

I. COUNTRY REFORM PROGRESS

Authorities are exploring reforms to strengthen non-hydrocarbon tax revenues. Value added tax (VAT)—currently the largest source of non-hydrocarbon revenue—remains well below its potential, largely due to numerous and costly exemptions. In parallel, the fiscal regime for the mining sector requires a comprehensive overhaul, both to secure a fairer share of revenue for the state and to provide a more predictable and attractive framework for investors. On both fronts, the authorities have sought support from the IMF’s Fiscal Affairs Department (FAD): VAT was the subject of a 2023 engagement, followed by additional work in 2024, while mining taxation was reviewed during a dedicated engagement in 2024. In 2025, progress was achieved in VAT reform implementation, particularly territoriality rules and VAT refunds. A possible next step would be to formalize a medium-term revenue strategy (MTRS) to anchor and sequence these reforms.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy
Key Progress in FY25-26: In March 2025, FAD provided follow-up assistance on VAT reform implementation. Specifically, legal drafting was provided on territoriality rules and VAT refunds. Previous Progress: Work on VAT and mining taxation delivered respectively in November and December 2024. On mining, The IMF Fiscal Analysis of Resource Industries (FARI) model was extensively utilized to simulate various policy options. The main recommendation of the mission, the introduction of a progressive profit-based royalty, was extensively discussed with authorities and was well received. Next Steps: A possible next step would be to formalize an MTRS to anchor and sequence these reforms. Authorities have also requested more follow-up support on VAT and mining reforms.

III. LOGICAL FRAMEWORK

Country – Algeria		
RM I: 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 was delivered in November 2022 and December 2024, respectively. A follow-up VAT engagement took place in March 2025, focusing on territoriality rules and VAT refunds. On both fronts, authorities have requested further assistance in 2025, signaling strong interest in moving toward implementation. While some VAT reforms have been adopted—specifically on territoriality rules and refunds—the core measures recommended by FAD, notably the rationalization of

		exemptions and reduced rates, remain outstanding. Similarly, in the mining sector, the comprehensive reform proposed by FAD was well received but has not yet been implemented. on VAT and mining taxation delivered respectively in November 2022 and December 2024. Follow-up on VAT delivered in March 2025 (territoriality rules and VAT refunds). On both fronts (VAT and mining), follow-up assistance has been requested in 2025, indicating interest in implementation reform. While some reforms have been implemented on VAT (territoriality rules and refunds), the core changes recommended by FAD – particularly on VAT exemptions and reduced rates – have yet to be implemented. Similarly, on mining, the recommended reform, although well received by authorities, hasn't been implemented yet.
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IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
Moderate risk for this tax policy project.	Low	Not applicable.
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.
Management and Technical Staff Support and Commitment		
Close coordination across senior level staff in relevant counterpart agencies (ministry of finance, ministry of 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.
Resource Adequacy		
None	Low	Not applicable

Description	Rating	Mitigation Measures
Other Risks		
None	Low	Not applicable

V. PROJECT MANAGER: CONTACT INFORMATION

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