

Public Policies and Startup Financing in Algeria: A Critical Assessment of Institutional MechanismsDr. BOUAKAZ Iman ¹, Dr. LABED Rima ²¹ University of Batna -1, Algeria² Superior school in accounting and finance Slimane boumaza – Constantine, Algeria

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Abstract:

This paper offers a critical assessment of the emerging startup ecosystem in Algeria, examining its conceptual, legal, and institutional foundations. It engages with the plurality of international definitions of startups, highlighting the absence of a unified conceptual framework and its implications for policy design in the Algerian context. The study further analyzes recent state-led initiatives aimed at structuring the ecosystem, including the creation of the Ministry of Knowledge Economy, the implementation of the “Startup Label,” and the introduction of targeted financing instruments. Particular attention is devoted to the evaluation of key public support mechanisms—namely the National Startup Financing Fund, ANADE, and CNAC—through an analysis of their eligibility conditions, funding structures, and associated fiscal incentives. While these measures reflect a growing political commitment to fostering innovation, the findings point to a structural paradox: the coexistence of an expanding regulatory framework with limited systemic efficiency. The ecosystem remains hindered by fragmented support schemes, insufficient institutional coordination, and the marginal involvement of private capital, raising questions about the sustainability of a predominantly state-driven financing model. In response, the paper advocates for a strategic reconfiguration of the ecosystem, emphasizing the integration of support mechanisms, the development of venture capital, the activation of alternative financial markets, and the strengthening of entrepreneurial education as key levers for long-term effectiveness.

Keywords: Startup Ecosystem; Innovation Policy; Public Policy; Venture Capital; Institutional Framework; Algeria**Introduction :**

In the contemporary global economy, startups have increasingly been recognized as pivotal agents of innovation, structural transformation, and employment generation, particularly within economies seeking to transition toward knowledge-based development models. These entities are commonly understood as nascent ventures that pursue accelerated growth trajectories by exploiting innovative business models and leveraging advanced technological capabilities. Unlike traditional firms, startups evolve within highly volatile and uncertain environments, where iterative learning, strategic flexibility, and continuous adaptation constitute essential determinants of survival and scalability.

Notwithstanding their growing prominence in both academic discourse and policy agendas, the notion of a “startup” remains conceptually fluid and lacks a universally standardized definition. This conceptual ambiguity largely reflects the diversity of analytical frameworks shaped by distinct institutional, cultural, and economic contexts. Within the Anglo-Saxon paradigm, startups are typically conceptualized as temporary organizational forms designed to experiment with and validate untested business models, often through processes such as product-market fit and the development of minimum viable products. In contrast, the Francophone perspective tends to adopt a more structural and long-term view, framing startups as innovation-driven firms with a strong orientation toward research and development, and as integral contributors to technological progress and industrial renewal. Within this analytical framework, Algeria has, in recent years, demonstrated an increasing policy commitment to fostering a dynamic startup ecosystem as part of a broader strategy aimed at economic diversification and the promotion of youth entrepreneurship. This strategic orientation has materialized through a series of institutional and regulatory reforms intended to establish an enabling environment for innovation-driven enterprises. Notable initiatives include the organization of the International Conference for Supporting Startups in 2019, the establishment of a dedicated ministerial body for the knowledge economy and startups, the implementation of a national labeling system, and the introduction of targeted financing instruments, most prominently the National Fund for Financing Startups. These measures have been complemented by the restructuring of existing support institutions, such as ANADE and CNAC, to better align with the evolving requirements of the entrepreneurial ecosystem. Furthermore, recent policy directions have increasingly emphasized the necessity of diversifying funding sources through the mobilization of private capital. In this context, public authorities have announced plans to establish a specialized segment within the Algiers Stock Exchange dedicated to startup financing, with the objective of facilitating access to alternative, market-based funding mechanisms beyond conventional banking channels. Such initiatives reflect a broader shift toward integrating startups into formal financial markets and enhancing the overall efficiency and sustainability of the national innovation system.

Problem Statement

Despite the increasing attention devoted by public authorities to fostering startups in Algeria through a wide range of institutional reforms and financing mechanisms, the effectiveness of these policies in building a coherent and efficient financing system remains uncertain. The coexistence of multiple support structures, the limited integration of private investment, and the persistence of structural and procedural constraints raise critical concerns regarding the actual performance of the startup financing framework.

In this context, the research problem of this study can be formulated as follows: **To what extent have public policies in Algeria succeeded in establishing an effective, coordinated, and sustainable financing system for startups?**

Research Hypotheses

Public policies in Algeria play a significant role in supporting startup financing; however, their effectiveness remains limited due to structural and institutional constraints

Significance of the Study

This study is significant at the theoretical, practical, and socio-economic levels. Theoretically, it contributes to the literature on innovation, entrepreneurship, and the knowledge economy by situating startups within the context of Algerian public policy. Practically, it provides an assessment of the effectiveness of existing support mechanisms for startups, offering insights for policymakers and stakeholders. Socio-economically, the study highlights the role of startups in promoting economic diversification in Algeria, reducing dependence on hydrocarbons, and generating employment opportunities, particularly for young people.

2. Theoretical Foundations of Startup Formation and Growth. Startups are a relatively recent phenomenon in the business landscape, referring to emerging enterprises that pursue innovation and fast expansion within highly uncertain and dynamic markets. A startup can be described as a young company that seeks to design and implement an innovative business model with the intention of scaling rapidly through the use of new technologies and creative solutions. These firms depend heavily on their capacity to respond quickly to shifting market conditions and often apply flexible approaches, such as the “lean startup” methodology, to guide their development and growth. (Blank & Bob , 2012)

2.1. Startup Conceptualization Across Academic Traditions. The definition of a startup has evolved across time, regions, and academic traditions. While a universal definition remains elusive, most interpretations agree that startups are new ventures focused on innovation and growth. The variability in definitions reflects differing cultural, geographical, and theoretical lenses. This section compares the Anglo-Saxon and Francophone perspectives and highlights a procedural approach that considers startups’ evolution over time.

2.1.1. The Anglo-Saxon Concept of Startups. *In the context of Anglo-Saxon literature, a startup is primarily regarded as a temporary organization specifically designed to test and validate an innovative business model that has not yet been proven in the market. This characteristic of being unproven introduces a high level of risk and uncertainty, as startups rely heavily on trial and error to refine their products, services, and business strategies. Unlike traditional companies, which typically follow established business practices, startups operate in a dynamic and fast-paced environment where experimentation is key to survival and success. This process often includes continuous iteration—a cycle where companies repeatedly adjust their business models based on real-world feedback, data analysis, and market responses (Blank & Bob , 2012).*

An essential aspect of the Anglo-Saxon definition is the ambiguity surrounding the "temporary" nature of startups. While the term "temporary" suggests that startups are transitional organizations, the precise time frame for their evolution is unclear. The transition from a "startup" to a fully established business is often marked by the achievement of product-market fit—the point at which the company's product or service meets the needs of the market, demonstrating that there is a sustainable demand. Similarly, problem-solution fit refers to the alignment between the problems the company aims to solve and the solutions it provides. The Minimum Viable Product is a crucial tool in this validation process, as it allows the startup to quickly test the core assumptions about its product with minimal resources. The ultimate goal is to reach a stage where the business model has been sufficiently validated, at which point the company may no longer be considered a startup (Ries, 2011)

2.1.2. The Francophone Concept of Startups. *The Francophone concept of startups, as reflected in French literature, presents a more structural and stable perspective on the definition of a startup. In this view, a startup is seen not merely as a temporary or experimental entity, but as an innovative and dynamic company that is still in the early stages of its development but with a more permanent business outlook. Francophone definitions place significant emphasis on innovation, technology, and research and development (R&D) as the main driving forces behind a startup's operations and growth.*

In countries like France, startups are generally considered small to medium-sized enterprises (SMEs), which are typically under eight years old and dedicate a considerable portion—around 15%—of their budgets to R&D. Unlike traditional companies that focus on operational efficiency and stability, startups in this model prioritize continuous innovation and the use of cutting-edge technology to meet evolving market demands. The French view of startups highlights the long-term potential of these companies, positioning them as permanent fixtures in the economy, contributing not just to immediate market needs but also to the advancement of technology and industrial processes (Gilbert & Cohen, 2009). Additionally, this perspective often suggests that startups should not be regarded as transitional, but rather as growth-oriented businesses that will eventually mature into full-scale enterprises. This view aligns startups with SMEs, which are seen as pillars of innovation and engines of economic growth, contributing significantly to job creation, technological advancements, and the global competitiveness of the economy (Gilbert & Cohen, 2009).

2.2.2. Procedural Approaches and Evolutionary Trajectories. The Francophone concept of startups, as reflected in French literature, presents a more structural and stable perspective on the definition of a startup. In this view, a startup is seen not merely as a temporary or experimental entity, but as an innovative and dynamic company that is still in the early stages of its development but with a more permanent business outlook. Francophone definitions place significant emphasis on innovation, technology, and research and development (R&D) as the main driving forces behind a startup's operations and growth. In countries like France, startups are generally considered small to medium-sized enterprises (SMEs), which are typically under eight years old and dedicate a considerable portion (around 15%) of their budgets to R&D. Unlike traditional companies that focus on operational efficiency and stability, startups in this model prioritize continuous innovation and the use of cutting-edge technology to meet evolving market demands. The French view of startups highlights the long-term potential of these companies, positioning them as permanent fixtures in the economy, contributing not just to immediate market needs but also to the advancement of technology and industrial processes (Gilbert & Cohen, 2009).

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2.2.3. Comparative Perspective

The contrast between the Anglo-Saxon and Francophone concepts of startups reveals a significant divergence in the way these companies are perceived in terms of **duration, business model development, and innovation potential**. The Anglo-Saxon model emphasizes **temporary experimentation**, focusing on the validation of business models through rapid iteration and testing. In this context, the startup is viewed as a high-risk entity that relies on **flexibility and experimentation** to validate its assumptions about the market and its customers (Audretsch & Keilbach).

In contrast, the Francophone view sees startups as **more permanent entities** with a foundation rooted in innovation and long-term growth. While both models recognize the importance of **R&D and innovation**, the French model places greater emphasis on the **long-term stability and sustainability** of startups, seeing them as integral to broader economic development. Given these contrasting perspectives, it becomes clear that studying startups requires an understanding of **both theoretical frameworks**, one that highlights the experimental nature and high risk of early-stage startups, and another that focuses on their long-term potential as **drivers of innovation and economic transformation**. By integrating these approaches, researchers and practitioners can gain a more comprehensive understanding of startups' role in the **global economy**, their contribution to **technological progress**, and their impact on **economic growth** (Blank & Bob , 2012).

The contrast between Anglo-Saxon and Francophone frameworks offers valuable insights:

Table (1): The contrast between Anglo-Saxon and Francophone frameworks

Source: (Blank & Bob , 2012); (Audretsch & Keilbach).

Feature	Anglo-Saxon Model	Francophone Model
Nature	Temporary, experimental	Permanent, structured
Focus	Business model validation	Innovation and R&D
Methodology	Lean startup, MVP, iteration	Structured innovation, R&D investment
Outcome	Product-market fit, scalability	Long-term contribution to economy
Risk Orientation	High-risk, adaptable	Growth-oriented, policy-supported

2.2. Features, Strengths, and Weaknesses of Startups

Startups have become key contributors to economic innovation and employment generation, especially in developing countries. Gaining an understanding of their distinctive characteristics is crucial for developing effective policies and support systems. Although startups are often characterized by flexibility, creativity, and strong growth potential, they also encounter various structural and operational challenges. This section examines the primary features of startups, with a focus on both their advantages and limitations.

2.2.1. Characteristics of Startups:

Startups are a distinctive form of enterprise characterized by a set of unique attributes that differentiate them from traditional small and medium-sized businesses. They are typically newly established ventures, often created to explore and validate innovative ideas under conditions of high uncertainty. Startups prioritize scalability, disruptive innovation, and the strategic use of modern technologies to capture emerging markets or transform existing ones. Their development is usually structured around a high-growth trajectory, supported by staged financing, dynamic work environments, and a culture of experimentation and adaptability. Understanding these characteristics is essential for analyzing the economic, technological, and organizational dimensions of startups in both developed and emerging economies. In what follows, we discuss these characteristics in detail (Ries E. , 2011).

- **Freshness of Establishment:** A startup is typically a newly created company, usually less than 8 years old. It is often in the early stages of developing an idea, building a prototype, or launching its first product in the market.

- **Innovation:** Startups are built around innovative ideas. This innovation can exist in the product or service itself, the underlying technology, the business model, or even in the way the product is delivered or marketed.

- **Reliance on Technology:** Most startups rely heavily on modern technologies as a core part of their operations. These technologies may include software, artificial intelligence, blockchain, or digital platforms that enable efficiency, scalability, and competitive advantage.

- **High Growth Potential:** Startups are designed to scale. This means they aim to grow rapidly in terms of users, revenue, and market presence, without a proportional increase in costs. Scalability is a key factor that distinguishes startups from traditional small businesses.

- **Flexibility and Adaptability:** Startups operate in uncertain environments and must be highly flexible. They are able to pivot—change direction quickly—based on customer feedback, market shifts, or test results. Agile methodologies and lean thinking are often used to support rapid adaptation.

- **Stage-Based Funding:** Startups often go through several funding stages, beginning with seed funding and progressing through Series A, B, and beyond. Funding sources may include venture capital, angel investors, startup incubators, or crowdfunding platforms.

- **Reinvestment of Profits:** In the early stages, startups usually do not distribute profits to shareholders. Instead, any earnings are reinvested into product development, team growth, research, or market expansion to accelerate progress and increase valuation.

- **Dynamic Work Environment:** Startups usually maintain a fast-paced, collaborative, and informal work culture. Teams are small and multidisciplinary, encouraging creativity, experimentation, and initiative. Decision-making tends to be flat and decentralized.

2.2.2. Key Competitive Advantages of Startups:

These organizations present certain distinct strengths that make them capable of posing a threat to existing industries and fostering innovation while competing against mature organizations. Being agile and flexible, as well as having a lean structure, startups are able to react quickly to changes in the external environment and capitalize on opportunities effectively. Unlike conventional companies, startups rarely have many bureaucratic procedures in place; thus, they develop an experimental mindset and encourage innovations.

In addition, these organizations are known for their ability to embrace new technologies and utilize the potential of a highly dedicated team of employees who are passionate about their work and driven by mission. All these qualities allow startups to be considered key players in promoting economic growth and technological progress.

Below, we explore the key strengths that give startups their competitive edge and drive their potential for success.

- **Flexibility and Adaptability:** Startups are characterized by a lean organizational structure, allowing them to make quick decisions without complex bureaucratic layers. This enables them to pivot their strategies or even completely change their business model in response to customer feedback or market shifts. Unlike large corporations that may take months to implement changes, startups can experiment and learn rapidly, increasing their chances of success in dynamic business environments.

- **Creativity and Innovation:** Most startups are built on innovative ideas aimed at solving unmet needs or revolutionizing existing solutions. Unburdened by rigid systems or traditional corporate culture, they can adopt unconventional technologies or methodologies (e.g., AI or the sharing economy) to create new market opportunities. This innovation often makes them attractive to both investors and customers (Ries E. , 2011).

- **Focus on Technology and Digitization:** Technology is the backbone of many startups, enabling them to develop products or deliver services more efficiently and at lower costs. For example, fintech startups leverage blockchain or big data to offer faster and cheaper banking solutions than traditional institutions. This digital focus allows them to tap into global markets early in their lifecycle (Isabelle, 2013).

- **Team Spirit and Enthusiasm:** Employees at startups are often passionate and committed, driven by a shared vision rather than routine tasks. Teams typically work in collaborative environments that foster creativity and initiative, with a willingness to go beyond standard working hours to achieve goals. This culture translates into high productivity and loyalty, especially when employees feel like partners in the venture's success (Ries E. , 2011).

- **Ability to Attract Investment:** If a startup demonstrates scalability and a viable business model, it can secure significant funding from venture capital firms or angel investors. Platforms like Y Combinator or 500 Startups provide early-stage funding and mentorship to fuel growth. In exceptional cases, startups achieve unicorn status (valuations over \$1 billion) despite their short history (Isabelle, 2013).

2.2.3. Common Startup Challenges

Since startups are renowned for their innovative and dynamic approach, there are several weaknesses that are associated with them. Indeed, the features of such ventures include limited capital, the lack of proven business models, and continuous experiments. Thus, all of these characteristics pose certain risks to their existence because startups are vulnerable organizations working under conditions of unpredictability. Therefore, any miscalculation on the part of the team may become an obstacle to the successful functioning of a startup. Among the factors posing risks to its development, one can mention unstable financial situation, competitive environment, and others. These are only some weaknesses associated with startups that require thorough consideration. Below, we are going to discuss them in more detail (Ries E. , 2011):

- **Limited Funding and Financial Instability:** Most startups struggle with financial constraints, particularly in the early stages before generating sufficient revenue. Reliance on founders' savings or small loans increases pressure to turn a profit quickly. Even with funding, poor cash flow management or overspending on uncalculated expansions can lead to rapid failure.

- **Lack of Experience and Management Expertise:** Many startup founders are first-time entrepreneurs and may lack experience in critical areas like hiring, marketing, or financial planning. Mistakes in these areas such as poor team recruitment or misjudging market size can kill even the most brilliant ideas.

- **Competition from Established Companies:** When a startup proves its concept, it may face threats from industry giants with vast resources. Large corporations can replicate the idea (as seen with apps like Snapchat and Instagram) or undercut prices to eliminate new competitors. This uneven playing field is a major challenge for startups.

- **Difficulty Acquiring Customers:** Building a loyal customer base requires significant time and investment in marketing and PR—resources startups often lack. In some industries, customers hesitate to try products from unknown brands, especially when competing with established names. Startups must work harder to build trust and demonstrate value.
- **Legal and Regulatory Challenges:** Startups in sectors like healthcare, finance, or data may encounter complex legal hurdles (e.g., licensing or data privacy compliance). Non-compliance can result in fines or shutdowns. Additionally, protecting intellectual property (patents, trademarks) can be difficult and costly.
- **High Risk of Failure:** Statistics show that over 90% of startups fail within five years due to factors like lack of market demand, poor timing, or unsustainable growth. Even brilliant ideas can fail if executed poorly or amid unfavorable economic conditions (e.g., recessions).

3. Startups in Algeria: Government Policies and Support Structures:

The increasing emphasis by the Algerian government on the need for economic diversification and innovation has seen it develop public policies and structures designed to assist startups. This is evident from the legal changes introduced recently, the formation of specific government organizations, and the setting up of financial tools targeting innovative businesses. This chapter analyzes the different elements that make up the policy structure and support framework established by the government in support of startups.

3.1. What is a startup in Algeria?

In recent years, Algeria has witnessed increasing interest in entrepreneurship and the knowledge economy, reflected in the issuance of a series of legal and regulatory texts aimed at supporting startups and creating an environment conducive to innovation and technology. Among the most prominent of these texts are:

3.1.1. Executive Decree N° 20-280 of the year 2020

As part of its efforts to promote entrepreneurship and technological innovation, the Algerian legislator has established a legal definition of “startups” through a series of regulatory texts issued in recent years. The primary legal reference in this regard is Executive Decree N° 20-254 dated September 15, 2020, which constitutes the first official regulatory text to clearly define what constitutes a startup and to set forth the criteria and conditions for obtaining the “Startup” label in Algeria.

According to the decree, a startup is defined as (Algerian Government, 2020):

“A newly established company with an innovative nature, based on modern technology, possessing strong growth potential, and operating under a scalable economic model.”

In addition to defining startups, the decree also outlines the procedures and requirements for granting several official labels, including the “Startup” label, the “Incubator” label, and the “Incubator Manager” label. These designations aim to support and regulate the innovative enterprise ecosystem in Algeria.

The decree also stipulates that a startup must meet the following conditions:

- It must be of a commercial nature and registered in the Algerian commercial registry.
- Its age must not exceed 8 years.
- It must be based on an innovative or technological idea.
- It must demonstrate
- It must not be listed on the stock exchange.

The definition presented by the decree reflects a clear focus on three essential criteria:

- **Innovation:** Developing a new or significantly improved product or service.
- **Scalability:** The potential for rapid growth in local and international markets.
- **Knowledge or technology-based:** As a key factor for differentiation and excellence.

3.1.2. Law N° 22-13 of the year 2022

This law was introduced to strengthen the legal infrastructure for startups and provide a supportive framework that enables them to benefit from incentive, support, and financing programs. **The main conditions stipulated by the law:** (Algerian Government, 2008)

- The company must be newly established, less than five (5) years old.
- It must be characterized by innovative or technological activities.
- It must have the capacity to create job opportunities.

This law represents a step toward distinguishing startups from other small and medium enterprises by focusing on the innovative dimension and operational capacity.

3.1.3. ANADE's Role and Startup Support Criteria in Algeria:

Although the ANAD Agency was initially established to support youth employment through financing small projects, it later adapted to the directions of the **knowledge economy**, and was restructured to become ANADE. The agency's responsibilities expanded to include support for **innovative projects and entrepreneurial initiatives with a technological profile**.

ANADE has not issued its own legal definition of a startup, but instead:

- **Relies on the official definition** provided by the **Ministry of Knowledge Economy and Executive Decree N° 20-280**.
- **Classifies startups** under a special category called “**Innovative Youth Projects**”, and treats them accordingly in its funding and support programs.

ANADE offers both financial support and technical guidance to this category of projects, helping them overcome the critical launch phase and establish their position in the market by adhering to the required criteria: ((ANADE), s.d.)

- **The founders of the project must be under 55 years of age.**
- **The initial capital must not exceed 200 million Algerian Dinars (approximately USD 1.4 million).**
- **The project must have an innovative or technological nature.**

3.1.3. Key Characteristics of Algerian Startups

Based on the legal and regulatory texts, and the institutional practices of supporting entities, the common characteristics that define a startup in Algeria can be summarized in the following table:

Table (2): Key Characteristics of Algerian Startups

Criterion	Explanation
Novelty	The company is less than 5 years old (or 8 years according to some regulations)
Innovation	A new product or service based on technology or knowledge
Growth	Scalability and potential for market expansion locally or internationally
Employment	Capable of creating new job opportunities
Age group	Project founders are under 55 years of age (according to ANADE standards)
Capital	Initial capital does not exceed 200 million DZD (according to ANADE standards)

Source: (Algerian Government, 2008); (ANADE, s.d.)

This table reflects the shared characteristics that define a startup within the Algerian context, by combining legal and regulatory standards with criteria applied by supporting institutions. These characteristics show that Algerian legislation does not only emphasize the novelty of the company, but also gives great importance to innovation, operational capacity, and rapid growth. This makes the “startup” a distinct entity from other small and medium-sized enterprises, and one that requires specially tailored support policies.

3.2. Legal and Regulatory Environment for Startups in Algeria

Over the past few years, the growth of startups has gained considerable attention in Algeria, especially in light of the continued fall in the price of oil, making it increasingly clear that there was a need to pursue new ways forward. In this dynamic setting, startups have emerged as an important element of the economic diversification strategy in Algeria, contributing significantly towards value creation, job creation, and research and development activities.

There are several interlinked variables that impact the development of startup firms. In terms of macro-level determinants, these include governance, general business environment, and finances. At a more detailed level, human resource endowment coupled with solid administrative and technological skills are instrumental in facilitating the development of startups.

3.2.1 The International Conference for Supporting Startups

The International Conference for Supporting Startups, held on November 16, 2019, is considered one of the first official initiatives to establish the legal and regulatory framework for this sector in Algeria. The conference focused on several strategic areas, including (Ministère délégué auprès du Premier Ministre chargé de l'Économie de la Connaissance et des Startups, 2019):

- **Establishing a regulatory framework and a legal basis for startups** to define their legal nature and ensure their stability and growth within the national economic system.
- **Creating an integrated system** that includes all stakeholders and participants involved in supporting startups, such as university and specialized incubators, business incubators, intermediaries, public sector entities, banks, research centers, and cooperative workspaces.
- **Creating a National Agency** responsible for coordinating the startup ecosystem, promoting and supporting business incubators and startups.
- **Creating spaces for exchange and consultation** among the various stakeholders in the ecosystem, ensuring clarity of roles and integration among them.
- **Expanding contact points at the regional level** across all 58 provinces to act as intermediaries between startups and local authorities, thus facilitating procedures and achieving local support.
- **Expanding the network of incubators**, particularly those affiliated with universities and local institutions, to enhance technical and administrative support for startups in their early stages.

3.2.2. Creation of the Delegate Ministry for the Knowledge Economy and Startups

In 2020, Algeria took a significant institutional step by establishing a Delegate Ministry for the Knowledge Economy and Startups. A minister was appointed under the Prime Minister to oversee this portfolio, highlighting the government's commitment to fostering innovation and entrepreneurship (Berkane & Harnan, 2022).

3.2.3. Establishment of the National Committee for Labeling Startups and Incubators

On September 15, 2020, a national committee based in Algiers was created to grant three key labels (Berkane & Harnan, 2022):

- Startup
- Innovative Project
- Business Incubator

Chaired by the delegate minister or their representative, the committee includes members from various ministries. Its responsibilities include:

- Granting official labels to startups, innovative projects, and incubators
- Promoting and evaluating innovative projects
- Supporting the growth of the national startup ecosystem

To qualify for the "Startup" label, a company must:

- Be less than eight (8) years old
- Base its business model on an innovative product, service, or idea
- Have annual revenue below the threshold set by the committee
- Have at least 50% of its capital owned by natural persons, certified investment funds, or other labeled startups
- Demonstrate significant growth potential
- Employ no more than 250 people

Startups that meet these conditions receive the label for four (4) years, renewable once.

3.2.4. Upgrade to Full Ministry Status

During the government reshuffle in September 8, 2022, the Delegate Ministry for the Knowledge Economy and Startups was merged with the Delegate Ministry for Micro-Enterprises and elevated to a full ministry. This institutional upgrade reflects Algeria's strategic commitment to embedding innovation and entrepreneurship at the core of its economic development policies (Berkane & Harnan, 2022).

3.3 Funding Mechanisms for Startups in Algeria:

The development of a dynamic and sustainable startup ecosystem requires more than just legal recognition and institutional support, it necessitates the establishment of robust and diversified funding mechanisms tailored to the unique needs of early-stage ventures. In Algeria, successive governments have acknowledged this imperative by introducing a variety of public initiatives aimed at enhancing access to finance for startups, particularly those operating in innovative and technology-intensive sectors.

This section explores the main public financing structures available to startups in Algeria, with a particular focus on the evolving role of the **National Agency for Entrepreneurship Support and Development (ANADE)**, the strategic emergence of the **National Fund for Financing Startups**, and the contribution of the **National Unemployment Insurance Fund (CNAC)**. Each of these mechanisms plays a distinct role in supporting different categories of entrepreneurs, from young innovators and university graduates to unemployed individuals seeking to reintegrate into the labor market through self-employment.

3.3.1. National Fund for Financing Startups

Based on the recommendations of the International Conference on Startups, and in parallel with the efforts aimed at establishing a legal framework to regulate the activity of startups in Algeria, the public authorities created a dedicated public financing mechanism directly intended for these enterprises, namely the **National Fund for Financing Startups**. The purpose of this fund is to provide the necessary financial resources to entrepreneurs with innovative and creative project ideas, as well as to existing startups, through a **venture capital** scheme.

According to **Article 131 of the Finance Law for 2020**, dated December 11, 2019, and published on December 30, 2019, a **special allocation account** was created in the treasury under the number **150-302**, titled (Berkane & Harnan, 2022):

"Support and Financing Fund for the Economic System of Startups ".

The fund's revenues consist of:

- State subsidies
- Revenues from non-tax duties
- All other resources and contributions

The fund's expenditures are directed towards:

- Guaranteeing bank loans for startups
- Providing incentive interest rates on loans
- Funding training programs
- Supporting incubation for startups

In October 2020, during the first edition of the National Startup Conference "**Algeria Disrupt**", the authorities, announced the official launch of the National Fund for Financing Startups with an initial capital of **1.2 billion Algerian Dinars (DZD)**. In the same context, the Minister of Knowledge Economy, Startups and Micro-enterprises, stated that the fund's capital is **subject to increase** depending on needs, demands, and the nature of financial assistance required by startups. They emphasized that the fund acts as a **key partner** with project holders, sharing both **profit and risk**, which distinguishes it from other traditional financing mechanisms. Unlike conventional support devices, the fund enters into the startup's capital for a period of **six years**. The fund is the result of a collaborative effort between the Ministry of Knowledge Economy, Startups and Micro-enterprises, and **six public banks**, all contributing equally (Berkane & Harnan, 2022):

- **Crédit Populaire d'Algérie (CPA) ;**
- **Banque Nationale d'Algérie (BNA) ;**
- **Banque Extérieure d'Algérie (BEA) ;**
- **Caisse Nationale d'Épargne et de Prévoyance (CNEP) ;**
- **Banque de l'Agriculture et du Développement Rural (BADR) ;**
- **Banque de Développement Local (BDL).**

This fund represents a strategic shift in Algeria's public policy toward startups, combining **financial support, technical assistance, and incubation**, while promoting investment logic over subsidy logic, in the broader context of encouraging innovation and building a knowledge-based national economy.

Although the National Fund for Financing Startups is still in its early stages, the initial experience has revealed a number of **positive indicators** that confirm the fund's effectiveness in supporting Algeria's startup ecosystem. The fund has contributed to the **financing of dozens of innovative projects**, particularly in fields such as digital technology, smart services, healthcare, and modern agriculture. This has enabled the emergence of a new generation of enterprises capable of creating added value and offering quality employment opportunities.

A **notable improvement** has been observed in the startup financing climate, by facilitating access to capital outside of conventional banking channels. This has encouraged many young people to enter the entrepreneurial world. The participation of public banks in structuring the fund has also helped **strengthen institutional trust** and bring more transparency to the financing process.

3.3.2. The National Agency for Entrepreneurship Support and Development (ANADE):

Formerly known as the National Agency for Youth Employment Support is a public body of a special nature under the supervision of the Minister of the Knowledge Economy, Startups, and Micro-enterprises. The agency manages a mechanism with an economic approach, aiming to support micro-project holders of all kinds in creating and expanding micro-enterprises in the field of goods and services production, with the goal of creating wealth and jobs. The National Agency for Entrepreneurship Support and Development also seeks to promote and disseminate entrepreneurial thinking, and it provides financial guarantees and tax advantages during all stages of support.

- Conditions for eligibility to benefit from agency financing:

These can be summarized in four (04) basic conditions:

- The project holder must be between 18 and 55 years old;
- The project holder must have a certificate or professional qualification and/or recognized knowledge-based skills or any other professional document;
- The project holder must provide a personal contribution in accordance with one of the selected financing methods;
- The project holder must not have previously benefited from a guarantee for launching an activity under any of the various support mechanisms.

The National Agency for the Support and Development of Entrepreneurship offers three possible financial structures for project owners, with assistance that can reach up to 10 million DZD. The first structure targets a new formula specifically for small project holders funded by the

agency (interest-free loan), without any financial contribution required from the project owner. Under this formula, the agency covers a financial contribution estimated at or equal to 30% in all cases, while the project owner covers the remaining percentage, depending on the project's needs. This differs from the second financing formula, also aimed at small contractors, which finances the personal contribution (70%) directly to the bank. The national agency pays this amount directly, in return for a commitment from the beneficiary to repay it in monthly installments without interest. This repayment begins after a grace period defined by the bank, which can be 3, 6, or 10 years depending on the project's location. Project holders whose personal contribution is less than 100% of the project cost must provide a material or personal guarantee.

The National Agency for the Support and Development of Entrepreneurship offers tax and incentive benefits for projects, including:

- Exemption from property transfer fees related to real estate acquisitions intended for industrial activities;
- Exemption from the professional activity tax and value-added tax on goods and services necessary for the project's completion;
- Exemption from property tax on both developed and undeveloped real estate for a period of 3 or 10 years, depending on the project's location;
- Exemption from the Single Fixed Tax (IFU) or, depending on the case (TAP, IBS, IRG), for a period of 3, 6, or 10 years depending on the project's location, starting from the date of operation.

3.3.3. The National Unemployment Insurance Fund (CNAC):

Since its establishment in 1994 as a public social security institution (under the supervision of the Ministry of Labor, Employment, and Social Security), the CNAC has worked to mitigate the social impacts resulting from workforce layoffs (particularly in the economic sector following the structural adjustment plan). Over time, the CNAC expanded its mission to include support for new unemployed individuals who graduated from vocational training and education institutions. The CNAC provides three advanced mechanisms for (Berkane & Harnan, 2022):

- Unemployment insurance ;
- A support system for the creation and expansion of business activities by unemployed individuals aged between 30 and 50 years;
- A compensation scheme aimed at the unemployed.

Investments made and financed through the fund by unemployed individuals aged 30–50 with business projects:

According to economic data, the project's initial financial statement must be submitted by both the project owner and the CNAC. A personal financial contribution of 20% is required, knowing that the project cost does not exceed fifteen (15) million DZD. Additionally, unemployed project holders benefit from the following incentives:

- Reduced interest rates on bank loans;
- Reduced customs duties;
- Tax exemptions ;
- Benefiting from an interest-free loan granted by the fund.

4. Future Perspectives on Startup Development in Algeria

The Algerian state aims in the future to further strengthen the startup ecosystem by providing a good and comprehensive working environment that ensures the sustainability of these enterprises and their establishment within the Algerian economy, so they can become one of the modern and alternative strategies for wealth creation. Accordingly, Algeria is working to adopt and implement several initiatives and mechanisms that will significantly contribute to bridging the funding gap for these enterprises. These initiatives and mechanisms include:

4.1. Signing of an agreement between the public startup accelerator "Algeria Venture" and the Algerian Investment Fund

As part of the efforts to provide and enhance financing opportunities for startups in Algeria in the future, and in the presence of the Minister of, the Minister of Knowledge Economy, Startups and Micro-enterprises, the Director General of the public startup accelerator "Algeria Venture", and the Director General of the Algerian Investment Fund, a cooperation agreement was signed on May 10, 2022, between "Algeria Venture" and the Algerian Investment Fund.

Under this agreement, startups will benefit in the near future from funding at various stages of their development—from their creation and launch to their acceleration, which could go as far as listing on the stock exchange. In this regard, the authority stated that this agreement specifically targets startups that are valuable to the national economy and that operate in key technological fields, in order to support potential entrepreneurs (wamda, 2022).

For his part, the Director General of Algeria Venture, explained that the justification for signing this agreement with the Algerian Investment Fund lies in the latter's ability to provide funding of up to one billion dinars, making it the first public fund of its kind in Africa. So, we can consider that the Algerian Investment Fund, year after year, will be able to increase the financial resources it injects into the national economy, particularly through startups and small and medium-sized enterprises (wamda, 2022).

4.2. Involving Private Investors as Financiers of Startups in Algeria

On the sidelines of the inauguration ceremony of the National Fund for Financing Startups in Algiers on August 3, 2022, the Algerian authority affirmed that Algerian investors are invited to participate in financing startups, as is the case in other countries around the world. The Minister of Finance called on investors and various capital holders to support startups by financing them, in order to allow them to emerge and access both the national and international markets. In this regard, the minister stated: **"I call on investors and capital holders to finance these young people,"** adding that **the largest companies in the world were once startups that were supported and financed by investors.** He also added: **"The private sector cannot meet all the needs,"** and that: **"The private sector has a role to play in supporting Algerian startups."** (Berkane & Harnan, 2022)

4.3. The Establishment of a Dedicated Market within the Algiers Stock Exchange for Financing Startups:

On the sidelines of the first edition of the "Oran Economic Forum," organized by the Council for Cooperation and Monitoring in Research and Economic Development under the Research Center in Social and Cultural Anthropology (CRASC) in Oran , November 30, 2022, The Director General of the Algiers Stock Exchange, announced that the Stock Exchange is preparing a project to create a specialized market segment dedicated to financing startups. This new market would complement the two existing segments currently operating within this financial institution, one for large enterprises and the other for small and medium-sized enterprises (SMEs).

he further explained that the Algiers Stock Exchange is currently working to take advantage of the new economic environment in Algeria, which is the result of far-reaching reforms initiated by the country's highest authorities. These reforms aim to develop financing instruments outside the traditional banking framework in order to leverage the potential of the national market and to encourage companies, particularly startups—to establish themselves more firmly both domestically and internationally. This will be achieved by diversifying stock market services and attracting a greater number of firms to enter the exchange (Berkane & Harnan, 2022).

In this context, the creation of a financial market specifically for startups in Algeria would allow all actors in society, whether public or private institutions, individuals, etc. to invest in such enterprises, thus expanding the sources of funding beyond traditional channels. Accordingly, if such a market is effectively established as a mechanism for trading securities issued by startups, intensified efforts will be necessary to ensure it is dynamic and efficient. This will require the implementation of strategic mechanisms and proposals to support its development, especially in light of the failed experience of the alternative market dedicated to SMEs, which has remained stagnant since its inception.

5. Conclusion:

Startups are a key component in fostering innovation and economic growth, particularly in countries seeking to diversify their economies beyond traditional sectors. In Algeria, recent years have witnessed the development of numerous initiatives and organizational structures aimed at facilitating the financing of innovative and emerging projects, both through public financial tools and by encouraging private sector investments in this area. In this context, the importance of financing startups in Algeria stands out as a crucial factor in promoting entrepreneurship and supporting innovative projects.

Based on the analysis conducted, the key findings of this study can be summarized as follows:

- The National Fund for Startup Financing is considered the primary financing tool for these types of companies in Algeria, with the total amount of funding granted from October 2020 to March 2022 reaching approximately 510 million Algerian Dinars.
- Holders of the Startup Label enjoy significant tax and fiscal benefits, including exemptions lasting four years, with the possibility of renewal for an additional year, providing a strong incentive for entrepreneurship and encouraging investments in this sector.
- There are several public support mechanisms in Algeria aimed at financing various projects, but the overlap between these mechanisms means that benefiting from one support system prevents access to others, thereby reducing the effectiveness of the financing system.
- Algeria is working on establishing an alternative financial market specifically designed for startups as an innovative financing tool. Additionally, one billion Algerian Dinars has been allocated for regional financing through investment funds across various provinces.

Based on the findings of the study, a number of recommendations can be made to enhance the effectiveness of financing directed towards startups and to improve the investment environment for these types of businesses in Algeria:

- **Activate the Role of Venture Capital Institutions:** It is necessary to require venture capital institutions to allocate a certain percentage of their investments specifically to Finance startups and innovative projects, ensuring that this type of financing is directed more towards innovation.
- **Create a Unified Digital Platform:** A unified digital platform should be developed to include all public support and financing mechanisms, in order to avoid duplication of funding and ensure the optimal direction of available resources.
- **Encourage Public-Private Partnerships:** Efforts should be made to develop regional investment funds through cooperation between the public and private sectors to ensure the fair distribution of funding across provinces and to promote diversity in the supported projects.
- **Expand Tax Incentives:** The Algerian government should consider expanding tax incentives to include investors in startups, in order to attract more private investments and encourage companies to invest in this vital sector.
- **Accelerate the Activation of the Alternative Financial Market:** It is crucial to accelerate the activation of the alternative financial market for startups, and establish flexible conditions for listing these companies on the market, which will increase the available financing for them.
- **Improve Project Evaluation Mechanisms:** There is a need to improve project evaluation mechanisms through the formation of multidisciplinary committees to ensure equitable access to funding for projects with sound economic potential.
- **Integrate Entrepreneurial Culture:** It is important to integrate entrepreneurial culture and alternative financing within educational curricula and vocational training to enhance national capabilities in the fields of innovation and financing, and to raise public awareness about the importance of these areas in developing the national economy.

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