

**The CNAC mechanism as a policy to foster and creating employment:  
Evidence from Tlemcen region 2005-2012**

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**Abstract:**

*The aim of this paper is to shed light on the expected effect of CNAC financial mechanism in enhancing the unemployed people to create their own business in the first step, and the role of these self-employees to create employment in Tlemcen region.*

*From one side the important factors in the economic growth are the role of the human capital. Because it is the essence of the workforce in the enterprises. From another side, the financial capital also is from the engines to push the activity in all sectors. From these sectors, the entrepreneurship or self-employment. It play an important role in generating innovation and wealth following different studies such as (Baumol 2008; Shane 2009). Following the different studies in the literature concerning the entrepreneurship and self-employment in creating employment, we find that entrepreneurship is an important key to generate employment. There for and from the most important steps taken by the Algerian government to combat unemployment is to push the unemployed to create its own business in the first and hire more employees by offering opportunities for employment. This step is supervised by the different mechanisms such as CNAC, ANSEJ and ANGEM to finance the projects in the first, and follow the growth of these enterprises over the future.*

**Keywords:**

Entrepreneurship, employment, unemployment, CNAC, Tlemcen.

**الملخص:**

من اهم العوامل المهمة في النمو الاقتصادي دور الراس المال البشري من الجانب الأول، لأنه يعتبر جوهر طاقة اليد العاملة في المؤسسة، من جانب اخر، الراس المالي هو أيضا من اهم المحركات للدفع بالعملية في كافة القطاعات، من بين هذه القطاعات، نرى ان المقاولاتية او العمل المستقل تلعب دور مهم في الابداع وخلق الثروة، بالانطلاق من الاعمال العلمية السابقة الخاصة بالمقاولاتية او العمل المستقل وخلقها لمناصب الشغل، نجد ان المقاولاتية من اهم السياسات المتبعة لخلق فرص العمل. لهذا ومن اهم الخطوات التي قامت بها الحكومة الجزائرية لمواجهة البطالة وهذا عن طريق دفع وتخفيف البطالين لخلق مشاريعهم في اول الامر وخلق مناصب عمل شاغرة لتوظيف البطالين، هذه الخطة تم تدعيمها بعدة أجهزة مثل الصندوق الوطني للتأمين على البطالة، جهاز دعم وتشغيل الشباب، القرض المصغر.

الهدف من هذه الورقة البحثية هو تسليط الضوء على دور الصندوق الوطني للتأمين على البطالة في تخفيف البطالين الشباب مشاريعهم الاستثمارية في اول الامر ودور المقاولاتية عن طريق الصندوق الوطني للتأمين على البطالة في خلق فرص العمل بولاية تلمسان

الكلمات المفتاحية: المقاولاتية، العمل، البطالة، الصندوق الوطني للتأمين على البطالة، تلمسان

**Introduction:**

From the major big problem faced by the government over the world is the unemployment because it represent an un-exploited force in the labor market.

The self-employed people contribute in reducing unemployment or creating employment through creating his own job in addition to hire more employees, following the growth in the exploitation process.

Following the study of (Pfeiffer and Reize 2000), the entrepreneurship is an important instrument to foster employment from a side, from the second side is as an active labor market policy to reduce unemployment.

Following the different definition of entrepreneurship, it is not just as a key for economic growth and innovation as the study of (D. B. Audretsch 2003)(D. Audretsch and Keilbach 2004) (Galindo and Méndez 2014), it is also an engine for creating additional employment opportunities (Carroll et al. 2000; Cowling, Taylor, and Mitchell 2004).

From another side, and according to the slowdown of offering job from the state ide, it is necessary for the government to enhance the private sector to absorb the un-exploited workforce.

This paper is presented as follows: in the second section, we will demonstrate the definitions for the self-employed and some determinants of self-employment, i.e. the different points that it pushes the individual or the unemployed to be self-employed.

**Definitions of the self-employed:**

According to (Simon C. Parker 2009, 10), the self-employed are usually classified formally as individuals who earn no regular wage or salary, but who derive their income by exercising their profession or business on their own account and at their own risk.

In addition, there are different determinants that push the individual in general and the unemployment in special to be self-employed by launching his business. From these determinants following the study of (Dennis 1996), there are several points such as:

- Motivation for self-employment, the individual in general in this point is more motivated to become entrepreneur or self-employee rather than becoming paid employee.
- Need for achievement,

Misfits: in this point, the employee feel that it could not function well when working for others that is mean paid employee.

According to (Simon C. Parker 2009, 165) Preventing people from obtaining jobs in paid employment or restricting them to relatively paid jobs increase the attractiveness in this people to be self-employed or entrepreneur.

According to (D. B. Audretsch 1995), low level of entrepreneurship may be one of the important consequences of the low economic growth rates, the matter that it reflect also for a high rate of unemployment.

Romano Prodi<sup>1</sup> in the study of (D.B. Audretsch, M.A. Carree, and A.R. Thurik 2002, 3) said: “the increase in the entrepreneurial activity lead to high growth in the economy in addition to the reduction in the unemployment rate”.

From these latest determinants, we find that there are two different kinds of self-employed.

**The two kinds of self-employed:**

Following different studies such as (Henrekson 2006; Fossen and Büttner 2013), there are two different kinds of self-employed following the originality of the idea to become entrepreneur or self-employed. These two kinds are Opportunity entrepreneur and the Necessity entrepreneur. According to (Paul D. Reynolds et al. 2001), there is a clear difference between the two kinds of entrepreneurs:

*The opportunity entrepreneur:*

This kind of entrepreneur is representing all individuals who are paid employed or unemployed want to become entrepreneur following an opportunity. This individual perceives the opportunity, so he will invest in it by exploiting all his skills and resources. Through this definition and according to (Paul D. Reynolds et al. 2001), the economic growth is associated with this kind of entrepreneur because the individual perceive the opportunity, and find that it will be able to invest in it by exploiting the available resources and skills.

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<sup>1</sup> Romano Prodi: President of European Commission

*The necessity entrepreneur:*

Following the study of (Paul D. Reynolds et al. 2001) in the GEM report 2001, this kind of entrepreneurs is related with the social welfare programmers created by the government, because the individuals did not find available opportunity for paid-employment. Therefore and the fear of staying in unemployment in a long period to wait for the opportunity for paid job, they launch own-business. As a result, we find that the necessity push them to be entrepreneur.

**The role of the financial capital in entrepreneurship:**

In the process of launching any business activity, the financial source is from the important bases in the process because it is the source of alimentation for every process, getting raw material, materials, getting employees, paying taxes, finance the exploitation process. So, according to its importance, it represents the major barrier faced by the unemployed people how get an idea and want to invest in it and launching it in the real life. Therefore, to facilitate the step of getting the financial sources for the individuals to finance their project, the Algerian government creates different mechanisms to finance and follow these individuals in the first steps of launching the activities. From these mechanisms, we find that CNAC is from the important one. Because, its primary role is to help the unemployed involuntary, and after to finance the project of the unemployed who want to launch activity.

**The CNAC mechanism:**

The most important point in this mechanism and from the important steps taken by the Algerian government is to make different mechanism and policies to stimulate the unemployed to create its own business.

**The CNAC mechanism:**

The idea of creating CNAC dispositive is to help the involuntary unemployed people in the period after the shock in the hydrocarbon prices; it was created through the presidential decree 188-94 in July 06, 1994. In December 30, 2003, it started to finance the new project created by the unemployed.

**The CNAC facilities:**

To facilitate the way for the unemployed to become entrepreneur, the Algerian government follows different facilities to enhance the unemployed for entrepreneurship. From these facilities, we find different kinds that are related with the different steps of the creation of the enterprise.

**A. Before the creation:**

The CNAC mechanism takes different to facilitate the procedure for the individuals before the creation of the enterprises by a formation.

- **The formation:**

According to the importance that it faces the entrepreneurship education over the world, in addition to (Von Graevenitz et al., 2010) where he found that student who has entrepreneurship education are more likely to be entrepreneurs rather than the ones who have not this courses<sup>1</sup>. Also, according to (Soudari, 2014) who find that the entrepreneurship education gets an important role in creating entrepreneurial intention in the student<sup>2</sup>. The matter that it pushes the Algerian government to create this formation to create the entrepreneurial ideas in the mind of the unemployed and to clarify the entrepreneurial procedure in the future.

**B. In the creation process:**

After the step of the formation where the individuals have got the important information about the world that they will enter, the step of the folder creation. In this step, the Algerian government makes other facilities in the way of reducing the barriers in the face of the unemployed of becoming entrepreneur. This reduction is characterized in:

**C. The CSVF<sup>3</sup> committee:**

Before, in the first step of the procedure of the creation, the individuals find different obstacles in the way of satisfying the bankers for the credibility of the project, where in some situation, the entrepreneur was obliged to use his personal relation to get the loan of the bank. Therefore, the government creates the CSVF committee that it contains delegates from the banks, the CNAC mechanism, and the civic state delegates in

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<sup>1</sup> (von Graevenitz, Harhoff, and Weber 2010)

<sup>2</sup> (Soudari 2014)

<sup>3</sup> CSVF : Comité de Suivre, Validation et de Financement.

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addition to the entrepreneur. For that, this committee from the important facilities that it help the individuals to get loan to launch his project.

- **Reduction in the personal part:**

From the big obstacles that it faced the unemployed to get loan and become entrepreneur through CNAC mechanisms is the personal part. Because, in the first the procedure of financing the project was as in the table below:

**Table 1: Segmentation of sum of loan in the first**

	Personal part	CNAC part	Banc Part
Less than 5.000.000,00 AD	5%	25%	70%
Between 5.000.000,00 AD and 10.000.000,00 AD	10%	20%	70%

Source: [www.cnac.dz](http://www.cnac.dz)

After that, and according to the different demands of the individuals how have entrepreneurial skills but they do not have much money for the personal part. It reduced the personal part to a minimum sum as it is presented in the table to allow the maximum number of unemployed to get loan and create their own enterprises:

**Table 2: new segmentation of the sum of loan**

	Personal part	CNAC part	Banc Part
Less than 5.000.000,00 AD	1%	29%	70%
Between 5.000.000,00 AD and 10.000.000,00 AD	2%	28%	70%

Source : <http://www.mf.gov.dz/article/300/Grands-Dossiers/255/DISPOSITIF-CNAC.html>

- **Reduction in the interest rate:**

To satisfy the needs of the individuals wanting to become entrepreneur, the Algerian government offers some special reduction in the interest rate in addition to the reduction that it concerns all individuals who get loan from CNAC dispositive. This reduction related with two points:

- ✓ **Sector of activity:**

The CNAC mechanism offers reduction in the rate of interest in normal sector with 50%. The rate of reduction could be equal to 75% if the sector of activity one of these sectors: Agriculture, fishing and irrigation sector.

This policy used to enhance the individuals how has such skills and experience in these domains to invest in these sectors.

- ✓ **Place of activity:**

Through the diversified regions in the Algerian countries where the big surface is so difficult to stay in, the Algerian government gives these places some special important in the goal of investing in these regions. There for, the rate of decreases is as follows:

In the special areas, the rate of decrease in the interest rate is 90%

In the South and high plateau, the rate of the decrease is 75%.

**D. After the creation of the enterprise:**

To complete the procedure of felicitating the way for the new entrepreneurs in the market, the Algerian government think also in the market that they will inter, therefor it create a special part for this category of the entrepreneurs:

- **Create a part of them in the market:**

According to the different obstacles, that it faced the enterprises especially in the sector of manufacturing and construction. Following the presidential decree 12-23 in January 18, 2012, The Algerian government makes rate of 20% of the offered project for the new entrepreneurs as a step to help them in the market in front of the high level of competition.

- **Taxes reduction:**

After the creation of the enterprise and through the previous obstacles faced by the new enterprises that are related with the taxes, the Algerian government exempts the new entrepreneurs in the first three years from the taxes below:

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IRG<sup>1</sup>: Exemption from the tax on gross income

IBS<sup>2</sup>: Exemption from tax on the profits of the company

TAP<sup>3</sup>: Exemption from the tax on professional activity

TFPB<sup>4</sup>: Exemption from real estate tax based on property

**Data and discussion:**

The growth of employment in Tlemcen face different changes in the latest decade according to the different facilities created, in addition to the different mechanisms to enhance the different sectors of activity. The table 3 shows the segmentation of the employment through the different sectors.

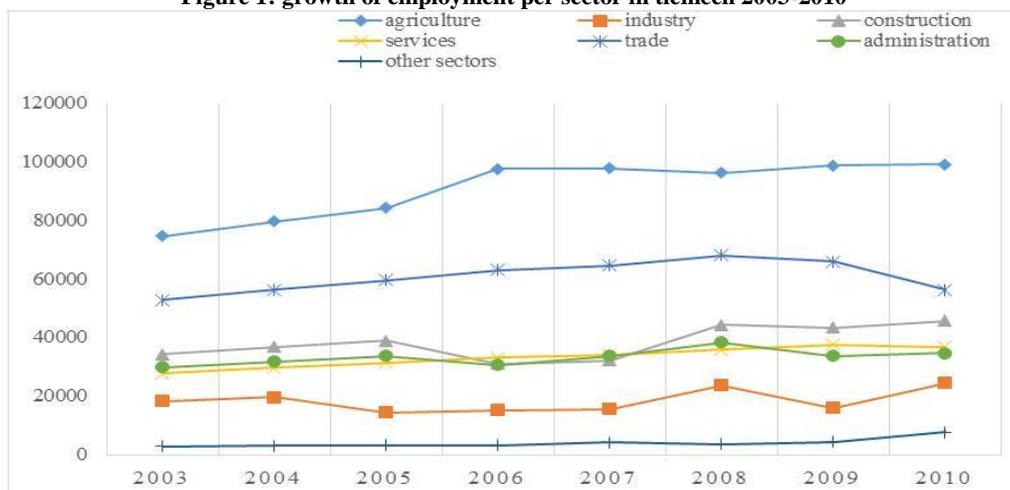
**Table 3: growth of employment per sector in tlemcen 2003-2010**

	2003	2004	2005	2006	2007	2008	2009	2010
<b>agriculture</b>	74595	79704	84352	97675	97870	96238	98849	99158
<b>industry</b>	18362	19620	14380	15224	15644	23689	15971	24408
<b>construction</b>	34428	36787	38932	31120	32321	44417	43433	45765
<b>services</b>	27764	29666	31396	33200	34156	35819	37534	36906
<b>trade</b>	52810	56420	59708	63150	64608	68132	65940	56420
<b>administration</b>	29838	31882	33741	30733	33824	38495	33824	34724
<b>other sectors</b>	2810	3009	3184	3368	4300	3634	4500	7720
<b>total</b>	240607	257088	265693	274470	282723	310424	300051	305101

Source: Office of the informational system, data and statistics about budget and local balances - Tlemcen - 2012-

From the table 3 and as we show in the figure 1, we find that the high rate of employees is focused in the agricultural sector because it is from the important activities that it need more employees. We find that in 2003, there were 74595 employees and it is grow to 99158 in 2010. The trade takes the second place by hiring more employees.

**Figure 1: growth of employment per sector in tlemcen 2003-2010**



Source: Office of the informational system, data and statistics about budget and local balances - Tlemcen - 2012-

In 2003, there were 52810 employees in the trade sector and it grown to 68132 employees in 2008. Following the new financial mechanisms to enhance the individual to create their own enterprises, they quit the paid job to start own job.

<sup>1</sup> IRG : Impôts sur revenue global

<sup>2</sup> IBS : Impôts sur les bénéfices des sociétés

<sup>3</sup> TAP : Taxe sur l'activité professionnelle

<sup>4</sup> TFPB : taxe foncière sur les propriétés bâties

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After the creation of the different financial mechanisms to enhance the individual to create their own enterprise, we find that there are important numbers of activities launched through the CNAC mechanism. As we shown in the table4,

**Table 4: data and Prevision for CNAC**

CNAC 2005-2007	
Number of created enterprise	7569
Number of employees	20757
Period	3 years
The number of enterprise created per year	2523
The number of employees per enterprise	3 employees
CNAC July 2008	
Number of enterprise created	1786
Number of employees	2398
The number of employees per enterprise	2
CNAC 2008	
Prevision	
Number of enterprises estimated	10000
Number of employees estimated	33500
The number of employees per enterprise	4
CNAC 2009-2013	
Prevision	
Number of enterprise estimated	69300
Number of employees estimated	227200
The number of employees per enterprise	4

Source : <http://www.mtess.gov.dz>

Until 2007, there were 7569 enterprises created in a period of 3 years with the creation of 20757 free jobs, i.e. a mean of 2523 enterprise per year with the mean of 3 employees per enterprise. As a start of a new mechanism, the results present a good departure, that one that it reflect the ability of the youth individual to create own business. For the prevision presented by the policy makers, they make that until the end of 2013, there will be 80000 enterprises created with a mean of 4 employees created per enterprise. From the important points is the choice of choosing the sector of activity that one that give the ability to the individual to invest, exploit and invent in his appropriate activity.

About the number of enterprises created through CNAC mechanism in Tlemcen, the table 5 present the number of enterprises created.

**Table 5: segmentation of CNAC entrepreneurs by gender**

Gender	Number	Rate %
Male	2137	89.12 %
Female	261	10.88 %
Total	2398	100 %

Source: [www.cnac.dz](http://www.cnac.dz)

From 2005 to 2012, there was 2398 enterprise created in Tlemcen in different sectors. The majority of the entrepreneurs are male with more than 89% (2137 enterprise) where the female present just 10.88% with 261 enterprise. From this table, we understand that the male are always more able to take risks and launch activities through financial mechanisms than female. From the second side, these small parts of female present a good category that they are also able to take risks inside the male to launch the activity. The table 5 presents the growth of the number of enterprise through CNAC mechanism per year in both genders.

**Table 6: growth of self-employees per gender and per year**

Gender	2005	2006	2007	2008	2009	2010	2011	2012	TOTAL
Men	36	74	103	119	176	224	466	939	2137
Women	5	12	8	15	20	29	57	115	261
TOTAL	41	86	111	134	196	253	523	1054	2398

Source: [www.cnac.dz](http://www.cnac.dz)

We find in the first year there is not much enterprises created, 36 enterprise by male entrepreneurs and 5 enterprises by females. By time, and by the different facilities created by the government as we demonstrate above, we find that there is an important growth in the both genders. From this table, we understand also that

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the different facilities are in the best point following the different obstacles faced by the individual in the way of launching the activity.

**Entrepreneurship per sector of activity:**

From the different facilities made by the mechanism is to allow the individuals to choose the appropriate sector. Because from previous interviews, we knew that the individuals have previous skills and knowledge about some activities, for that they prefer to exploit these skills and knowledge in the creation of the activity. The table 8 presents the segmentation the enterprises per sector.

**Table 7: segmentation of enterprises per sector**

year	industry	agriculture	services	transport	handicrafts	construction	total
2005	2	5	7	16	4	7	41
2006	5	13	7	47	5	9	86
2007	5	8	4	74	6	14	111
2008	2	13	7	98	5	9	134
2009	2	6	6	162	4	16	196
2010	0	7	5	228	2	11	253
2011	1	5	8	488	7	14	523
2012	13	49	25	925	5	37	1054
total	30	106	69	2038	38	117	2398

Source: [www.cnac.dz](http://www.cnac.dz)

Following the data presented in the table 8, there is a differentiation in the activities from industry to transport and construction. However, there is differentiation also in the rate of each sector according to the diploma for the sectors need for diploma. For example, we find that the industry has the lowest rate of activities with 30 enterprises from 2398. This rate is related with the necessity of the diploma or experience of work in the sector in addition to the unexpected difficulties that could be faced in the exploitation process. For that, we find that both of industry and handicraft are in the bottom of the lists according to the nature of work for the handicraft and the difficulties for the industries. Where, we find that in the other sectors, the services in the third place because it represent the graduate who get loan to launch activity such as doctor of medicine. In the up list of entrepreneurs, we find that the rate of entrepreneurs of the transport is the most high with 2038 enterprise according to the easiest process to get the loan. Because, for transport folder, the drive license in the important diplomat top get loan.

For the employment created per sector, the table below gives a clear picture about the employment created:

**Table 8: employment created per sector**

year	empl indu	empl agri	empl serv	empl tran	empl handi	empl const
2005	11	9	19	30	16	54
2006	15	38	31	98	22	43
2007	28	17	13	173	20	63
2008	14	51	22	164	16	41
2009	12	20	22	281	11	48
2010	0	20	15	365	6	40
2011	2	10	21	799	20	42
2012	30	114	71	1413	16	92
total	112	279	214	3323	127	423

Source: [www.cnac.dz](http://www.cnac.dz)

Following the table 8, we understand that all sectors contribute in creating employment but with different rates. For example, the sector of transport do not need much employees for that we find that the average is two employees per enterprise, where in the other sectors such as construction or agriculture, the average is between three to four employees because the human capital is an important factor in the process of exploitation in these sector.

**Conclusion:**

We try in this paper to shed light about the important role of the financial mechanism CNAC in enhancing the unemployed people to create their own enterprises in the first, and to hire more employees by creating free employment opportunities in the exploitation process. As a result of the paper, we find that in a period of 8 years, the CNAC mechanism in Tlemcen push about 2398 enterprise, i.e. it attract in the first 2398 unemployed to create their own enterprise, so convert it from job seeker to job follower. Through these

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enterprises, it creates free jobs for about 4478 employees. From this end, we guess that this mechanism is in the best way because it creates employment from financing project of unemployment person.

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