



The Role of Technology Business Incubators in Supporting and Mentoring Startups in Algeria

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Abstract:

This study aims to highlight the key role that startups have come to play in contemporary economies, as governments have sought to provide a number of support mechanisms for these enterprises. Perhaps the most prominent of these mechanisms are technology business incubators, which provide the necessary facilities and assistance for establishing startups, particularly those based on new technological initiatives. The significance of this study lies in highlighting the role played by startups through their contribution to enhancing creativity and innovation, as well as by strengthening the relationship between research centers and productive enterprises. The study



concluded that business incubators play a vital role in developing and supporting startups and transforming those ideas into successful projects within the framework of a national strategy for economic development.

Keywords: Technology, Business Incubators, Startups.

Jel Classification Codes : L26, M13, O31, O32, O38.

Introduction:

Startups play a significant role in contemporary economies as drivers of economic development. The concept of business incubators has grown extensively to provide necessary assistance and facilities, offering various services to encourage promising projects and provide support—due to the fragility of these startups or intense competition—until they are able to sustain themselves and compete in the external market. It is worth noting the significant attention that the topic of startups and entrepreneurship has received in Algeria in recent years, both from official authorities and academic bodies. However, this type of startup faces numerous difficulties due to its relative newness in Algeria, on the one hand, and on the other hand, because such enterprises face numerous challenges even in developed countries due to their adoption of innovative and creative ideas—which are typically high-risk—prompting banks to exercise caution when financing these types of projects. To overcome the many obstacles facing these enterprises—particularly regarding financing and management during the project’s early stages—numerous initiatives emerged starting in the 1960s, such as business incubators, which have proven to provide a platform for nurturing commercial ventures. The concept of business incubators gained significant traction during the 1990s, thanks to the vital role they played in supporting startups—which require advice, guidance, and venture capital to fund their operations and bring their ideas to fruition. Business incubators have become a growing phenomenon viewed globally as one of the most important tools for fostering entrepreneurship and developing startups;

Given the key role that startups now play in contemporary economies, and due to the vulnerability of these enterprises in the face of fierce international competition, governments have sought to provide a number of support mechanisms. Perhaps the most prominent of these mechanisms are technology business incubators, which provide the necessary facilities and assistance to establish startups—particularly those based on new technological initiatives—until they become capable of sustaining themselves and competing in the external environment. The objective of this research is to highlight the role played by technology incubators through their contribution to enhancing creativity and innovation, as well as strengthening the relationship between research centers and startups by transforming those ideas into successful projects that guide the national economy to keep pace with global economic developments

Research Problem: Despite the new trend toward promoting the startup sector through numerous decisions, mechanisms, and newly established bodies designed to create a new environment conducive to the creation, support, and development of startups, both the concept of startups and business incubators remain relatively new ideas in the Algerian business environment, as the launch and development of what are known as startups have been significantly delayed, and business incubators continue to face a number of obstacles. This has often led to the failure of many startup projects and businesses. In light of the above, we have chosen in this study to examine the



following research question: **What are the key factors for the success of startups? And what is the reality of this in Algeria?**

This study aims to address the topic by answering the following question: What is the role of technology business incubators in supporting innovation in startups?

Research Hypothesis: To answer the main question above, we propose the following hypothesis:

Technology business incubators contribute effectively to supporting innovation in startups, and the success of these startups depends on the individual characteristics of the entrepreneur and the extent to which the business environment responds to their needs;

Significance of the Study: The study derives its significance from the importance of startups and business incubators in supporting innovation to serve the national economy, as these institutions are considered one of the latest tools used to create and promote successful startup companies. Although there has been an increase in studies on this topic in recent years, Algeria remains far from the advanced stages reached by some countries. Therefore, attention must be paid to the challenges facing startups and business incubators in their efforts to support innovation within startups. The importance of this study is also evident in the need to expedite the provision of all factors and elements necessary for the success of startups in Algeria, thereby making them an economic model that can be adopted as a blueprint for the economic, social, and technological development of the national economy;

Objectives of the Study: The primary objective of this study is to highlight the role played by startups and business incubators through their contribution to enhancing the level of creativity and innovation in economic enterprises, as well as to strengthen the relationship between research centers and productive enterprises by transforming these ideas into successful economic projects that guide the national economy to keep pace with global economic developments. The study also aims to:

- Attempt to provide a theoretical grounding for the concept of startups in terms of terminology and law, as well as related concepts such as incubators, and to clarify their overlap with other concepts in Algerian legislation;
- To identify the various factors contributing to the success of startups and present the current situation in Algeria;
- To present and explain Algeria's new approach to promoting startups;
- To examine the reality of technology business incubators in Algeria;
- To identify the methods adopted by technology business incubators to support innovation and startups in Algeria.

Previous Studies: The following are the most significant studies that have addressed business incubators and startups:

- **A study by Sharifa Boualchaour (2018), titled: The Role of Business Incubators in Supporting and Developing Startups (A Case Study of Algeria).** This study aimed to identify the role of business incubators in launching and supporting startups. It concluded that business incubators support projects between the startup phase and the growth phase by providing them with the various tools necessary for the success of startups. The study also



found that startups in Algeria suffer from sustainability issues and high failure rates, which can be avoided by activating the role of business incubators;

- A study by **Insaf Qasouri (2020)**, titled: **Technology Business Incubators and Their Role in Supporting Creativity and Innovation in Algerian Startups**, aimed to identify the importance of technology business incubators and their role in supporting creativity and innovation in Algerian startups. The study concluded that, despite their recent emergence, Algerian technology business incubators play a vital role in developing the startup sector and increasing its competitiveness within the framework of a broad national strategy for economic development, by establishing a flexible legal framework that addresses modern challenges and enables the investment in and transformation of outstanding ideas and innovations into successful economic ventures;
- A study by **Salma Amara (2019)**, titled: **"Business Incubators... A Fundamental Requirement for Supporting Creativity and Innovation in Small and Medium-Sized Enterprises: The Experience of Incubators in Algeria and the Austin Technology Incubator in the United States as Case Studies,"** the study demonstrated that business incubators are among the most important modern and effective trends that have contributed to economic development by encouraging members of society to be creative and innovative in establishing small and medium-sized enterprises. Therefore, through this study, we aim to examine the reality of small and medium-sized enterprises in Algeria and to identify the role of business incubators in supporting creativity and innovation in these enterprises by analyzing the Algerian experience and the experience of the Austin Technology Incubator in the United States in this field;
- A study by **Houhou Mustapha (2017)**, titled: **The Role of Technology Incubators in Building a Knowledge Economy, with Reference to the Sidi Abdallah Technology Park,** The study aimed to highlight the role of technology business incubators in enhancing the level of innovation by transforming creative ideas into wealth, as well as by strengthening the relationship between research centers and economic enterprises, The study concluded with several findings, the most important of which is that technology business incubators play a significant developmental role by working to attract and localize technology or generate it locally.

Methodology: This study adopted a descriptive approach to provide a theoretical foundation for the concept of business incubators and startups and the factors contributing to their success. It also employed an analytical approach to discuss and analyze the success factors of startups and present the current situation in Algeria, in order to address the study's research question and test the adopted hypothesis. In addition, a case study approach was used to highlight Algeria's experience by attempting to present and explain the country's new direction toward promoting startups, all with the aim of reaching conclusions and providing recommendations for the study;

The First Axis: The Theoretical Foundations of Business Incubators

The history of business incubators dates back to 1959, when a family converted the headquarters of their defunct company into a business center where units were rented to individuals



wishing to establish a business, while also providing them with advice and consultation, This idea met with great success, as the location was a business district close to a number of banks, shopping areas, and restaurants. This idea later evolved into what is known as a business incubator, and since then, thousands of small and medium-sized enterprises have been established in this center;

1- The Concept of Business Incubators:

These are organizations that support entrepreneurs with ambitious ideas and sound business plans, and some of the resources needed to realize their ambitions. They provide a suitable working environment during the critical early years of a project and increase the chances of success by handling technical and administrative aspects at a nominal cost, allowing the entrepreneur to focus on the core of the business for a specific period, after which the relationship diminishes and transitions into a new initiative (Masoudi, March 2018, p. 50) ;

These are legal entities that may be public, private, or mixed institutions, and they are usually located at or near universities and research laboratories to take advantage of their services. These entities often possess infrastructure, equipment, expertise, organizational capabilities, and a network of relationships. Business incubators are managed by specialized teams that may take the form of cooperatives run primarily by volunteers, or they may take the form of professional and sophisticated organizations. These entities may also take the form of virtual incubators without a physical presence. They work to assist entrepreneurs aiming to establish innovative enterprises in the fields of manufacturing, services, and research and development... by harnessing their material, human, and even financial resources to support them and enable them to overcome the difficulties they face during their establishment, and this during an incubation period not exceeding three years (Hussein Rahim, 2003, p. 02) ;

2- Types of incubators:

There are many business incubators (Ben Shaib and Saadi, June 2019, p. 57) . Business incubators can be categorized into several types based on established classifications, which are summarized as follows (Abu al-Qahf, 2001, p. 70) :

2-1- Business incubators by scope of operation: In this context, we distinguish between regional incubators and international incubators.

2-1-1- Regional incubators: These incubators operate within a specific geographic scope;

2-1-2- International incubators: Some business incubators help attract foreign companies to operate in their countries by facilitating their entry into these countries and preparing them to operate in their markets. On the other hand, there are international business incubators that operate in the field of technology transfer. There is also a category of business incubators that promotes the export of local products by supporting exporting firms and equipping them with the capacity to operate in foreign markets.

2-2- Business Incubators by Type of Presence: In this context, we distinguish between the following types of incubators (Atef El-Shabrawy, 2003, p. 57) :

2-2-1- Business incubators with a physical presence: These are incubators characterized by having a specific location;

2-2-2- Virtual incubators: These incubators do not have physical spaces to house startups, but they can provide various services to startups. This type of incubator can be found in



chambers of commerce and industry, and we can also include in this category incubators that operate in the internet sector by providing services to companies working in the internet sector.

2-3- Business Incubators by Field of Activity: According to this criterion, the following types of incubators can be distinguished:

- 2-3-1- **General business incubators:** These incubators support various startups located in a specific region, particularly those engaged in innovation and renewal;
- 2-3-2- **Specialized business incubators:** These are organizations that incubate enterprises operating in a specific sector;
- 2-3-3- **Technology and research incubators:** These are incubators that specialize in supporting organizations working in the field of research, development, and technology dissemination. They are often located within universities, research and development centers, science cities, and science and technology parks, or they are affiliated with them to benefit from their services; They may also be found within organizations and companies that incubate small, innovative enterprises;

Science and technology cities are characterized by their large scale, spanning multiple cities, and specialize in supporting organizations working in the field of new technologies by connecting them with large companies, universities, and research and development centers. Science and technology parks, on the other hand, perform the same function as science and technology cities but operate on a smaller geographical scale.

2-4- Business incubators classified by their profit orientation: These include (:

- 2-4-1- **Non-profit business incubators:** These are incubators specializing in public research that serves society as a whole;
- 2-4-2- **For-profit incubators:** These are entities affiliated with the private sector or with a public institution, such as universities, but they provide their services for the purpose of generating profit. These incubators have benefited from advances in the field of media and communication, such that some operate in the field of knowledge and information technology, which knows no walls or boundaries.

2-5- Incubators by Ownership Type: A distinction can be made between state-owned incubators and those owned by the private sector (Ayman Ali, 2007, p. 108) :

- 2-5-1- **Public business incubators:** These are state-run incubators, often located near universities and research centers;
- 2-5-2- **Private business incubators:** These are for-profit incubators, often located in major business schools or engineering schools... However, their contribution to the creation of new businesses is limited; in France, for example, the percentage of businesses established through this framework did not exceed 4%;
- 2-5-3- **Private-sector incubators:** These incubators aim to generate profit by taking a stake in the capital of the associated enterprise. Since their resources from this source may not be sufficient, they sometimes resort to contracting work.

2-3- Business incubators targeting specific segments of society: There are incubators that accept pioneering projects from specific groups within society. In China, for example, there are



incubators specifically for students studying **abroad**, designed to encourage them to return home. In France, there is a type of incubator known as “La Fédération Pionnière” that assists women with projects to establish innovative service-based enterprises.

3- The Role of Business Incubators:

Among the roles assigned to business incubators are the following (:

- Promoting entrepreneurs in various industrial, commercial, and agricultural sectors;
- Supporting, protecting, and developing new small and medium-sized enterprises;
- Addressing specific or unique economic challenges;
- Contributing to the development of institutional infrastructure;
- They help foster entrepreneurship and encourage a spirit of risk-taking;
- They serve as the experimental laboratories needed to develop the ideas of academics and researchers at universities and research centers before they are commercially adopted;
- Facilitate access to appropriate funding sources for growing organizations;
- Organize investment seminars to attract potential investors to these organizations;
- Sometimes takes an ownership stake in these enterprises, thereby generating independent revenue streams as a result of the growth of the enterprises in which it participates;
- Providing legal services to affiliated institutions, such as incorporation, registration, drafting of licensing agreements, and matters related to intellectual property protection and patents.

4- Services Provided by Business Incubators:

Business incubators provide all types of services required for the establishment of startups, which can be listed in the following table:

Table No. (01): Services Provided by Business Incubators

Type of Service	Examples
Administrative Services	Company formation, accounting services, invoicing, equipment rental
Secretarial services	Word processing, document copying, receptionist duties, file management, fax, internet, and correspondence management.
Financial Services	Assistance in obtaining financing through financial institutions or government programs for small businesses.
Worker Services	Security, training facilities, computers, library, etc.
Follow-up and personal services	Providing advice and quick, direct assistance.

Source: (Sufyan bin Abdulaziz and Samir bin Abdulaziz, February 2018, p. 106) ;

5- Objectives of Technology Business Incubators: Technology business incubators aim to achieve direct objectives related to startups, as well as other indirect objectives (Mohamed Heikal, 2003, p. 196) :

5-1- Direct Objectives: Business incubators aim to achieve a set of other objectives, namely:

- Supporting small start-ups at their launch by reducing the risks they face (technical, financial, administrative, legal, etc.) and the associated costs, while simultaneously fostering an entrepreneurial culture among investors;



- Enabling start-ups to enter the market as quickly as possible;
- Supporting small start-ups in creating new products;
- Directing investors toward high-tech projects;
- Selecting suitable locations for small startups based on the surrounding environment;
- Encouraging small startups to collaborate with one another to overcome the challenges they face;
- Supporting collaboration between the business sector, research centers, and universities, which facilitates the transfer of knowledge from universities and research centers and its application in the economic sphere.

By achieving these objectives, technology business incubators will have succeeded in their primary goal of ensuring the success of the largest possible number of startups that serve the community, which in turn enables them to generate revenue that allows them to continue their operations.

5-2- Indirect Objectives: In their pursuit of the aforementioned objectives, business incubators achieve a number of other objectives, which are: (Younis Adnan, 2010, p. 64) :

- Increasing the number of successful enterprises, particularly those relying on modern technology, which leads to the expansion of the industrial base and the stimulation of economic activity;
- Creating numerous job opportunities, thereby raising income and living standards;
- Developing human resources and training startup owners to enhance their managerial capabilities;
- It also serves as a suitable framework for the rehabilitation of certain segments of society in specific areas of economic activity.

In this context, it is worth noting the cooperation between UNIDO and the Pakistani government to establish an incubator that absorbs retired military officers and trains them to manage their own projects.

The Second Axis: The Reality of Startups in Algeria:

The concept of startups is among the most widely discussed in Algeria in academic, media, and political circles, highlighting the state's desire to promote this type of enterprise for several objectives, primarily related to achieving economic diversification, encouraging investment outside the hydrocarbon sector, leveraging scientific research and scientific expertise, and curbing brain drain, as startups are intended to serve as a lever for economic and social development based on knowledge and technological advancement;

1- The Theoretical Foundation of What Start-ups Are:

The concept of startups has become the most widely used and prevalent term in recent years as a model aligned with economic changes and globalization, characterized by the growing influence of technology on economic life, which is moving toward what is known as the Fourth Industrial Revolution and the knowledge economy; Nevertheless, this concept remains shrouded in ambiguity and overlaps with other concepts, particularly small and medium-sized enterprises (SMEs), to the extent that academic researchers and practitioners have not agreed on a comprehensive and clear definition, even though some countries have attempted to establish specific criteria to define it, at



least from a legal standpoint, as is the case in Algeria. In this context, in this first section, we attempt to outline the theoretical foundations of what startups are;

1-1- **Definition of Startups:** The term “**startup**” originates from the English word “startup,” which conveys the launch and growth of a company; perhaps this is why many consider startups to be only those that are new. Furthermore, this type of company, which first emerged in the United States in the early 1970s, was associated with the rise of the venture capital industry, which focused primarily on the technology sector, particularly information and communication technology: This leads many to associate startups with the technology sector, as is the case in the French dictionary definition, which describes them as “those young, innovative enterprises in the modern technology sector” (;

Recently, researchers have sought to provide more comprehensive and precise definitions. Some focus on the concepts of creativity and innovation to define startups, such as Rawat et al. (2016), who define them as “any young, dynamic organization built on technology and innovation, whose founder seeks to capitalize on the development of an unknown product or service to create new markets” (Bin Fadel and Tafar, 2020, p. . In this context, some researchers emphasize the concept of rapid growth and growing markets, such as Paul Graham, who asserts that startups are “those designed to grow quickly and whose mission is to create and market new technology” (Dahmani.J & Miloudi.M, 2020, p. 113) (Bin Fadel & Tafar, 2020, p. 201) , and likewise, they are those that “have a great capacity for growth and expansion in markets”;

The term “startup” is defined in the English dictionary as a small project that has just begun. The word “start-up” consists of two parts: “start,” which refers to the idea of launching, and “up,” which refers to the idea of strong growth. The term began to be used immediately after World War II, with the emergence of venture capital firms, and its use became widespread thereafter. Today, the term is defined by the French dictionary La Rousse as “young, innovative companies in the modern technology sector” (Boudiaf & Zoubir, 2020, p. ;

A startup is defined as “a prominent new commercial venture aimed at developing a viable business model to meet a specific market need or customer problem” (SZAREK & PIECUCH, 2018, p. 57) ;

It is also defined as: not a miniature version of a large organization, but rather a temporary entity used to search for a sustainable, scalable business model (GEMETO, 2019, p. 48) ; and is characterized by (TARILLON & ENJOLRAS, 2019, p. 67) :

- Newly established institutions;
- Institutions with the potential for gradual and increasing growth;
- Organizations related to technology and primarily dependent on it;
- Organizations that require low costs.

Startups are also characterized by creativity and the ability to make a significant impact.

The term “startups” refers to new organizations that intend to outgrow their founders, have employees, and plan to grow significantly. They also face a high degree of uncertainty and, in many cases, have high failure rates for various reasons, yet they possess the potential to become large and influential (Abdul Hamid & Hassain, 2020, pp. 09–10) ;



A startup is an organization that seeks to market and launch a new product or innovative service, targeting a large market, regardless of the company's size, sector, or field of activity. It is characterized by high uncertainty and risk in exchange for strong and rapid growth, with the potential to generate huge profits if successful (Bualshour, 2018, p. 420) ;

The term “startup” refers to young, fledgling organizations that face two options: either to develop and transform into successful organizations or to close their doors and incur losses. Startups are organizations in the initial phase of their operational life, and are often funded by their entrepreneurial founders in an attempt to capitalize on the development of a product or service they believe is in demand (Bakhti and Bououina, 2018, p. ;

The Algerian legislature has defined it in accordance with Article 11 of Executive Decree No. 20-254 dated 27 Muharram 1442, corresponding to September 15, 2020, which establishes a national committee to grant the designation of startup, innovative project, and business incubator, and defines its tasks and operational procedures: A startup is any entity subject to Algerian law that meets the following criteria (Official Gazette of the Algerian Republic, 2020, p. 11) :

- The enterprise must not be more than eight (08) years old;
- The company's business model must be based on goods, services, a business model, or any innovative idea;
- The annual turnover must not exceed the amount set by the National Committee;
- At least 50% of the company's capital must be owned by natural persons, accredited investment funds, or other entities holding the startup designation;
- The number of employees must not exceed 250.

Pursuant to Article 14 of the same executive decree, the startup label is granted to the enterprise for a period of four (04) years, renewable once (Official Gazette of the Algerian Republic, 2020, p. 11) ;

In conclusion, it can be said that startups are any companies with strong growth potential in the coming years, relying on continuous innovation to expand and create new markets. They may operate in any sector, but most often they are in the modern technology sector, as these markets are still young enough to absorb new innovations and allow for the desired growth if adequate funding is available at the right time to sustain it.

1-2-The Startup Life Cycle: Several stages can be distinguished in the life of startups, linked to their level of growth (. . It can be said that startups go through six (06) stages during their life cycle, which are as follows (:

1-2-1- Stage 1 (Ideation): This is the research and development stage, where the entrepreneur has an initial project idea and studies and refines it to verify that it is a real business opportunity;

1-2-2- Stage Two (Launch): This is the starting point. This stage is characterized by a “black spot” because the failure rate is extremely high;

1-2-3- Stage Three (Growth): In this stage, the startup expands its activities, products, and services both horizontally and vertically to secure a strong market position;



1-2-4- **Stage Four (Maturity):** During this phase, some startups find themselves facing market saturation, requiring them to seek solutions to boost demand through increased differentiation and innovation across all activities;

1-2-5- **Stage Five (Decline):** This is the stage of aging, where the company faces several issues, including succession, transfer of ownership, and wealth distribution;

1-2-6- **Stage Six (Relaunch or Transformation Strategy):** This is the most critical stage in the life of a startup. Startup owners must adopt a strategy that ensures the company's survival, namely innovation.

1-3- **Characteristics of Startups:** We can distinguish startups by their specific characteristics as follows:

- Achieving sustained growth through high revenue generation;
- Unstable or emerging markets;
- A focus on creativity and innovation, which reflects the ability to generate new ideas to solve problems in a way that is positive and beneficial to the individual and society (Zidan & Saadi, 2020, p. 100) , Creativity is one of the strategic pillars of startups that work to attract creative talent and foster a culture of creativity within the company, while providing space and freedom for creativity and risk-taking for everyone, in order to rapidly develop new products that give them a competitive edge (Noy and Dahan, 2020, p. 5) ;
- The importance of partnerships and collaboration with stakeholders: so that the startup can focus on developing and marketing its product, it relies on building strategic alliances to strengthen efforts and accelerate the realization and exploitation of business opportunities (Iselin.F & Bruhat.T, 2003, p. 79) ;
- The Role of Human and Intellectual Capital: According to Éric Ries, a startup is “a human organization designed to create products or services under conditions of extreme uncertainty” (Start it Up, 2015, p. 129) ;

1-4- **The importance of startups:** Startups have economic, social, and scientific significance as they are based on the commercialization of scientific research, which serves the well-being of modern societies and meets their new needs in line with the age of speed. Startups are considered an economic model that responds to the characteristics of society and its demand for rapid results, rapidly meeting needs and rapidly generating profits;

Many startups have succeeded in creating wealth and added value and supporting the economies of several countries, such as the United States and East Asian nations like South Korea, thanks to the development of innovative products and services that have created new job opportunities and provided accessible, low-cost solutions for communities;

2- **Algeria's new approach to promoting and supporting startups:**

This new direction has emerged through numerous decisions, mechanisms, and newly established bodies aimed at creating a new environment conducive to the creation, support, and development of startups, as officials emphasize —particularly through the ministry established in 2020 for small businesses, startups, and the knowledge economy, as well as the delegated ministries it has spawned for incubators and micro-enterprises—the goal of establishing 5,000 startups in the



current year of 2021; This new approach by Algeria’s public authorities has been reflected in several decisions, mechanisms, and newly established bodies, which we summarize below:

2-1- Establishment of a new legal and regulatory framework: This is intended to define startups and incubators, as well as terminology specific to the knowledge economy ecosystem, as set forth in Executive Decree No. 20/254 dated September 15, 2020 (Official Gazette of the Republic of Algeria, 2020) , with the aim of streamlining the procedures for establishing these entities and defining methods for evaluating their performance and means of supporting and financing them, such as the tax incentives and reliefs provided for in the 2020 Finance Act for startups active in the fields of innovation and new technologies, including exemption from income tax and value-added tax, while also facilitating these companies’ access to real estate to expand their investment projects, with the aim of supporting them during the start-up phase and ensuring their subsequent development;

2-2- The new legal definition of startups in Algeria: as set forth in Executive Decree No. 20-254 through the following conditions:

- The enterprise must be subject to Algerian law, meaning it operates within Algerian territory;
- It must not be more than 8 years old, as the startup designation remains valid for 4 years and may be renewed once for an additional 4 years;
- Its activities must focus on the production of goods or services that incorporate an innovative concept;
- Its turnover must not exceed the maximum turnover threshold for SME status (4 billion Algerian dinars);
- The enterprise’s activities must demonstrate significant growth potential;
- The number of employees must not exceed 250 (as is the case with the employee cap for small and medium-sized enterprises);
- At least 50% s of the company’s capital must be owned by natural persons, accredited investment funds, or another startup;

This definition contains some contradictions. While it requires high growth rates (which is the essence of the definition of startups), it also caps the number of employees and the size of the turnover so that the company remains within the category of small and medium-sized enterprises—a classification that, given their rapid growth rates, startups are likely to outgrow. On the other hand, setting an age limit of 8 years is restrictive because a company can be a startup even if it has exceeded this period. The third observation is that this definition does not clearly and precisely specify what it means for the enterprise’s activity to include an innovative idea. Overall, these restrictive conditions remain aimed at granting the “startup label” and the resulting benefits of facilities and incentives, as failing to obtain the label or not meeting the legal definition’s requirements does not mean the company is not a startup in reality.

2-3- Modernizing the Incubator Sector: Although incubators have been in place in Algeria since 2003 and a number of them exist nationwide, only a limited number are actually active, the most notable being the Sidi Abdallah Technology Incubator in the capital. Incubators in Algeria



suffer from several shortcomings, perhaps the most notable of which is the confusion surrounding their naming, as the term “nurseries” was used (despite a fundamental difference between the two concepts: incubators nurture a project from the very inception of the idea, whereas a nursery supports the project after it has been established), In addition, the support and services they provide are weak due to “the dominance of the public service mindset over their activities and the multiplicity of agencies overseeing them, such as the Ministry of Industry, the Ministry of Post and Telecommunications, and the Ministry of Small and Medium Enterprises... which has led public authorities to reorganize incubators through a new vision" (Abdelhamid and Hassain, 2020, p. 17) , The new measures adopted by the Ministry in charge of incubators were intended to resolve this ambiguity and clarify their role and overlap with the concept of technology parks through a legal definition of incubators and the strengthening of their structures via the new Executive Decree No. 20/254 dated September 15, 2020, which we discussed earlier, The first decision was to transfer the oversight of the National Agency for the Promotion and Development of Technology Hubs to the Ministry of Small and Start-up Enterprises and the Knowledge Economy, after it had previously been under the Ministry of Post and Communications, In addition to the role of the National Agency responsible for granting the “business incubator” designation to any legal entity that applies for it as a specialist in incubating startups and innovative projects, where “business incubators” are defined as “an organization that incubates new companies by providing a flexible legal and economic framework for their growth,” It is also defined as “a set of programs prepared by the government that includes training or other services aimed at helping small companies within the incubator gain a better chance of survival in their early stages,” A number of incubators have been launched, particularly university-based ones, in addition to the launch of a business incubator for startups specializing in the transportation sector, Naql-tech , affiliated with the transportation sector, which took place at the end of December 2020;

Under the new regulations governing business incubators, they can be divided into three types: (Abdulhamid & Hassain, 2020, p. 17) :

- Technology incubators, which incubate technology-based projects;
- University incubators, which focus on incubating ideas and research projects through university research centers and laboratories;
- Industrial incubators, formerly known as “nurseries,” which incubate industrial and production-oriented projects to facilitate the establishment of small and medium-sized enterprises.

These incubators may be public, private, or public-private partnerships. Among the conditions for granting the “business incubator” designation are: having a list of movable equipment made available to startups; offering training and mentoring programs, as well as advisory and guidance services; and a focus on the scientific and professional expertise of the incubator’s team so that it can provide the following comprehensive services:

- Hosting the incubated startups and providing them with workspaces suited to the nature of their activities;



- Supporting entrepreneurs throughout the process of establishing their companies and providing them with all forms of services and consulting;
- Assisting startups in developing business plans, financing plans, and various market studies;
- Providing specialized training, particularly in business management, accounting, and legal consulting;
- Providing logistical services such as audiovisual equipment, meeting rooms, internet access, and office services;
- Supporting startups in securing funding and expanding into new markets.

In return, business incubators benefit from assistance and support measures provided by the state as part of efforts to improve and promote the environment for startups and innovation.

2-4- Establishment of a committee responsible for awarding the "Startup"/"Innovative Project" label under specific conditions, as well as the "Business Incubator" label: granting these labels facilitates access to benefits, financing, and offers from public sectors and institutions; however, failure to grant such a label does not preclude the entity from carrying out its activities, in addition to opening the door for the private sector to operate in the field of business incubators, whereby any legal entity wishing to specialize in supporting and incubating startups and innovative projects may now be granted an incubator designation under specific conditions;

2-5- Establishment of the National Fund for Financing Startups: The decision to establish this fund followed the National Startup Conference "Algeria Disrupt 2020," attended by the President of the Republic and the Prime Minister, with the participation of over a thousand attendees from startups, incubators, representatives of government and financial bodies, economic operators, experts, and representatives of associations, universities, and research centers. Public banks and the National Agency for the Promotion and Development of Technology Parks contribute to this fund, It aims to finance all startup creation processes and enable their founders to bypass banks and bureaucratic procedures, relying on a financing mechanism based on "equity investment rather than traditional loan-based financing mechanisms."

2-6. Transformation of the National Agency for Youth Employment Support into the National Agency for Entrepreneurship Support and Development: This aims to encourage entrepreneurial initiatives and foster activities with diverse and effective economic returns. The agency has been under the jurisdiction of the Ministry of Small and Start-up Enterprises and the Knowledge Economy since May 5, 2020, after having previously been under the authority of the Ministry of Labor and Employment. New tasks and functions were assigned to it pursuant to Executive Decree No. 20-374 dated December 16, 2020, which sets forth the conditions and level of assistance provided to young people with business projects. The new measures aim to:

- The creation of micro-enterprises;
- Creating a favorable environment to encourage entrepreneurship;
- Modernizing the business creation process by streamlining administrative procedures;
- Modernizing and digitizing administration and management;
- Managing specialized and equipped micro-business zones for the benefit of micro-enterprises.



2-7- Launch of an online platform for startups and small businesses: Launched on October 15, 2020, this platform centralizes data for all stakeholders in the startup ecosystem, serving as a resource for future partnerships with leading public and private companies across various future projects;

2-8- Project to establish a National Innovation Council: Placed under the authority of the President of the Republic, this initiative works to establish the legal framework for technology transfer institutes. The pilot phase will be launched at two universities through the creation of two centers specializing in artificial intelligence and the internet, in collaboration with Algerian experts abroad. The aim is to leverage innovative ideas and initiatives, as well as national scientific research capabilities, to serve the development of the knowledge economy.

2-9. Proposal to establish four types of economic zones nationwide: "Startup Cities" that serve as incubators for startups and other investments, offering financial and tax incentives; in other words, creating a form of competitive hubs or industrial clusters. In addition to other measures such as transferring the Regional Technology Hub (*HUB*) for startups—currently being developed by Sonatrach at the “Dunia Park” wind farm—to the Ministry of Small and Medium-Sized Enterprises, Startups, and the Knowledge Economy; as well as enabling innovative project leaders and startups to benefit from available spaces within institutions affiliated with the youth and vocational training sectors at the national level; Encouraging local communities to create spaces dedicated to startups, giving priority to regions with significant potential for innovative entrepreneurs, such as the provinces of Bechar, Ouargla, Constantine, Oran, Tlemcen, Setif, and Batna, before expanding this initiative nationwide;

The Third Axis: The Role of Business Incubators in Supporting Startups

Business incubators focus exclusively on nurturing pioneering, innovative startups that demonstrate their ability to grow and sustain operations in the fields of marketing, services, and management. Unlike traditional companies, they possess many distinctive features evident in their efforts to produce products that have the potential to transform how people live and work, rather than merely improving performance within the context of producing a specific product—achieved by striving to create products with extended lifespans. Leading organizations are also distinguished by their ability to engage with a wide range of customers through tenders and supply orders. Furthermore, these organizations are characterized by their capacity to generate high added value, enabling them to achieve high net profit margins and sustain rapid growth.

1- Projects and services provided by business incubators to startups:

During their temporary incubation of startups, business incubators provide a range of services, including: (Barah Fatma Al-Zahra, 2018, p. ;

- Enabling startups, after incubation, to secure a reasonably priced rental space for a limited period, as well as providing logistical resources such as meeting rooms and office supplies;
- Enabling startups to familiarize themselves with and integrate into their environment, and assisting them in securing funding through connections with investors;
- Promoting incubated startups through the media and participation in various exhibitions, as well as enabling them to benefit from the networks connecting incubated startups, in addition to helping them organize events at their workspaces;



- Enabling startups to acquire knowledge by assisting them in developing their business plans, as well as filing patents and handling all matters related to intellectual property;
- Incubators also serve as a suitable framework to help startups transfer and localize technology, particularly when it comes to technology that does not require significant investment;
- Assisting incubated enterprises in entering markets, relying on the large companies with which they are affiliated;
- Continuously assessing the status of incubated startups to identify their challenges and potential solutions, and leveraging this expertise to support other startups.

The business incubators are detailed in the following table:

Table No. (02): Business Incubators during the period 2011–2019;

No.	Year	Number of Incubators	Number of Incubated Projects	New Enterprises	New jobs	Note
01	2011	4	33	19	68	View all statistics
02	2012	4	29	28	363	View all statistics
03	2013	4	37	37	375	View all statistics
04	2014	13	134	104	1025	View all statistics
05	2015	13	135	84	397	View all statistics
06	2016	16	158	70	576	View all statistics
07	2017	16	161	83	546	View all statistics
08	2018	16	186	93	539	View all statistics
09	1 st Semester 2019	17	-	-	-	Not all statistics are available

Source: (Rajab, Zarrouki, and Yahya Bay, 2020, p. 29) ;

2- How Startups Are Incubated:

Business incubators receive and review the applications submitted to them based on criteria set by a committee of experts. The incubation process allows accepted projects to benefit from a range of services provided by the incubators. The incubation process for a startup goes through the following stages (Taher Mohamed, 2012, pp. 74–75) :



2-1- Initial Interview Stage: During this stage, project owners must prepare a feasibility study outlining the economic, technical, and marketing viability of the project. Subsequently, incubator managers meet with the startup owners to assess their seriousness and compliance with incubation criteria, as well as to discuss the various aspects of the feasibility study. Given that technology business incubators are more interested in new technological ideas whose implementation can lead to success as quickly as possible, they set conditions for selecting the startups they incubate. These conditions are as follows:

- ✓ The entrepreneur must have a clear vision for the project, which is based on a viable idea that can be patented, and the organization's management must have a clear business plan;
- ✓ The project must have the potential for rapid growth, enabling it to complete the incubation period within three years and to continue operating after leaving the incubator;
- ✓ The project must serve the community through the benefits it provides;
- ✓ The project's ability to secure the necessary funding;
- ✓ The project owner's ability to begin implementing the project as soon as possible to save time;
- ✓ The project must have the capacity to utilize advanced production methods that enable the creation of new, distinctive, high-quality products, thereby establishing the project's position among existing institutions;
- ✓ The ability to integrate with existing institutions in the field to expand the industrial fabric, with all the resulting benefits;
- ✓ The project has the potential to develop new managerial and technical skills to complement existing capabilities.

2-2- Project Plan Development Phase: If the project is accepted, the project manager is responsible for developing the project plan to be implemented within the incubator.

2-3- Stage of the startup joining the incubator and beginning project implementation: Upon completion of the project's establishment, an incubation agreement is signed, under which the project is provided with a space to conduct its activities. This space is determined based on the type and scale of the activity and is equipped with the necessary resources for conducting the activity, such as offices and laboratories, equipment, IT and communication services, as well as support services for cleaning, maintenance, and security, along with storage and shipping facilities... All of this is provided in exchange for a reasonable financial contribution from the startup.

2-4- Operation and Development Phase: This phase is considered the most critical in the life of the new project, as the project begins its operations with the incubator's assistance. During this phase, the startup receives support from the incubator in the form of various services, such as:

- ✓ Providing technical and informational services, along with access to experts from research firms or universities;
- ✓ Assisting startups in securing the necessary funding, with the possibility of the incubator contributing to the startups' capital, in addition to supporting them in attracting investors through seminars organized for this purpose;
- ✓ Providing legal services related to establishing companies and protecting their intellectual property and patents. These services are available at relatively low prices because the



incubated startups receive them collectively and continuously over a relatively long period; thus, the cost of such services is low enough not to burden the startup;

- ✓ Startups can utilize the national and international networks available to incubators, enabling them to benefit from the services, seminars, and forums these incubators offer, which allow them to stay informed about the latest developments in the business world. Furthermore, startups that have graduated from incubators can continue to receive assistance from the incubators at a reasonable cost, in addition to benefiting from the experience of other graduated startups;
- ✓ Incubated enterprises benefit from the administrative, training, marketing, and consulting services provided by incubators both before and during the incubation phase.

2-5- Graduation from the Incubator: After a period of working under the incubator's supervision, the startup completes the incubation phase and gains the ability to operate independently outside the incubator.

3- Methods used by technology business incubators to support innovation in startups:

These include (:

3-1- New Products: Product innovation is a process through which various forms of knowledge are utilized to create a new product or improve an existing one, with the aim of generating revenue by attracting a specific consumer segment—or, in other words, capturing market share. Product innovation cannot yield the desired returns for startups unless it is accepted by the target consumer segment, in addition to requiring costs that are not excessive. The risk facing startups lies in the possibility that other companies may outpace them in innovating a product that is economically viable on the one hand, yet detrimental to the company lagging behind in innovation on the other. From a strategic perspective, product innovation serves as a defensive strategy to ensure a company's continued competitiveness. Thus, innovation has a fundamental goal: to provide companies with competitive advantages and capabilities that set them apart from other firms through one or both of the following approaches:

- **The first approach:** offering products of the same quality as those on the market but at a lower price, because the organization has managed, through innovation, to reduce production costs
- **The second approach:** offering competitive products that better meet consumer expectations compared to competitors' products; these products can be sold at a price similar to or higher than competitors' prices because they offer additional features and superior quality compared to competitors.

3-2- Product Manufacturing Methods: One cannot speak of product innovation unless there is innovation in the methods of producing that product with new specifications and distinctive features, in addition to the quantities produced and the production time. Consequently, this results in a set of advantages, including the development or improvement of a previous product, mass production, and production using the latest methods. This is what enables the company to reduce costs, and this advantage in itself is a competitive edge that the company uses to ensure the survival of its products. Consequently, it is essential to find or develop the tools through which these products can be improved or developed.



3-3-Development of work tool technologies: The development and improvement of organizational methods and techniques for work management facilitate communication channels and ensure they serve their intended purpose, with implementation being swift and effective. This enables the ability to guarantee the continuity of the production process under the best conditions and through the fastest and most efficient means (Salma Amara, 2019, p. 108/122) ;

It appears that the various elements mentioned above, taken together, form a seamless, integrated cycle that embodies the essence of innovation in work management techniques—an innovation capable of driving creative and exploratory capabilities, and thereby the potential to develop new products or manufacturing techniques. This yields positive results for the enterprise and its environment, strengthening its competitive position, as it will produce high-quality products using advanced, modern, and innovative production methods and techniques, as well as high levels of competence and skill—enabling startups to achieve a competitive advantage.

4- Technology Business Incubators in Algeria and Their Role in Supporting Innovative Startups:

Algeria has focused on both technology incubators and startups as a result of the significant and tangible success that incubators have achieved in supporting and developing startups, in an effort to foster a culture of entrepreneurship and promote this sector through the enactment of laws and the issuance of decrees to regulate it. As part of Algeria's e-Algeria programs, a national strategy was launched to support and develop technology incubators, leading to the establishment of several incubators across the country, such as the Sidi Abdallah Technology Incubator (2010), the Ouargla Incubator (2012), the Oran Technology Incubator (2013), and the University of Batna Incubator (2013). The primary objective of these incubators is to provide full support to innovative projects in the field of information and communication technology and to accompany them until the establishment of a startup, through the conclusion of agreements with the National Agency for Technology Incubators (ANPT) and its affiliated institutions (Hicham Baroual, 2017, p. . The Sidi Abdallah Technology Business Incubator is considered one of the successful programs in the field of supporting and developing innovative ideas in the field of information and communication technologies, through the services it provides and the valuable offers it has made available to innovative project holders, resulting in the creation of several technology projects in record time, which demonstrates the incubator's success. However, it faces certain challenges, including the lack of necessary funding for its management and the shortage of qualified and specialized personnel, which hinder its progress. The business incubator at El Hadj Lakhdar University in Batna is the first technology incubator established within an Algerian university; it was launched in early May 2013 as part of an agreement between the National Agency for the Development and Promotion of Technology Parks in Sidi Abdallah, Algiers, and the General Directorate of Scientific Research at the Ministry of Higher Education and Scientific Research. This initiative is the first of its kind, pending its expansion to other universities, and falls within the framework of supporting university-educated entrepreneurs by equipping them with the knowledge and skills needed to launch their projects and enabling them to become leaders of successful enterprises. On May 27, 2019, the administration of Mohamed Boudiaf University in M'Sila obtained accreditation for the first university-level business incubator. Under the structure of the National Agency for the Valorization



of Research and Technological Development—which operates under the supervision of the General Directorate of Scientific Research and Technological Development— The business incubator at the University of M'Sila is a space designed to support students with projects that can be implemented in practice, where all costs related to the incubator's operation will be covered by the National Agency for the Valorization of Scientific Research and Technological Development. In the coming days, a Technology and Innovation Support Center will be established in collaboration with the National Institute of Industrial Property (INAPI) to support faculty and student entrepreneurs and enable them to obtain registered patents in partnership with the University of Lamsila. Despite various efforts, Algeria's experience in the field of technology business incubators remains somewhat behind compared to some developing countries and Arab nations in particular, This affects their role in the growth and development of startups in Algeria. Although the number of startups continues to grow, it is essential to create the right conditions for establishing business incubators that help them overcome the challenges and risks of the founding and establishment phases, thereby contributing to technological advancement and achieving the desired economic and social development. Ensuring the success of technology incubators in Algeria requires a comprehensive mobilization of efforts and resources to establish model incubators in various regions of the country, which will help foster a spirit of creativity and innovation, a culture of entrepreneurship and self-employment, and bring about genuine technological development, including the following:

- The existence of robust and innovative scientific research and research institutions capable of contributing to economic growth by transferring and localizing new technologies that lead to the creation of new products or services or the improvement of their quality;
- The presence of a spirit of creativity and innovation, for technological change is not limited to the introduction of new production methods or new products alone, but can occur through a series of small and large improvements and additions to an existing product or service, The ability to imagine and create stems from the interaction between the surrounding community and an individual's own resources, which in turn are influenced by the educational process and the level of awareness in the surrounding community;
- The existence and prevalence of a culture of self-employment and entrepreneurship, as the development of startups can only thrive in a society characterized by a spirit of entrepreneurship and a passion for self-employment, as well as a pool of entrepreneurs with unique managerial talents, a willingness to take risks, and an openness to new ideas;
- The availability of support and assistance mechanisms, which can be established by expanding the creation of business incubators, technology projects, and similar institutions that support new startups, such as science and technology parks and cities;
- Encourage and support financing mechanisms outside the traditional banking system with the aim of strengthening financing capacity and opening new avenues of financing for small and medium-sized enterprises, such as investment firms, venture capital firms, leasing companies, and Islamic banks;
- Establishing specific criteria for selecting institutions to host future projects, including increasing local value added, improving export capacity, creating greater employment



opportunities, and ensuring development, modernization, and consideration of environmental conditions;

- Incubators should be established as joint ventures between government agencies and private-sector organizations, as this makes it easier and more effective to provide the necessary moral and financial support;
- Care must be taken in selecting the right director, and he or she must be given the authority and freedom necessary to ensure the success of the incubator and the startups it supports;

The services and facilities provided by the incubator must align with the actual needs of the startups. Furthermore, the choice of location for the startups plays a crucial role in the incubator's success; it must be close to the business community, universities, and research centers, and located in an area with adequate infrastructure, including roads, transportation, and telephone lines.

Conclusion:

Throughout the process of transforming creative ideas into startups, entrepreneurs face numerous challenges and obstacles. This process requires a comprehensive and integrated environment that fosters positive interaction between the entrepreneur's individual characteristics and the social and economic factors that define their surroundings. In Algeria, despite the new trend toward promoting the startup sector through various decisions, mechanisms, and newly established bodies designed to create a new environment conducive to the creation, support, and development of startups, the establishment and success of entrepreneurial enterprises, including startups, remain marred by several shortcomings and obstacles related to various aspects such as the legal framework, financing, training, etc.;

Technology business incubators are a type of incubator that has emerged as a result of recent technological advancements in media and communications. They have proven their ability and effectiveness in fostering creativity and innovation within startups, enabling them to fulfill their designated roles to the best of their ability, and achieving the highest rates of growth and success by building a modern technological foundation that helps them develop their existing and emerging industries, particularly by fostering relationships between these organizations and universities and scientific and technological research centers;

In Algeria, the experience is still in its infancy, due to a lack of interest in establishing incubators and supporting startups, as well as the absence of the necessary frameworks to create such structures, at a time when foreign partnership in this field remains limited and hinders the development of incubators in Algeria. Furthermore, the current reality shows that business incubators and business support centers in Algeria face numerous challenges, the most significant of which are a lack of reception facilities and a shortage of personnel capable of managing these entities. Therefore, more effort must be made to overcome these challenges and strengthen collaboration with universities and research centers.

Study Findings:

Among the most important findings are:

- Technology business incubators work to encourage and assist researchers and academics at universities and research centers to become entrepreneurs by training them, equipping



them with the necessary skills, and providing them with consulting and other essential services;

- Algeria lacks a sufficient number of technology incubators needed to steer the national economy toward a knowledge-based economy, as these incubators are the true haven for innovative entrepreneurs who contribute to the development of the national economy.
- Startups collaborating with universities that can invest in research outcomes or patents owned by the university or faculty members have the capacity to innovate products and services that are more competitive than their counterparts outside the university;
- The limited number of technology incubators in Algeria, which represent an opportunity for innovative entrepreneurs to contribute to the development of the national economy and promote its transition toward a knowledge-based economy;
- Technology business incubators are a relatively new phenomenon in Algeria and require further improvement to effectively play their role in the development of national startups;
- The lack of political and economic awareness in Algeria regarding the role of technology incubators in developing and fostering the innovative and creative capabilities of startup founders;

Accordingly, technology business incubators in Algeria aim to play a major role in boosting the national economy, particularly following the establishment of a Ministry of Business Incubators and another for the knowledge economy; This is expected to provide a flexible legal and economic framework aligned with modern challenges, allowing for the investment in outstanding ideas and their transformation into successful economic projects—as evidenced by the experiences of the young people who have passed through the Sidi Abdallah Technology Park. Furthermore, the latter is considered one of the mechanisms conducive to establishing successful enterprises in the future.

Based on the foregoing, the following set of **recommendations** can be drawn:

- Focus on promoting education and training in entrepreneurship at all levels and in all disciplines to foster an entrepreneurial culture, develop an entrepreneurial spirit and a spirit of risk-taking, and encourage creative ideas;
- The need to increase government spending on research and development and to link universities and scientific research centers to the business environment, in order to foster the emergence of innovative ideas and ensure their successful commercialization through startups;
- Work more diligently to improve the business climate so that it becomes an attraction for individuals wishing to start their own companies rather than a deterrent, and focus on streamlining administrative procedures, facilitating access to real estate, and providing information;
- Prioritize the development of the incubator sector as an integrated support organization that, thanks to its capabilities, resources, and the expertise of its team, can assist entrepreneurs in realizing, facilitating, and ensuring the success of the process of transforming their creative ideas into startups;



- The Algerian state must encourage technology transfer and support innovation by establishing funding funds for science, research, and innovation within the country, while doubling spending on research and development;
- Work to train and educate incubator managers and staff on the latest developments to ensure the success of both the incubator and the incubated enterprises;
- Bring business incubators closer to young entrepreneurs using more efficient and effective modern methods and approaches, based primarily on reaching project idea holders anywhere and anytime;
- Ensuring that startups are a key component of national economic and social development programs, to encourage young people capable of creativity and innovation to establish such enterprises;
- Establish partnerships between Algerian business incubators and successful, leading foreign incubators to benefit from their expertise and experience on the one hand, and to train staff and managers of national incubators on the other.

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