

Business incubators in Algeria: An analytical study for the period 2015-2023

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Abstract---This study aims to identify the reality of business incubators in Algeria. The descriptive analytical approach was adopted to establish the theoretical and conceptual foundations of business incubators and to study their reality and challenges in Algeria. The study concluded that while incubators have been activated in the field of supporting small and medium enterprises, they face several challenges that must be addressed and their activity developed in Algeria.

Keywords---Startups, business incubators, entrepreneurship.

1. Introduction

Algeria has begun to adopt small and medium enterprises (SMEs) projects, through some agencies such as ANSEJ, CNAC and ANGEM, in order to develop the national economy and provide job opportunities, especially for young people. However, the lack of support for these enterprises has begun to threaten their future existence and growth, and the activation of business incubators has begun as a tool to support and guide emerging enterprise projects in the university environment. The following questions arise:

What are business incubators, what is their reality in Algeria, and what are their challenges?

Sub-questions

What are business incubators, and what are their goals and functions?

What is the current state of business incubators in Algeria, and what challenges do they face?

Hypotheses

Business incubators play a vital and fundamental role in supporting startup projects, and administrative and financial support for these enterprises has been actively implemented within the university environment.

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Business incubators in Algeria face several challenges.

Research objective

Understanding the theoretical foundations of business incubators, the reality of business incubators in Algeria, and highlighting their most important challenges

Previous Studies

The study by Nouredine Ahmed, Houssam Kamal, and Baadache Taher (2022), entitled "The Reality of Business Incubators in Algeria: Frameworks and Challenges," sought to explore the operational mechanisms of business incubators and assess their role in guiding and supporting entrepreneurs and investors in small and medium-sized enterprises (SMEs) in Algeria. The researchers concluded that incubators constitute a fundamental pillar for supporting and developing entrepreneurship. Despite this pivotal role, their reality in Algeria is hampered by a range of structural and organizational challenges and obstacles that limit their full operational efficiency.

The study by Aissaoui Fatima and El-Hazzam Mohamed (2020), entitled "The Extent of the Contribution of Business Incubators to Supporting Startups in Algeria," aimed to highlight the role that business incubators play in accompanying and guiding startup projects within the Algerian investment environment. The study concluded that business incubators make a substantial and effective contribution by providing both financial and administrative support and guidance to innovative project owners, which directly contributes to enhancing the ability of these startups to survive, thrive, and compete in the market.

The study by Belazouz Maamar and Boumediene Mohamed (2023), entitled "The Entrepreneurial Ecosystem for Startups in Algeria under New Support Mechanisms and Business Incubators," published in the Journal of Economic Studies, focused on analyzing the newly developed legal and regulatory environment in Algeria (particularly after 2020 and the establishment of the Ministry Delegate for Startups and the Knowledge Economy). The study concluded that the legislative environment has undergone a significant leap forward through the introduction of the "Startup" and "Business Incubator" labels, in addition to the activation of the Startup Fund (\$ASF\$). The study recommended deepening the partnership between incubators and the private sector to ensure an investment flow that supports the outputs of these incubators.

The study by Benmessaoud Khira and Bensedira Sajia (2021), entitled "The Role of Business Incubators in Supporting and Developing Entrepreneurship in Algeria: A Case Study of the Business Incubator at the University of M'sila," published in the Journal of Leadership in Business Economics, addressed this topic. This study aimed to identify the practical role of university incubators in stimulating entrepreneurial thinking among students and supporting their innovative projects. The study employed a descriptive-analytical approach, utilizing a questionnaire distributed to a sample of beneficiaries. The results indicated that the University of M'sila's incubator effectively contributes to disseminating entrepreneurial culture and providing knowledge-based and logistical support. However, the lack of sustainable funding mechanisms poses the greatest obstacle to transforming these ideas into viable startups.

The Research Gap:

The research gap identified in this article lies in the limited number of comprehensive evaluative studies examining the actual impact of recent legislative and institutional transformations in Algeria during the period 2015-2023. Despite the abundance of research addressing incubators as a traditional support tool, there is a lack of knowledge in identifying and analyzing the "sustainability and efficiency gap" that emerged following the massive quantitative surge in incubated projects (which jumped to 13,000

projects thanks to Ministerial Decree 1275 and the ASF Fund). The scientific gap here lies in attempting to explain the contradiction between this rapid numerical expansion and the persistence of structural obstacles such as bureaucracy, a lack of sustainable funding, and limited innovative ideas. This study aims to fill an academic gap by offering a critical analysis of the evolutionary trajectory of incubators and shifting their focus from quantitative evaluation to qualitative efficiency.

Study Structure

The study was addressed in three main sections:

First Section: The theoretical framework of business incubators.

Second Section: The reality of business incubators in Algeria and their challenges.

2. Theoretical framework for business incubators

2.1. Definition of business incubators

To date, there is no single, universally accepted definition of business incubators. However, several definitions exist that clarify the concept, including the following: Business incubators can be defined as established institutions with legal standing that provide a range of services and facilities to investors working to establish small businesses. This aims to protect them from the burdens of the establishment and launch phase. These institutions can be private, state-owned, or mixed, and they represent an integrated environment of facilities and support mechanisms for entrepreneurs to develop and sustain their businesses within a limited period not exceeding three years. This increases the chances of success and reduces the risks and likelihood of failure. (Boukhari & Taleb, 2023, p. 57)

UNESCWA defines it as an integrated package of services, facilities, and consultations provided to institutions. It aims to alleviate burdens and reduce costs from the initial launch phase of their projects. Incubated institutions must leave the incubator upon completion of their designated period and graduate. The launch phase is considered the most challenging for all startups, as it requires experience that these institutions often lack. The National Business Incubators Association (NBIA) defines it as an economic development tool aimed at accelerating the growth and success of businesses through a range of resources and services to support and assist them. (Doumi & Hachim, 2022, p. 79) The primary and fundamental goal of business incubators is to establish and nurture financially viable and sustainable businesses. (Cherif & Bougamoum, 2009, p. 58) The European Commission defines it as a place where newly established businesses are concentrated in a limited space, (Oum Ail Khair et al., 2018, p. 600) with the aim of increasing their growth and development. This is achieved through support and assistance in various areas, including equipment and management support, as well as the provision of support services, to achieve local development and create job opportunities. (Bouamar, 2022, p. 51)

From the above, a comprehensive definition of business incubators can be given as an environment dedicated to helping entrepreneurs establish and develop their new small and medium-sized enterprises (SMEs), and to nurture and protect these enterprises for a specific period. The goal is to mitigate financial and managerial risks and provide opportunities for success and growth through a modern legal framework.

2.2. Objectives of Business Incubators:

Business incubators are of great importance, and their objectives are both micro- and macro-level, as follows: (Djeddi, 2025, p. 130)

- Reducing the time required for the growth and development of businesses.
- Reducing errors, thereby further reducing costs.
- Finding appropriate solutions to the technical, financial, administrative, and legal challenges that businesses face.
- Increasing success rates, supporting innovation, and encouraging new ideas.

- Providing financial and administrative assistance to businesses through new management models.
- Increasing the number of businesses, which leads to the revitalization and development of the local economy.
- Increasing job opportunities and achieving sustainable development.
- Fostering competition among businesses.
- Increasing income levels in the local community.

2.3. Types of Business Incubators:

There are several classifications of incubators, as follows: (Samai, 2010, p. 140)

- General Business Incubators:

Their goal is the comprehensive economic development of the region in which they are located and the continued development of various businesses.

- Specialized Business Incubators:

These incubators have several economic benefits for the region in which they are located, through industrial restructuring, increasing specific industries, creating more job opportunities for different specializations and specific categories of job seekers, or attracting diverse private investments.

- Technical Business Incubators:

These incubators focus on the technical aspects of institutions, developing specialized facilities, and encouraging and assisting researchers and academics in research centers and universities to become entrepreneurs by training and equipping them with skills and technologies, and providing consultations and services in all technical specializations for institutions.

2.4. The tasks of business incubators:

The most important tasks of business incubators are as follows: (Bamohamed et al., 2020, pp. 238-239)

- Providing consulting services related to project feasibility studies, and the selection of materials, machinery, equipment, and work methods.
- Providing premises for small businesses and communication equipment.
- Connecting the incubated business with all governmental and non-governmental bodies.
- Providing technical support for product design and development and quality improvement.
- Providing administrative and technical training for the business's employees by the incubator or private organizations.
- Providing technical and maintenance services.

2.5. The Economic Impact of Business Incubators:

The economic impact of business incubators can be summarized as follows: (Samai, 2010, p. 145)

- The positive impact of services provided to businesses and entrepreneurs has led experts to describe business incubators as adding significant value to economic development by helping them reduce costs and increase the return on investment for companies.
- Small businesses are treated as national financial, material, and human resources with high economic value, and therefore, they should be provided with all types of support.
- Business incubators work to satisfy the community's needs for goods and services, in addition to increasing the national GDP. Business incubator programs also create numerous employment opportunities.
- They achieve good rates of return on investment and contribute to the development of impoverished geographical areas.

3. The reality of business incubators in Algeria and their challenges:

3.1 .The legal and legislative framework for business incubators in Algeria:

The legal framework for business incubators in Algeria is represented by Executive Decree No. 03-78 dated February 25, 2003, which includes the basic law for business incubators, and Executive Decree No. 03-79 dated February 25, 2003, which includes the basic law for facilitation centers. The Algerian legislator has clarified the concept of incubators in incubators, despite the distinction made between them by many researchers and legislations, which has led to ambiguity in the concept of business incubators.

3.2. The development of business incubators in Algeria:

From Table 01, we note an increase in the number of business incubators from 2015 to 2023, from 13 incubators to 120 incubators. This is due to the activation of some laws and legislation related to emerging institutions, the establishment of a specialized ministerial body in this field, namely the Ministry of Startups and Knowledge Economy, in addition to involving the university in the economic environment, and the creation of the Algerian Fund for Startups (ASF), which relies on venture capital, unlike bank loans that impose prohibitive guarantees, and the provision of some digital facilities, such as the creation of the electronic portal, which aims to encourage investors and universities to establish business incubators in short periods.

Table 01: Number of business incubators in Algeria, years 2015-2023

Years	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of business incubators	13	14	16	20	22	30	45	65	120

Source: Statistics from the Ministry of Startups and Knowledge Economy, 2024

3.3. The evolution of the number of incubated startup projects in Algeria during the period 2015-2023:

From Table 2, we observe an increase in the number of incubated startup projects from 135 to 185. This is attributed to the activation of the Entrepreneurship Center and university incubators, the launch of official technology incubators (ANPT), and the provision of certain facilities through youth employment support mechanisms (ANSEJ, ANGEM, CNAC). During 2019, the number decreased to 85 due to the global COVID-19 pandemic and its economic, financial, and health impacts on countries worldwide. The number of startups then increased from 500 to 13,000 between 2020 and 2023. This increase is due to the adoption of a series of structural reforms and political will, such as the creation of a specialized ministerial body, the Ministry of Startups and the Knowledge Economy, the simplification of administrative procedures for establishing startups, the provision of incentives and tax exemptions in this area, and the implementation of the ministerial decree. Decree No. 1275 issued by the Ministry of Higher Education and Scientific Research, which stipulates the transformation of student graduation projects (Master's and PhD theses) from academic research into innovative and feasible economic projects within the economic. environment.

Table 03: Number of startup projects incubated in Algeria during the period 2015-2023

Years	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of incubated startups	135	158	161	186	85	500	540	1100	13000

Source: Statistics from the Ministry of Industry and Mines and the Ministry of Startups and Knowledge Economy, 2024

3.4. Comparing the number of small and medium enterprises (SMEs) with the number of incubated startups during the period 2015-2023:

Table 3 shows a significant difference between the number of SMEs and incubated startups. Although the number of incubated startups increased from 2015 to 2023, the increase in the number of SMEs is more pronounced compared to startups. However, the increase in startups is more dramatic than the typical increase in SMEs. This is attributed to the success of the state's strategy in promoting university entrepreneurship, digital transformation, and the knowledge economy.

Table 03: Comparison of the number of small and medium enterprises with the number of incubated enterprises during the period 2015-2023

Years	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of incubated startups	135	158	161	186	85	500	540	1100	13000
Number of small and medium enterprises - one million units -	0.94	1.02	1.07	1.14	1.19	1.17	1.26	1.32	1.11

Source: Statistics from the Ministry of Industry and Mines and the Ministry of Startups and Knowledge Economy, 2024

3.5. Challenges Facing Business Incubators in Algeria:

Despite the vital role of business incubators worldwide in supporting and promoting startups, Algeria remains far behind its counterparts in some other countries, facing a number of challenges and obstacles, including: (Ahmed Houssem & Taher, 2022, p. 13)

- Lack of innovation and limited ideas within Algerian business incubators and startups.
- A shortage of qualified human resources and a lack of entrepreneurial ideas, particularly in the areas of creative and innovative concepts.
- Insufficient funding and a lack of investment capital.
- Excessive bureaucratic procedures and weak legislation and regulations.
- Failure to meet international standards, hindering the competitiveness of Algerian products in major markets.
- Insufficient government spending on scientific research and a failure of universities and research centers to keep pace with current realities.
- Lack of technological advancement, resulting in a delay in keeping up with developments in the global business environment.

5. Conclusion

Business incubators in Algeria are a key pillar upon which the state relies to achieve the transition to a knowledge-based economy and to activate the role of the university as a stimulating environment for innovation and entrepreneurship. This analytical study covering the period (2015-2023) has shown that there is political will and serious legislative reforms that have contributed to a clear quantitative leap in the number of incubators and incubated projects. However, the success and sustainability of this experience remains contingent on the ability to overcome the structural, financial, and bureaucratic obstacles facing incubators, and to transform the quantitative surge in the number of projects into productive quality capable of competing in local and international markets. The study reached a number of key findings:

- Significant growth in the supportive environment: The period from 2015 to 2023 witnessed a substantial increase in the number of business incubators, from 13 to 120, and a dramatic rise in the number of incubated startups, particularly after 2020 (jumping from 500 to 13,000 incubated projects).

- Effectiveness of recent legislative and institutional reforms: The significant resurgence in the incubator sector is attributed to the creation of a specialized ministry (the Ministry of Startups and the Knowledge Economy), the launch of the Algerian Startup Fund (ASF) based on venture capital, and the implementation of Ministerial Decree No. 1275 and Decree No. 008, which facilitated the transformation of university theses into economic projects.
- Outperforming and diversifying compared to traditional businesses: Indicators show dramatic and rapid growth in startups compared to the typical growth of small and medium-sized enterprises (SMEs), reflecting the success of the state's strategy in promoting a digital entrepreneurial culture. Ongoing Structural Challenges: Incubators and startups in Algeria face fundamental obstacles that limit their efficiency, most notably: a lack of funding and venture capital, complex bureaucratic procedures, a shortage of qualified human resources, and insufficient spending on scientific research and technological development, in addition to the difficulty of aligning products with international standards.

Recommendations:

The following recommendations can be formulated to develop the incubator sector in Algeria:

- Developing the funding environment: Facilitating access to funding from the Algerian Startup Fund (ASF) and seeking sustainable and diversified funding sources through partnerships with the private sector and investors.
- Simplifying administrative procedures: Continuing efforts toward digital transformation and utilizing electronic portals to reduce bureaucracy and facilitate the awarding of labels to institutions and incubators.
- Developing human resources: Organizing advanced, internationally supported training programs for incubator managers and staff, as well as enhancing entrepreneurs' administrative, technical, and marketing skills.
- Increasing spending on research and development: Increasing scientific research budgets at universities and research centers, and directing academic innovations toward solving real-world economic problems to ensure the quality of incubated ideas. Adopting global quality standards: Adapting the outputs of business incubators to international standards to enable Algerian products and services to compete and access foreign markets.

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