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Implications of Legislative Developments for Self-Employed Entrepreneurs for Local Economic Development in Algeria.

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Abstract:

This study aims to analyze the impact of legislative developments related to the self-employed entrepreneur system on local economic development in Algeria. It relied on a descriptive-analytical approach through a study of legal texts and an analysis of official data and statistics. The results showed that recent amendments, such as tax exemptions, the expansion of the list of activities, and the inclusion of micro-imports, have contributed to attracting thousands of young people and integrating a significant portion of the informal economy. Digital activities and innovative services have also emerged as a key driver of growth, especially in rural areas. However, financing challenges, weak training, and a lack of digital infrastructure remain obstacles to sustainability, calling for updating the legal framework and strengthening financial and professional support mechanisms.

Keywords: self-employed entrepreneur, legislative regulation, economic development, local development.

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INTRODUCTION

Algeria strives to support and develop entrepreneurship as a means of advancing the national economy. This is achieved through the enactment of numerous laws and the establishment of numerous programs to support and assist young people in establishing and financing projects, in addition to providing incentives and benefits in this regard. Recent years have witnessed growing interest in developing new mechanisms to support self-employment and individual initiatives, as they are considered one of the most effective paths to diversifying sources of income and reducing unemployment, especially among young people and university graduates. In this context, the self-employment system emerged as a legal and regulatory framework that allows individuals to establish small and medium-sized enterprises easily, without administrative complications or significant tax burdens. It also provides tax incentives, guarantees legal recognition of their activities, and makes them part of the formal economy. Despite all the efforts made by Algeria to support the development of entrepreneurship and the establishment of projects through the Self-Employed Law, there is still controversy surrounding the effectiveness of this system in achieving its objectives, particularly in terms of the compatibility of the legislative framework with market needs and its responsiveness to contemporary economic standards.

Based on the above, the following question can be raised:

To what extent have legislative developments for self-employed entrepreneurs impacted local economic development in Algeria?

This study seeks to answer the following questions:

- What is the legislative and regulatory structure of the self-employed entrepreneur system in Algeria?
- What are the actual incentives and benefits for small individual projects?
- What are the obstacles and challenges facing self-employed entrepreneurs in Algeria?

Research Objectives

1. Analyze the legal and regulatory framework for self-employed entrepreneurs in Algeria.
2. Evaluate the impact of tax and financing incentives on local economic development.
3. Highlight the most important challenges facing self-employed entrepreneurs.

Significance of the Research

This study derives its importance from its connection between the legal and economic aspects of analyzing the self-employed entrepreneur system. It is also based on up-to-date statistics and diverse sources in both Arabic and English, contributing to enriching academic discussion on the topic.

Research Methodology:

This study relied on the descriptive and analytical approach, through:

- Analysis of Algerian legal texts related to the self-employed entrepreneur system,
- Review of scientific literature published in peer-reviewed scientific journals relevant to the topic,
- Analysis of official data and statistics.

To answer the study's problem, the following three main axes were adopted:

Axis One: The legal framework for the self-employed entrepreneur in Algeria

Axis Two: The economic impact of the development of the self-employed entrepreneur system in Algeria

Axis Three: Challenges and future opportunities for the self-employed entrepreneur system in Algeria.

Axis One: The legal framework for the self-employed entrepreneur in Algeria

This section will address the legal framework for the self-employed entrepreneur in the following points:

1. Definition of the self-employed entrepreneur:

The roots of the concept go back to European experiences in the sixteenth century, specifically in France, under the term "auto-entrepreneur." This term refers to anyone who undertakes, undertakes, or undertakes to perform a task or assumes responsibility for a task. The same term is also used in English.[1]

In Algeria, the legal framework began to take shape within the framework of laws supporting small and micro enterprises, until the self-employed entrepreneur system was officially incorporated through legislative amendments in the last decade.

A self-employed entrepreneur is defined as a natural person who individually engages in a profitable economic activity and is included within the list of activities eligible for inclusion in the basic law of the self-employed entrepreneur[2]. This system aims to provide individuals with the ability to officially register their activities while benefiting from tax and administrative advantages.

2. Stages of Development of the Self-Employed Law:

The first building block in this process was the issuance of Law 22-23 of December 18, 2022, which established the concept of the self-employed as a natural person who engages in an economic or service activity individually, under simplified conditions compared to the traditional commercial register. This law was subsequently followed by regulatory texts in 2023, incentive amendments in 2024, and finally the inclusion of new qualitative activities in 2025, most notably micro-imports.

A. The Establishment Phase in 2022

This phase was marked by Algeria's entry into comprehensive economic reforms aimed at supporting investment, diversifying sources of income, and transitioning from a rentier economy to a productive economy. Among the most prominent challenges it faced were the high unemployment rate, the expansion of the informal economy, where commercial or service activities are carried out without registration or paying taxes, and the burdensome administrative procedures related to opening a commercial register or establishing a small business.

Law No. 22-23 of December 18, 2022, was issued, which constitutes the founding text of the self-employed entrepreneur system in Algeria. It provided, for the first time, a legal definition of the self-employed entrepreneur as a natural person who carries out an economic or service activity individually. The entrepreneur is granted a self-employed entrepreneur card as an official document proving their status. They are also exempt from the requirement to register in the commercial register. They are subject to a simplified tax system adapted to the nature of their activity, but it does not specify a list of activities[3]. During this phase, the objectives were to:

- Recognize the self-employed entrepreneur as an independent economic actor.

- Integrate the informal sector by integrating thousands of individuals who were practicing activities without a permit into the legal system.

- Self-employment by providing opportunities for young people to enter the labor market without the need for significant capital or administrative complications.

This phase can be considered more of a declaration of reform intent than a practical one. The law established a foundation for trust between the state and citizens by granting simple legal status, but it did not directly impact the number of self-employed entrepreneurs due to the absence of implementing provisions.

B. Organization Phase in 2023

In this phase, the self-employed entrepreneur system was moved from general principles to practical implementation through the issuance of Executive Decree 23-197 of May 18, 2023. This decree clarified the implementation of Law 22-23, defining the conditions for registration on the National Agency for Self-Employed Entrepreneurs platform[4]. It also stipulated how to obtain an entrepreneur card and its format[5]. It also approved a list of seven activities permitted within this framework,[6] subject to a single lump sum tax system at a reduced tax rate of 5% per annum, as previously stipulated in 2022. It also included a set of tax incentives[7], including the possibility of self-employed enrollment in the social security system[8]. During this phase, the objectives were to:

- Clarify the self-employed entrepreneur system and explain how to implement it.

- Attract the largest possible number of informal market players by providing administrative incentives through digitizing registration and card procedures, and financial incentives through subjecting the informal market to a reduced tax system.

C. The Stimulus and Qualitative Innovation Phase in 2024 and 2025

This phase featured significant tax incentives, including a significant reduction in the single lump sum tax rate from 5% to 0.5% for self-employed entrepreneurs under the 2024 Finance Law[9]. This was in addition to exemptions on other taxes, such as a temporary tax exemption from corporate profits tax for the first three years of activity, and the addition of a two-year exemption for those who commit to employing three workers on open-ended contracts.[10]

The micro-import activity was also officially included in the 2025 legal updates among the activities permitted under the Self-Employed Entrepreneurship Law, with the issuance of Executive Decree No. 170-25, issued on June 28, 2025, which defines the conditions and procedures for its practice. It defined this type of activity and outlined the various provisions related to it, establishing a list of permitted types of goods and products, determining the volume of financial transactions, and providing a set of customs and tax reductions, among other provisions related to this activity[11]. It can be said that this phase aimed to:

- Encourage individual initiative by opening the door for individuals to import products needed by the local market without going through major import companies.

- Establish a legal and regulatory framework for parallel trade by incorporating many young people who were engaged in informal import activities into the self-employed entrepreneur system.

- Provide a variety of products, particularly in the digital and technological fields, to meet the needs of the local market.

This phase represents a qualitative leap in the development of the self-employed entrepreneur, transforming it from a system for integrating small businesses into an effective tool for controlling and regulating the informal sector in Algeria. It also clearly seeks to expand the base of authorized economic operators and the taxpayer base to increase state revenues from tax revenues, a large portion of which was previously uncollectible due to activities being conducted illegally and informally.

3. Activities within which the self-employed contractor falls:

A self-employed contractor obtains this status and enjoys the various benefits provided by this system if their activity falls within the following activity categories:

- Consulting, expertise, and training, which includes various consulting services, expertise, and comprehensive training to meet specific needs.

- Digital services and related activities to support digital transformation.

- Services directed at individuals, which are personal services to accompany and support daily activities to contribute to well-being and improve the standard of living.

- Home services, which are practical and professional services provided in the home to facilitate daily life.

- Entertainment and leisure services.

- Services directed at institutions, which are professional services to meet the needs of institutions.

- Cultural, communication, and audiovisual services, which include cultural, communication, and audiovisual services to promote and share media and creative content.[12]

<u>Axis Two: The economic impact of the development of the self-employed entrepreneur system in Algeria</u>

The most important impacts of the self-employed entrepreneur system are represented by the following points:

A. Impact on employment and reducing unemployment

According to statistics issued by official authorities, the number of self-employed entrepreneurs who have obtained the self-employed entrepreneur card has exceeded 30,000 since its launch in January 2024 until May 2025[13]. This means that self-employment opportunities have been created for this number. The Minister of Labor, Employment, and Social Security stated that when 10,000 self-employed entrepreneurs registered on the platform, 99.28% of its holders had never registered with social security[14]. This result indicates that the majority of those registered were unemployed. In addition, they may employ other individuals, although there are no statistics on this matter. However, it is possible to assert that some jobs have been created, especially with the accompanying tax benefits, namely exemption from certain taxes for two years if they commit to employing three workers on a permanent employment contract. This system has shifted from job searches with institutions to self-employment, in addition to creating other jobs for other individuals. This has helped absorb some of the unemployment among young people and university graduates, particularly within the framework of supporting and encouraging innovative activities.

B. Self-employment as a Mechanism to Support Individual Initiative

International experience has proven that self-employment systems represent an effective mechanism for fostering entrepreneurship among young people, particularly in the early stages of launching projects. They provide a flexible space that allows for testing investment ideas in a less risky environment and without the need for large capital or a complex institutional structure, contributing to the integration of young people and job seekers into the formal economic cycle.[15]

In Algeria, the self-employment system translates this philosophy into practice, enabling the practice of more than 1,300 activities with simplified procedures. This creates a suitable environment for young people and individual entrepreneurs to transform their ideas into existing projects, without the need for large capital or a complex institutional structure. This contributes to reducing unemployment rates and supporting local economic development.[16]

C. Integrating the Informal Sector

International Monetary Fund statistics show that the informal sector in Algeria was valued at $36 billion by the end of 2020, while the formal economy was estimated at $144 billion at the same time. This represents 30.86% of GDP during the period 1990-2015.

According to a World Bank report, the share of this sector in Algeria's GDP reached approximately 30% between 2010 and 2018, roughly the same level as during the period 1990-1999. The sector contributes nearly a third of GDP and nearly three-quarters of GDP excluding hydrocarbons and agriculture. According to the World Bank, the informal sector accounts for more than 70% of total employment in emerging and developing economies, including Algeria.[17]

Based on the aforementioned statistics, we can say that the informal sector is one of the greatest economic challenges in Algeria, as it represents a significant proportion of total commercial and service activities. Therefore, by providing a simplified legal framework that encompasses a wide range of activities, individuals with unauthorized activities are encouraged to register and engage in it. This reduces the informal economy, increases economic transparency, and increases the state's tax revenues.

D. Contributing to Local Economic Development

The self-employment system is an effective mechanism for promoting local economic development, especially in rural or sparsely populated areas, where major investments are often absent. Through the list of permitted activities, which has been expanded to include more than 1,300 activities as mentioned above, individuals will be able to establish small projects that are compatible with their environmental resources, such as agriculture and livestock breeding, or traditional industries and crafts, in addition to maintenance and transportation services at the local level.

The inclusion of modern activities such as digital services and e-marketing is also among the promising areas within the self-employment system, as it provides young people with the opportunity to utilize their skills in designing pages and websites, preparing digital content, or managing advertising campaigns across social media platforms. These services enable small business owners to transcend the narrow geographical boundaries of their local markets and reach new customers, both nationally and internationally, without the need for significant capital or costly traditional distribution structures.

It also creates a more dynamic and innovative business environment that contributes to enhancing the long-term sustainability of individual businesses.

The introduction of micro-imports can also be considered a new mechanism aimed at meeting the needs of small businesses for equipment and raw materials in limited quantities, using simplified procedures compared to traditional imports. This directly impacts local economic development, as actors in this field can provide means of production or work tools not available in the domestic market, contributing to improving the quality of services and reducing operating costs. Micro-imports also enable self-employed entrepreneurs to integrate new products into their economic environment, enhancing the diversity of activities and creating additional job opportunities. Furthermore, this framework contributes to reducing the size of the parallel market, which supports the state's efforts to engage the largest number of individuals in local economic development legally and within the framework of the formal economy.

Axis Three: Challenges and future opportunities for the self-employed entrepreneur system in Algeria.

The self-employed entrepreneur system in Algeria is one of the modern mechanisms aimed at encouraging entrepreneurship and achieving local economic development. Despite the tangible development it has witnessed since its launch, its future path depends on the ability to overcome existing challenges and exploit available opportunities.

1. Main Challenges

The most important challenges facing self-employed entrepreneurs in Algeria are the following:

A. Legal and Regulatory Challenges

Despite the significant and notable amendments to the self-employed entrepreneur law, it requires continuous development and updating to keep pace with local economic developments. Furthermore, the lack of close coordination between the Ministries of Labor, Taxes, and Social Security creates duplication of procedures (such as registering on multiple platforms or repeatedly requesting documents), which contradicts the principle of "simplification" for which the system was established.

B. Financial and Tax Challenges

- The lack of clarity regarding long-term tax benefits limits entrepreneurs' ability to plan future investments and makes them reluctant to expand their activities for fear of exceeding the specified turnover ceiling, which would result in the loss of the tax benefits and exemptions granted to them.

Financing remains the biggest obstacle facing self-employed entrepreneurs, as most of them rely on their own resources or informal family support.

- The weak involvement of banks in providing financing products suitable for this segment limits the possibility of project development.

C. Technical and Structural Challenges

- Weak digital infrastructure in some rural areas, hindering electronic registration, remote management, and the practice of electronic and technological activities that require high internet traffic.

- Lack of continuous training programs, especially in the fields of digital marketing and project management, as well as the lack of support for entrepreneurs in understanding their legal and tax aspects.

D. Challenges of Competition and Market Integration:

Some of the activities permitted under the self-employed entrepreneur law are practiced by other small and medium-sized enterprises in Algeria, creating a significant challenge for self-employed entrepreneurs in finding a place in the local market. On the other hand, the legal framework can be exploited by actors with greater financial capabilities, registering to benefit from the privileges granted to them. This would harm those who meet the conditions.

This is further exacerbated by the weak oversight mechanisms of the relevant authorities.

2. Future Opportunities

Self-employed entrepreneurs can take advantage of several opportunities available to them for local and international expansion, including:

- The growth of the digital economy in Algeria opens up broad horizons for self-employed entrepreneurs, particularly in the areas of e-commerce, digital content, and cloud services.

- Benefiting from the various incentives provided by the state and harnessing them to develop their activities, particularly with regard to encouraging innovation and the use of technology. This can be achieved by obtaining funding and support from specialized bodies such as the National Innovation Support Fund.

- Algerian self-employed entrepreneurs can take advantage of the African Continental Free Trade Agreements to open new markets for products and services, particularly with neighboring countries.

Conclusion:

By analyzing the conceptual and historical framework of the self-employment system in Algeria, and examining the legal and economic developments of the past two years 2024 and 2025, **we concluded that:**

- The amendments introduced in 2024 and 2025 (tax exemptions, social facilitations, and expansion of activities) constituted a fundamental incentive that helped attract greater numbers of university graduates and those with digital skills.

- The legal amendments strengthened engagement in the self-employment system, particularly in modern sectors, particularly after expanding the list of eligible activities to include digital economy services and renewable energy.

- Opening the door to micro-imports and digital services gives the system an additional dimension of flexibility and adaptability to modern market requirements.

- The rapid growth in the number of self-employed entrepreneurs reflects the success of incentive policies and the new legal framework, as well as a positive response to legal and administrative reforms.

- The self-employment system can be considered an effective mechanism for driving local economic development, especially in rural or sparsely populated areas, where major investments are often absent.

Despite the challenges it faces at various levels (financing, training, infrastructure, and competition), the general trend indicates a growing expansion of individual entrepreneurship.

- There is significant potential for future growth with continued state support for the digital sector and infrastructure development.

- The success of this system depends on the integrated efforts of the state, financial institutions, and the private sector, with the importance of activating the role of continuous training, improving digital infrastructure, and opening channels for local and international marketing. The sustainability of the system also requires a periodic evaluation mechanism to measure its impact on job creation and its contribution to local economic development.

- Updating the legal framework for self-employment in Algeria reflects the state's desire to support the informal economy and transform it into a formal and regulated sector. However, intensive efforts are required to raise awareness, simplify procedures, and ensure appropriate financial and social support to ensure the success of this initiative and its positive impact on local economic development in Algeria.

- Algeria's participation in free trade agreements, most notably the AfCFTA, provides opportunities for self-employed entrepreneurs to expand into new markets.

Recommendations

To enhance the system's effectiveness and ensure its sustainability, the following proposals can be made:

- Continuously updating the self-employed entrepreneur law to keep pace with local and international economic developments.

- Integrating self-employed entrepreneurs into microfinance mechanisms and innovation funds will enable them to obtain the capital needed to expand their activities and develop more sustainable projects.

- Providing medium- and long-term tax incentives to encourage business expansion.

- Investing in continuing vocational training and linking it to market needs, particularly in digital and managerial skills, to enhance the self-employed entrepreneur's ability to compete and survive.

- Developing smart applications and services for self-employed entrepreneurs, while improving digital coverage in remote areas to ensure the system's comprehensiveness, so that it does not remain the exclusive domain of major cities.

- Linking self-employed entrepreneurs with university training institutions to provide them with the necessary training to ensure the success of their projects, both technically and financially, especially following the establishment of several such institutions, such as the House of Entrepreneurship and Business Incubators.

- Developing a legal framework to support national and international e-commerce platforms for self-employed products and services.

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