



Management

## **FINANCIAL STUDY OF AN INVESTMENT PROJECT IN ALGERIA: CREATION OF A COMPANY WITHIN THE FRAMEWORK OF THE NATIONAL FUNDSUPPORT FOR YOUTH EMPLOYMENT (FNSEJ)**

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### **Abstract**

This article proposes a financial study of a project to create a commercial enterprise through the scheme proposed by the National Agency for Youth Employment Support (ANSEJ). The company is a testing and analysis laboratory. In this study we have prepared a complete financial package and we have budgeted this project over the entire amortization period of the investment credit in accordance with the timetable set by the support system for young entrepreneurs to set up a business in Algeria. This work provides factual information to young entrepreneurs to assist them in making decisions about the implementation of similar projects.

**Keywords:** Financial Study; Business Creation; FNSEJ, Young Entrepreneur; Algeria.

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### **1. Introduction**

Thanks to favorable economic conditions in Algeria following the surge in hydrocarbon prices between 2001 and 2015, the State was able to adopt a policy of economic recovery and support for growth, especially for the promotion of SMEs / SMIs, Central actor in any economy [1]. This policy had different objectives, in particular the safeguarding, strengthening and modernization of SMEs and encouraging the creation of new businesses. SMEs have undergone a new dynamic thanks to the new SME orientation<sup>1</sup> laws whose objective is to promote entrepreneurship, notably by the significant reduction of taxes, tax charges and social charges, as

<sup>1</sup> Such as Law No 1-18 of 12/12/2001: it includes the policy of State aid to SMEs; Establish administrative facilitation measures; Provides for the establishment of a guarantee fund for loans granted by banks to SMEs and the setting up of a national committee for the promotion of subcontracting

well as a relaxation of formalities Administrative measures for business start-ups. Several mechanisms have been put in place by the State to facilitate the creation of business. These mechanisms fall within the framework of the economic recovery program established in 2003 for an amount of 55 million Dollars. For example, new financial instruments have been made available to SMEs, such as credit guarantees specific to innovative business lines; Restructuring credits: long-term financing for the purchase of equipment, equipment and real estate, to strengthen their industrial structure; Credit for business stability, to improve their strategic functions (production, commercialization, technological development) and mitigate the effects of structural reforms or natural disasters [2]. In the context of the liberalization of the world economy, programs to promote and make the economic fabric competitive have become a priority. To this end, the public authorities have put in place a strategy to support companies whose objective is to help them in their modernization and competitiveness efforts. It is the MEDA I / SME upgrading program (2003-2006) extended until 2007 and the MEDA II program in 2008, as well as the program to support the development of SMEs in Algeria [3]. The modernization of industrial facilities with the assistance of UNDP / UNIDO and the creation of a fund to promote industrial competitiveness; From the creation of various support institutions and special funds to support investment, promotion of industrial competitiveness, partnership and credit guarantees for SMEs. These various programs come from different ministries (Ministry of Commerce, Industry, Ministry of Small and Medium Enterprises and Crafts, etc.). Consequently, we note the plurality of structures for the creation, support, financing or promotion of SMEs, which can be summarized in the table below.

Table 1: Organizations involved in the promotion and support of SMEs.

<b>Organismes</b>	<b>Date de création / objectifs</b>
The Assistance Committee for the Localization and Promotion of Investments (CALPI).	Created in 1993
The Agency for the Promotion and Support of Investment (APSI).	Created in 1994
The Social Development Agency (ADS).	Created in 1994
The National Agency for the Support of Youth Employment (ANSEJ).	Created in 1996
The National Agency for the Development of Investment (ANDI).	Created in 2001
The National Agency for Microcredits Management (ANGEM).	Created in 2004
The National Unemployment Insurance Fund (CNAC).	Created in 2004.
The SME Credit Guarantee Fund (FGAR).	Created in 11/11/2002. Its objective is to guarantee investments in the SME sector in terms of business start-ups, renovation of equipment and business expansion.
The National Advisory Council for SMEs (CNC-PME)	Established in 2003 and whose main function is consultation.
The SME Investment Credit Guarantee Fund	Implementation decided in 2004; It is an

(CGCI-PME)	organization that has come to reinforce the FGAR.
The National Agency for the Development of SMEs (AND-PME)	Created in 2005. Its main mission is the implementation of the upgrade program. The agency reviews requests from companies wishing to benefit from the upgrading program and awarding incentives for upgrading.
Business incubators	These are structures for welcoming and developing nascent enterprises. They were fourteen (14) in the year 2006 with projects to create new nurseries in the High Plateaux and the South.
Business incubators in collaboration with the MESRS et l'ANRDT	Created at the level of the main university poles.
The Directions of wilaya	They are sources of information.
Facilitation centers	It is the structures of support, supervision and support and guidance of investors carrying projects.
Department for Monitoring and Information Systems on SMEs and another for the Promotion of subcontracting (ANDPME).  -SME Support and Advisory Centers <sup>2</sup>	<p>Creation project in 2017.</p> <ul style="list-style-type: none"> <li>• The first department functioning as an observatory of the SME; These two departments will, a priori, reinforce and capitalize the efforts of the ANDPME.</li> <li>• The facilitation centers and business incubators will be attached to ANDPME to be set up as Support and Counseling Centers for SMEs and will consequently constitute the dismemberment of the agency at the local level [4].</li> </ul>

## 2. Material and Methods of Calculation

In our study, the calculations were carried out by Microsoft Office Excel version 2016 software according to the modalities fixed by regulation relative to the employment aid scheme for young people in Algeria. The taxes and charges applied in this study are those in force prior to 01/01/2017. The credit of the bank without interest is amortized over a period of eight years (8 years) [5]; the reimbursement of the deductible sum of the FNSEJ does not begin until the credit of the bank has been repaid, ie at the eighth year (08 years) after the actual start of the company's business [6].

<sup>2</sup> Communiqué from the Preliminary Draft of the Ministry of Industry and Mining; 2017.

### 3. Financial Mounting of the Project

#### 3.1. Financial study

In our study, all equipment has been ordered from local suppliers and the tax charge assumed in our calculations is that applicable until 31/12/2016. We summarize the cost of the project in All taxes included (TTC) in the financial package in the following.

Table 2: Financial mounting of the project

rubric	Total Cost (in DA)
<b>Preliminary costs</b>	<b>367 207,25</b>
<i>Guarantee fund contribution *</i>	138 560,42
insurance	178 646,83
<i>Additional costs*</i>	50 000,00
<b>Equipment</b>	<b>7 159 171,50</b>
Local Equipment	7 103 171,50
Imported equipment	0,00
Installation costs	30 000,00
Shipping	26 000,00
<b>Rolling stock</b>	<b>1 579 000,00</b>
<b>Other Taxes</b>	<b>120 500,00</b>
<b>Accommodation</b>	<b>200 000,00</b>
<b>Office furniture</b>	<b>188 560,67</b>
<b>TOTAL PROJECT (TTC)</b>	<b>9 425 879,00</b>

\* These costs are borne by the State as part of the facilitation granted to young entrepreneurs. So we did not take care of them in the overall cost of the project.

#### 3.2. Project financing structure

The financing of the overall cost of the project is provided by each party, namely, the contractor, the bank and the ANSEJ. Referring to the regulatory framework governing co-financing by the ANSEJ / Banque, the contribution of the contractor would be in the order of 02%, ANSEG and the Bank will contribute 28%, 70% of the Sum of the project [7]. Below is a table with a structure for inputs from stakeholders to projects.

Table 3: Level of inputs from project stakeholders

rubric	Participation rate	Initial Amount (in DA)	Actual Amount (In DA)
Personal contribution	02 %	188 517,58	188 518,00
FNSEJ contribution	28 %	2 639 246,12	2 639 246,00
Bank financing	70 %	6 598 115,88	6 598 115,00
<b>TOTAL (en TTC)</b>	<b>100%</b>	<b>9 425 879,58</b>	<b>9 425 879,00</b>

### 3.3. Amortization of Investment Credit

#### 3.3.1. Bank Credit

The credit of the bank is amortized over a period of eight years (8 years) with a reduction of around 100% interest rate over the life of the loan with possibility of extension [5].

Table 4: Amortization of bank credit

Item	Amount to be paid	Amount remaining to be refunded	membership fee FG <sup>3</sup>
Year 01	0	6 598 115,08	23 093,4
Year 02	0	6 598 115,08	23 093,4
Year 03	0	6 598 115,08	23 093,4
Year 04	1 319 623,00	5 278 492,08	23 093,4
Year 05	1 319 623,02	3 958 869,06	18 474,72
Year 06	1 319 623,02	2 639 246,04	13 856,04
Year 07	1 319 623,02	1 319 623,02	9 237,36
Year 08	1 319 623,02	0	4 618,68
<b>Total</b>	<b>6 598 115,10</b>	<b>Total</b>	<b>0,40</b>

*Ps:* <sup>3</sup> The Fund of Guarantee (FG) is entirely supported by the State, the calculation of the tranches of payment is carried out in accordance with Executive Decree N ° 200-98 of 09/06/1998 creating the fund of collective subsidy to constitute a fund Guarantee to cover the inherent danger to loans granted to young entrepreneurs.

#### 3.3.2. National Youth Employment Support Fund (FNSEJ)

The repayment of the deductible sum of the FNSEJ does not begin until the credit is repaid without interest of the bank that is to say at the eighth year (08 year) after the actual start of the activity of the company and this Regardless of its turnover [6]. The credit of the ANSEJ is amortized over a period of five years (05 years). Payment will be made in six-monthly installments in accordance with the regulations governing the employment support scheme for young people [8]. Attached is a detailed amortization table of the ANSEJ credit of the project studied.

Table 5: Amortization of FNSEJ credit

Item	Amount to be paid	Amount to be refunded
Year 08	263 924,6	<b>2 639 246,00</b>
Year 09 <sub>a</sub>	263 924,6	2 375 321,4
Year 09 <sub>b</sub>	263 924,6	2 111 396,8
Year 10 <sub>a</sub>	263 924,6	1 847 472,2
Year 10 <sub>b</sub>	263 924,6	1 583 547,6
Year 11 <sub>a</sub>	263 924,6	1 319 623,00
Year 11 <sub>b</sub>	263 924,6	1 055 698,4
Year 12 <sub>a</sub>	263 924,6	791 773,8

Year 12 <sub>b</sub>	263 924,6	527 849,2
Year 13	263 924,6	263 924,6
<b>TOTAL</b>	<b>2 639 246,00</b>	<b>0</b>

a: 1<sup>st</sup> Semester; b: 2<sup>th</sup> Semester

#### 4. Discussions & Conclusion

We see that the state has made progress in improving the business climate and is working on a long-term strategy to transform the country's growth model in order to promote private sector activity and diversification of the economy placing the center of its strategy. This is shared by the International Monetary Fund (IMF) [9]. The facility offered by the ANSEJ exhibit largely explains the current number of small businesses and their weight in the national industrial fabric. Indeed, their number has increased sharply during the last decade, from 570 838 in 2009 to 1 014 075 in 2016, with the private sector accounting for more than two thirds [10]. Thanks to its support strategy, Algeria has moved from the 163th position in 2016 to the 159th place in 2017 in the area of business start-up [11]. The data show that 90% of existing SMEs belong to the category of micro-enterprises with fewer than 10 employees [10]. This financial study clearly shows the facilities granted to young entrepreneurs to encourage them to set up their own businesses in Algeria. This study should be appended to an opportunity study and a feasibility study in order to constitute a complete Business Plan which will constitute a valuable tool of help in the factual decision making for the launch or not of this project [12].

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