

Crowdfunding Between Theory and Practice: An International and Regional Analysis with a Case Study of Algeria

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Abstract:

This study aims to highlight crowdfunding as an emerging model of alternative finance by outlining its theoretical foundations and examining its global and regional development. A qualitative research approach is adopted, combining descriptive and analytical methods to explore the key features, legal frameworks, and practical implementation of crowdfunding. The study draws on secondary quantitative data provided by specialized research institutions to assess current trends and future prospects. It presents selected examples from the Arab region, notably Saudi Arabia and the United Arab Emirates, which have made significant strides in adopting and regulating crowdfunding models. Particular focus is given to Algeria through a case study that analyzes the current state of crowdfunding, the existing legal framework—especially Law 01-23—and the role of regulatory bodies such as COSOB. The findings suggest that crowdfunding offers a flexible and effective alternative to traditional finance, especially for startups and SMEs. However, the Algerian market still faces legal, institutional, and technological challenges that must be addressed to ensure successful implementation and sustainable growth.

Key Words:

Crowdfunding, Participatory Investment Advisor, COSOB (Commission for the Organization and Supervision of Stock Exchange Operations), Alternative Financing, Crowdfunding Platforms.

Jel Classification Codes: : G23, L26, D85

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1. INTRODUCTION:

In light of rapid technological advancement and global economic transformations, financial technology (FinTech) has emerged as one of the most impactful trends in modern finance. Among its key components is crowdfunding, a major innovation in the field of alternative finance. This model has introduced a qualitative shift in how financial resources are mobilized for entrepreneurial ventures, small and medium-sized enterprises (SMEs), and start-ups. Digital platforms have significantly expanded access to this financing approach, allowing both individuals and institutions to contribute to various projects in exchange for equity, rewards, or as charitable donations. As a result, crowdfunding offers an effective alternative to traditional bank financing, helping to overcome many of its structural limitations.

At the international level, crowdfunding has witnessed significant growth in recent years, driven by supportive legal and regulatory environments. Meanwhile, several Arab

countries have begun to adopt this financing model, albeit with varying levels of maturity and regulation. In Algeria, signs of growing interest in crowdfunding have emerged in recent years through individual initiatives to establish local platforms and regulatory efforts by relevant authorities, such as the Commission for the Organization and Supervision of Stock Exchange Operations (COSOB), which has sought to establish a legal framework governing this activity. Although crowdfunding remains in its early stages in Algeria and faces legal, regulatory, and technological challenges that hinder its development, it nonetheless represents a promising opportunity to foster innovation and support entrepreneurship, particularly in light of the financing constraints faced by SMEs.

1.1 Study problem:

The main research problem of this study is represented by the following question:

How does the current reality of crowdfunding at the international and regional levels reflect the future trends of this financing model? And what are the challenges that Algeria faces in implementing this financing model?

1.2 Study Hypotheses:

To answer the research problem, the following hypotheses have been formulated:

- International and Arab experiences reflect that good regulation of crowdfunding contributes to its development both in the present and in the future.
- Crowdfunding in Algeria faces legal and regulatory challenges that hinder its development and widespread adoption.

1.3 Research Methodology:

This study adopts a **qualitative research methodology** that combines descriptive and analytical methods. The descriptive component is used to present the theoretical foundations and global developments of crowdfunding by reviewing key concepts, legal frameworks, and implementation models. The analytical component relies on **secondary quantitative data** obtained from specialized research institutions and market reports to assess current practices and future trends. Additionally, the study uses a **case study approach** focusing on Algeria, through the analysis of legal texts—particularly Law 01-23—regulatory efforts by COSOB, and the status of local crowdfunding platforms. This multi-dimensional methodology aims to provide a comprehensive understanding of the challenges and opportunities associated with implementing crowdfunding in Algeria.

2. Theoretical Framework of Crowdfunding:

2.1 Definition of Crowdfunding :

Crowdfunding refers to raising funds from a large number of people, typically via the internet, to support a project, business, or cause.

There are many definitions of crowdfunding platforms issued by international bodies and organizations. The most important of these can be summarized as follows:

- **The Definition Issued by the World Bank:** Crowdfunding is an Internet-enabled way for businesses or other organizations to raise money – typically from about US\$1,000 to US\$1 million – in the form of either donations or investments from multiple individuals. This new form of capital formation emerged in the wake of the

2008 financial crisis in response to the difficulties faced by early-stage enterprises (World, 2013, p. 20) .

- **The Definition Issued by International Organization of Securities Commission IOSCO:** Crowdfunding is a general term that describes the use of small amounts of money, obtained from a large number of individuals or institutions, to raise funds for a project, business/personal loan, or other financial needs through online platforms. Peer-to-peer (P2P) lending, which is a form of crowdfunding, is used to finance loans that are repaid with interest. On the other hand, equity-based crowdfunding is considered a method of raising capital by issuing shares to a number of individual investors using the same crowdfunding approach. (IOSCO, 2015, p. 01)
- **The Definition Issued by EUROPEAN COMMISSION:** Crowdfunding refers to an open call to the public to raise funds for a specific project. Crowdfunding platforms are websites that enable interaction between fundraisers and the crowd. Financial pledges can be made and collected through the platform (EUROPEAN COMMISSION, 2016, p. 08).
- **Definition issued by the Arab Monetary Fund:** Crowdfunding is commonly defined as a financing method through which small amounts of money are collected from a large number of individuals or legal entities to fund businesses, specific projects, personal consumption, or any other financing needs. This typically involves the use of internet-based platforms to connect fund users (borrowers) with individual funders (lenders), often bypassing the role of traditional financial intermediaries. Although the definition of crowdfunding may vary from one institution to another, it generally includes three key elements (Abdelmoneam & Abeid Rami, 2019, p. 09):
 - Collecting small amounts of money;
 - From a large number of funders and directing them to a large number of borrowers;
 - Using digital technologies.

Accordingly, it can be said that crowdfunding is a method of raising funds that relies on contributions from a large number of individuals to finance a specific project, support a particular idea, help a person, or fund a startup. Instead of depending on a single source of funding such as banks or large investors, crowdfunding gives anyone the opportunity to contribute a small amount of money to a project or idea they believe in.

2.2 Types of crowdfunding: There are four types of funding (Sabah & Bentayeb, 2021, p. 451):

- a. **Donation-based funding:** Known as "*crowdgiving*," this method is used by charitable organizations or individuals seeking to raise funds for philanthropic purposes. It involves gathering an online community and enabling them to make financial contributions to a specific project. This model is particularly beneficial for small organizations and individuals raising funds for personal causes or charitable initiatives. The donation model encompasses crowdfunding approaches based on donations, philanthropy, and sponsorship.

- b. **Loan-based funding:** commonly referred to as **crowdlending**, is currently the most widespread form of crowdfunding. The essence of this model lies in the fact that contributors receive recognition or rewards for their contributions, but they do not gain any ownership rights or legal stake in the project. Crowdlending has witnessed remarkable growth in recent years. This model is built upon a specific contractual framework that goes beyond the commercial aspect, fostering meaningful relationships among the various stakeholders. In addition to the explicit economic contract, it generates implicit obligations. These relationships are often formed through forums and chat rooms—between project initiators and platform members, between lenders and the platform, between lenders and entrepreneurs, and even among lenders themselves, who exchange advice and share insights on project selection. Individuals also share personal tools that assist them in evaluating and choosing projects. These individual competencies are leveraged for the benefit of the group, which may help reduce risks borne by lenders and ensure the long-term sustainability of the platforms.
- c. **Equity-based funding**, known as **crowdequity**, or funding in exchange for an ownership stake in a company. the equity crowdfunding is a type of crowdfunding in which investors contribute financial capital to a startup or project in exchange for ownership shares (equity). As a result, each investor becomes an official partner in the company or project, sharing both the potential profits and the associated risks.
- d. **Debt-based crowdfunding:** The peer-to-peer lending model, developed by companies such as LendingClub and Zopa, involves projects in which businesses seeking loans apply through the platform by specifying the desired loan amount. Crowd-bankers then contribute small portions toward the total loan amount. Some platforms that focus on social causes, such as Kiva—a microcredit website—offer interest-free loans.

2.3 Key Stakeholders in the Crowdfunding Platform Market : A variety of stakeholders and actors participate in crowdfunding platforms, including (HAOUAM, 2023, p. 693):

Figure 01: Key Stakeholders in the Crowdfunding Platform Market



Source: This figure was prepared by the author using artificial intelligence tools.

- **Funders:** represent the entities—either individuals or institutions—involved in providing financial support or donations to projects. Their motivations for contributing can be diverse, ranging from political, social, or humanitarian objectives to the pursuit of material returns, such as equity stakes or predetermined financial gains. In debt-based crowdfunding models, funders typically earn interest on their contributions, whereas equity-based models provide them with ownership shares in the venture. In reward-based crowdfunding, contributors may receive non-financial incentives, such as early product access or public acknowledgment. Additionally, philanthropic motivations remain significant, with some funders supporting initiatives purely out of altruism, without any expectation of financial return. The growing acceptance and formalization of equity crowdfunding have further enhanced its legitimacy, positioning it as a credible investment vehicle that enables contributors to move beyond traditional support roles and engage as genuine investors (Latifa, Abderrahmane, & Mekkaoui, 2024, p. 204).
- **Investors/Beneficiaries:** These are individuals or institutions seeking to obtain funds for a company, product, project, initiative, or charitable endeavor. This category encompasses a wide range of actors, including small businesses, non-governmental organizations (NGOs), individuals, startups, and others.
- **Crowdfunding Platforms:** These are online platforms that connect funders/donors with beneficiaries or investors in exchange for charging commissions on participation and/or interest/profit. The platforms may offer a wide range of services, including financial due diligence, contracting, and other related services.
- **Auditors and Other Service Providers:** Platforms and beneficiaries/investors may rely on a number of service providers to evaluate projects and offer other services to both financing parties. Platforms may be required to procure services—such as financial due diligence—or outsource the assessment of social and environmental outcomes related to the proposed projects and ideas.
- **Sponsors:** Beneficiaries may receive support in designing and managing crowdfunding campaigns. These services can be provided either for free or for a fee.

2.4 Characteristics of Crowdfunding: It can be observed that crowdfunding exhibits characteristics that are significantly different from those of traditional finance. These characteristics include (Sami, 2022, p. 543):

- Open access for funders from the general public to participate in project financing;
- Crowdfunding is primarily driven by information and communication technologies (ICT), such as the internet, crowdfunding platforms, and electronic payment systems. This financing method allows any internet user around the world to invest in a project featured on a dedicated platform;
- The ability for funders to choose from a large pool of projects;
- Transparency in the allocation and use of funds throughout the entire lifecycle of the project;

- An open field for startups, where the risk of failure is relatively high, in contrast to banks that typically avoid financing high-risk ventures;
- Crowdfunding offers startups advantages in terms of flexibility and speed of implementation, which are often lacking in traditional financing methods. Entrepreneurs seeking rapid funding often turn directly to crowdfunding platforms due to their simplified administrative procedures, faster responses, and relatively short fundraising campaigns;
- When an entrepreneur opts for crowdfunding, they must disclose their idea to the general public, which is not usually required in conventional financing methods.

Despite the aforementioned differences, recent years have witnessed emerging opportunities for cooperation between the two models, with a growing convergence between banks and crowdfunding structures. This is being facilitated through partnership agreements aimed at:

- Promoting projects eligible for funding;
- Integrating the projects submitted to crowdfunding platforms into the range of savings products offered by banks to their clients.

With regard to funding mechanisms, crowdfunding platforms typically adopt one of two principal models for capital collection (Sami, 2022, p. 545):

a. All-or-Nothing (AON) Model:

This model is among the most prevalent in the crowdfunding landscape. It operates on the basis that funds are only disbursed if the campaign meets or exceeds its predefined financial target within the specified timeframe. Should the project fail to reach the required funding threshold, no contributions are collected from backers, the project initiator receives no funds, and the total amount pledged is refunded to the contributors. In such cases, the platform also refrains from charging any fees.

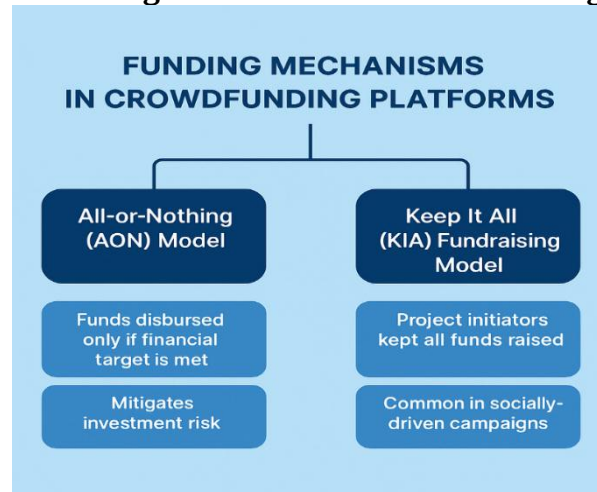
The AON model offers a signal of credibility and security to potential backers, as it ensures that projects will only proceed if they are adequately funded. This, in turn, serves to mitigate the perceived investment risk and enhance contributor confidence.

b. Keep It All (KIA) Fundraising Model:

The "Keep It All" (KIA) model is a crowdfunding mechanism in which platforms are committed to transferring all collected funds to the project initiators, irrespective of whether the predefined funding target has been fully achieved. This approach is particularly prevalent in campaigns that pursue social or personal objectives, where full funding may not be a strict prerequisite for implementation.

While the "All or Nothing" (AON) model remains the dominant framework—especially in artistic, entrepreneurial, and commercial projects—the KIA model continues to be employed in specific contexts, notably in socially-driven or solidarity-based initiatives. Its flexibility makes it a viable option for projects that can scale or adapt based on the amount raised, even if the original funding goal is not entirely met.

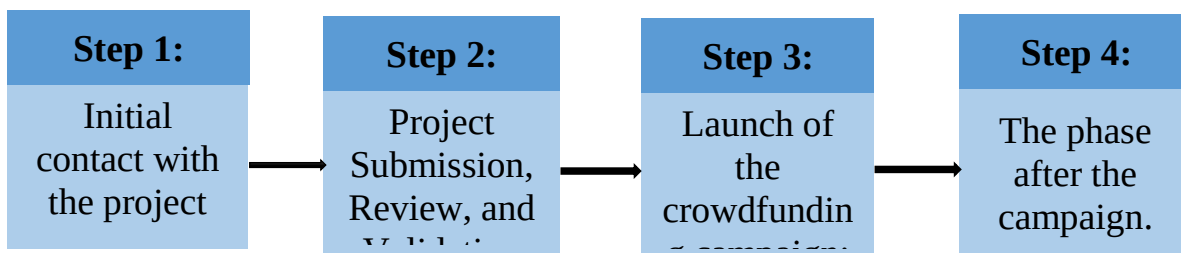
Figure 02: Funding mechanisms in crowdfunding platforms



Source: This figure was prepared by the author using artificial intelligence tools.

2.5 How Crowdfunding Platforms Operate: The general mechanism of crowdfunding is largely similar across different types of platforms. Their operation is based on a set of fundamental steps, which include the following (Sara & CHEURFA, 2020, p. 297):

Figure 03: The Operational Process of Crowdfunding Platforms



Source : SANSRI Sara CHEURFA Hakima Les plateformes du Crowdfunding, alternatives numériques pour les PME en temps du COVID-19. Cas: Plateforme Algérienne NINVESTI, Revue des Sciences Economiques, de Gestion et Sciences Commerciales, vol 13 N 02, 2020, p 297.

- a. **Initial Contact with the Project Owner:** This phase involves presenting a detailed description of the project idea along with its business plan, including the projected objectives and the resources required to achieve them. The project owner is also expected to review the platform's terms and conditions in order to properly prepare and submit the project file.
- b. **Project Submission, Review, and Validation:** Each crowdfunding platform typically provides manuals or guides on its website to explain the usage rules and support procedures. These resources are intended to guide entrepreneurs through the process of submitting their business plans and the required personal and professional documents. They also offer assistance in planning their project promotion campaign.

Once the documents are received, platform experts review and evaluate the proposals and business plans to determine whether to approve or reject the project. This decision is based on an assessment of the project's profitability and its potential for success across various dimensions—financial and accounting, legal, commercial, and others.

If the project is rejected by the platform's experts, the platform communicates the identified shortcomings to the project owner, as raised by the consultants, so that they may be corrected or improved. In this context, advisory and support services are made available to the entrepreneurs.

If the project is accepted, the platform approves and publishes the business plan on its website, and prepares the entrepreneur to launch their fundraising campaign.

- c. **The launch of the campaign:** The launch of the campaign is a crucial step in the entire process, where the platform supports the project owner to enhance their chances of successfully raising funds. The platform provides the owner with sharing links and communication applications and ensures that collaborators are available to offer advice on how to effectively manage the promotion of the project.
- d. **The phase after the campaign (Failure or success of the campaign):** The success or failure of the campaign primarily depends on the achievement of the objectives set by the project owner regarding the funds raised. In the case of success, the platform takes a margin, which represents a rate between 3% and 10% of the total amount raised during the campaign.

2.6 Risks of Crowdfunding Platforms:

Indeed, crowdfunding offers an accessible and rapid means of raising funds and benefiting from the "power of the crowd"; however, it is accompanied by a set of risks that can be divided into two main categories (Derradj, 2022, p. 441):

→ Risks inherent to the crowdfunding model:

- **Cyberattack risk**, to which online platforms are inherently exposed.
- **Fraud risk**, related to the project initiator who may misuse the collected funds for purposes other than those declared during the campaign.
- **Platform default risk**, arising from intensified competition, making it increasingly difficult for platforms to sustain themselves as intermediaries in financing operations.

→ Risks related to the financing operation:

- **Business risk**, reflecting the uncertainty surrounding the viability of the enterprise, as entrepreneurs often resort to crowdfunding in the early stages of project creation.
- **Liquidity risk**, specifically linked to **crowdequity**, referring to the lack of exit opportunities for shareholders of the company.
- **Adverse selection risk**, resulting from information asymmetry concerning projects posted on crowdfunding platforms. The selection and evaluation processes help mitigate this risk by assessing the profitability and associated risks of the investment.

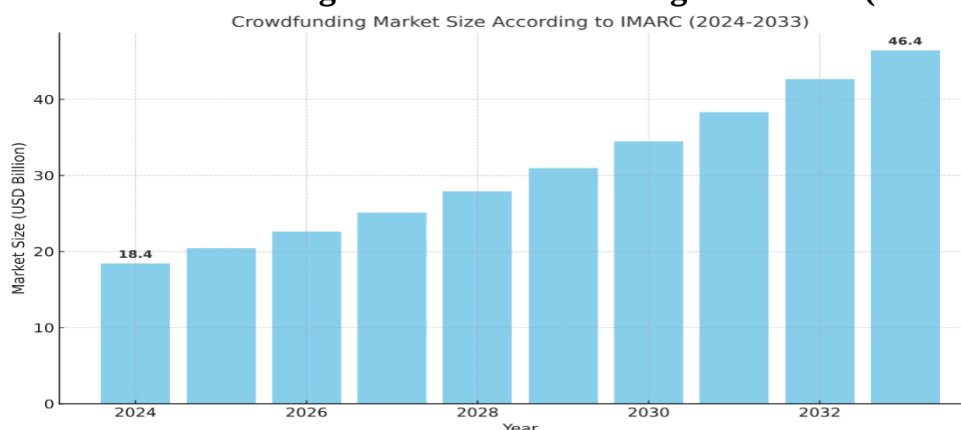
3. The Current State and Prospects of Crowdfunding:

3.1 The global Market size of Crowdfunding;

In recent years, the global crowdfunding market has demonstrated substantial growth, as highlighted by various industry analyses. For instance, Polaris Market Research reported

that the market was valued at approximately USD 19.86 billion in 2023, with projections indicating an increase to USD 72.88 billion by 2032, supported by a compound annual growth rate (CAGR) of 16.1% (Polaris market research, 2024). Similarly, Insight estimated the market size at USD 14.89 billion in 2024, anticipating growth to USD 40.03 billion by 2033 at a CAGR of 11.6% (insights, 2025). In parallel, IMARC Group estimated the 2024 market size at USD 18.4 billion, projecting it to reach USD 46.4 billion by 2033, with a CAGR of 10.81% (fig n 04) (group Imarc, 2025).

Figure 04.: Crowdfunding Market Size According to IMARC (2024-2033)



Source: Prepared by the researcher based on data from IMARC Group and with the assistance of artificial intelligence tools.

https://www.imarcgroup.com/crowdfunding-market?utm_source (05-05-2025)

Despite the apparent variation in figures reported by different research institutions, a common thread among all sources is the consistent indication that the crowdfunding market is experiencing significant growth. It is expected to continue expanding in the coming years, driven by digital transformation, advancements in financial technology, and the increasing reliance on alternatives to traditional financing methods.

3.2 The geographical market size of crowdfunding:

The geographical distribution of the crowdfunding market in 2024 highlights a clear dominance by North America, which accounts for 40% of the global market, equivalent to approximately USD 5.96 billion. This is driven by the widespread adoption of digital crowdfunding platforms, a strong entrepreneurial culture, and supportive regulations for equity-based crowdfunding. The Asia-Pacific region follows with a 30% market share and a value of USD 4.47 billion, recording the highest compound annual growth rate (CAGR) of 12.3%. This growth is attributed to increasing internet penetration, the expansion of small and medium-sized enterprises (SMEs), and growing awareness of alternative financing options in countries such as China, India, and Southeast Asia. Europe holds 25% of the market, valued at USD 3.72 billion, reflecting a stable growth environment supported by a well-developed startup ecosystem and favorable regulatory frameworks in countries like the United Kingdom, Germany, and France. In contrast, the Rest of the World—comprising Latin America, the Middle East, and Africa—accounts for only 5% of the market. However, it shows positive indicators of adopting alternative financing methods, supported by the presence of global crowdfunding platforms. These figures collectively underscore the global

shift toward digital and alternative funding models and highlight significant growth opportunities, particularly in emerging markets.

Table 1: The geographical market size of crowdfunding in2024

Region	Market Share (%)	Market Value Billion USD	Compound Annual Growth Rate (CAGR)	Growth Drivers
North America	40%	5.96	11.2%	Wide adoption of crowdfunding platforms, strong entrepreneurial culture, supportive regulations
Asia-Pacific Region	30%	4.47	12.3%	Increased internet penetration, growth of SMEs, rising awareness of alternative financing in China, India, and Southeast Asia
Europe	25%	3.72	11.5%	Expansion of startup ecosystem, supportive regulatory frameworks in the UK, Germany, and France
Rest of the World (RoW)	5%	0.75	-	Growing interest in alternative financing methods in Latin America, the Middle East, and Africa

Source : Prepared by the researcher based on data from Business Research Insights

<https://www.businessresearchinsights.com/market-reports/crowdfunding-market-100103> (06-05-2025)

3.3 Crowdfunding Market Highlights in the Middle East & Africa (MEA):

The crowdfunding market in the Middle East & Africa generated a revenue of approximately USD 183.8 million in 2024. The market is projected to experience significant growth, with a compound annual growth rate (CAGR) of **17.7%** from 2025 to 2030. (Fig 05) In terms of market segments, debt-based crowdfunding was the largest revenue-generating type in 2024. On the other hand, equity-based crowdfunding is considered the most lucrative segment, registering the fastest growth during the forecast period. Regarding individual countries, Saudi Arabia is expected to register the highest CAGR between 2025 and 2030 (Grand view research, 2024).

Figure 05: The crowdfunding market in the Middle East & Africa (2024-2030)



Source.: Prepared by the researcher based on data from **Grand view research** and with the assistance of artificial intelligence tools. [https://www.grandviewresearch.com/horizon/outlook/crowdfunding-market/mea?utm_source\(05-05-2025\)](https://www.grandviewresearch.com/horizon/outlook/crowdfunding-market/mea?utm_source(05-05-2025))

3.4 The Market for Crowdfunding Platforms in Selected Arab Countries:

This section analyzes the development and current status of the crowdfunding platforms market in selected Arab countries:

a. Crowdfunding Market in the United Arab Emirates:

The crowdfunding market in the United Arab Emirates has experienced significant growth, with revenues reaching approximately USD 46 million in 2024. Projections indicate that this figure will rise to around USD 118.7 million by 2030, reflecting a compound annual growth rate (CAGR) of 17.5% between 2025 and 2030 (Fig 06). Debt-based crowdfunding stands out as the dominant segment in terms of revenue generation, highlighting investors' preference for this financing model within the country (Grand view research, 2024):

Figure 06: The crowdfunding market in the United Arab Emirates (2024-2030)



Source: Grand View Research. This content was generated with the aid of artificial intelligence tools, available at: https://www.grandviewresearch.com/horizon/outlook/crowdfunding-market/uae?utm_source=05-05-2025

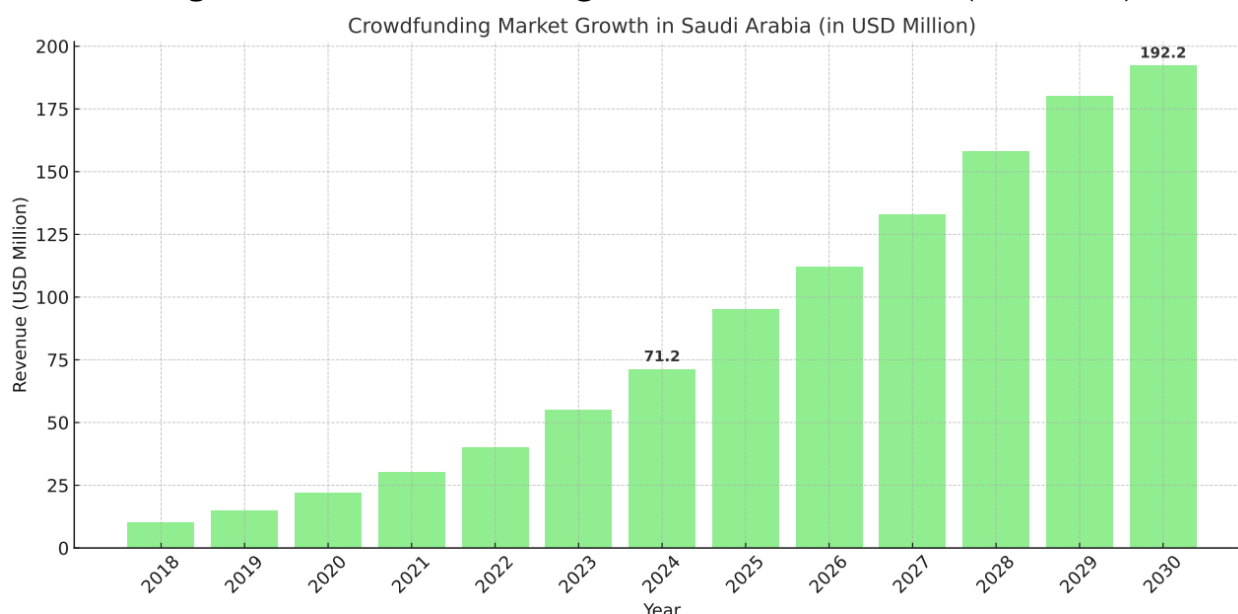
The growth of the crowdfunding market in the United Arab Emirates since 2018, along with its promising future outlook, can be attributed to several strategic factors, chief among them is the strong regulatory and legislative support, including the establishment of clear frameworks and government-backed platforms," which have enhanced investor and entrepreneur confidence. Technological advancements, widespread internet usage, and the rapid rise of startups have also driven demand for flexible financing solutions. Additionally, increased financial awareness, the emergence of a digitally savvy generation of investors, and the government's focus on innovation and sustainability have positioned crowdfunding as a key driver of economic and creative development. These combined factors indicate strong potential for continued market growth in the coming years.

b. Crowdfunding Market in Saudi Arabia:

The crowdfunding market in Saudi Arabia recorded revenues of approximately USD 71.2 million in 2024 and is projected to grow significantly, reaching around USD 192.2 million by 2030. This expansion reflects a robust compound annual growth rate (CAGR) of 18.4% between 2025 and 2030 (fig 07). Among the different models, debt-based crowdfunding

accounted for the largest share of revenue in 2024. However, equity-based crowdfunding is emerging as the fastest-growing segment, presenting strong potential for investors and businesses alike over the forecast period (grand view research, 2024).

Figure 07: The crowdfunding market in Saudi Arabia (2024-2030)



Source: Grand View Research. This content was generated with the aid of artificial intelligence tools, available at: https://www.grandviewresearch.com/horizon/outlook/crowdfunding-market/uae?utm_source (05-05-2025)

The crowdfunding market in Saudi Arabia has witnessed significant development in recent years, driven by several strategic factors that have contributed to the enhancement of this sector. The Saudi government has launched various initiatives to promote crowdfunding, with the most notable being Vision 2030, which aims to diversify the economy and encourage innovation. Additionally, advancements in financial technology have facilitated crowdfunding processes through automation and reduced reliance on intermediaries, leading to cost reductions and easier access to financial services. This has resulted in increased demand for alternative funding sources that have supported startups in securing financing.

3.5 Leading Crowdfunding Platforms in the Arab Region:

The following table presents the leading crowdfunding platforms in the Arab region, with details about the type of financing, key features of each platform, and related statistics:

Table 02: Leading Crowdfunding Platforms in the Arab Region

Platform Name	Country	Year Established	Financing Type	Key Features	Platform Statistics
Manafa	Saudi Arabia	2020	- Debt-Based Crowdfunding - Equity-Based Crowdfunding	- All financing products are Sharia-compliant. - Ease of use - Clear and transparent information for investors - Diversity of investment opportunities	-Over 80,000 investors are registered on the platform. - Total funding in 2023 exceeded SAR 1.2 billion.
Zoomaal	Lebanon	2012	Donation-based crowdfunding	Supports creative projects; emphasizes Arabic content and cultural innovation	-

Beehive	United Arab Emirates	2014	P2P lending crowdfunding platform	- focuses on SME financing -Offers Sharia-compliant financing options.	- Total funding provided: Over AED 3 billion to SMEs - Registered investors: More than 15,000 - Funding applications: Over 1,000 requests - 42% funding growth in 2024 vs. 2023.
Eureeca	United Arab Emirates	2013	Equity crowdfunding	-focuses on SME financing -It supports business growth in the UAE and the Gulf region.	-82% Funding Success - Over 45,000 investors

Source: :: Prepared by the researcher based on

<https://manafa.sa/reports>

<https://www.beehive.ae/statistics/?utm>

<https://www.eureeca.com/>

<https://www.youtube.com/watch?v=tp7fAHtwbel> (01-05-2025)

4. **Crowdfunding in Algeria:**

Crowdfunding is considered one of the modern financial instruments that Algeria is striving to regulate and adapt to its economic and legislative environment, in response to the growing need for alternative financing mechanisms that support innovation and entrepreneurship. The contours of this regulatory framework have gradually begun to take shape through relevant laws and regulations, most notably the Supplementary Finance Law of 2020, in addition to the regulatory texts issued by the Commission for the Organization and Supervision of Stock Exchange Operations (COSOB), the authority responsible for overseeing the financial market.

4.1 **The Legal Framework for Crowdfunding in Algeria:**

Crowdfunding was first introduced into Algerian legislation through the provisions of Supplementary Finance Law No. 20-07 of 2020, specifically in Article 45, which recognized the legality of this activity without detailing its implementation mechanisms, *"The status of equity investment advisor is hereby established, designated to create and manage advisory platforms in the field of equity investment and the investment of public funds via the Internet in equity-based investment projects. Commercial companies established for this purpose, licensed stock market intermediaries authorized to engage in investment advisory activities involving securities and financial products, as well as investment fund management companies, may be granted the status of equity investment advisor.* (Official Gazette of Algeria, 2020) This marked the beginning of a regulatory framework for this type of financing in a legislative environment that had previously relied primarily on traditional mechanisms such as bank loans and public funding.

4.2 **The Regulatory Framework for Crowdfunding Platforms According to COSOB:**

The organization of participatory investment activity in Algeria is governed by a set of legislations and procedures established by the Commission for the Organization and Supervision of Stock Exchange Operations (COSOB), aimed at ensuring transparency and protecting both investors and project holders.

The following table (table 03) provides an overview of how this activity is regulated according to COSOB's guidelines:

Table 03: Regulation of crowdfunding activity by COSOB in Algeria

Provisions	(Regulatory Aspect)
Types of Authorized Platforms	The regulations cover participatory financing (crowdfunding) operations that involve equity investments in the capital of existing joint-stock companies or those to be created by participatory investment project holders.
Conditions for Approval	- There are no requirements for minimum capital or the legal status of the crowdfunding investment advisor. - A manager must be appointed to oversee the activity, who holds a degree in economics or finance and a certification in securities trading. - The advisor must have adequate technical and material resources. - An internal control mechanism must be set up in accordance with the volume of activity.
Conditions for Practice	- No more than 100 participants per crowdfunding project. - Fund participatory investment projects located in Algeria only. - Select investors based on an online suitability test to assess their objectives and risk understanding. - Avoid conflicts of interest. - Designate a bank as the financial service provider.
On Crowdfunding Projects	- Crowdfunding projects are exempt from filing an information notice with COSOB and obtaining a visa. - The issued securities are not traded on the stock exchange. - Projects must be accompanied by an information document detailing the nature, total amount, funds to be raised per project stage, eligible investors, participation mode, and repayment method.
Due Diligence	The crowdfunding investment advisor must implement a due diligence process to ensure: -The project's feasibility, and the competence and integrity of the project leader. -Consistency of information related to the project. -The publication of an information document in line with regulations. -The publication of periodic financial statements and relevant information.
Subscription and Fundraising	-The participatory investment advisor (commercial company) is responsible for collecting subscription forms for projects only. - A dedicated bank account must be created for each project to handle deposits and payments. -Funds will be released by the provider bank when the project target amount is met.
Control of Crowdfunding Advisors	Control and investigation measures applied to stock market intermediaries (IOB) are also extended to crowdfunding advisors

Source: COSOB, *Rapport Annuel 2020, 2020*, pp.26-27.

According to Regulation No. 01-23 dated April 12, 2023, issued by the Committee for the Organization and Supervision of Stock Exchange Operations (COSOB), a precise regulatory framework has been established for crowdfunding activities in Algeria. This regulation defines a ***participatory investment project as any project financed by the public that aims to realize an initiative with economic, social, environmental, or cultural impact*** (Official Gazette of Algeria, Regulation No. 01-23, 2023).

In the same article, ***a participant*** is defined ***as any natural or legal person residing in Algeria who invests funds in participatory investment projects carried out within the national territory. A participatory investment project owner is any natural or legal person seeking to raise funds through a platform dedicated to participatory investment advisory services.***

According to Article 03 of the same regulation, the principal activity of the *participatory investment advisor*—referred to in the text as "the advisor"—**is the creation and management of electronic platforms that provide advisory services and facilitate the investment of public funds in participatory projects. The invested funds are directed into these projects in the form of subscriptions to securities or financial products issued by the project owner** (Official Gazette of Algeria, Regulation No. 01-23, 2023).

As outlined in the provisions of this regulation, licensed platforms in Algeria operate under the **equity-based crowdfunding** model, whereby funds are raised from the public in exchange for ownership shares in the project's capital, through subscriptions to shares or other financial instruments.

The same regulation also outlines the process for the accreditation of the participatory investment advisor by specifying the conditions and procedures for approval, as well as the reasons that may lead to the suspension or withdrawal of the advisor's accreditation. Furthermore, the regulation sets the conditions for practicing the advisor's activity by establishing the rules for managing the advisory platform. It stipulates that the maximum value of a participatory investment project must not exceed 20 million Algerian dinars within a 12-month period. The regulation also clarifies that the securities issued within the framework of participatory investment projects are not tradable on the stock exchange. In addition, the advisor is required to reimburse the participants within 30 days following the end of the subscription period, in the event that the target amount of the project is not reached during the subscription phase.

4.3 Crowdfunding platforms in Algeria:

There are four crowdfunding platforms in Algeria, which can be presented as follows:

a. Tziwa Platform:

Twiiwa is recognized as Algeria's pioneering crowdfunding platform, founded in 2013 by a collective of local entrepreneurs. It was launched with the purpose of supporting a diverse spectrum of project holders, spanning creative, scientific, artistic, sporting, and socially driven initiatives (Sami, 2022, p. 549). The platform's name, "Twiiwa," is inspired by a traditional Algerian term that continues to resonate in certain regions. This term encapsulates the ancestral values of mutual aid, communal solidarity, and compassion—principles deeply rooted in Algeria's cultural heritage (Touiza, 2016).

To facilitate project funding and mobilize public support, Twiiwa initiates digital fundraising campaigns—each referred to as a "Twiiwa"—through which contributors are invited to participate via mobile devices or computers. These campaigns enable supporters to financially back projects and follow their development in real time. Functioning as an alternative financing mechanism, the platform addresses the structural barriers faced by many aspiring entrepreneurs and project developers in accessing conventional financial resources. In addition to raising capital, Twiiwa provides its users with advisory support and guidance, fostering the realization of innovative and socially beneficial ventures (Sami, 2022, p. 550).

b. Chriky Platform:

Chriky Platform is considered the first Algerian equity-based crowdfunding platform. It was established as a limited liability company in 2014 with a capital of DZD 122,222.22, and its headquarters is located on Ali Cherif Street, El Madania – Algiers. However, its actual operations are conducted from France due to the legal and regulatory constraints that hinder the practice of this activity within Algeria. The platform functions as a digital intermediary connecting entrepreneurs, startups, and project holders on one side, with investors seeking returns on the other, offering them the opportunity to fund projects in exchange for equity ownership (Merabet & Abdelhadi, 2024, p. 325).

Through its official website, Chriky offers a range of services tailored specifically for startups. These include providing support and consultancy in the areas of management and entrepreneurship, acting as an intermediary between investors and entrepreneurs to establish companies or increase their capital. The platform also enables startup projects to present their ideas and access funding sources, while allowing investors to compare and select among various projects to maximize their potential returns. Data available on the platform indicates that a number of Algerian startups and entrepreneurial projects are actively seeking funding through this participatory model (Merabet & Abdelhadi, 2024, p. 326).

c. Kheyma Platform:

The *Khaïma* platform emerged as a response to the COVID-19 pandemic and is entirely devoted to supporting solidarity-based initiatives. Its operational model is built on transparency and procedural efficiency, with each submitted project undergoing evaluation by the platform's internal team to ensure compliance with these principles. Officially recognized by the Commission for the Organization and Supervision of Stock Exchange Operations (COSOB), *Khaïma* operates in accordance with Algerian legislation under the legal status of a Certified Digital Intermediary Consultant (CIN) (Mounira, 2023).

d. YINVESTI Platform:

Launched in 2023, YINVESTI represents a groundbreaking step in the evolution of crowdfunding in Algeria. As the first platform of its kind to receive official approval from COSOB (Commission for the Organization and Oversight of Stock Market Operations) (yinvesti, n.d.), YINVESTI integrates both financial return and positive social value. Driven by a dynamic team of young innovators, the platform aspires to set new standards in the crowdfunding ecosystem. More than a digital fundraising space, YINVESTI positions itself as a catalyst for entrepreneurial transformation in Algeria, inviting users to actively participate in building a sustainable and forward-looking economic landscape.

4.4 Challenges of Crowdfunding in Algeria: Crowdfunding in Algeria faces several challenges, which can be detailed as follows:

- **Legal Challenges:** Despite the positive steps taken by Algeria to regulate the crowdfunding sector, it remains in its early stages and faces many practical implementation difficulties. It still lacks detailed executive provisions that ensure transparency and trust between the parties involved—both in terms of protecting individual investors and in clearly defining the responsibilities of

platforms. In addition, there is a lack of legal awareness among the active stakeholders.

- **Weak Digital Infrastructure:** Platforms require strong technological infrastructure to ensure security and ease of use, which is not always available.
- **Low Financial and Digital Literacy:** Many citizens, including entrepreneurs, lack awareness of the concept of crowdfunding, its types, and mechanisms. This limits the expansion of this practice and negatively affects individuals' willingness to invest and contribute.
- **Limited Electronic Payment Systems:** The availability and efficiency of electronic payment systems remain limited, both in terms of coverage and functionality.

5. Conclusion:

Crowdfunding has become a promising option for startups, small, and medium-sized enterprises, especially in light of the challenges faced by traditional financing. This study has shown that crowdfunding is not only an effective alternative to traditional financing but also an approach that contributes to supporting innovation and the development of projects, particularly in regions facing difficulties in accessing conventional funding.

Main findings of the study:

- ✓ Crowdfunding is considered one of the important alternatives to traditional financing due to its ease of implementation, scalability, and ability to overcome traditional challenges associated with obtaining funding from banks.
- ✓ Crowdfunding is divided into four main types, providing multiple opportunities for financing projects based on their specific needs.
- ✓ Crowdfunding has witnessed significant development globally, and it is expected to continue growing in the coming years, driven by legislative and technological support.
- ✓ Crowdfunding has also seen notable progress in the Middle East and Africa, with expectations for an increase in funding volume in the near future.
- ✓ The United Arab Emirates and Saudi Arabia are among the largest Arab countries that have adopted this financing model, achieving notable results, with expectations for further growth.
- ✓ Algeria has taken significant steps toward activating crowdfunding, particularly through the issuance of Law 01-23, which defines the conditions for accrediting crowdfunding investment advisors.
- ✓ Despite the promising opportunities in Algeria, legal and regulatory challenges may hinder the development of crowdfunding in the future.

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