

Algeria

Technical Assistance in Fiscal Year 2021

Banking Supervision (May 3-7; June 7-11; October 3-10)

METAC continued its assistance to the Bank of Algeria (BA)'s General Inspection Department (GID) by developing jointly with the BA project team a Liquidity Coverage Ratio (LCR) and a Net Stable Funding Ratio (NSFR) frameworks—key elements of the Basel III standards. The assistance reflected the specificities of the unencumbered high-quality liquid assets and the balance sheet structure of the Algerian banking sector. METAC's experts also developed the prudential reporting templates, and trained BA staff on their use, including for the purpose of performing a quantitative impact study. Once implemented, the LCR and NSFR regulations will enhance BA's capacity to detect weak banks by considering early warning indicators.

METAC continued assisting the BA's GID in developing a comprehensive risk assessment and risk rating methodology for off-site supervisors to assess the risk profile of banks. During this activity, a review was undertaken of the risk assessment guides for ten significant risks that rely on the assessment of quantitative and qualitative risk factors and that have been developed by the GID project team. METAC proposed a methodology for determining the overall risk rating, and drafted a reporting format, i.e. the rating sheet, which will summarize the results of the off-site risk assessment process. Suggestions were also made about how to best calibrate the weights of risk factors by testing the off-site risk assessment methodology on a representative sample of Algerian banks. Once integrated in the supervisory process, this methodology will enhance GID's capacity to detect weak banks using early warning indicators—thus, allowing it to intervene more effectively at an earlier stage of the supervisory process.

Public Financial Management (November 16-26; January 28; February 8-26)

A joint activity with the IMF's Fiscal Affairs Department (FAD) assisted the Algerian authorities in program-based budgeting and management of fiscal risks from state-owned enterprises (SOEs). Both of these reforms are part of a broader agenda led by the Ministry of Finance to implement the Organic Budget Law (OBL) voted in 2018. Building on the important progress the authorities made in program-based budgeting, the mission worked with authorities to define a coherent and realistic set of actions to take toward full implementation. Regarding surveillance of SOEs, the mission helped define the next steps to better collect financial data from key SOEs and developed capacities to perform quantitative and qualitative analysis of financial information.

This activity included a three-day workshop for senior officials from the Ministry of Finance on: (i) benchmarking and good practices in implementation of program-based budgeting; (ii) practices from neighboring countries on surveillance of SOEs; and (iii) introducing FAD's SOE financial performance tool, with a real example—and how it can be adapted to the Algerian context.

METAC provided support to the IMF Article IV consultations with the authorities, on the analysis of fiscal risks of state-owned enterprises. The support covered a discussion with key internal stakeholders of the current financial situation of state-owned enterprises, solutions to monitor their performance the risk they pose to the budget, and avenues for further capacity development from METAC. The key output of this support was an annex on fiscal risks of state-owned enterprises in the IMF staff report for the Article IV. This activity is part of a broader strategy to drive further the integration of METAC's CD activities in the broader work on macroeconomic surveillance of the IMF.

Further assistance was provided to the authorities on the implementation of program budgeting. While the agenda is advancing well, there are still pending matters regarding the definition of objectives and indicators for programs and the reengineering of budget execution processes. METAC facilitated practical workshop with stakeholders of the reform, both in the MoF and line ministries to discuss their respective new roles and better understand the new regulatory framework in program mode. METAC drafted a detailed outline of a budget execution manual in program mode and plan on assisting the authorities in developing it further during FY22.

Revenue Administration (January 4-28)

METAC continued its support to the General Directorate of Taxes (DGI) on tax debt stock analysis and development of strategies for debt reduction and prevention. The mission found that the build-up of tax arrears is concentrated in small taxpayers, and that it has increased in 2020 to over 200 percent of annual revenues. The active management of almost all tax debts has stalled due to the pandemic. To slow the accumulation, a major re-scheduling of tax debts was recommended, for taxpayers affected by the pandemic, together with tighter controls over non-filing of recurrent obligations (VAT and wage tax). The mission also recommended to engage debtors early on, especially those with a history of non-payment, and to maximize collections of tax debt before applying enforcement measures.