancing the Role of Startups in Supporting Economic Stability in Algeria

Building on the analysis of economic stability and its indicators in Algeria discussed in Section Two, it can be said that more efforts are necessary to achieve moderate and acceptable levels of those indicators. This can be done through a series of policies and mechanisms that consider the specificities of the national economy, including its strengths and weaknesses. Startups are considered one of the most important mechanisms for achieving sustainable economic stability in the upcoming phase.

1. The Reality of Startups in Algeria

Algeria is relatively new to the startup field. Despite its limited experience, the country has worked in recent years to improve the environment for innovation by developing the legal and regulatory framework for establishing these institutions, their funding, and their operational mechanisms. The government aims to encourage young people, especially university graduates, to be creative and entrepreneurial by setting up entrepreneurial centers and business incubators that support students from idea formulation to funding and subsequent technical and consulting assistance.

Recently, there has been a noticeable increase in startup creation and innovative project implementation. According to entrepreneurship indicators, Algeria ranked second among Arab countries and twentieth globally in terms of startup numbers in 2025, following the United Arab Emirates, which had approximately 1,543 startups that year (<https://www.startupranking.com/2025>). This ranking is due to Algeria's favorable business environment, which focuses on institutional development of startups, enhancing innovation, supporting local talent and projects, and the existence of six free zones and 33 industrial zones. Additionally, entrepreneurs can attract venture capital funding and invest in higher education (Touzeni & Al-Ashabi, 2025, p. 302).

It is no surprise that Algeria ranks second among neighboring countries and other Arab nations in the number of startups, as the authorities' efforts to promote entrepreneurship and support higher education institutions have transformed their students' creative ideas into startup projects. A crucial factor in directing and supporting the investment climate for startups in Algeria is providing an integrated regulatory, legislative, and institutional environment.

This has improved the national and global rankings of many of these institutions. For example, the startup Yassir ranked first nationally and 1,128th globally, which is an impressive position for an Arab institution, with a total score of 59,142, as illustrated in the following figure.

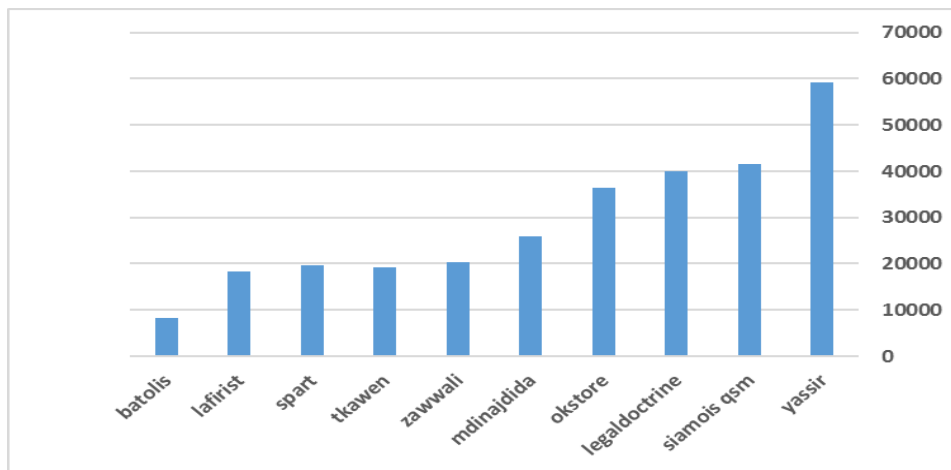


Figure 5 shows the ranking of the best startups in Algeria in 2025.

Source: Leila Halimi, Hakima Halimi, and Nasira Mohajbi, “The Role of Applying Total Quality Management Principles in Enhancing Innovation in Startups: The Case of Algeria,” *Economic Research Journal*, Vol. 20, No. 2, University of Blida 2, December 2025, p. 399.

The above figure shows the top ten startups in Algeria for the year 2025.

Yassir ranked first among Algerian startups with a score of 59,142. Yassir is considered one of the leading companies in the on-demand transportation services sector, especially in the absence of strong competition in this field. Since its establishment in 2017, Yassir has evolved rapidly from a local ride-sharing app to a “super app” offering multiple services (www.yassir.com). The company’s growth can be attributed to its systematic approach, which prioritizes quality and innovation in its operations. Yassir has developed a reliable and seamless digital platform and expanded its services to include digital financial solutions within the app. This expansion leverages its technological infrastructure to provide added services that enhance the overall user experience.

SIAMOIS QCM took second place with a total score of 41,591. Since its founding, Siamois QCM has developed into a leading online platform dedicated to medical, pharmacy, and dental students in Algeria. It utilizes an advanced digital interface that allows students to create checklists, analyze their performance, review incorrect answers, and add notes. This reflects the platform’s commitment to providing a high-quality educational experience (www.siamois.com).

- Legal Doctrine secured third place nationally in 2025 with a total score of 40,101. Founded in 2018, it has grown to become Algeria’s premier legal intelligence platform, offering an advanced legal search engine that includes legislation, regulations, and court decisions from several African countries. The organization’s strategic vision is based on total quality management, and it has built a large, structured database comprising over one million legal documents. This database enables users to quickly and accurately access the necessary legal texts (www.legal-doctrine.com). Its balanced approach to innovation and quality has earned the trust of over 5,000 clients, ranging from lawyers and companies to major institutions. This makes Legal Doctrine a reliable legal reference in Algeria and across Africa (Halimi, Halimi, & Mohajbi, 2025, pp. 400–401).

Additionally, in June 2025, Algeria received the “Champion of Entrepreneurial Policies” award at the Global Entrepreneurship Forum in Indiana (USA). This award recognizes Algeria’s efforts to support entrepreneurs and encourage innovation. Several Algerian startups have won awards in Europe, China, Qatar, and the United States. Examples include Gardens of Babylon — GB Vertical, which won the ARLEM 2025 award for local youth entrepreneurship in the Euro-Mediterranean region, and Nrecycli, which received the Young Social Entrepreneurs Award in Doha, Qatar, in the energy and environment

category during the fourth edition of the award. Other examples include FARM AI (Algerian News Agency, 2025).

Opportunities to Enhance the Contribution of Startups to Achieving Economic Stability in Algeria

Startups are becoming increasingly important in the modern economy, driving growth and value creation. They are able to introduce new ideas, generate innovative solutions, and create flexible working methods that adapt to rapid market changes. As technology expands and consumer needs change, startups have emerged as a fundamental component in enhancing competitiveness, providing high-efficiency job positions, and driving development towards future sectors. This positions startups as levers for economic growth and sustainable development, especially as the Algerian government aims to establish 20,000 startups by 2029 (Algerian News Agency, 2025). Startups can achieve this goal by taking advantage of the following opportunities:

1. **Unlimited attention and support from the Algerian government.** The government recognizes the role of startups in supporting economic development and achieving economic stability, as evidenced by the establishment of a ministry dedicated to the knowledge economy and startups.
2. **Creation of the National Committee for Granting the Startup Label:** According to Executive Decree No. 20-254, dated September 20, 2020, this committee recognizes innovative projects and business incubators.
3. **Provision of an Integrated Regulatory, Legislative, and Institutional Environment**
This environment aims to support startup activities in Algeria by promoting trust, facilitating procedures, and enhancing the feasibility of implementing creative projects. Measures include developing a flexible legal framework and a stimulating tax system, as well as establishing an open environment for innovation that connects startups with universities, research centers, and economic institutions. Substantial investments will be made in technological and research infrastructures, and investment funds will be established (Algerian News Agency, 2025).
4. **National Fund for Startup Financing**
This fund signed an agreement to mobilize 58 billion Algerian dinars (approximately 411 million USD) through local funds. The goal is to support entrepreneurial projects across all provinces. The maximum financing limit is 150 million dinars for each project (www.algeriainvest.com).
5. **Increasing the Number of Specialized Incubators:** These incubators support startups by providing technical guidance, administrative follow-up, workspaces, and assistance in developing prototypes, marketing, and seeking funding.
6. **Prominent Role of Entrepreneurship Centers within Universities:** These centers have effectively promoted entrepreneurial thinking among students by training them in innovation mechanisms, honing their entrepreneurial skills, and improving their ability to transform creative ideas into viable projects.
7. **Contribution of the Business Accelerator Algeria Venture (A-Venture):** As a key player in the national innovation ecosystem, A-Venture offers specialized programs, such as a network of mentors and experts who guide entrepreneurs' management and technical decisions with strategic advice and business model improvements. A-Venture also supports funding and investment by connecting startups with investors and facilitating access to suitable financing sources for their growth stages. Furthermore, A-Venture establishes international partnerships to enhance entrepreneurial competencies through international training programs and knowledge exchange. It promotes open innovation by involving startups in joint projects with large companies, thereby enabling knowledge transfer and the development of innovative solutions. A-Venture also organizes workshops and specialized training programs to develop technical and entrepreneurial skills. This expands the scope of innovation to include strategic sectors such as artificial intelligence, fintech, renewable energy, and advanced technological industries. This is in line with economic transformations (Halimi, Halimi, & Mohajbi, 2025, p. 398).

In the context of modern technology, integrating total quality management with artificial intelligence techniques is an important way to enhance innovation in Algerian startups and improve output quality (Mili, Bengana, Zighed, & Mekimah, 2025). Accordingly, startups play an increasingly important role in achieving sustainable economic stability in Algeria.

1. **Creating new job opportunities:** Startups contribute to the creation of numerous job positions and employment opportunities for youth and graduates from various Algerian universities.
2. **Diversifying national income sources:** By entering unconventional sectors and offering new products and services, startups reduce reliance on specific resources, such as oil or heavy industries.
3. **Innovation and technology:** Startups often rely on innovative solutions and modern technologies, which support the development of new sectors and enhance the economy's competitiveness.
4. **Attracting Investments:** The rapid growth of startups makes them attractive targets for venture capital and foreign and local investments, increasing market liquidity and stimulating economic activity.
5. **Effective Tool for Localizing Activities**
Startups are important for promoting and valuing local resources, as well as integrating different regions (Baizid, 2022, p. 62).
6. **Economic Flexibility:** Startups are often more adaptable to economic shocks and market changes. This contributes to long-term economic stability.

Thus, startups' role extends beyond creating wealth and jobs. They are a primary driver of economic renewal and sectoral expansion, especially in emerging economies seeking diversification and sustainable growth, thereby achieving sustainable economic stability.

3. Challenges Facing Startups in Algeria

Startups in Algeria operate within an economic context characterized by a transitional phase in which the state is attempting to diversify growth sources and reduce dependence on hydrocarbons. However, this transformation is accompanied by several challenges reflecting the nature of the prevailing economic and institutional environment. The most significant challenges include:

3.1 Financing: Traditional financing mechanisms are not fully aligned with the nature of innovative projects, which are based on risk and uncertainty. Startups often lack the collateral required by banks, and venture capital is not prevalent enough to finance technology- or digitization-based projects on a large scale. This can lead to slow growth or even stalled initiatives in their early stages.

3.2 Administrative Procedures: Despite efforts to streamline processes, certain regulatory pathways still demand considerable time and effort for registration, obtaining licenses, and navigating the tax system. This complexity can burden entrepreneurs, especially in the early stages when greater focus is required on product development and market building.

3.3 Limited Access to Markets, Both Internally and Externally:

Weak distribution channels, difficulty accessing public contracts, and an absence of professional marketing networks limit startups' capacity to expand. Competition with imported products or established companies also puts pressure on these entities.

3.4 Human Resources: Some entrepreneurs lack managerial experience and practical skills, particularly in areas such as financial planning, risk management, and team building. Despite the presence of considerable scientific talent, there is still a need to further enhance the connection between universities and the business environment to ensure that knowledge is transformed into economically viable projects.

3.5 General Economic Environment: Fluctuations in prices, limited diversification in the production base, and the impact of external shocks may directly affect demand stability and growth opportunities. Startups are more sensitive to these variables due to their fragility in their early years.

Based on the above, the difficulties startups face in Algeria result from interactions between financial, organizational, market, and human factors. Therefore, to enhance their role in development and achieve sustainable stability, a comprehensive approach is required that focuses on improving the business climate, developing suitable financing tools, and supporting mentorship and guidance to ensure their transition from the idea stage to sustainable growth.

Conclusion:

This study underscores the importance of startups in modern economies. In Algeria, these enterprises have the potential to promote economic stability by generating new job opportunities, driving innovation, and diversifying sources of national income. However, they face significant challenges, including insufficient funding, inadequate supportive infrastructure, and administrative and legal obstacles that could hinder their growth and viability.

Key Findings:

1. **Youth Employment:** Startups have played a pivotal role in creating job opportunities for young people, particularly recent graduates, thereby reducing unemployment rates and curbing economic migration.
2. **Boosting Innovation and Entrepreneurship:** These enterprises develop new products and services, offering innovative solutions to market challenges and enhancing the competitiveness of the national economy.
3. **Economic Diversification:** Startups decrease dependence on traditional sectors and foster the development of new fields, such as technology, clean energy, and digital services. This helps move the national economy away from its dependence on oil, which is a primary cause of fluctuations and instability.
4. **Current Challenges:** Challenges include limited access to funding, difficulties with digital infrastructure, slow administrative processes, and a fragile legal framework, all of which can hinder the growth and sustainability of these businesses.

Proposed Recommendations:

1. **Enhancing Funding and Financial Support:** Seek innovative financing approaches that address the specific needs of startups. Establish dedicated funding pools for these enterprises and offer financial incentives and tax relief during their initial stages across various sectors.
2. **Improving Legal and Administrative Frameworks:** Streamline administrative procedures and revise laws to facilitate business establishment and management, while safeguarding the rights of founders and investors.
3. **Invest in digital and technological infrastructure:** Create digital platforms, provide technical resources, and improve internet and digital service access to empower startups to innovate and grow.
4. **Promoting Partnerships and Collaboration:** Foster collaboration between the public and private sectors, support university and research initiatives, and connect startups to local and regional value chains.
5. **Training and Capacity Development:** Implement training programs that equip entrepreneurs with management, marketing, and technical skills to ensure the long-term sustainability and success of startups.

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