

Strengthening Public Financial and Debt Management Systems in Liberia: Challenges, Reforms, and the Way Forward

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Abstract

Public financial management (PFM) and debt management systems are central to the development trajectory of any state. In the case of Liberia, these systems carry an even greater weight because the country is rebuilding institutions in the aftermath of nearly two decades of intermittent civil conflict (1989-2003). Following the Heavily Indebted Poor Countries (HIPC) debt relief of 2010, Liberia rebuilt its fiscal architecture but encountered renewed vulnerabilities, including fiscal slippages during 2022-2023, the accumulation of external arrears, and a sharp decline in international reserves. The purpose of this article was to examine the structural and institutional drivers of these vulnerabilities and to assess the reform agenda pursued under the 40-month Extended Credit Facility (ECF) arrangement approved by the International Monetary Fund (IMF) in September 2024. The analysis draws on IMF Article IV consultations, IMF Country Reports 24/309, 25/044, 25/290, and 25/291, Public Investment Management Assessment (PIMA) findings, World Bank Public Expenditure and Financial Accountability (PEFA) assessments, Ministry of Finance and Development Planning (MFDP) budget documents, and the analyses produced by the Center for Transparency and Accountability in Liberia (CENTAL). Six interlocking weaknesses were identified: limited domestic revenue mobilization, weak budget credibility, fragmented public investment management, inadequate debt management capacity, opaque expenditure controls, and fragile institutional accountability. Findings suggest that Liberia has made measurable early progress under the ECF, including a substantial improvement in the primary fiscal balance and an early decline in the debt-to-GDP ratio. However, the findings also suggest that durable reform will require more than technical fixes. The recommendations presented are organized around the Government of Liberia, the National Legislature, development partners, and civil society. The article concludes that PFM reform in Liberia is fundamentally a govern-

ance question and, by extension, a question of how state institutions serve the interests of citizens as their primary stakeholders.

Keywords

Public Financial Management, Domestic Revenue Mobilization, Debt Management, Budget Credibility, Public Investment Management, Fiscal Governance, Extended Credit Facility, Fragile and Post-Conflict States, Liberia

1. Introduction

Public financial management and debt management determine how the state raises revenue, allocates resources across competing priorities, executes the budget, manages public debt, and accounts for the use of public money. In a fragile post-conflict state with persistent infrastructure deficits and limited fiscal space, the quality of these systems is not an administrative concern alone. The quality of these systems determines whether the state can deliver education, health, roads, energy, and security to its citizens, who are the primary stakeholders of the state.

Liberia's PFM trajectory is unusual among African economies. Following nearly two decades of intermittent civil conflict (1989-2003), the country embarked on a far-reaching rebuilding effort. The Public Financial Management Act of 2009 established the legal architecture for modern fiscal management. In 2010, Liberia achieved completion-point status under the HIPC Initiative, which led to the cancellation of approximately US\$4.6 billion in external debt ([Government of Liberia, 2010](#)). The Liberia Revenue Authority (LRA) was established as a semi-autonomous body in 2014. An Integrated Financial Management Information System (IFMIS) was rolled out across line ministries. The General Auditing Commission (GAC), the Public Procurement and Concessions Commission (PPCC), and the Liberia Anti-Corruption Commission (LACC) were created to provide accountability oversight ([Government of Liberia, 2009](#)).

Despite this institutional architecture, Liberia's PFM and debt management systems have continued to face structural challenges. Researchers have shown that fiscal slippages in 2022-2023 led to expenditure overruns, the accumulation of external arrears, and a sharp decline in international reserves ([International Monetary Fund \[IMF\], 2024](#)). By the time the Boakai-Koung administration took office in early 2024, Liberia faced renewed concerns regarding debt distress, a banking sector under stress, and a domestic revenue base too narrow to finance the country's investment needs ([IMF, 2024](#)).

In September 2024, the IMF Executive Board approved a 40-month ECF arrangement of approximately US\$210 million to support a comprehensive reform agenda anchored in the government's ARREST Agenda for Inclusive Development (AAID; [Government of Liberia, 2024](#); [IMF, 2024](#)). The first review under the

ECF was concluded in February 2025, and the second review and the 2025 Article IV consultation were completed in October 2025 (IMF, 2025a, 2025b). The IMF assessed performance as broadly satisfactory, noting a substantial improvement in the primary fiscal balance, a decline in the public debt-to-GDP ratio, and progress in rebuilding international reserves (IMF, 2025b). At the same time, the IMF Executive Directors emphasized that durable reform would require sustained effort across revenue mobilization, expenditure quality, public investment management, debt management, and governance.

The purpose of this article is threefold. First, the article identifies the structural and institutional drivers of Liberia's persistent PFM and debt management vulnerabilities. Second, the article examines the reform agenda under the current ECF and its limitations. Third, the article presents practical recommendations for the Government of Liberia, the National Legislature, development partners, and civil society. The article situates Liberia's experience within the broader scholarship on PFM reform in fragile states and draws on a range of secondary data sources to support its findings.

The article is organized as follows. Section 2 contains a review of the literature on PFM reform in fragile and post-conflict states. Section 3 presents the conceptual framework. Section 4 explains the data and methodology used in the article. Section 5 examines the structural drivers of Liberia's PFM vulnerabilities. Section 6 contains an analysis of the reform agenda under the ECF. Section 7 includes a discussion of the political economy of reform. Section 8 presents the policy recommendations. Section 9 contains the conclusion.

2. Literature Review

The scholarship on public financial management reform in developing countries has matured significantly over the past two decades. Three strands of this literature are particularly relevant to the case of Liberia: the technical tradition, the political economy tradition, and the fragility and state-building tradition. This review examines each strand in turn and concludes with a synthesis.

2.1. The Technical Tradition

Researchers in technical tradition have emphasized the importance of legal and institutional architecture in PFM reform (PEFA Secretariat, 2016). The architecture includes organic budget laws, treasury single accounts, medium-term expenditure frameworks (MTEFs), integrated financial management information systems, internal audit functions, and supreme audit institutions. The PEFA framework, developed jointly by the World Bank, the IMF, the European Commission, and bilateral donors, has become the dominant diagnostic instrument in this tradition (PEFA Secretariat, 2016). The framework assesses PFM performance across seven dimensions: budget reliability, transparency, asset and liability management, policy-based fiscal strategy, predictability and control in budget execution, accounting and reporting, and external scrutiny and audit (PEFA Sec-

retariat, 2016).

Researchers have also identified important limitations of the technical tradition. Andrews et al. (2017) argued that reforms which achieve formal compliance—passing laws, establishing units, and rolling out software—often fail to produce functional improvement because they do not address the underlying incentive structures within the bureaucracy and the political system. Andrews et al. termed this phenomenon “isomorphic mimicry”. In related work, Pritchett, Woolcock, and Andrews (2013) characterized this dynamic as a capability trap, in which an administration sustains the outward forms of a modern state while persistent implementation failure is masked by formal compliance. In the case of Liberia, the country has most of the formal architecture of modern PFM, yet performance has remained weak across several PEFA dimensions (IMF, 2025b; PEFA, 2016; IMF, 2024). This finding is consistent with the broader argument by Andrews et al. (2017) that the presence of formal institutions is not, by itself, sufficient to deliver effective PFM.

2.2. The Political Economy Tradition

Researchers in the political economy tradition have emphasized that PFM systems are embedded in political settlements (Khan, 2018; Levy, 2014). Budget allocations reflect not only technical priorities but also the bargains struck among political elites, the demands of constituencies, and the rents available through public expenditure. In this tradition, reform success depends less on the quality of legal drafting than on whether reform aligns with the interests of those who control political power (Levy, 2014). Khan (2018) and Levy (2014) have argued that reformers would do well to identify what is politically feasible within the existing settlement rather than attempting wholesale institutional transformation.

This tradition is directly relevant to Liberia for several reasons. First, the rents available through public procurement, concessions in the extractive sector, and tax exemptions are significant and shape the political incentives of those who design and implement fiscal policy. Second, the electoral cycle in Liberia has had observable effects on fiscal discipline. The fiscal slippages of 2022-2023 coincided with the run-up to the October 2023 elections, a pattern that has been observed across many African democracies. The IMF (2024) noted that implementation of the 2019-2023 Fund-supported program had a strong start but ended with a disappointing performance ahead of the recent presidential elections. This finding is consistent with the political economy literature on electoral cycles and fiscal performance.

Tulay (2023), in a related case study of the management of the Economic Community of West African States (ECOWAS), found that political interference by Member States, politicized appointments, and the lack of independent evaluation of senior managers constituted significant obstacles to effective management decision making in a regional organization closely related to Liberia’s context. While the present article focuses on the Government of Liberia rather than ECOWAS,

similar political-economy dynamics may be at work, and the findings of Tulay (2023) provide a useful comparative reference for understanding how political incentives shape the institutional performance of public bodies in West Africa. The comparative weight of Tulay (2023) should not, however, be overstated. Because that study examined a regional intergovernmental organization rather than a sovereign government, its findings transfer to Liberia's national PFM setting only in part and are best read as a suggestive analogy rather than as direct evidence of domestic institutional behavior. A more proximate source is Hope (2010), whose assessment of Liberia's Governance and Economic Management Assistance Program (GEMAP) documented how political incentives, capacity deficits, and contested ownership shaped the trajectory of economic governance reform within the Liberian state itself. Read together, the two sources suggest that the political-economy constraints observed at the regional level have close analogues in Liberia's own fiscal institutions.

2.3. The Fragility and State-Building Tradition

Researchers in the fragility and state-building tradition have focused specifically on PFM in fragile and post-conflict states (Organization for Economic Co-Operation and Development [OECD], 2007; World Bank, 2011). The OECD's principles for engagement in fragile states, the World Bank's World Development Report 2011 on Conflict, Security, and Development, and subsequent work by the g7+ group of fragile states have collectively emphasized that fiscal institutions in fragile contexts must do more than allocate resources efficiently. According to these researchers, fiscal institutions in fragile contexts must also build state legitimacy, demonstrate visible service delivery to citizens, prevent the resurgence of conflict-financing networks, and gradually shift fiscal sovereignty from external partners to domestic authorities (OECD, 2007; World Bank, 2011). Liberia, as a founding member of the g7+, has been a prominent voice in this tradition.

Researchers in this tradition have further argued that domestic revenue mobilization is particularly important in fragile states because it builds the fiscal contract between citizen and state (Cottarelli, 2011). Citizens who pay taxes are more likely to hold government accountable, and governments dependent on their own citizens for revenue are more likely to respond to citizen demands (Cottarelli, 2011). Conversely, prolonged dependence on external aid or extractive rents could weaken the fiscal contract and reinforce predatory governance.

Recent empirical scholarships have reinforced and refined the fiscal-contract argument. Prichard (2016) demonstrated, using a new cross-national dataset, that the developmental benefits of taxation depend heavily on how revenue is raised and on whether taxation prompts genuine bargaining between states and citizens. Prichard, Salardi, and Segal (2018) found that reliance on broad-based taxation, rather than on non-tax revenue, is associated with stronger demands for accountability, lending empirical support to the proposition that domestic revenue mobilization can strengthen the fiscal contract. In the African context, Bekoe, Dan-

quah, and Senahey (2016) showed that tax reforms in Ghana raised revenue most durably where administrative capacity and taxpayer trust were addressed together, rather than through rate changes alone. These findings are directly relevant to Liberia, where a narrow revenue base and limited taxpayer trust are recurrent themes.

A parallel body of peer-reviewed scholarship has examined sovereign debt in African contexts and its interaction with governance. Olaoye (2022) questioned the sustainability and inclusiveness of debt-financed growth across sub-Saharan Africa, cautioning that borrowing translates into durable development only under specific institutional conditions. Manasseh et al. (2022) found that the relationship between external debt and economic growth in sub-Saharan Africa is conditioned by the quality of governance, such that weak institutions tend to dissipate the potential benefits of borrowing. This literature reinforces a central argument of the present article, namely that debt management in Liberia cannot be separated from the broader governance environment in which it operates.

2.4. Synthesis

Taken together, the three strands of the literature suggest that a credible analysis of Liberia's PFM trajectory should combine technical assessment with political-economy analysis and an appreciation of the fragility context. The conceptual framework adopted in this article, presented in Section 3, reflects this synthesis.

3. Conceptual Framework

The conceptual framework for this article treats public financial and debt management as a system with four interdependent functions: revenue mobilization, expenditure management, debt management, and accountability. Each function is shaped by three categories of factors: technical capacity, which includes skills, systems, and processes; institutional architecture, which includes laws, mandates, and organizational structures; and political incentives, which include the demands of political principals, the interests of bureaucratic agents, and the pressures of constituencies. This framework draws on the work of Andrews et al. (2017), Khan (2018), Levy (2014), and the OECD (2007), and it is consistent with the integrated approach proposed by the World Bank (2011) for fragile and conflict-affected contexts.

The framework yields three propositions that guide the empirical analysis in this article. First, weaknesses in one function tend to propagate to others. For example, weak revenue mobilization may create pressure for unsustainable borrowing, which in turn may weaken debt management. Second, technical reforms that do not address institutional and political factors tend to produce formal compliance rather than functional improvement (Andrews et al., 2017). Third, reforms are more likely to be durable when they are properly sequenced, when they build constituencies of support, and when they generate visible early gains that may

sustain political commitment over time.

4. Data and Methodology

This article is based on qualitative document analysis drawing on publicly available secondary sources. The principal sources are: 1) IMF Article IV consultation reports and ECF review documents for Liberia, including IMF Country Reports 24/309, 25/044, 25/290, and 25/291 (IMF, 2024, 2025a, 2025b, 2025c); 2) World Bank Public Expenditure Reviews, PEFA assessments, and country economic memoranda (PEFA, 2016; IMF, 2024); 3) Government of Liberia documents, including the MFDP Fiscal Rules for Implementation in 2025, the FY2025 and FY2026 National Budgets, and the ARREST Agenda for Inclusive Development (Government of Liberia, 2024, 2025); 4) Liberia Revenue Authority annual reports; 5) reports of the General Auditing Commission, the Public Procurement and Concessions Commission, and the Liberia Anti-Corruption Commission; 6) civil society analyses, particularly from the Center for Transparency and Accountability in Liberia (CENTAL, 2024, 2025); and 7) peer-reviewed academic literature on PFM and debt management in fragile states.

Sources were selected according to four criteria: direct relevance to Liberia's public financial and debt management; the authoritativeness and verifiability of the issuing body; currency, with priority given to the most recent assessment in each series; and public availability, so that the evidence base can be independently inspected and reproduced. The coverage period extends from the enactment of the Public Financial Management Act of 2009, which established the modern fiscal-legal architecture, through the conclusion of the second ECF review and the 2025 Article IV consultation in October 2025, with the most intensive analytical attention given to the 2022-2025 period in which the fiscal slippages, the ECF arrangement, and its first two reviews occurred. The source types were prioritized according to their comparative strengths. IMF and World Bank diagnostics—Article IV reports, ECF reviews, the PIMA, and PEFA assessments—were treated as the primary evidentiary spine because they apply standardized, internationally comparable methodologies. Government of Liberia documents were prioritized as evidence of official policy intent, budget figures, and fiscal rules. Reports of the LRA, GAC, PPCC, and LACC were used for administrative and oversight evidence. Civil-society analyses, principally from CENTAL, were used as independent corroboration and as a check against official self-assessment. Peer-reviewed academic literature was used to supply theory and comparative grounding rather than country-specific data.

The six structural weaknesses presented in Section 5 were derived through a thematic synthesis of these documents rather than imposed in advance. Each source was read and coded for recurrent statements of fiscal-institutional difficulty; the resulting codes were grouped into candidate themes; and a theme was retained as a structural weakness only where it recurred consistently across multiple independent source types, including at least one IMF or World Bank diagnostic and one domestic or civil-society source. The themes retained were then

cross-checked against the seven PEFA performance dimensions and the four functions of the conceptual framework set out in Section 3, to ensure that the final set was both grounded in the evidence and analytically coherent. This procedure is intended to make the link between the documentary record and the identified weaknesses transparent and, in principle, reproducible.

The analysis proceeds in three steps. First, the article documents the structural features of Liberia's PFM and debt management systems and identifies persistent weaknesses. Second, the article assesses the reform agenda under the ECF, drawing on IMF performance criteria, structural benchmarks, and review assessments. Third, the article interprets the findings within the conceptual framework set out in Section 3 and draws implications for reform sequencing and design. The analysis is limited by its reliance on secondary data and does not include primary data collection or econometric estimation. Where claims are advanced, they are framed as patterns or interpretations rather than as causal findings, consistent with the qualitative nature of the analysis.

5. Structural Drivers of Liberia's PFM and Debt Management Vulnerabilities

5.1. The Narrow Domestic Revenue Base

The most persistent fiscal weakness in Liberia is the narrowness of its domestic revenue base. Tax revenue as a share of GDP has hovered in the range of 13 to 15 percent over the past decade, which is well below the sub-Saharan African average and far below what is needed to finance the country's development priorities (IMF, 2025b; PEFA, 2016; IMF, 2024). Several factors may explain this. First, the formal economy is small relative to the informal sector, which limits the base for income and consumption taxes. Second, the General Sales Tax (GST), which has served as the principal indirect tax, is narrowly applied and generates significantly less revenue than a Value Added Tax (VAT) of comparable rate would yield (IMF, 2024). Third, tax expenditures—including exemptions, concessions, and special regimes, particularly in the extractive and concessional sectors—significantly erode the revenue base. Fourth, customs administration faces persistent challenges, including under-valuation, mis-classification, and porous border controls. Fifth, tax compliance is weak, reflecting both administrative capacity constraints at the LRA and limited taxpayer trust in the integrity of public spending.

The IMF (2025b) identified domestic revenue mobilization as the central pillar of medium-term fiscal sustainability and noted in the 2025 Article IV consultation that more ambitious domestic revenue mobilization will be essential to create fiscal space for priority development spending. The planned transition from GST to VAT, which was originally targeted for implementation during the ECF program period, is the single most consequential revenue reform on the horizon. Income tax reforms and the rationalization of tax exemptions are also central to the reform agenda (IMF, 2024, 2025b).

5.2. Limited Budget Credibility

A second persistent weakness is limited budget credibility, which refers to the gap between budget allocations approved by the Legislature and actual expenditure executed during the fiscal year. Budget credibility remains a persistent weakness in Liberia. Successive PEFA assessments have linked this problem to frequent in-year budget adjustments, month-to-month allotments, weak compliance with expenditure commitment controls, and arrears accumulation (PEFA, 2016), while the IMF's 2024 report similarly notes weak control over budget execution and broader governance lapses that have weakened policy credibility (IMF, 2024). Budget credibility weaknesses arise from several sources. These include optimistic revenue projections that fail to materialize, in-year reallocations driven by political pressures, weak commitment controls that allow ministries to incur obligations beyond budgeted amounts, and the accumulation of expenditure arrears. When budgets are not credible, line ministries lose the ability to plan, contractors lose confidence in payment, and the appropriation power of the Legislature is effectively diluted. This finding is consistent with the literature on budget credibility in low-income contexts.

5.3. Fragmented Public Investment Management

The 2024 Public Investment Management Assessment (PIMA) for Liberia identified significant institutional weaknesses in public investment management (IMF, 2025c). According to the PIMA findings, these weaknesses are most pronounced in four areas: project appraisal, selection, and management; national planning and central-local coordination; multi-year budgeting and its comprehensiveness; and ex-post independent auditing and assessment of large-scale projects (IMF, 2025c). These weaknesses are particularly consequential given the scale of Liberia's infrastructure gap. Following debt relief in 2010, public investment in Liberia has remained insufficient to narrow the infrastructure gap, and the country's per-capita capital stock has remained very low by regional standards (IMF, 2025c).

The IMF (2025c) emphasized that a multipronged approach—focused on increasing revenues and public capital spending and supported by improved public investment management and more efficient tax collection—will accelerate growth and may mitigate the potential negative impact of declining external support. The recent termination of substantial United States Agency for International Development (USAID) assistance underscores the urgency of building domestic capacity to manage and finance public investment (IMF, 2025b).

5.4. Inadequate Debt Management Capacity

A fourth structural weakness is limited debt management capacity. The accumulation of new external arrears amounting to US\$11.9 million (0.23 percent of GDP) during the first ECF review period was attributed by the IMF (2025a) to several factors, including an overly bureaucratic and lengthy process that hampers timely settlement, as well as limited capacity of the Debt Management Unit (DMU)

at the MFDP. Effective debt management requires accurate and timely debt recording, sound debt sustainability analysis, a clear medium-term debt strategy, prudent borrowing limits, and operational capacity to service debt on schedule. Liberia has the formal architecture across most of these dimensions, but operational performance has been uneven (IMF, 2025a).

5.5. Opaque Expenditure Controls and Procurement Risks

Public procurement represents one of the largest categories of public expenditure and, by extension, one of the largest categories of fiscal risk. Reports from the GAC and CENTAL (2024) have repeatedly flagged procurement irregularities across line ministries and agencies. The PPCC has issued numerous compliance findings. However, enforcement has been uneven, and convictions for procurement-related fraud have been rare. The interaction between procurement risk and budget credibility is significant. When commitments are made outside the procurement framework, arrears accumulate and budget control is undermined.

5.6. Fragile Institutional Accountability

The accountability institutions established in the post-war period—the GAC, PPCC, LACC, the Internal Audit Agency, and the legislative oversight committees—have continued to face persistent capacity and political constraints (CENTAL, 2024, 2025). Audit findings are often not acted upon. Asset declarations by public officials, which are mandated by the Code of Conduct, have been inconsistently enforced. The IMF (2025b) welcomed recent measures to strengthen the LACC regulatory framework, including through the publication of public officials' asset declarations. Liberia scored 27 out of 100 on the 2024 Transparency International Corruption Perceptions Index (CPI) and 28 out of 100 on the 2025 CPI, which is well below the sub-Saharan African regional average of 33 (Transparency International, 2025, 2026). Liberia has remained among the worst global decliners over the past decade (CENTAL, 2025). According to CENTAL's (2024) 2023 State of Corruption Report, approximately 90 percent of Liberians perceive corruption levels as high. This finding is consistent with broader concerns regarding the credibility of accountability institutions in Liberia and may have direct implications for the durability of any PFM reform agenda.

6. The Current Reform Agenda: Assessment under the Extended Credit Facility

6.1. The Program Architecture

Before performance is assessed, it is worth stating why the ECF is the most appropriate lens through which to examine Liberia's current reform trajectory. The ECF is the binding, comprehensive, and externally monitored framework around which the government's own fiscal commitments are presently organized. Its quantitative performance criteria and structural benchmarks provide an explicit, time-bound yardstick against which progress can be measured, and its semi-an-

nual reviews generate an independent and repeated assessment of that progress. The program spans all four functions of the conceptual framework—revenue, expenditure, debt, and accountability—and it is the operational vehicle through which the fiscal pillar of the ARREST Agenda for Inclusive Development is being implemented. Assessing reform through the ECF therefore aligns the analytical lens directly with the research purpose, namely to evaluate whether the reform agenda now in force is likely to resolve the structural weaknesses identified in Section 5.

The 40-month ECF arrangement approved in September 2024 represents the most comprehensive PFM and debt management reform program Liberia has undertaken since the post-HIPC period (IMF, 2024). The program is anchored in four pillars: 1) creating fiscal space to facilitate public investment implementation; 2) rebuilding external buffers; 3) safeguarding macro-financial stability through strengthened financial supervision; and 4) advancing structural reforms, including in public sector governance and the Central Bank of Liberia (CBL; IMF, 2024). The total disbursement envelope is approximately US\$210 million, with quarterly performance criteria and structural benchmarks tracked through semi-annual reviews.

6.2. Performance to Date

Performance under the program has been assessed by the IMF (2025b) as broadly satisfactory. Key indicators include substantial improvement in the primary fiscal balance, which reflects both enhanced revenue collection and rationalization of recurrent expenditure; an early decline in the public debt-to-GDP ratio; progress in rebuilding international reserves; stable inflation and exchange rate dynamics; and projected real GDP growth of 4.6 percent in 2025 and 5.4 percent in 2026, with medium-term growth expected to stabilize at 5.5 percent (IMF, 2025b). The IMF concluded the 2025 Article IV consultation and the second ECF review in October 2025 (IMF, 2025b). The conclusion of the review allowed the disbursement of an additional approximately US\$26.5 million and brought total disbursements under the arrangement to approximately US\$79.4 million (IMF, 2025b).

The program has also weathered the abrupt termination of substantial USAID assistance. The Liberian authorities responded through expenditure rationalization and additional domestic revenue mobilization (IMF, 2025b). Complementary budget support has been provided by the World Bank, the European Union (€56 million over 2025-2027), and other partners, which has helped to ensure that critical social programs were not disrupted (IMF, 2025a).

6.3. Areas of Continuing Concern

Three areas warrant continuing attention. First, the timeline and design of the VAT transition will determine whether the country achieves the medium-term revenue gains envisaged in the program. International experience suggests that VAT introduction in low-income contexts requires careful preparation, including

a credible registration threshold, a manageable rate, simple administration, and robust input-tax credit mechanisms (Cottarelli, 2011). Second, the rationalization of tax exemptions is politically sensitive given the interests of incumbent concessionaires. The credibility of this reform may depend on transparent communication and an even-handed application across sectors. Third, the strengthening of the DMU and the prevention of new external arrears will require both technical capacity-building and an end-to-end review of the payment authorization process within MFDP (IMF, 2025a).

7. The Political Economy of PFM Reform in Liberia

The conceptual framework set out in Section 3 emphasized that PFM reform is shaped by political incentives as much as by technical design. Three political-economy dynamics in the Liberian context merit attention.

First, the electoral cycle exerts a powerful influence on fiscal discipline. The fiscal slippages of 2022–2023 illustrate a pattern that has been observed across many African democracies, in which pre-electoral spending pressures lead to revenue-expenditure imbalances that are not easily corrected after the election (IMF, 2024). Building institutional buffers against this pattern—such as a credible medium-term fiscal framework, independent fiscal council functions, and binding fiscal rules—would do well to be a near-term priority. The fiscal rules issued by the MFDP (Government of Liberia, 2025) for 2025 implementation are a positive step, but they will require legislative backing and enforcement mechanisms to be durable.

Second, the political settlement around concessions and the extractive sector shapes both the revenue side and the expenditure side of fiscal management. Iron ore, gold, rubber, and timber concessions generate revenues but also create rents that may be captured through tax expenditures, royalty negotiations, and procurement arrangements. The credibility of efforts to rationalize tax exemptions may be tested most acutely in this domain.

Third, the relationship between the Executive, the Legislature, and the accountability institutions has remained under-developed. Legislative committees responsible for budget oversight have historically faced capacity constraints and political pressures. This finding is consistent with the broader observation by Tulay (2023) that political interference and the lack of independent evaluation may significantly impair the effectiveness of public institutions in West Africa. Strengthening the relationship between the Executive, the Legislature, and the accountability institutions—through dedicated budget research capacity within the Legislature, enhanced public access to budget information, and structured engagement with civil society—would significantly improve the fiscal contract in Liberia.

8. Policy Recommendations

Building on the foregoing analysis, the following recommendations are presented,

organized by the principal audiences for PFM and debt management reform in Liberia. The recommendations are intended to be practical, sequenced, and politically feasible.

8.1. For the Government of Liberia

First, the Government of Liberia would do well to complete the design and phased introduction of the VAT, with clear public communication on registration thresholds, rates, exemptions, and timelines. The VAT should be accompanied by a comprehensive review of all tax expenditures, with publication of a Tax Expenditure Report alongside the annual budget. This may help build the fiscal space needed for development spending.

Second, the Government of Liberia would do well to strengthen the Debt Management Unit within MFDP through targeted technical assistance, improved debt recording systems, and an end-to-end review of payment authorization processes. This may help prevent the further accumulation of external arrears (IMF, 2025a).

Third, the Government of Liberia would do well to anchor public investment management in a Public Investment Policy and Manual that sets out clear criteria for project appraisal, selection, and prioritization (IMF, 2025c). The Government of Liberia should also align the National Public Sector Investment Programme with the Medium-Term Expenditure Framework.

Fourth, the Government of Liberia would do well to publish quarterly fiscal reports, including budget execution data, debt stock and service data, and arrears data, in line with international good practice on fiscal transparency. Doing so may strengthen the fiscal contract with citizens, who are the primary stakeholders of the state.

Fifth, the Government of Liberia would do well to strengthen procurement integrity by enforcing PPCC compliance findings, publishing all major contracts and beneficial ownership information, and creating consequences for non-compliance.

8.2. For the National Legislature

First, the National Legislature would do well to build dedicated budget research and analysis capacity, modelled on the practices of legislatures in Kenya, Ghana, and Uganda. Such capacity may enable evidence-based scrutiny of executive proposals.

Second, the National Legislature would do well to enact a Fiscal Responsibility Law that provides a legal anchor for the fiscal rules already in administrative use (Government of Liberia, 2025), with clear definitions of fiscal aggregates, escape clauses, and enforcement mechanisms.

Third, the National Legislature would do well to strengthen its oversight of the GAC, PPCC, and LACC by ensuring timely consideration of their reports, holding public hearings on major findings, and following up on the implementation of recommendations.

8.3. For Development Partners

First, development partners would do well to sustain technical assistance to MFDP, LRA, CBL, and accountability institutions through coordinated programming that avoids fragmentation and overlap. The Government–Development Partners Retreat process is a useful vehicle for such coordination.

Second, development partners would do well to design budget support operations with results frameworks that emphasize functional improvement—such as audit follow-up, arrears reduction, and procurement compliance—rather than formal compliance alone. This recommendation is consistent with the argument by [Andrews et al. \(2017\)](#) that formal compliance, by itself, does not deliver functional improvement.

Third, development partners would do well to support South-South learning by connecting Liberian counterparts to peer practitioners in fragile and post-conflict contexts that have made measurable PFM progress, such as Rwanda, Sierra Leone, and Timor-Leste.

8.4. For Civil Society and Research Institutions

First, civil society and research institutions would do well to sustain and expand citizen budget monitoring, drawing on the Open Budget Initiative and similar instruments to track budget execution at national and county levels.

Second, civil society and research institutions would do well to build a community of practice among Liberian research institutions, universities, and policy think tanks. Such a community may generate sustained domestic analysis of PFM and debt management and may reduce the country's dependence on external analytical capacity.

Third, civil society and research institutions would do well to engage constructively with the National Legislature, the Executive, and development partners. Constructive engagement may help ensure that the fiscal contract is built on informed citizen participation rather than passive acceptance.

9. Conclusion

Liberia stands at a consequential moment in the trajectory of its public financial and debt management systems. The reform agenda anchored in the ECF and the ARREST Agenda for Inclusive Development represents the most coherent attempt at PFM and debt management modernization since the post-HIPC period ([Government of Liberia, 2024](#); [IMF, 2024](#)). Early performance has been encouraging, with measurable improvements in the primary fiscal balance, the debt-to-GDP ratio, and international reserves ([IMF, 2025b](#)).

However, these gains have remained fragile. The structural weaknesses identified in this article—narrow revenue base, limited budget credibility, fragmented public investment management, inadequate debt management capacity, opaque expenditure controls, and fragile accountability institutions—have deep roots and may not be resolved through technical reforms alone. Durable improvement will

require political commitment that is sustained beyond electoral cycles, institutional reforms backed by enforceable rules, and a fiscal contract that builds citizen trust through visible improvements in service delivery.

The recommendations presented in this article are intended to be practical, sequenced, and politically feasible. The recommendations emphasize that PFM and debt management reform in Liberia is fundamentally a governance question. It is a question of who decides, who benefits, and who is accountable for the use of public money. Addressing these questions is not only a matter of fiscal management. By extension, addressing these questions is foundational to Liberia's broader project of building a state that serves its citizens, generates inclusive growth, and consolidates the peace that has been won at such great cost. The successful implementation of the recommendations presented in this article may contribute to positive social change for the more than 5 million stakeholders of the Liberian state.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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