

Strengthening Domestic Revenue Mobilization for Sustainable Development Financing in Sierra Leone amidst Global Uncertainties

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Abstract

Sierra Leone's pursuit of sustainable development financing is increasingly constrained by structural fiscal weaknesses and a rapidly evolving global landscape marked by geopolitical tensions, declining concessional flows, commodity-price volatility, and elevated borrowing costs. This policy paper examines the structural, institutional, behavioural, and political-economy factors that constrain domestic revenue mobilization (DRM) and assesses practical reform options for strengthening fiscal resilience. Using a qualitative-dominant, multi-method secondary-data design that combines structured documentary analysis, descriptive fiscal analysis, and comparative African policy benchmarking, the study identifies substantial scope to strengthen revenue performance through digital tax administration, improved property taxation, more effective extractive-sector revenue governance, simplified approaches to MSME formalization and taxation, and stronger fiscal accountability. The paper argues that sustainable development financing requires a coordinated transformation of the revenue ecosystem rather than isolated tax-rate increases. It proposes a sequenced reform pathway centred on institutional strengthening, tax-base broadening, compliance, transparency, and fiscal legitimacy. These reforms can help reduce vulnerability to external shocks and strengthen the domestic foundations of inclusive development financing.

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Keywords

Domestic Revenue Mobilization, Sustainable Development Financing, Fiscal Policy, Tax Administration, Sierra Leone

1. Introduction

Domestic revenue mobilization is widely recognized as the most reliable and sustainable source of development finance for low-income countries. Unlike external grants or concessional loans, which are vulnerable to shifting donor priorities and global shocks, domestic tax and non-tax revenues provide governments with predictable resources and stronger ownership over national development strategies. Comparative studies suggest that a tax-to-GDP ratio of at least 15% is generally required to finance core state functions and basic public services; yet many African least developed countries (LDCs) remain below this threshold, underscoring the urgency of strengthening revenue systems (Mullins et al., 2020).

For Sierra Leone, domestic revenue is central to financing the Medium-Term National Development Plan (2024-2030) and reducing dependence on volatile aid and borrowing. Published revenue ratios differ across data vintages because of changes in GDP measurement and the use of non-iron-ore GDP in some earlier fiscal series. On the current GDP basis used in the IMF's 2024 fiscal tables, tax revenue was 6.0% of GDP in 2022 and 6.8% in 2023, while total domestic revenue rose from 7.2% to 7.9% of GDP. The Government's Medium-Term Revenue Strategy (MTRS) consequently seeks a substantial medium-term increase in domestic revenue through coordinated tax-policy and administrative reforms (International Monetary Fund, 2024a; Ministry of Finance, Government of Sierra Leone, 2023).

These domestic constraints are compounded by widening funding gaps in key social and infrastructure sectors. Public Expenditure Reviews by the World Bank highlight that, in the aftermath of COVID-19, domestic revenue declined relative to GDP even as spending pressures increased, leading to higher deficits and a growing reliance on domestic and external debt (World Bank, 2021). Rising debt service obligations further crowd out priority investment in health, education, and climate-resilient infrastructure, limiting the state's ability to pursue inclusive and sustainable development.

At the same time, the global environment for development finance has become markedly more uncertain. International aid is under pressure: the OECD projects a further 9% - 17% decline in official development assistance (ODA) in 2025, on top of a 9% drop in 2024, as advanced economies reallocate budgets towards domestic priorities and security concerns (OECD, 2025a). Global debt reports warn that interest payments now consume an unprecedented share of government revenues in many developing countries, while the cost of market borrowing remains elevated relative to pre-2020 levels (George, 2025). For commodity-dependent

economies such as Sierra Leone, terms-of-trade volatility and tightening external financing conditions amplify fiscal vulnerabilities, underscoring the need to rely less on external flows and more on robust, domestically generated revenues (World Bank, 2021).

In this context, strengthening domestic revenue mobilization is not merely a technical tax reform agenda; it is a strategic pillar for safeguarding macroeconomic stability, protecting essential social spending, and financing the structural transformation envisaged in national development plans.

1.1. Problem Statement

Despite successive reform efforts, Sierra Leone's domestic revenue performance remains inadequate relative to its development needs and regional benchmarks. The central problem is not simply the statutory level of taxation, but the limited breadth, buoyancy, predictability, and legitimacy of the revenue system. Differences among published tax-to-GDP estimates also underscore the importance of using consistent GDP denominators and data vintages when assessing performance. Comparative evidence nevertheless indicates that Sierra Leone mobilizes less revenue than many reforming peers and has meaningful scope to raise collections through stronger institutions, broader tax coverage, and improved compliance (Diabaté & Koffi, 2023).

A central dimension of the problem is the structure and volatility of revenue sources. Sierra Leone remains heavily dependent on a narrow tax base, with mineral revenues—particularly from iron ore and other extractive activities—playing a disproportionately large role in fiscal outcomes (Fanthorpe et al., 2013). Experiences from recent years show that fluctuations in global commodity prices and production disruptions can quickly erode fiscal space, destabilize the budget, and derail medium-term expenditure plans (Davies, 2021). Over-reliance on such volatile revenue streams exposes the country to boom-and-bust cycles and undermines long-term planning for sustainable development financing.

Moreover, domestic revenue mobilization is hampered by weak compliance, limited automation, and structural inefficiencies in the tax system. The large informal sector, outdated cadastral systems for property taxation, fragmented revenue collection at central and local levels, and gaps in taxpayer registration all contribute to low coverage and significant leakages (Kamara, 2024). While the National Revenue Authority (NRA) has initiated modernization efforts, including digital platforms and pilot initiatives targeting informal businesses, these reforms are still at an early stage and have yet to translate into a broad-based and sustained increase in the revenue-to-GDP ratio (National Revenue Authority, 2021).

The combined effect of these factors is a persistent mismatch between development financing needs and available domestic resources. In an era of shrinking aid envelopes and more expensive external borrowing, failure to significantly improve domestic revenue mobilization threatens to widen this gap further, limiting Sierra Leone's ability to finance its Medium-Term National Development Plan and the

Sustainable Development Goals.

1.2. Purpose and Objectives

Against this backdrop, the overarching purpose of this paper is to critically examine the constraints to domestic revenue mobilization in Sierra Leone and to propose feasible policy reforms that can underpin sustainable development financing amidst evolving global uncertainties. The paper is explicitly policy-oriented: it seeks not only to diagnose institutional and structural weaknesses in the current revenue system, but also to generate practical recommendations that are politically and administratively implementable. The specific objectives are threefold:

1) To analyse the constraints to domestic revenue mobilization in Sierra Leone.

This entails assessing structural factors (such as economic informality and the composition of the tax base), institutional and administrative challenges (including enforcement capacity, digitalization gaps, and coordination across agencies), and political-economy dynamics (such as the use of tax exemptions and governance issues) that collectively depress revenue outcomes.

2) To identify evidence-based and practical policy options for enhancing revenue performance.

Drawing on national data, international experience, and comparative case studies from peer countries, the paper will distil reform options in areas such as tax policy design, revenue administration, mining and property taxation, and the use of digital technologies for compliance and enforcement.

3) To propose pathways for sustainable development financing through improved revenue systems.

Beyond incremental measures to raise collections, the paper aims to outline a coherent medium-term strategy that links domestic revenue reforms to broader goals of fiscal sustainability, debt management, and increased fiscal space for priority social and infrastructure spending in line with the National Development Plan 2024-2030.

1.3. Research Questions

In line with the above purpose and objectives, the study is guided by the following research questions:

1) What are the main structural and institutional barriers to domestic revenue mobilization in Sierra Leone?

2) How do evolving global uncertainties constrain financing options for Sierra Leone?

3) What practical policy reforms can sustainably increase domestic revenue while supporting inclusive and resilient development?

2. Literature Review

2.1. Global Evidence

Comparative experience indicates that sustained domestic revenue gains in low-

and middle-income countries typically arise from combinations of policy simplification, stronger revenue institutions, digital administration, improved compliance management, and political support for reform. Rwanda, Ghana, Mauritius, Kenya, Botswana, Liberia, and Nigeria are used in this paper not as identical comparators, but as policy-benchmarking cases that illuminate different reform mechanisms and their limits (OECD, 2025a).

Rwanda is now widely cited as a “best practice” case in Africa. Since the early 2000s, the Rwanda Revenue Authority (RRA) has pursued a comprehensive reform agenda combining tax policy simplification, strong administrative autonomy, and extensive digitalisation (World Bank, 2020). Between 2004 and 2016, Rwanda’s tax-to-GDP ratio increased by about 4.5 percentage points, reaching around 16 - 17 percent, helped by the introduction of e-filing, e-payments and risk-based audits. Digital reforms nearly doubled the number of registered taxpayers between 2011 and 2018 and markedly reduced compliance costs (Gilbert & Bruce, 2025). Recent work also links improved compliance to strengthened administration and digital tax services (Shyaka & Mpakaniye, 2022).

Ghana has combined broad VAT and income tax reforms with efforts to widen the base and formalise sectors, though results have been uneven (Quartey et al., 2023). The more recent Electronic Transfer Levy (E-levy)—a 1.5% levy on electronic transfers introduced in 2022—illustrates an attempt to tap into a rapidly growing digital payments base, but has raised serious equity and governance concerns (Ministry of Finance, Ghana, 2024).

Kenya and Mauritius have long been noted for relatively strong revenue performance with tax-to-GDP ratios often above 18% - 20% (OECD/AUC/ATAF, 2024), underpinned by broad-based VATs, semi-autonomous revenue authorities, extensive use of withholding mechanisms, and, in Kenya’s case, the iTax platform that integrates registration, filing, and payments (Tarus & Koori, 2024). Although not all reforms are easily transferable, these experiences underscore the importance of coherent tax policy, strong revenue authorities, and political backing.

Botswana similarly combines robust mineral taxation with prudent fiscal management, channeling resource revenues into savings and public investment, and maintaining relatively high non-resource revenue through VAT and income taxes, often cited as a benchmark for resource-rich economies that have avoided the worst effects of the “resource curse” (International IDEA, 2024). Taken together, these cases provide global evidence that:

- sustained, politically backed reforms can move countries toward the 15%+ “minimum” tax-to-GDP benchmark;
- autonomy and capacity of revenue authorities matter;
- digitalisation and simplification are central to broadening the tax base and improving compliance.

2.1.1. Digital Tax Systems and E-Governance Reforms

Digitalisation has emerged as a critical lever for improving tax compliance and

administrative efficiency. In Rwanda, the Electronic Tax System (ETS)—comprising online portals, electronic payments, and integrated taxpayer management systems—has reduced queuing and processing times and improved accuracy in assessments (Uwizeye, 2023). Furthermore, evidence from Nigeria shows that dimensions of tax digitalisation—electronic filing, online payment, electronic audits, and e-reporting—have a strong and positive effect on revenue compliance for the Federal Inland Revenue Service (FIRS) (Ajaero et al., 2025). Similar findings emerge from broader studies on VAT in the digital economy: integrating IT systems and digital platforms increases the tax base, improves monitoring, and reduces opportunities for evasion (Ajaero et al., 2025).

In many reforming countries, customs administration has also been modernised through systems such as ASYCUDA, which streamline border processes, improve valuation and risk management, and capture more accurate trade data—supporting both higher revenues and trade facilitation.

Overall, the global literature suggests that digitalisation is not a “technical add-on” but a structural reform that reshapes the relationship between taxpayers and the state, reduces discretion, and can substantially expand the effective tax base when accompanied by appropriate legal and organisational changes (Quiñones et al., 2025).

2.1.2. Taxation and State Capacity in Low-Income Countries

A large body of research links taxation to state capacity and the quality of governance. Studies of low-income and fragile states show that improvements in tax administration, transparency, and enforcement are strongly associated with higher revenue and more capable states (Lees, 2022). Taxation is seen as both a product and a driver of state capacity: governments with stronger bureaucracies can tax more; but building tax systems also forces states to invest in administrative capacity, information systems, and legal frameworks (African Tax Administration Forum, 2012).

In many low-income countries, however, structural constraints—such as large agricultural sectors, informal employment, and narrow modern sectors—as well as political constraints (elite resistance, patronage systems) limit both tax capacity and tax effort. These structural and governance challenges are directly relevant to Sierra Leone’s situation.

2.2. Regional & West African Lessons

2.2.1. ECOWAS Tax Reforms and Harmonisation

Within West Africa, the Economic Community of West African States (ECOWAS) has promoted tax reforms and partial harmonisation, including a common external tariff (CET) and guidance on VAT structures and excise regimes (von Uexkull & Shui, 2014). The aim has been to reduce harmful tax competition, improve customs revenue, and support regional integration. While implementation has been uneven, ECOWAS initiatives have nudged member states toward more coherent tariff structures and VAT systems, offering a regional framework within

which national DRM efforts are pursued.

For Sierra Leone, ECOWAS norms on customs and VAT create both opportunities and constraints: they provide a benchmark for reform and regional coordination but also limit some unilateral policy choices.

2.2.2. Ghana's E-Levy

Ghana's Electronic Transfer Levy (E-levy) is a prominent recent experiment in mobilising revenue from digital financial services. The Electronic Transfer Levy Act, 2022 (Act 1075), introduced a 1.5% levy on electronic transfers above a specified threshold, explicitly justified as a domestic revenue mobilisation measure (Republic of Ghana, 2022).

Empirical and analytical work, however, highlights significant risks: the levy has been criticised for undermining equity, incentivising a reversion to cash transactions, and potentially eroding trust in the tax system. The Ghanaian debate illustrates a broader lesson: while digital platforms offer new tax bases, poorly designed levies can generate limited net revenue, damage financial inclusion, and erode the social contract if perceived as regressive or opportunistic.

2.2.3. Liberia's Domestic Revenue Reforms

Liberia provides an instructive example of how a fragile, post-conflict state can design a comprehensive domestic resource mobilisation strategy (Liberia Revenue Authority, 2018). The Liberia Revenue Authority (LRA) has implemented a series of tax policy and administration reforms, including the introduction of SIGTAS for domestic taxes and ASYCUDA for customs, along with a medium-term DRM Strategy that prioritises ownership, stakeholder consultation, and coordinated donor support.

These reforms have improved revenue performance and are cited as a practical model of how country-owned DRM strategies, anchored in realistic sequencing and supported by development partners, can strengthen revenue systems in fragile contexts—offering relevant lessons for Sierra Leone's MTRS.

2.2.4. Nigeria's Tax Expansion Initiatives

Nigeria, with one of the lowest tax-to-GDP ratios among large emerging economies, has embarked on ambitious tax expansion efforts. Recent Finance Acts and proposed reforms seek to broaden the base, introduce new rules for taxing the digital economy (such as Significant Economic Presence provisions), and rationalise tax expenditures (PwC Nigeria, 2025).

Research indicates that measures like mandatory taxpayer identification numbers, digital filing, and SEP rules could materially raise compliance and non-oil revenues (Iheduru & Ajaero, 2018). At the same time, high-profile reforms—such as proposed VAT increases and restructuring of revenue sharing—have generated political resistance due to fears of distributional and inflationary impacts (Ajaero et al., 2025). Nigeria's experience underscores two key lessons:

- technical reforms (digitalisation, base-broadening) can significantly increase revenue;

- tax reform is politically contested, and distributional concerns must be carefully managed—issues that are equally salient for Sierra Leone.

2.3. Sierra Leone Context

2.3.1. NRA Reforms, ASYCUDA, and GST Performance

In Sierra Leone, domestic revenue mobilisation is anchored in the National Revenue Authority (NRA), which is responsible for customs duties, domestic taxes, and other statutory revenues (National Revenue Authority, 2025). Over the past two decades, Sierra Leone has implemented several important reforms, including:

- the introduction of the Goods and Services Tax (GST) in 2010 to replace a range of narrow consumption taxes;
- gradual adoption of ASYCUDA for customs administration;
- the establishment of a Large Taxpayers Office and differentiated regimes for small, medium, and large taxpayers;
- ongoing reforms under the NRA Strategic Plan 202-2027 to enhance automation, compliance management, and taxpayer services.

Studies of tax reforms in Sierra Leone find that these measures have led to improvements in collection, particularly on customs and GST, but that gains have been constrained by persistent administrative and structural challenges (Kamara & Kamara, 2022).

The Government's Medium-Term Revenue Strategy (MTRS) 2023-2027 provides a comprehensive road map for further reforms in both tax policy and administration, explicitly aiming to build a more resilient and sustainable revenue system in the context of post-COVID shocks and global uncertainty (National Revenue Authority, 2023).

2.3.2. Structural and Governance Constraints

Despite these efforts, several constraints continue to hinder domestic revenue mobilisation in Sierra Leone:

- Pervasive informality, particularly in agriculture, trade, transport, and artisanal mining, limits the coverage of income and consumption taxes.
- Corruption and governance weaknesses in tax and customs administration undermine enforcement and public trust.
- Manual or fragmented systems remain in parts of domestic taxation and local government revenue collection, limiting data integration and risk-based compliance.
- Outdated property cadastre and valuation systems constrain the potential of property taxation, especially in rapidly urbanising areas.
- Weak mining revenue governance, including issues around contract transparency, transfer pricing, and monitoring of production, reduces the effective capture of resource rents.

Many of these challenges are acknowledged in government strategy documents and diagnostic assessments, which highlight the need for integrated IT systems, improved coordination between NRA and local councils, and stronger oversight mechanisms.

2.3.3. Existing Studies and Gaps

The existing empirical literature on taxation and revenue in Sierra Leone is limited but growing. Available studies have:

- 1) catalogued key tax reforms and assessed their impact on revenue performance;
- 2) examined the structure of the tax system and constraints to administration;
- 3) analysed broader public financial management and macro-fiscal challenges.

However, most of this work is either descriptive or focused on specific tax instruments (e.g., GST, customs) or institutional reforms (e.g., establishment of the NRA). Systematic, empirically grounded analysis of how structural factors (informality, resource dependence), institutional capacity, and taxpayer behaviour interact to shape revenue outcomes under conditions of global uncertainty remains scarce.

2.3.4. Identified Research Gaps

Synthesising the global, regional, and country-specific literature reveals several gaps that this paper seeks to address:

- ***Limited analysis of DRM under global uncertainty conditions***

While global and regional literature discusses domestic revenue mobilisation and, separately, the impacts of global shocks (e.g., COVID-19, commodity volatility, tightening financial conditions), there is relatively little work that explicitly examines how global uncertainties re-shape feasible DRM strategies in small, fragile, resource-dependent economies such as Sierra Leone. Existing documents like the MTRS recognise uncertainty but do not provide an integrated analytical framework that links global conditions to domestic revenue choices.

- ***Insufficient empirical examination of tax leakages and enforcement gaps***

Several studies acknowledge the existence of leakages due to exemptions, transfer pricing, under-invoicing, and weak enforcement, particularly in customs and the mining sector, but they rarely quantify these gaps or analyse their determinants in a systematic way. The magnitude, composition, and causes of tax leakages in Sierra Leone remain under-researched.

- ***Lack of integration between revenue reforms and local development financing***

The literature tends to focus on central government revenues and institutions (NRA, Ministry of Finance), with limited attention to the interface between national revenue reforms and local government finance, including property taxes and local fees. This is a significant omission, given that local governments are critical for service delivery and that property and local business taxes represent important, yet underexploited, DRM instruments.

- ***Limited Integration of Structure, Institutions, Behaviour, and Outcomes***

Many existing works treat tax policy, administration, and political economy as separate domains. There is a need for integrated frameworks that connect structural factors (e.g., informality, resource dependence), institutional capacity (NRA, IT systems), taxpayer behaviour (compliance, trust), and macro-fiscal outcomes (revenue levels, volatility, fiscal space).

By addressing these gaps, this paper aims to contribute not only to academic understanding of DRM in fragile, resource-dependent states, but also to practical policy debates on how Sierra Leone can strengthen domestic revenue mobilisation to finance sustainable development amidst evolving global uncertainties.

3. Conceptual and Theoretical Framework

3.1. Key Concepts

3.1.1. Domestic Revenue Mobilization (DRM)

Domestic revenue mobilization refers to a government's efforts to raise resources from domestic economic activities, primarily through tax and non-tax revenues, to finance public expenditure. Grants and borrowing are treated as complementary but are not part of DRM itself (Fakile et al., 2014).

In the post-Addis Ababa Agenda, DRM is framed as the central pillar of sustainable development finance, because it enhances ownership, predictability, and accountability in public spending and reduces vulnerability to external shocks or donor conditionalities (Fjeldstad, 2014). For Sierra Leone, DRM encompasses revenues collected by the National Revenue Authority (NRA) and other public entities from income taxes, goods and services taxes (GST), customs duties, excise taxes, property taxes, fees, and other levies derived from domestic activity.

3.1.2. Fiscal Sustainability

Fiscal sustainability denotes a government's ability to meet its current and future expenditure and debt obligations without resorting to excessive adjustment in revenues or spending that could undermine growth or social stability. It implies that the debt-to-GDP ratio and interest-to-revenue ratios remain on a stable or declining trajectory over the long term (Bonzu, 2022).

In low-income, high-debt countries, fiscal sustainability critically depends on raising stable domestic revenues relative to GDP to reduce reliance on borrowing and to create space for priority investment. IMF and World Bank analyses show that countries with higher, more predictable tax revenues tend to have lower debt vulnerabilities and greater capacity to absorb shocks (Baer et al., 2025).

3.1.3. Tax Effort and Tax Capacity

Tax capacity is the maximum level of tax revenue a country could reasonably collect given its structural characteristics (such as income level, economic structure, trade openness, demographics, and institutional quality). Tax effort is the ratio of actual tax collections to this estimated capacity; it reflects how effectively the tax system is used relative to its potential (Lengaram et al., 2025). In many developing and fragile states, estimated tax capacity is significantly higher than current collections, indicating a "tax gap" that can, in principle, be narrowed through policy and administrative reforms (Kamara & Kamara, 2022; Kangave et al., 2023). For Sierra Leone, international studies on DRM highlight substantial room to increase tax effort, especially through better administration, reduced exemptions, and ex-

pansion of the tax base into under-taxed sectors.

3.1.4. Informal Economy

The informal economy comprises productive activities and units that are not, in law or practice, covered by formal regulations, including business registration, taxation, and labour and social protection regimes. The ILO and IMF emphasize that these activities have market value and would contribute to measured GDP and tax revenue if fully recorded (Mpofu, 2022). Globally, around 60% of workers earn their living partly or wholly in the informal economy; in many low-income countries this share is higher. For Sierra Leone, recent studies indicate that pervasive informality in trade, services, transport, artisanal mining, and micro and small enterprises constrains the revenue base, complicates enforcement, and weakens the fiscal social contract, as large numbers of economic actors remain outside the tax net (National Revenue Authority, 2022).

3.1.5. Revenue Governance

Revenue governance refers to the rules, institutions, and practices that shape how revenues are assessed, collected, reported, and used. It encompasses transparency of tax policy, the design and oversight of tax expenditures, the integrity and capacity of revenue authorities, the predictability of rules, and the mechanisms through which citizens and legislatures hold governments to account for revenue decisions (Mansaray, 2022). In the context of DRM, sound revenue governance implies:

- Clear and coherent tax laws;
- Transparent and regularly reviewed exemptions;
- Effective parliamentary and public oversight of both tax collection and use;
- Minimal corruption and discretion in administration.

Strengthening revenue governance is particularly important in fragile democracies, where weak oversight and patronage networks can erode the tax base and undermine public trust.

3.2. Theoretical Foundations

This study draws on four interconnected theoretical strands that help explain how domestic revenue mobilization relates to state capacity, citizen behaviour, and development outcomes.

3.2.1. Public Finance Theory

Classical and modern public finance theory argues that the primary role of taxation is to raise the revenues needed to provide public goods, correct market failures, and redistribute income where appropriate. An “ideal” tax system should generate sufficient revenue with minimal distortions and administrative costs, while maintaining equity and political acceptability (World Bank, 1978).

In low-income countries, public finance theory emphasizes the need to broaden tax bases and rely on relatively simple, broad-based taxes (such as VAT, excises,

and some income and property taxes) rather than narrowly targeted or highly complex instruments that are difficult to administer (United Nations, 2018). This perspective underpins the paper's focus on broadening the base—particularly through better taxing of property, mining, and the informal sector—instead of seeking revenue solely through rate increases.

3.2.2. Fiscal Contracting Theory

Fiscal contract theory views taxation as a core component of the social contract between citizens and the state. Citizens are more willing to comply with tax obligations when they perceive that taxes are exchanged for visible, valued public goods and when they have some voice in how revenues are used (Tengs, 2020).

In this framework, taxation and accountability are mutually reinforcing: governments that rely more on broad-based taxes face stronger incentives to respond to citizen demands, while citizens use their leverage as taxpayers to demand better governance (Tsai et al., 2018). When service delivery is poor or corrupt, tax morale and compliance tend to fall, particularly in contexts of widespread informality (OECD, 2010). For Sierra Leone, fiscal contracting theory highlights the risk that weak public services, limited transparency in the use of mineral revenues, and perceived unfairness in the tax system may undermine efforts to expand the tax base.

3.2.3. Political Economy of Taxation

The political economy of taxation focuses on how power relations, interest group dynamics, and institutional configurations shape tax policy and administration outcomes. Tax systems are not designed in a vacuum; they reflect the preferences and bargaining power of elites, businesses, external actors, and citizens (Di John, 2006).

In many developing countries, resistance from influential groups—such as large firms, politically connected elites, or segments of the urban middle class—can block or dilute reforms that would broaden the tax base or reduce exemptions (Di John, 2006). Post-conflict and resource-rich states often rely heavily on rents from natural resources, which can reduce incentives to invest in building broad-based, equitable tax systems (Coulibaly, 2019). For Sierra Leone, this lens is critical to understanding why repeated technical tax reforms have not always translated into sustained gains in domestic revenue—because reforms intersect with patronage systems, rent-seeking in the extractive sector, and the politics of decentralization.

3.2.4. Laffer Curve and Optimal Taxation Theory

The Laffer Curve posits that there is a non-linear relationship between tax rates and tax revenues: beyond a certain point, further increases in statutory rates may reduce revenues by discouraging economic activity, encouraging avoidance and evasion, or driving firms into informality. Optimal taxation theory similarly seeks to identify tax structures that raise revenue with minimal efficiency losses and acceptable distributional outcomes (Ferreira-Lopes et al., 2020).

For low-income economies with high informality, the key implication is that raising rates on a narrow formal base is often counterproductive. Instead, expanding the base, simplifying regimes, and improving enforcement and taxpayer services may yield more sustainable revenue gains (Kazman, 2014). In Sierra Leone, where the formal tax base is small and compliance uneven (National Revenue Authority, 2023). This theoretical perspective supports reforms focused on base-broadening, simplification, and digital compliance tools, rather than heavy reliance on further rate hikes in already-taxed sectors.

3.3. Analytical Framework Diagram

Bringing these conceptual and theoretical insights into a coherent analytical lens, this study develops a framework that systematically links structural conditions, institutional capacity, and taxpayer behaviour to revenue outcomes and, ultimately, to the broader objective of sustainable development financing. The framework reflects a sequential and interdependent logic, whereby underlying economic and social structures shape institutional effectiveness, which in turn influences taxpayer responses and compliance dynamics, culminating in measurable revenue performance and fiscal sustainability. This progression is illustrated in Figure 1 as follows:

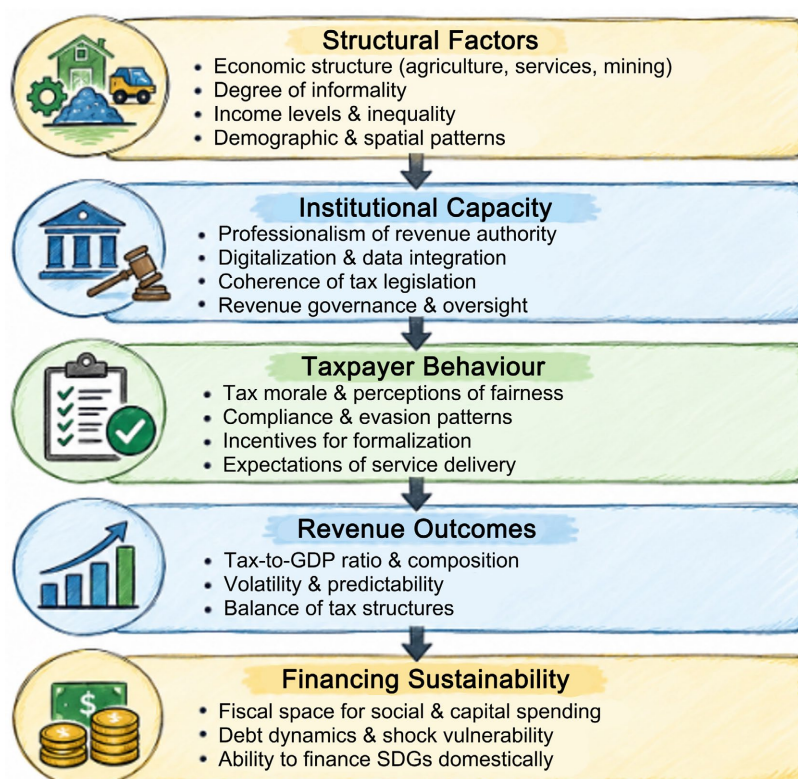


Figure 1. Integrated framework for domestic revenue mobilization and sustainable financing.

The framework delineates the causal sequence through which domestic revenue

performance emerges. Structural conditions—including the composition of the economy (e.g., the relative dominance of agriculture, services, or extractive industries), the prevalence of informality, prevailing income levels and inequality, as well as demographic and spatial distributions—define the feasible scope of taxation and the limits within which fiscal policy can operate. Institutional effectiveness, reflected in the professionalism and autonomy of the revenue authority, the coherence and enforceability of tax legislation, the extent of digitalization and data integration, and the strength of governance and oversight mechanisms, shapes the quality and consistency of policy implementation. Taxpayer behaviour, encompassing tax morale, perceptions of fairness and legitimacy, patterns of compliance and evasion, responsiveness to incentives for formalization, and expectations regarding public service delivery, mediates how institutional arrangements translate into actual revenue collection.

The interaction of these dimensions yields observable revenue outcomes—such as the tax-to-GDP ratio, composition, and stability—which ultimately inform financing sustainability, reflecting the state’s capacity to fund public services, manage fiscal risks, and support long-term development priorities through domestic resources.

4. Methodology

This section outlines the research design, data sources, and analytical strategies employed to examine domestic revenue mobilization (DRM) and sustainable development financing in Sierra Leone. The study adopts a rigorously structured approach grounded entirely in secondary data, drawing on authoritative institutional sources and comparative evidence to ensure analytical depth, empirical credibility, and policy relevance.

4.1. Research Design

In line with the research questions and policy-oriented objectives, the study adopts a qualitative-dominant multi-method secondary-data design combining structured documentary analysis, descriptive fiscal analysis, and comparative case-study benchmarking (Creswell & Plano Clark, 2018; Yin, 2018). This formulation is preferred to a conventional mixed-method claim because the quantitative component is descriptive and relies entirely on secondary fiscal indicators rather than a separately sampled quantitative dataset.

The documentary component systematically examines policy frameworks, fiscal reports, revenue strategies, institutional assessments, and peer-reviewed or policy-oriented studies relevant to DRM. Evidence was coded thematically around the paper’s analytical domains: structural conditions, institutional capacity, taxpayer behaviour and fiscal legitimacy, revenue outcomes, and financing sustainability. Where fiscal series were not directly comparable because of GDP rebasing, non-iron-ore GDP denominators, or differing data vintages, they were treated as contextual rather than mechanically continuous series. The detailed criteria and

procedures governing document identification, selection, exclusion, and thematic analysis are specified in Section 4.1.2.

To deepen the analysis, the study uses purposive comparative policy benchmarking across Rwanda, Ghana, Liberia, Kenya, Mauritius, Botswana, and Nigeria. The cases were selected for their relevance to specific dimensions of DRM reform and institutional experience. The objective is lesson extraction rather than direct one-to-one institutional transferability. Triangulation across documentary evidence, fiscal indicators, and comparative cases strengthens the explanatory and policy relevance of the analysis (Miles et al., 2014).

4.1.1. Comparative Case Selection and Transferability

The comparative cases serve different analytical functions rather than constituting a uniform peer group. Rwanda and Kenya illustrate digital tax-administration reforms; Ghana demonstrates both the opportunities and distributional risks of taxing digital transactions; Liberia provides a post-conflict sequencing case; Botswana illustrates extractive-revenue governance; Mauritius provides an institutional-performance benchmark; and Nigeria illustrates the political and administrative challenges of base broadening in a highly informal economy. Lessons are therefore assessed for mechanism relevance and transferability to Sierra Leone rather than copied wholesale.

4.1.2. Document-Selection Protocol

To enhance methodological transparency and reproducibility, the documentary analysis followed a targeted, structured selection protocol. Searches were conducted across the official repositories and publication portals of Sierra Leone's Ministry of Finance and National Revenue Authority (NRA); the International Monetary Fund (IMF), World Bank, African Development Bank (AfDB), OECD and ECOWAS; and Google Scholar and relevant publisher or research-institute databases for peer-reviewed and policy studies. Search terms combined "Sierra Leone" with "domestic revenue mobilization," "tax revenue," "tax effort," "tax administration," "informal sector," "property tax," "extractive revenue," "tax compliance," "digital tax," and "development finance," together with the names of the comparator countries.

Documents were included where they: 1) directly addressed one or more of the study's research questions; 2) had identifiable scholarly or institutional provenance; 3) provided usable empirical, fiscal, institutional, governance, or policy evidence relevant to DRM; and 4) fell principally within the study's 2010-2023 analytical period, while earlier foundational theoretical and methodological works were retained where necessary for conceptual framing. Excluded materials comprised duplicates, unattributed commentary, sources without traceable provenance, materials lacking substantive relevance to DRM, and fiscal observations that could not be reliably reconciled because of incompatible GDP denominators or data vintages.

Following screening for relevance, credibility, duplication, comparability, and

substantive analytical content, the final document corpus comprised the sources retained and cited in the paper's reference list. These documents were thematically coded around structural conditions, institutional capacity, taxpayer behaviour and fiscal legitimacy, revenue outcomes, comparative reform experience, global financing pressures, and financing sustainability. This protocol strengthens transparency while recognising that the study constitutes a policy-oriented documentary synthesis rather than a formal systematic review.

4.2. Data Sources

The study relies exclusively on secondary data derived from reputable institutional and international sources, ensuring consistency, reliability, and comparability across datasets.

4.2.1. Documentary and Administrative Sources

National Revenue Authority (NRA) Reports

Annual reports, strategic plans, and revenue performance data provide detailed insights into tax administration, reform initiatives, and revenue trends disaggregated by tax categories (National Revenue Authority, 2021; National Revenue Authority, 2023). These sources offer a granular understanding of operational challenges and institutional evolution.

Ministry of Finance (MoF) Budgetary Documents

National budget speeches, fiscal estimates, outturn reports, and Medium-Term Fiscal Frameworks supply the macro-fiscal context within which revenue mobilization occurs. They also illuminate government priorities, policy directions, and fiscal sustainability considerations, including expenditure commitments and debt dynamics (International Monetary Fund, 2024a; Ministry of Finance, Government of Sierra Leone, 2023).

International Monetary Fund (IMF) Reports

IMF Article IV Consultation Reports, Debt Sustainability Analyses, and programme reviews under instruments such as the Extended Credit Facility (ECF) provide independent and analytically rigorous assessments of Sierra Leone's fiscal performance, revenue mobilisation efforts, and macroeconomic vulnerabilities (Fenochietto & Pessino, 2013).

World Bank and African Development Bank (AfDB) Data and Reports

Data from the World Development Indicators (WDI), along with country diagnostics, Public Expenditure Reviews, and regional economic outlooks, are utilised to construct comparative indicators and contextualise Sierra Leone's performance within broader regional and global dynamics (African Development Bank, 2022).

4.2.2. Time Frame and Country Coverage

The broader documentary review covers 2010-2023, a period that captures the consolidation of the Goods and Services Tax (GST), successive revenue-administration reforms, the Ebola epidemic, the COVID-19 shock, and recent global

disruptions. For quantitative presentation, however, the paper uses only fiscal observations that are directly comparable within the cited source and explicitly flags breaks created by GDP rebasing or alternative denominators. This distinction avoids presenting non-comparable fiscal ratios as a single continuous time series (World Bank, 2022).

4.2.3. Operationalisation of Global Uncertainties

For the purposes of this study, “global uncertainties” refer to external economic and financial disturbances that may affect Sierra Leone’s fiscal position through four principal transmission channels: aid and external financing flows, borrowing costs, international commodity prices, and exchange-rate movements. Rather than treating global uncertainty as an abstract or singular phenomenon, the analysis considers how developments in each of these channels may constrain domestic revenue performance, fiscal space, and the financing of development priorities.

The aid and external-financing channel are assessed through evidence on grants, budget support, concessional financing, and externally financed expenditure. The borrowing-cost channel is examined through public-debt indicators, debt-service obligations, government-security yields, interest expenditure, and debt-sustainability assessments. The commodity-price channel considers movements in internationally traded fuel, food, and mineral prices and their implications for import costs, inflation, mining activity, and extractive-sector revenues. Finally, the exchange-rate channel is assessed through movements in the Leone against major currencies, foreign-exchange reserves, and the implications of currency movements for import costs and external debt-service obligations (Long & Miller, 2017).

Evidence across these channels is drawn principally from Sierra Leone’s Ministry of Finance and Bank of Sierra Leone, complemented by macroeconomic and debt-sustainability assessments from the International Monetary Fund (IMF), World Bank, and African Development Bank, as well as relevant international commodity-price data. The IMF’s 2024 assessment of Sierra Leone provides particularly relevant evidence on external financing conditions, debt and borrowing pressures, exchange-rate developments, and exposure to external shocks (Long & Miller, 2017). These channels are interpreted as pathways through which changing global conditions may influence fiscal outcomes, rather than as independently identified causal effects.

4.3. Analytical Strategy

The analytical strategy is structured around three interrelated components aligned with the conceptual framework and the study’s core research questions.

4.3.1. Trend Analysis of Revenue Performance

The first component examines the evolution of domestic and tax revenue, their composition, and their sensitivity to major shocks and reforms. Because Sierra Leone’s published fiscal ratios have been reported using different GDP denomi-

nators and data vintages, the analysis does not splice incompatible series. Instead, it combines qualitative interpretation of the longer reform trajectory with directly comparable observations from authoritative fiscal tables for recent years.

Graphical and tabular representations are employed to reveal patterns of growth, stagnation, or volatility and to assess how policy reforms—such as the introduction of GST or adjustments in tax rates—correlate with changes in revenue performance. This analysis provides an empirical foundation for evaluating the adequacy and stability of domestic revenue in relation to development financing needs.

4.3.2. Gap Analysis: Tax Capacity versus Actual Revenue

The second component undertakes an indicative benchmarking exercise grounded in the tax-effort and tax-capacity literature. The study does not estimate a country-specific econometric tax-capacity frontier. It therefore interprets cross-country thresholds and peer performance as indicative benchmarks rather than as precise estimates of Sierra Leone's recoverable tax gap. The exercise draws on:

- Existing tax-capacity estimates from cross-country studies and IMF technical assessments, which provide benchmarks for evaluating Sierra Leone's relative performance; and
- Comparative benchmarking against peer countries with similar structural and institutional characteristics.

Differences between actual revenue performance and indicative benchmarks are interpreted in light of economic structure, informality, institutional capacity, taxpayer behaviour, and policy choices. Any implied "revenue gap" should therefore be understood as a policy-benchmarking range, not as an econometrically estimated amount of immediately collectible revenue.

4.3.3. Policy Benchmarking and Comparative Analysis

The third component involves systematic policy benchmarking against selected African cases. The analysis examines key dimensions of DRM reform, including institutional design (e.g., autonomy and capacity of revenue authorities), digital transformation (e.g., e-filing and integrated tax systems), policy innovations (e.g., VAT reforms and digital taxation), and governance measures (e.g., transparency in tax expenditures and extractive-sector revenues).

The comparative evidence illustrates an association between the adoption of digital tax-administration instruments—including electronic registration, filing, payment, invoicing, and data-driven compliance management—and stronger administrative or revenue outcomes in several African settings. These experiences should not, however, be interpreted as demonstrating that digitalisation alone caused the observed improvements. Revenue performance remains contingent upon complementary institutional capacity, enforcement arrangements, digital infrastructure, taxpayer uptake, and the broader policy environment (Baer et al., 2025).

Against this background, **Table 1** presents the comparative benchmarking matrix, summarising the analytical basis for selecting each country, the principal reform lesson derived from its experience, and the assessed relevance and transferability of that lesson to the Sierra Leonean context.

Table 1. Comparative benchmarking matrix.

Country	Analytical basis for selection	Core lesson	Transferability to Sierra Leone
Rwanda	Digital tax administration	Integrated e-filing, e-payments, and data use	Moderate-high
Ghana	Digital-transaction taxation	Revenue innovation must be tested for equity and behavioural effects	High
Liberia	Post-conflict institutional rebuilding	Sequenced, country-owned DRM strategy	Very high
Kenya	Integrated digital administration	Registration, filing, payment, and compliance integration	Moderate
Mauritius	Comparatively strong revenue institutions	Administrative coherence and broad tax coverage	Limited-moderate
Botswana	Resource-revenue governance	Prudent extractive-revenue management and diversification	High
Nigeria	Large informal economy and tax reform	Base broadening is technically and politically contested	Moderate

Source: Authors' comparative synthesis.

By mapping these experiences against Sierra Leone's Medium-Term Revenue Strategy and wider public-financial-management agenda, the study identifies areas of convergence, potential adaptation, implementation risks, and limits to transferability. The comparative exercise is therefore structured around mechanisms—digital integration, institutional capacity, base broadening, extractive governance, and fiscal legitimacy—rather than simple country imitation (Long & Miller, 2017).

Given the descriptive and comparative design of this study, changes in revenue performance or taxpayer compliance observed following digital and administrative reforms are interpreted as descriptive patterns and temporal associations, rather than as evidence of causal effects. Comparative experiences are used to illustrate plausible reform mechanisms and inform institutional lessons, with due consideration of differences in national contexts. Revenue outcomes may also reflect concurrent changes in tax policy, economic conditions, administrative capacity and taxpayer behaviour. Evidence on digitalisation further indicates that its revenue benefits depend on complementary advances within firms and tax administrations, alongside supportive legal and institutional frameworks and staff capabilities (Nose et al., 2025).

4.3.4. Integrated Analytical Framework

Finally, the study synthesises quantitative indicators and qualitative evidence through the analytical framework presented in Figure 1. Quantitative indicators describe revenue levels, composition, volatility, and fiscal pressures, while documentary and comparative evidence explains the structural, institutional, behav-

ioural, and political-economy mechanisms behind those outcomes (Miles et al., 2014). This integrative strategy is intended to ensure that the findings and policy recommendations remain empirically grounded, theoretically informed, and contextually sensitive.

5. Findings and Analysis

5.1. Domestic Revenue Performance and Data Comparability

The fiscal evidence points to a persistent structural revenue challenge, but it also reveals an important measurement issue: published Sierra Leonean revenue ratios are not always directly comparable across years because some earlier IMF series use non-iron-ore GDP, whereas recent fiscal tables use the rebased aggregate GDP denominator. For this reason, the revised analysis avoids treating a spliced 2014–2023 series as a single consistent trend. Instead, it distinguishes the longer reform narrative from directly comparable recent observations.

On the current GDP basis used in the IMF's 2024 budget-outturn table, domestic revenue increased from 7.2% of GDP in 2022 to 7.9% in 2023, while tax revenue increased from 6.0% to 6.8% of GDP (International Monetary Fund, 2024a). These figures remain well below the 15% benchmark often used in the DRM literature as an indicative minimum associated with stronger state capacity and more sustainable financing, although such benchmarks must be interpreted cautiously across countries with different economic structures and statistical bases (Mullins et al., 2020).

Figure 2 presents the directly comparable recent observations. Three conclusions follow. First, the increase from 2022 to 2023 is encouraging but still leaves the revenue base narrow relative to development needs. Second, this recent improvement should not be interpreted as evidence that the underlying structural constraints have been resolved: informality, institutional fragmentation, and extractive dependence remain significant. Third, nominal collection gains must be assessed alongside inflation, exchange-rate movements, and GDP revisions to avoid overstating fiscal progress.

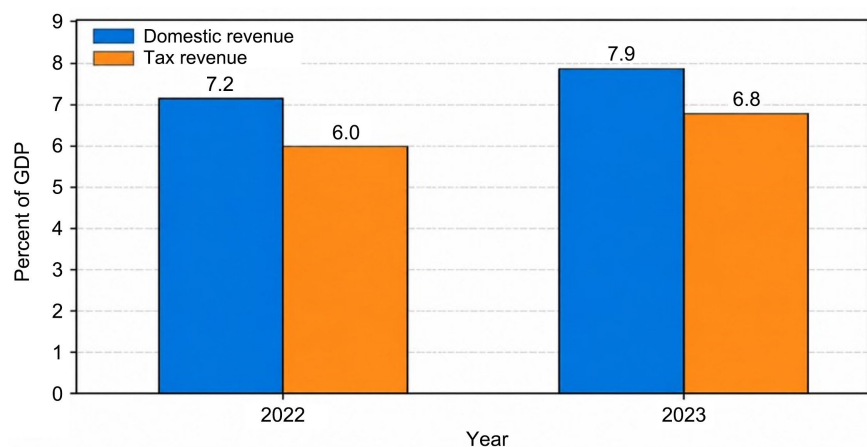


Figure 2. Sierra Leone: domestic and tax revenue, 2022–2023.

Accordingly, the paper treats Sierra Leone's revenue challenge as one of structural transformation rather than a simple failure to attain a single numerical threshold. The relevant policy objective is sustained improvement in revenue productivity, composition, equity, predictability, and legitimacy, supported by a broader and more resilient tax base.

5.2. Constraints to Domestic Revenue Mobilization

Applying the Integrated Analytical Framework outlined in Section 4.3.4, Sierra Leone's domestic revenue underperformance is best understood as arising from the interaction among structural conditions, institutional capacity, and taxpayer behaviour. These are not isolated inefficiencies; rather, they operate as mutually reinforcing dimensions of a constrained fiscal system that jointly shape the level, composition, and stability of revenue outcomes.

At the structural level, the productive configuration of the economy imposes inherent limits on tax capacity. The predominance of informal economic activity—spanning trade, services, transport, and artisanal production—significantly restricts the reach of income and corporate taxation, thereby narrowing the effective tax base (National Revenue Authority, 2022). This structural informality accords with broader theoretical insights suggesting that, in low-income economies, tax capacity is strongly conditioned by the size and composition of the formal sector. Compounding this constraint is the country's reliance on extractive industries, where fiscal performance remains highly exposed to exogenous commodity-price movements and production cycles. Revenue generation is therefore not only limited in scope but also vulnerable to volatility, with implications for fiscal predictability and long-term planning (Fanthorpe et al., 2013).

These structural limitations are further mediated—and in many respects amplified—by institutional weaknesses within the revenue-administration system. Despite incremental reforms, gaps in digitalisation continue to constrain data integration, real-time monitoring, and risk-based compliance strategies. Similarly, fragmented coordination between central and local authorities weakens the coherence of revenue collection, particularly in underexploited areas such as property taxation, where outdated cadastral systems and valuation frameworks inhibit effective assessment and enforcement. Limitations in audit capacity and enforcement mechanisms further constrain the National Revenue Authority's ability to detect evasion and address compliance gaps, thereby contributing to the divergence between actual collections and estimated tax potential (Bando et al., 2020). From a public-finance perspective, these institutional constraints reflect not merely administrative inefficiencies but deeper challenges of state capacity and governance in fragile and resource-constrained settings.

Behavioural dynamics constitute a further dimension of this interaction, particularly in relation to taxpayer compliance and tax morale. Fiscal contract theory suggests that voluntary compliance may be shaped by perceptions of fairness, in-

stitutional legitimacy, reciprocity, and the relationship between taxation and public-service provision. These propositions provide a useful theoretical basis for examining the Sierra Leonean context, but they should not, by themselves, be interpreted as evidence that low tax morale or weak fiscal legitimacy independently causes revenue underperformance in Sierra Leone.

Tax morale and fiscal legitimacy therefore constitute plausible mechanisms through which institutional conditions may shape voluntary tax compliance in Sierra Leone. Country-specific evidence lends support to this interpretation. A 2024 study undertaken by Sierra Leone's National Revenue Authority (NRA), in collaboration with the International Centre for Tax and Development (ICTD), identifies continuing concerns among taxpayers regarding the misuse of tax revenues and corruption, notwithstanding relatively high reported compliance, and emphasises the importance of strengthening tax morale through taxpayer education and clearer demonstration of the societal benefits of taxation ([National Revenue Authority of Sierra Leone et al., 2024](#)). Complementary Sierra Leone-specific evidence from the IMF's Governance and Corruption Diagnostic identifies significant governance weaknesses, distrust of revenue-collection institutions, and corruption vulnerabilities capable of undermining public trust and tax compliance ([International Monetary Fund, 2025](#)).

Taken together, these findings suggest that perceptions of institutional integrity, fairness, and the use of public revenues may influence taxpayers' willingness to comply. Fiscal legitimacy and tax morale are therefore treated in this study as contextually supported explanatory mechanisms rather than as independently established causes of Sierra Leone's revenue performance.

This interpretation also requires an important qualification: stronger perceptions of governmental legitimacy do not necessarily translate automatically into measurable changes in tax-compliance behaviour. Accordingly, legitimacy and compliance are treated as related but analytically distinct dimensions of the fiscal relationship.

Viewed collectively, these interacting dynamics are consistent with a persistent low-revenue equilibrium in which structural informality constrains the tax base, institutional weaknesses limit effective administration and enforcement, and compliance challenges further restrict revenue performance. This pattern is reflected in Sierra Leone's comparatively low tax-to-GDP ratio, revenue volatility, and recurring fiscal pressures.

Figure 3 conceptualises this interaction by illustrating how the three constraint domains may operate as a mutually reinforcing cycle. Structural constraints—particularly informality and extractive dependence—interact with institutional inefficiencies, including weak administrative capacity and fragmented systems, while behavioural responses concerning tax morale and compliance may further influence revenue outcomes. The resulting constraints on public-service provision may, in turn, affect fiscal legitimacy and future compliance, thereby reinforcing the persistence of low revenue performance.

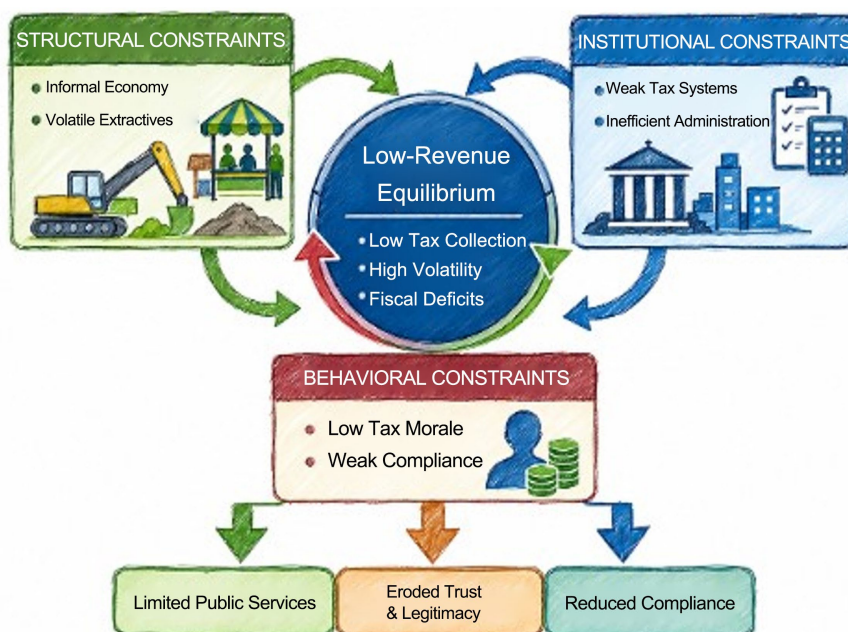


Figure 3. Domestic revenue mobilisation for sustainable development.

Importantly, these relationships should be understood as a conceptual feedback mechanism rather than an independently identified causal sequence. Limited revenues may constrain the state's capacity to deliver public goods, while perceptions of service delivery and institutional legitimacy may, in turn, shape taxpayer attitudes and compliance behaviour.

From a theoretical standpoint, this interpretation underscores the relevance of integrating public-finance theory, fiscal contract theory, and political-economy perspectives in understanding domestic revenue mobilisation in fragile states. It suggests that revenue reform cannot be pursued effectively through isolated technical interventions—such as rate adjustments or administrative tightening—but requires a comprehensive approach attentive to economic structure, institutional capability, and the fiscal social contract. In this sense, Sierra Leone's revenue challenge extends beyond mobilisation alone to the broader task of systemic transformation across the revenue ecosystem.

5.3. Tax Capacity, Revenue Gaps, and Reform Pathways

Building on Section 4.3.2, comparative evidence indicates a meaningful divergence between Sierra Leone's present revenue performance and the levels achieved by several reforming peer economies. However, because this study does not estimate a country-specific tax-capacity frontier, it does not present that divergence as a precise 6 - 8 percentage-point econometric "tax gap." Rather, the evidence supports the indicative conclusion that substantial additional revenue could potentially be mobilised over time through improved administration, reduced leakages, base broadening, stronger property and extractive-sector taxation, and higher compliance (World Bank, 2018).

Potential revenue losses and fiscal risks arise across several dimensions of the revenue system rather than from a single source. In the extractive sector, negotiated tax concessions and discretionary fiscal incentives have constrained the effective mobilisation of mining revenues, while weaknesses in mineral-revenue administration and monitoring create additional risks to revenue capture (*International Monetary Fund, 2024b*). Sierra Leone-specific IMF evidence also identifies transfer-pricing risks in mining transactions between related parties and highlights the need for appropriate pricing rules to protect the domestic tax base (*International Monetary Fund, 2024b*). Evidence of weaknesses in production monitoring, trade-value discrepancies, and risks of under-reporting and illicit mineral exports further points to potential channels of revenue leakage; these are treated here as fiscal risks rather than as independently quantified losses attributable specifically to under-invoicing (*International Monetary Fund, 2024b*).

At the same time, the structural exclusion of much of the informal sector limits tax-base expansion, while persistent administrative inefficiencies—including weak compliance enforcement, limited audit capacity, and fragmented institutional coordination—may widen the divergence between potential and actual collections. Collectively, these factors constrain fiscal space for development expenditure and reinforce dependence on alternative financing sources.

The implications of these domestic constraints are intensified by Sierra Leone's exposure to global economic uncertainties. As operationalised in Section 4.2.3, these pressures are transmitted principally through aid and external-financing flows, borrowing costs, commodity-price movements, and exchange-rate dynamics. Reduced concessional financing can place greater pressure on domestic revenue systems (*OECD, 2025b*), while elevated borrowing costs increase debt-service obligations and constrain fiscal space. Commodity-price volatility is particularly relevant to a mineral-exporting economy, while exchange-rate movements can alter import costs and the domestic-currency burden of external obligations.

These external pressures interact with domestic structural and institutional weaknesses to create what may be conceptualised as a “dual-constraint environment,” in which domestic limitations coexist with exposure to external shocks. Domestic revenue mobilisation consequently assumes greater importance as a foundation for fiscal resilience and reduced financing vulnerability.

As illustrated in **Figure 4**, the transition from a constrained fiscal system towards sustainable domestic revenue mobilisation can be conceptualised as a sequenced and mutually reinforcing reform pathway. The model begins with the structural realities of informality, weak institutional capacity, and compliance constraints and maps a progressive transformation around key reform pillars, including governance and transparency, institutional strengthening, tax-base broadening, and enhanced compliance and enforcement mechanisms.

Importantly, this pathway should not be interpreted as a deterministic causal sequence. Rather, it illustrates how improvements in governance, institutional capacity, tax-base coverage, and compliance may interact to support stronger reve-

nue performance. Improvements in governance and transparency may strengthen fiscal legitimacy; broader tax bases may increase revenue potential; and enhanced fiscal capacity may create greater scope for public-service provision. These relationships can, in turn, reinforce institutional trust and voluntary compliance, although their magnitude and direction remain contingent upon the wider economic and political context.

The reform pathway in **Figure 4** represents the paper's principal conceptual contribution. Rather than claiming a universally novel theory, it synthesises the study's structural, institutional, behavioural, and political-economy findings into a dynamic transition framework tailored to fragile and resource-dependent settings. The framework links diagnosis to implementation by illustrating how governance, institutional strengthening, base broadening, and compliance can interact to move the system away from a low-revenue equilibrium.

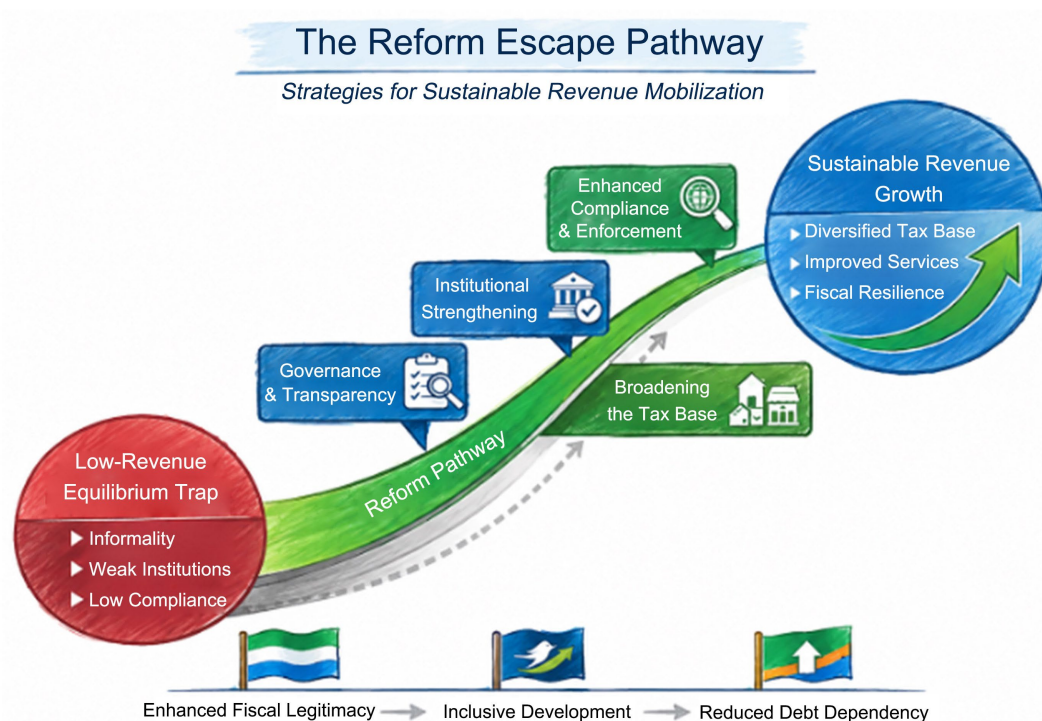


Figure 4. Integrated reforms for long term revenue sustainability.

5.4. Global Uncertainties, Fiscal Effects, and Reform Lessons

In alignment with Research Question 2, the findings indicate that Sierra Leone's fiscal vulnerabilities cannot be understood solely through domestic structural and institutional constraints; they must also be situated within the broader context of a volatile global economic environment. Developments in international finance and trade create several transmission channels through which external conditions may affect the domestic fiscal system and compound existing revenue-mobilisation constraints.

Foremost among these channels are changes in Official Development Assis-

tance (ODA) and concessional financing, which have historically provided important sources of budgetary and development support for low-income economies. Reductions or volatility in such flows can place additional pressure on domestic financing systems. Similarly, tighter global financial conditions can increase the cost of borrowing and debt servicing, potentially constraining resources available for development expenditure. Commodity-price volatility is particularly consequential for Sierra Leone because of the economy's reliance on extractive industries; movements in international mineral prices may therefore be associated with fluctuations in extractive-sector activity and related fiscal receipts.

Exchange-rate movements and inflationary pressures also complicate the interpretation of nominal revenue performance. In periods of substantial inflation or currency depreciation, increases in nominal collections do not necessarily signify equivalent improvements in real revenue capacity. Revenue trends must therefore be interpreted alongside price, exchange-rate, and GDP developments to distinguish nominal changes from underlying improvements in revenue performance.

Taken together, these dynamics place Sierra Leone within what this study conceptualises as a dual-constraint environment, in which domestic limitations in revenue mobilisation intersect with exposure to a volatile global financing landscape. Internal constraints—including limited institutional capacity, narrow tax bases, and compliance challenges—restrict DRM performance, while external pressures associated with aid and financing conditions, borrowing costs, commodity markets, and exchange-rate movements may constrain alternative sources of financing. This convergence reinforces the importance of domestic revenue mobilisation for strengthening fiscal resilience, macroeconomic stability, and sustainable development financing.

Within this context, the comparative policy analysis developed in Section 4.3.3 provides insights into possible reform pathways and addresses Research Question 3 by situating Sierra Leone's experience within a broader range of developing-country reforms (World Bank, 2017). Evidence from peer economies illustrates how combinations of technological innovation, institutional strengthening, and governance reform have been associated with improvements in aspects of revenue administration and performance.

For instance, Rwanda's experience with digital tax administration illustrates how integrated digital systems can support registration, filing, payment, and compliance management and has coincided with stronger revenue performance (Gilbert & Bruce, 2025). Kenya's iTax experience similarly illustrates the potential contribution of integrated digital administration to taxpayer registration, filing efficiency, and compliance monitoring. Liberia's post-conflict experience, including its DRM strategy and use of the ASYCUDA customs system, illustrates the importance of sequencing reforms when rebuilding fiscal institutions in fragile settings (Liberia Revenue Authority, 2018). Ghana's experience with digital taxation, particularly the E-Levy, demonstrates that reform design must account for equity considerations and behavioural responses that may affect taxpayer uptake

and compliance (Gawu et al., 2024). Botswana, meanwhile, provides a comparative example of resource-revenue governance and the role of prudent extractive-revenue management in supporting fiscal stability (International IDEA, 2024).

Synthesising these comparative experiences yields several relevant lessons for Sierra Leone. First, digitalisation should be viewed as an important component of revenue-system modernisation, with the potential to strengthen transparency, data integration, compliance management, and tax-base coverage through e-filing, e-payment systems, and integrated data platforms. Its effects, however, depend upon complementary institutional capacity, enforcement arrangements, infrastructure, and taxpayer uptake. Second, the autonomy and institutional integrity of revenue authorities remain important to operational effectiveness and accountability. Third, consistent with principles of optimal taxation, sustainable revenue growth may be better supported by broadening the tax base—including gradual formalisation of informal activities and stronger property taxation—than by repeatedly increasing rates on an already narrow taxpayer base. Finally, the political economy of reform requires careful attention because implementation depends not only on technical design but also on institutional coordination, transparency, stakeholder acceptance, and public trust.

Taken together, these insights reinforce the broader analytical conclusion that domestic revenue mobilisation in Sierra Leone requires a comprehensive and context-sensitive reform strategy—one that addresses internal structural and institutional constraints while adapting to an increasingly uncertain global economic environment.

5.5. Findings and Transition to Policy Reform

Bringing together the empirical evidence and theoretical insights developed throughout the study, a coherent picture of Sierra Leone's domestic revenue challenge emerges. The challenge is structurally embedded and constitutes a significant constraint on sustainable development financing. Revenue underperformance cannot be attributed solely to administrative inefficiencies or policy gaps; rather, the evidence points to an interaction among structural economic conditions, institutional-capacity limitations, and behavioural dynamics that collectively shape fiscal outcomes.

At the structural level, the predominance of informality and a narrow productive base constrain the breadth and elasticity of the tax system, limiting the state's capacity to mobilise revenue in line with economic activity. These constraints are compounded by institutional weaknesses, including limited administrative capacity, incomplete digital integration, and weak inter-agency coordination, which reduce the efficiency and reach of revenue administration.

Behavioural factors constitute an additional explanatory dimension. As established in Section 5.2, Sierra Leone-specific evidence suggests that concerns about institutional integrity, fairness, corruption, and the use of public revenues may influence taxpayer attitudes and voluntary compliance (International Monetary

Fund, 2025; National Revenue Authority of Sierra Leone et al., 2024). Tax morale and fiscal legitimacy are therefore understood as contextually supported mechanisms rather than independently established causes of revenue underperformance.

The cumulative interaction of these dimensions is consistent with the persistence of a low-revenue equilibrium. Limited revenue can constrain the fiscal space available for public-service provision, while perceptions of service quality, institutional integrity, and fairness may influence public trust and compliance. This domestic constraint is further intensified by global economic uncertainties, which can restrict alternative financing options and amplify existing fiscal vulnerabilities.

Within this context, sustainable domestic revenue mobilisation requires a shift from fragmented and incremental reforms towards a more comprehensive and integrated transformation strategy. The evidence indicates that such a transition should be anchored in three mutually reinforcing pillars: modernisation and digitalisation of revenue systems to strengthen administrative efficiency, transparency, and information integration; expansion and diversification of the tax base, particularly through improved property taxation and gradual integration of informal economic activities; and strengthening governance and accountability frameworks to support institutional credibility, fiscal legitimacy, and public trust.

Importantly, the analysis underscores that domestic revenue mobilisation is not merely a technical exercise in tax-policy design but forms part of the broader processes of state-building and institutional consolidation. Effective reform must therefore engage with the political economy of taxation, ensuring that policy measures are economically sound, administratively feasible, institutionally credible, and socially legitimate.

This synthesis provides the analytical foundation for the policy recommendations that follow. Breaking the low-revenue equilibrium will require coordinated interventions across structural, institutional, and behavioural domains, supported by a clear reform trajectory that aligns domestic priorities with an increasingly uncertain global economic environment. Such a systemic and forward-looking approach can strengthen domestic revenue mobilisation as a more sustainable and reliable pillar of national development financing.

6. Transformative Domestic Revenue Mobilization Strategy

Building on the analytical synthesis in Section 5.5, this study advances an integrated and sequenced reform strategy designed to move Sierra Leone from a low-revenue equilibrium towards a more resilient, diversified, and sustainable domestic revenue system. The strategy recognises that DRM is not merely a technical fiscal exercise; rather, it is shaped by structural conditions, institutional capability, distributional choices, and state-society relations. Accordingly, the proposed reforms combine administrative modernisation, tax-base broadening, institutional strengthening, fiscal legitimacy, political-economy considerations, and resilience

to external shocks.

6.1. Digital Transformation of Revenue Administration

A central priority for reform lies in the comprehensive digitalisation of the revenue system. Comparative evidence illustrates an association between integrated digital platforms—including taxpayer registration, e-filing, e-payments, and data interoperability—and stronger compliance management, reduced opportunities for leakage, and improved administrative efficiency (Baer et al., 2025). Sierra Leone should therefore accelerate the development of a unified digital tax architecture linking the National Revenue Authority (NRA) with other key institutions, including customs, local councils, financial institutions, and business registries.

Such a system should incorporate real-time data analytics, risk-based auditing mechanisms, and automated compliance tracking to strengthen enforcement capacity. Importantly, digitalisation must be accompanied by investments in human capital, cybersecurity frameworks, and public awareness to ensure both operational effectiveness and taxpayer confidence. Digital reform should therefore be conceptualised not merely as an incremental technological upgrade, but as a broader restructuring of the revenue-administration ecosystem. The NRA's existing Integrated Tax Administration System (ITAS) provides an institutional foundation upon which further integration can be developed.

6.2. Broadening and Diversifying the Tax Base

Digital transformation alone, however, will not resolve the structural narrowness of Sierra Leone's tax base. Sustainable revenue growth requires a strategic shift from reliance on a narrow formal base towards a broader and more equitable system. In sequencing reform, government should prioritise high-value leakages, tax expenditures, extractive-sector compliance, high-net-worth individuals, and underutilised property taxation before imposing significant additional burdens on low-income microenterprises. Informal-sector integration should therefore rely on simplified registration, graduated or presumptive regimes, realistic thresholds, digital-payment incentives, and visible formalisation benefits rather than enforcement alone.

Property taxation should also be strengthened through the modernisation of cadastral systems, improved property-valuation frameworks, and enhanced coordination between central and local authorities. Property taxation represents a relatively stable and underutilised revenue source with the potential to support decentralised service delivery while reducing dependence on more volatile revenue sources. This reform direction is consistent with government measures aimed at modernising property-tax systems and strengthening local own-source revenue mobilisation.

Similarly, fiscal regimes governing extractive industries should be periodically reviewed to ensure an appropriate balance between investment incentives and domestic revenue mobilisation. Strengthening transparency, contract administra-

tion, compliance monitoring, and revenue-reporting mechanisms in the mining sector is particularly important for improving the effective governance and capture of resource-based revenues.

6.3. Strengthening Institutional Capacity and Autonomy

The effectiveness of tax-base broadening depends, in turn, on the institutional capacity to administer and enforce the revenue system. Institutional reform therefore constitutes a critical pillar of effective DRM. Enhancing the operational autonomy, technical capacity, and accountability of the NRA is important for strengthening administrative performance and institutional credibility. This includes strengthening audit and enforcement functions, expanding professional training for tax officials, and institutionalising performance-monitoring systems.

Equally important is the need to improve coordination among government institutions involved in revenue collection and management. Fragmentation between central and local authorities, as well as among tax, customs, business-registration, land-administration, and financial-regulatory bodies, can weaken efficiency and create opportunities for leakage. More integrated governance arrangements, interoperable information systems, and clearly defined lines of accountability would strengthen coherence across the revenue system.

6.4. Enhancing Fiscal Legitimacy and Taxpayer Compliance

Institutional strengthening must also be accompanied by attention to the relationship between taxpayers and the state. As established in Section 5.2, fiscal legitimacy and tax morale are treated here as contextually supported mechanisms that may influence voluntary compliance, rather than as independently established causes of revenue performance.

Efforts to strengthen compliance should therefore be accompanied by measures that promote transparency, equity, accountability, and public confidence. This includes strengthening public financial-management systems and improving the visibility of how public revenues contribute to service delivery, particularly in sectors such as health, education, and infrastructure.

Public communication and taxpayer-education initiatives should likewise be expanded to improve understanding of tax obligations and the societal purposes of taxation. Accessible grievance-redress mechanisms can provide channels for addressing taxpayer concerns, while consistent enforcement and equitable treatment across taxpayer groups are important to perceptions of procedural fairness. Collectively, these measures may contribute to a stronger fiscal relationship between citizens and the state and provide a more supportive environment for voluntary compliance (International Monetary Fund, 2025; National Revenue Authority of Sierra Leone et al., 2024).

6.5. Managing the Political Economy of Reform

The effectiveness of these reforms will also depend upon their political and insti-

tutional feasibility. Revenue reform inevitably creates distributional consequences, requiring policymakers to engage explicitly with the political-economy dimensions of DRM. This requires broad-based stakeholder engagement involving political actors, private-sector representatives, civil society, local authorities, and development partners. Reform sequencing should balance ambition with administrative and political feasibility, prioritising measures capable of generating demonstrable progress while laying the foundations for deeper structural transformation.

Transparency in policy design and implementation is particularly important for mitigating resistance and strengthening public acceptance. Moreover, aligning revenue reforms with national development priorities—including job creation, economic diversification, social protection, and improved public services—may strengthen their social and political sustainability.

6.6. Building Fiscal Resilience in a Volatile Global Environment

Beyond domestic political and institutional considerations, the reform strategy must recognise Sierra Leone's exposure to the external transmission channels identified in Section 4.2.3. Given uncertainty surrounding aid and external financing flows, borrowing costs, commodity prices, and exchange-rate movements, DRM should constitute an important pillar of fiscal resilience. Reducing vulnerability to external financing pressures requires stronger and more predictable domestic revenue generation; however, revenue policy should be integrated with expenditure efficiency, prudent debt management, and macroeconomic stability rather than pursued in isolation. Sierra Leone's medium-term fiscal and debt strategies similarly recognise the relationship between domestic revenue mobilisation, external financing vulnerability, debt management, and expenditure management.

Diversification of revenue sources across sectors and instruments can help reduce exposure to individual revenue shocks, while prudent macroeconomic management can mitigate the fiscal consequences of exchange-rate volatility and inflation. Domestic revenue mobilisation should therefore form part of a broader and coherent fiscal strategy linking revenue mobilisation, expenditure efficiency, debt sustainability, and macroeconomic resilience.

6.7. Prioritisation and Implementation Matrix

To translate these recommendations into an implementable programme, reforms should be sequenced according to administrative readiness, distributional impact, revenue potential, and political feasibility. **Table 2** consolidates the principal reform priorities, identifies the institutions responsible for implementation, specifies indicative time horizons and expected results, and highlights the principal implementation risks.

To strengthen implementation accountability and facilitate periodic assessment of reform progress, each priority reform is also accompanied by a monitorable

indicator and a corresponding institutional data source. These indicators translate the proposed measures into observable and verifiable measures of implementation and performance.

Table 2. Prioritisation and implementation matrix.

Priority reform	Lead institutions	Indicative timing	Expected result	Monitorable indicator	Data source	Principal implementation risk
Unified digital taxpayer and data architecture	NRA; Ministry of Finance; business registry; local councils	1 - 3 years	Improved registration, risk analysis, filing and compliance	Share of active taxpayers filing returns electronically (%)	NRA Integrated Tax Administration System (ITAS) and NRA Annual Reports	Cybersecurity, interoperability and skills gaps
Digital property cadastre and valuation reform	Local councils; Ministry of Finance; lands authorities	2 - 4 years	More stable local revenue and stronger decentralised service financing	Share of properties in targeted local councils with completed and updated valuations (%)	Local council property registers and valuation rolls; Ministry responsible for lands	Valuation disputes and political resistance
Annual tax-expenditure and exemption review	Ministry of Finance; NRA; Parliament	Immediate and annual	Reduced leakage and improved transparency	Annual value of tax expenditures and exemptions formally reviewed and reported (NLe)	Ministry of Finance tax-expenditure reporting and NRA administrative records	Elite and sectoral resistance
Simplified MSME formalisation and tax regime	NRA; SMEDA; local councils	1 - 2 years	Broader participation without overburdening microenterprises	Number of newly registered active MSME taxpayers annually	NRA taxpayer register/ITAS and SMEDA administrative records	Low trust and weak compliance incentives
Extractive-sector compliance and fiscal transparency	Ministry of Finance; mining authorities; NRA	Immediate-3 years	Improved capture of mineral revenues	Share of large mining taxpayers subjected to risk-based compliance audits annually (%)	NRA Large Taxpayer Office/ITAS audit records and mining-sector administrative records	Contract complexity and enforcement capacity
Taxpayer service and fiscal-legitimacy programme	NRA; Ministry of Finance; local councils	Continuous	Higher voluntary compliance and trust	On-time filing rate among active taxpayers (%)	NRA ITAS and NRA Annual Reports	Weak visibility of service-delivery gains

Note: Timing is indicative and should be aligned with administrative readiness, budget capacity, and the MTRS implementation plan.

7. Conclusion

This study examined the structural, institutional, and behavioural determinants of domestic revenue mobilization in Sierra Leone within an increasingly uncertain global financing environment. The analysis shows that persistent revenue under-performance is not simply a technical problem of tax collection; it reflects a self-reinforcing interaction among a narrow and informal economic base, limited administrative capacity, fragmented institutions, and fragile fiscal legitimacy. To-

gether, these conditions sustain a low-revenue equilibrium and constrain sustainable development financing.

These domestic constraints are compounded by declining concessional financing, elevated global borrowing costs, commodity-price volatility, and exchange-rate pressures. The resulting dual-constraint environment reduces fiscal space and makes stronger domestic revenue systems increasingly important for resilience. At the same time, the evidence cautions against interpreting all nominal collection gains or cross-country tax-to-GDP benchmarks mechanically, particularly where statistical denominators and economic structures differ.

Effective DRM reform must therefore move beyond fragmented measures toward sequenced transformation of the revenue ecosystem. Priorities include integrated digital administration, stronger property and extractive-sector taxation, rationalised exemptions, improved audit and compliance systems, strengthened institutional coordination, and rebuilding the fiscal social contract through transparency and visible service delivery. Equity should guide sequencing: high-value leakages and undertaxed assets should receive priority before heavier burdens are placed on vulnerable microenterprises.

Conceptually, the paper frames DRM as a dynamic equilibrium shaped by interactions among economic structure, state capacity, taxpayer behaviour, and fiscal legitimacy. The low-revenue-equilibrium and reform-escape-pathway models provide a practical lens for connecting diagnosis to implementation in fragile and resource-dependent economies.

Sierra Leone's development-financing prospects ultimately depend on its ability to establish a more inclusive, efficient, predictable, and legitimate fiscal system. Sustainable revenue growth cannot be achieved through higher statutory rates alone; it requires broadening the base, strengthening institutions, using digital systems intelligently, and visibly reconnecting taxation with public value.

In an era of uncertain external financing, greater fiscal self-reliance will require technical competence, sustained political commitment, institutional integrity, and a renewed fiscal social contract. If reforms are sequenced around these principles, domestic revenue mobilization can become a stronger cornerstone of sustainable and nationally driven development.

Limitations and Directions for Further Research

The study's principal limitations arise from its reliance on secondary evidence and its descriptive-comparative design. While the structured documentary approach and triangulation of fiscal, institutional, and comparative evidence strengthen analytical robustness, the findings establish patterns and plausible reform mechanisms rather than independently identified causal effects. Variations in fiscal definitions, data vintages, and reporting conventions also warrant caution in interpreting longer-term revenue trends, while lessons from comparator countries remain necessarily conditioned by Sierra Leone's distinctive institutional and political-economic setting.

These limitations open important avenues for further inquiry. Future research should employ primary, longitudinal, and, where feasible, quasi-experimental evidence to examine taxpayer compliance, fiscal legitimacy, informal-sector formalisation, property taxation, tax expenditures, and extractive-sector revenue governance. Particular attention should be given to assessing whether digital tax reforms are associated with sustained improvements in taxpayer registration, filing, payment, compliance, and revenue performance.

Declarations

Author Contributions

Conceptualization: C.M.J., Fatmata Bintu Kamara, Alpha Mahmoudu Bah, Mohamed Sajor Jalloh, Mohamed Pateh Bah, and Osman Thaimu Kamara; **Methodology:** C.M.J., Fatmata Bintu Kamara, Alpha Mahmoudu Bah, Mohamed Sajor Jalloh, Mohamed Pateh Bah, and Osman Thaimu Kamara; **Formal Analysis:** C.M.J., Fatmata Bintu Kamara, Alpha Mahmoudu Bah, Mohamed Sajor Jalloh, Mohamed Pateh Bah, and Osman Thaimu Kamara; **Investigation:** C.M.J., Fatmata Bintu Kamara, Alpha Mahmoudu Bah, Mohamed Sajor Jalloh, Mohamed Pateh Bah, and Osman Thaimu Kamara; **Writing—Original Draft Preparation:** C.M.J.; **Writing—Review and Editing:** C.M.J., Fatmata Bintu Kamara, Alpha Mahmoudu Bah, Mohamed Sajor Jalloh, Mohamed Pateh Bah, and Osman Thaimu Kamara; **Visualization:** C.M.J. All authors have read and approved the final version of the manuscript.

Data Availability Statement

This study relies exclusively on publicly available secondary data and documentary sources cited in the manuscript. No primary dataset was generated for this study.

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The authors used ChatGPT solely to improve the manuscript's language, grammar, and readability. The author carefully reviewed and edited the text and takes full responsibility for the final content and publication.

Conflicts of Interest

The authors declare no conflicts of interest.

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