

# The Role of the National Agency for Entrepreneurship Development in Financing Startups in Algeria

*Dr. Kamel Mehenni<sup>1</sup>*  
*Dr. Amel Benhamadi<sup>2</sup>*

*Received: June 06, 2026*

*Accepted: August 24, 2026*

*Published Online: September 07, 2026*

## Abstract

The National Agency for the Support and Development of Entrepreneurship constitutes an important component of Algeria's public policy for promoting entrepreneurship and facilitating access to finance for new ventures and micro-enterprises. This paper examines the Agency's contribution to the financing of startup projects, with particular emphasis on its legal and institutional framework, the organization of provincial project-selection and financing committees, and the procedures governing the appraisal of investment files. The study adopts a descriptive-analytical and legal approach based on Algerian legislative and regulatory texts and a review of recent literature on startup finance and the Algerian entrepreneurial ecosystem. The analysis situates the Agency within a broader financing architecture that also includes banks, venture-capital mechanisms, the Algerian Startup Fund, incubators, and university entrepreneurship structures. It argues that public support can reduce early-stage financing constraints, but that the effectiveness of the Agency depends on transparent project selection, appropriate risk evaluation, entrepreneurial training, institutional coordination, and post-financing monitoring. The paper concludes that the Agency can contribute more effectively to startup development when its financing instruments are matched to the specific characteristics and growth stages of innovative firms and when they operate in complementarity with equity-based and ecosystem-support mechanisms.

**Keywords:** entrepreneurship; startups; startup financing; National Agency for the Support and Development of Entrepreneurship; venture capital; Algeria.

## 1. Introduction

The National Agency for Entrepreneurship Development plays an important role and serves as a key actor in financing startups at the provincial level in Algeria. It is considered an effective instrument and means of financing these enterprises. Algeria has increasingly focused on innovation and on supporting individuals with innovative ideas through guidance and support while encouraging them to enter the world of entrepreneurship, particularly following the establishment of the Ministry of Knowledge Economy and Startups. This initiative aims to stimulate the national economy, promote development and benefit from the skills and expertise of university graduates involved in establishing such enterprises.

Through this presentation, we will examine the role of the National Agency for Entrepreneurship Development in financing startups at the provincial level based on the decision dated 20 February 2023, which defines the organization and functioning of the Committee for the Selection Approval and Financing of Investment Projects established at the level of the Provincial Agency for the Support and Development of Entrepreneurship.

<sup>1</sup>University of Algiers 1, Algeria. [k.Mehenni@univ-alger.dz](mailto:k.Mehenni@univ-alger.dz)

<sup>2</sup>University of Algiers 1, Algeria. [a.benhamadi@univ-alger.dz](mailto:a.benhamadi@univ-alger.dz)

Accordingly the research problem can be formulated as follows:

How does the National Agency for Entrepreneurship Development contribute to financing startup projects at the provincial level?

To answer this research question we will address two main sections. The first section focuses on the conceptual framework of the National Agency for the Support and Development of Entrepreneurship and startups. The second section examines the contribution of the National Agency for Entrepreneurship Development to financing startups through the following:

### **Methodological Approach and Review of Related Literature**

This paper adopts a descriptive-analytical approach combined with legal analysis. The descriptive component is used to clarify the concepts of entrepreneurship, startups, entrepreneurial support, and startup financing, whereas the analytical component examines the institutional functions attributed to the National Agency for the Support and Development of Entrepreneurship and evaluates how these functions respond to the financing needs of new ventures. The legal component is based principally on the legislative and regulatory texts governing entrepreneurship support, startup recognition, project selection, and public financing in Algeria. These materials are complemented by recent academic studies on financing practices among Algerian startups and by international research on entrepreneurial finance. This approach is appropriate because the contribution of a public entrepreneurship agency cannot be assessed only by describing the financial amount provided to a project; it must also be considered in relation to selection procedures, training, risk evaluation, access to complementary finance, and the wider entrepreneurial ecosystem.

The literature on entrepreneurial finance shows that startups differ from mature firms in ways that directly affect their financing. Young innovative firms usually have limited operating histories, few tangible assets that can be pledged as collateral, uncertain cash flows, and business models whose commercial value is difficult for external financiers to evaluate. These conditions intensify information asymmetry between founders and financiers and help explain why conventional bank credit is often less accessible at the earliest stages of a venture. Berger and Udell (1998) describe small-firm finance as a financial growth cycle in which financing sources evolve as firms become older, larger, and more informationally transparent. Hall and Lerner (2010) similarly show that innovative firms may face a financing gap because investment in research, knowledge, and intangible assets is difficult for traditional lenders to value and secure.

Recent research from Algeria confirms the practical importance of this financing problem. Benlefkhi et al. (2024), in a study of 129 owners of labeled Algerian startups, found that personal financing or “love money” remained the dominant source of funds, while venture capital had also become a significant financing mechanism. Their study further reported that 28% of the surveyed startups had used informal financing because of insufficient bank financing and difficulties in accessing other sources. Attia and Ait Bachir (2024) likewise emphasize the need for a diversified financing structure that may include venture capital, angel investment, collective investment, loans, competitions, and public support programs. These findings suggest that the role of the National Agency should be examined as one part of a diversified financing system rather than as a stand-alone source of startup capital.

The institutional environment is equally important. Algerian research has documented substantial policy efforts to construct a startup ecosystem through labeling mechanisms, incubators, financing funds, and legal reforms. Baouch (2023) identifies Executive Decree No. 20-254 as a central element in this framework because it established the national mechanism for granting the Startup, Innovative Project, and Incubator labels. Bouras (2024) describes the Algerian startup ecosystem as expanding under the influence of support measures and innovation-oriented legislation, while Barkat and Assoul (2024) reach a more cautious conclusion, arguing that the ecosystem continues to display weaknesses when evaluated against international entrepreneurship indicators. The coexistence of these perspectives indicates that progress in the formal support architecture does not automatically eliminate operational constraints in financing, coordination, skills, or market access.

### **Section One: The Conceptual Framework of the National Agency for the Support and Development of Entrepreneurship and Startups**

#### **First: The Theoretical Foundations of the National Agency for Entrepreneurship**

In this section, we will address the theoretical foundations of entrepreneurship through the following points:

##### **1. Definition of Entrepreneurship**

Entrepreneurship is a phenomenon that requires distinctive financial technical and human capabilities as well as appropriate training and field-based support provided by specialized structures. These elements constitute the

fundamental pillars that contribute to developing the entrepreneurial spirit, fostering initiative and enabling individuals to properly assess risks and identify available opportunities. In relation to creativity and invention entrepreneurship refers to taking an invention to the market and undertaking it as a business project. It therefore involves assuming the risk of failure. Accordingly, an entrepreneur may not necessarily be the inventor rather his or her role lies in transforming innovation into economic value.<sup>1</sup>

Entrepreneurial support has been defined in various ways by scholars and economists interested in this field. In an internal memorandum in his capacity as the person responsible for studies on business creation in France it was defined as the mobilization of all structures, networks, and time in order to address the various problems encountered by an enterprise and to adapt it to the culture and personality of its founder. It is also defined as a process that helps move an individual from one state to another. It influences decision-making and aims to enable the founder of an enterprise to become independent. Furthermore, entrepreneurial support targets an individual who has an idea and seeks to develop a roadmap for that idea in order to transform it into an actual business project.<sup>2</sup>

## **2. Definition of the National Agency for the Support and Development of Entrepreneurship**

The National Agency for the Support and Development of Entrepreneurship was established pursuant to Executive Decree No. 20-329 dated 22 November 2020 following the amendment of Executive Decree No. 96-296 dated 08 September 1996. It is a specialized public institution that was previously known as the National Agency for Youth Employment Support. Its establishment reflected a shift from the social-oriented approach previously adopted toward an economic-oriented approach. This shift led to the adoption of new objectives consistent with an economic approach aimed at achieving and promoting economic development in response to ongoing economic changes. Accordingly, some of the main aspects of this approach can be summarized as follows:<sup>3</sup>

Preparing and periodically updating the national database of activities that can be established by young entrepreneurs in coordination with various sectors.

Encouraging the establishment and development of entrepreneurial ecosystems based on investment opportunities available across different sectors that meet local or national market needs.

Ensuring the modernization and standardization of procedures and criteria for establishing, supporting and monitoring micro-enterprises.

Encouraging the exchange of expertise through programs implemented by international organizations and institutions as well as through partnerships with foreign agencies specialized in supporting entrepreneurship and promoting micro-enterprises.

## **Second: The Conceptual Framework of Startups**

In this section we will address the concept of startups, their objectives and their financing with a view to establishing the interrelationship between them and the National Agency for the Support and Development of Entrepreneurship as well as highlighting the latter's role in providing support and guidance in the areas of financing and incentives as follows:

### **1. Definition of Startups**

The term startup is conventionally defined according to the English dictionary as a small business that has just been established. The word start-up consists of two parts: start which refers to the idea of launching or setting out and up which refers to the idea of strong growth. The term began to be used after the Second World War, coinciding with the emergence of venture capital companies and subsequently became widely used.<sup>4</sup>

Nowadays, the term is also used in the French language and is defined by the Larousse Dictionary as young and innovative enterprises operating in the field of information and communication technologies whose mission is to create and market new technologies.

A startup is also defined as a company with a short operating history. Such companies are generally newly established and are in the process of growth and searching for markets. The term became widely used worldwide following the dot-com bubble. Founders design startups with the aim of developing business models that can be effectively scaled.<sup>5</sup>

### **2. Legal Definition of Startups**

<sup>1</sup> Fatima Boudra and Sabrina Sidi Saleh, "Entrepreneurship: Concept, Mechanisms, and Decisions Adopted by the Algerian State," *Saoura Journal of Humanities and Social Studies*, Vol. 8, No. 2, p. 555.

<sup>2</sup> Fatima Boudoua, "The Effectiveness of the National Agency for the Support and Development of Entrepreneurship in Revitalizing Troubled Enterprises in Algeria: An Analytical Study," p. 114.

<sup>3</sup> Fatima Boudoua, *op. cit.*, p. 118.

<sup>4</sup> Zaidi Abdelkarim and Ziouch Oussama, *Startups in Algeria*, Master's Thesis in Law, Specialization in Business Law, Academic Year 2022–2023, p. 06.

<sup>5</sup> Zaidi Abdelkarim, *op. cit.*, p. 07.

It is generally recognized that legislators do not usually undertake the task of providing definitions of legal concepts as this is not normally their role rather they leave the task of establishing appropriate definitions to legal scholars and specialists in the relevant field. Nevertheless, the Algerian legislator sought to define the startup or innovative enterprise in Article 06 of Law No. 15-21, containing the Framework Law on Scientific Research and Technological Development as follows:

“It is an enterprise that undertakes the implementation of basic or applied research projects or carries out research and development activities.”

The Algerian legislator also referred to startups in the provisions of certain laws such as Law No. 17-02 relating to the Framework Law on Small and Medium-Sized Enterprises, particularly Article 21 which stipulates:

“Loan guarantee funds and startup funds shall be established within the ministry responsible for small and medium-sized enterprises in accordance with the regulations in force with the aim of guaranteeing loans for small and medium-sized enterprises and promoting startups within the framework of innovative projects.”<sup>6</sup>

### 3. Characteristics of Startups

Startups are characterized by conducting their business activities on the basis of pioneering ideas and by responding to market needs in an intelligent and modern manner among their most important characteristics are the following:

- Newly established and recently formed enterprises:

Most startups are initially found in an experimental stage within the market they generally begin with hypothetical ideas developed by the entrepreneur. Startups are characterized by being young and newly established enterprises and they face two possible outcomes: either they develop and transform into successful enterprises, or they cease operations and incur losses.<sup>7</sup>

- Companies with opportunities for gradual and accelerated growth:

One of the characteristics that define the concept of a startup is its potential for rapid growth and its ability to generate revenues at a rate significantly faster than the costs required for its operations. These companies are often technology-oriented and rely primarily on technology. They are characterized by conducting their business activities on the basis of innovative ideas and by satisfying market needs in an intelligent and modern manner. Their development efforts rely on technology for the purpose of growth and advancement as well as on obtaining funding through online platforms and receiving support from business incubators.<sup>8</sup>

- Companies requiring low costs:

The concept of a startup also implies that it requires relatively low costs compared with the profits it may generate. Such profits are often obtained rapidly and may emerge somewhat unexpectedly.<sup>9</sup>

### Third: Theoretical Foundations of Startup Financing

#### 1. The Financing Gap, Information Asymmetry, and Startup Risk

Financing is not merely an administrative stage in the creation of a startup; it is a structural condition that influences whether an innovative idea can be transformed into a viable enterprise. Startups frequently require resources before they have established stable revenues, a proven customer base, or sufficient assets. At the same time, lenders and investors possess less information than the founders about the technical quality of the project, the competence of the team, and the probability of commercial success. This information asymmetry increases perceived risk and may lead financiers to refuse a project, demand collateral that the entrepreneur cannot provide, or charge a price for capital that is incompatible with the startup's early cash flow. The result is a financing gap that is particularly acute for innovative and knowledge-based ventures (Hall & Lerner, 2010).

The financing problem is therefore partly a problem of information and evaluation. A traditional lender generally relies on repayment capacity, financial statements, collateral, and a relatively predictable business history. A startup may possess none of these characteristics. Its principal assets may instead consist of an idea, software, intellectual property, specialized human capital, a prototype, or a business model whose value depends on future adoption. In such circumstances, public support institutions can perform an intermediary function by reducing the informational distance between entrepreneurs and financiers. Training, feasibility studies, standardized project files, business plans, and structured evaluation committees can transform an initially uncertain idea into a more assessable investment proposal. The scoring mechanism

<sup>6</sup> Provisions of Article 21 of Law No. 17-02 relating to the Framework Law on Small and Medium-Sized Enterprises.

<sup>7</sup> Hussein Youcef and Seddiki Ismail, “A Field Study of the Reality of Startup Creation in Algeria,” *Annals of the University of Béchar in Economic Sciences*, Vol. 07, No. 01, 2021, p. 73.

<sup>8</sup> Mustapha Bournane and Ali Souli, “The Strategy Used to Support and Finance Startups,” *Economic Notebooks Journal*, Vol. 11, No. 01, 2020, p. 133.

<sup>9</sup> Mustapha Bournane and Ali Souli, *op. cit.*, p. 133.

referred to in the decision of 20 February 2023 is significant in this respect because it attempts to formalize the evaluation of feasibility, effectiveness, and financing before a project is presented to the Committee.

However, formal evaluation does not eliminate risk. Innovation necessarily contains uncertainty, and a system that seeks to eliminate all risk may systematically reject the projects with the greatest innovative potential. The relevant policy objective is therefore not the absence of risk but the capacity to identify, price, share, and monitor it. Entrepreneurial finance research distinguishes between the risk borne by debt providers, who expect contractual repayment, and the risk borne by equity investors, who participate in both losses and future gains. Cumming et al. (2019) note that entrepreneurial finance is characterized by strong information asymmetries and by active investor involvement. This feature is particularly important for startups because the provision of managerial knowledge, networks, governance, and market access may be as valuable as the provision of money itself.

## **2. Financing Sources Across the Startup Life Cycle**

The financing requirements of a startup change over time. Berger and Udell's (1998) financial growth-cycle approach provides a useful framework for understanding this evolution. At the earliest stage, when uncertainty and informational opacity are highest, entrepreneurs often depend on personal savings, family and friends, small grants, incubator support, or other forms of insider finance. When the project develops a prototype, initial customers, or clearer evidence of market potential, external equity from business angels or venture-capital investors may become more feasible. Bank financing generally becomes more accessible when the enterprise can demonstrate revenues, assets, a repayment record, or reliable financial information. Mature firms may subsequently gain access to broader debt and equity markets.

This life-cycle perspective has direct implications for the National Agency. A uniform financing formula cannot respond equally well to all projects. A small productive micro-enterprise with identifiable equipment and predictable local demand may be compatible with a financing structure combining personal contribution, an interest-free public advance, and a bank loan. By contrast, an innovation-intensive startup may require a longer development period before generating revenues, while much of its value may be intangible. In such cases, excessive reliance on debt can create repayment pressure before the business model has been validated. Equity or quasi-equity instruments can be better suited to high-growth ventures because financial returns are linked to enterprise performance rather than to a fixed repayment schedule. Attia and Ait Bachir (2024) show that the Algerian financing environment already contains several potential sources, including venture capital, angel investment, collective investment, loans, public programs, and competitions. The policy question is consequently one of sequencing and complementarity. Public agencies can help founders move from the idea stage to investment readiness; banks can finance assets and working capital when repayment capacity becomes sufficiently visible; and venture-capital structures can assume part of the risk associated with innovative growth. The most effective ecosystem is therefore not one in which a single institution finances every stage, but one in which project holders can move between instruments as their needs and risk profiles evolve.

## **3. Venture Capital and the Algerian Startup Financing Architecture**

Venture capital occupies a distinctive position in startup finance because it combines risk-bearing capital with governance and monitoring. Hall and Lerner (2010) observe that venture capital can mitigate part of the financing gap faced by innovative firms, although it is not a universal solution and its effectiveness depends on the surrounding financial and exit environment. Lerner (2010) further cautions that public programs designed to stimulate entrepreneurship and venture capital are most effective when they complement rather than displace private initiative and when their objectives, selection rules, and performance measures are clearly defined.

In Algeria, the creation of the Algerian Startup Fund (ASF) illustrates the movement toward equity-oriented public financing for labeled startups. Boudjelal and Gouigah (2024) present the ASF as an important manifestation of the state's attempt to develop venture-capital financing for startups and to respond to the limitations of traditional financing. The national startup portal likewise identifies the ASF as a public venture-capital company providing equity and quasi-equity financing to enterprises holding the Startup label. This mechanism is analytically different from the support traditionally associated with the National Agency for the Support and Development of Entrepreneurship. The distinction is important: the Agency is oriented toward project creation, micro-enterprise development, training, administrative support, and structured financing arrangements, whereas the ASF is specifically designed to participate in the risk capital of labeled startups.

Accordingly, the existence of the ASF does not reduce the relevance of the National Agency; rather, it clarifies the need for institutional specialization. The Agency can identify and prepare entrepreneurs, improve the quality of project files, facilitate bank relationships, support initial investment, and monitor project implementation. Projects demonstrating a

particularly innovative and scalable model may subsequently require venture-capital financing or other forms of growth capital. A coherent financing policy therefore depends on referral pathways and coordination among the Agency, banks, the ASF, incubators, universities, and other public and private support structures.

## **Section Two: The Contribution of the National Agency for the Development of Entrepreneurship to the Financing of Startups**

This section addresses the contribution of the National Agency for the Development of Entrepreneurship to the financing of startups by examining the decision issued by the Ministry of Knowledge Economy and Startups dated 20 February 2023. This decision defines the organization and operation of the committee responsible for the selection approval and financing of investment projects established at the level of the Provincial Agency for the Support and Development of Entrepreneurship as well as the procedures for processing and the contents of files related to these projects, as follows:<sup>10</sup>

### **First: Organization and Operation of the Committee for the Selection, Approval, and Financing of Investment Projects**

The Committee for the Selection, Approval and Financing of Investment Projects hereinafter referred to in the text as “the Committee” is composed of the Director of the Wilaya Agency for Support and Development of Entrepreneurship or his/her representative as Chairperson together with members whose names are determined by a decision issued by the Minister responsible for micro-enterprises for a renewable three-year term. In the event that the term of office of one of the members is terminated he/she shall be replaced in accordance with the same procedure for the remainder of the term. The Committee may also seek the assistance of any qualified person capable of contributing to its work.

Pursuant to Article 3 of the aforementioned decision, the Committee shall meet in an ordinary session every fifteen (15) days upon invitation by its Chairperson. It may also meet in an extraordinary session at the initiative of its Chairperson. In accordance with Article 4 of the same decision the Chairperson shall direct the Committee’s proceedings and ensure the prompt examination and processing of the files submitted to it. Furthermore pursuant to Article 5 the services of the Wilaya Agency for Support and Development of Entrepreneurship shall act as the secretariat of the Committee.

The Committee’s secretariat is responsible for arranging the files to be examined by the Committee and presenting them according to their order on the list. In the same context the project holders concerned shall be registered upon their attendance in a numbered and initialled register specifically designated for this purpose. An information form shall also be prepared and handed over to the project holders on the day the Committee convenes.<sup>11</sup>

### **Second: Procedures for Processing and the Contents of Investment Project Files**

Pursuant to Article 13 and within the framework of the provisions of Article 2 of Executive Decree No. 03-290 dated 6 September 2003 in order to benefit from the advantages and subsidies granted to project holders under the legislation and regulations in force each project holder is required to undergo prior training in entrepreneurship and the establishment of micro-enterprises. Such training shall be the subject of an agreement between the services of the National Agency for Support and Development of Entrepreneurship and the competent services of higher education and scientific research institutions, as well as the competent services of vocational training and education institutions.<sup>12</sup>

According to the provisions of Article 14 of the same decision, investment projects shall be scored before being submitted to the Committee, by applying a scoring scale established by the services of the National Agency for Support and Development of Entrepreneurship. This scale takes into consideration criteria related to the feasibility effectiveness, and financing of these projects.<sup>13</sup>

### **Third: Conditions Relating to the Investment Project File**

Article 17 sets out the conditions for accepting an application file submitted for consideration by the Committee in order to benefit from the advantages and support and employment subsidies for young people. These conditions include the following:

- A project presentation form
- A technical and economic study
- A copy of the national identity card
- A certificate proving completion of training in entrepreneurship and the establishment of micro-enterprises issued by the

<sup>10</sup>See the provisions of Articles 1 to 6 of the decision issued by the Ministry of Knowledge Economy and Start-ups, dated 20 February 2023, determining the organization and operation of the Committee for the Selection, Approval, and Financing of Investment Projects established at the level of the Wilaya Agency for Support and Development of Entrepreneurship, as well as the procedures for processing and the contents of the files.

<sup>11</sup> See the provisions of Article 2 of Executive Decree No. 03-290 dated 6 September 2003

<sup>12</sup> Article 14 of the decision dated 20 February 2023, op. cit.

<sup>13</sup> Article 17 of the decision dated 20 February 2023, op. cit.

competent services referred to in the aforementioned provisions

Where applicable estimated statements relating to multi-risk insurance

The project's business plan

The feasibility study

The business model

The scoring sheet.

The Committee may request any additional document or information deemed necessary for the examination of the file. Furthermore once the project has been approved by the Committee the file must contain all documents relating to the investment project in order to be submitted for obtaining bank approval where required.

### **Section Three: The Agency within Algeria's Broader Startup Financing Ecosystem**

#### **First: The Agency's Financing Function and Its Complementarity with Other Sources**

The National Agency for the Support and Development of Entrepreneurship must be understood within the broader architecture of entrepreneurial finance in Algeria. Executive Decree No. 20-329 of 22 November 2020 changed the denomination and reinforced the economic orientation of the former youth-employment support agency. The transformation is significant because it reflects a shift from an approach centered principally on employment creation toward an approach in which entrepreneurship is treated as an instrument of productive investment, local development, and economic diversification. This orientation is visible in the Agency's responsibilities relating to the identification of viable activities, the development of entrepreneurial ecosystems, the modernization of procedures, and cooperation with national and international partners.

From a financing perspective, the Agency performs at least four related functions. First, it reduces the initial capital constraint by facilitating access to public financial support and, where applicable, bank participation. Second, it lowers transaction costs by guiding the project holder through administrative and technical requirements. Third, it produces information for financing decisions through business plans, feasibility studies, scoring sheets, and committee evaluation. Fourth, it can improve project survival by combining finance with training and follow-up. These functions demonstrate that financing should not be reduced to the act of transferring money. For a new entrepreneur, the quality of preparation and support can determine whether the financial resources received are transformed into a sustainable activity.

The Agency's role is also complementary rather than exclusive. Benlefi et al. (2024) demonstrate that labeled Algerian startups use a mixture of formal and informal financing sources. Their finding that personal funds remain dominant indicates that public financing has not eliminated founders' dependence on internal resources. At the same time, the significance of venture capital in their results confirms the emergence of a more diversified market. The appropriate institutional response is therefore to connect financing channels. A project whose needs are modest and asset-based may remain within an Agency-supported structure, whereas a technology startup seeking rapid expansion may require subsequent equity investment. The Agency can become more effective when it functions as an entry point into this financing continuum rather than as the final destination of every project.

#### **Second: Entrepreneurial Training and Investment Readiness**

The requirement of prior entrepreneurial training contained in the 2023 regulatory framework is one of the most important non-financial dimensions of the support mechanism. Many startup financing failures originate not only from a shortage of funds but also from weak financial planning, unrealistic demand projections, insufficient knowledge of costs, inadequate pricing, or an inability to present the project convincingly to financiers. Training can address these weaknesses if it is closely connected to the decisions that entrepreneurs must make during project preparation and early operation.

Investment readiness should therefore be treated as an outcome of the support process. Before a project is financed, the founder should be able to explain the customer problem, the proposed value proposition, the target market, expected costs and revenues, the financing requirement, and the principal operational risks. For innovative projects, the evaluation should additionally consider the novelty of the solution, intellectual-property issues where relevant, scalability, the competence of the founding team, and the path from prototype to commercialization. Such an approach is more informative than requiring a business plan as a purely formal document. It also reduces information asymmetry because the project holder and the financing institution develop a common factual basis for evaluating the project.

The literature suggests that this preparation function is especially important in entrepreneurial ecosystems where access to sophisticated private finance is still developing. Barkat and Assoul (2024) argue that, despite policy efforts, the Algerian entrepreneurial ecosystem continues to face weaknesses in international comparison. GEM's 2025 expert assessment offers a more differentiated picture: Algeria obtained a National Entrepreneurial Context Index score of 4.3 and was

assessed relatively positively for the relevance of government support, while weaknesses remained in entrepreneurship education and other ecosystem conditions (Global Entrepreneurship Monitor, 2025). These findings reinforce the importance of connecting public financing to practical entrepreneurial competence rather than treating training and finance as separate administrative stages.

### **Third: Project Selection, Scoring, and the Quality of Financing Decisions**

The project-scoring requirement contained in Article 14 of the 20 February 2023 decision represents an attempt to standardize investment decisions before files are submitted to the provincial Committee. Standardization is important for at least three reasons. It can improve equality among applicants, reduce excessive dependence on individual judgment, and create a record explaining why a project was accepted or rejected. A transparent scoring system can also improve the quality of later monitoring because the criteria used at the approval stage can become benchmarks against which implementation is assessed.

Nevertheless, a scoring scale is only as effective as the criteria, evidence, and decision rules on which it is based. If the scale gives excessive weight to collateral, short-term profitability, or conventional sector characteristics, innovative projects may be disadvantaged even when they have strong long-term potential. Conversely, if innovation is accepted as a general claim without evidence of feasibility or market demand, public resources may be allocated to projects with weak prospects. The evaluation framework should therefore distinguish between commercial feasibility, technical feasibility, founder capability, financing structure, innovation, market potential, and risk. These dimensions should be weighted according to the type and stage of the project.

The provincial location of the Committee provides an opportunity to incorporate local economic knowledge. Algeria's wilayas differ in industrial structure, infrastructure, market access, natural resources, university capacity, and entrepreneurial networks. A project that is economically relevant in an agricultural or Saharan context may differ significantly from a digital service developed in a large urban center. Local evaluation can therefore improve contextual relevance. At the same time, decentralization creates a need for national standards so that similarly situated applicants are treated consistently across provinces. Periodic calibration of scoring practices, publication of clear criteria, and digital documentation of decisions would help reconcile local flexibility with national fairness.

### **Fourth: Coordination with Banks, Venture-Capital Funds, Incubators, and Universities**

Startup financing is an ecosystem activity. The Agency cannot independently provide all the knowledge, capital, networks, and technical resources needed by new ventures. Coordination with banks remains important because bank credit can finance equipment and working capital for projects with an identifiable repayment capacity. Yet the limitations of collateral-based lending must also be recognized. The World Bank (2021) noted that Algerian banks have traditionally relied heavily on immovable property as collateral, a condition that can be difficult for small entrepreneurs to satisfy. For startups whose principal assets are intangible, this problem is even more pronounced.

Coordination with equity-oriented structures is therefore necessary. The ASF can assume risks that are difficult to accommodate within conventional lending, while incubators and accelerators can provide mentoring, technical assistance, networks, and access to investors. Universities have a particular role because they are a source of knowledge-intensive projects and young founders. The original recommendations of this paper rightly emphasize the need for universities to take student projects and theses seriously. This point can be developed further: university incubators, entrepreneurship development centers, research laboratories, and technology-transfer structures can help identify commercially promising research and prepare it for external financing.

The policy objective should be to create an operational referral system. A project entering through a university incubator should be able to move to Agency training and project preparation, to a bank for asset financing, or to a venture-capital fund when equity is more appropriate. Likewise, a project rejected by one financing channel should receive a reasoned explanation and, when feasible, a referral to a more suitable instrument rather than simply leaving the support system. Such coordination would reduce duplication and make public expenditure on entrepreneurship more efficient.

## **Section Four: Challenges, Evaluation, and Policy Implications**

### **First: Persistent Access-to-Finance Constraints**

The existence of public financing institutions does not by itself guarantee effective access to finance. Evidence from Algerian startups indicates that financing constraints remain significant. Benlefki et al. (2024) found continued reliance on personal funds and a measurable use of informal finance, while Attia and Ait Bachir (2024) emphasize the importance of widening the range of available financial instruments. This suggests that the principal challenge is not merely the quantity of public money but the fit between financing instruments and the needs of different categories of firms.

For conventional micro-enterprises, subsidized or supported credit may be appropriate when expected cash flows are sufficiently predictable. Innovative startups, however, often experience a longer period of experimentation and may need repeated rounds of finance. Their assets are frequently intangible and their probability of failure is high, but successful firms may also grow rapidly. A financing system designed mainly around fixed repayment schedules can therefore underfinance high-potential innovation or place excessive pressure on firms before they reach the market. The development of venture capital, business-angel investment, crowdfunding under an appropriate regulatory framework, and other forms of risk-sharing finance can reduce this mismatch.

### **Second: Administrative Complexity and Institutional Fragmentation**

Entrepreneurs interact with multiple public bodies for registration, taxation, social security, banking, investment support, labeling, training, and financing. Even when each institution performs a legitimate function, the combined procedures can create delays and uncertainty. The World Bank (2021) highlighted the broader administrative burden historically associated with establishing and operating firms in Algeria. The significance of the 2023 decision is that it attempts to structure the processing of files and establish a recurring Committee procedure. To achieve its full purpose, however, procedural organization should be accompanied by interoperability among institutions and by digital tracking that allows applicants to know the status of their files and the reasons for any additional information request.

A one-stop process does not necessarily mean that a single institution must take every decision. Rather, it means that the entrepreneur should not be required to repeatedly provide the same information to unconnected institutions. A common digital project file, subject to data-protection safeguards, could allow the Agency, participating banks, and other authorized bodies to access the documentation relevant to their respective decisions. This would reduce administrative duplication while preserving institutional specialization.

### **Third: Transparency, Equality, and Accountability in Project Selection**

Public financing requires safeguards because the resources allocated to entrepreneurs are ultimately linked to public policy objectives. The recommendation already stated in this paper concerning equality and fairness in the examination of applications should therefore be operationalized through transparent procedures. Applicants should know the principal eligibility and scoring criteria before submitting their files. Decisions should be documented, and rejected applicants should receive a concise explanation identifying the principal deficiencies of the project. An internal review or appeal mechanism can further strengthen confidence where an applicant believes that the published criteria were incorrectly applied.

Transparency also improves economic efficiency. When entrepreneurs understand how projects are evaluated, they can invest effort in improving feasibility, market evidence, financial projections, and risk management rather than attempting to anticipate informal or inconsistent preferences. Standardized criteria should not prevent expert judgment, but expert judgment should be traceable to evidence. This is especially important for innovative projects because their novelty often requires qualitative evaluation in addition to conventional financial ratios.

### **Fourth: Post-Financing Monitoring and Enterprise Survival**

The effectiveness of a financing program should not be measured only by the number of approved files or the amount of money disbursed. These are input indicators. More informative measures include enterprise survival, job creation, revenue growth, repayment performance where debt is involved, innovation outcomes, export activity, and the capacity to obtain follow-on finance. Monitoring should therefore continue after the initial financing decision. The objective is not to interfere with ordinary management but to identify difficulties early and connect entrepreneurs with technical or financial support before problems become irreversible.

Post-financing monitoring can also generate institutional learning. If projects in particular sectors systematically fail for similar reasons, the Agency can adjust training, eligibility criteria, or mentoring. If successful projects consistently require additional finance after a predictable period, referral agreements with banks or equity investors can be developed in advance. In this sense, each financed project provides information that can improve the next generation of financing decisions. A digital monitoring system could aggregate such evidence while protecting commercially sensitive information.

### **Fifth: Measuring the Agency's Contribution to Economic Diversification**

The strategic justification for entrepreneurship policy in Algeria is closely linked to economic diversification. The IMF (2024) identifies private-sector development, improved access to finance, and a more enabling business environment as important components of Algeria's diversification agenda. The contribution of the National Agency should therefore be evaluated not only at the level of individual beneficiaries but also in terms of the economic activities it helps create. Particular attention can be given to sectors capable of generating local value added, technological learning, import

substitution where economically justified, non-hydrocarbon exports, and employment for skilled young people.

This does not mean that every financed project must be technologically advanced. Productive micro-enterprises and local services can have important employment and territorial-development effects. It does mean, however, that the policy framework should distinguish among objectives. An employment-oriented micro-enterprise program, an innovation-oriented startup program, and a high-growth venture-capital program involve different risk profiles and should not be evaluated by identical indicators. Clear differentiation would also make it easier to determine which projects should remain within the Agency's financing system and which should be referred to specialized startup or investment structures.

### Discussion

The analysis indicates that the National Agency occupies an important but bounded position in Algeria's startup and entrepreneurship financing system. Its principal strength lies in combining financial facilitation with project preparation, training, local-level evaluation, and administrative support. These functions are particularly relevant to first-time entrepreneurs who would otherwise face substantial informational and procedural barriers. The provincial Committee established under the 20 February 2023 decision can contribute to more structured financing decisions by ensuring that projects are reviewed through an organized process and by requiring a formal file containing the business plan, feasibility study, business model, and scoring sheet.

At the same time, the evidence reviewed in this paper does not support the assumption that the existence of support structures automatically resolves startup-financing constraints. Benlefki et al. (2024) report that support structures did not have a statistically significant effect on financing choices in their sample, while informal finance and personal resources remained important. This finding should not be interpreted as proof that public agencies are ineffective in general; rather, it highlights the need to evaluate the mechanisms through which support reaches entrepreneurs. An agency may provide valuable training or administrative assistance without necessarily changing the final source of capital. Conversely, an enterprise may receive public financing but still fail if market validation, managerial capability, or follow-on funding is inadequate.

The broader Algerian ecosystem presents both progress and continuing constraints. Bouras (2024) emphasizes the dynamism created by recent support measures, whereas Barkat and Assoul (2024) underline the ecosystem's continuing weaknesses. GEM (2025) similarly reports comparatively positive expert evaluations of government policy support alongside weaker conditions in entrepreneurship education. These findings are compatible rather than contradictory: Algeria has created a denser institutional architecture for entrepreneurship, but institutional expansion must still be translated into consistent capabilities, accessible finance, strong entrepreneurial skills, and effective coordination.

For this reason, the Agency's contribution should be assessed through a complementarity perspective. Public project support, bank credit, venture capital, incubation, university entrepreneurship, and market-development policies address different constraints. When these instruments are disconnected, entrepreneurs may move from one institution to another without a coherent financing pathway. When they are coordinated, the Agency can operate as a bridge between project conception and more advanced sources of finance. The central policy challenge is therefore to transform a collection of support institutions into an integrated financing ecosystem.

### Conclusion

Through this paper, based on the decision issued by the Ministry of Knowledge Economy and Startups dated 20 February 2023, which defines the organization and functioning of the Committee for the Selection Approval and Financing of Investment Projects established at the level of the Provincial Agency for the Support and Development of Entrepreneurship, as well as the procedures for processing and the contents of the files related to these projects, it can be concluded that Algeria has increasingly turned its attention toward entrepreneurship as a means of achieving the dimensions of sustainable development, particularly the environmental, economic, and social dimensions. This approach is reflected in encouraging innovation and benefiting from university graduates in order to build a productive economy capable of creating wealth. This orientation has been particularly evident through the establishment of the Ministry of Knowledge Economy, Startups and Entrepreneurship.

The preceding analysis also shows that the Agency's role should not be equated with the entire startup-financing system. Startups differ substantially from conventional small enterprises in their risk, asset structure, innovation intensity, and growth trajectory. Consequently, the financing instrument should be matched to the project rather than forcing all projects into a single scheme. Agency-supported financing remains particularly valuable for project creation and productive micro-enterprises, while innovative and scalable startups may require complementary equity or quasi-equity financing through

specialized structures such as the Algerian Startup Fund and other venture-capital actors.

The effectiveness of public entrepreneurship finance consequently depends on five connected conditions: accurate project selection, investment-readiness training, transparent and standardized procedures, coordination among financing and support institutions, and systematic post-financing monitoring. These conditions transform public financing from a one-time subsidy or credit operation into a process of enterprise development. They also provide a basis for evaluating public policy according to outcomes such as survival, growth, employment, innovation, and the capacity to attract additional finance.

Recent evidence on the Algerian entrepreneurial ecosystem indicates that public policy has created important institutional foundations, but financing and capability constraints remain. Strengthening the Agency therefore requires neither abandoning the existing framework nor assuming that additional public finance alone will solve the problem. A more sustainable approach is to improve the quality of intermediation between entrepreneurs and the different sources of capital available to them. In this framework, the Agency can perform a strategic gateway function at the provincial level, preparing viable projects, directing them toward appropriate financing instruments, and following their development after approval.

Based on this study, we have reached a number of recommendations, which can be summarized as follows:

The need to encourage and raise awareness about the transition toward a productive economy by opening up viable investment opportunities capable of contributing to the advancement of development.

The need to support owners of innovative projects and provide them with the necessary assistance and guidance to enable them to implement their projects.

The need for universities to contribute to the country's economic development by taking students' projects and theses seriously and giving them due consideration.

The need to ensure equality and fairness in the examination of applications submitted to the Provincial Agency for the Support and Development of Entrepreneurship, as well as in the procedures for processing these applications and determining their contents.

The need to publish clear project-evaluation and scoring criteria and to provide applicants with reasoned decisions, particularly when a project is rejected or returned for revision.

The need to distinguish financing pathways for conventional micro-enterprises from those intended for innovative, high-growth startups, so that debt, equity, and quasi-equity instruments are used in accordance with the project's risk and development stage.

The need to strengthen operational coordination among the National Agency, banks, the Algerian Startup Fund, incubators, university entrepreneurship structures, and other institutions so that entrepreneurs can be referred to the most appropriate source of finance.

The need to reinforce post-financing monitoring through measurable indicators relating to enterprise survival, employment, turnover, repayment performance, innovation, and access to follow-on finance.

The need to develop a digital and interoperable project-file system that reduces repeated administrative procedures while preserving transparency, data protection, and accountability.

The need to periodically evaluate provincial financing outcomes in order to identify territorial disparities and to ensure that the implementation of national criteria remains consistent across wilayas.

## References

1. Provisions of Articles 1 to 6 of the decision issued by the Ministry of Knowledge Economy and Startups, dated February 20, 2023, defining the organization and functioning of the Committee for the Selection, Approval, and Financing of Investment Projects established at the level of the Provincial Agency for the Support and Development of Entrepreneurship, as well as the procedures for processing and the contents of the relevant files.
2. Provisions of Article 2 of Executive Decree No. 03-290, dated September 6, 2003.
3. Hussein Youcef and Seddiki Ismail, "A Field Study of the Reality of Startup Creation in Algeria," *Annals of the University of Béchar in Economic Sciences*, Vol. 07, No. 01, 2021, p. 73.
4. Mostefa Bournane and Ali Souli, "The Strategy Used to Support and Finance Startups," *Economic Notebooks Journal*, Vol. 11, No. 01, 2020, p. 133.
5. Zaidi Abdelkrim and Ziouche Oussama, *Startups in Algeria*, Master's Dissertation in Academic Law, Business Law Specialization, submitted in partial fulfillment of the requirements for the Master's degree, Academic Year

- 2022–2023, p. 06.
6. Provisions of Article 06 of Law No. 15-21 concerning the Orientation Law on Scientific Research and Technological Development.
  7. Law No. 17-02 of 10 January 2017 concerning the Orientation Law on the Development of Small and Medium-Sized Enterprises, Official Gazette of the People's Democratic Republic of Algeria, No. 02.
  8. Executive Decree No. 20-254 of 15 September 2020 establishing the National Committee for granting the "Startup," "Innovative Project," and "Business Incubator" labels and defining its missions, composition, and functioning, Official Gazette No. 55.
  9. Executive Decree No. 20-329 of 22 November 2020 amending and supplementing Executive Decree No. 96-296 of 8 September 1996 and changing the denomination to the National Agency for the Support and Development of Entrepreneurship, Official Gazette No. 70.
  10. Baouch, D. (2023). "Analytical Study of the Provisions of Executive Decree 20-254 Establishing a National Commission to Award the Mark of an Emerging Institution, an Innovative Project and a Business Incubator." *Milev Journal of Research and Studies*, 9(1), 228–243. <https://doi.org/10.58205/mjrs.v9i1.1787>.
  11. Berger, A. N., & Udell, G. F. (1998). "The Economics of Small Business Finance: The Roles of Private Equity and Debt Markets in the Financial Growth Cycle." *Journal of Banking & Finance*, 22(6–8), 613–673. [https://doi.org/10.1016/S0378-4266\(98\)00038-7](https://doi.org/10.1016/S0378-4266(98)00038-7).
  12. Hall, B. H., & Lerner, J. (2010). "The Financing of R&D and Innovation." In B. H. Hall & N. Rosenberg (Eds.), *Handbook of the Economics of Innovation* (Vol. 1, pp. 609–639). Elsevier. [https://doi.org/10.1016/S0169-7218\(10\)01014-2](https://doi.org/10.1016/S0169-7218(10)01014-2).
  13. Cumming, D., Deloof, M., Manigart, S., & Wright, M. (2019). "New Directions in Entrepreneurial Finance." *Journal of Banking & Finance*, 100, 252–260. <https://doi.org/10.1016/j.jbankfin.2019.02.008>.
  14. Lerner, J. (2010). "The Future of Public Efforts to Boost Entrepreneurship and Venture Capital." *Small Business Economics*, 35, 255–264. <https://doi.org/10.1007/s11187-010-9298-z>.
  15. Benlefkı, S., Bouchetara, M., Saba, A., & Gahlam, N. (2024). "Financing Practices of Labeled Startups." *Financial Markets, Institutions and Risks*, 8(2), 119–140. [https://doi.org/10.61093/fmir.8\(2\).119-140.2024](https://doi.org/10.61093/fmir.8(2).119-140.2024).
  16. Attia, K., & Ait Bachir, L. (2024). "Sources of Funding Startups in Algeria: Towards Growth and Development." *Journal of Quantitative Economics Studies*, 10(1), 327–343.
  17. Boudjelal, H., & Gouigah, N. (2024). "Venture Capital: A Novel Financing Mechanism to Support Startups in Algeria—The Algerian Startups Fund as a Model." *Journal of Studies in Economics and Management*, 7(2), 504–521.
  18. Bouras, N. (2024). "The Startups Ecosystem in Algeria: A Dynamic and Booming Landscape." *Algerian Review of Economics and Management*, 18(2), 64–77.
  19. Barkat, D., & Assoul, M. L. (2024). "The Reality of the Entrepreneurial Ecosystem in Algeria: Opportunities and Challenges in Light of Global Indicators." *Journal of Economic and Financial Research*, 11(1), 499–515.
  20. Global Entrepreneurship Monitor. (2025). "Entrepreneurship in Algeria: 2025 Framework Review and Policy Roadmaps." Global Entrepreneurship Research Association.
  21. International Monetary Fund. (2024). Algeria: 2023 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Algeria. IMF Country Report No. 24/88.
  22. World Bank. (2021). "Reforming the Investment Climate to Help Algerian Businesses Thrive." World Bank Blogs, 14 December 2021.
  23. Ministry of Knowledge Economy, Startups and Micro-Enterprises. (n.d.). Startup.dz: National Startup Portal and Algerian Startup Fund information.