

# Algeria

## Technical Assistance in Fiscal Year 2018

### **Financial Supervision** (October 8-12, April 8-12)

As part of its assistance to Algeria in implementing the Pillar 2 of Basel II/III, METAC helped Banque d'Algérie (BA) develop a framework for ICAAP. The framework focused on assessing capital adequacy on solo and consolidated bases under normal and stressful situations, while recognizing the principle of proportionality regarding its scope, frequency of reporting, reference, and remittance dates. The mission advised BA to discuss with banks' management and external auditors the draft ICAAP framework prior to its formal release, to test banks' readiness for its implementation and detect its impact on banks' capital adequacy. The mission also reviewed the applicable regulations/instructions enforced by BA related to Pillar 2 of Basel II, and advised BA to develop additional regulations necessary for assessing banks' risk profiles.

A follow-up mission examined the comments received from banks on the guidelines on ICAAP that BA circulated earlier, and discussed with the authorities ways to overcome the implementation challenges. The mission also followed up on the implementation of the remaining recommendations of METAC's TA report of October 2017, including regulations on Pillar 2 of Basel II/III.

### **Public Financial Management** (November 7-21)

The fiscal position of Algeria deteriorated significantly in 2015 as oil revenues plummeted. To support fiscal consolidation, in 2016 the government adopted a three-year (2017-19) fiscal framework, which includes multi-year ceilings on recurrent and investment spending. However, these ceilings have not exercised sufficient constraint during the preparation of the 2018 budget, which sharply deviates from the scenario set by the 2017-19 fiscal framework. Against this background, the authorities have requested a joint FAD-METAC mission to help them strengthen the institutional framework for medium-term budget planning and related capacities. In addition, as the difficulties encountered by the government in complying with the 2017-19 medium-term budget framework (MTBF) could be partly linked to the materialization of significant fiscal risks, the mission analyzed the main fiscal risks facing Algeria, and advised on the institutional framework for monitoring and managing them. The mission organized two workshops to present international standards and country experiences, which gathered more than 100 participants each from both the MoF and line ministries.

### **Statistics** (January 15-26, March 18-22)

METAC assisted BA in improving the sources and compilation techniques of ESS (i.e., BoP and IIP), focusing on direct reporting. The mission helped the compilers to improve the accuracy of the private sector direct investment position data, including the treatment of middle-and long-term construction projects in the country. It advised on the steps to organize a direct investment survey, based on an updated register of private non-financial enterprises. The mission also assessed the possibility of developing quarterly BoP estimates. To this end, it reviewed the availability of frequent indicators and discussed the possibility of collecting more frequent data that could support compilation of quarterly estimates.

Another mission assisted the Office National des Statistiques in developing a system of annual financial accounts and balance-sheet statistics by institutional sector. The mission assessed the source data and technical capacity available to develop the financial accounts, in accordance with the milestones set up in the METAC log-frame. It advised developing new data sources and establishing procedures for the compilation of financial accounts and balance sheets in line with the 2008 SNA. Institutional arrangements and responsibilities for developing the accounts were discussed and recommendations provided to strengthen cooperation between relevant data providing agencies.