## Algeria

## Fiscal Year 2026

### Capacity Development Activities

### Financial Supervision and Regulation

*Upgrade of the Onsite Inspection Manual*

With METAC's technical assistance, the Banque d'Algérie has successfully enhanced its onsite inspection manual, marking a significant milestone in strengthening supervisory practices. The revision aimed to modernize a manual that had been in place for over 15 years and to align it with the new risk rating methodology recently developed in collaboration with METAC experts. The upgraded onsite inspection manual now provides a unified framework that harmonizes supervisory approaches across inspection teams. It equips onsite examiners with practical operational tools to conduct thorough examinations, enabling more effective and risk-sensitive onsite supervision.

*Review of Draft Regulations*

During September and October, METAC assisted the Banque d'Algérie in reviewing two critical draft regulations recently updated by the Banque d'Algérie team: (i) Large Exposures, and (ii) Loan Classification and Provisioning. The review focused on ensuring these regulations are aligned with the latest Basel Committee on Banking Supervision standards while being adapted to reflect the specific characteristics of the Algerian banking sector. The updated regulations are expected to enhance the supervisory framework related to credit risk management by strengthening prudential requirements around loan classification, provisioning adequacy, and credit concentration risk.

*Developing Regulation on Capital Framework for Banks (December 7-11)*

METAC reviewed the draft regulation recently updated by the Banque d'Algérie (BA) on the capital adequacy framework. The mission focused on revising the existing capital regulatory framework to align with the Pillar 1 Basel II/III capital standards, while taking into account the specific characteristics of the Algerian banking sector and applying proportionality principles. A revised draft regulation on the capital adequacy framework—aligned with the Basel II/III standards and appropriately tailored to the Algerian context—was produced, along with the relevant reporting templates.

### Macroeconomic Frameworks

The mission team focused on further developing and operationalizing the Forecasting and Policy Analysis System (FPAS) at the Bank of Algeria (BA) during 19-30 October. The foreign sector of the BA's Quarterly Projection Model (QPM) and real exchange rate concept were extended to effective terms. To further enrich internal communications, disseminate analytical work and gather timely feedback, the team supported BA staff in presenting the latest model extension and real-time forecasts within an interdepartmental meeting.

### Public Financial Management

*Implementation of PBB & MTBF (April 19-30)*

METAC supported the General Directorate of Budget (DGB) in the "operationalization" of the Organic Budget Law adopted in 2018, in the areas of institutional arrangements and capacity development. This first mission focused on the managerial dimension of the budgetary reforms and conducted the relevant functional diagnostic. This includes a high-level stocktaking of progress achieved on the key reform projects (including performance-based budgeting (PBB)) compared to the Organic Budget Law target and an evaluation of changes in organizational arrangements, and capacity building initiatives. Findings will inform a high-level action plan that will identify measures needed in institutional arrangements and capacity development to support effective reform implementation.