



10. Algeria

HIGHLIGHTS

100% financed by oil revenue

Possibly Africa's largest fund with AUM of \$38 billion

3rd largest Share to GDP at 24%

3rd oldest fund, established in 2000

Index Performance

Total Score

19.49%

Size	Domestic Mandate	Source of Funding	Governance & Transparency
Large & Underutilized	Non Existent	Not Diversified	Very Poor

Algeria has one of the continent's oldest funds, having been in existence for almost two decades. What used to be Africa's largest fund at \$77 billion (as at 2014) had depleted about half of its asset by end of 2015 due to recent oil price downturns that both deprived the Fund of new fiscal surplus inflows while forcing the government to tap the fund for fiscal stabilization purposes.

With AUM estimated at approximately \$38 billion, the Revenue Regulation Fund is one of the least transparent funds on the continent. As oil prices begin to recover to pre-slump levels, Algeria is expected to generate surpluses again to replenish the fund. While this sits well with the fund's primary mandate as a stabilization fund, Algeria ought to radically rethink the current and future potential

role of the fund. Algeria's economy remains vulnerable to oil price cycles in ways that the SWF could help improve if the government is willing to include an economic diversification mandate/sub-fund.

To do this effectively, it might be necessary for Algeria to re-think its current allocation formula for financing the fund. To perform a broader mandate, it would no longer be sufficient to continue to depend on the current "budget surplus formula", where the SWF gets funded only if there is a surplus from oil exports; it would be better to rather have a "compulsory allocation formula" where the SWF gets funded irrespective of a surplus oil earnings as countries like Ghana do.

THE RISK OF OIL DEPENDENCY

Algeria's ability to build a giant fund of \$77 billion (as of 2014) was impressive until the fund's vulnerability was exposed by the recent oil price crash that begun in 2014. The lesson is clear: even the biggest of oil funds must aggressively innovate their way out of the "oil trap".