

I. COUNTRY REFORM PROGRESS

Diversifying revenue away from hydrocarbons and taxing the informal sector are priorities. In 2024, non-hydrocarbon tax revenue was 13.0 percent of GDP (of which tax revenue 10.2 percent), while hydrocarbon revenue was 12.7 percent. Tax reforms were implemented in recent years: a progressive wealth tax was introduced in 2020; the PIT base was broadened, and rates were lowered. Taxation in the mining sector is being reviewed with support from the IMF's Fiscal Affairs Department (FAD), and VAT reforms progressed in FY25.

II. PROJECT DELIVERY HIGHLIGHTS

Revenue Module I – Tax Policy

Key Progress in FY25: On mining, an extensive review of the sector's fiscal regimes was carried out, with the FARI model used extensively to simulate various policy options. The main FAD recommendation—the introduction of a progressive, profit-based royalty—was discussed with the General Directorate of Taxation (*Direction Générale des Impôts*, DGI) and received positively. On VAT, legal drafting was proposed concerning territoriality rules and VAT refunds, directly reflecting a recommendation from the FY23 CD on VAT.

Next Steps: Further work on tax expenditures is expected but has not been formally requested by the authorities.

III. LOGICAL FRAMEWORK

Country – Algeria		
Objective - Improve Tax Policy Design - TPD		Rating - 2
Outcome	Rating	Narrative
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	2 Partially Achieved	Work on VAT and mining taxation delivered respectively in November and December 2024.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
Moderate risk for this tax policy project.	Low	Not applicable.

Description	Rating	Mitigation Measures
Political Support		
General Political instability may slow down and even stop implementation of reforms.	Low	Focus on strategic advice and hands-on capacity building to have a more permanent impact. Close consultation with the IMF country team and the authorities.
Reform proposals to reduce tax expenditures may trigger opposition from beneficiaries.	Low	Consultation with relevant internal and external stakeholders to help ensure reflect broad consensus across government.
The TA has been requested by the Minister of Finance during the 2023 Annual Meetings and confirmed through the 2024 Spring Meetings.	Medium	Technical work to be continued with the DGI.
Management and Technical Staff Support and Commitment		
Close coordination across senior level staff in relevant counterpart agencies (MoF, Economy, tax administration, mining regulators) is critical for delivery)	Low	Coordination with World Bank and commitment by the Government should help to mitigate this risk.
This TA has been specifically requested by authorities and counterpart engagement (DGI) has been strong.	Low	Alternative counterparts could be sought.
Resource Adequacy		
The DGI is well staffed and a special team has been designated.	Low	The IMF team could partly substitute for counterpart's staffing issues.
Other Risks		
None	Low	Not applicable

V. PROJECT MANAGERS CONTACT INFORMATION

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