

Algeria

Capacity Development Activities in Fiscal Year 2023

Banking Supervision (July 10-14; November 6-10)

METAC conducted an in-person mission to support the Banque d'Algérie (BA) in developing its regulation on the accounting and valuation of financial instruments. The mission and the BA team completed the draft regulation, modified the chart of accounts in line with the amended regulation, and introduced additional regulatory reports on financial instruments. The mission aimed to converge the initially proposed regulation with IFRS 9, while respecting the Algerian legal accounting framework. It introduced IFRS 9 concepts to the draft regulation, including the business model basis for classification of financial instruments, the derecognition criteria, and the accounting and valuation methodology for the various categories of financial instruments. The mission also identified the remaining gaps to converge with the international standard.

METAC continued to assist the General Inspection Department (GID) at the Banque d'Algérie (BA) in enhancing its Supervisory Review Process (SRP) and developing a risk rating system for banks. Around 15 supervisors from the offsite and onsite functions were involved in the mission. The GID presented the preliminary anonymized rating test results for the various banks, the challenges faced in performing these tests, the data needed for a more robust rating, and remaining information gaps. The mission team helped the supervisors in closing these gaps through (i) selecting the key questionnaires used for the qualitative assessment of the major risks, (ii) enhancing the internal control reporting, and (iii) proposing a new submission from banks of their business plan, which will be used in the assessment of the business model. It is expected that BA will finalize the reporting of the internal control and the business plan and issue them to the banks. The next mission will assist the authorities to put in place a clear process relating the results risk ratings to a set of supervisory and corrective measures and will perform an overall final review of the rating methodology.

Central Bank Operations (December 12-22)

With the support of IMF METAC, the Bank of Algeria (BA) will develop an in-house credit rating system for non-financial corporations. This project 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). To achieve this goal, the BA will need to assure it has the appropriate databases, sufficient resources, advanced methodological knowledge, and the mandate to review its organizational structure. This was the first METAC TA mission on this topic, and the mission team made recommendations in each of the above areas. The recommendations include a step-by-step approach to gradually move from producing a rating for a small sample of non-financial corporations towards a larger coverage. A second TA mission is planned to provide further guidance in the start-up phase. Further TA support will be dependent on the pace of implementation progress by the BA.

Public Financial Management (July 18-29)

This was a follow-up mission to take stock of progress made in the implementation of program-based budgeting and advise authorities accordingly. The mission mainly consisted of plenary sessions of questions and answers with participants from key sectors of the budgeting department with the aim to share experience and review the documentation that should be attached to the Initial Finance Law. A seminar gathering 50+ participants was also organized to present key upcoming changes to the budget preparation process. The mission also took stock of progress made on critical recommendations and actions of the project roadmap to ensure a smooth implementation of program-based budgeting in 2023 and advised authorities on priorities over the next few months.

Revenue Administration (January 8-16)

METAC assisted the Algerian General Directorate of Taxes (GDT) in strengthening the management of tax arrears. The creation of a dedicated collection directorate within the central services is a significant improvement of the tax arrears management function. The mission provided advice to the new directorate on how to move forward towards becoming more digital, more taxpayer-oriented and more efficient in its enforcement tasks.