# The legal framework governing the financing of startups under Algerian legislation: between the introduction of new mechanisms and the limits of their effectiveness



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*Date of submission: 29/07/2026 Date of acceptance: 18/09/2026 Date of publication: 28/09/2026*

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**Revision of the article**: Dr./ Shams Eddine (Univ. Tizi Ouzou)

***Abstract:***

*The Algerian legislator has taken important steps to build a legal framework for startup financing by introducing various financing mechanisms and establishing tax incentives. However, achieving the desired effectiveness depends on completing the necessary legislative and regulatory reforms. It also requires overcoming the practical obstacles that limit startups' access to these advantages. These measures are essential to ensure that startups contribute effectively to sustainable economic development and to the establishment of a knowledge- and innovation-based economy.*

***Key words:*** *Startups; Financing; Tax Incentives; Algerian Legislation; Effectiveness.*

## Introduction:

In recent years, startups have become major drivers of the modern economy. They promote innovation, develop technological solutions, create wealth and employment, strengthen national competitiveness, and contribute to the transition toward a knowledge-based economy. Accordingly, the success of states is measured not only by the extent of their natural resources, but also by their ability to establish a legal and economic environment that encourages innovation, supports entrepreneurship, and facilitates the development of startups.

The success of startups in competitive markets depends not only on innovative ideas, but also on access to adequate financing throughout the stages of establishment and growth. Financing enables startups to transform innovative ideas into sustainable business ventures. Conversely, limited access to funding remains one of the principal obstacles to their survival and expansion. This challenge is particularly significant

because startups generally operate in high-risk environments, in which traditional financing methods may prove insufficient.

Recognizing the role of startups in promoting economic diversification and innovation, the Algerian legislator established a specific legal framework governing their activities. This framework defines the concept of a startup and sets out the conditions for obtaining the "Startup" label. It also provides for several financing mechanisms and grants tax incentives intended to reduce financial burdens and support startup development.

However, the establishment of financing mechanisms and tax incentives does not, in itself, ensure the achievement of the intended objectives. Their effectiveness depends on the extent to which the legal framework responds to the practical financing needs of startups and removes the legal and practical obstacles that may restrict access to such mechanisms and incentives.

Accordingly, the following research question arises:

**To what extent has the Algerian legislator succeeded in establishing an effective legal framework for startup financing through financing mechanisms and tax incentives?**

To address this research question, the study is divided into two sections. The first examines the legal mechanisms supporting startup financing. The second analyzes the limitations of the legal framework governing startup financing under Algerian legislation.

## THE FIRST TOPIC:

## LEGAL MECHANISMS AND INCENTIVES SUPPORTING STARTUP FINANCING

Financing constitutes one of the principal challenges facing startups due to their innovation-driven nature and the high level of risk associated with their activities. These characteristics often limit their access to traditional sources of financing. Recognizing the role of startups in promoting innovation and supporting a knowledge-based economy, the Algerian legislator has established a legal framework intended to create a favorable financing environment. This framework provides various financing mechanisms adapted to different stages of startup development. It also grants tax incentives aimed at reducing financial burdens and enhancing startups' capacity for growth and sustainability.

Accordingly, this topic examines the legal mechanisms supporting startup financing through two requirements. The first addresses the financial mechanisms available for startup financing, while the second examines the tax incentives granted to startups.

## First Requirement: Financial Mechanisms for Startup Financing

Access to adequate financing is essential to the development and success of startups. It enables them to transform innovative ideas into competitive and sustainable business ventures. However, startups are characterized by a high degree of risk and limited guarantees, particularly during the early stages of development. These factors often restrict their access to traditional financing methods.

To address these difficulties, the Algerian legislator introduced several financing mechanisms adapted to the specific needs of startups. These mechanisms include public financing institutions and funds, as well as modern financing models based on investment and equity participation. Collectively, they are intended to support startups throughout the different stages of their development and enhance their prospects for growth and long-term sustainability.

Accordingly, this requirement examines the institutional mechanisms for startup financing in the first section and the newly introduced financing mechanisms in the second section.

### First Section: Institutional Mechanisms for Startup Financing

Algeria has sought to establish a favorable financing environment for startups through institutional mechanisms adapted to the specific characteristics of these enterprises. This is particularly important during the early stages of development, when startups face high levels of risk and limited access to traditional financing.

To address these challenges, the Algerian legislator and public authorities have established specialized institutions and funds to finance and support startups. These mechanisms provide the financial resources necessary to transform innovative ideas into competitive and sustainable business ventures.

The most prominent of these mechanisms are the Algerian Startup Fund (ASF) and the National Agency for the Support and Development of Entrepreneurship.

#### 1. The Algerian Startup Fund (ASF)

As part of the State's policy to promote the knowledge economy and encourage innovation, a ministry responsible for the knowledge economy and startups was established. At the same time, a legal framework was introduced to define startups and regulate the conditions for obtaining the "Startup" label. Within this framework, the Algerian Startup Fund (ASF) was established. Its creation was announced on 3 October 2020 during the National Startup Conference held at the International Conference Center in Algiers (Arib & Sadiqi, 2020, p. 43).

The Algerian Startup Fund is a public venture capital company established in the form of a joint-stock company. It provides financing to enterprises holding the "Startup" label. The Fund was established through cooperation between the ministry responsible for startups and six public banks, reflecting the State's reliance on modern financing mechanisms adapted to innovative projects (Buhayri & Karfis, 2023, p. 202).

Unlike traditional lending institutions, the ASF finances startups through equity investment rather than loans. Under this model, the Fund participates in the profits and losses of the financed enterprise. This allows entrepreneurs to obtain financing without providing in-kind collateral, which is often unavailable during the early stages of startup development (Arib & Sadiqi, 2020, p. 43).

This financing model is particularly suited to startups because it relies on the value and potential of innovative ideas rather than on tangible assets.

The Fund provides financing according to the startup's stage of development. Startups at the seed stage may receive up to five (5) million Algerian dinars. Financing may increase to twenty (20) million Algerian dinars for startups in the growth stage and reach one hundred and fifty (150) million Algerian dinars for those in the expansion stage. This graduated approach aligns the amount of financing with the specific needs of each stage of development (Al Arabi & Tawfiq, 2025, p. 646).

Access to such financing is not automatic. Startups must satisfy the applicable legal and regulatory requirements, most notably obtaining the "Startup" label. They must also comply with the other conditions and procedures prescribed by law (Laqart, 2023, p. 495).

The Algerian Startup Fund is significant as the first public investment fund dedicated exclusively to startup financing. Its role extends beyond the provision of capital, as it also acts as an economic partner by sharing the risks associated with innovative projects. The Fund therefore adopts a modern financing model that reduces the financial burden on entrepreneurs. It primarily supports technological, digital, and innovative projects while taking into account the nature and scale of each project when determining the amount of financing. This approach contributes to startup stability and enhances their prospects for growth and long-term sustainability (Boumanjel, 2025, pp. 71–72).

**2. The National Agency for the Support and Development of Entrepreneurship (ANADE)**

In addition to establishing the Algerian Startup Fund, the Algerian public authorities created specialized institutions to support entrepreneurs through financial and technical assistance. Among the most significant is the National Agency for the Support and Development of Entrepreneurship (ANADE), which constitutes an important institutional mechanism for promoting investment and entrepreneurship. Its objectives include wealth creation, employment generation, and support for economic development.

ANADE was established pursuant to Executive Decree No. 20-329 of 22 November 2020 as a public body with special status. It replaced the National Agency for the Support of Youth Employment (ANSEJ), which had been established under Executive Decree No. 96-296 of 8 September 1996. This reform sought to modernize

the entrepreneurship support system and adapt it to evolving economic conditions and investment needs.

The Agency's principal mission is to support entrepreneurs seeking to establish or expand micro-enterprises engaged in the production of goods and services. It promotes entrepreneurship and investment through an economic approach aimed at facilitating business creation, generating employment, and contributing to economic development.

To achieve these objectives, ANADE provides financial support to project owners through grants and loans. Its support is primarily directed at entrepreneurs between the ages of 19 and 35. However, the age limit may be extended to 40 where the proposed investment is expected to create at least three permanent jobs. The Agency also provides financing schemes adapted to the size and nature of each investment. These schemes combine personal financial contributions with non-repayable loans and provide financial support for entrepreneurial projects during their early stages (Ben Malek, 2024, p. 201).

The Algerian Startup Fund and the National Agency for the Support and Development of Entrepreneurship constitute two principal components of Algeria's institutional framework for startup financing. Nevertheless, these mechanisms alone are insufficient to meet the evolving financing needs of innovative projects. Consequently, the Algerian legislator has introduced more flexible financing mechanisms, most notably venture capital financing.

### 3. Financing Through Venture Capital

In addition to institutional financing provided by public bodies and funds, the Algerian legislator has adopted modern financing mechanisms better suited to the specific needs of startups. Among the most significant is venture capital financing, which plays an important role in supporting innovative projects during their early stages. It provides financial resources without imposing the obligations associated with traditional borrowing and allows investors to share the risks inherent in the project.

Venture capital, also referred to as risk capital or investment capital, is based on investment in projects with significant growth potential despite the uncertainty and risks associated with their activities (Dahmani, 2021, p. 375).

Following the development of venture capital companies in advanced economies, particularly in the United States, Algeria established a legal framework governing this form of financing and defining its objectives. This framework was intended to provide an alternative to traditional bank financing, particularly for startups that encounter difficulties in obtaining funding during the early stages of development.

In this context, Article 2 of Law No. 06-11 on Venture Capital Companies defines a venture capital company by reference to its purpose, providing that:

"The venture capital company aims to participate in the capital of the company and in every operation consisting of providing equity or quasi-equity contributions to enterprises in the stage of establishment, growth, transformation, or privatization" (Article 2 of Law No. 06-11, 2006).

This definition demonstrates that the legislator intended venture capital companies to perform a role extending beyond the mere provision of financing. Through equity participation, they become partners in the enterprise and share the risks associated with the investment while supporting its growth and development. This financing model is particularly suited to startups, which often require both financial resources and strategic partners during the early stages of development.

To implement this financing model, Algeria has established several venture capital companies, the most prominent of which are the following:

### 3.1 The Algerian European Financial Company for Investment (FINALEP)

The Algerian European Financial Company for Investment (FINALEP) is among the first venture capital companies established in Algeria. It was founded in 1991 by four shareholders: the Local Development Bank, with a 40% share; the Popular Credit of Algeria, with a 20% share; the French Development Agency, with a 28.74% share; and the European Investment Bank, with an 11.26% share. Established as a joint-stock company, FINALEP finances startups and small and medium-sized enterprises (SMEs) and supports innovative projects. It therefore constitutes one of the earliest institutional foundations of venture capital investment in Algeria (Louati & Mengouri, 2024, p. 282).

### 3.2 The Algerian Saudi Investment Company (ASICOM)

Another significant venture capital company is the Algerian Saudi Investment Company (ASICOM). It was established pursuant to the 2004 agreement between the Government of Algeria and the Government of the Kingdom of Saudi Arabia. It is regarded as the first government-owned institution in Algeria dedicated to venture capital financing.

ASICOM was established through equal capital contributions from both governments and is managed by a six-member board of directors. Its capital was set at eight (8) billion Algerian dinars to finance investment projects, particularly startups and other innovative enterprises.

### 3.3 El Djazair Istithmar Company

El Djazair Istithmar Company is another institution that has contributed to strengthening the startup financing system in Algeria. It was established by two public banks: the Bank of Agriculture and Rural Development, which holds a 70% share, and the National Savings and Reserve Fund, which holds the remaining 30%. The company received approval from the Ministry of Finance on 6 May 2010 (Ben Zaghda, 2020, p. 89).

Its principal mission is to provide financial products for small and medium-sized enterprises (SMEs) and startups. It seeks to address the financing gap faced by these enterprises by offering financing solutions adapted to their needs at different stages of development (Laqart, 2023, p. 495).

The adoption of venture capital financing reflects the Algerian legislator's effort to diversify startup financing beyond traditional bank lending. By facilitating equity investment and supporting enterprises throughout their development, this mechanism expands startups' access to capital. However, the growth of the entrepreneurial ecosystem has also contributed to the emergence of more flexible financing models based on digital platforms, individual investors, and financial markets. The following subsection examines these newly introduced financing mechanisms.

**Second Section: Modern Financing Mechanisms for Startups**

The rapid expansion of the digital economy and the growing importance of innovation have contributed to the development of modern financing models beyond traditional loans and institutional funding. These mechanisms have become an important source of financing for startups, particularly at the early stages of development. They provide greater flexibility, attract a broader range of investors, and offer both financial and technical support to innovative entrepreneurs.

In response to these developments, Algeria has introduced several modern financing mechanisms. The most notable are crowdfunding, business angel financing, and access to the Algeria Stock Exchange as an alternative source of startup funding.

**1. Crowdfunding**

Given the difficulties startups face in obtaining financing from traditional sources, Algeria, like many other countries, has adopted crowdfunding as a modern mechanism for financing entrepreneurial projects and startups. Crowdfunding enables entrepreneurs to secure the financial resources necessary to implement innovative projects where personal funds or conventional loans are insufficient.

Crowdfunding is particularly suited to startups because it provides the liquidity required to transform innovative ideas into viable business ventures. It also supports entrepreneurship, promotes job creation, and stimulates economic activity (Buhayri & Karfis, 2023, p. 203).

The Algerian legislature formally recognized crowdfunding under Article 45 of the Supplementary Finance Law of 2020, which defines it as: "...the investment of the funds of the large public on the Internet in participatory investment projects.." (Buhayri & Karfis, 2023, p. 203).

Although crowdfunding was introduced relatively recently in Algeria, several digital platforms have emerged to support this form of financing. The TWIZA platform, established in 2013, operates primarily on the basis of donations. It was followed by the CHRIKY platform in 2014, which focuses on investment through the

participation of businesspeople and investors. In 2019, the NINVESTI platform was launched, combining donations, loans, and investment. More recently, the KHEYYM platform was established in 2020 to finance charitable and artistic projects while also allowing investment in startups (Merabet & Mokhtar, 2024, p. 323).

To regulate crowdfunding activities, the Algerian legislature entrusted supervision to the Commission for the Organization and Supervision of Stock Exchange Operations (COSOB). The Commission is responsible for developing the regulatory framework governing the licensing of Collaborative Investment Advisers (CIPs), which establish and manage online crowdfunding platforms. It has also proposed a simplified regulatory framework for the operation of these platforms, together with tax incentives and the establishment of a dedicated fund to support startups during their early stages of development.

**2. Financing Through Business Angels**

Business angel financing constitutes another modern funding mechanism that has begun to develop in Algeria. Under this model, individual investors provide capital to startups in exchange for an equity stake. In addition to financial support, business angels provide technical expertise, strategic guidance, and professional networks. These contributions assist startups in overcoming challenges during their early stages of development.

This financing mechanism has gained increasing importance because traditional sources of funding often fail to meet the specific needs of startups. Drawing on international experience, Algeria has adopted this model, although its implementation remains at an early stage (Chetouane, 2022, pp. 117–118).

Algeria's first initiative in this field was the establishment of the Casbah Business Angels Fund in 2012. This private investment fund was created to finance startups with an initial capital exceeding 100 million Algerian dinars. It also allowed the participation of private investors seeking to support projects, particularly in the fields of information and communication technologies and renewable energy.

**3. The Algiers Stock Exchange as a Modern Mechanism for Startup Financing**

Alongside these financing mechanisms, the Algiers Stock Exchange has emerged as an alternative source of funding for startups. It enables startups to raise capital through the financial market and thereby reduce their dependence on traditional financing sources.

The Algiers Stock Exchange was established in 1993 pursuant to Legislative Decree No. 93-10 on the Stock Exchange of Transferable Securities. The decree established its legal framework and entrusted its management to two institutions: the Stock Exchange Management Company (SGBV) and the Commission for the Organization and Supervision of Stock Exchange Operations (COSOB). It also defined

the respective responsibilities of these bodies (Legislative Decree No. 93-10, 1993; Boughambouz & Djebari, 2022, p. 603).

Although the Algiers Stock Exchange experienced limited activity for many years, it has recently introduced several measures to support startups. These measures include simplifying listing procedures, preparing companies financed by the Algerian Startup Fund for public listing, and developing a digital pricing system. They also include creating a virtual exchange between financial intermediaries and the stock exchange, establishing a financial technology laboratory, and developing a legal framework for crowdfunding. Collectively, these measures contribute to strengthening the financing ecosystem for startups (Boughambouz & Djebari, 2022, pp. 609–610).

A significant milestone was reached on 14 January 2025 with the listing of Moustachir, the first startup to join the Algiers Stock Exchange. Moustachir specializes in electronic consulting services. Its listing took place under the supervision of the Minister of Finance and the Minister of the Knowledge Economy, Startups, and Micro-enterprises. This event marked an important development in Algeria's capital market. It also reflected the government's efforts to promote the stock exchange as a source of startup financing through innovative funding mechanisms capable of supporting growth and long-term sustainability.

In conclusion, the Algerian legislature has extended the startup financing framework beyond traditional methods by adopting modern mechanisms based on the digital economy, participatory investment, and capital markets. This approach reflects an effort to diversify financing sources and establish a more supportive environment for startup growth. These financing mechanisms are complemented by various tax incentives, which constitute another form of legal support and are examined in the second requirement.

**Second Requirement: Tax Incentives for Startups**

The Algerian legislature has supported startup financing not only through the introduction of financing mechanisms but also through the establishment of tax incentives. These incentives constitute a form of indirect financial support by reducing the tax burden on startups, particularly during their early stages of development. This reduction enables startups to allocate greater resources to product development, innovation, and growth.

Through successive Finance Laws and implementing regulations, the Algerian legislature has established a system of tax advantages for enterprises holding the "Startup" label. It has also defined the conditions and procedures governing access to these incentives. These measures are intended to promote investment while ensuring the effective application of the tax benefits granted.

Accordingly, this requirement first examines the tax exemptions and incentives granted to startups. It then addresses the conditions governing access to these benefits and their legal effects.

## First Section: Tax Exemptions and Incentives Granted to Startups

To promote innovation and entrepreneurship, the Algerian legislature has introduced a range of tax incentives for startups. These measures reduce the tax burden during the early stages of development and allow startups to allocate greater resources to investment, research and development, and business growth. The incentive framework has been progressively strengthened through successive Finance Laws. This development reflects the legislature's commitment to creating a more favorable tax environment for startups (Buhayri & Karfis, 2023, p. 109).

This policy began with the Finance Law of 2020, which introduced the first tax incentives for startups. Article 69 exempted enterprises holding the "Startup" label from the Corporate Profits Tax (CPT) and Value Added Tax (VAT) on transactions related to their activities. These exemptions reduced the tax burden during the early stages of business development (Article 69 of Law No. 19-14, 2019).

The Finance Law of 2021 expanded these incentives. In addition to the VAT exemption, eligible startups were exempted from the Professional Activity Tax (PAT) and from either the Global Income Tax (GIT) or the Corporate Profits Tax (CPT), as applicable. These exemptions applied for four years from the date on which the "Startup" label was granted. The period could be extended by one additional year upon renewal of the label (Article 86 of Law No. 20-16, 2020).

The Finance Law of 2022 maintained this framework by amending Article 69 of the Finance Law of 2020 while preserving the four-year exemption period and the additional one-year extension upon renewal. This amendment reflected the legislature's commitment to maintaining a stable tax framework for startups (Article 117 of Law No. 21-16, 2021).

The Finance Law of 2023 introduced a reinvestment requirement. To retain the tax benefits granted, beneficiary startups must reinvest an amount equal to 30% of the value of the tax exemptions or reductions received within four years following the close of the financial year. The reinvested amount must be used to acquire tangible or intangible assets directly related to the production of goods or the provision of services. This requirement ensures that tax incentives contribute to investment and economic development (Buhayri & Karfis, 2023, p. 110).

The Finance Law of 2026 further expanded these incentives by amending Article 69 of the Finance Law of 2020. It extended eligibility to both natural and legal persons holding the "Startup" label. It also exempted them from the Global Income Tax (GIT), the Corporate Profits Tax (CPT), or the Single Flat Tax (SFT), as applicable. The exemption applies for four years from the date on which the label is granted and may be extended for two additional years upon renewal (Article 100 of Law No. 25-17, 2025).

These successive reforms demonstrate the gradual expansion of Algeria's tax incentive framework for startups. The legislature has broadened the scope of eligible

beneficiaries, extended the duration of tax exemptions, and linked the enjoyment of tax benefits to reinvestment obligations. Collectively, these measures seek to encourage investment while ensuring that tax incentives contribute to innovation and economic development. The following section examines the conditions governing access to these incentives and their economic effects.

**Second Section: Conditions for Benefiting from Tax Incentives and Their Effects**

The Algerian legislator has made tax incentives available to startups subject to specific legal conditions and procedures. These requirements ensure that such incentives are granted only to eligible enterprises and serve their intended purpose of promoting innovation and investment.

Article 5 of Executive Decree No. 21-170 provides that a startup seeking exemption from Value Added Tax (VAT) must submit the decision granting it the "Startup" label to the competent tax authority. After verifying compliance with the applicable legal requirements, the authority issues a VAT exemption certificate (Article 5 of Executive Decree No. 21-170, 2021).

Accordingly, obtaining the "Startup" label constitutes the primary condition for access to tax incentives. The mere conduct of an innovative activity is insufficient. The enterprise must comply with the prescribed legal procedures and obtain the official label.

These incentives reduce the tax burden on startups, enabling them to allocate greater resources to research, development, and innovation. They thereby enhance startups' competitiveness and improve their prospects for growth and long-term sustainability.

The incentives also encourage investment in knowledge- and technology-based sectors. In addition, they promote cooperation between startups, business incubators, and other economic actors by encouraging greater investment in research and development (Buhayri & Karfis, 2023, p. 111).

Overall, the Algerian legislator has employed tax incentives as both a legal and an economic policy instrument. These incentives support the creation and growth of startups while promoting innovation-driven economic development. Their effectiveness, however, depends on addressing the practical challenges that continue to constrain startup development. These challenges are examined in the following section of this study.

## Second Topic:

## Challenges to the Effectiveness of Startup Financing

Despite the development of various mechanisms designed to support startup financing in Algeria, significant obstacles continue to limit their effectiveness (Arib & Sadiqi, 2020, pp. 33–47). These constraints adversely affect startups' ability to commence their activities, sustain growth, and respond effectively to market demands.

These difficulties are particularly evident in access to traditional and public sources of financing. They also affect the use of alternative financing mechanisms. Accordingly, this topic is divided into two requirements. The first examines the difficulties startups encounter in accessing bank and public financing. The second analyzes the challenges affecting alternative financing mechanisms.

### First Requirement: Difficulties in Obtaining Financing for Startups

Access to finance remains one of the principal challenges facing startups. Although Algerian law provides several financing mechanisms, their availability does not necessarily ensure effective access to financial resources. In practice, startups continue to face significant difficulties in obtaining both bank financing and public funding.

Accordingly, this requirement examines the limitations of bank financing for startups, followed by those affecting public financing mechanisms.

#### First Section: Limited Bank Financing for Startups

Although banks play an important role in financing economic activity, their contribution to startup financing remains limited. Startups generally operate in high-risk environments and therefore often face difficulties in obtaining conventional bank loans.

Commercial banks are frequently reluctant to finance startups because of their high risk of failure and limited capacity to provide sufficient collateral. Even when credit is granted, the available amounts may be insufficient to meet startups' financing needs. Lengthy approval procedures, strict eligibility requirements, and financing costs may also restrict access to bank credit.

These limitations are particularly significant for innovative startups whose principal assets consist of knowledge, technology, intellectual property, or other intangible resources rather than conventional physical collateral.

#### Second Section: Limitations of Public Financing Mechanisms

Startup financing in Algeria also remains significantly dependent on public support, particularly through the Algerian Startup Fund (ASF), while private investment remains comparatively limited (Chaabani & Chakhab, 2025, p. 35).

Although the ASF plays an important role in supporting innovative projects, excessive reliance on a single public financing mechanism may place pressure on its financial resources. Public funding is subject to budgetary constraints and financing limits, which may prove insufficient when startups reach the growth and expansion stages and require larger amounts of capital.

Access to ASF financing is also selective. Applications are assessed according to factors such as financing needs, project feasibility, and the degree of innovation. Although these criteria are necessary for evaluating investment proposals, they may exclude projects whose applications, business plans, or administrative documents do not adequately demonstrate their potential (Chaabani & Chakhab, 2025, p. 37).

Administrative and regulatory procedures may create further difficulties. Lengthy procedures and unclear requirements can delay financing decisions and project implementation. Such delays are particularly problematic for startups, which generally require timely access to financial resources to respond to changing market conditions.

Consequently, the effectiveness of public financing depends not only on the availability of financial support but also on the accessibility, flexibility, and efficiency of the mechanisms through which such support is provided.

**Second Requirement: Challenges Facing Alternative Financing Mechanisms**

The development of alternative financing mechanisms forms an important part of Algeria's efforts to diversify startup financing and reduce excessive reliance on traditional bank lending and public funding. The principal mechanisms considered in this context are venture capital, crowdfunding, and business angel financing. However, their contribution remains limited by financial, institutional, regulatory, and operational constraints.

**First Section: Challenges Facing Venture Capital Companies**

Venture capital companies face several challenges that limit their capacity to finance innovative startups. One of the principal difficulties is their limited financial capacity. This restricts both the number of projects they can finance and their ability to support startups through successive stages of development.

Another significant limitation concerns exit opportunities. Venture capital investment generally depends on the investor's ability to dispose of its equity interest after the financed company has developed. The limited development of relevant financial market mechanisms therefore restricts investors' opportunities to realize returns and may reduce the attractiveness of venture capital financing.

The effectiveness of venture capital also depends on specialized human resources capable of evaluating innovative projects, assessing associated risks, and

providing post-investment support. A shortage of such expertise may adversely affect both investment selection and the strategic support provided to startups.

Finally, regulatory and supervisory requirements may limit the flexibility and speed of investment decisions by venture capital companies (Ben Zaghda, 2020, pp. 90–91).

**Second Section: Challenges Facing Crowdfunding**

Crowdfunding enables startups to mobilize financial contributions through digital platforms and reach a broader group of potential investors. Nevertheless, its development in Algeria remains limited by economic, regulatory, technological, and confidence-related constraints.

Economic conditions, including inflation and changes in purchasing power, may reduce individuals' capacity to allocate funds to crowdfunding investments. At the institutional level, the effectiveness of crowdfunding also depends on a sufficiently developed regulatory framework that protects investors and ensures transparency in platform operations.

Public confidence constitutes another important factor. Greater transparency, adequate disclosure, and effective governance of crowdfunding platforms may strengthen investor confidence and encourage participation (Merabet & Mokhtar, 2024, p. 324).

Furthermore, the effectiveness of crowdfunding is closely linked to the development of electronic payment systems and digital financial infrastructure. Limitations in these areas may restrict the capacity of crowdfunding platforms to mobilize and transfer funds efficiently (Ben Malek, 2024, p. 226).

**Third Section: Limited Development of Business Angel Networks**

Business angels may provide startups not only with financial resources but also with managerial experience, professional networks, mentoring, and strategic guidance. Their participation may therefore be particularly important during the early stages of startup development (Chetouane, 2022, p. 117).

However, business angel financing remains relatively limited in Algeria. One important factor is the limited number of private investors willing to assume the high risks associated with innovation-driven projects, particularly those whose value is largely based on intangible assets.

In addition, investors accustomed to traditional sectors and asset-based financing may be reluctant to invest in enterprises whose potential value depends on technology, innovation, intellectual property, or future growth. This limits the development of organized business angel activity and reduces its contribution to the startup financing ecosystem (Ben Malek, 2024, p. 226).

## Conclusion:

This study reached the following conclusions:

- The Algerian legislator has diversified the sources of startup financing by introducing mechanisms beyond traditional bank lending. These mechanisms include the Algerian Startup Fund (ASF), venture capital, crowdfunding, business angel financing, and the gradual use of the Algeria Stock Exchange as a source of financing.

- The legislator has also established a system of tax incentives for enterprises holding the "Startup" label. These incentives have been progressively expanded through successive Finance Laws, reflecting an effort to reduce financial burdens and promote innovation.

- Despite these reforms, their practical effectiveness remains limited by complex administrative procedures, the requirement to obtain the "Startup" label, the limited development of alternative financing mechanisms, and the modest role of the capital market in startup financing.

- The study shows that the Algerian legal framework governing startup financing continues to evolve. Its effectiveness, however, depends on stronger institutional support and the effective implementation of applicable legal provisions.

Based on these findings, the study proposes the following recommendations:

– Simplify the administrative and legal procedures governing access to startup financing and reduce application processing times.

– Review the conditions governing access to financing mechanisms and tax incentives in order to broaden eligibility, particularly for startups at an early stage of development.

– Strengthen the legal and regulatory framework governing crowdfunding and business angel financing in order to encourage greater private investment in innovative projects.

– Expand the role and financing capacity of the Algerian Startup Fund while strengthening post-investment support for beneficiary startups.

– Enhance the role of the Algeria Stock Exchange by simplifying listing requirements and developing a capital market framework more suited to startup financing.

– Improve coordination among the institutions involved in startup financing in order to ensure complementarity and avoid overlapping responsibilities.

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