

Venture Capital: A Novel Financing Mechanism to Support Startups in Algeria-the Algerian Startups Fund as a Model-

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Abstract:

To promote the start-up ecosystem and address the obstacles that hinder their creation and development, especially those related to financing, which is one of the main reasons for the failure of many of them, venture capital has emerged as a novel financing tool. It is characterized by its ability and efficiency in dealing with the risks that these institutions often face.

From this perspective, Algeria has initiated the enhancement of the role of venture capital in financing Startups. The Algerian Startups Fund, established in 2020, is the fruit of this new strategic direction by decision-makers in Algeria. This study aims to highlight the reality of venture capital in Algeria and the establishment of the Algerian Fund for Financing Startups as a new financing mechanism directed at these institutions, within the new approach adopted by the state. It also aims to examine the financing process undertaken by this fund.

Keywords: Startups, venture capital, financing.

1.INTRODUCTION

Startups have received significant attention from many countries around the world due to their characteristics and advantages, they are relied upon to be the developmental alternative to boost the economies of these countries, becoming an effective tool to promote the industrial, economic, and social fabric due to their investment and developmental importance, primarily resulting from their low establishment cost, flexibility, innovative projects, as well as their ease of geographical spread and contribution to increasing growth rates.

Given the nature of Startups, which are primarily based on an innovative idea, most of them face challenges related to their internal and external environment, with financing being one of the most common reasons leading to the failure of many, especially in their early stages, due to the difficulty of self-financing.

Venture capital is one of the financial alternatives for Startups, as traditional financing is not suitable for them, and it has proven successful in many high-profile experiences, including the American experience in Silicon Valley.

Algeria, like many countries around the world, recognizing the importance of Startups and the challenges they face in their establishment and growth, has quickly adopted a new approach focused on promoting their ecosystem, especially through the support of venture capital institutions that provide funding and support to these institutions, particularly in their early growth stages.

Through this study, we will attempt to shed light on the concept of venture capital, its reality, and its operational mechanism in Algeria by studying the Algerian Fund for Financing Startups as a model.

From the above, we can pose the following problem: What is the role of venture capital as a novel financing mechanism for Startups in Algeria through the study of the Algerian Startups Fund?

To answer this problem, we propose the following hypothesis:

- Venture capital in Algeria plays a vital role in the establishment and development of Startups through its characteristics and the financing mechanism it provides.
- The Algerian Startups Fund represents a novel financial support directed at Startups.

To address this problem, the study is divided into three main axes.

In the first section, we address the conceptual framework for startups, their characteristics, and the difficulties associated with their financing. In the

second section, we discuss the theoretical framework for venture capital, its financing characteristics, and its legal and legislative framework in Algeria. In the third section, we study the case of The Algerian Startups Fund and analyze its working mechanism.

2.The conceptual framework for startups, their characteristics, and their life cycle:

2.1-Definition of startups: Many economic researchers have tried to provide an objective definition of the concept of startups. Steve Blank defines it in his blog as “an organization formed to search for a business model that is profitable repeatedly and allows growth.” (Blank, 2024), Eric Ries, one of the theorists of this concept in his book *The Lean Startup*, defines an startup as “a human enterprise designed to create a new product or service under great uncertainty.” (Ries, 2011).

Paul Graham defines it in his article on Growth as “a company designed to grow quickly, and being newly established does not make it a startup, nor is it necessary for a startup to work in technology, or to get venture funding. The only essential thing is growth, and anything else associated with startups follows growth.” (Graham, 2023). According to business historian Patrick Fridenson, being a startup is not related to age, size, or sector of activity, but the company must have the following four characteristics (Fridenson, 2023):

- The potential for strong growth.
- The use of new technology.
- The need for significant funding at inception.
- A new market with difficulty assessing risk.

In the absence of a consensus on a unified definition of a startup, the English dictionary defines it as “a small venture that has recently started”, and the word Start-up consists of two parts “Start” which refers to the beginning and “up” which refers to increase and growth. (Cambridge Dictionnary, 2023).

The Algerian legislator has not given a definition for it but has relied on mentioning criteria related to it through a set of conditions included in Executive Decree No. 20-254 dated September 21, 2020. (Executive decree 20-254, 2020).

Therefore, an startup can be defined as a newly established company built from an innovative, entrepreneurial, and creative idea to solve a problem in a specific market through a business model that is repeatable, scalable, and capable of growing very quickly.

2.2 The life cycle of a startup: A startup goes through various stages that do not know stability, divided by experts into six (06) basic stages that can be summarized as follows (Djelti, Bouchama, & Kourbali, 2016):

-The first stage (Inception): during this stage, a prototype model of the creative idea is proposed, which is supposed to meet and target the needs of a specific segment of customers in the market, through in-depth research, market study, and ensuring its feasibility, growth, and future continuity.

-Second stage (Launch): This phase represents the true beginning of the company's activity and is characterized by high rates of failure among startups. This perception is reinforced by various data on startup failure rates around the world. According to Pride (2018), nearly 100 million startups are established annually worldwide, yet 92% of these fail within their first few years. Seed funding is essential in this critical phase of startup, where most startups resort to bootstrapping through family and friends' support, and sometimes turn to private investors due to the difficulty of obtaining bank financing.

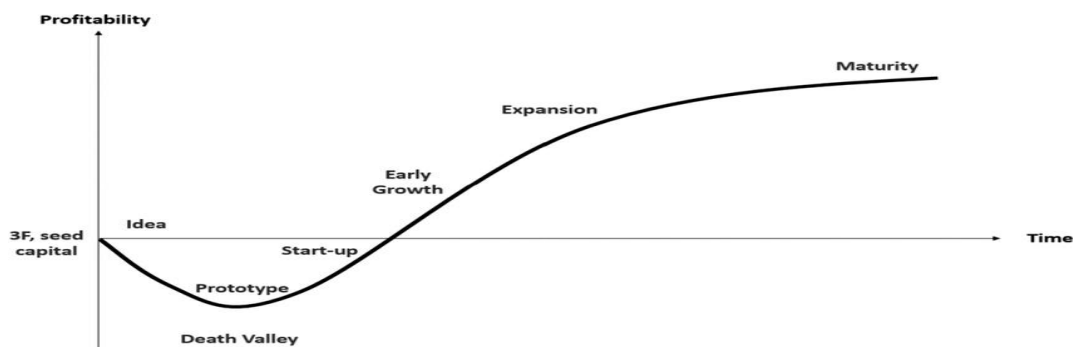
-Third stage (Growth): In this phase, the startup expands its activities, products, and services both horizontally and vertically to secure a good position in the market. The company relies on creativity and innovation as drivers for positive change in a competitive environment. In this stage, startups often lack the necessary financial capabilities despite lower levels of risk.

-Fourth stage (Maturity): During the development path of startups, many encounter market saturation, which necessitates finding possible solutions to enhance demand for their products by adopting differentiation and innovation strategies. In this phase, risks tend to decrease, and startups have the ability to borrow from banks. Venture capital also becomes a refuge for many to adjust the financial structure suitable for startups during this stage.

-Fifth stage (Decline): This is a stage of aging where the company faces many obstacles including issues of inheritance, ownership transfer, and wealth distribution.

-Sixth stage (Recovery or Change Strategy): This is the most important stage in the life of a startup, where it must return and relaunch with a strategy that ensures its sustainability through reliance on innovation such as improving the product model, launching its second generation, adjusting its price, and marketing it on a wider scale to begin the stage of economies of scale and achieving substantial profits. This can be illustrated through the following curve:

Fig.01: Curve of Startup Development



Source: The-J-Curve-model-of-the-Entrepreneurial-Life-Cycle (Love, 2016).

3.The theoretical framework for venture capital, its financing characteristics, and its legal framework in Algeria

Financing has always been one of the main reasons for the failure of many startups, especially in their early stages. This is due to the nature of these enterprises, which are built on an innovative idea with high growth potential, associated with high risks. On the other hand, traditional financing through banks is not suitable, considering the conditions imposed by bank owners for providing financing (initial contributions, loan guarantees, etc.). The emergence of venture capital, primarily aimed at financing startups, has been an important factor in the development of innovative startups, especially in the early stages of their life cycle. After its birth following World War II and the development of its industry in the 1980s, the need for a venture capital market increased thereafter amid technological shifts and rapid developments in the economic environment (Paulré, 2001).

3.1-Definition of venture capital

Many researchers and some organizations have strived to provide definitions of venture capital. The European Venture Capital Association (EVCA) defines it as “any capital employed by a specialized financial intermediary in private projects with high risks, characterized by strong growth potential but without immediate certainty of income or assurance of capital recovery on a set date (hence the risk), hoping to obtain a high-value surplus in the relatively distant future when selling shares of these institutions after several years” (EBI, 2016).

Meanwhile, the National Venture Capital Association (NVCA) in the United States sees it as an active investment of long-term private funds in

companies with strong capabilities, carried out by specialized investors. The German Central Bank defines it as mostly shares taken in small and medium-sized emerging companies, innovative in technology, not listed, which despite their current low profitability, are estimated to have broad and sufficient growth potentials. Venture capital institutions not only provide private funds to emerging projects but also offer extensive management expertise and advisory services (NVCA, 2008).

M.Bemloneche defines venture capital as: “an activity by financiers who specialize in providing capital for a known period to economic institutions after studying their economic feasibility and predicting their future conditions, hoping to obtain a relatively high return in case of investment success or when selling shareholdings on the stock exchange.” (Bemloneche, 2004).

According to Pierre BATTINI, venture capital is an innovative financing technique based on private fund contributions to the capital of non-listed companies to finance various stages of their life, from creation to transformation, including the launch and growth phases. (Battini, 2006)

Françoise BASTIE defines it as contributions to the capital of companies that are usually not priced, to finance stages preceding their creation, their launch, their development, and eventually financing the transfer of their ownership (Bastie & Cieply, 2008).

3.2- Characteristics and Features of Venture Capital

Venture capital (VC) represents a distinct form of investment that diverges significantly from traditional financing methods. Its unique characteristics support the growth of emerging companies and innovative projects by addressing specific financial and operational needs (Cherif, 2008).

- Investment in Non-Publicly Traded Institutions:

Venture capital primarily targets small and medium-sized enterprises (SMEs) that are not publicly traded. These enterprises are often in the early stages of development and exhibit substantial growth potential. VC funds, typically provided by institutional investors, are used to establish the company, develop its first product, or finance its manufacturing and marketing efforts. Unlike traditional financing, which is more common in publicly traded companies, VC focuses on nurturing private, high-potential businesses.

-Representation of Shareholders' Rights:

VC involves acquiring equity in the companies it finances, placing it higher on the company's balance sheet compared to traditional debt financing. This

equity stake comes with significant involvement in the company's governance and decision-making processes. Negotiations over ownership percentages can be challenging, as entrepreneurs often strive to retain control while venture capitalists seek substantial equity for their investment. The balance between control and investment is a critical aspect of VC agreements.

-Investment for a Specific Period:

Venture capital investments are generally made with a defined time horizon, usually between 3 to 10 years. During this period, venture capitalists do not have the right to recover their principal investment or returns immediately. Instead, the return on investment is typically realized through the sale of shares or an initial public offering (IPO) when the company starts generating significant returns. This predetermined investment horizon aligns with the growth and maturity cycle of the financed company.

-Active Partnership:

Venture capitalists often take an active role in the companies they invest in. They provide not only capital but also strategic advice, technical support, and may hold positions on the company's board of directors. This active involvement helps guide the company towards success and ensures that the venture capitalists' interests are aligned with those of the company.

However, this level of involvement can sometimes be seen as intrusive by entrepreneurs, particularly in smaller or emerging companies where maintaining control is crucial.

-Financing Without Guarantees:

One of the defining features of venture capital is that it does not require traditional forms of collateral or guarantees. Instead, venture capital operates on a profit and loss sharing basis, which is particularly advantageous for emerging SMEs that may lack the assets required for conventional loans. This approach allows venture capital to support businesses that are in their early stages and may not yet have the financial stability or assets to secure traditional financing.

-Intervention at Any Stage of the Company's Lifecycle:

Venture capital can be applied at various stages of a company's lifecycle, from pre-establishment and start-up to growth, ownership transfer, and restructuring. This flexibility enables venture capitalists to support

companies through different phases, adapting their investment strategies to the specific needs and challenges of each stage. This comprehensive support helps ensure that companies receive the necessary resources and guidance throughout their development (Sahnoune, 2013).

-Acts as Financial Intermediation:

Venture capital firms function as financial intermediaries, channeling funds from investors into emerging and innovative businesses. These investments are typically made in the form of equity contributions and focus on transforming innovative ideas into viable market solutions. By facilitating the commercialization of new technologies and concepts, venture capital plays a crucial role in fostering entrepreneurship and driving economic growth.

3.3-Stages of Venture Capital Intervention in the Financing Process

Venture capital is often associated with providing initial funding to start-ups, but its role extends throughout various stages of a company's development. Each stage presents different financing needs, and venture capitalists tailor their interventions accordingly.

3.3.1 Inception and Launch Phase:

This phase is characterized by high risk and involves significant funding for research and development, prototype testing, and market analysis. The inception phase is divided into two main stages:

a) Pre-Establishment: This stage involves funding for extensive research, development, and testing of commercial models. The costs are high due to the need for thorough experimentation and the risk of failure.

b) Capital Launch: Following successful research and testing, funding is allocated to cover initial commercial expenses. This stage remains risky as traditional financing options are often unavailable, making venture capital essential.

3.3.2 Expansion and Development Phase:

During this phase, venture capital supports companies in expanding their operations and scaling their businesses. Companies often require external funding to finance their growth, as internal resources are insufficient to support expansion activities. Venture capital provides the necessary capital to help these companies achieve additional returns and scale their operations effectively.

3.3.3 Ownership Transfer Phase:

When company owners seek to transfer ownership to a new group, venture capitalists provide financial support and oversight. They may establish a holding company to manage the transition, offer loans to new management, and oversee the transfer process. The objective is to maximize benefits for the venture capitalists while managing the associated risks of ownership transfer.

3.3.4 Restructuring or Turnaround Phase:

In this phase, venture capitalists assist in restructuring company operations to restore profitability. This may involve renewing production processes, implementing new technologies, or reorganizing the company. Significant investment is required for restructuring, and venture capitalists bring in new skills and competencies to help the company achieve its profit goals.

4. Venture Capital in Algeria - The Legal and Legislative Framework

The development of venture capital in Algeria began in the 1990s with the establishment of European-backed venture capital firms, such as the European Algerian Company for Participation (FINALEP). The legal and regulatory framework governing venture capital in Algeria has evolved over time, with significant changes occurring after the introduction of Law 06-11 in 2006.

4.1 Pre-Law 06-11:

Era Before mid-2006, venture capital companies in Algeria operated without a specific legal framework. They were either established as financial institutions under Decree 03-11 of August 26, 2003, or as joint-stock companies under commercial law:

a) Financial Institution Form: Venture capital companies could engage in banking activities, except for accepting public savings or managing payment services. They were allowed to invest in other institutions but faced limitations in raising funds and obtaining deposits.

b) Commercial Institution Form: As joint-stock companies, venture capital firms operated under commercial law, offering greater flexibility. This form did not require banking permissions and was less constrained by prudential rules (Cherif, 2008).

4.2 post-Law 06-11:

Era In June 2006, Law 06-11 was enacted to regulate venture capital activities in Algeria. This law established specific conditions for the operation and establishment of venture capital firms:

- **Licensing:** Venture capital firms must obtain a license from the Minister of Finance, with input from the Financial Market Regulatory Authority (COSOB) and the Bank of Algeria.

- **Investment Criteria:** The law sets limits on contributions, requiring that venture capital firms do not exceed 15% of their social capital in other companies and do not hold more than 49% in any single company. Borrowing for contribution activities is also restricted.

- **Supervision and Reporting:** Venture capital firms are supervised by COSOB and must comply with financial reporting requirements, including the submission of financial portfolios and reports.

Subsequent regulations, including texts from February 2008 and January 2009, further defined management standards, set minimum capital requirements, and established competency criteria for venture capital company managers.

The Algerian venture capital sector operates under the legal framework established by Law No. 06-11 of June 24, 2006, and includes five key private joint-stock companies:

- **Algeria Investment:** Established in 2009 with a capital of 1 billion DZD, it supports SMEs by providing financial products, encouraging ICT investments, and improving financial structures for bank financing.

- **FINALEP (Algerian-European Company for Participation):** A pioneer in the industry since 1991, it actively participates in all financing stages, from partner searches to pre-financing research and securing local and foreign loans.

- **Icosia Capital (SPA):** Fully owned by MADAR Holding, with a capital of 1.5 billion DZD, authorized in 2018, it supports companies during creation, development, and transformation stages using comprehensive analytical tools.

- **Algerian Investment Fund (AIF):** Established in 2020 with 11 billion DZD, funded by a partnership between the National Bank of Algeria and the Foreign Bank of Algeria, aimed at supporting investors and project holders.

- **Sofinance Company:** Founded in 2000, with an initial capital of 5 billion DZD, later doubled, it focuses on creating financial products, leasing, capital participation, and providing advisory services, particularly in industrial and service sectors.

5.Financing with Venture Capital in Algeria - Case Study of The Algerian Startups Fund

5.1- Introduction to The Algerian Startups Fund and its Legal Form:

The Algerian Startups Fund (ASF) in its legal form is a joint-stock company established in October 2020. Its headquarters are located on Mohamed V

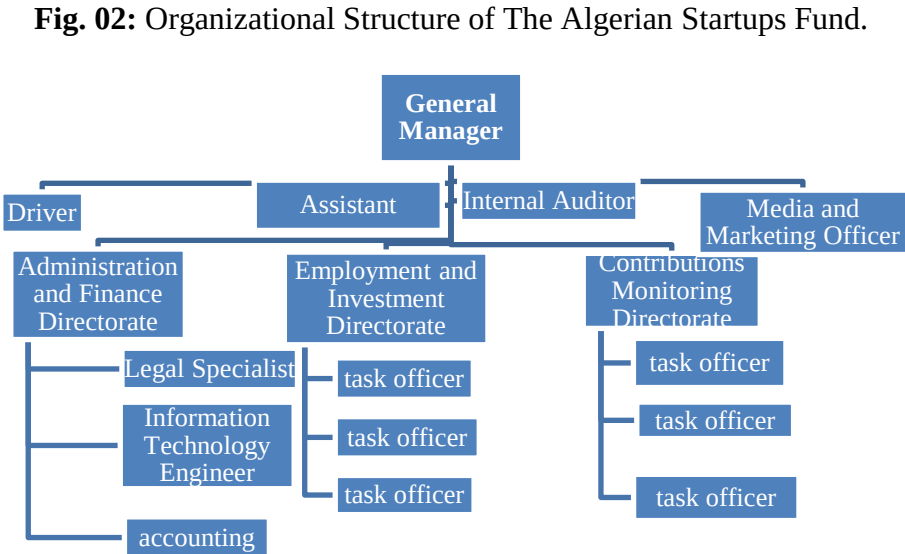
Street in Algiers capital. It is the result of cooperation and coordination between the Ministry in charge of Knowledge Economy and Startups and six (06) public banks; namely, the External Bank of Algeria, the Popular Credit Bank of Algeria, the National Bank of Algeria, the Agricultural and Rural Development Bank, and the Savings and Provision Bank through their equal share contributions (Hamadache, personnel communication, July, 2024).

5.2- Objectives of the Algerian Startups Fund (ASF):

Venture capital companies play a key role in creating innovative projects, creating job opportunities, and renewing and maintaining the economic fabric. Venture capitalists invest private funds (without guarantees) to generate capital gains and create added value upon exit. This financial participation can also be accompanied by strategic participation (contributing technical expertise, networks, etc.).

The social objective of The Algerian Startups Fund allows it to finance startups and innovative projects that have obtained the label “Startup” or “Innovative Project” or “Business Incubator.” The labels “Startup” “Innovative Project,” or “Business Incubator” are granted by a national committee created for this purpose.

5.3-Organizational Structure of the Algerian Startups Fund: Based on the information provided to us by the General Manager of the Fund, the organizational structure of the Algerian Startups Fund is as shown in the following figure:



Source: Prepared by researchers based on information provided by the fund.

5.4- Financial Engineering of the Algerian Startups Fund: The Algerian Startups Fund intervenes in the financing process by contributing to the capital of startups. The conditions for the fund's contribution to the capital are as follows (Hamadache, personnel communication, July, 2024):

- The fund enters as a minority partner from 10 to 49% of the company's social capital.

- The maximum amount of contribution is 25% of the fund's private funds.

- The exit from participation ranges from 3 to 7 years.

- The shares are transferred to other shareholders or on the financial market.

The Algerian Startups Fund aims to develop financial engineering with the goal of providing good advice and support to Algerian companies and also contributing venture capital to finance emerging enterprises and innovative projects. A multidisciplinary team; financial, economic, commercial supports these activities, and it also has a network of consultants and experts in various fields.

The fund works on providing the necessary framework and guidance for young project holders and owners of startups that have obtained the label "startups."

We will discuss below how to obtain the label of an "startups" and address the committee authorized to grant this label.

The National Committee for Granting the Labels "Startups," "Innovative Project," and "Business Incubator" was established by Executive Decree No. 20-254 on September 15, 2020. This committee is responsible for awarding these labels, which are essential for obtaining financing from the fund.

Responsibilities:

- Awarding the labels for "Startups," "Innovative Projects," and "Business Incubators."

- Diagnosing and promoting innovative projects.

- Supporting startup ecosystems.

Application Process for the "Startup" Label: Companies must apply via the national electronic portal, providing:

- Commercial register, tax identification card, and statistical card.
- Company bylaws.
- Membership certificates from CNAS and CASNOS.
- Current financial statements.
- Detailed business plan.
- Academic and technical qualifications.
- Intellectual property documents and awards, if applicable.

Applications are reviewed within 30 days, with a 15-day window to submit any missing documents. The label is granted for four years and is renewable

once. Rejected applications will receive electronic notification with justifications, and decisions can be reconsidered upon justified request (Executive Decree 254-20, 2020).

5.5- Stages of fund contribution to projects:

The Algerian Startups Fund intervenes in the financing process through stages of startup development as follows:

- **The Creation Stage:** Insufficient funding is an important reason for startup failure at the creation stage. This is because most innovative project holders are young people who generally do not have sufficient financial contribution to start their projects. The fund intervenes effectively at this stage of company creation to overcome financial difficulties associated with this phase by contributing a minority stake in the capital of startups and innovative projects.

The Expansion Stage: The Algerian Startups Fund contributes to companies that may need private funds to finance their natural growth or take a new step in their development: launching a new product, purchasing a competitor, entering markets, etc.

- **The Restructuring Stage:** In this stage, the fund undertakes the restructuring of the activities of enterprises that desire it, renewing production operations or implementing new organization, technology, or marketing that ensures the success of the enterprise and its return to profitability. This can only be achieved by obtaining the necessary financing to restructure the project and employing new competencies and skills that control the new technology to achieve the enterprise’s goal of making profits.

- **The Transmission Stage (Transmission)** Different situations can arise following the transmission process. Some owners of mature enterprises, before withdrawing from the company by selling their share, wish to contribute to achieving one last growth spurt for it. Venture capital intervenes during this stage and this could involve selling a family business or a branch of large groups.

5.6- Fund’s Activity Development Since Its Establishment:

Despite the recent establishment of the Algerian Startups Fund in October 2020, it recorded a satisfactory balance sheet until June 2024, as summarized in the following:

Table. 01: ASF activities development:

designation	Funding Applicants	Processed Requests	Funded Projects	Activity Sectors
number	350	310	120	18

Source: Prepared by researchers based on information provided by the fund.

5.7-unded Activity Sectors by the Algerian Startups Fund

The Algerian Startups Fund finances startups that have received the "Startup" label in one of the following 18 activity sectors:

E-commerce, E-services, E-health, E-learning, Robotics, Software, Pharmaceuticals, Parapharmaceuticals, Industry, Transport and Logistics, Electronic Devices and Components, Educational Technology, Financial Technology, Green Technology, Electronic Games and Entertainment, Construction and Public Works, Artificial Intelligence and Digitalization.

-Maximum Funding Amounts Granted by the Fund

The project financing stage begins once the investment committee approves the application. There are three levels of financing based on the amount granted:

- 2 millions Algerian Dinars
- 5 millions Algerian Dinars
- 20 millions Algerian Dinars

The General Manager of the Algerian Startup Fund outlined the process for overseeing funding requests from startups requiring more than 20 million Algerian dinars. These requests must be submitted via the fund's digital platform, with necessary documents and financial statements included. The process involves evaluation by the Project Evaluation Committee and the Investment Committee to assess feasibility (Hamadache, personal communication, July 2024).

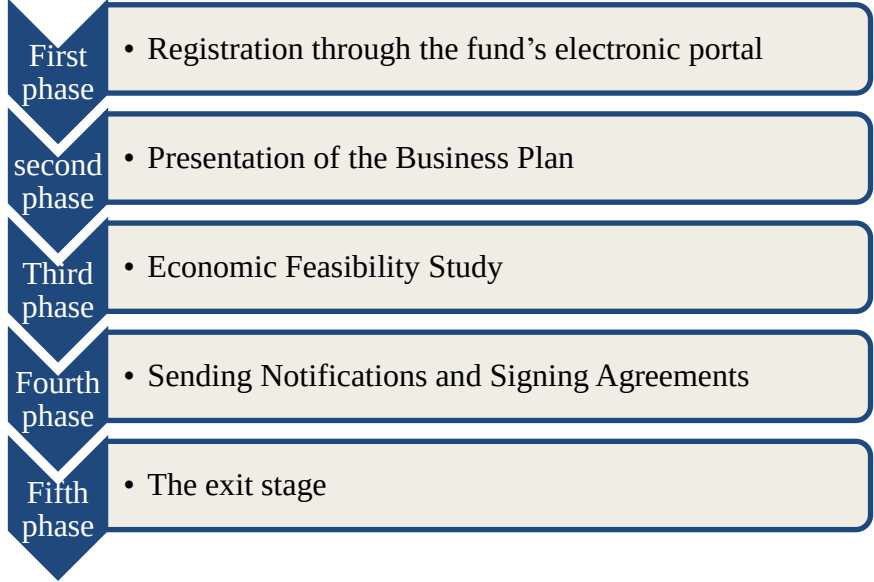
Beyond providing financial support to startups with the "Startup" label, the fund assists innovative project owners through various measures. These include helping in the preparation of business plans, training in communication and information technologies, and offering technical and administrative support. The fund also connects startups with the economic environment and other financial institutions as per their needs.

The Algerian Startup Fund adopts a new approach to financing, primarily relying on communication through a dedicated electronic platform. The process is divided into five stages:

- **Registration:** Applicants must register on the fund's electronic portal and provide the "Startup" or "Innovative Project" label number. Upon verification, they complete an electronic form and are notified of preliminary registration.

- **Business Plan Presentation:** The applicant presents the business plan to a project evaluation committee.

- **Economic Feasibility Study:** The investment committee conducts a detailed economic feasibility study, assessing the project's effectiveness, investment needs, and compliance with legislation.
- **Notifications and Agreement Signing:** Finalization of the investment process involves sending notifications, preparing, reading, and signing agreements.
- **Exit Stage:** After 3 to 5 years of collaboration, the fund exits the startup, concluding the venture capital partnership through a pre-agreed exit strategy.



Source: Prepared by researchers based on information provided by the fund.

Conclusion

We can summarize the study by highlighting the crucial role that venture capital plays in enhancing the startup ecosystem in Algeria, with a particular focus on the Algerian Fund for Financing Startups established in 2020. Venture capital has emerged as a pivotal financial mechanism to support innovative projects, especially those that cannot secure traditional financing due to their inherent risks and early-stage development. The establishment of the Algerian Startups Fund reflects the country's strategic direction to bolster entrepreneurship and innovation through targeted financial support and expertise.

The key findings of the study emphasized the vital role that venture capital plays in providing not only funding but also strategic guidance, managerial, and technical support to innovative project holders. Through its operational

approach, the Algerian Startups Fund offers a comprehensive support system for startups at various stages of their lifecycle, from creation to expansion and restructuring.

The legal and legislative framework in Algeria, particularly post-2006 with the introduction of Law 06-11, has created a more conducive environment for the operation of venture capital firms. However, the journey has not been without challenges. The need for a robust, transparent, and supportive ecosystem remains crucial for the sustainable growth of venture capital and, consequently, startups in Algeria.

Recommendations

To develop and enhance the venture capital industry in Algeria, several recommendations can be made:

1- Enhancing the Regulatory Framework:

- Simplifying Administrative Procedures: Streamline the process for establishing and operating venture capital firms to attract more domestic and international investors.

- Strengthening Legal Protections: Ensure robust legal protections for investors and startups to foster trust and security in the venture capital market.

- Review of the legal texts governing venture capital in Algeria, particularly Law 11-06, which has not been updated since 2006, to align it with the venture capital industry in light of the dynamics this industry has experienced in recent years. These amendments can enable the creation of sector-specific investment funds based on activities, especially those witnessing significant development such as technology and clean energy.

2- Promoting and Educating Entrepreneurship:

- Integrate entrepreneurial education into academic curricula to prepare future generations for startup creation and management.

- Public Awareness Campaigns: Conduct campaigns to raise awareness about the benefits and opportunities provided by venture capital among potential entrepreneurs and investors.

3- Fostering Collaboration and Networking:

- Establishing Innovation Hubs: Establish innovation hubs and incubators to strengthen collaboration between startups, investors, and industry experts, fostering cooperation and the exchange of knowledge.

- Networking Events: Organize regular networking events, workshops, and conferences to connect startups with potential investors and mentors.

4- Financial Incentives and Support:

- Tax Incentives: Introduce tax incentives for venture capital investments to encourage more participation from private investors.

- Government Grants and Subsidies: Provide grants and subsidies to support high-potential startups in critical stages of their development.

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Annex:

People's Democratic Republic of Algeria

Ministry of Higher Education and Scientific Research

Abdallah Morsli University Center - Tipaza

Algeria, July 17, 2024

To: General Manager of the Algerian Startup Fund

Subject: Request for Personal communication

Name and Surname: Boujelal Hamza

Position: PhD Student

In the context of preparing a scientific article related to my doctoral thesis in economic sciences, specializing in economics and business management, on the importance of business incubators in supporting and developing startups in Algeria, I am honored to request your acceptance for a personal interview focusing on the role of the Algerian Startup Fund.

This interview is divided into four main sections, each containing a series of questions:

- **Section 1: General Framework of the Algerian Startup Fund**

- What is the legal framework of the Algerian Startup Fund?
- What constitutes the organizational structure of the fund?

- **Section 2: Objectives of the Fund and Its Financial Structure**

- What are the objectives of the Algerian Startup Fund?
- How does the fund contribute to the financing of startups, and under what conditions?
- Does the fund offer other services besides financing startups?

- **Section 3: Funding Process and Phases of the Fund's Contribution to Projects**

- What are the stages of the startup funding process by the fund?
- What are the fund's contribution rates in the financing process?
- What are the minimum and maximum amounts of financing?

- **Section 4: Funding Mechanism Followed by the Fund**

- What is the mechanism followed by the fund in the financing process?
- How does the fund exit from the financing process?
- How many startups have been financed by the fund since its inception?
- How many sectors of activity have been financed and what are their financing rates?
- What are the actual financing rates for each stage of the startup growth phase?
 - Creation and startup phase (capital de création)
 - Expansion and development phase (capital de développement)
 - Ownership transfer phase (capital de transmission)
 - Correction or recycling phase (capital de retournement)

Please accept, Mr. General Manager of the Algerian Startup Fund, my highest expressions of respect.