

Algeria

Capacity Development Activities in Fiscal Year 2024

Central Bank Operations (June 18-22; September 18-19; January 29-February 1)

At the request of the Banque d'Algérie (BA), METAC provided a follow-up mission as part of the project of setting up a credit rating system for non-financial corporations. The project was launched during the December 2022 mission and is motivated by the objective to operationalize the acceptance of bank credit claims as collateral, both for monetary policy and for Emergency Liquidity Assistance (ELA). This focused, hands-on mission provided clarification and follow-up on outstanding recommendations of the initial mission and an update of the detailed roadmap, taking the BA's progress and experience so far into account. The mission found BA has made good progress on the organizational level but more needs to be done with respect to data collection to allow a country-specific, statistical calibration for the credit rating process.

Following the AMF High-Level Workshop in Algiers (see above), METAC conducted a follow-up consultation with the Banque d'Algérie (BA) on the ongoing TA project of establishing an internal credit rating system for credit claims. METAC and the BA agreed that the next steps on the roadmap will be delivered in-person given the confidentiality of the input data of the project.

At the request of the Banque d'Algérie, METAC provided a follow-up technical assistance mission to set up a credit rating system for non-financial corporations to allow bank credit claims to be accepted as collateral in central bank liquidity-providing operations. Under this project METAC delivers short and targeted follow-up missions at regular intervals conditional on the actual progress made. This mission delivered tools for the hands-on implementation of the methodology based on the country-specific calibrations of the relevant financial balance sheet ratios to achieve a credit rating scale for Algerian non-financial corporations. The next steps of the project will be the mapping of the credit rating scale into a haircut schedule for credit claims.

Financial Supervision and Regulation (July 23-27; October 15-19)

METAC supported the Banque d'Algérie (BA) in developing new regulation for banks and financial institutions to regulate their outsourcing activities. The regulation was developed in line with EBA (European Banking Authority) guidelines and was tailored to the Algerian banking sector characteristics and legal framework. The regulation defines the essential outsourced activities and develops the minimum expectations regarding the outsourcing process. This includes the internal governance arrangements, risk management, and controls that should be in place to manage and control the risks related to outsourcing activities. It also addresses considerations related to conflict of interests, cross border relationship, and business continuity plan. The mission also provided capacity building to

the supervisors on the risks and challenges related to outsourcing arrangements to enhance their understanding, awareness, and their capacity to assess these risks.

The mission's objectives were to (i) propose final enhancement to the risk rating methodology (ii) advise on the framework that relates the risk rating category of banks to an array of supervisory measures for early intervention, and (iii) review the documentation of the rating architecture, processes, and procedures. It reviewed the quantitative aspect of the methodology and introduced new indicators for each type of risks as well as individual risk weights to improve the overall rating. The mission also advised on the types of supervision, the process, tools, and intervention measures for each rating category taking into consideration the size and systemic importance of the bank. It further reviewed the documentation of the rating methodology, including the composition and role of the committee responsible for the validation of risk ratings.

Revenue Administration (April 28-May 6)

METAC provided tailored advice to the Algerian General Directorate of Taxes (DGI) on the design of a compliance risk management strategy for the extractive industries (EI) (oil, gas, and mining). The mission conducted a comprehensive environmental scan of the local circumstances together with a review of global EI business models, tax planning, and regulatory frameworks. It prepared a draft mid-turn program to provide regular and on-demand advice throughout FY25, enabling DGI to implement a strategy to improve EI compliance and expand it to a broader tax base.