

Fiscal and Monetary Policy Coordination against Covid-19 in Algeria

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Abstract :

The COVID-19 pandemic represented an unprecedented economic shock, severely affecting economic activity and public finances worldwide. This paper analyzes Algeria's fiscal and monetary policy responses to the COVID-19 crisis, with particular emphasis on policy coordination under structural and institutional constraints. Using a qualitative and analytical approach, the study reviews emergency fiscal measures, monetary interventions, and their interaction during the pandemic period. The findings show that fiscal policy played a central role through health spending, social transfers, and targeted support to firms, while monetary policy adopted a cautious, supportive stance focused on liquidity provision and financial stability. However, the effectiveness of these measures was constrained by limited fiscal space, weak monetary transmission mechanisms, and concerns regarding inflation and exchange rate stability. The paper concludes that pragmatic monetary-fiscal coordination helped mitigate the immediate effects of the crisis but remained limited in scale, highlighting the need for stronger fiscal resilience and institutional coordination in future crises.

Keywords : monetary policy, fiscal policy, Covid-19, Algeria, Coordination

Jel Classification Codes : E52, E61, E62, E63

1. INTRODUCTION

The COVID-19 pandemic represents an unprecedented global shock, simultaneously affecting public health systems and economic activity. Unlike previous crises that were primarily financial or demand-driven, the pandemic generated a dual supply-and-demand shock through lockdown measures, mobility restrictions, and disruptions to production and consumption patterns (Baldwin & Di Mauro, 2020). Governments worldwide were compelled to adopt extraordinary fiscal and monetary interventions to mitigate economic contraction, protect households and firms, and preserve macroeconomic stability.

In this context, macroeconomic policy responses played a central role in containing the negative effects of the pandemic. Fiscal policy was mobilized through emergency public spending, social transfers, tax relief, and support to firms, while monetary policy focused on liquidity provision, credit support, and financial system stability (IMF, 2020a). The effectiveness of these measures depended not only on their scale and timing but also on the degree of coordination between fiscal and monetary authorities, particularly in countries facing structural constraints and limited policy space.

Algeria represents a particularly relevant case for analyzing policy responses to the COVID-19 crisis. Prior to the pandemic, the Algerian economy was characterized by a relatively low public debt level by international standards while budgetary revenues were highly sensitive to fluctuations in global energy prices. At the same time, the monetary policy framework of the Bank of Algeria operated under structural constraints related to shallow financial markets, limited monetary transmission mechanisms, and structural excess of liquidity (World Bank, 2020).

The outbreak of COVID-19 in early 2020 coincided with a sharp decline in global oil prices, intensifying the macroeconomic challenges faced by Algeria. Government-imposed containment measures, including partial lockdowns and restrictions on economic activity, further exacerbated output losses, reduced fiscal revenues, and increased social vulnerabilities. In response, Algerian authorities implemented a set of fiscal and monetary measures aimed at supporting the health sector, protecting employment and incomes, ensuring liquidity in the banking system, and maintaining

macroeconomic stability (Ministère des Finances, 2020) (Bank of Algeria, 2021).

Despite the importance of these interventions, the Algerian experience remains relatively underexplored in the academic literature, particularly regarding the interaction between fiscal and monetary policies during the pandemic. Existing studies tend to focus either on fiscal responses or on macroeconomic outcomes in isolation, with limited attention to policy coordination and institutional constraints in resource rich economies.

Thus, this paper aims to address the following central research question:

How did monetary and fiscal policy react to the pandemic effects and government responses in Algeria?

By adopting a qualitative and analytical approach, the study examines the design, scope, and interaction of fiscal and monetary policy measures implemented during the COVID-19 crisis, situating the Algerian experience within the broader international and regional context.

The contribution of this paper is threefold. First, it provides a structured and comprehensive overview of Algeria's monetary and fiscal policy responses to COVID-19. Second, it integrates theoretical and empirical insights from the international literature to assess policy effectiveness and constraints. Third, it derives policy lessons relevant for future crises, particularly for resource rich economies facing limited fiscal and monetary space.

2. Theoretical Literature Review

Macroeconomic theory provides a rich analytical framework for understanding the role of fiscal and monetary policy in responding to large-scale economic shocks. The COVID-19 pandemic, characterized by its sudden onset and multidimensional effects, challenged conventional stabilization mechanisms and revived debates on counter-cyclical policy, state intervention, and policy coordination.

Traditional Keynesian theory emphasizes the central role of fiscal policy in stabilizing output during periods of economic downturn. In the presence of demand collapses and heightened uncertainty, expansionary fiscal policy, through increased public spending and transfers, can offset private sector retrenchment and prevent deeper recessions. In pandemic

contexts, where private consumption and investment are constrained by both uncertainty and mobility restrictions, fiscal intervention is viewed as essential for sustaining aggregate demand (Guerrieri, Lorenzoni, Straub, & Werning, 2022).

New Keynesian models extend this framework by incorporating nominal rigidities and expectations, highlighting the complementary role of monetary policy in stabilizing inflation and output. According to this perspective, monetary policy can influence real economic activity through interest rate adjustments, credit conditions, and expectations management, particularly when supported by credible institutions (Gali, 2015). However, during severe crises such as COVID-19, the effectiveness of conventional monetary tools may be limited, especially in economies with underdeveloped financial markets.

In fact, fiscal policy plays a dual role during crises: mitigating short-term economic contraction and addressing social vulnerabilities. The literature distinguishes between automatic stabilizers, such as unemployment aids and social transfers, and discretionary fiscal measures, including emergency spending and tax relief (Auerbach, Gorodnichenko, & Murphy, 2020). During pandemics, discretionary measures tend to dominate, as governments rapidly expand health expenditures and provide targeted support to households and firms.

The effectiveness of fiscal interventions depends on fiscal multipliers, which are generally found to be larger during recessions than during expansions (Blanchard & Leigh, 2013). Pandemic-related uncertainty and supply constraints, however, may reduce multiplier effects in the short term, raising concerns about efficiency and targeting (Ilzetki, Mendoza, & Végh, 2013). Moreover, fiscal sustainability becomes a critical issue, particularly in developing and resource rich economies where fiscal space is constrained and revenue bases are volatile.

On the other hand, the monetary policy traditionally aims to stabilize prices and output through interest rate adjustments and liquidity management. In crisis situations, central banks often adopt accommodative stances, lowering policy rates and providing liquidity to the banking system to prevent credit tightening and financial instability (Gertler & Karadi, 2015). During the COVID-19 crisis, central banks globally expanded their

toolkit to include unconventional measures such as asset purchases, regulatory forbearance, and targeted refinancing operations (Borio, 2020).

In emerging and developing economies, however, the scope for monetary easing is often constrained by inflationary pressures, exchange rate vulnerabilities, and shallow financial markets. These limitations can weaken the transmission of monetary policy and increase the risk of macroeconomic instability if monetary expansion is not carefully coordinated with fiscal policy (Montiel, 2015).

Thus, the interaction between monetary and fiscal policy has gained renewed attention in the context of COVID-19. While traditional macroeconomic frameworks emphasize the independence of monetary authorities, crisis situations often necessitate closer coordination to ensure policy effectiveness (Bianchi & Melosi, 2019). Fiscal expansion financed through debt issuance may require supportive monetary conditions to prevent excessive borrowing costs, particularly in economies with limited access to international capital markets.

However, increased coordination also raises concerns regarding fiscal dominance, inflationary risks, and central bank credibility. The literature suggests that the success of coordinated policy responses depends on institutional credibility, transparency, and clear exit strategies once the crisis subsides (Sargent & Wallace, 1981) (Leeper, 1991). In the context of the COVID-19 pandemic, the balance between short-term stabilization and long-term sustainability has become a central theoretical and policy challenge.

Overall, the theoretical literature underscores that effective crisis management requires a careful combination of fiscal expansion and monetary accommodation, adapted to country-specific institutional and structural conditions. This framework provides the conceptual foundation for analyzing Algeria's policy responses to the COVID-19 pandemic and assessing their effectiveness and limitations.

3. Empirical Literature Review

The empirical literature on macroeconomic policy responses to the COVID-19 pandemic has expanded rapidly since 2020, reflecting the unprecedented scale and scope of government interventions worldwide. This section provides valuable insights into the effectiveness, constraints, and

distributional impacts of fiscal and monetary policies, particularly in the context of developing and resource rich economies.

Internationally, using cross-country data, (Deb, Furceri, Ostry, & Tawk, 2020) show that countries with greater fiscal space were able to deploy larger discretionary fiscal measures, resulting in smaller output losses. Similarly, (Auerbach, Gorodnichenko, & Murphy, 2020) find that timely fiscal interventions, particularly income support and wage subsidy schemes, were effective in stabilizing consumption and employment.

On the monetary side, empirical analyses highlight the importance of liquidity provision and credit support in maintaining financial stability. (Stefanski, 2023) demonstrate that unconventional monetary policies, including asset purchase programs, played a significant role in reducing financial market stress during the early phases of the pandemic. However, these measures were predominantly concentrated in advanced economies, raising questions about their applicability in emerging markets.

Also, several studies emphasize the importance of policy coordination. (Jorda, Singh, & Taylor, 2022) provide evidence that countries combining expansionary fiscal policy with accommodative monetary conditions experienced faster economic recoveries, underscoring the complementarity of the two policy tools during systemic crises.

In contrast to advanced economies, developing countries faced significant constraints in implementing expansive macroeconomic responses. (IMF, 2021) reports indicate that fiscal stimulus in low- and middle-income countries was substantially smaller, reflecting limited fiscal space, higher borrowing costs, and institutional constraints. Empirical evidence suggests that these limitations reduced the effectiveness of policy responses in mitigating economic contraction and social hardship.

Focusing on Africa, (Coulibali, 2021) find that fiscal responses were largely oriented toward short-term emergency spending, with limited support for long-term recovery. Monetary policy measures primarily focused on liquidity provision and regulatory forbearance, given concerns over inflation and exchange rate stability. Similar findings are reported for the MENA region, where oil-exporting countries were particularly affected by the simultaneous shocks of the pandemic and declining energy prices (World Bank, 2021).

Empirical studies also highlight the heterogeneity of policy effectiveness across countries. According to (Elgin, Basbug, & Yalaman, 2020), the impact of fiscal measures in developing economies depended heavily on institutional quality, governance, and the structure of labor markets. These findings underscore the importance of country-specific analyses, particularly for resource rich economies such as Algeria.

Empirical research specifically addressing Algeria's macroeconomic policy responses to COVID-19 remains limited. Existing studies have primarily focused on the macroeconomic impacts of the pandemic (Bouguerroumi & Boudjana, 2021) rather than on a comprehensive evaluation of policy reactions. For instance, (Bouthakharjite, 2024) analyze the short-term economic effects of COVID-19 on growth and employment in Algeria, highlighting the severity of output contraction and labor market disruptions.

Other studies examine fiscal sustainability and public finance dynamics in the context of declining hydrocarbon revenues. Institutional analyses highlight that pre-existing fiscal imbalances, high dependence on hydrocarbon revenues, and limited fiscal space constrained Algeria's ability to implement large-scale stimulus measures during the COVID-19 pandemic (World Bank, 2021) (IMF, 2021). On the monetary side, research by (Mousli, 2025) suggests that the effectiveness of monetary policy interventions was limited by weak financial intermediation and cautious central bank behaviour. Another research by (Chouchaoui N.E.H & Amani, 2025) suggests that monetary measures, alone, are not enough to contain important economic crises.

While these studies provide valuable insights, they often treat fiscal and monetary policies separately and do not explicitly analyze their interaction or coordination during the COVID-19 crisis. Moreover, empirical analyses tend to rely on aggregate macroeconomic indicators, with limited attention to the institutional and policy design dimensions of crisis management.

4. The Pandemic Shock and Government Responses in Algeria

The COVID-19 pandemic affected the Algerian economy through multiple and interconnected channels, combining domestic containment measures with external shocks originating from global markets. The first

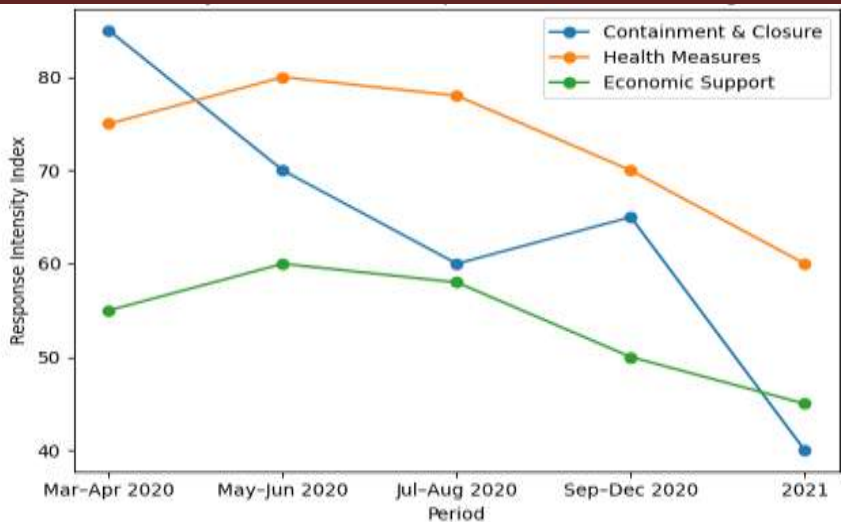
confirmed cases in Algeria were reported in early March 2020, prompting the government to implement a series of public health and containment measures aimed at limiting virus transmission. These measures, while necessary from a public health perspective, had significant economic repercussions.

In fact, the pandemic shock in Algeria was characterized by its simultaneity and intensity. On the domestic front, mobility restrictions, partial lockdowns, and the suspension of non-essential economic activities disrupted production, consumption, and employment, particularly in services, transport, trade, and informal sectors (World Bank, 2020). These disruptions led to a sharp contraction in domestic demand and reduced private sector activity.

Externally, Algeria faced a severe terms-of-trade shock as global oil prices collapsed in early 2020, reflecting both reduced global demand and heightened uncertainty in international markets. Given that hydrocarbons account for a substantial share of fiscal revenues, export earnings, and foreign exchange reserves, the oil price decline significantly weakened public finances and external balances (IMF, 2020b). The concurrence of a health crisis and a commodity price shock amplified the macroeconomic impact of the pandemic.

In response to the health emergency, Algerian authorities introduced a range of containment measures, including curfews, temporary business closures, travel restrictions, and limits on public gatherings. While these measures were gradually adjusted over time, their initial implementation resulted in widespread disruptions to economic activity. Small and medium-sized enterprises (SMEs), which play a crucial role in employment creation, were particularly affected due to liquidity constraints and reduced demand (AfDB, 2021).

Fig.1. Algeria's Government Response Intensity (2020-2021)



Source: Oxford COVID-19 Government Response Tracker (OxCGRT)

The informal sector, which represents a significant share of employment in Algeria, was also disproportionately impacted, as workers in this sector had limited access to social protection mechanisms. These dynamics heightened income insecurity and increased the risk of poverty, underscoring the need for rapid and targeted government intervention.

The combined effects of domestic restrictions and external shocks translated into a significant contraction of economic activity in 2020. Real GDP declined sharply, reflecting reduced hydrocarbon output, lower non-oil activity, and weakened domestic demand (IMF, 2021). Fiscal revenues fell due to declining oil prices and reduced tax collection, while public expenditures increased to address health and social needs, leading to a widening of the fiscal deficit.

The labor market experienced substantial stress, with job losses concentrated in contact-intensive sectors and among vulnerable workers. Inflationary pressures, while initially subdued due to weak demand, were influenced by supply disruptions and exchange rate movements. These macroeconomic developments created a complex policy environment, requiring a delicate balance between economic support and macroeconomic stability.

The magnitude of the pandemic shock necessitated swift and

coordinated policy action. The government's response encompassed both non-pharmaceutical interventions and economic measures aimed at mitigating the impact of the crisis. Institutional coordination between fiscal authorities and the central bank became increasingly important to ensure liquidity provision, financing of emergency expenditures, and stability of the financial system (Bank of Algeria, 2021).

This context set the stage for the implementation of a series of fiscal and monetary policy measures, which are analyzed in detail in the subsequent sections. Understanding the nature of the shock and the initial government responses is essential for assessing the effectiveness and limitations of Algeria's macroeconomic policy reaction to the COVID-19 pandemic.

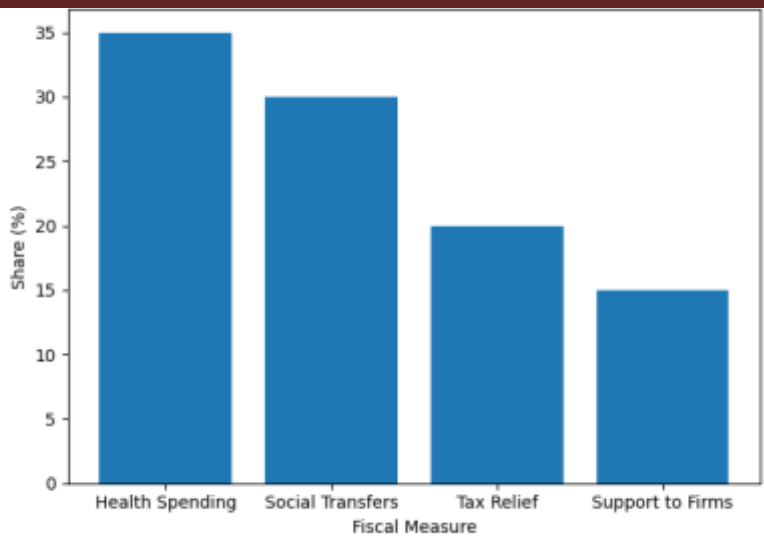
5. Fiscal Policy Response to COVID-19 in Algeria

Fiscal policy constituted the primary instrument through which the Algerian government sought to mitigate the economic and social impacts of the COVID-19 pandemic. Given the limited depth of financial markets and the structural constraints of monetary transmission, discretionary fiscal measures played a central role in supporting households, firms, and the health system. This section reviews the main fiscal interventions implemented during the crisis, assessing their scale, composition, and financing mechanisms.

One of the first fiscal responses to the pandemic involved the reallocation of budgetary resources toward health-related expenditures. The government increased funding for hospitals, medical equipment, and public health infrastructure to strengthen the capacity of the healthcare system to manage the surge in COVID-19 cases (Ministère des Finances, 2020). Emergency procurement procedures were introduced to accelerate spending, reflecting the urgency of the health crisis.

In parallel, non-essential public investment projects were postponed or scaled back to create fiscal space for crisis-related expenditures. This reallocation strategy aimed to contain the budgetary impact of the pandemic while prioritizing immediate health and social needs. However, the reduction in public investment raised concerns regarding its potential negative effects on medium-term growth prospects (IMF, 2021).

Fig.2. Fiscal Measures Composition during COVID-19



Source: IMF, Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic

To mitigate income losses and protect vulnerable populations, the government implemented a range of social protection measures. These included cash transfers and exceptional allowances for low-income households, as well as temporary support for workers affected by business closures and mobility restrictions. Existing social safety net programs were leveraged to facilitate the rapid disbursement of assistance, although coverage gaps remained, particularly within the informal sector (World Bank, 2021).

The expansion of social spending reflected the government’s recognition of the pandemic’s unequal impact across income groups. Nevertheless, empirical assessments suggest that targeting inefficiencies and administrative constraints limited the effectiveness of these measures in reaching all affected households (AfDB, 2021).

In the other hand, fiscal support to firms focused primarily on alleviating liquidity constraints and preserving employment. Measures included temporary tax deferrals, reductions in parafiscal charges, and exemptions for firms operating in heavily affected sectors such as tourism, transport, and hospitality. Small and medium-sized enterprises were a particular focus of these interventions, given their vulnerability to prolonged

revenue losses (IMF, 2020c).

In addition to tax relief, the government introduced subsidies and guarantees to support enterprise continuity and limit layoffs. While these measures helped ease short-term financial pressures, their overall impact was constrained by administrative bottlenecks and limited fiscal resources. Furthermore, the absence of large-scale wage subsidy schemes, as observed in some advanced economies, reduced the capacity of fiscal policy to fully stabilize employment (Deb, Furceri, Ostry, & Tawk, 2020).

Although, the expansion of fiscal spending during the pandemic occurred against the backdrop of declining fiscal revenues, driven by lower hydrocarbon prices and reduced economic activity. As a result, the fiscal deficit widened significantly in 2020, reflecting both cyclical and discretionary factors (IMF, 2021). Financing the fiscal response required a combination of domestic borrowing, use of treasury resources, and monetary support mechanisms.

Given limited access to international capital markets, Algeria relied primarily on domestic financing channels. Coordination with the central bank played a crucial role in ensuring the liquidity of the banking system and facilitating government financing, although authorities remained cautious to avoid excessive monetary expansion and inflationary pressures (Bank of Algeria, 2021).

Overall, Algeria's fiscal response to COVID-19 was timely but relatively moderate in scale compared to advanced economies. The composition of measures reflected structural constraints, emphasizing expenditure reallocation and targeted support rather than large-scale stimulus.

6. Monetary Policy Response to COVID-19 in Algeria

Monetary policy played a supportive but cautious role in Algeria's response to the COVID-19 pandemic. Given structural features of the Algerian financial system and the central bank's mandate to preserve price and financial stability, the Bank of Algeria adopted a set of measures aimed primarily at ensuring liquidity, supporting credit flows, and maintaining confidence in the banking sector.

First, in response to the pandemic-induced liquidity shock, the Bank of Algeria implemented measures to ensure the smooth functioning of the

financial system. These included the provision of additional liquidity to commercial banks through refinancing operations and adjustments to reserve requirements. By easing liquidity conditions, the central bank sought to prevent disruptions in credit supply and mitigate the risk of financial instability arising from widespread economic disruptions (Bank of Algeria, 2021).

Regulatory forbearance measures were also introduced, allowing banks to temporarily relax loan classification and provisioning rules. This approach aimed to provide relief to borrowers facing temporary cash flow constraints and to encourage banks to maintain lending to firms and households affected by the pandemic. Similar measures were widely adopted across emerging economies during the COVID-19 crisis (IMF, 2020d).

In the other hand, unlike many advanced economies that implemented aggressive interest rate cuts, Algeria's scope for conventional monetary easing was more limited. Concerns related to inflation, exchange rate stability, and external balance constrained the central bank's ability to significantly reduce policy rates. As a result, monetary policy focused more on liquidity management than on interest rate tools (World Bank, 2021).

The cautious monetary stance reflected structural characteristics of the Algerian economy, including a relatively weak interest rate transmission mechanism and limited financial market depth. Consequently, changes in policy rates were less likely to translate into substantial increases in private investment or consumption during the crisis.

The pandemic period was also marked by increased pressures on the exchange rate, driven by declining hydrocarbon export revenues and heightened uncertainty in global markets. The Bank of Algeria adopted a managed exchange rate approach, allowing for gradual adjustments while avoiding abrupt depreciations that could exacerbate inflationary pressures (IMF, 2021).

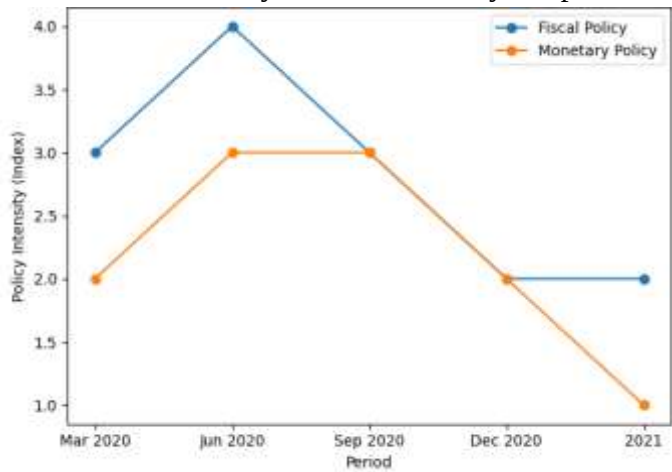
Inflation dynamics during the pandemic were influenced by both demand-side and supply-side factors. While weakened domestic demand initially dampened inflationary pressures, supply disruptions and exchange rate movements contributed to price volatility in certain periods. The central bank's cautious approach aimed to balance the need for economic support

with the objective of maintaining price stability.

The interaction between monetary and fiscal policy became particularly salient during the COVID-19 crisis. Fiscal expansion, driven by increased health and social spending, required supportive monetary conditions to ensure adequate financing and liquidity. Coordination between the Ministry of Finance and the Bank of Algeria facilitated the implementation of fiscal measures while preserving financial system stability (Bank of Algeria, 2021).

However, the authorities remained mindful of the risks associated with excessive monetary financing of fiscal deficits, including inflationary pressures and potential erosion of central bank credibility. As a result, monetary support to fiscal policy was designed to be temporary and targeted, highlighting the delicate balance between crisis management and macroeconomic discipline.

Fig.3. Timeline of Monetary and Fiscal Policy Response in Algeria



Source: IMF COVID-19 Policy Tracker

Overall, Algeria’s monetary policy response to COVID-19 was characterized by prudence and a focus on financial stability. While liquidity provision and regulatory flexibility helped mitigate short-term financial stress, the overall macroeconomic impact of monetary policy was constrained by structural and institutional factors. The effectiveness of monetary measures depended largely on their complementarity with fiscal interventions, reinforcing the importance of coordinated policy action

during systemic crises.

7. DISCUSSION

In Algeria, the effectiveness of policy responses depended not only on the individual design of fiscal and monetary measures but also on their degree of complementarity within a constrained institutional and macroeconomic environment.

The response to the pandemic illustrates a pragmatic form of monetary–fiscal coordination, primarily oriented toward crisis containment rather than long-term stimulus. Fiscal policy took the lead in addressing health-related needs and income support, while monetary policy played a supportive role by ensuring liquidity and maintaining financial stability. This division of labor aligns with theoretical expectations in economies where fiscal policy is more directly connected to social and real-sector interventions (Bianchi & Melosi, 2019).

In fact, monetary accommodation facilitated the financing of fiscal measures by maintaining favorable domestic liquidity conditions and preventing disruptions in the banking system. This interaction reduced the immediate risk of fiscal stress and helped preserve confidence during the height of the crisis. However, coordination remained cautious, reflecting concerns about inflation, exchange rate stability, and the risks associated with fiscal dominance.

In the short term, the combined fiscal and monetary responses contributed to mitigating the most severe economic and social consequences of the pandemic. Emergency health spending strengthened the capacity of the healthcare system, while targeted social transfers and tax relief measures provided partial income support to affected households and firms. Monetary policy interventions helped maintain credit flows and avoid a systemic banking crisis, consistent with findings from other emerging economies (IMF, 2021).

Nevertheless, the overall macroeconomic impact of these policies was limited by structural constraints. The relatively modest scale of fiscal stimulus, compared to advanced economies, constrained its ability to fully offset output losses. Similarly, the limited effectiveness of monetary transmission mechanisms reduced the potential impact of liquidity provision

on private investment and consumption. These outcomes are consistent with empirical evidence suggesting that policy effectiveness in developing and resource rich economies is highly contingent on fiscal space (Elgin, Basbug, & Yalaman, 2020).

The Algerian case highlights the trade-offs inherent in crisis policy-making under conditions of limited fiscal and monetary space. On the fiscal side, the need to increase emergency spending occurred alongside declining revenues. On the monetary side, accommodating fiscal expansion required balancing short-term stabilization against the risk of inflation and exchange rate pressures. These trade-offs constrained the duration and intensity of expansionary policies, leading authorities to prioritize short-term containment over aggressive stimulus.

This comparative perspective underscores the importance of country-specific analyses and cautions against direct policy transposition from advanced to developing economies. It also reinforces the relevance of strengthening institutional capacity and policy coordination mechanisms as part of long-term economic reform agendas.

The Algerian experience during COVID-19 suggests that effective crisis management in resource rich economies requires flexible and well-coordinated policy frameworks. Strengthening automatic stabilizers, improving the targeting of social protection, and enhancing monetary policy transmission could increase the effectiveness of future responses. Moreover, transparent communication and clearly defined policy roles can help maintain credibility and manage expectations during periods of heightened uncertainty.

8. CONCLUSION

The COVID-19 pandemic constituted an unprecedented challenge for Algeria, exposing vulnerabilities in public health, fiscal management, and financial systems. This paper has examined the design, implementation, and effectiveness of monetary and fiscal policy measures adopted to mitigate the economic and social impact of the crisis. The analysis highlights both achievements and limitations, providing key lessons for future policy design and crisis preparedness.

In one hand, Algeria's fiscal response was timely but constrained in scale by pre-existing fiscal limitations, including reliance on hydrocarbon

revenues, a relatively narrow tax base, and structural deficits. Emergency spending was concentrated on health system support, social transfers, and targeted assistance to firms in vulnerable sectors. While these measures provided short-term relief, coverage gaps, particularly in the informal sector, and limited fiscal space reduced their overall stabilizing effect.

In the other hand, monetary policy played a supportive role through liquidity provision, refinancing operations, and regulatory forbearance, helping to maintain financial stability and sustain credit flows. However, the effectiveness of monetary interventions was constrained by weak transmission mechanisms, structural financial sector limitations, and concerns about inflation and exchange rate stability.

The interaction between fiscal and monetary policy was pragmatic and cautious. Fiscal policy took the lead in mitigating immediate economic and social shocks, while monetary policy ensured that liquidity and financial conditions supported these interventions without exacerbating inflationary pressures. Coordination was limited by institutional constraints and concerns regarding fiscal dominance, but it was sufficient to prevent financial instability during the peak of the crisis.

Several lessons emerge from Algeria's experience. First, enhancing fiscal resilience by strengthening automatic stabilizers and expanding social protection coverage. This can improve the speed and effectiveness of fiscal responses in future crises. A diversified and more resilient revenue base would also increase fiscal space and reduce vulnerability to commodity price shocks.

Second, strengthening monetary policy transmission by developing deeper financial markets and improving the efficiency of credit channels. This would enhance the impact of monetary interventions, particularly during crises that simultaneously affect liquidity and demand. Third, improving policy coordination as a clear institutional frameworks for coordinating fiscal and monetary measures can help balance short-term stabilization needs with long-term macroeconomic sustainability, preventing tensions between the budget and central bank objectives.

Fourth, policymakers should ensure that emergency measures reach vulnerable populations, including informal sector workers, to minimize inequality and social hardship during crises. Fifth, need for preparedness

and contingency planning as establishing crisis-response mechanisms, contingency funding, and rapid administrative procedures can reduce delays in policy implementation, improving responsiveness to sudden shocks.

Finally, the Algerian response to COVID-19 illustrates the challenges faced by resource rich economies in managing simultaneous domestic and external shocks. While fiscal and monetary interventions provided important short-term relief, structural constraints limited their overall effectiveness. This paper underscores the importance of policy preparedness, institutional capacity, and coordinated interventions for future crises. Lessons from Algeria's experience are relevant not only for similar economies in the MENA region but also for developing countries worldwide that face limited fiscal and monetary policy space.

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