

I. COUNTRY REFORM PROGRESS

The IMF's board recently approved an Extended Credit Facility (ECF) for Liberia in September 2024. This 40-month financing package will support the Economic Reform Agenda (ARREST) aimed at addressing macroeconomic imbalances, enhancing debt sustainability, and fostering inclusive, private sector-led growth. The program includes policies to strengthen fiscal sustainability and create investment space by rationalizing unproductive spending and mobilizing domestic revenue. Key policies involve: (i) reducing unproductive spending; (ii) implementing new tax measures like a Value Added Tax (VAT); (iii) increasing priority public spending on infrastructure; and (iv) addressing non-performing loans to enhance financial stability.

To bolster domestic revenue mobilization, the Liberian authorities have developed a Domestic Revenue Mobilization Strategy (DRMS). Plans to implement the VAT are underway with the legislature approving the VAT law and some stakeholder engagements have commenced. The GPFP project will continue to provide support towards VAT implementation, tax expenditure policy, strengthening capacity to manage inaccurate reporting and implementing an integrated tax administration system (ITAS).

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: The project is still in its early stages, with no country-level activities yet. Although a VAT Act was enacted in 2024, this happened prior to the GPFP project. There are no results to report for the project currently.

Next Steps: Under this GPFP project, a mission led by the IMF's Fiscal Affairs Department (FAD) is scheduled for mid-January 2025 to review tax expenditures (an ECF structural benchmark) and to support digital transactions taxation and the taxation of the extractive industries.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: Support has been provided to the Liberia Revenue Authority (LRA) on the implementation of the audit strategy and plan. Comprehensive audit manuals for banks and insurance were developed. The insurance audit manual specifically addresses the auditing of insurance companies, reinsurance, and international issues, and was updated at the request of the LRA to include credit unions, microfinance institutions, mobile money services, and cryptocurrency. In addition, manuals covering agricultural and timber audits were also developed. Assistance has also been provided to the LRA to develop a chapter focused on the use of indirect methods in auditing. Given that many taxpayers in the small and medium audit categories maintain inadequate books and records, it is essential for auditors to be skilled in indirect methods to detect potential unreported revenue. Regarding the customs component of the project, capacity development in data analysis and origin of goods management and control continued at the request of the customs authorities. A comprehensive IT Master Plan (ITMP) was developed with LRA staff to help the LRA address critical technology and infrastructure challenges that prevent it from improving the governance, quality, security, and integration of customs data and increasing revenue collection.

Next Steps A mission is planned for November 2025 to build the LRA's data analysis capacity. Guidance was also provided on monitoring trade risk indicators related to the origin of goods and controlling the origin of imports benefiting from tariff preferences.

A Tax Administration Diagnostics Assessment Tool (TADAT) evaluation mission and an assignment to assist the LRA with implementing the audit strategy is planned for November 2024.

III. LOGICAL FRAMEWORK

Country – Liberia		
RM I: Objective - Improve Tax Policy Design - TPD		Rating - 1
Outcome	Rating	Narrative
Increased/decreased revenue quantity	1 Not Achieved	The project is still in its early stages, with no country-level activities yet. Although a VAT Act was enacted in 2024, this occurred before the implementation of the GPFP project. There are no results to report for the project currently. The first activity of the project is the upcoming FAD/T2 CD mission scheduled for mid-January 2025. This mission will focus on three areas: tax expenditures assessment, digital transactions taxation, extractive industries taxation. These efforts aim to enhance the tax system's efficiency and boost revenue collection.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	1 Not Achieved	A VAT Act was enacted in 2024, but this occurred prior to the GPFP project. Preparations for VAT implementation are underway. Authorities plan to address tax incentive distortions and streamline the tax incentive regime based on a comprehensive tax expenditure review. Under this GPFP project, an FAD-led mission is scheduled for mid-January 2025 to review tax expenditures (an ECF structural benchmark) and to support digital transactions and extractive industry taxation.
RM I: Objective - Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 0
Improved transparency and outreach	1 Not Achieved	The project is just starting, so no country level activity. Authorities show willingness to rationalize tax incentives based on a comprehensive tax expenditure assessment. A FAD-led mission is scheduled for mid-January 2025 to review tax expenditures (an ECF structural benchmark) and to support digital transactions and extractive industry taxation.
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	2 Partially Achieved	A new DRMS has been developed and is being implemented. A corporate strategic plan commencing 2025 has also been developed.
Effective implementation of a new tax or modernized legislation	1 Not Achieved	The VAT has been passed by the legislature, but the VAT has not yet been rolled out.

Digital technologies are better aligned with strategic objectives	3 Largely Achieved	The LITAS phase 1 system is implemented and operational in some of the tax offices. However, phase 2 is still being rolled out.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	The audit strategy and implementation plan are being implemented, and some work has been done to update manuals and audit practices at the LRA.
RM II: Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 2
Outcome	Rating	Narrative
Customs control during the clearance process more effectively ensures accuracy of declarations	2 Partially Achieved	February 2024 FAD Mission trained and advised on administration and control of goods, especially within the scope of the African Continental Free Trade Area (AfCFTA) and drafted relevant standard operating procedures with LRA team. An FAD follow-up mission in October 2024 continues the assistance.
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	1 Not Achieved	An FAD mission in November 2024 will advise and train customs staff in data analysis and risk management.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I, RM II: Risk that external events create a more challenging environment to implement reforms.	High	Ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events.
Political Support		
RM I, RM II: Lack of political support for reforms inhibits required actions or resources being allocated that are needed to enhancements to fiscal risk management institutions and practices	Very High	A Fund coordinated approach with the country team taking the lead is proving to be helpful in tracking progress, getting political support for reforms, and resolving key obstacles to sustained revenue performance.
Management and Technical Staff Support and Commitment		
RM I, RM II: Low commitment of management and staff in finance and other ministries to adopt and implement recommended reforms	High	Engage with senior management and technical staff pro-actively and explain their role in driving reforms.
Resource Adequacy		
RM I, RM II: Insufficient technical capacity and human resources necessary to implement reforms are limited.	High	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited, in line with country engagement strategy.

Description	Rating	Mitigation Measures
Other Risks		
RM I, RM II: Multiple donors are providing CD on fiscal risk topics and gaps, or overlaps may arise as a result	Medium	Under the leadership of the country team, take an active role in engaging with other donors to ensure support is well coordinated.
RM II: Low capacity to implement reforms and achieve strategic change	Very High	In addition to the recommendations on the reforms that need to be implemented (the What), CD will also engage with senior leadership on how strategic change is successfully implemented.

V. PROJECT MANAGERS CONTACT INFORMATION

Project Manager	Module PM	E-mail
Priscilla Banda (FADR2)	Seydou Coulibaly (FADT2; RM I) Priscilla Banda (FADR2; RM II) Antonio Siqueira (FADR2; RM II)	SCoulibaly2@imf.org PBanda@imf.org MSiqueira@imf.org