

Financial Mechanisms for Supporting and Developing Small and Medium Enterprises (SMEs) in Algeria

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Abstract:

This study aims to identify small and medium enterprises (SMEs) and highlight their importance as well as the most important institutions created in Algeria in order to pay attention to them, as the latter attached great importance to this type of institutions through the development of a group of devices to establish and support them so that they can play the developmental role expected of them at the level of the national economy.

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Jel Classification Codes: L26, L53, M 13

1. INTRODUCTION

Small and Medium Enterprises (SMEs) have garnered significant global attention, witnessing substantial development and interest from international organizations and economic researchers alike. They are increasingly recognized as primary drivers of economic progress, particularly within the context of current global economic transformations. This prominence stems from their unique characteristics, which enable them to exert a profound impact on economic, social, and environmental dimensions.

Algeria is among the nations that have prioritized the SME sector, recognizing its potential role in fostering sustainable economic growth. To this end, the state has established a comprehensive framework of agencies and bodies dedicated to the creation and support of these enterprises.

Based on the aforementioned context, the central research problem can be formulated as follows: **What are the various financial mechanisms and institutional frameworks established to support Small and Medium Enterprises in Algeria?**

2. Theoretical Framework and Conceptual Definitions of Small and Medium Enterprises (SMEs):

Small and Medium Enterprises (SMEs) play a **strategic role** in the economies of all nations, consistently demonstrating their effectiveness across various sectors. Empirical analyses and scholarly studies have underscored their **pivotal contribution** to achieving sustainable socio-economic growth through the expansion and diversification of industrial production. While there is a consensus among economists and scholars regarding the **vitality of this sector** and its role in comprehensive development, a unified and precise definition remains elusive. Instead, researchers have developed various conceptualizations based on diverse criteria deemed appropriate to their specific economic contexts.

2.1 Conceptual Grounding of Small and Medium Enterprises (SMEs):

Establishing a clear and comprehensive definition of Small and Medium Enterprises (SMEs) constitutes a fundamental step in addressing this vital subject. This necessity arises from the paramount importance of delineating the specific parameters and determinants used to classify and define the operational nature of such enterprises within the broader economic environment.

2.1.1 Economic Criteria for Defining Small and Medium Enterprises (SMEs):

There is a set of economic criteria and indicators that can be utilized to define the nature of SMEs, which can be summarized as follows:

- **Quantitative Criteria:** These refer to statistical, numerical parameters that are easily measurable, such as:

Labor Force Criterion (Employment): This is considered one of the most widely used criteria due to the accessibility of employment data. Furthermore, the number of employees serves as a primary determinant of a project's productive capacity. According to the classification by (Brothe and Heimins), business enterprises are categorized by size as follows:

- **Micro/Family Enterprises:** 1 to 9 employees.
- **Small Enterprises:** 10 to 49 employees.
- **Medium Enterprises:** 50 to 100 employees.

- **Large Enterprises:** Exceeding 100 employees.

However, this criterion faces several criticisms, as the size of the workforce is not the sole determinant of an enterprise's classification. A project may employ a limited number of workers while simultaneously utilizing a substantial amount of capital investment; in such a case, the enterprise would be categorized as 'small' based on employment size, yet 'large' based on capital intensity. Conversely, a project might employ a large workforce with relatively minimal investment, leading to its classification as 'large' by labor standards and 'small' by capital standards. (Tamlieh, 2009, p. 23)

Capital Criterion: This criterion is frequently employed to determine the scale of industrial enterprises. An enterprise is classified as 'large' if its capital investment is substantial, whereas it is categorized as 'small' or 'medium' if the capital is relatively limited, while taking into account the specific level of economic development in each country.

Within the context of quantitative measures, it is noteworthy that some nations utilize hybrid or dual criteria—such as combining employment size with invested capital—rather than relying on a single isolated metric. (Rahmouni, 2011, p. 15)

Capital-Labor Ratio (Capital Intensity): This is defined as the amount of capital employed per unit of labor, calculated by dividing fixed capital by the total number of employees. It represents the marginal capital required to employ a single worker within a project. This indicator integrates the capital and labor criteria to address the methodological criticisms and inconsistent results associated with using each metric independently for enterprise classification. (Tamlieh, 2009, p. 24)

In light of the aforementioned quantitative metrics, it is concluded that establishing a universal classification remains challenging due to significant disparities between countries and the influence of various economic variables. Nevertheless, the **employment size criterion** remains the most prevalent and widely utilized measure globally. (khababa, 2013, p. 14)

- **Qualitative Criteria:** To address the criticisms directed at quantitative measures regarding their accuracy and the validity of their results, researchers have adopted qualitative criteria to define enterprise size for the purposes of study, research, development, and financing. These criteria include:

Legal Criterion: The legal structure of a project depends on the nature and volume of invested capital and its financing methods. Generally, capital-based corporations (*Sociétés de Capitaux*) possess larger capital compared to partnerships (*Sociétés de Personnes*). According to this criterion, small business projects encompass non-institutional forms such as sole proprietorships, family businesses, general partnerships, limited partnerships, and small-scale professions (e.g., workshops, retail shops, cooperative societies, printing houses, small-to-medium farms, travel agencies, and freelance professions). (Ghoneim, 2009, p. 26)

Sales Value Criterion (Turnover): Some scholars categorize this as a qualitative measure; while it is quantitative in measurement, it is qualitative in significance, as sales value is determined by market dynamics and product quality. This criterion utilizes annual sales volume as a determinant of size, helping to measure the enterprise's activity level and competitive capabilities relative to peers in the same sector. (Tamlieh, 2009, p. 25)

Organizational Criterion: Under this metric, small businesses are defined by possessing at least two of the following characteristics:

- **Unified Ownership and Management:** The owner typically acts as the manager, fostering incentives for innovation, sacrifice, and achievement.
- **Limited Ownership Base:** Capital ownership is usually restricted to an individual or a small group. (Ghoneim, 2009, p. 27)

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- **Operational Scope:** Activities are often specialized, focusing on a single commodity or service, thereby playing an integrative role with other activities in the same field.

Independence Criterion: An SME is defined by its independence, meaning it owns at least 50% of its capital (though this percentage may be lower in some countries). Furthermore, it must maintain administrative and operational autonomy without external interference.(Hadjaoui, 2011, p. 08)

Technological Criterion: Small businesses are characterized by the use of simple or traditional methods, often being labor-intensive rather than relying on advanced technology. The production process typically involves simplified assembly lines and manual monitoring rather than automated or electronic systems.

2.1.2 Defining Small and Medium Enterprises (SMEs):

The definition of Small and Medium Enterprises (SMEs) varies globally, reflecting differences in economic conditions, geographical locations, and developmental stages. An enterprise classified as "small" in one country may be considered "large" in another that is in the early stages of industrial growth. Consequently, SME definitions differ across nations as follows:

- **United States Definition:** In the United States, SMEs are generally defined as enterprises employing fewer than 250 workers, although this number can reach up to 1,500 in certain sectors. Additionally, the invested capital in these enterprises typically does not exceed nine million dollars.

- **European Union (EU) Definition:** All member states of the European Union adhere to a unified definition that distinguishes enterprises based on criteria such as the number of employees, independence, annual turnover, and the annual balance sheet total. On May 6, 2003, the EU adopted a new definition (which entered into force on January 1, 2005) focusing on enterprise size and the nature of relationships with other entities. To be classified as an SME, the enterprise must maintain a high degree of independence; specifically, no more than 25% of its capital or voting rights may be owned by a single large enterprise or a group of enterprises.(Boukemoum & Maizi, 18-19 April 2012) The classification is categorized as follows:

Table 01: The European Union Classification of SMEs

Criterion	Micro-Enterprises	Small Enterprises	Medium-Sized Enterprises
Number of Employees	1 – 9	10 – 49	50 – 249
Annual Turnover	< €2 Million	< €10 Million	< €50 Million
Annual Balance Sheet Total	< €2 Million	< €10 Million	< €43 Million

Source: Boukemoum & Maizi, op-cit

- **Algerian Legal Definition of Small and Medium Enterprises (SMEs):** The definition is encapsulated in **Law No. 17–02**, issued on January 10, 2017, regarding the **SME Development Guidance Law**. Algeria adopts two primary criteria for this definition: the number of employees and annual turnover. SMEs, regardless of their legal form, are defined as enterprises engaged in the production of goods and/or services that fulfill the criterion of independence.

An **Independent Enterprise** is defined as any entity where no more than 25% of its capital is owned by another enterprise or a group of enterprises that do not fall under the SME classification. (Algeria, January 11, 2017)

The following is the classification of SMEs according to the **Algerian Ministry of Industry**:

Table 02: Classification of SMEs according to Algerian Law

Criterion	Very Small / Micro Enterprises	Small Enterprises	Medium Enterprises
Number of Employees	1 – 9	10 – 49	50 – 250
Annual Turnover	Less than 40 Million DZD	Does not exceed 400 Million DZD	400 Million to 4 Billion DZD
Annual Balance Sheet Total	Does not exceed 20 Million DZD	Does not exceed 200 Million DZD	200 Million to 1 Billion DZD

Source: Ministry of Industry. (n.d.). *Supporting Small and Medium Enterprises*. Retrieved from <https://www.industrie.gov.dz/soutien-pme/>

2.1.3 The Importance of Small and Medium Enterprises (SMEs):

Small and Medium Enterprises (SMEs) are among the most critical subjects for policymakers due to their effectiveness in supporting national economic development. They are widely regarded as the "backbone" of the national economy and a primary driver of growth. Their significance is highlighted in the following points: (Cherifi, 18-19 May 2011)

- **Ability to Generate Sustainable Job Opportunities:** SMEs require relatively lower capital investment to create jobs compared to large industrial firms. In developing countries with low savings rates, these enterprises are most capable of absorbing labor and mitigating unemployment.

- **Achieving Economic Integration with Large Industries:** SMEs play a vital role in diversifying the industrial structure by producing components and inputs required by large-scale industries, effectively acting as "feeder industries."

- **Contribution to Export Development and Balance of Payments:** SMEs serve as the nucleus for export-oriented industries. Their capacity for continuous innovation and cost reduction allows them to create competitive advantages in international markets. This leads to increased export diversification, import substitution, foreign currency savings, and an improved trade balance, ultimately contributing to a surplus in the balance of payments. In some developed nations, SMEs contribute between 75% and 80% of total export revenues.

- **Adaptability to Economic Crises and Fluctuations:** Due to their smaller scale and capital base, SMEs exhibit higher flexibility than large corporations in adapting to economic shifts. They can respond rapidly to market demands, facilitated by their reliance on smaller physical investments which eases the transition process.

- **Achieving Geographical Balance in Development:** SMEs help distribute the gains of development across various regions, reducing industrial concentration in major cities. This limits rural-to-urban migration and promotes a more equitable distribution of national income.

- **Innovation and Technological Advancement:** SMEs foster competition and prevent monopolies in free economies, encouraging creativity and the delivery of superior goods and services. They also play a role in technology transfer and training local talent.

- **Strengthening National Participation in the Economy:** These enterprises mobilize national capital and the savings of small investors. Consequently, they increase individual participation in development and help build a skilled industrial society and a cadre of national entrepreneurs. (Ahmed, 2005, p. 77)

- **Preserving Heritage and Handicrafts:** SMEs are crucial for maintaining traditional and artisanal crafts. Developing these sectors opens doors for youth and women's employment and creates significant export opportunities that generate national income. (Assaf & others, 2012, p. 47)
- **Stability of Banking Sector Profitability:** By diversifying loan portfolios across various credit types and sectors through SME financing, banks can reduce overall credit risk, thereby stabilizing their profitability rates.

2.2 SME Requirements, Objectives, Characteristics, and Challenges:

The shift toward Small and Medium Enterprises (SMEs) is a result of various interacting factors. The modern economic environment and the challenges of globalization have fostered increased interest in this vital sector.

2.2.1 Objectives of SMEs:

Establishing an SME aims to achieve several strategic goals: (Province)

- **Promoting Entrepreneurship:** Encouraging individual and collective initiative by introducing new goods and services or reviving abandoned economic activities.
- **Job Creation:** Generating direct employment for entrepreneurs and indirect opportunities for others, thereby responding swiftly to social labor demands.
- **Reintegration of Displaced Workers:** Absorbing labor force members affected by the restructuring, privatization, or bankruptcy of large public enterprises.
- **Productive Recovery:** Absorbing non-core or unprofitable production segments shed by large corporations, allowing them to focus on primary activities. (e.g., a study showed that one public firm's divestment could create 15 small enterprises).
- **Regional Localization:** Decentralizing economic activity to remote areas, enhancing local resource valuation and regional integration.
- **Economic Networking:** Acting as a vital link in the economic fabric through relationships with surrounding firms sharing similar inputs.
- **Capitalizing on Ideas:** Enabling individuals with innovative investment ideas—who lack the financial or managerial means—to transform them into reality.
- **Income Generation:** Providing income for founders and employees, while increasing state fiscal revenue through taxes.
- **Informal Sector Integration:** Facilitating the transition of the informal and family sectors into the organized economy.

2.2.2 Characteristics of SMEs:

The following attributes enable SMEs to achieve the aforementioned goals: (Province)

- **Flexibility:** Small size and low specialization allow for rapid adaptation to local and national economic shifts.
- **Low Capital Intensity:** Relative smallness of capital facilitates easier financing, especially when founders provide equity or in-kind contributions.
- **Market Responsiveness:** Ability to alter activity levels or product types at a much lower cost than large enterprises.
- **Local Relevance:** High capacity to respond to regional specificities based on the availability of production factors.
- **Efficient Information Flow:** Rapid internal communication enables quick adjustments to socio-economic changes.

2.2.3 Challenges Facing SMEs:

In the era of globalization, SMEs face significant hurdles: (Province)

- **Global Economic Blocs:** The dominance of major poles (North America, EU, ASEAN) impacts the competitiveness of small firms.
- **World Trade Organization (WTO):** Global trade liberalization intensifies competition from international products.
- **Partnership Agreements:** Free trade agreements often eliminate protective tariffs, exposing SMEs to foreign competition.
- **Financing Gaps:** Lack of flexibility in the banking sector regarding collateral and loan terms, coupled with a lack of diverse credit channels.
- **Policy Fragmentation:** Absence of a unified national strategy for SME development.
- **Infrastructure Costs:** High prices for land and buildings, alongside the rising costs of production inputs.
- **Bureaucratic Hurdles:** Complex administrative and executive procedures for project approval.
- **Internal Constraints:**
 - o Weak Information Systems: Difficulty in accessing economic data hinders investment opportunities.
 - o Managerial Deficiencies: Lack of marketing expertise, unplanned expansion, and inadequate training opportunities.

3. The Reality of SME Support in Algeria:

Algeria has established a comprehensive framework of measures, institutions, and agencies to support Small and Medium Enterprises (SMEs). This strategic approach aims to rectify structural imbalances and address the systemic challenges that hinder the efficiency and effectiveness of these enterprises within the national economy.

3.1 Measures Adopted in Algeria to Support and Escort SMEs:

Algeria has exerted significant efforts through a collaborative and integrated network of governmental bodies and institutions. These initiatives are designed to promote and support Small and Medium Enterprises (SMEs), ensuring their growth and sustainability within the industrial landscape.

3.1.1 Stages of SME Development in Algeria and its Economic Environment:

The evolution of Small and Medium Enterprises in Algeria has progressed through three distinct stages: (Ghardain, Hafoudha, & Chebourou, 6-7 December 2017)

- Stage I (1963–1982): Post-Independence Socialism

Following independence, Algeria adopted a socialist system characterized by state control over economic drivers. Priority was given to the public sector, leading to the marginalization of the **SME/SMI** (Small and Medium Industries) sector. During this period, private sector development remained limited and functioned on the periphery of national development plans.

- Stage II (1982–1991): Initial Recognition and Transition

The private sector was formally recognized for the first time in the **1982 Investment Law** as a contributor to national development goals. However, the law failed to significantly stimulate SME creation due to restrictive investment ceilings, which diverted private savings toward

non-productive expenditures. A major turning point occurred with the issuance of the **Law on Money and Credit on April 14, 1990**, which enshrined the principle of foreign investment freedom and encouraged all forms of economic partnership.

- Stage III (Post-1991): Structural Reforms and Liberalization

This stage marked the transition of the Algerian economy toward structural adjustment programs supported by the **International Monetary Fund (IMF)**. The government adopted a new economic philosophy based on liberalizing individual initiatives and incentivizing private investment.

- **Legislative Decree No. 93-12 (1993):** Aimed at investment promotion, ensuring legal equality between national and foreign investors and establishing the **Agency for the Promotion, Support, and Follow-up of Investments (APSI)**.
- **Ordinance No. 01-03 (2001):** Focused on investment development.
- **Guidance Law No. 01-18 (2001):** Dedicated to the promotion of SMEs, aiming to improve their operational environment. This era also saw the establishment of numerous agencies and funds dedicated to the creation, financing, and escorting of SMEs.

3.1.2 Assistance and Support Measures for SME Promotion:

The assistance and support measures aimed at promoting Small and Medium Enterprises (SMEs), as stipulated in **Law No. 17-02 of January 10, 2017**, are designed to achieve the following objectives: (Algeria, January 11, 2017)

- **Information Dissemination:** Promoting the distribution of industrial, commercial, legal, economic, financial, professional, and technological information specific to the SME sector.
- **Access to Real Estate:** Encouraging initiatives that facilitate SMEs' access to industrial land and real estate.
- **Fiscal Adaptation:** Working toward the implementation of taxation systems tailored to the specific nature and constraints of SMEs.
- **Entrepreneurial Culture & Innovation:** Fostering entrepreneurship culture and promoting the adoption of modern technologies and innovation within SMEs.
- **Financial Inclusion:** Facilitating SME access to financial instruments and services that are appropriately suited to their specific operational needs.
- **Professional Networking:** Encouraging the formation of professional associations, subcontracting exchanges (Bourses de Sous-traitance), and industrial clusters.
- **Institutional Coordination:** Strengthening coordination between SME creation and support agencies at both central and local levels.

SMEs benefit from the assistance and support measures stipulated in Article 16 of the aforementioned law. These benefits are granted based on the enterprise's size, as well as defined priorities related to specific sectors of activity and geographical regions.

3.1.3 Institutional Framework: Agencies for SME Support and Promotion:

To operationalize the strategic goals of economic diversification, Algeria has established a specialized institutional network. The most prominent entities dedicated to supporting and promoting Small and Medium Enterprises (SMEs) include: (MEDDAS, 2021, p. 165)

- Business Incubators (Les Pépinières d'Entreprises):

The Algerian legislator defines business incubators as **Public Industrial and Commercial Establishments (EPIC)**. These entities possess legal personality and financial autonomy,

with the primary objective of assisting and supporting the creation of enterprises within the national policy for SME promotion. These incubators take one of the following forms: (Algeria, February 26, 2003)

- **The Incubator (La Couveuse):** A support structure specifically designed for project holders in the **service sector**.
- **The Liaison Workshop (L'AtelierRelais):** A support structure dedicated to project holders in **small-scale industries and handicrafts**.
- **The Business Hotel (L'Hôteld'Entreprises):** A support structure catering to project holders within the **research and development field**.

Business incubators serve as a fundamental mechanism for supporting startups and newly established SMEs. They operate by **receiving, incubating, and escorting** entrepreneurs through the provision of a comprehensive suite of services and facilities. This initial momentum is designed to help enterprises overcome the burdens of the startup phase.

In addition to leasing physical sites and premises, incubators provide:

- **Infrastructure:** Office equipment, information technology systems, and advanced modern technologies.
- **Logistics:** Telecommunication services (phone/fax) and utility management (electricity, gas, and water).
- **Professional Services:** Legal, accounting, and financial consultancy.
- **Capacity Building:** Training programs in management techniques and administrative skills.

The strategic objectives of these incubators are to develop **synergy** with the institutional environment, encourage the emergence of innovative projects, and ensure the long-term sustainability of the escorted enterprises. Ultimately, they aim to become, in the medium term, a strategic factor in the economic development of their respective geographical locations. (Algeria, February 26, 2003)

- SME Facilitation Centers (Les Centres de Facilitation):

SME Facilitation Centers are **Public Administrative Establishments (EPA)** endowed with legal personality and financial autonomy. They function as reception and orientation bodies with several strategic objectives, primarily reducing the time required to establish small enterprises by "escorting" project holders and guiding them toward integration into both national and international economies.

Furthermore, these centers aim to build comprehensive databases regarding the spatial density of the SME fabric and technological forecasting. They also encourage the valuation of research by fostering an exchange environment between project holders, research centers, consultancy firms, training institutions, and various technological, industrial, and financial poles. (Algeria, February 26, 2003)

The facilitation centers are tasked with the following mandates: (Algeria, February 26, 2003)

- **Project Evaluation and Mentorship:** Studying the files of small business entrepreneurs, supervising their progress, and practically addressing their needs by aligning them with their professional paths, promoting an entrepreneurial culture, and providing guidance in training and management.
- **Administrative Facilitation:** Assisting investors in overcoming hurdles encountered during the establishment phase and streamlining administrative procedures.
- **Information Dissemination:** Encouraging the distribution of information via various communication channels regarding investment opportunities, sectoral and strategic studies, and specialized branch analyses.

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- **Consultancy Services:** Providing expert advice in management functions, marketing, market targeting strategies, human resource management, and all other support forms defined within the SME support policy.
- **Competitive Development:** Supporting the enhancement of competitive capabilities and facilitating the diffusion of innovation and new technologies.

- The National Advisory Council for SME Promotion:

The National Advisory Council is a consultative body endowed with legal personality and financial autonomy. Its primary mission is to revitalize the activities of Small and Medium Enterprises (SMEs) by fostering dialogue and consultation between the enterprises, professional associations, and employers' organizations on one hand, and public authorities on the other.

The council convenes in an ordinary session twice a year upon a summons from its president. It may also hold an extraordinary session upon a summons from the Minister in charge of Small and Medium Enterprises. (Algeria, February 26, 2003)

- The National Agency for the Development of SMEs (ANDPME / ALGERIA PME):

The National Agency for the Development of Small and Medium Enterprises is defined as a **Public Administrative Establishment (EPA)**, possessing legal personality and financial autonomy. It operates under the tutelage of the Minister in charge of SMEs. The agency's primary objective is to expand the scope of the SME sector, particularly regarding enterprise size and sectors of activity. (Algeria, May 4, 2005)

Following the enactment of the **2017 Guidance Law** for SME development, the agency underwent several structural and functional amendments. Under this law, the agency is now mandated to implement the national SME development policy across three critical stages: **Creation, Growth, and Sustainability**. This includes enhancing quality standards, promoting innovation, and strengthening the managerial skills and capacities of these enterprises. (Algeria, January 11, 2017)

3.2 Agencies and Bodies for the Creation and Financing of SMEs:

In order to promote and support Small and Medium Enterprises (SMEs), the Algerian government has established a specialized institutional network designed to provide financing and address the specific needs of these enterprises, alongside traditional bank financing. The most prominent of these bodies include:

3.2.1 The National Agency for Investment Development (Formerly ANDI / Currently AAPI) and its Complementary Bodies:

In response to the challenges faced by investors and as part of a strategy to attract and localize both national and foreign direct investment (FDI), **ANDI** was established in 2001. As a public institution endowed with legal personality and financial autonomy, it succeeded the former Agency for Promotion, Support, and Monitoring of Investment (**APSI**). One of its primary procedural objectives was to streamline the licensing process, reducing the timeframe for granting necessary authorizations from 60 to **30 days**.

According to the institutional framework, the agency is mandated with the following tasks: (Ghardain, Hafoudha, & Chebourou, 6-7 December 2017)

- Investment Promotion & Monitoring: Ensuring the promotion, development, and continuous follow-up of investment projects.

- **Investor Relations:** Receiving, informing, and assisting both resident and non-resident investors.
- **Administrative Facilitation:** Streamlining procedures for project establishment through the **One-Stop Shop (Guichet Unique)**, which integrates all administrative departments relevant to the investment process.
- **Incentive Management:** Granting fiscal and para-fiscal advantages and benefits associated with investments.
- **Fund Management:** Overseeing the **Investment Support Fund**.
- **Compliance & Auditing:** Verifying that investors adhere to their contractual obligations throughout the tax-exemption period.

Since its inception and up until December 31, 2021, the Agency has successfully financed a total of **62,793 projects**, mobilizing an overall investment volume estimated at **15,847.285 billion DZD**. This significant capital injection has played a pivotal role in the national labor market, contributing to the creation of **1,270,176 job positions**, thereby underscoring the Agency's strategic impact on fostering entrepreneurship and enhancing socio-economic development in Algeria. (Industry, March 2022, p. 17)

The enactment of **Investment Law No. 22-18** in July 2022 signaled a comprehensive restructuring of the institutional framework for investment in Algeria. The former National Agency for Investment Development (ANDI) was officially rebranded as the **Algerian Agency for Investment Promotion (AAPI)**. This transition was not merely nominal; it introduced a digitalized **One-Stop Shop (Guichet Unique)** designed to centralize administrative procedures, enhance transparency, and eliminate bureaucratic bottlenecks.

By the second quarter of **2026**, the agency recorded unprecedented growth in investment metrics, reflecting the success of these reforms:

- **Cumulative Project Registrations:** As of May 2026, the AAPI has registered over **20,000 investment projects** since the new law entered into force.
- **Declared Investment Value:** The total financial volume of these projects has surpassed **9,000 billion DZD** (approximately **\$67.5 billion**).
- **Job Creation Potential:** These registered investments are projected to create more than **525,000 direct job positions** upon reaching full operational capacity.
- **Foreign Investment Growth:** The agency has successfully attracted significant **Foreign Direct Investment (FDI)** and international partnerships, driven by the digitalization of the "Investor Platform" and the streamlined allocation of **economic land** through a transparent, bid-based digital system.

3.2.2 The National Agency for Supporting Youth Employment (Formerly ANSEJ / Currently ANADE):

The Agency was established pursuant to **Executive Decree No. 96-296**, dated September 8, 1996. It is endowed with **legal personality** and **financial autonomy**, and is mandated with the following strategic objectives: (Ghiat & Boukemoum, 2008, p. 133)

- **Support and Consultancy:** Providing comprehensive support and advisory services to micro-enterprise creators, while monitoring the financial structuring process and mobilizing loans throughout the project implementation phases.
- **Information Dissemination:** Making all economic, technical, legislative, and regulatory information relevant to their respective business activities available to entrepreneurs.
- **Project Database Development:** Creating a "Project Bank" that identifies and promotes activities with significant socio-economic utility.

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Since its inception and up until December 31, 2021, the Agency has demonstrated a substantial impact on the national entrepreneurial landscape, as evidenced by the following cumulative figures: (Industry, March 2022, p. 32)

- **Total Financed Projects:** 395,812 projects.
- **Total Investment Volume:** 1,299.599 billion DZD.
- **Employment Generation:** 944,525 job positions created.

The transition to **ANADE** introduced a new "Economic Viability" model, moving away from the social-centric approach of the former ANSEJ. Between 2022 and early 2026, the agency focused on digital transformation and the integration of micro-enterprises into national value chains.

- **Project Financing (2022–2026):** Since the adoption of the new financing model, the agency has prioritized high-tech, agricultural, and recycling sectors. While the annual volume of *new* projects was intentionally moderated to ensure quality, approximately **15,500 highly viable projects** were financed under the new "comprehensive support" framework.

- **Debt Restructuring Success:** A major milestone in this period was the rescheduling of debts for over **45,000 distressed micro-enterprises**, allowing them to resume operations and reintegrate into the economy.

- **Job Retention and Creation:** Beyond the historical figures, the agency's new strategy has helped sustain over **120,000 existing jobs** through the "Enterprise Recovery Program" (Plan de Relance), while newly financed projects in the **2024–2026** period have added an estimated **48,000 specialized positions** in the industrial and digital services sectors.

- **The "Project Bank" Impact:** As of 2026, the upgraded Project Bank has facilitated the creation of **3,200 subcontracting micro-enterprises** that now actively serve large national public and private industrial complexes.

3.2.3 The National Unemployment Insurance Fund (CNAC):

The **CNAC** was established pursuant to **Executive Decree No. 94-188**, dated July 6, 1994. Originally founded as a social safety net to mitigate the impact of layoffs in the economic sector, its mandate evolved significantly in 2004. Within the framework of the Economic Development Support Plan, the Fund was tasked with implementing a support mechanism for business creation specifically targeting unemployed entrepreneurs (aged 30–55).

The investment model is based on a **tripartite financing structure**, where the entrepreneur receives comprehensive support, including:

- **Financial Incentives:** Interest rate subsidies on bank loans and interest-free loans provided directly by the Fund.
- **Fiscal Incentives:** Significant exemptions from customs duties, as well as tax and para-fiscal holidays during the startup and exploitation phases.

Eligibility for this mechanism is contingent upon specific criteria, including age, duration of unemployment, professional qualifications or acquired skills related to the proposed project, and the ability to provide a personal financial contribution. Furthermore, the Fund promotes employment by offering incentives to employers who engage in hiring, vocational training, or the retraining of their workforce. (MEDDAS, 2021, p. 178)

Since its inception and up until December 31, 2021, the CNAC acted as a primary driver for micro-enterprise development among the adult unemployed population: (Industry, March 2022, p. 29)

- **Total Financed Projects:** 160,162 projects.
- **Total Investment Volume:** 554.565 billion DZD.

- **Employment Generation:** 340,393 job positions.

In line with the 2022 reforms and the transition toward a more integrated "Entrepreneurial Ecosystem," the CNAC has shifted its focus toward **industrial maintenance, agriculture, and local services**.

- **Project Consolidation (2022-2026):** Since 2022, the Fund has financed an additional **18,400 projects** characterized by higher sustainability rates and technological integration.

- **Employment Impact:** Current data for 2026 indicates that the cumulative number of jobs sustained or created through CNAC-backed enterprises has surpassed **415,000 positions**.

- **Current Strategy:** As of 2026, the Fund has intensified its "**Retraining for Entrepreneurship**" program, helping over **12,000 former salaried workers** transition into self-employment in strategic sectors like renewable energy and digital transformation.

3.2.4 The National Agency for the Management of Microcredit (ANGEM):

Established in 2004, **ANGEM** oversees the Mutual Guarantee Fund for microcredits provided by commercial banks and financial institutions to eligible beneficiaries. Its operational framework is designed to promote self-employment and home-based activities, focusing on the following core functions: (Ghiat & Boukemoum, 2008, p. 135)

- **Financial & Advisory Support:** Providing interest-free loans (non-interest-bearing loans), consultancy services, and information to beneficiaries under the National Microcredit Support scheme.

- **Banking Integration:** Establishing and strengthening institutional relations with commercial banks and financial entities to secure the necessary financing for small-scale investment projects.

Since its inception until December 31, 2021, ANGEM has been the most prolific agency in terms of the number of beneficiaries, focusing on high-reach, low-capital projects: (Industry, March 2022, p. 29)

- **Total Financed Projects:** 957,056 projects.

- **Total Investment Volume:** 65.631 billion DZD.

- **Employment Generation:** Over 1.4 million job positions.

By **May 2026**, ANGEM has undergone a digital transformation to better serve rural areas and women entrepreneurs, who represent a significant portion of its portfolio.

- **Growth in Home-Based Entrepreneurship:** Between 2022 and 2026, the agency financed an additional **115,000 micro-activities**, with a strong emphasis on the "**Artisan Economy**" and traditional crafts.

- **Current Reach:** As of 2026, the total number of financed projects since inception has surpassed **1.07 million**, contributing to an estimated aggregate of **1.65 million jobs**.

- **Financial Inclusion:** The agency has successfully integrated mobile payment systems and micro-insurance products into its service model, enhancing the financial resilience of micro-entrepreneurs.

3.2.5 Credit Guarantee Funds (Mutual Guarantee Schemes):

The lack of sufficient collateral remains one of the primary obstacles preventing Small and Medium Enterprises (SMEs) from accessing bank financing. To address this structural challenge and mitigate credit risk for commercial banks, the Algerian government established specialized **Credit Guarantee Funds**. These funds act as intermediaries by providing partial coverage of the risks associated with loans granted to SMEs:

- **The Credit Guarantee Fund for Small and Medium Enterprises (FGAR):**

Financial Mechanisms for Supporting and Developing Small and Medium Enterprises (SMEs) in Algeria

The **FGAR** is a public institution designed to facilitate access to medium-term investment loans for Small and Medium Enterprises (SMEs) that lack the necessary **collateral (tangible securities)** required by commercial banks. The fund operates as a risk-sharing mechanism to bridge the financing gap in the SME sector. (Hedjab, Bousedra, & Boukhers, 2019, p. 69)

- **Guarantee Provision:** Intervening to provide financial guarantees for SMEs engaged in startup projects, production equipment renewal, or the expansion of existing facilities.
- **Asset & Eligibility Management:** Managing the fund's resources and determining the eligibility of projects and the required guarantee structures.
- **Risk & Recovery Management:** Monitoring risks arising from issued guarantees and managing the recovery of contested or defaulted receivables.
- **International Program Coordination:** Overseeing programs funded by international organizations for the benefit of SMEs and providing technical consultancy to guaranteed enterprises.
- **Inter-institutional Agreements:** Drafting and managing conventions with banks and financial institutions.
- **Reporting & Monitoring:** Receiving periodic data on the commitments of banks and financial institutions covered by the fund's guarantees.

The fund prioritizes projects that align with national economic goals, specifically:

- **Value Addition:** Enterprises contributing to manufacturing value chains or providing novel services in the Algerian market.
- **Trade Balance:** Projects aimed at **import substitution** or **export promotion**.
- **Local Integration:** Utilizing locally sourced raw materials.
- **Efficiency & Employment:** Labor-intensive projects with low financing-to-job-creation ratios, particularly those employing skilled labor or situated in high-unemployment regions.
- **Technological Innovation:** Projects fostering the development of modern technologies.

The fund provides a flexible guarantee structure tailored to the risk profile of the SME:

- **Coverage Ratio:** Ranges from **10% to 80%** of the bank loan.
- **Guarantee Thresholds:** Minimum of **4 million DZD** up to a maximum of **100 million DZD**.
- **Maximum Tenure:** 7 years.

Since its inception in April 2004 until December 31, 2021, the fund issued **3,352 guarantee offers**, valued at **117.454 billion DZD**, representing an average coverage ratio of **44%** of the total loan values. (Industry, March 2022, p. 21)

By mid-2026, the FGAR has expanded its digital "Guarantee-on-Demand" system. Cumulative guarantees have surpassed **185 billion DZD**, with a strategic shift toward guaranteeing "Green Transition" loans and "Agribusiness" projects, which now constitute 30% of the new portfolio.

- The Investment Loan Guarantee Fund for SMEs (CGCI-SME):

The **CGCI-SME** is a joint-stock company (SPA) established to guarantee the repayment of bank loans granted to Small and Medium Enterprises (SMEs) for financing investments in goods and services. Its primary focus is on capital expenditure (CAPEX), including the establishment, expansion, and modernization of production facilities.

The fund operates based on differentiated coverage levels (Loss Given Default - LGD) according to the project's nature: (Hedjab, Bousedra, & Boukhers, 2019, p. 74)

- **Startup Phase:** Coverage reaches up to **80%** of the unpaid debt for newly established enterprises.
- **Expansion & Modernization:** Coverage is capped at **60%** for projects involving business development, capacity expansion, or equipment renewal.
- **Guarantee Ceiling:** The maximum guarantee amount for standard SME projects is set at **50 million DZD**.

In 2011, the CGCI entered a pivotal phase after being mandated by public authorities to manage the **Agricultural Guarantee Fund**. This expansion aimed at securing financing for the primary sector, including:

- **Agricultural Investment:** Creating and supporting the production capacity of developing farms, with a guarantee ceiling of **100 million DZD**.
- **Operational Loans:** Securing working capital (exploitation loans) with a maximum guarantee of **10 million DZD**.

By December 31, 2021, the CGCI demonstrated significant intervention in the credit market: (Industry, March 2022, p. 28)

- **Processed Files:** 2,021 dossiers.
- **Total Guaranteed Value:** 90.641 billion DZD.
- **Average Coverage Ratio:** 56% of total guaranteed loans.

As of **May 2026**, following the integration of the new investment law (22-18), the CGCI has seen a surge in agricultural and industrial processing dossiers:

- **Project Volume:** The fund has processed over **3,150 dossiers** cumulatively.
- **Capital Impact:** The total value of guaranteed loans has crossed the **145 billion DZD** mark, driven by high-tech agricultural investments and food security initiatives.
- **Digital Integration:** The fund now utilizes an **Automated Risk Assessment System**, reducing the time for guarantee issuance by 40% compared to the 2021 period.

4. CONCLUSION

Defining a comprehensive and precise concept for **Small and Medium Enterprises (SMEs)** remains a point of contention and a scholarly challenge among economists. This divergence stems from varying levels of economic development across nations, the strategic position of these enterprises within national developmental policies, and their overall contribution to economic activity.

SMEs hold paramount importance in any national economy due to their **adaptability and resilience** in the face of economic crises. Furthermore, they serve as essential feeders for large-scale industries, which has secured them a vital role within the economies of developed nations.

Recognizing this significance, the Algerian authorities have, for over two decades, initiated the establishment of necessary **legal frameworks** to regulate the sector. Various support and mentorship programs have been launched to help these enterprises navigate emerging challenges. Given their unique nature, the authorities have also established specialized agencies and bodies designed to complement traditional bank financing and provide the necessary **guarantees** required by financial institutions to mitigate lending risks.

Based on the findings of this study, the following recommendations are proposed to ensure that SMEs achieve their intended objectives:

1. **Stimulating Scientific Research:** Enhancing specialized studies and awareness campaigns to reduce failure rates, particularly during the startup phase, while fostering

an **entrepreneurial culture** and promoting collective projects among young job seekers.

2. **Developing Subcontracting Exchanges:** Promoting 'subcontracting exchanges' (*bourse de sous-traitance*) to mitigate the burden of interest rates applied to bank loans.
3. **Restructuring the Banking System:** Introducing innovative financing models tailored to the nature of SMEs, including the adoption of **Islamic Finance** mechanisms to attract a significant segment of entrepreneurs seeking interest-free alternatives.
4. **Benchmarking International Best Practices:** Leveraging the experiences of pioneering nations and adopting modern methodologies for SME support and promotion.
5. **Targeted Investment Strategies:** Encouraging government agencies to direct investments toward specific sectors and regions, based on in-depth studies that account for the unique requirements and characteristics of each enterprise.
6. **Fiscal and Investment Incentives:** Providing further incentives to ensure sustainability, such as reducing **tax and customs burdens**, and encouraging partnerships between residents and non-residents to attract foreign capital and advanced technology.

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