

from the abundant country's natural resources. Liberia still needs to implement an effective system of checks and balances to ensure accountability across all Government institutions.

The public financial management constraints in Liberia significantly exacerbate the challenges in the **forest and agriculture sectors**, impeding the efficient allocation of national resources to these productive and vital sectors. The Forest Development Agency (FDA) faces serious budget constraints, with poor sector oversight and increased illegal and unreported logging as a consequence. Establishing effective systems for managing revenues generated from non-renewable and renewable natural resources is essential. This includes mechanisms for saving, investing, and utilising these funds for long-term development projects and diversification of the economy.

Liberia is emerging to become a value-based strategic ally, effectively aligned in multilateral contexts, including on matters where most African states do not take a proactive stance, particularly on Ukraine. Liberia is therefore also a relevant example of the more for more principle. The human rights track record is, despite outstanding challenges related to women's rights, better than in comparable post-conflict least developed countries. Freedom of speech, assembly and press freedom were effectively respected throughout the year 2023 general and legislative elections.

The proposed Action is fully in line with the new Government's priorities of ensuring a prudent financial management and a culture of regular audits within all branches of the public administration, aiming to enhance investment in the well-being of citizens. Agriculture is a major objective outlined in ARREST, and this will be also reflected in the National Development Plan, currently under development.

2.2 Problem Analysis

Pillar 1: Strengthen the public financial management system through enhanced fiscal discipline and domestic revenue mobilisation

The Government has scarce financial resources to meet Liberia's immense needs. The Ministry of Finance and Development Planning (MFDP) lacks sufficient capacity to ensure effective programme-based budgeting. In the past, budget preparation lacked alignment to the national development strategy. The previous PFM Reform Strategy and Action Plan (PFMRSAP 2020-2023), came to an end. The new PFM strategy and action plan PFMRSAP 2023-2026 were adopted in December 2023. Following the government change after the elections the documents are being updated. The Steering Committee will adopt additionally work plans, which will pave the way for execution. The Strategy and AP are expected to improve DRM, strengthen financial control and public finance accountability.

In the past the Medium-Term Fiscal Framework faced significant challenges stemming from poor baseline costing, a lack of macroeconomic considerations, and undue political influences. As a consequence, budget execution was often marred by unforeseen commitments arising throughout the fiscal year. Furthermore, the allocation of resources to Ministries, Agencies and Commissions (MACs) seems arbitrary, lacking adherence to policy-based principles. Under previous government years, budget readjustments have become a recurrent practice, typically occurring each summer without following the required procedures for a standard supplementary budget. Notably the Parliament has emerged as a major beneficiary of this system, with its allocation witnessing significant increases following each budget realignment. As a result, in addition to an imprecise sector-wise budget appropriation, **budget execution remained weak, primarily limited to recurrent expenditures.**

Concerning DRM, the Liberian Revenue Authority (LRA) has made efforts to modernize the country's revenue system, leveraging advancements in IT tools and enhancing communication with taxpayers, while prioritising the satisfaction of both internal and external clients. Notably, the recent rollout of the Liberian Integrated Tax Administration System, under World Bank PFM programme (PFMRISP), to which the EU contributed, stands as a testament to these efforts. Consequently, there has been an increase in revenue collection in recent years. However, many challenges persist, including the implementation of the new VAT law approved by the Parliament in 2024, transiting from the Goods and Services Tax approach. This transition aims not only to boost tax revenue and transparency, but also to align Liberia's fiscal practices with regional commitments within the Economic Community of West African States (ECOWAS).