

The IMF's Fiscal Affairs Department (FAD) conducted a capacity development (CD) mission in February 2025 to assess business taxation in Liberia to support tax policy design initiatives aimed at enhancing domestic revenue mobilization. The mission provided authorities with an aide-mémoire containing policy recommendations for improving mining taxation, rationalizing businesses tax incentives and enhancing tax revenue collection from multinational enterprises. Through enhanced assistance in revenue administration, the Liberia Revenue Authority (LRA) is continuing to strengthen the audit capacity of its staff. Additionally, a comprehensive assessment of the tax administration system has been conducted, which has established baselines for future reforms and fostered a shared understanding of the tax administration system among stakeholders, including development partners. In a similar vein, LRA is making progress in customs by improving data use, strengthening origin control, and applying risk-based practices, which help to boost enforcement and trade compliance.

I. PROJECT DELIVERY HIGHLIGHTS

Revenue Module I – Tax Policy

Key Progress in FY25: Under the Global Public Finance Partnership (GPFP) project, FAD conducted a capacity development (CD) mission in February 2025 to assess businesses taxation in Liberia. This initiative aims to help authorities increase tax revenue by 4 percentage points of GDP over the next four years. During that mission, the FAD team met with development partners including the World Bank, the European Union, and United States Agency for International Development (USAID) in Liberia to share information and discuss coordination on CD support for tax policy areas. Furthermore, the IMF was coordinating bilaterally with the USAID to prepare for the value-added tax (VAT) implementation

Previous Progress: The initial project implementation was slower than anticipated. In February 2025, FAD conducted a mission which was its first country-level activity to review tax expenditures (an IMF Extended Credit Facility (ECF) structural benchmark) and to support international taxation and the taxation of the mining sector. The mission provided authorities with an aide-mémoire containing policy recommendations for improving mining taxation, rationalizing businesses tax incentives and enhancing tax revenue collection from multinational enterprises in Liberia.

Next Steps: At the request of the authorities, FAD plans to conduct a mission on international taxation and tax policy analysis hopefully by the end of July 2025. This mission will build on the February 2025 mission's analysis to focus on tax policy analysis (including tax expenditure assessment and policy design), international taxation issues, and financial analysis of the mining fiscal regime.

Revenue Module II – Revenue Administration

Key Progress in FY25: Building upon previous achievements, the LRA has successfully completed and validated the development of the Domestic Revenue Mobilization Strategy (DRMS) and conducted a nationwide sensitization campaign that educated the public about key reforms. The implementation of the Liberia Integrated Tax Administration System (LITAS) modules for compliance risk management, protests and appeals and auditing has empowered staff within the authority to utilize the system effectively in these critical areas. Training sessions on indirect audit methods were delivered using a train-the-trainer model, thereby enhancing the staff's capabilities. Furthermore, a Tax Administration Diagnostic Assessment Tool evaluation (TADAT) with participation from the World Bank has been conducted, which identified key

strengths and weaknesses within the tax administration system, providing valuable insights to guide future reforms and an implementation team has been constituted at the LRA.

Regarding the customs component of the project, the main benefit to authorities was the development of practical skills and institutional procedures that enhance both the use of customs data and the control of goods' origin. Officers from key units strengthened their ability to collect, analyze, and act on data, while also gaining tools to identify and address origin-related risks through targeted verification and updated procedures. This dual focus supports a more data-driven and risk-based approach to enforcement, improving compliance and the integrity of preferential trade regimes.

Previous Progress: Progress includes the formulation of a new Corporate Strategic Plan for 2025-29 and the finalization of the DRMS. The successful implementation of Phase 1 of the LITAS covered essential modules, including registration and tax accounting. Additionally, comprehensive audit manuals for banks and insurance were updated to encompass a broader scope, incorporating credit unions and cryptocurrency. Furthermore, manuals for agricultural and timber audits were developed, along with dedicated chapters and guidance documents for institutional reviews and quality case assessments.

Regarding the customs component of the project, the latest achievement builds on earlier progress in both origin control and data analytics. It translated previous work on rules of origin—such as standard operating procedures and training materials—into applied practices using trade risk indicators. At the same time, it deepened earlier efforts to strengthen data use, enabling a more integrated, risk-based approach across key customs functions.

Next Steps: The project will focus on continuing the implementation of the audit plan and strategy, assisting the LRA to improve accuracy in reporting. Additional support will be provided to prioritize and sequence reforms and increase the capacity for reform implementation and to deal with results from the TADAT assessment. Regarding the customs component, the assistance will focus on developing the keys artifacts needed to operationalize the IT Master Plan, to align digital technologies with strategic objectives.

II. 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's implementation started slower than planned, with the first activity being the tax policy CD mission in February 2025, which provided recommendations to rationalize mining tax incentives, streamline business tax incentives, and boost tax revenue collection from multinational enterprises in Liberia.

Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	1 Not Achieved	The 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 was conducted in February 2025 to assess businesses taxation, review tax expenditures (an ECF structural benchmark) and to support mining taxation.
RM I: Objective - Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 0
Outcome	Rating	Narrative
Improved transparency and outreach	1 Not Achieved	The initial project implementation was slower than expected, with only one country-level activity conducted in February 2025. A FAD-led mission conducted in February 2025 assessed businesses taxation and tax incentives for mining activities. Authorities show willingness to rationalize tax incentives based on a comprehensive tax expenditure assessment. There are ongoing initiatives aiming at transitioning from a contract-specific fragmented mining fiscal regime to build a comprehensive and transparent mining fiscal regime. The CD report for the February 2025 mission provides policy recommendations to support those initiatives. The project plans to support the capacity of the MEF to conduct a comprehensive tax expenditure assessment and publish this report on the public platforms of government bodies on an annual basis.
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	3 Largely 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 is not yet 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. The August 2024 FAD mission guided LRA staff in preparing a draft IT master plan for validation. By November 2024, the plan was under development and would be submitted to the Commissioner General for approval upon completion.
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 together with LRA team. A FAD follow-up mission in October 2024 continues the assistance. The November 2024 FAD mission trained LRA officials in various techniques for analyzing and reporting customs data. They learned and practiced, with promising initial results.
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	2 Partially Achieved	The November 2024 FAD mission trained LRA officials in various techniques for analyzing and reporting customs data. They learned and practiced, with promising initial results. A follow-up mission should assess progress and advise on the use of mirror data analysis.

III. 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 proactively 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.
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, CD will also engage with senior leadership on how strategic change is successfully implemented.

IV. PROJECT MANAGERS CONTACT INFORMATION

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