

الجمهورية الجزائرية الديمقراطية الشعبية
وزارة التعليم العالي والبحث العلمي



How to build your startup The funding

Seladji Yassamine

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Introduction

A start-up needs to be financed from its beginning and then during its development. The main difficulty for a start-up is to convince financial partners (bankers, investors, business-angels). To successfully fund a startup, the following conditions must be met:

- Have a project team that is coherent with the objectives to be reached.
- Design an interesting business model, with a product or service offer that meets real needs.
- The market study and the business plan will be analyzed.
- Obtain initial results that confirm the interest of the project.
- This can be a conclusive test of one of the products or services envisaged.

The steps of startup funding :

- Incubation phase: public funds and incubator.
 - The public or private incubator.
 - Financing through training, coaching and fundraising.
 - Example of university incubators and ENVREDET.
- Seed phase: Business Angels and seed capital.
 - Business angels provide financing solutions only to innovative projects.
 - Business angels bring not only funds to reinforce the equity of the company and allow it to break into its market, but also their experience and skills.
- Starting phase: venture capital.
 - Venture capital allows young innovative companies, which start their activity to increase their equity.
 - With venture capital, they benefit from support, advice and a powerful financial leverage effect by investors.
 - Venture capital is achieved by taking a minority and temporary stake in the capital of emerging companies.
- Growth phase: growth capital. Intervention in a mature company, during a new development phase (launch of a new product line, renewal of the production apparatus...)

0.1 Funding types

Several types of financing exist:

- own funds : The equity contributions of the startup's partners.
 - Money or savings of the partners.

- Assets other than money: a web application, a research project, a space...
- A minimum of equity is essential for the startup to find other sources of financing.
- fund raising : seed capital consists in raising funds for the start-up of a business or an activity. It is necessary to convince investors, by promoting the proposed concept and the team gathered around the project. The aids and competitions to help a startup to be financed. The state offers many devices to help a startup to finance itself. A startup can also participate in one or more business creation, innovation and startup competitions. Participating in a contest can allow to obtain a financial contribution and/or to meet investors.
 - The advantage: Equity financing and therefore no debt.
 - The disadvantage: A fundraising of a too important amount will strongly dilute the participation of the founding partners, which will complicate other subsequent fundraisings.
- loans : In order to obtain a bank loan for a startup, you must propose an interesting project and a complete market study. that the partners make a sufficient equity contribution. accept the guarantees that will be requested by the lending institution.
 - The advantage: no new partner enters the company's capital.
 - The disadvantage: the startup will have to repay the loan installments rather quickly. If the activity has not started, this may impact its cash flow.
- financial aid : it can be Public or private as investors.

Financial aid organizations in Algeria :

- l'Agence Nationale du développement de la Petite et Moyenne Entreprise : is a national non-profit agency. It helps companies in their evolutionary stages from creation to business development. It helps develop and support export and internationalization strategies.
- l'Institut National Algérien de la Propriété Intellectuelle : allows to protect the Algerian companies against industrial espionage and counterfeiting. It also allows companies to patent their innovations through intellectual property law.
- Les chambres de commerce d'industrie et de l'artisanat : they help financially the companies in the operations integration of new markets, even external ones. They make consultants available to companies to support managers in the integration of the innovation process.
- l'Agence Nationale du Développement des Investissements : It contributes in the valorisation of the national system of innovation in Algeria within the framework of the support and the financial support. It promotes companies that install incubators in the new city of Sidi Abdallah (Algerian Cyberpark entirely dedicated to the valorization of innovation).

- l'Agence Nationale de Valorisation de la Recherche et du Développement Technologique : has the mission to promote scientific research and technological development. It has incubators and nurseries intended to house startups during the two years following their creation. It helps project leaders to formulate their business plan and to go through the different stages of creation of innovative startups.