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# Startup Financing in Algeria: Challenges and Opportunities

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## Abstract:

Startup financing in Algeria is faced with a complex situation, characterized with structural challenges and emerging opportunities. The various traditional methods, such as bank loans, face limitations due to the granting conditions rigidity and the discrepancy with the specific needs of young innovative enterprises. To address these shortcomings, the Algerian authorities established emerging alternatives in the form of public programs that provide young entrepreneurs with the necessary support to create and develop their businesses. For an innovative startup system, reforms that aim to streamline access to funding, encourage innovation and integrate financial skills into entrepreneurship education are paramount. The objective of this study is to outline the different financing options available to startups in Algeria, their obstacles, already-existing solutions and future prospects.

**Keywords:** startup, financing, venture capital, business angel, Fiscal Advantages.

**Jel Classification Codes :** L26, G24, G32, H25, O38

## Résumé :

Le financement des startups en Algérie est confronté à une situation complexe, marquée par des défis structurels et des opportunités émergentes. Les différents dispositifs classiques, tels que les prêts bancaires, rencontrent des limites en raison de rigidités des conditions d'octrois, et d'un manque d'adéquation avec les besoins spécifiques des jeunes entreprises innovantes. Pour pallier ces lacunes, les autorités algériennes ont mis-en-place des alternatifs émergents, des programmes publics qui permettent d'offrir aux jeunes entrepreneurs le soutien nécessaire à la création et au développement de leurs entreprises. Pour un écosystème de startups novateur, des réformes visant à simplifier l'accès aux financements, à encourager l'innovation et à intégrer des compétences financières dans l'éducation des entrepreneurs sont primordiales. L'objectif de cette étude est d'exposer les différentes options de financement disponibles pour les startups en Algérie, les obstacles qu'elles rencontrent, les solutions existantes et les perspectives d'avenir.

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## 1. Introduction:

Emerging enterprises have become one of the key drivers of economic growth, they stand as one of the essential elements for the development of any country. Algeria, similarly to many developing nations, seeks to diversify its economy and stimulate innovation. In this transformation, startups play a crucial role by providing innovative solutions to local problems and creating job opportunities. The startup ecosystem in Algeria is in full effervescence; driven by a vibrant and innovative youth, the country is witnessing the emergence of promising projects in various sectors, such as technology, trade, agriculture, renewable energy and digital services.

However, funding is still one of the main obstacles that need to be addressed so that these young enterprises can thrive and grow. With the public authorities' increased support, a stronger involvement of the private system and a better ecosystem structuration, Algerian startups could become an engine of innovation and economic growth. In this vein, the research question of this study is as follows: what are the main challenges and opportunities of startup funding in Algeria, and how can different actors (states, investors, banks and incubators) contribute to a more dynamic and inclusive ecosystem?

This article seeks to explore the different funding options available for startups in Algeria, their obstacles, existing solutions and future prospects.

### Literature review

Several studies tackled the subject of startups and startup funding in Algeria. In this study, we will review the following:

**Meriem Bendjima, Nacira Bendjima et Fatima Louali (2021) « آليات دعم و تمويل المؤسسات الناشئة في الجزائر »**: In this study, the authors seek to illustrate the various concepts related to startups, namely their definition, life cycle, characteristics, sources of funding and in the end, the reality of startups and their challenges in Algeria.

**Hafsa Drouiche et Lamia Menai (2022) « Le financement des Start-up en Algérie entre la réalité et les attentes »**: The aim of this study is to showcase the reality of startup funding in Algeria, with a particular emphasis on the various financing methods and the applicable regulatory framework. The authors highlight the various traditional startup financing methods, in addition to alternative financing.

**Soumia Larguet (2023) « تمويل المؤسسات الناشئة في الجزائر – رؤية تقييمية »**: This scientific study examines the subject of startups by exploring three essential points: the conceptual framework of startups, a review of experiences from both Western and Islamic countries and in the end, the authors present the Algerian experience by highlighting the various financing mechanisms. The study concludes, amongst other things, that there is a limited number of institutions supporting the growth and financing of these emerging enterprises as well as that venture capital and the Algerian Stock Exchange play a modest role in the financing of startups.

## 2. Equity Financing or Internal Financing

The main challenge young entrepreneurs face at the stage of business creation is funding. In fact, nearly half of the new businesses go out of business in the first five years of activity, mainly in result of financial problems. Entrepreneurs tend to underestimate the importance of the equity capital that is needed for the survival of their startup. In theory, a startup needs funds for its launch as well as development throughout its entire life cycle. There are several financing methods to establish startups and ensure their growth. The main available startup financing methods are the following:

### 2.1. Personal Contributions

As is the case in many countries, Algerian entrepreneurs often start by financing their projects with their personal savings or family contributions, especially in the early stages of the startup development. Self-financing seems to be the first option to consider. Founders or partners may contribute in cash (monetary contributions), but also with in-kind contributions, which include assets other than money, such as: software or products likely to contribute to the startup development. This financing solution is contingent upon the partners' financial capabilities.

### 2.2. Love Money

A concept born in the 1960s in the United States; the expression love money refers to the funds that come from the entrepreneur's family members, friends or relatives to support the launch of his business. Love money financing is typically modest compared to that of professional investors; however, it has the advantage of being granted without interests or with favorable conditions, thereby, avoiding bank indebtedness. Love money is often used in combination with other financing sources, such as: grants, loans or venture capital.

### 2.3. Business Angels

Business angels are one of the funding sources that meet the financing requirements of early-stage startups. "They are generally high net worth individuals who invest their personal funds in a number of young businesses. They intervene further upstream than venture capitalists and invest in all types of businesses, not exclusively high technology." (Rédis & Certhoux, 2016) Business angels are private investors who put their own money in startups or young businesses in the early stage of their creation, in return for an equity stake (usually in the form of shares or equity). Business angels contribute not only with funds, but also with their expertise, operational support and experience to help the business grow and thrive.

Business angels typically inject their funds in companies with high growth potential in return for company shares, which makes them shareholders. Accordingly, the latter take significant risks because startups have a high rate of failure.

In Algeria, this type of financing is still underdeveloped, however, some initiatives are starting to see the day, particularly with the help of networks of experienced entrepreneurs. This type of financing is beginning to emerge thanks to private-led initiatives and investor networks.

### 3. Venture Capital

Venture capital is a form of financing that targets startups and innovative businesses which have a high growth potential but also entail high risk. Kettani and Villemeur define venture capital as follows: “An investment in young, unlisted businesses. The venture capitalist is an active financial intermediary which takes on many roles: director, advisor or even manager in the company he invests in. From a financial intermediary perspective, venture capitalists collect funds from other external investors, such as: pension funds, banks, insurance companies, foundations, universities or even private businesses.” (Kettani & Villemeur, 2012)

These are investments made by special funds or private investors in return for a stake in the company’s capital.

**Table 1 : Difference between a Business Angel and Venture Capital**

	<b>Business Angel</b>	<b>Venture Capital</b>
<b>Type of investors</b>	Individual investor (often an entrepreneur or an experimented executive) who invests his own funds in very early-stage startups.	Professional investment funds which manages corporate money or the money of institutions, large enterprises or wealthy investors.
<b>Investment Phase</b>	Typically invests in the seed phase (before the startup generates revenue) to help develop a prototype or approve an idea.	Invests after the launch, when the startup already has a product and is beginning to grow.
<b>Invested amounts</b>	Invests smaller amounts, typically between 10 000 and 500 000 €.	Invests larger amounts, typically several million euros.
<b>Approach and involvement</b>	Offers his experience, network and advises the founders directly through a more personal relationship.	Also offers mentorship, but in a more structured way, with a higher profitability expectations and close monitoring.

Source : elaborated by us

A business angel is an individual investor who takes up risks at a very early stage, whereas venture capital is a structured investment fund that intervenes at a later stage to accelerate growth.

In Algeria, venture capital firms are labelled as: “private equity companies” (SCI). They are established by Law No O6-11 of June 24, 2006. Their mission involves the participation in the share capital and any operation that consists of contributions of equity and quasi-equity in businesses at the stages of creation, development, transfer or privatization.

Private equity firms are controlled by the Commission for the Organization and Supervision of Stock Exchange Operations (COSOB). The number of authorized companies as of December 31, 2023 is five:

- The Algerian Financial Company of Participation (FINALEP)
  - El Djazair Istithmar
  - ICOSIA
  - Algerian Startup Fund (ASF)
  - Algerian Investment Fund (AIF)
- ✓ **FINALEP** : First establishment specialized in private equity in Algeria, FINALEP joint-stock company (Finacière Algéro-Européenne de Participation previously) was founded in 1991, under the initiative of two Algerian banks: the Local Development Bank (BDL) and the Popular Credit of Algeria (CPA) as a majority stockholder, in addition to the French Agency of Development (AFD) as a minority European stockholder, with the aim of funding and supporting the development of SMEs. FINALEP share capital has undergone several consecutive increases and reorganizations to reach the amount of 3.200.000.000 AD. FINALEP joint-stock company operates across the national territory and contributes to the development of small and medium-sized enterprises, especially those of an industrial nature<sup>2</sup>.

The main purpose of FINALEP joint-stock company is to take equity stakes in SMEs, that is to say that it invests in their capital to offer support and finance their growth; FINALEP also offers strategic and financial support to these companies. In addition, the establishment manages investment funds of the Wilaya (FIW); the latter are regional funds allocated to support SMEs that are founded by young entrepreneurs. Currently, FINALEP has a portfolio of 37 investments in various business lines, including:

- Information and communication technologies (ICT)
- Renewable energies
- Industry
- Services

**Table 2** : FINALEP Investments distribution

Type of Investments	Number of Investments	Amount (KDA)
Equity investments	04	388 905
Investments in the Wilaya investments funds	34	2 780 206
Joint equity investments	05	797 000
Total	43	3 966 111

**Source:** Elaborated by us based on the « COSOB » 2022 reports.

<sup>2</sup> FINALEP website: <https://www.finalep.dz/>, accessed on 05/02/2025.

As of December 31, 2022, FINALEP investment portfolio comprised 43 investments, amounting to 3 966 111 KDA; these investments are funded as follows:

- ✓ **El Djazair Istithmar**: an Algerian private equity firm, founded on December 28, 2009 and has been operating since July 07, 2010. The latter was established by two public banks: The Bank of Agriculture and Rural Development (BADR) as well as the National Savings and Revenue Fund Bank (CNEP Banque), with a share capital of 1 billion Algerian dinars.

The main mission of El Djazair Istithmar is to support small and medium-sized enterprises (SMEs) by acquiring temporary minority holdings in their capital. These investments aim to strengthen the equity base of the given companies, improve their creditworthiness with banks as well as provide their managerial expertise.

Since its establishment, the company allocated around 1.86 billion dinars in 28 investments in various sectors such as: industry, services, tourism and agriculture. These investments are spread across the national territory with a significant concentration in industrial activities.

As for younger project holders, El Djazair Istithmar offers equity stakes in their company along with financial support which ranges between 10 and 15 million Dinars. In a period of five years, these stakes may be repurchased by the company, thereby creating an opportunity for growth and development.

As of the end of 2022, El Djazair Istithmar has 21 investments in its portfolio, equivalent to an amount of 1 681 000 KDA, funded as follows :

**Table 3** : El Djazair Istithmar Investment Distribution

Type of Investments	Number of Investments	Amount (KDA)
Equity investments	08	668 000
Investments in the Wilaya investments funds	09	718 000
Joint equity investments	04	295 000
Total	21	1 681 000

**Source** : Elaborated by us based on the « COSOB » 2022 reports

As part of its strategy to support local development, El Djazair Istithmar is involved in the management of investment funds of the Wilaya. The latter are allocated to spur local development by multiplying the number of locally initiated investment projects.

- ✓ **ICOSIA Capital**: An Algerian private equity firm founded in 2018, with a share capital of 1.5 billion dinars, 100% owned by MADAR Holding joint-stock company.

The mission of ICOSIA Capital/ Joint-stock company is to participate in the creation and development of firms, regardless of their legal form by providing equity or loans to the firms with a high growth potential, in creation or development phases.

ICOSIA Capital also supports small and medium-sized enterprises (SMEs), particularly those operating in the following sectors:

- Food industries
- Medical and pharmaceutical sector
- New information and technology technologies (NICT)
- Transportation and logistics
- Energy
- Fishing and aquaculture

As of December 31, 2022, ICOSIA Capital investment portfolio comprised only one (01) equity investment, equivalent to the amount of 29 400 KDA.

According to the "COSOB" annual report of (2022), ICOSIA Capital has been in deficit since its establishment, in result of its incapacity to make new investments, which begs the question of the economic viability and continuity of its activity.

✓ **Algerian Startup Fund (ASF)** : founded in 2020, ASF is a public venture capital firm which has invested about 510 million Algerian dinars in 390 startups since its launch. The fund is equally owned by six public banks:

- Popular Credit of Algeria (CPA)
- National Bank of Algeria (BNA)
- External Bank of Algeria (BEA)
- National Savings and Revenue Fund Bank (CNEP Banque)
- Bank of Agriculture and Rural Development (BADR)
- Bank of Local Development (BDL)

ASF offers financing based on temporary shareholdings in the startup capital.

✓ **Algerian Investment Fund (AIF)** : founded in 2021, the Algerian Investment Fund stems from a collaboration between the External Bank of Algeria and the National Bank of Algeria (BNA), with a capital of 11 billion Algerian dinars. It is a private equity firm that is established with the aim of contributing to the creation and extension of businesses through equity investments. The AIF takes part in various stages of the project financing processes :

- Venture capital : set to finance projects with high growth potential, in the launch phase or at a very early stage of their progress.
- Development capital : destined for already-established enterprises which aim to reinforce their place in the market, make strategic acquisitions or pursue ambitious growth initiatives.

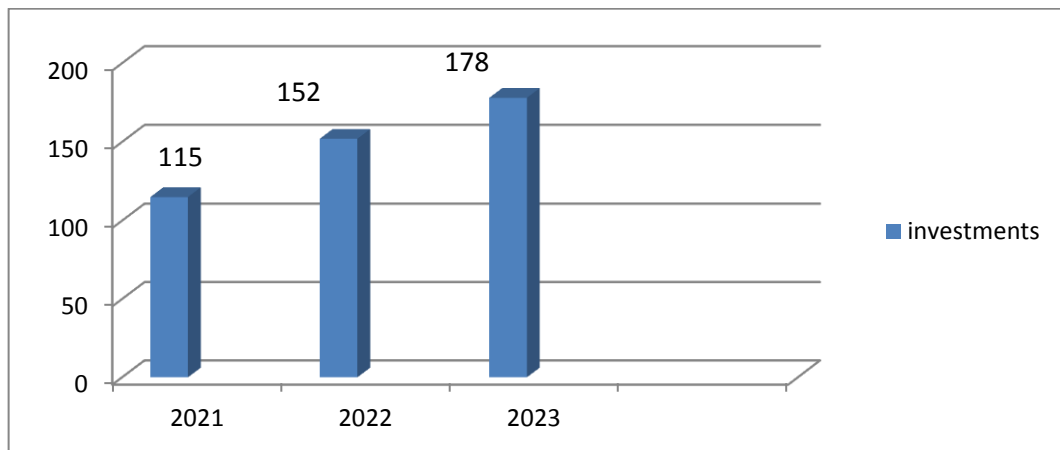
The table below portrays the investment distribution according to the amount and number of investments of each private equity firm :

**Table 4:** Investment Distribution by Private Equity firm as of December 31, 2023

	ASF	FINALEP	El Djazair Istithmar	ICOSIA CAPITAL	AIF	Total
<b>Amount of Investments (KDA)</b>	1 250 209	4 346 651	1 763 060	482 400	0	7 842 320
<b>Number of Investments</b>	109	44	22	03	0	178

Source : Elaborated by us based on the « COSOB » 2023 reports.

**Figure 1 :** Evolution of Investments of Private Equity firms



Source : Elaborated by us based on the "COSOB" 2022 and 2023 reports

#### 4. External Financing

Startup external financing refers to the funds raised from external sources to support startup development; they usually come from financial bodies or various subsidy schemes. There are several forms of external financing, each adapted to the specific stage of a startup growth process.

##### 4.1. Bank Loans

Startup bank financing refers to the different loans and other financial products, offered by the bank to support the creation, development and growth of young innovative firms. Unlike equity investments (such as those of business angels or venture capital funds), bank financing usually takes the form of debt, which entails that the startup should repay the debt with interest.

Banks could grant short-, medium- and long-term loans to finance operational requirements, purchase of equipment or expansion. These loans are generally accompanied by strict conditionality such as loan collateral (mortgage, pledge) or a solid business plan.

Other types of credit are granted by banks to finance the common business needs, such as working capital requirements; these are known as operational credits. Startups could also apply to financial leasing, which allow them to rent equipment or premises with the possibility to repurchase them at the end of the contract. In some countries, public programs are established to guarantee a portion of the loan in order to encourage banks in financing startups.

Contrarily to other types of financing, such as the business angel model or venture capital, bank loans do not reduce the founders' stake and therefore, do not pose any threat of equity dilution. Loans are flexible and adaptable to the startup specific needs.

However, this type of financing has certain drawbacks, including the fact that banks often request guarantees, which could be problematic for startups without tangible assets, in addition to the condition of mandatory repayment of the loan even if startups do not generate revenue. Moreover, banks have strict granting conditions; they assess the solvency and viability of the project, which could also be problematic for startups with high risk. "It is rather rare that banks are inclined to lend large sums of money to young firms and this is due to the lack of assets by the latter to offer as collateral, which induces low probability of reimbursement by an entity that generates no income paired with a too short history due to their lack of experience".

In order to address the drawbacks related to access to bank financing, mechanisms such as ANADE and ANGEM, which act as an intermediary between startups and their banking partners, have been put in place. Their mission is to make it easier for startups to obtain loans by lowering collateral and interest rate requirements, particularly through granting loans on trust.

#### 4.2. Subsidies and State-Aid

Financing is a key element in a startup establishment; however, it represents a major challenge for the development of an entrepreneurial ecosystem in Algeria. With the emergence of a number of young innovative businesses, access to funds remains one of the major challenges. Nonetheless, in recent years, the Algerian government has put in place several financing mechanisms to support entrepreneurs. In the following, we cite the main financing mechanisms:

- ✓ **ANADE** : The National Agency for Entrepreneurship Support and Development, previously called "The National Youth Employment Agency" (ANSEJ), was founded in 1996. It is an Algerian governmental body which plays an essential role in entrepreneurship promotion and support, particularly among the youth; its mission is to<sup>3</sup> :
  - Assist, advise and support young promoters in activity creation;

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<sup>3</sup> <https://polepro.univ-guelma.dz/fr/pr%C3%A9sentaion-de%C2%A0lanade-ex-ansej> accessed on 02/06/2025

- Provide young promoters with all economic, technical, legislative and regulatory information related to their activities;
  - Build relationships with the different partners of the mechanism (Banks, tax office, CNAS “National Social Insurance Fund”, CASNOS “The National Fund of Social Insurance for Non-Employees”, etc.);
  - Build an intersectoral partnership to identify investment opportunities in various sectors;
  - Provide training on micro-enterprise management techniques for young promoters;
  - Encourage any other form of actions and measures to promote activity creation and expansion.
- ✓ **CNAC** : (The National Unemployment Insurance Fund) is a governmental body for social security, founded in 1994. Its main mission is to compensate unemployed people (aged between 35 and 50) who lost their jobs following the dismissal of salaried workers in the economic sector. Since 2004, the CNAC has been committed to the promotion of entrepreneurship by offering support to young entrepreneurs; the CNAC assists the creation and expansion of projects led by unemployed promoters aged between 35 and 50.

**Table 5:** Projects funded by the CNAC by sector of activity until 12/31/2022

Sectors of Activity	Number of funded projects	Projected jobs at startup	Total financing of investment (in Million AD)
<b>Agriculture</b>	26 977	63 830	113 742,15
<b>Craftsmanship</b>	16 668	43 115	55 316,53
<b>Construction</b>	8 849	28 466	37 603,67
<b>Hydraulics</b>	372	1 255	2 627,35
<b>Industry</b>	12 950	37 547	61 498,81
<b>Maintenance</b>	1 027	2 483	3 319,15
<b>Fishing</b>	626	2 231	4 211,68
<b>Liberal Professions</b>	1 772	3 822	7 940,98
<b>Services</b>	32 390	68 986	118 276,43
<b>Freight Transport</b>	46 124	70 053	120 632,29
<b>Passenger Transport</b>	12 347	18 712	29 611,13
<b>Total</b>	<b>160 202</b>	<b>340 500</b>	<b>554 780,18</b>

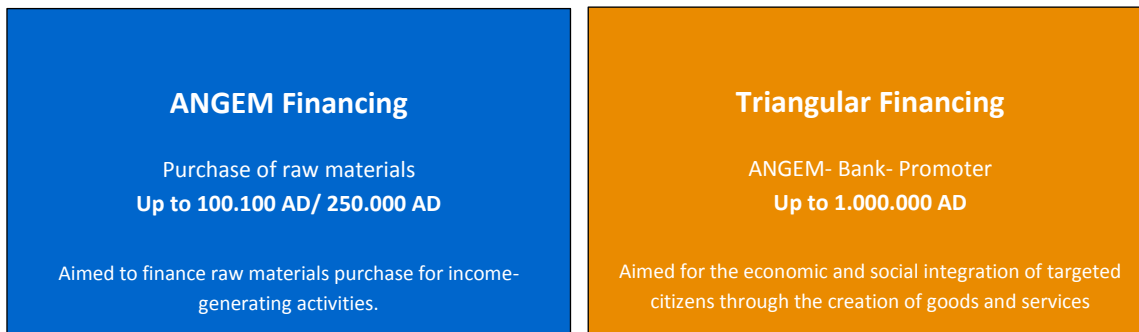
Source : SME Statistical Information Bulletin of April 2023

- ✓ **ANGEM**: The National Agency for Microcredit Management was created in 2004 with the aim of supporting entrepreneurs, including startups and very small enterprises, by offering microcredit financing with reduced or no interest rates. The agency provides entrepreneurs with technical and administrative support to help them create their projects. The ANGEM’s mission is to boost employment and reduce unemployment. The non-financial services offered by the agency include: promoter support, consulting, regular local monitoring as well as trainings.

At the end of 2024, 89.4% of credits granted by the ANGEM were destined for the financing of the purchase of raw materials and interest-free credits, compared to 10.6% which were destined for triangular financing.

The latter refers to a collaborative financing mechanism which involves the three actors: ANGEM, Bank, Promoter. 1.457.470 projects were financed until 2024, compared to 966.302 projects at the end of 2022.

**Figure 2:** Types of financing offered by the ANGEM



**Source :** According to the ANGEM Website

- ✓ **Algeria Venture :** An initiative taken by the Algerian government in 2020 to encourage the emergence of a startup ecosystem in Algeria. This governmental establishment stems from a joint initiative taken by the Ministry of Economy and Knowledge as well as the oil company Sonatrach with the aim of making it a startup accelerator and incubator (Benabdalah, 2024). Algeria Venture offers financial and technical support services to young innovative businesses via different financing and incubation programs. It particularly proposes subsidies for operating expenses, repayable advances as well as equity investments in startups.
- ✓ **Fiscal Advantages :** thanks to the measures that were taken to support the growth of an entrepreneurial ecosystem in Algeria, emerging businesses benefit from significant tax exemptions and reductions in their first years in business. These measures are a form of indirect financing which promotes business sustainability and development.

The amended 2020 Finance Act announced several incentive measures and simplified regulations for startups, including the following:

- Exemption from Corporate Income Tax (IBS) and VAT for commercial transactions by startups introduced by the Finance Act of 2020;
- Exemption from Professional Activity Tax (TAP), Global Income Tax (IRG) or the Corporate Income Tax (IBS) for a period of three (03) years, starting from the start day of activity. In addition, equipment acquired by startups to create their investment projects in exempt from VAT. (Drouiche & Menai, 2022).

## 5. Participatory Financing (Crowdfunding)

This type of financing refers to all sources of financing outside traditional banking channels. It allows startups to access funds to launch their projects without resorting to traditional bank loans.

Crowdfunding is a financing mode which involves the financial contribution of a large number of people, private individuals, investors or businesses in a project via an online platform. Participatory funding or crowdfunding has become a legal and regulated option for startups in Algeria. This mechanism enables entrepreneurs to raise funds from the general public via online platforms, which streamlines the process of establishing innovative projects.

In September 2023, a regulatory framework was established to manage this practice. The Decree of September, 4, 2023 published in the Official Journal No 68 establishing the conditions for the approval, practice and supervision of participatory investment advisors (CIP)<sup>4</sup> approved the regulation of the Commission for the Organization and Supervision of Stock Exchange Operations (COSOB) No. 23-01 of April 12, 2023 establishing the conditions for the approval, practice and supervision of participatory investment advisors (CIP). The latter's mission is to create and manage online participatory financing platforms, allowing a direct and transparent communication between the startups which seek funding and the investors who wish to support them.

To streamline this process, the digital platform crowdfunding.dz was launched. The latter allows project leaders to submit their applications for participatory investment advisors (CIP) approval as well as manage online crowdfunding consulting platforms. This initiative aims to encourage innovation and entrepreneurship in Algeria by offering startups a simplified access to funding. This mode of participatory financing complements the already-existing financing mechanisms by responding to the specific needs of startups in the pre-creation phase or private equity firms.

### **6. Incubators and Accelerators**

Incubators and accelerators play a crucial role in the development of an entrepreneurial ecosystem in Algeria. They provide a welcoming environment, resources and support for startups to transform their ideas into businesses.

#### **6.1. Incubators**

Incubators usually target businesses in the creation or startup phases. They offer personalized support, training, advice and accommodation to help entrepreneurs develop their projects and structure their businesses.

#### **6.2. Accelerators**

Accelerators target startups that are already operational and that wish to accelerate their growth. They offer intensive mentoring, training and investor relation programs in order to help startups achieve their objectives.

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<sup>4</sup> <https://www.horizons.dz/?p=31123> accessed on 02/07/2025

### 6.3. Business Incubators

The Algerian Ministry of SMEs pursues a policy of supporting young entrepreneurs in the creation of their businesses. Several business incubators were established in all major cities, which were labelled “incubators” in Executive Decree No 03/78 of February 25, 2023, defining their standard statute (Beladjine & Mohammed Belkebir, 2023).

A business incubator is a public support structure which provides young businesses (often startups) with logistical, financial and/ or administrative support during their first years in business (24 and 36 months, renewable according to the level of maturity of the project as well as the support requirements requested by the promoters). Business incubators could also offer discounted premises for a determined period, secretarial and accounting services, legal and fiscal advice as well as offer support to the promoter in dealing with financial institutions and facilitate access to financing and partner networks.

## 7. The Challenges of Startup Funding in Algeria

### ✓ Limited Access to Capital

Startups limited access to financing remains a major obstacle that hinders their development and growth. A number of factors explain this situation:

Although Algerian authorities have been trying to implement support schemes for startups in order to promote the emergence of innovation process within SMEs, Algerian startups are still having difficulties in accessing traditional financing sources, such as bank loans. Local banks, often reluctant to take risks, require robust collaterals and financial track records which penalize young innovative businesses.

Accordingly, the specialized capital investment fund, which consists of investing in young businesses with high growth potential, is still undeveloped. Therefore, startups struggle to find investors that are ready to invest in SMEs.

The establishment of a well-structured and well-regulated ecosystem for startups is paramount to encourage and help startups raise funds (Benabdalah, 2024).

### ✓ An investment Ecosystem in Construction

The investment ecosystem in Algeria is rapidly expanding. It has significant challenges, but also promising opportunities. However, in comparison with other countries where investment funds and business angels are

well-established, Algeria still lacks a formal private investor network that is willing to support startups; the already established initiatives are still limited and barely visible.

### ✓ **A Complex Regulatory Framework**

Administrative regulations and procedures could hinder the emergence of startups. The procedures to create a business, obtain grants or attract foreign investment are often complex and lengthy, which discourages entrepreneurs.

The complex regulatory framework in Algeria is a critical issue for businesses although efforts have been made to simplify it and modernize it. It is essential to continue these efforts so as to create a supportive environment for investment, innovation and economic growth.

### ✓ **An Entrepreneurship Culture under Development**

Although Algeria has made significant progress in developing its entrepreneurial ecosystem, a solid and widely spread entrepreneurial culture is still under development. A large percentage of the population, which is often in favor of the security of a salaried job, does not yet perceive entrepreneurship as a priority. This phenomenon limits risk taking and the creation of innovative projects.

Nonetheless, Algeria, being aware of the importance of entrepreneurship for its economic development, has established several initiatives to encourage and support entrepreneurial training. Both universities and higher schools offer programs in entrepreneurship, ranging from vocational bachelor's degrees to specialized master's degrees. These programs aim to equip students with the skills needed to launch a business. Vocational training centers also offer shorter and more practical training to those who wish to develop specific skills in business management, accounting, marketing, etc. Not to mention incubators and accelerators, these support structures offer intensive training programs to innovative project leaders as well as personalized training, thematic workshops and contact with experts.

## **8. Conclusion**

Startup financing in Algeria is a critical challenge for the development of the country's entrepreneurial ecosystem. Even if the number of startups has increased in recent years, access to funding remains a major challenge for many entrepreneurs.

Startup financing sources in Algeria remain a complex issue, characterized with structural challenges, but also emerging opportunities. If traditional mechanisms, such as bank loans, fail to meet the specific needs of young

innovative businesses due to bureaucratic rigidity and risk aversion, alternatives commence to see the day. Governmental initiatives, such as the mechanisms carried out by the CNAC or the ANGEM, in addition to university incubators, provide a new impetus for entrepreneurship. In parallel, venture capital, although modest, as well as crowdfunding are emerging as promising avenues, supported by an increasingly dynamic startup community.

Nonetheless, different governmental, private and international actors should work in full synergy to unlock the ecosystem potential. A regulatory reform to boost foreign investment, a better financial education for entrepreneurs, and a rooted culture of innovation will be decisive to accelerate this transition. Finally, the resilience of Algerian Startups, combined with ongoing digitalization and a regional market undergoing constant change, allow a glimpse of a future in which Algeria could stand out as a leading entrepreneurial hub in North Africa, provided that it transforms today's challenges into vectors of sustainable growth.

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- Finance Act of 2020

- The Decree of September, 4, 2023 published in the Official Journal No 68 establishing the regulatory framework applicable to participatory financing.
- Executive Decree No 03/78 of February 25, 2003 relating to the standard statute of business incubators.

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