RETHINKING THE FISCAL RISK MANAGEMENT FRAMEWORK IN ALGERIA

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ABSTRACT

Algeria, a commodity exporter country- faces fiscal risk from diverse sources, including volatility of oil prices, financial sector exposure, the state owned enterprises, and other macroeconomic and specific shocks. Historically, these shocks, especially sudden declines in oil prices, have had an adverse impact on the economic activity and public finances. However, this paper shows that Algeria, currently, has some tools to mitigate some risks, while, there is not a comprehensive framework to analyze and manage all fiscal risks. Hence, the study emphasize the fact that Algeria may need to rethink its fiscal risk management framework through putting in place international best practice , in order to ensure sound fiscal public finances and more macroeconomic stability.

KEY WORDS

Fiscal risk - Oil prices volatility - Public finances- Risk management- Algeria.

JEL CLASSIFICATION: E62, H63, H68.

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REPENSER LE CADRE DE GESTION DES RISQUES BUDGETAIRES EN ALGERIE

RÉSUMÉ

L'Algérie -en tant que pays exportateur de produits de base- est exposée à des risques budgétaires provenant de diverses sources, notamment la volatilité des prix du pétrole, les risques liés aux secteur financier et les entreprises publiques, ainsi que d'autres chocs macroéconomiques et spécifiques. Historiquement, ces chocs, notamment la baisse soudaine des prix du pétrole, a eu un impact négatif sur l'activité économique et les finances publiques. Cependant, ce papier constate que l'Algérie dispose actuellement de certains outils pour atténuer certains risques, alors qu'il n'existe pas un cadre complet pour analyser et gérer tous les risques budgétaires. Par conséquent, l'étude a souligné que l'Algérie aurait peut-être besoin de repenser son cadre de gestion des risques budgétaires, en mettant en place les meilleures pratiques internationales, afin de garantir des finances publiques saines et une stabilité macroéconomique accrue.

MOTS-CLÉS :

Risques budgetaires – Fluctuation des prix de pétrole-Finances Publiques-Gestion des risques-Algerie.

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إعادة التفكير في إطار إدارة مخاطر المالية العامة في الجزائر

ملخص

تواجه الجزائر باعتبارها أحد البلدان المصدرة للسلع الأولية العديد من مخاطر المالية العامة الناجمة عن مصادر متنوعة تشمل تقلبات أسعار النفط، مخاطر النظام المالي والشركات المملوكة للدولة، بالإضافة إلى صدمات أخرى متعلقة بالاقتصاد الكلي وأخرى ذات طابع خاص. ومن الناحية التاريخية فقد كان لهذه الصدمات وخاصة الانهيارات المفاجئة لأسعار النفط تأثيرات عكسية على النشاط الاقتصادي والمالية العامة للبلد. وفي هذا السياق فقد توصلت هذه الدراسة إلى أن الجزائر تتوافر حاليا على بعض الأدوات للتقليل من حدة هذه المخاطر، ولكنها بالمقابل لا تتوفر على إطار شامل لتحليل وإدارة جميع مخاطر المالية العامة. وعليه تقترح الدراسة إعادة النظر في الإطار الحالي لإدارة مخاطر المالية العامة من خلال تبني المعايير الدولية لأفضل الممارسات في هذا المجال، وهذا بغرض ضمان سلامة المالية العامة والمزيد من الاستقرار الاقتصادي الكلي.

كلمات مفتاحية:

مخاطر المالية العامة – تقلبات أسعار النفط – المالية العامة – إدارة الخطر – الجزائر.

تصنيف جال: E62, H63, H68.

INTRODUCTION

It is no secret that the fiscal policy plays a great role in the oil economies, due to the importance of the public sector in these economies and to the nature of non-tax revenues, especially oil revenues, which constitute an important part of its budget. However, this situation makes the most of oil economies subject to several fiscal risks from diverse sources, including the volatility of oil prices, the financial sector exposure, the state-owned enterprise risks, and other macroeconomic and specific shocks.

On the basis of historical experiences, these shocks, especially the oil price shocks of 1986 and 2014, have had an adverse impacts on the economic activity in general and on public finances in particular, given that higher spending rates compared to a large decline in revenues and exports, may result in high levels of public debt and have major implications for fiscal sustainability. In order to avoid these adverse effects, analyzing and managing fiscal risks may be a key aspect of fiscal policy, especially in oil producing countries that are subject to revenue volatility. However, these governments must understand and manage risks to public spending and debt . To achieve these objectives a comprehensive fiscal risk management framework must be developed to include the methods and tools that governments have to use to ensure sound fiscal public finances and more macroeconomic stability.

This paper discusses fiscal risks in Algeria , as a commodity exporter country- , where the oil sector has been a dominant feature of the economy for decades making it vulnerable to changes in the world oil markets . It is worth noting that hydrocarbons in Algeria account for more than 95percent of exports, 60 percent of government revenues, and 30 percent of GDP. In its transition from socialism toward a market economy, over the past few years, Algeria has carried out structural reforms that have helped to clarify the roles of stakeholders in the public sector and elucidate the ways in which the economic policies in general and the fiscal policy in particular, operate in the economy.

In recent years, Algeria has faced substantial fiscal costs from oil price shocks, as well as specific risks stemming from the state-owned enterprises, and other contingent liabilities. These shocks , especially the sudden declines in oil prices had a significant impact on public finances and led to a decline of nominal GDP . While Algeria currently has some tools to mitigate some risks, the country is still exposed to important fiscal risks. Hence, the risks of future shocks call for a comprehensive approach to fiscal risks management.

To address these issues, the present paper is organized as follows : Section I describes the main fiscal risks faced by Algeria. Section II deals with the the current practices for mitigating these risks in Algeria. Section III provides an overview of good practice in fiscal risk management based on international experiences. Finally section IV proposes a framework for a fiscal risk management in Algeria , in order to help the credibility and sustainability of public finances and to support macro stability.

SECTION I- FISCAL RISKS FACED BY ALGERIA

This section presents an overview of fiscal risks, and describes the main fiscal risks faced in Algeria.

1.1- Fiscal Risks : An overview

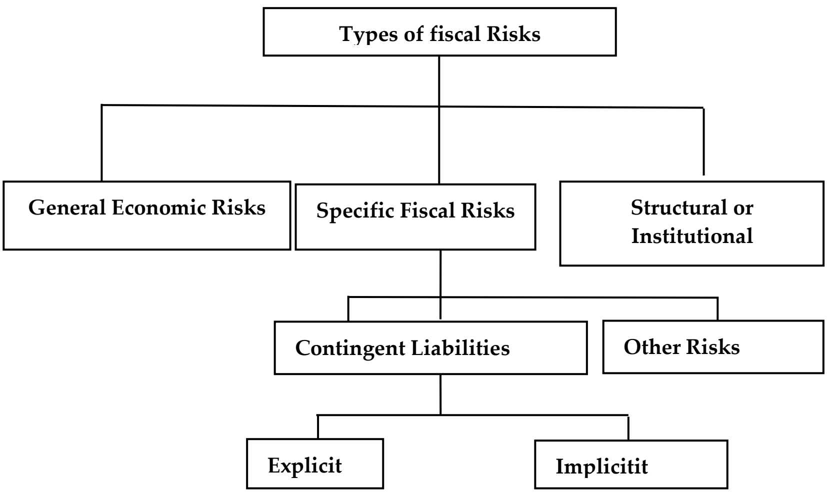
A key government task in managing public finances as noted in (Clements et al. , 2016) is to forecast how government revenues, expenditures, budget deficits, and public debt will evolve over time. But, a recent experience indicates that adverse events outside a government's control, often cause higher budget deficits and larger increases in public debt than anticipated. In other words, public finances are subject to "fiscal risks", which are factors that may contribute to significant deviations in fiscal outcomes, compared to what was expected in forecasts or budgets (IMF, 2016). These differences can be large, and may result from diverse sources; in this context, the main types of fiscal risks, as shown in Figure 1, include :

- *General economic risks :* arising from unanticipated macroeconomic developments such as : shocks to economic growth, interest rates, oil price, exchange rate, or the terms of trade ;

- *Specific fiscal risks :* mainly from the realization of "contingent liabilities"- obligations that are triggered by an uncertain event. These can be either explicit liabilities that are legal in nature (such as government loan guarantees to farmers when there is a crop failure) or implicit liabilities, public expectation of government responsibility not established in law (for example, to bail out banks after a financial crisis).

- *Structural or institutional risks :* such as weak institutional capacity and spending rigidity.

Figure 1. **Types of Fiscal Risks**



Source : Leandro Medina (2015), Assessing Fiscal Risks in Bangladesh, IMF Working Paper, WP/15/110, p.5.

Recently, the experience of certain countries such as Greece, Portugal, Italy… suggests that the failure to assess and manage such risks may result in higher obligations and public debt, and occasionally, crises. However, better understanding of fiscal risks and how to manage them would help both credibility—and borrowing costs—and fiscal and macro outcomes.

1.2- The main fiscal risks faced in Algeria and its impacts

Algeria as an oil exporting country is subject to several fiscal risks. The most important one is the drastic drop in oil prices and its negative effects on macroeconomic performance, notably the slowdown in economic activity, and the widening of fiscal and the current account deficits. In addition to this shock, Algeria experienced other specific risks stemming from, financial sector, exchange rate depreciation, the public and state owned enterprises, and local government's budgets.

A/ The oil price shocks and the decline in the economic activity.

Historically, the sudden declines in oil prices have had a significant impact on the economy and public finances. For example ,the oil price shocks of 2014, led to a large deterioration in the economic outlook notably in the fiscal and external balances. The Table 2 illustrate selected macroeconomic indicators for Algeria over the period 2013-2017 :

Tab.2. Algeria: Oil prices , GDP growth , fiscal and the current accounts (2013–2017).

	2013	**2014**	**2015**	**2016**	**2017**
Oil prices ($)	111.3	100.2	53.1	44.28	54
Real GDP growth (percent)	2.8	3.8	3.9	3.3	1.6
Nonhydrocarbon GDP growth (percent)	7.1	5.6	5	2.6	3.4
Total revenue(percent of GDP)	35.8	33.4	30.8	28.8	32.7
Total expenditure(percent of GDP)	36.7	41.3	46.6	42.3	41.5
Overall budget balance (deficit-) (percent of GDP)	-0.9	-8.0	-15.8	-13.5	-8.8
government debt (percent of GDP)	7.7	8.0	8.8	20.6	27.0
Current account balance (percent of GDP)	0.4	-4.4	-16.6	-16.6	-12.9

Source: IMF &Bank of Algeria.

From the table above, we can observe that Algeria continues to face important challenges posed by lower oil prices, including:

- Growth in the nonhydrocarbon sector is slow due to the effects of spending cuts, it is estimated at 2.6 percent in 2016 (IMF ,2017) . While The real GDP growth slowed sharply, mainly driven by a contraction in hydrocarbon production (IMF, 2018).

– The fiscal deficit doubled in 2015 to 16 percent of GDP as a result of the decrease in hydrocarbon revenues, and the fall in hydrocarbon exports by nearly half caused the current account deficit to widen sharply (IMF , 2016b). Despite a sizeable fiscal consolidation in 2017, the fiscal and current account deficits remained large, and public debt increased significantly since 2016 but remains moderate (IMF ,2017).

B/ Banking sector exposure

After the drastic drop in oil prices since June 2014, the banking liquidity has significantly decreased, especially in 2016. Its level which was 2731 billion dinars in 2014, declined to 821 billion dinars in 2016 . However, this decrease in the banking liquidity by about 70%, was followed by costly bailouts from the public treasury of 767.1 billion dinars in order to cover the non-performing loans of state - owned enterprises (Banque d'Algérie, 2017). Such situation reveals the strong relations that already exists between the banking system, hydrocarbon sector, and the public sector, and which may increase the risks of financial instability.

C/ Foreign exchange markets

Since its floating in 1995 , the official value of the Algerian Dinar had substantially declined against the main currencies , notably the U.S. dollar in which the official rate was increased from 47.68 dinars per dollar in 1995 at close to 118.62 today. Hence, important sources of fiscal risks can result from the depreciation of the Algerian dinar such as increased expenditures for imports (the pass-through effect) and repayment of foreign denominated debt .For example (Bensafta, 2018) finds that a depreciation of the dollar vis-à-vis the euro results in a significant and proportionate increase in Algerian imports prices from the Eurozone. This impact is greater in the case of imports emanating from Spain, Germany and Belgium. On the other side, the Bank of Algeria suggests that the depreciation of the domestic currency has increased the repayment of foreign denominated debt (Banque d'Algérie,2012).

D/ Poor performance of state-owned enterprises.

The risks related to state-owned enterprises (SOEs) can be identified by analyzing and reporting the business performances of these enterprises. In the Algerian context, most of the existing (SOEs) has suffered from poor financial results ,and its inability to meet debt obligations because of its severe inefficiencies in the productive capacity of various industries and generated fiscal imbalances (Merghit&Begga,2014).This situation created important sources of fiscal risks such as: a decline in planned government revenues from public enterprises , an increase in government expenditures to cover (SOEs) financial losses –and an increase in government expenditures due to repayment of (SOEs) guaranteed debt. For example, in September 2017, the Algerian prime minister estimated at 1,000 billion dinar (7.4 billion dollars) the debt of public and state -owned enterprises (APS,2017a).

E/ Environmental Risks

Algeria is subject to several environmental risks such as: floods, earthquakes… The fiscal risks posed by these natural disasters have generally left governments reliant on ex post budget reallocations, emergency borrowing, and donor assistance. For example , on November 10th , 2001, waves of water swept through the streets in “Bab-El Ouad” (Algiers) , causing more than 700 deaths. The damage was estimated to over 270 billion Dinars (Sudhorizons,2017). In addition, on May 21, 2003, an earthquake of moment magnitude 6.8 shook the province of “Boumerdes” in northern Algeria. Approximately 2,300 people were killed and about 182,000 housing units were damaged, of which more than 19,000 collapsed or were rendered uninhabitable. The earthquake left upwards of 120,000 people homeless. The total economic loss was estimated at US$5 billion (Eeri,2003).

F/ Local governments budgets deficits

The system of local governments (Wilaya & commune) in Algeria was established in the late 1960s. Despite its full financial autonomy since 1990, most of local governments are still under excessive fiscal deficits. However, the inability to meet its expenditures needs, leaving the central government with obligation to repay their deficits. For example in 2017, the state aid to local governments was estimated to 53 billion Dinars (APS,2017b).

The table below summarizes the main fiscal risks faced by Algeria as the preceding demonstration suggest :

Tab.1 : **Fiscal Risks Faced in Algeria**

Source of fiscal risk	Description	Effect on government finances
The oil price shocks and decline in economic activity.	-Unanticipated decline in economic activity caused by the volatility of oil prices. -Lower than projected economic growth.	-Shortfall in expected public revenues -Potential decrease in public spending (e.g., social transfers).
Banking sector exposure	Shortfall in banking liquidity after oil price shocks, which may led to insolvency of one or more banks .	Increase in expenditures due to the authorities support (costly bailouts) or recapitalization to the banking sector .
Foreign exchange markets.	Depreciation of the domestic currency	Increased expenditures for imports and repayment of foreign denominated debt.
Poor performance of public and state-owned enterprises.	-Poor financial results from public and state-owned enterprises. -Inability of public or state-owned enterprises to meet debt obligations.	-Decline in planned government revenues from public enterprises. -Increase in expenditures to cover financial losses. - Increase in expenditures due to repayment of guaranteed debt.
Environmental Risks	Natural disasters such as: floods, earthquakes…	Unforeseen expenditure on relief, recovery, reconstruction…
Local governments budgets.	Excessive fiscal deficits of local governments.	Increase in expenditures due to financial transfers to local governments.

Source: author.

From the above analysis, it becomes clear that the lower oil prices as the main fiscal risk faced by Algeria had a significant impact on its public finances. But the question, now, is to determine whether the country has tools to mitigate some these fiscal risks. The answer will be reported in the next section.

SECTION II - THE CURRENT PRACTICES FOR MITIGATING FISCAL RISKS IN ALGERIA

Despite the several fiscal risks faced by Algeria and its sustainable negative impact on public finance, the actual framework and operational practices that determine fiscal risk management is still exceptionally poor compared to many other oil economies. However, there is not a comprehensive framework to analyze and manage all fiscal risks in Algeria, but the country has tools to mitigate some risks.

The existing legislation , especially the Algeria's budget system law 84/17 (La loi n° 84-17 du 7 juillet 1984) which regulates the planning, preparation, adoption, and implementation of the national budget, doesn't contain any legal acts explicitly defining the management of fiscal risks, or detailing the roles and responsibilities of the key stakeholders involved in fiscal risk management. Furthermore, there is no dedicated fiscal risk management department in the ministry of finance oriented to strengthen fiscal risk management and coordination. In addition, the legal framework is more likely suffer from the absence of public debt law which defines the tasks associated with public debt management, and various procedures associated with these tasks and the roles and responsibilities of key stakeholders involved.

By contrast, the budget system law (84/17) stipulates the creation of a budget contingency for unexpected expenditures arising from various sources like the natural calamities. In addition , the government also sets out a number of entities involved in fiscal risk management in order to mitigate some risks. These entities include mainly :

2.1-The Ministry of Finance

The ministry of finance has an important role in managing fiscal risks, its organizational diagram highlighting the main administrations involved in fiscal risk management such as :

A / The General Directorate of Forecasting and Policy : this department is specifically in charge of :

– Elaborating macroeconomic forecasts ;
– Defining the information systems of the Ministry of Finance ;
– Elaborating the necessary elements designing the budgetary and fiscal policies ;
– Evaluating the budgetary and fiscal policies ;
– Monitoring and evaluating the balance of social systems ;
– Elaborating the macroeconomic and financial framework of the budget laws ;
– Preparing the reports related to the presentation of the budget laws ;
– Simulating the impacts of economic and financial measures.

The General Directorate of Forecasting and Policy is made of four (4) sub - divisions:

✓ The Direction of the Macroeconomic Forecast :which include :the forecast branch- the business cycle analysis branch- the analysis of financial transactions branch- the models and simulations branch ;
✓ The Direction of Data Collection;
✓ The Budgetary Policy Directorate ;
✓ The Direction of Fiscal Policy.

B/ The Directorate General of Budget*:* this administration isin charge of:

- The participation, with other relevant institutions, in the preparation of the budgetary policy;
- the initiation of laws or regulations within its area of competence;
- the study and proposal of necessary measures rationalize of government expenditure, and the improvement of its efficiency;

- the elaboration of the budget law draft;
- the implementation and monitoring of budget execution, control and evaluation;
- the techniques to nitiate, transform, cancel and redeploy the budget items of institutions and public administrations;
- the participation in the study, preparation and implementation of international conventions and agreements, which have a financial impact on the State budget;
- the monitoring of the budget reform and its implementation.

C/ The Inspectorate General of Finance

The Inspectorate General of Finance (IGF) is an independent department reporting directly to the Minister of Finance in order to play a central role in the preservation of public funds. In principle, the (IGF) is responsible for improving financial management and control within Algeria's public sector at large. It conducts financial statements analyzes for public enterprises, state subsidies, and guarantees, and reports to the minister of finance. For example ,in 2017 ,more than 300 reports were notified by the (IGF).These reports, which relate to the 2016 - 2017 financial year, identify malfunctions and provide recommendations through management control operations, audits in the economic sector, surveys and evaluations of public schemes or programs (APS,2017c).

2.2- The Bank Of Algeria

In addition to its primary task of achieving and maintaining price stability, introduced by the Money and Credit Law 90/10 , the Bank of Algeria plays a key role in maintaining and strengthening the stability of the financial system. In this context, it issues and revokes operating licenses for banks and carries out prudential supervision of bank operations.

2.3- The Revenue Regulation Fund

The Revenue Regulation Fund is an oil stabilization funds that Algeria created in 2000 in order to play an important role in dealing with the economic consequences of a background of volatile oil revenues. However, since the supplementary budget law for 2000, oil revenue recorded in excess of budget law projections (which are based on prudent price per barrel forecasts) is allocated to the Revenue Regulation Fund. The deposits in the Fund are consolidated within the single Treasury account at the central bank. As of the 2004 budget law, the Fund resources may be supplemented by the advances that Banque d'Algérie is authorized to grant the Treasury for active public debt management purposes (Article 46 of the Order on money and credit). The 2004 budget law also provides that the Fund can only be used to: (IMF, 2005)

- offset the shortfalls resulting from oil tax revenue below budget law projections.
- reduce the external public debt.

In fact, (Jose R. Lopez-Calix, Irum Touqeer, 2016) ???? finds that the Revenue Regulation Fund allowed countercyclical fiscal policies to sustain growth as first response to the 2014 oil prices shock with relative success.

2.4- The National Audit Court

The national audit court is a supreme audit institution reporting directly to the President of the Republic. Its members have the status of magistrates and its role is limited to auditing the government's executed budget. In other words, the National Audit Court is responsible for overseeing the quality of management in supervised agencies, it rules on the accounts of the government accounting officers, and on breaches of fiscal and financial discipline. The annual report of the national audit court, should be addressed to the President of the Republic with a copy to the Legislative Assembly. For example, in its evaluation report on the draft budget regulation law for the 2016 financial year, the national audit court has made 25 recommendations calling for "better" control over budgeting , and to bring more rigor in the management of equipment budgets.The court also observed that "the implementation of the communal plans of development (PCD) were taking place without planning, nor implication of the citizens at the level of several municipalities. In addition, the Court has recommended the assessment of the impact of tax incentives and its related risks, taking into account that they have reached high levels exceeding 886 billion dinars (APS,2018).

Overall, it's clear that Algeria currently has tools to mitigate some fiscal risks, in turn, there is not a comprehensive framework to analyze and manage all fiscal risks. While, better international practices in fiscal risks management based on enhancing monitoring, management and reporting of fiscal risks , would bring considerable benefits to the Algerian economy.

SECTION III - AN OVERVIEW OF GOOD PRACTICE IN FISCAL RISK MANAGEMENT BASED ON INTERNATIONAL EXPERIENCES

This section reviews the good practices in fiscal risk management based on international experiences, and it describes briefly the institutional arrangements that are important for an effective fiscal risk management.

3.1- International best practice in fiscal risk management

An IMF report on good practices in fiscal risk management suggests that countries should develop a more complete understanding of their fiscal exposures. This involves the following four-step process: (IMF, 2016)

Step 1: Identifying and Quantifying fiscal Risks

Countries with advanced fiscal risk practices usually follow advanced practices identifying, assessing, disclosing risks. This involves assigning a number to their magnitude and, where possible, estimating their likelihood. When quantification is too difficult, risks can still be classified into categories (such as probable, possible, and remote) based on judgments about their likelihood.

Step 2: Mitigating fiscal risks

Advanced practice in choosing the appropriate instrument of mitigating fiscal risks depends on its nature, and the cost-benefit trade-off between mitigating and accommodating them, and institutional capacity. Thus, risks may be categorized according to whether they are endogenous-generated by government activities or influenced by government action-or exogenous, continuous or regular, or discrete. Mitigating measures can include direct controls and limits on fiscal exposures. For example, in the oil economies, authorities can adopt hedging instruments to lock in the selling price ahead of time and protect against price declines.

Step 3: Budget provisions

Risks that cannot be mitigated efficiently may be addressed via provisioning. In this context, policymakers have three broad types of provisioning: they should incorporate in the budget expected costs of highly probable risks; creating budget contingencies for risks that are moderate and possible; and establishing buffer funds by setting aside financial assets to meet the costs if larger risks materialize.

Step 4: Accommodate residual risks

Some fiscal risks may be large to cover, too costly to mitigate, or simply remote events (not precisely known). These risks should generally take into account by governments, and must be accommodated by maintaining sufficient fiscal space (margin of safety).

3.2- Institutional Arrangements for Effective Fiscal Risk Management

Fiscal risk management is ideally based on the following institutional arrangements (Matteo Ghilardi, 2018) :

A/ A risk management policy : which specifies the preconditions under which governments and ministries of finance take on specific fiscal risks;

B/ Clearly defined responsibilities : Individual ministries and departments are responsible for identifying, estimating, analyzing, and monitoring specific risks that fall within their functions, and under their remit. This is consistent with the principle that specialists are more likely to have the required capacity to monitor and manage specific risks within their area.

C/ A central risk oversight body : even where risks are recorded and managed at the ministry or agency level, monitoring and management of overall fiscal risk are centralized at the ministry of finance. This allows for an assessment of aggregate fiscal risk exposures across government and for the analysis of possible relationships between different sources of risk and their potential interactions. This role is often assigned to a specific unit or high-level committee, with a mandate to monitor how risks are evolving; establish risk-warning indicators; and undertake 'war-gaming' exercises to prepare for risks. Such a body could also be tasked with assessing whether risk mitigation practices are adequate and recommending actions to strengthen them where required;

D/ Central controls over major risks : which stipulates that one authority (such as the minister of finance or a cabinet committee) has control over approving contracts that expose the government to fiscal risks.

SECTION IV - STRENGTHENING THE FISCAL RISK MANAGEMENT FRAMEWORK IN ALGERIA

In this section, we shall discuss the importance of strengthening fiscal risk analysis and mitigation in Algeria, through establishing a comprehensive approach to fiscal risks management.

4.1- Algeria's main deviations from good practice in fiscal risk management

As noted above, Algeria has tools to mitigate some risks, but there is not a comprehensive framework to analyze and manage all fiscal risks. When Algeria's existing model for dealing with fiscal risks is compared to international best practice (as recommended by the IMF), a number of deviations become apparent, including fiscal reporting and the quantification of fiscal risk. In addition, Algeria is classified in

2017 as a "government not meeting minimum requirements of fiscal transparency" in the US department of state 2017 fiscal transparency report. However, the report finds that important gaps remain in the country's fiscal risk management framework which include (US Department of State, 2017):

- The budget documents were generally publicly available, but the government did not publish an executive budget proposal or end-of-year reports within a reasonable period of time;
- Limited information regarding debt obligations was publicly available;
- Publicly available information did not provide a comprehensive treatment of allocations to and earnings from state-owned enterprises;
- The government maintained off-budget accounts, and though they were subject to audit with the results made public, government efforts to reduce the number of off-budget accounts appeared to have stalled ;
- The information in the budget was generally considered reliable, and the government intermittently published budget execution reports.

More specifically, due to capacity constraints, there is no quantified risk information, and incomplete assessment of risks with full disclosure with the aim of producing a detailed fiscal risk statement in line with international best practice.

4.2- Improving fiscal risk management framwork in Algeria

If Algeria wishes to ensure sound fiscal public finances and more macroeconomic stability, all previous deviations an gaps from best practice should be addressed. Given that fiscal transparency is a critical element of effective public financial management, and the lack of fiscal transparency can be an enabling factor for corruption, major progress is needed to attain a satisfactory level of transparency in the fiscal sector. Thus, the authorities should take the necessary measures in this area, especially:

- An amendment of the existing budget system law (84/17) in order to contain legal acts defining the management of fiscal risks, and detailing the roles and responsibilities of the key stakeholders involved;
- The government also, must enact a law related to public debt management, which defines the tasks associated with the public debt issues.
- Algeria's fiscal transparency must be improved by publishing its executive budget proposal and end-of-year reports within a reasonable period of time, and providing additional detail regarding debt obligations and revenues and expenditures in the budget, including those for state-owned enterprises (US Department of State, 2017);
- The need to manage all fiscal risks faced by the country by a newly-established "fiscal risk management department", housed at the ministry of finance. The stated objective of the new department would be to strengthen fiscal risk management and coordination across the government. Specifically, the responsibilities of the department would include (World Bank ,2017) : (i) ensuring that fiscal risks are properly identified, quantified, monitored, mitigated, and disclosed, and collecting all available information and analysis relevant for fiscal risk management; (ii) providing advice to the minister of finance on issues of fiscal risk and recommending actions to mitigate risks; and (iii) coordinating all government entities that are involved in or relevant for fiscal risk management;
- The analysis of fiscal risks by the proposed department should be presented in a single report which should be part of the budget document submitted to parliament to inform fiscal policy decisions. The aim of the report is to produce a detailed fiscal risk statement in line with international best practice.

CONCLUSION

Fiscal risks are factors, often outside a government's control, that can cause a country's deviations of fiscal outcomes from what was expected at the time of the budget or other forecast. The main sources of fiscal risks include macroeconomic shocks and the realization of contingent liabilities. In recent years, Algeria as - commodity exporter country- has faced substantial fiscal risks from diverse sources, especially the sudden declines in oil prices, which have had a significant negative impact on the economy and public finances. While Algeria's current legislation covers some fiscal risks and some aspects of how to manage them, important gaps remain in the country's fiscal risk management framework, compared to international best practice. In light of these gaps, the paper suggests the need to establish a Fiscal Risk Management Department within the Ministry of Finance in order to enhancing monitoring, management and reporting of fiscal risks.

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