

Taking Stock of Key Fiscal Structural Reforms

Dalmacio F. Benicio

SIP/2026/091

IMF Selected Issues Papers are prepared by IMF staff as background documentation for periodic consultations with member countries. It is based on the information available at the time it was completed on April 13, 2026. This paper is also published separately as IMF Country Report No 26/095.

2026
AUG



IMF Selected Issues Paper

African Department

Taking Stock of Key Fiscal Structural Reforms, Angola

Prepared by Dalmacio F. Benicio

Authorized for distribution by Mika Saito

August 2026

IMF Selected Issues Papers are prepared by IMF staff as background documentation for periodic consultations with member countries. It is based on the information available at the time it was completed on April 13, 2026. This paper is also published separately as IMF Country Report No 26/095.

ABSTRACT: This Selected Issues Paper takes stock of fiscal reforms in fuel subsidies, public investment management and domestic revenue mobilization and draw lessons from the experience of Angola as well as other countries to explore how best those reforms can contribute to creating fiscal space going forward.

RECOMMENDED CITATION: F. Benicio, Dalmacio, 2026, Taking Stock of Key Fiscal Structural Reforms. IMF Selected Issues Paper (SIP/2026/091). Washington, D.C., International Monetary Fund.

JEL Classification Numbers: H2, H3, H5, H6

Keywords: Angola, Fiscal, Structural Reforms, Fuel Subsidies, Public Investment Management, Domestic Revenue Mobilization, Social Protection

Author's E-Mail Address: DBenicio@imf.org

SELECTED ISSUES PAPERS

Taking Stock of Key Fiscal Structural Reforms

Angola

Prepared by Dalmacio F. Benicio



ANGOLA

SELECTED ISSUES

April 13, 2026

Approved By
African Department

Prepared By Dalmacio Benicio.

CONTENTS

TAKING STOCK OF KEY FISCAL STRUCTURAL REFORMS	2
A. Fuel Subsidy Reform (2023–25)	2
B. Public Investment Management Reforms Since 2019	11
C. Domestic Revenue Mobilization	14
D. Concluding Remarks	19
References	21

BOX

1. Sources of Fiscal Savings, 2023–25 **Error! Bookmark not defined.**

FIGURES

1. Comparing Fuel Prices and Subsidies to Peers	3
2. Timeline of Fuel Price Increases, 2014–25	3
3. Kwenda Program: Total Subscribed Households by Location	7
4. Comparing Investment Spending and the Infrastructure Efficiency Gap,	11
5. Total Revenue, 1990–24	15
6. Comparing Income and Property Tax Revenues, 1990–24	16
7. Comparing VAT and International Trade Tax Revenues, 1990–24	17

TABLES

1. Mitigation Measures and Social Protection	8
2. Summary of Successful Fuel Subsidy Reform Outcomes & Lessons	10
3. Non-Oil Tax Yield, 2021–24	16
4. The Elements for Improved Tax Design	19

TAKING STOCK OF KEY FISCAL STRUCTURAL REFORMS¹

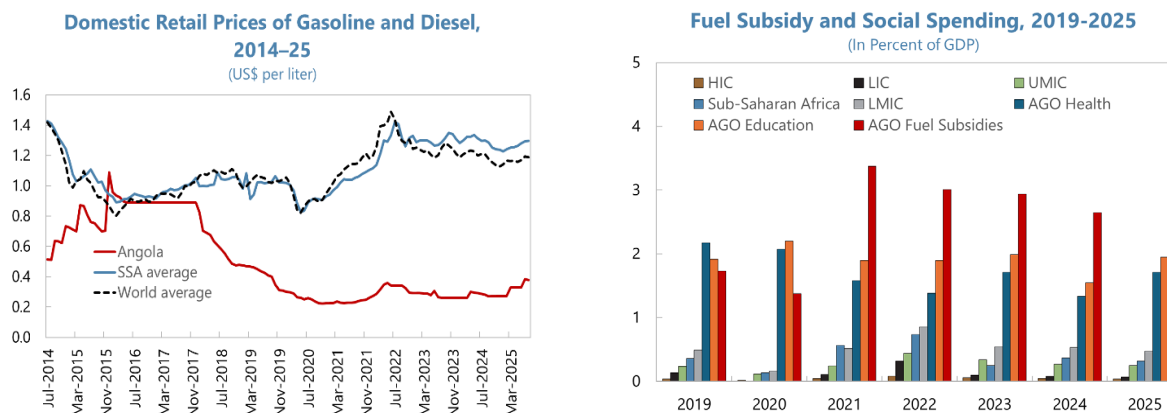
Despite substantial oil revenues in the past, Angola fiscal space is currently severely constrained while it faces high social demand to address poor infrastructure, and weak social indicators. Infrastructure access and quality lag Southern African Development Community (SADC) averages by 75 percent and 54 percent, respectively; capital budget execution is unstable, and over a third of children under five are malnourished with low vaccination rates. At the same time, oil revenue as a share of GDP has been on a declining trend for several years. In this context, structural reforms in domestic revenue mobilization and efficiency of spending are more important than ever before and yet, the outcomes of these key fiscal structural reforms have not been well documented. This Selected Issues Paper takes stock of fiscal reforms in fuel subsidies, public investment management and domestic revenue mobilization and draw lessons from the experience of Angola as well as other countries to explore how best those reforms can contribute to creating fiscal space going forward.

A. Fuel Subsidy Reform (2023–25)

Context

1. For decades, Angola maintained one of the world’s most extensive fuel subsidy regime that kept prices for gasoline, diesel, kerosene, and LPG low. The average domestic retail prices of gasoline and diesel in Angola expressed in the U.S. dollars decoupled from the Sub-Saharan African and World averages since 2015 and have kept on widening (Figure 1, left panel). While intended to protect consumers and curb inflation, these subsidies became fiscally unsustainable and inequitable, costing the government approximately 3 percent of GDP at their peak as a share of the national income in 2021 (Figure 1, right panel) and \$4.3 billion at their peak in US dollar terms in 2022—more than the averages for all of the world income groups of countries and higher than either health or education spending until recently. Most benefits were captured by wealthier households, with the top 20 percent consuming roughly two-thirds of subsidized fuel, almost 25 times as many subsidies as the poorest 20 percent, which received minimal advantage (World Bank 2023). The subsidy system also led to smuggling in neighboring countries, further exacerbating the fiscal burden.

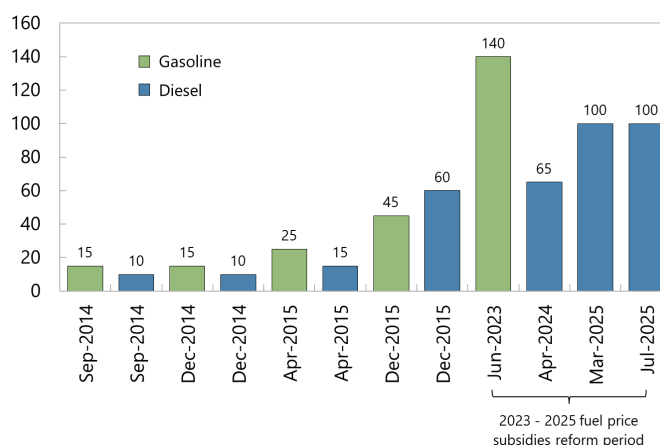
¹ Prepared by Dalmacio F. Benicio, Senior Economist, Fiscal Affairs Department.

Figure 1. Comparing Fuel Prices and Subsidies to Peers

Sources: Angolan authorities' data, Global Petrol Prices, IMF Fossil Fuel Subsidies Data: 2025 Update, and IMF staff calculations.

Note: AGO = Angola; LIC = Low-income countries; LMIC = Lower middle-income countries; UMIC = Upper middle-income countries; and HIC = High income countries.

2. Acknowledging these issues, Angola initiated a three-year fuel subsidy reform (2023–25). The reform aimed at aligning domestic fuel prices with international levels, reducing the unsustainable subsidy bill, and redirecting resources to targeted social support. The first major step in June 2023 saw gasoline prices nearly double and diesel prices increased incrementally three times between April 2024 to July 2025 (Figure 2). This phased approach sought to minimize economic shock and allow for mitigation measures (Diário da República de Angola. 2023. Decreto Presidencial n.º 131/23; Decreto Presidencial n.º 132/23; Decreto Presidencial n.º 133/23; Decreto Executivo Conjunto n.º 80/23; and Decreto Executivo Conjunto n.º 81/23).

Figure 2. Timeline of Fuel Price Increases, 2014–25
(in current Kwanzas per liter)

Sources: Angolan authorities' data and IMF staff calculations.

3. This section takes stock of fiscal and social impact of the fuel subsidy reform (2023–25). The three-year fuel subsidy reform (2023–25) ended its final year without fully aligning

fuel prices with international market prices. For example, diesel prices have gone up by 167 percent (from \$0.16 per liter to \$0.43 per liter over time) but are still much lower than international market prices (about \$1.2 per liter). The remaining price difference implies that the reform still has a long way to go. It is, however, important to take stock of what has been achieved under this three-year reform program, what obstacles the reform program encountered, and take lessons from the experience in pursuing the remaining fuel subsidy reform going forward.

Fiscal Impact of the Reform

4. Initial results demonstrated significant fiscal relief. Subsidy spending dropped by nearly \$2.1 billion U.S. dollars in the first year and freed budgetary resources for priority sectors. Improved transparency and a leaner subsidy bill contributed to deficit reduction, though domestic prices remained below global benchmarks, maintaining a substantial fiscal cost. Even after adjustments, subsidy expenses continued to outpace health and education allocations until recently, highlighting the need for further reform.

5. Fiscal savings from a decline in the fuel subsidy rate or in world fuel prices were, however, largely offset by not passing on the impact of the Kwanza depreciation to pump prices. The total fiscal savings from the fuel subsidy reform in percentage of GDP is estimated and decomposed into different sources of savings. The fiscal savings from the fuel subsidy reform can be roughly decomposed into three primary sources: i) changes in the price gap or subsidization rate, which is the difference between the international market price and the regulated domestic price; ii) changes in the consumption intensity or how much fuel the economy consumes per unit of output; and iii) changes in the exchange rate or the cost of converting local currency to U.S. dollars to purchase international oil.

6. The fuel subsidies are estimated to have gone down cumulatively by \$2.2 billion U.S. dollars or by 1.4 percentage points of GDP between end-2022 and end-2025. On annual basis, 55.8 percent of that decrease (\$1.2 billion U.S. dollars or 0.4 percentage points of GDP) occurred in 2023, 19.4 percent (\$0.4 billion U.S. dollars or 0.5 percentage points of GDP) in 2024, and 24.8 percent (\$0.6 billion U.S. dollars or 0.6 percentage points of GDP) in 2025.

Box 1. Angola: Sources of Fiscal Savings, 2023–25

Fuel expenditure (estimated from average world fuel prices, the exchange rate, the subsidy rate, and reported fuel consumption) was reduced by \$2.2 billion U.S. dollars cumulatively during the three years. The estimated fuel expenditure decreased by Kz312 billion from Kz1.75 trillion to down to Kz1.43 trillion during the three years in nominal values while relative to GDP, it has gone down by 1.4 percentage points of GDP (from 3.8 percent of GDP at end-2022 to 1.6 percent of GDP at end-2025).

The decomposition exercise described below can shed light on this outcome.

Fuel subsidy expenditure at time t , Exp_t , can be expressed as:

$$Exp_t = q_t s_t e_t p_t,$$

where Exp_t is fuel subsidy expenditure at time t , p_t is the world fuel price at time t , e_t is the average kwanza to U.S. dollar exchange rate at time t , s_t is the subsidy rate (e.g., 80 percent of world price in 2022) at time t , and q_t is the volume of consumption of fuel at time t .

The change in fuel subsidy expenditures between t and $t+1$ is:

$$\Delta Exp_{t+1} = q_{t+1} s_{t+1} e_{t+1} p_{t+1} - q_t s_t e_t p_t,$$

which can be expressed as:

$$\Delta Exp_{t+1} = q_{t+1} s_{t+1} e_{t+1} \Delta p_t + q_{t+1} s_{t+1} \Delta e_t p_t + q_{t+1} \Delta s_t e_t p_t + \Delta q_{t+1} s_t e_t p_t,$$

where $\Delta p_t = p_{t+1} - p_t$, $\Delta e_t = e_{t+1} - e_t$, $\Delta s_t = s_{t+1} - s_t$, and $\Delta q_{t+1} = q_{t+1} - q_t$.

The first term is the contribution of changes in world fuel prices, the second term is the contribution of changes in the exchange rate, the third term is the contribution of changes in the subsidy rate, and finally the fourth term is the contribution of changes in fuel consumption.

	Average world fuel price, p_t \$/liter	Average exchange rate, s_t Kz/\$	Average fuel subsidy rate, s_t share	Average fuel consumption, q_t million tons	Fuel expenditure, Exp_t			
					Reported billion Kz	Estimated billion Kz	% of GDP	billion \$
2022	1.12	458.7	0.76	4,439	1,161	1,745	2.7	3.8
2025	0.64	912.0	0.57	4,290	769	1,433	1.2	1.6
Change	-0.48	453.3	-0.19	-149	-392	-312	-1.4	-2.2
Memo items:								
Fiscal savings (billion Kz)	-1,078	1,248	-423	-59		-312		
Fiscal savings (% of nominal GDP)	-0.9	1.1	-0.4	-1.2			-1.4	

Sources: Authorities data and IMF staff calculations.

The decomposition of the change in fuel expenditure (estimated) shows that the largest contribution of fiscal savings came from a reduction in fuel consumption intensity per unit of GDP (1.2 percentage points of GDP in savings). A decline in world fuel prices also contributed (0.9 percentage points of GDP in savings). The change in fuel subsidy rate has also contributed (0.4 percentage points of GDP in savings). However, by not fully passing on the impact of kwanza depreciation to pump prices (which cost the government 1.1 percentage points of GDP), the government ended up saving less on fuel subsidies than it could have otherwise. Had the government passed on the impact of the exchange rate depreciation to fuel pump prices, the pass-through effects on inflation might have been higher but fiscal savings would have been much larger, and the resources available for mitigation measures would have been much larger.

7. Macroeconomic repercussions included a sharp rise in inflation—fueled by higher fuel prices and currency depreciation—reaching 20 percent by end-2023. A sharp rise in inflation eroded the purchasing power of households especially of the most vulnerable and necessitated allocating the fiscal windfall with social and economic adjustment costs. Nonetheless, continued reform is essential for fiscal sustainability, with approximately \$2.2 billion of U.S. dollars in annual budget space now available on average for social programs and infrastructure. Complete fiscal benefits depend on finishing price alignment and careful inflation management.

Communication Strategy and Public Response

8. Angola’s experience underscores the importance of a robust communication strategy in subsidy reforms. The government undertook national campaigns to explain the rationale and benefits, emphasizing that savings would fund social programs. Despite these efforts, skepticism persisted due to historical distrust and the sensitivity of fuel price changes. Urban populations, particularly transport sector workers, reacted strongly to price hikes, resulting in strikes and unrest.

9. Shortcomings in timing, reach, and transparency of communications—such as delayed rollout of mitigation measures—undermined initial efforts. Comparative experiences from Ghana and Nigeria highlight the necessity of clear messaging, stakeholder engagement, and pairing reforms with visible social commitments. Angola has since prioritized improving communication by engaging stakeholders early, simplifying language, emphasizing the likely beneficiaries of the reform, and setting realistic expectations regarding the reform’s overall impacts (Martinez Pabon et al., 2025; Eduardo et al., 2025; World Bank, 2025).

Mitigation Measures and Social Protection

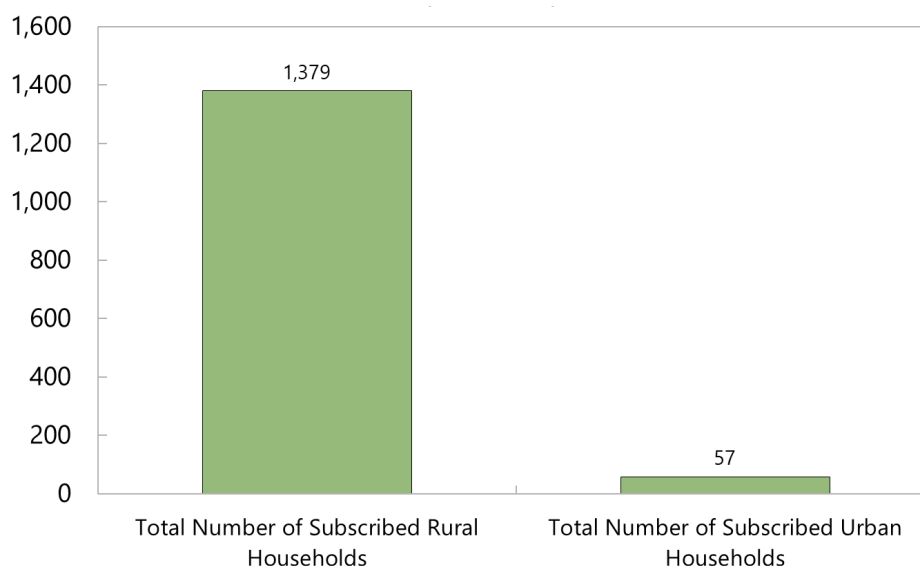
10. To cushion vulnerable groups, Angola rolled out several mitigation measures (Table 1):²

- The fuel cards were discontinued shortly after their disastrous launch in the face of substantial upfront cost more than the early fiscal savings from the reform.
- Preferential fuel rates for agriculture, fisheries, and public transport helped moderate food price increases and support jobs, though logistical delays hindered timely distribution, particularly in urban centers.
- Social passes for public transportation, targeting disabled individuals, the elderly, and students, were piloted in two provinces and have now reached 343,000 distributed passes across six provinces through “*Gira Mais*” and “*Bilhetica*”. Further rollout has been slowed by challenges with digital integration, governance changes at “*Teco*,” bus acquisition delays, and expansion to tertiary education students is planned.

² Diário da República de Angola: Decreto Presidencial n.º 131/23; Decreto Presidencial n.º 132/23; Decreto Presidencial n.º 133/23. 2023; Decreto Executivo Conjunto n.º 80/23; and Decreto Executivo Conjunto n.º 81/23. 2023; The World Bank 2025; Eduardo, Nelson Tisso Miezi et al. 2025.

- The National Employment Fund (FUNEA): Established to aid job placements for recent graduates and unemployed workers affected by higher costs remains underfunded and ineffective owing to expanded deployment beyond mitigating the adverse impact of fuel prices increases³.
- Project “*Engila*”, funded by the World Bank, aims at enhancing governance of local administration with a focus on improving basic public service delivery by leveraging existing projects and programs to realize gains in efficiency and create more value for money. The project ultimately aims to show that public resources are utilized judiciously to serve people’s needs and thereby foster greater public trust in the government.
- *Kwenda* Cash Transfers: Expanded to over 1.4 million predominantly rural families, providing quarterly payments to offset rising costs. Coverage in urban areas remained limited, with implementation challenges affecting sustained outreach (Figure 3).

Figure 3. Kwenda Program: Total Subscribed Households by Location
(in thousands)



Sources: Angolan authorities' data and IMF staff calculations.

³ Presidential Decree no. 133/23 establishes FUNEA, a National Employment Fund designed to finance projects promoting youth employment and entrepreneurship. FUNEA is managed by a specialized entity under joint ministry of Finance and Labor supervision, with initial capitalization of approximately set for Kz590 billion and immediate availability of Kz25 billion. However, the Fund has been capitalized twice with budgetary resources in the amount of Kz10-11 billion each.

Table 1. Angola: Mitigation Measures and Social Protection

Program	Description	Outcomes/Status	Challenges
Fuel Cards	Discontinued after launch due to substantial upfront cost	Early fiscal savings are less than cost	Disastrous launch, discontinued
Preferential Fuel Rates	For agriculture, fisheries, public transport	Helped moderate food price increases, support jobs	Logistical delays, hindered timely distribution, especially urban centers
Social Passes (<i>"Gira Mais", "Bilhetica"</i>)	Public transport passes for disabled, elderly, students	Piloted in 2 provinces, now 343,000 passes across 6 provinces	Digital integration, governance changes at "Teco", bus acquisition delays, rollout slowed, expansion to tertiary students planned
National Employment Fund (FUNEA)	Aid job placements for graduates, unemployed workers affected by higher costs	Remains underfunded and ineffective	Expanded deployment beyond fuel price mitigation
Project <i>"Engila"</i>	Funded by World Bank, enhanced governance of local administration	Improve public service delivery, efficiency, value for money, foster public trust	Leverages existing projects and programs
Kwenda Cash Transfers	Quarterly payments to offset rising costs	Expanded to over 1.4 million rural families, limited urban coverage	Implementation challenges, limited sustained outreach in urban areas

11. While mitigation softened some impacts, gaps remained—especially for urban poor and informal workers who fell through the safety net. Implementation challenges included administrative capacity limitations and funding delays. International partners, such as the World Bank, supported financing for social protection (Eduardo et al., 2025).

Lessons from Angola's Experience (2023–25)⁴

12. Angola's subsidy reform has delivered fiscal relief and demonstrated commitment to prudent policy but faced significant political-economy challenges. Looking forward to and drawing on local outcomes and regional comparators, the following lessons are drawn, organized by timeframe:

- *Short-Term:* The importance of expanded urban cash transfers, expanding public transport vouchers, providing tax relief on essentials, and intensifying transparent communication and engagement with key stakeholders, synchronizing the adjustments of fuel prices and mass transportation administered fares.
- *Medium-Term:* The centrality of institutionalizing automatic fuel pricing mechanisms, strengthening social safety nets, reprioritizing spending toward health, education, and infrastructure while embedding fiscal discipline.
- *Both:* Maintaining continuous engagement, monitor social impacts, collaborate regionally, and adapt policies based on evidence.

Lessons from Peers and Comparative Insights

13. International experiences reinforce the importance of robust safety nets and targeted compensation. Successful reforms in Ghana, Indonesia, and Mozambique (Table 2) emphasized "mitigation-first" strategies to build public buy-in, scaling up cash transfers and transport vouchers, while Kenya's experience illustrated the consequences of inadequate mitigation (Beaton and Lontoh, 2010; Coady et al., 2006; Jaramillo et al. 2015). For instance, after removing subsidies in early 2023, with disproportionate burden on the poor who spend a higher percentage of income on fuel, the government of Kenya was forced to partially reintroduce them by later in the same year to prevent total economic paralysis (IMF African Department, 2023; 2024). Successful fuel subsidy reform is rarely just about "cutting costs." Instead, it is a complex exercise in renegotiating the social contract. Technical success must be paired with social acceptance, making communication and mitigation central to reform durability (Coady et al. 2013; Inchauste and Victor 2017; Moerenhout et al., 2024).

⁴ Martinez Pabon et al., 2025; Eduardo et al., 2025; World Bank 2025.

Table 2. Angola: Summary of Successful Fuel Subsidy Reform Outcomes & Lessons ⁵			
Country	Key Mitigation Strategy	Successful Outcomes	Crucial Lessons Learned
Ghana (2005, 2013)	Visible Social Spending: Eliminated fees for state primary/secondary schools; increased public bus fleet.	Built public acceptance by showing that fuel savings were directly funding children's education.	Transparency is Armor: Conducting <i>Poverty and Social Impact Analysis</i> (PSIA) beforehand proved the rich benefited most, neutralizing opposition arguments.
Indonesia (2005, 2014)	Direct Cash Transfers (BLT): Immediate unconditional cash for 19M+ households; Kerosene-to-LPG conversion program.	Successfully shifted the "benefit" from a price subsidy to a cash-in-hand benefit; reduced fiscal deficit by \$15B in 2015.	Timing & Speed: Aligning price hikes with periods of low international oil prices (2014) or delivering cash <i>before</i> the hike (2005) prevents social backlash.
Mozambique (2012-2017)	Targeted Transport Subsidies: Introduced " <i>tickets modérateurs</i> " to cap costs for commuters; increased social spending by 19%.	Preventing the "cascading inflation" effect in urban transport, which is often the primary trigger for riots.	Depoliticize Pricing: Implementing Automatic Fuel Pricing Mechanism (AFPM) shifts blame from the government to international market forces.

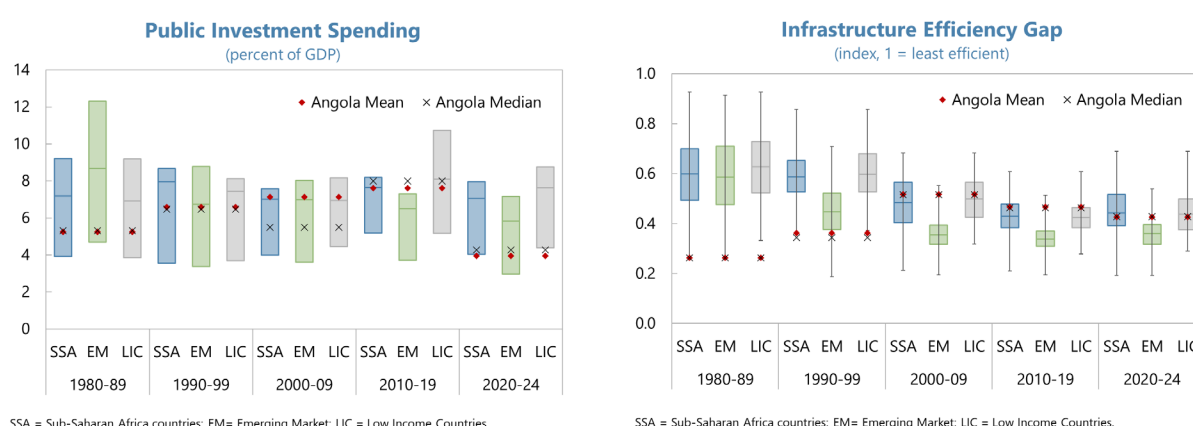
⁵ Beaton and Lontoh, 2010; Coady et al. 2013; Coady et al. 2006; Jaramillo et al. 2015; Moerenhout et al. 2024; Inchauste and Victor 2017; Black et al. 2025.

B. Public Investment Management Reforms Since 2019

Context

14. Public investment surged post-2006 but declined after the 2014 oil price shock even as the spending efficiency gap relative to peers is widening (Figure 4). External financing has been significant but has been shifting from concessional to commercial loans. Public-private partnerships (PPPs) are minimal and underutilized. This means premium must be placed on spending smarter to achieve greater efficiency gains and meet development objectives.

Figure 4. Comparing Investment Spending and the Infrastructure Efficiency Gap, 1980–24



Sources: Angolan authorities' data and IMF staff calculations.

Note: SSA = Sub-Saharan African countries, EM = Emerging markets, and LIC = Low-income countries.

15. Angola's 2019 Public Investment Management Assessment (PIMA), an IMF public investment diagnostic tool, evaluated 15 institutions across three phases: (i) planning of sustainable investment across the public sector, (ii) allocation of investment to the right sectors and projects, and (iii) implementation of investment projects to deliver productive and durable public assets. Each institution was assessed on both institutional strength (the organization, policies, and rules and procedures on paper) and effectiveness (the degree to which the intended purpose is being achieved in practice or there is a clear useful impact).

16. The 2019 PIMA found that Angola's institutional design of public investment management (PIM) was comparable to peers, but its effectiveness was low. In terms of the overall institutional framework, Angola was assessed as strong on fiscal rules and targets, project appraisal and asset monitoring, but weak in budgeting, project selection, procurement, and funding availability. In terms of the effectiveness, Angola was assessed generally low, especially in budgeting and procurement.

17. Among the most significant issues highlighted by the 2019 PIMA was the absence of a systematic operational Medium-Term Fiscal Framework (MTFF), which undermines effective long-term fiscal planning and resource allocation. The assessment also highlighted poor enforcement of project appraisal processes and insufficient risk assessment practices, both of which hinder the ability to evaluate and manage investment projects effectively.

18. Additionally, inadequate multi-year budgeting practices and limited funding for maintenance were highlighted, as they restricted the sustainability and longevity of public investments. Procurement processes are heavily dominated by exceptions rather than competitive tendering, reducing transparency and efficiency. Fiscal risk management, particularly concerning State-Owned Enterprises (SOEs) and Public-Private Partnerships (PPPs), remains weak, exposing the government to potential financial vulnerabilities. However, recently there has been commendable progress in identifying and quantifying some fiscal risks with Fund support.

19. Finally, the assessment pointed out fragmented IT systems and limited human capacity, which further impede efficient project management and oversight. These weaknesses collectively contribute to Angola's widening spending efficiency gap relative to its peers (Figure 4) and underscore the need for comprehensive reforms in public investment management (Monteiro et al., 2021).

20. To address the weaknesses identified in Angola's 2019 PIMA, the Angolan government adopted the PIMA Action Plan and the subsequent Public Finance Management (PFM) Action Plan in 2021 and 2025, respectively.⁶ These action plans specifically aim to close gaps in appraisal and selection, budgeting, procurement and funding, IT systems, project and risk management effectiveness as follows:⁷

- **Funding Availability.** To address PIMA's concern about weak budgeting and funding, the action plan recommends amending the legal framework so only projects with secured funding are budgeted. Exceptions apply solely to projects reliant on treasury liquidity that meet strict criteria and clearly justify their necessity, viability, and funding sources.
- **Project Appraisal and Selection:** The action plan addresses PIMA's concerns about weak appraisal enforcement by introducing objectives for clear criteria and stronger oversight for systematic, transparent project evaluation.
- **Comprehensive Cost Estimation:** To address PIMA's concerns about weak multi-year budgeting and maintenance funding, the action plan requires full project cost estimates —

⁶ The PFM action plan remains to be finalized and approved. Implementation is expected to start in the second half of 2026.

⁷ Direção Nacional de Investimento Público 2022; Direção Nacional de Investimento Público, Ministério das Finanças 2021; Ministério das Finanças 2025.

including multi-year and maintenance costs—before budget approval for improved long-term planning.

- **Fragmented IT systems.** To address fragmented IT systems and limited capacity, the action plan aims to integrate the Public Investment Project Management System or “*Sistema de Gestão de Projectos de Investimento Público*” (SIGPIP) with the Integrated State Financial Management System or “*Sistema Integrado de Gestão Financeira do Estado*” (SIGFE), enhancing **project management, oversight, and public transparency**.
- **Pipeline Management and Risk Assessment:** To address weak procurement and fiscal risk management identified by PIMA, the action plan mandates the annual removal of inactive projects, regular execution report publication, and systematic risk assessment using a risk matrix to strengthen project pipeline discipline and fiscal oversight.

21. Together, these objectives represent a direct response to the weaknesses identified in the 2019 PIMA, aligning Angola’s reform agenda with international best practices in public investment management and supporting more effective, transparent, and sustainable public spending.

22. Angola’s PIM reform has so far made good progress on legislative and regulatory reforms but is lagging in building capacity, fully applying the existing rules, and achieving consistent, practical results. Legislative and regulatory reforms, including the approval of the 2025 PIM regulation, are welcome achievements as well as the incipient institutionalization of the MTFF and limited fiscal risk coverage in the budget. Practical implementation and measurable improvements in project planning, execution, oversight, and spending efficiency remain limited despite action plans that address PIMA recommendations. Limited progress in project appraisal enforcement, IT integration, and fiscal risk assessment highlights the need to focus on building capacity and enforcing reforms in practice.⁸ Lasting efficiency and growth depend on embedding these changes into daily operations, as well as policy frameworks.

Lessons from Peers and Comparative Insights

23. International evidence shows efficient public spending can yield up to one-third more value, with potential output gains up to 11 percent in emerging economies (IMF, 2025a). Redirecting funds toward infrastructure, education, health, and R&D, while closing efficiency gaps, is critical for Angola’s growth and equity. Following cases are particularly useful in the context of on-going Angola’s PIM reforms.

- Rwanda’s efficiency gains were linked to streamlined **procurement processes** and the integration of **digital tools for financial tracking** under the broad-based PFM reforms (IMF,

⁸ A Ministerial reform in 2024 moving DNIP from the Ministry of Finance to the Ministry of Planning poses additional challenges, as it will require building capacity of the DNIP staff at the Ministry of Planning ensuring the Ministry of Finance effectively exercise its gatekeeping role and strengthening coordination between the Ministry of Planning and Finance in the PIM oversight

2025a). Despite having public expenditure levels below the regional average, Rwanda has achieved significant improvements in service delivery and infrastructure development. Key factors also included robust monitoring and evaluation systems, and commitment to **transparency**.

- Togo has enhanced its investment outcomes by implementing **rigorous project appraisal** mechanisms and **multi-year fiscal planning**. The country's adoption of the Public Investment Management Assessment (PIMA) framework has strengthened project selection criteria and improved cost-benefit analyses. Togo's reforms included the institutionalization of medium-term expenditure frameworks (MTEF) and regular publication of **project performance reports**, resulting in more effective allocation of resources (IMF, 2025a).
- Both Estonia and Sweden have institutionalized **medium-term budgeting processes**, which have contributed to improved fiscal discipline and predictability in public investment. Estonia's **digital** government infrastructure supports transparent and integrated budget planning, while Sweden's fiscal framework mandates compliance with **multi-year budget ceilings**. OECD reviews highlight that these approaches help prevent budget overruns and ensure that capital projects are fully funded over their lifecycle (OECD, 2022; OECD, 2025).

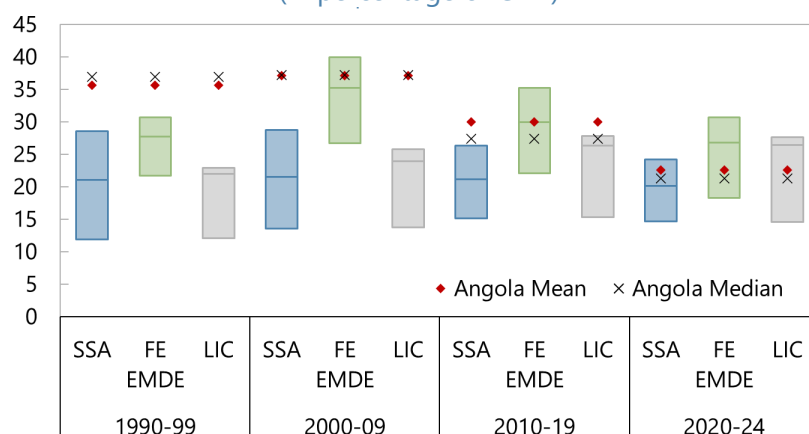
24. These international experiences demonstrate that enhancing efficiency, strengthening governance and institutions, and adopting medium-term fiscal planning are critical for achieving higher returns on public investment (IMF, 2025a). By learning from these comparative cases, Angola can better target reforms that support sustainable growth and equitable development. Key lessons are that by focusing on efficiency, prioritization, and institutional strengthening, Angola can transform public spending into real development gains—boosting growth, reducing inequality, and building resilience for the future.

C. Domestic Revenue Mobilization

Context

25. Angola's fiscal health relies heavily on oil revenues, complicating sustainable revenue mobilization and underscoring the urgency of non-oil domestic revenue mobilization. Overall revenue collection as a share of GDP has been in a secular decline over the past couples' decades and is now lower than peers' median levels (Figure 5). Oil revenues are declining due to the practice of over-sweetening the oil sector's fiscal regime incentives aimed at placating adverse effects of the aging and marginal oil fields on production levels. Non-oil tax collection is constrained by a narrow base, administrative bottlenecks, and a dominant informal sector (approximately 78 percent of employment).

Figure 5. Total Revenue, 1990–24
(in percentage of GDP)



Sources: Angolan authorities' data and IMF staff calculations.

Note: SSA = Sub-Saharan African countries, EM = Emerging markets, and LIC = Low-income countries.

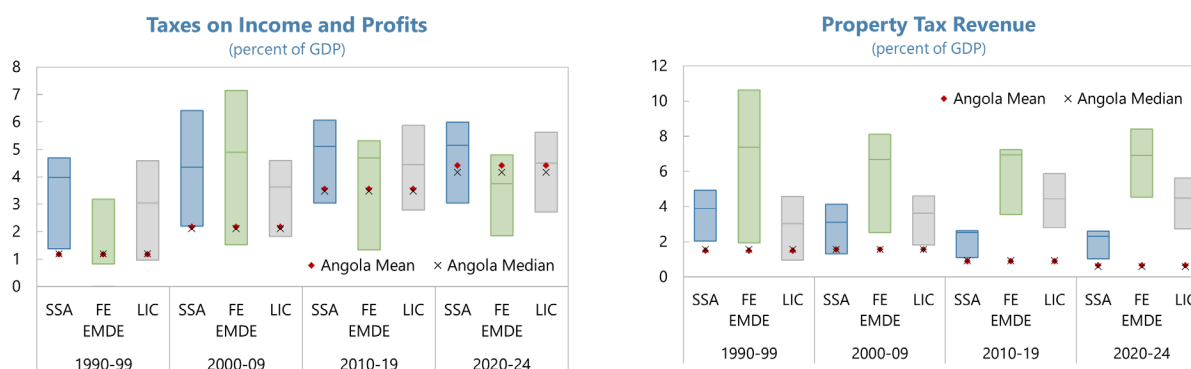
Key Challenges and Opportunities

26. Many efforts have gone into domestic resource mobilization in the past several years.

The authorities have streamlined tax codes and advanced digitalization through mandatory e-invoicing and tax filing to boost compliance and collection. These efforts aim to broaden the tax base, reduce evasion, and foster stronger compliance culture among taxpayers. Moreover, significant capacity development (CD) resources have also gone into revenue administration to improve compliance, risk-based inspections, efficiently targeted auditing and enforcements. Finally, the joint internal tax and customs authority (AGT) have recently undergone an internal governance restructuring to adapt it to deal with the most pressing challenges in the context of Angola.

27. The estimated yields of tax revenue to tax bases, however, have been declining in the recent years and have remained significantly lower than the statutory rates (Table 3) either due to a large and growing informal sector, low tax compliance, increased tax exemptions, or the combination of the three.

28. For example, yields on the income and profits, and propriety taxes collections as share of GDP have been declining and are below peers (Figure 6). Moreover, the Corporate Income Tax (CIT) collected from the non-oil sector in 2024 is only 9.3 percent of the estimated profit share of non-oil GDP (as opposed to the standard statutory CIT rate of 25 percent) (Table 3). Part of the explanations may be a rapid growth in sectors that are not captured in formal tax nets. For example, CIT collected in the non-oil sector to the estimated profit share of non-oil GDP excluding agriculture has been relatively stable. However, high tax expenditures and low compliance cannot be ruled out as additional contributors to the declining trend, especially of the CIT collected from the oil sector. CIT collected from the oil sector in 2024 was about 25 percent of the estimated profit share of oil GDP, which is a significant decline from the level in 2022.

Figure 6. Comparing Income and Property Tax Revenues, 1990–24

Sources: Angolan authorities' data and IMF staff calculations.

Note: SSA = Sub-Saharan African countries, EM = Emerging markets, and LIC = Low-income countries.

Table 3. Angola: Non-Oil Tax Yield, 2021–24

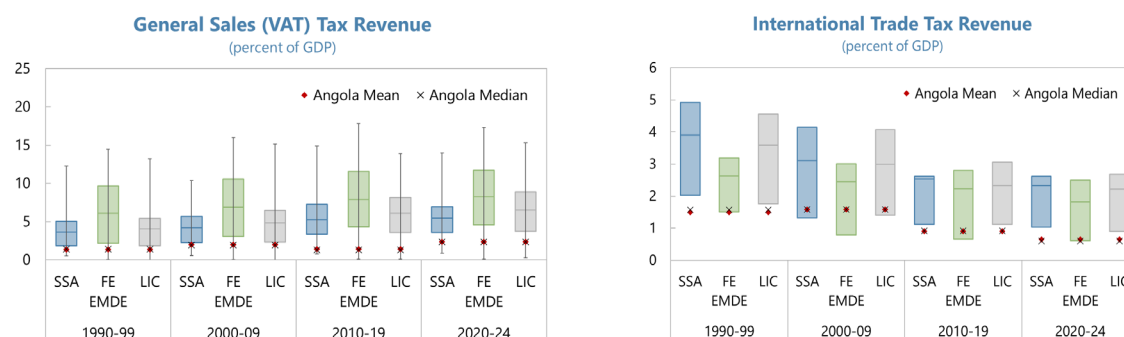
	2021	2022	2023	2024	Statutory Rate 2/
A. Corporate Income Tax (CIT) 1/					25
Oil sector (% of profits)	29.5	56.8	29.4	25.8	
Non-oil sector (% of profits)	12.1	11.6	9.4	9.1	
Non-oil sector excl. agriculture (% of profits)	13.2	13.1	13.2	13.0	
B. Value Added Tax (VAT)					5~14
VAT (% of consumption)	4.3	3.9	3.1	2.3	
VAT (% of imports of goods and services)	13.0	13.6	11.5	9.1	

Sources: Authorities; IMF staff calculations.

1/ Profits for oil and non-oil sectors are assumed at 50 percent and 40 percent of sectoral value added, respectively, to allow for differences in capital intensity. Note that the 2012 input-output matrix calibrated by Haddad et al. (2019) and updated to 2021 nominal values in Cravo et al. (2022) show much higher profit shares, implying that tax yields may even be lower.

2/ The standard VAT rate in Angola has been 14 percent since 2019. The government has introduced reduced rates (7 percent for a wide range of consumption goods and services and 5 percent for certain food products and agricultural inputs) since 2021 (effective January 1, 2022).

29. Also, worryingly, value-added tax (VAT) revenues as a share of both imports and consumption have been declining and are significantly below peers (Figure 7). Moreover, VAT collected in 2024 is only 2.3 percent of consumption and 9.1 percent of imports of goods and services (as opposed to the statutory VAT rates that have been reduced from 14 percent to 5 percent for a wide range of goods and services in the past few years). Increases in informality and exemptions as well as a reduction in tax rate have likely all contributed.

Figure 7. Comparing VAT and International Trade Tax Revenues, 1990–24

Sources: Angolan authorities' data and IMF staff calculations.

Note: SSA = Sub-Saharan African countries, EM = Emerging markets, and LIC = Low-income countries.

Angola's Recent Reforms in Tax Policy and Tax Administration

30. Angola has introduced several tax incentives through its Fiscal Incentives Code or “Código de Benefícios Fiscais” (CBF) and 2022 VAT reform. Beyond oil sector incentives, AGT estimates that Kz3 trillion in fiscal benefits were granted to firms in preferential non-oil sectors from 2018–24, with Kz1.5 trillion in 2024 alone. The latest CBF amendment keeps all CIT exemptions and the contractual regime, while tax incentives for micro-, small-, and medium-sized enterprises (MSMEs) are unchanged. Startups still receive CIT exemptions and reduced rates, investment tax credits, and capital gains deductions, focusing on cost-based incentives. Additionally, the 2022 VAT reform expanded reduced or zero rates for goods and services, further lowering non-oil revenue yields.

31. At the same time, Angola is streamlining its tax codes. The new PIT and CIT codes have sought shift from a schedular regime to a unified PIT, with mandatory income consolidation for individuals with multiple sources, and consolidates and simplifies corporate income taxation in Angola by unifying previously fragmented regimes. Corporate investment income would now be taxed as ordinary income.

32. However, key shortcomings remain. There is no inflation adjustment, some schedular fragmentation continues, and withholding rates are non-final. Marginal rates and progressivity are unchanged. While health and education deductions have become more generous refundable credits, this goes against best practice. Capital gains are not withheld, annual filing is still needed for most, and CIT rates remain fragmented—with a general 25 percent rate, a 10 percent reduced rate for certain sectors, and a 35 percent rate for others. The Code also does not include Qualified Domestic Minimum Top-up Tax (QDMTT) rules or reference OECD Global Anti-Base Erosion (GloBE) standards.

33. AGT has achieved significant gains in tax administration since 2018, especially in digitalization front, but challenges remain. The gains include, among other things, organizational and governance reforms, and the creation of the Large Taxpayers Office. Digitalization efforts

culminated in 2022 with the deployment of a fully integrated Tax Management Platform automating all tax functions, introduction of mandatory e-invoicing, e-fillings, notifications, fully digitalized tax submission across all major tax categories and taxpayers' segments, and all taxpayer interactions. Moreover, legislation has been passed recently to push forward with more digitalization beyond AGT, to encompass expanding use of third-party data from other public and private sector entities. Next step would be to create a Data Warehouse (DW) to analyze and leverage large data sets for risk analysis, information cross matching and tax intelligence (Pecho et al., 2023). Advances in fighting corruption have been more limited amidst VAT fraud scandal in Angola, uncovered in early 2025, involving a scheme to fraudulently obtain VAT reimbursements from the AGT (Lusa - Business News 2025).

Lessons from Peers and Comparative Insight

34. Tax potential varies by country but can increase with improved institutional quality and revenue gains are sustainable when tax reforms are sequenced and continuous rather than one-off (Baer et al. 2025). Strengthening tax policy, boosting administrative capacity, integrating the informal sector, and leveraging digitalization are critical. Comparative experiences from peer countries show that sustained, comprehensive reforms can raise tax-to-GDP ratios above the 15 percent benchmark needed for sustainable development (Baer et al. 2025).

35. There are several lessons from peers in tax policies (Table 4). Recent reforms (VAT introduction, income tax code streamlining described above) are stepping forward, but significant tax expenditures — approximately 20–28 percent of potential revenue on average in sub-Saharan Africa (Schneider et al. 2025) — and underutilized excises persist. Base broadening and simplification, including rationalizing exemptions and modernizing property tax, are needed.

36. There are several lessons from peers in tax administration too. Reducing bureaucratic barriers helps informal businesses formalize, expanding the tax registry and boosting revenue—crucial in Angola, where informality is high. Improved compliance and tax collection require simplified regimes, incentives, enhanced administration, risk-based management, targeted audits, digital tools, and staff training. Success also depends on transparency, anti-corruption, and customs reform. Continuous improvement should include diagnostics, strategic planning, leadership, stakeholder engagement, and regular monitoring (Baer et al. 2025; IMF 2025b).

37. Key lessons are that Angola can significantly boost domestic revenues through a blend of quick wins and structural reforms. Angola can boost domestic revenue by combining quick wins—such as tightening exemptions, digitalization, and targeted enforcement—with deeper reforms like modernizing tax systems and building capacity. Adopting a tailored, phased approach will reduce oil dependence and raise the tax-to-GDP ratio. Enhancing transparency, fairness, and public services improves taxpayer morale and voluntary compliance, creating a positive feedback loop supported by international evidence.

Table 4. Angola: The Elements for Improved Tax Design

Tax Design Area	Current Issues in Angola	Suggested Improvement (Baer et al., 2025)	On-going Reforms in Angola and TA Recommendations
Base Broadening	Tax expenditures (exemptions, holidays) consume 203–28 percent of tax revenue in SSA (no data for Angola)	Rationalize tax expenditures	Rationalize and reduce exemptions and holidays in the PIT, CIT, Fiscal Incentives Code amendment or “ <i>amenda de Código de Benefícios Fiscais</i> ” (CBF).
Investment Incentives	Inefficient full exemptions	Replace with investment credits and accelerated depreciation	Rationalize and reduce incentives. Move toward a uniform tax regime with accelerated depreciation. International taxation challenges include low withholding rates on non-resident payments and weak thin capitalization rules. Reference OECD GloBE standards.
Value-Added Tax (VAT)	Exemptions, compliance issues	Reduce exemptions, enhance compliance. Potential revenue increases approximately 2.3 percent of GDP	Expand VAT coverage on imports to include customs duties and related taxes, lower small taxpayer thresholds gradually, limit exemptions on basic goods, and align reduced and zero-rated items with the standard 14 percent rate in the short term, with a goal to raise the standard rate over time.
Excise Taxes	Underutilized	Expand on goods with health/environmental externalities	Shift the Special Consumption Tax (IEC) from ad valorem to specific excise taxes with stronger enforcement to maximize potential for health and revenue benefits.
Property Taxes	Underused progressive tax	Digital property registries can improve collection	Urban property tax (IPU) revenue is minimal. Aim to broaden the base and improve compliance.
Personal Income Tax (PIT)	Complex regimes, deductions	Simplify regimes, rationalize deductions. Critical in sub-Saharan Africa and resource-rich countries	Revenue is low due to low top rate and numerous exemptions. Raise marginal rates and thresholds, simplify brackets, adjust thresholds for inflation, implement capital gains tax withholding, remove deductions for health and education, and eliminate bracket cliffs.
Import Tariffs	Inefficiency and inequality	Should be phased out with capacity improvements	Customs tariffs remain significant but require simplification and alignment with trade agreements.

Sources: Baer et al., 2025; Fenochietto et al., 2020, 2019

D. Concluding Remarks

38. Angola faces tight fiscal constraints from falling oil revenues, high social needs, and weak infrastructure. Recent reforms, including fuel subsidy cuts, improved public investment management, and efforts to boost domestic revenue—have helped reduce unsustainable spending and strengthen fiscal frameworks, but challenges remain. Notably, subsidy reform is incomplete, investment management lacks effective implementation, and tax yields are low due to informality

and exemptions. Continued reform, focused social protection, and learning from best practices are critical for sustainable, inclusive growth.

References

- Baer, Katherine, Patricio Barra, and Juan Carlos Benitez. 2025. "Closing the Gap: How Tax Administration Performance Shapes Compliance." IMF Working Papers 2025 (209): 1. <https://doi.org/10.5089/9798229027076.001>.
- Baer, Katherine, Matthieu Bellon, Matt Davies, et al. 2025. "Building Tax Capacity for Growth and Development: Evidence-Based Analysis for Mobilizing Domestic Revenue. International Monetary Fund.
- Beaton, Christopher, and Lucky Lontoh. 2010. Lessons Learned from Indonesia's Attempts to Reform Fossil-Fuel Subsidies. International Institute for Sustainable Development (IISD). https://www.iisd.org/system/files/publications/lessons_indonesia_fossil_fuel_reform.pdf.
- Bellon, Matthieu, and Ross Warwick. 2025. "State Capacity, Institutions and Growth: Taxing for Takeoff—Revisiting the Tax Tipping Point." IMF Working Papers, no. No 2025/203 (October): 56.
- Black, Simon, Weronika Celniak, Alberto Garcia Huitron, Ian Parry, Paulina Schulz Antipa, and Nate Vernon-Lin. 2025. "Underpriced and Overused: Fossil Fuel Subsidies Data 2025 Update." IMF Working Papers 2025 (270): 1. <https://doi.org/10.5089/9798229034715.001>.
- Coady, David, Moataz El-Said, Robert Gillingham, Kangni Kpodar, Paulo Medas, and David Newhouse. 2006. "The Magnitude and Distribution of Fuel Subsidies: Evidence from Bolivia, Ghana, Jordan, Mali, and Sri Lanka." IMF Working Paper, no. WP 06/247 (November): 39.
- Coady, David P., Stefania Fabrizio, Sanjeev Gupta, et al., eds. 2013. Energy Subsidy Reform: Lessons and Implications. International Monetary Fund.
- Cravo, Túlio A., Eduardo A. Haddad, Fernando Perobelli, and Inácio Araújo. 2022. Economic Analysis of the Angolan Economy: Applications Using the Input-Output Matrix. African Development Bank Country Office Angola. https://www.afdb.org/sites/default/files/2023/01/20/final_report.pdf.
- Diário da República de Angola: Decreto Executivo Conjunto n.o 80/23; and Decreto Executivo Conjunto n.o 81/23., Pub. L. No. Decreto Executivo Conjunto n.o 80/23; and N.o 81/23., I Série – N.o 99 12 (2023).
- Diário da República de Angola: Decreto Presidencial n.o 131/23; Decreto Presidencial n.o 132/23; and Decreto Presidencial n.o 133/23., Pub. L. No. Decretos Presidenciais n.o 131/23; 132/23; and 133/23., I Série – N.o 99 12 (2023).
- Direção Nacional de Investimento Público, Ministério das Finanças. 2021. "Apresentação Sobre o Plano de Ação da Avaliação da Gestão de Investimento Público." IMF Virtual Staff Visit: Direção

Nacional de Investimento Público, Ministério das Finanças, Governo da República de Angola, Luanda, Angola, March 1.

Direção Nacional de Investimento Público, Ministério das Finanças. 2022. “Apresentação Sobre o Ponto de Situação das Atividades no Âmbito do Plano De Ação da Avaliação da Gestão de Investimento Público.” Luanda, Angola. IMF Staff Visit: Direção Nacional de Investimento Público, Ministério das Finanças, Governo da República de Angola, May 6.

Eduardo, Nelson Tisso Miezi, Valentina Martinez Pabon, Boban Varghese Paul, and Liliana D. Sousa. 2025. The Role of Credible Mitigation Measures in Building Citizen Trust for Subsidy Reforms: Lessons from Angola’s Public Opinion Survey. Working Papers. World Bank Policy Research Working Papers. The World Bank. <https://reproducibility.worldbank.org/catalog/372>.

Fenochietto, Ricardo, Paulo Dos Santos, and Andrea Costa Chaves. 2020. Mobilização de Recursos e Tributação Internacional em Angola. Technical Assistance Report. International Monetary Fund, Fiscal Affairs Department.

Fenochietto, Ricardo, Paulo Dos Santos, and Ricardo Varsano. 2019. Angola Avaliação Geral do Sistema Tributário. Technical Assistance Report. International Monetary Fund, Fiscal Affairs Department.

Haddad, Eduardo A., Fernando Perobelli, and Inácio Fernandes de Araújo. 2019. Matriz de Insumo-Produto Para Angola, 2012 (Nota Técnica). TD NEREUS 8-2019. Núcleo de Economia Regional e Urbana Da Universidade de São Paulo (NEREUS). Luanda, Angola.

Inchauste, Gabriela, and David G. Victor. 2017. The Political Economy of Energy Subsidy Reform. Directions in Development--Public Sector Governance. World Bank. <https://doi.org/10.1596/978-1-4648-1007-7>.

International Monetary Fund (IMF). African Dept. 2023. “IMF Country Reports Kenya: The IMF’s Fifth Review under the Extended Fund Facility.” IMF Staff Country Reports 2023 (266): 1. <https://doi.org/10.5089/9798400250101.002>.

International Monetary Fund. African Dept. 2024. “IMF Country Reports Kenya: The IMF’s Sixth Review under the Extended Fund Facility.” IMF Staff Country Reports 2024 (013): 1. <https://doi.org/10.5089/9798400264177.002>.

International Monetary Fund (IMF). 2025a. Fiscal Monitor, October 2025: Spending Smarter: How Efficient and Well-Allocated Public Spending Can Boost Economic Growth. International Monetary Fund. <https://www.imf.org/-/media/files/publications/fiscal-monitor/2025/october/english/text.pdf>.

International Monetary Fund (IMF). 2025b. G20 Background Note on Enhancing Domestic Revenue Mobilization Through Strengthening Revenue Administration. Background Note NA. The

International Monetary Fund (IMF). <https://www.imf.org/-/media/files/research/imf-and-g20/2025/g20-background-note-enhancing-domestic-revenue-mobilization-through-strengthening-revenue-administra.pdf>.

International Monetary Fund (IMF). 2025c. "Tax Administration and Compliance in Developing Countries." International Monetary Fund.

International Monetary Fund (IMF). African Dept. 2018. "Angola: Request for An Extended Arrangement Under the Extended Fund Facility-Press Release; and Statement by the Executive Director for Angola." IMF Staff Country Reports 18 (370): 1. <https://doi.org/10.5089/9781484391334.002>.

International Monetary Fund (IMF). African Dept. 2018. "Sub-Saharan Africa Regional Economic Outlook: Domestic Revenue Mobilization and Private Investment." International Monetary Fund. African Dept.

Jaramillo, Laura, Samah Mazraani, Esther Palacio, and Wei Shi. 2015. Mozambique Fuel Subsidy and Pricing Reform. Technical Assistance Report. International Monetary Fund. <https://www.imf.org/-/media/files/publications/cr/2023/english/1mozea2023009.pdf>.

Klemm, Alexander, Miguel Pecho, Sandro de Vargas Serpa, and David Wentworth. 2023. Angola Modernization of Income Taxation. Technical Assistance Report. International Monetary Fund, Fiscal Affairs Department.

Lusa - Business News. 2025. "Angola: Authorities Detain Businessman in Huge VAT Fraud Case." International News. Lusa - Business News (Luanda, Angola), February 2. Luanda, Feb. 2, 2025 (Lusa) Edition.

Ministério das Finanças. 2025. Plano de Ação da Reforma das Finanças Públicas Em Angola. Ministério das Finanças, Governo da República de Angola.

Moerenhout, Tom, Defne Gencer, Beatriz Arizu, Min A Lee, and Hannah Braun. 2024. Energy Subsidy Reform in Action Political Economy Analysis and Communications for Energy Subsidy Reforms Approaches and Insights from Recent Technical Assistance. Technical Report. International Bank for Reconstruction and Development / The World Bank. <https://openknowledge.worldbank.org/server/api/core/bitstreams/faeddf59-cd93-4fa8-9447-256c4feb26af/content>.

Monteiro, Rui, Felipe Bardella, Ozlem Aydin Sakrak, et al. 2021. Angola Public Investment Management Assessment. Technical Assistance Report. The International Monetary Fund. <http://www.imf.org/external/np/pp/eng/2013/061013.pdf>.

Organization for Economic Co-operation and Development (OECD). 2025. Quality Budget Institutions Developments in OECD Countries. Organization for Economic Co-operation and Development (OECD).

https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/11/quality-budget-institutions_8db7b5ed/8e811202-en.pdf.

Pecho, Miguel, Antônio Lindemberg, Roberto Pereira, Barbara Pialarissi, Sandro Serpa, and José Tostes. 2023. Angola Oportunidades para um realinhamento das estratégias, com vistas a melhorar o cumprimento voluntário. Technical Assistance Report. International Monetary Fund, Fiscal Affairs Department.

Schneider, Friedrich, et al. 2025. "Tax Policy and Informality in Sub-Saharan Africa." International Monetary Fund.

Schneider, Todd, Sandhya Garimella, Li Liu, et al. 2025. Tax Expenditures in Sub-Saharan Africa. International Monetary Fund. <https://www.imf.org/-/media/files/publications/dp/2025/english/tessaea.pdf>.

World Bank. 2025. "Construir a Confiança dos Cidadãos para as Reformas dos Subsídios: Evidências do Inquérito à Percepção Pública em Angola Apresentação dos Resultados Percepções, Impactos e Recomendações." Apresentação dos Resultados Percepções, Impactos e Recomendações ao Governo de Angola, Luanda, Angola, March.