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Domestic Resource Mobilization & Fiscal Probity: Antidote for Bridging Liberia's Fiscal Gap in the wake of the Dwindling of Donor Aid to Liberia

Andy Saye Gbatu
University of Central Nicaragua, Nicaragua
*Corresponding Author: drandysayegbatu@gmail.com

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Abstract

Background: Liberia has long depended on foreign assistance or aid to complement its domestic resources to deliver on its evolving complex development priorities and needs. The decline in foreign aid poses major challenges which can be surmounted through effective domestic resource mobilization strategy and fiscal probity.
Objective: This research paper aims to provide antidotes to strengthen Liberia's ongoing domestic resource mobilization efforts and strategies to adequately bridge its fiscal gap arising from the plummeting of donor aid to Liberia.
Method: A mixed method of research designs was adopted for this study. The paper was developed from secondary data extracted from reports and studies on domestic resource mobilization, case studies, and primary data obtained through interviews with tax experts and practitioners from Liberia.
Result: The paper found that Tunisia, Seychelles, Morocco, South Africa and Senegal have sustainably mobilized domestic revenues through effective DRM strategies, including tax administration modernization and digitalization, economic diversification, broadening of tax base, transparency and fiscal governance, and effective tax audit programs. Liberia's potential to accrue more domestic resources lies in exploring its mining sector, biodiversity and ecotourism, agricultural value chains, informal economic sector, tax administration modernization, and specialized tax compliance audit programs.
Conclusion: These findings can support Liberia's ARREST Agenda for Inclusive Development and reduce dependence on foreign aid.

Keywords: domestic resource mobilization; tax administration; Tax-to-GDP rasio; fiscal gap; sustainable development.

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INTRODUCTION

Liberia as a country has long depended on foreign assistance or aid to complement its domestic resources to deliver on its evolving complex development priorities and needs. For many decades, Liberia's development initiatives and programs have principally been driven by technical and financial support from different bilateral and multilateral development organizations as well as friendly nations and their governments. This became ubiquitous, especially after the civil imbroglio.

These development interventions through sustainable partnerships continue to shape Liberia's economic growth and sustainable development in the context of achieving the United Nations' Sustainable Development Goals as well as past and current national development agendas. This long-standing traditional development financing model has culminated in Liberia being classified and noted as an aid dependent-nation (Kieh, 2014; Samarin, 2024).

The current global financial landscape is being increasingly shaped by emerging dynamics such as deglobalization or fragmentation, rising debt levels, decarbonization and sustainable finance, demographic shifts, and shift in economic power (Kose et al., 2021; McKellar, 2023; Meeting, 2025; OECD, 2026). These are further exacerbated by the significant dwindling of U.S. Government foreign assistance to Liberia due to President Thump's issued Executive Order to reevaluate and realign U.S. foreign aid to maximize efficiency and insulate taxpayers' monies against waste and fraud. Moreover, the proclamation of the impending closure of the Swedish Embassy in Liberia which ranks as Liberia's second largest donor after the U.S. Government has further compounded the fiscal challenges in Liberia.

Liberia as a country has several competing development priorities to fulfill with a narrow fiscal space. Amongst those competing national priorities, the UN Sustainable Development Goals (SDGs) and the ARREST Agenda for Inclusive Development rank as key national development priorities which the country is under obligation to achieve. In its quest to accomplish these major development goals and objectives, the decline in foreign aid poses major challenges which can be surmounted through effective domestic resource mobilization strategy and fiscal probity (Folarin & Raifu, 2023).

In the wake of the challenges of fiscal inadequacies, studies and evidence have proven that domestic resource mobilization (DRM) is a catalytic development tool for mobilizing resources (Arogundade et al., 2025). Studies conducted by IMF in 2024 & 2025 point out to DRM as the most credible and reliable source of resource mobilization for tackling national development challenges in many developing and low-income countries. In the same context, the Inter-Agency Task Force on Financing for Development (IATF) Issue Brief noted that domestic resources are the largest untapped source of financing to fund national development plans.

Additionally, the Addis Tax Initiative and IATF Issue Brief assert that increasing domestic revenue from taxes on consumption, income, and natural resources is crucial to achieving the 2030 Sustainable Development Goals. Along similar line, OECD's 2025 report presents 4-modular framework for identifying, designing, and implementing tailored tax policy reforms, focusing on addressing informal economies and improving compliance in low- and middle-income countries. From the perspective of the United Nations University Wider Revenue Mobilization Programme, domestic resource mobilization is considered as the foundational, sustainable mechanism for developing countries to finance public goods, reduce poverty, and achieve the 2030 Sustainable Development Goals.

In recent decades, domestic resource mobilization has become a popular and central theme in the mounting literature of development. Inarguably, inadequacy, unpredictability, and fast pace of shrinkage in external or foreign resources to commensurate with sustainable development goals have given this phraseology growing traction (The United Nations & The Addis Ababa Action Agenda). As a major development tool, the prominence of this concept rapidly increased upon the realization of development practitioners that that foreign direct investment and Official Development Assistance (ODA) were insufficient for long-term development (Diaz-Sanchez et al., 2022).

Domestic resource mobilization denotes the process through which countries raise and use their own financial resources primarily through tax revenues, fees and levies to fund development priorities and public services, reducing reliance on foreign aid (OECD). The emergence of the concept domestic resource mobilization is traced back to the International Conference on Financing for Development (ICFD) which was convened in Monterrey, Mexico, between Marcy 21-22, 2002.

This conference was held to address financing for development globally, especially in developing countries. As an offshoot of this conference, the Monterrey Consensus was adopted with the following key actions: Mobilizing domestic financial resources for development, Mobilizing international resources for development: foreign direct investment and other private flows, International trade as an engine for development, Increasing international financial and technical cooperation for development through Official Development Assistance (ODA), External debt-Sustainable debt financing and Addressing systemic issues.

Another major development that shaped domestic resource mobilization is The Addis Ababa Action Agenda which was adopted in 2015 by 193 countries global framework for financing sustainable development and achieving the 2030 Sustainable Development Goals (SDGs). This agenda contains a litany of over 100 concrete measures across six main areas: domestic public resources (taxation), domestic and international private business/finance, international development cooperation, international trade, debt sustainability, and systemic issues, thus making the Addis Ababa Action Agenda the foundation of domestic resource

mobilization. Incontestably, every successful domestic resource mobilization is built on a conceptual framework anchored in strong state capacity, tax capacity, safe assets and growth as depicted below:



Figure 1. Conceptual Framework for Domestic Resource Mobilization
Source: Adapted from (IMF-WB, 2024)

The term tax capacity is defined by the ability of a government to collect taxes effectively. In the operationalization of domestic resource mobilization, tax capacity is the bedrock that solidifies state capacity to effectively and efficiently mobilize resources and streamline public expenditures. Indisputably, the combination of a robust tax capacity and an improved financial sector for the effective management of public debts capacitates governments to mobilize adequate domestic resources that commensurate with their growth and sustainable development needs and priorities (Lompo, 2024).

One of the widely used standardized metrics that gauges a government's fiscal capacity or its revenue generation strength and efficiency in relation to the size of its economy is the Tax-GDP-Ratio. This fiscal term is often referred to as (the tax ratio or tax burden) as the proportion of national income or Gross National Product (GNP) that is "compulsorily" transferred from private hands into the government sector for public purposes. In their study, Lotz, J. R., & Morss, E. R. (1967) defined the tax-to-GNP ratio as a primary measure of a country's tax burden, calculated as total tax revenue divided by GNP.

Despite the growing body of literature, previous studies on Liberia have largely focused on the country's dependence on foreign aid and its implications for development (Kieh, 2014; Samarin, 2024), while the broader literature on domestic resource mobilization, including the studies of the IMF, the IATF, the OECD and the United Nations University Wider Revenue Mobilization Programme, mainly offers general frameworks and recommendations for developing and low-income countries. Limited attention has been given to how Liberia can mobilize sufficient domestic resources in response to the recent contraction of donor funding, particularly following the dissolution of USAID in 2025 and the impending closure of the Swedish Embassy in Liberia.

The novelty of this study lies in combining case studies of African countries with domestic resource mobilization success stories between 2021-2025, namely Tunisia, Seychelles, Morocco, South Africa and Senegal, with the perspectives of tax experts and practitioners from Liberia, in order to identify both replicable external DRM strategies and internal revenue prospects for bridging Liberia's fiscal gap, in line with the ARREST Agenda for Inclusive Development (AAID).

Accordingly, this study aims to identify the effective DRM strategies employed by Tunisia, Seychelles, Morocco, South Africa and Senegal that the Liberia Revenue Authority can replicate, to examine the internal prospects and opportunities that Liberia can leverage to enhance its domestic resource mobilization, and to provide antidotes to strengthen Liberia's ongoing DRM efforts and fiscal probity in bridging the fiscal gap arising from the plummeting of donor aid to Liberia.

Theoretically, this study contributes to the literature on domestic resource mobilization by providing evidence from the context of a post-war, aid-dependent country. Practically, the findings are expected to serve as a reference for the Government of Liberia and the Liberia Revenue Authority in formulating revenue policies that reduce dependence on foreign aid and finance national development priorities.

RESEARCH METHOD

A mixed method of research designs was adopted for this study. The paper was developed from secondary data extracted from reports and studies conducted on domestic resource mobilization, the study also includes a few case studies on African countries with success stories of domestic resource mobilization. Moreover, the perspectives of tax experts and practitioners from Liberia were gauged through interviews which further strengthened the methodological approach to this study.

The mixed-method procedure combined documentary analysis and comparative case studies with primary qualitative evidence from interviews with tax experts and practitioners in Liberia. Secondary materials consisted of reports and studies on domestic resource mobilization and documented experiences of African countries with DRM success stories, while the interview component was used to obtain practitioner perspectives relevant to Liberia. The analysis proceeded by identifying recurring DRM strategies across the selected country cases and relating those strategies to Liberia’s documented fiscal constraints, tax-administration challenges, and internal revenue prospects.

RESULT AND DISCUSSION

Liberia espouses and practices a voluntary declaratory tax regime. This is also referred to as voluntary disclosure program (VDP) or voluntary tax compliance system. Under this regime as the phraseology implies, this framework grants taxpayers the flexibility or leverage to voluntarily report previously undisclosed

income, assets or tax liabilities to tax authorities for the avoidance or minimization of tax penalties, fines, interests and other sanctions for non-compliance.

The rationale for the adoption of this tax regime is to incentivize taxpayers to comply with the tax code for increased tax revenues. With support from the International Monetary Fund and other donors, the Government of Liberia instituted a series of reforms in its tax governance system. As part of the broader reform strategy, in September of 2013, the Liberia Revenue Authority (LRA) was birthed through an act of national legislature following the repealment of the Ministry of Finance and Ministry of Planning & Economic Affairs.

The LRA became fully operational on July 1, 2024. As a semi-autonomous body, the LRA supplanted the former Ministry Finance's Revenue Department with the aim to improve tax collection efficiency, enhance professionalism, and boost domestic revenue amidst postwar economic challenges. Specifically, the tax reforms were targeted at achieving the following fundamental goals and objectives: The need to replicate and domesticate international best practices in Liberia's tax jurisdiction became glaring after many years of its challenging tax administration.

As such, modernization became necessary to replace the outdated bureaucratic Ministry of Finance revenue department and digitizing tax systems as well as modernizing the tax laws. Prior to the coming into effect of the Liberia Revenue Authority and other reform measures, Liberia tax jurisdiction was confronted with huge challenges such as fragmented revenue collection & weak institutional capacity, massive tax evasion, smuggling and corruption, extremely low domestic revenue base, low tax-GDP-ratio and inconsistent as well as inefficient tax policies.

The implementation of national development programs and initiatives hinges on resource mobilization. To achieve this, as part of the broader reform, the LRA was formed to drive revenue mobilization through digitalization, the broadening of the country's tax base and the enhancement of tax compliance. These reforms were mainly geared toward mobilizing sufficient domestic revenues to reduce heavy reliance on donor aid to fund national development programs.

The cruciality of governance and transparency to tax administration cannot be discounted. To strengthen these pillars, Automated System for Customs Data (ASYCUDA) and the Standard Integrated Government Tax Administration System (SIGTAS) for domestic tax were adopted and operationalized. Additionally, the LRA was formed as a semi-autonomous body to reduce direct political interference in revenue administration.

To properly effect its functions, specialized divisions such Large, Medium, and Small/Micro Tax divisions were established to enforce tax compliance. Moreover, with the culture of integrity being key to every tax administration environment, a Professional Ethics Department (PED) was created to investigate misconduct, improve staff integrity, and foster a culture of ethical standards. Ironically, in spite of the establishment of the LRA and implementation of these well intentioned tax

administration reforms, Liberia's post-war national development priorities remain multidimensional and the domestic resources being generated to address these enormous priorities are disproportionate.

These resource constraints have led to Liberia's continuous dependence on foreign aid or assistance to complement its domestic resources. With the continual shrinkage in the donor funding landscape in Liberia, a deepening fiscal gap is being created which can only be predictably mitigated through effective domestic resource mobilization backed by other stringent fiscal probity measures. The United States Government through its erstwhile United States Agency for International Development (USAID) has tremendously impacted Liberia's post-war economic recovery and sustainable development through its development objectives in Liberia. Since 2003, the U.S.

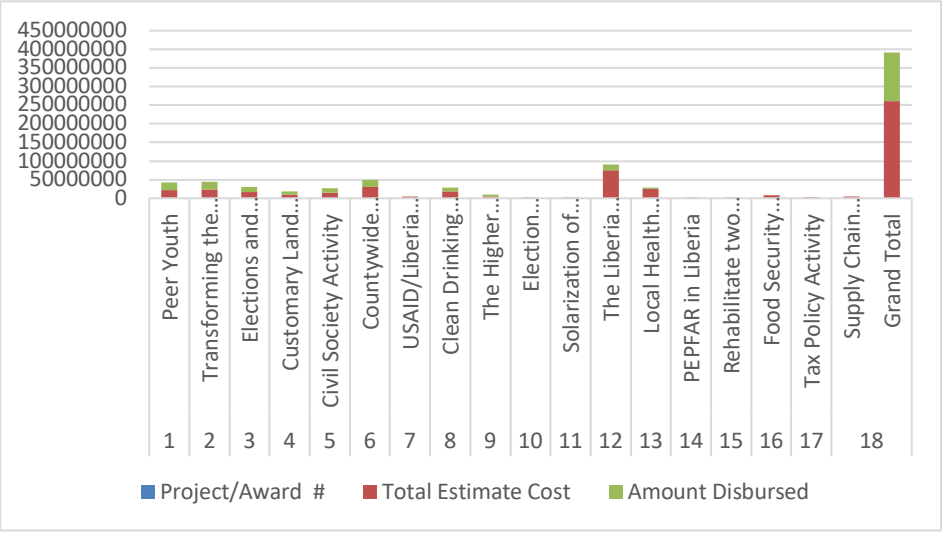
Government has disbursed US$2.4 billion to Liberia as bilateral aid to support its development objectives in Liberia which included economic growth, education, health, democracy rule of law and governance (Congressional Research Service Report, 2020). As a result of the issuance of Executive Order Executive Order 14169, titled "Reevaluating and Realigning United States Foreign Aid," by President Trump on January 20, 2025, placed an initial 90-day freeze on all U.S. foreign development assistance, including new obligations and disbursements, to conduct a review of programs. Subsequently, on July 1, 2025, USAID was dissolved with immediate closure of its operations worldwide leading to the termination of awards and contracts.

Table 1. Showing a few of the U.S. Awards/Projects that were closed in Liberia in early 2025 quoted in U.S. Dollars.

S/N	Project/Award Title	Project/Award #	Total Estimate Cost	Amount Disbursed
1	Peer Youth	72066921C00005	21,400,000	$20,286,524
2	Transforming the Educational System for Teachers and Students	72066921C00007	24,114,402	$19,486,716
3	Elections and Democracy Activity,	72066921CA00003	15,999,654	$13,807,162
4	Customary Land Formulation	2066921F00005	$9,421,535	$9,421,535
5	Civil Society Activity	72066922C00003	$14,797,517	$12,576,957
6	Countywide Sanitation activity	72066922CA00001	$30,000,000	$19,497,956
7	USAID/Liberia infrastructure activities	72066922D00001	$4,000,000	0
8	Clean Drinking Water	72066923C00001	$17,965,691	$10,794,001

S/N	Project/Award Title	Project/Award #	Total Estimate Cost	Amount Disbursed
9	The Higher Education for Conservation Activity	72066923CA00002	$4,999,053	$4,060,000
10	Election Observation Activity	72066923FA00001	$1,466,694	$1,466,694
11	Solarization of John F. Kennedy	72066924C00002	$453,540	$453,540
12	The Liberia Foundational Skills activity	72066924CA00001	$74,935,792	$15,495,038
13	Local Health Solutions	72066924CA00002	$24,900,000	$3,300,000
14	PEPFAR in Liberia	72066924FA00001	$185,000	$185,000
15	Rehabilitate two drugs' depots in Grand Gedeh & River Gee	72066924P00004	$167,719	$167,719
16	Food Security Support		$7,647,847	
17	Tax Policy Activity		$2,700,001	
18	Supply Chain Technical Assistance		$5,046,365	
	Grand Total		**260,200,810**	**130,998,842**

Source: Punchbowl News, extracted March 19, 2026



Gambar 1. A few of the U.S. major Awards/Projects that were closed in Liberia in early 2025 quoted in U.S. Dollars.

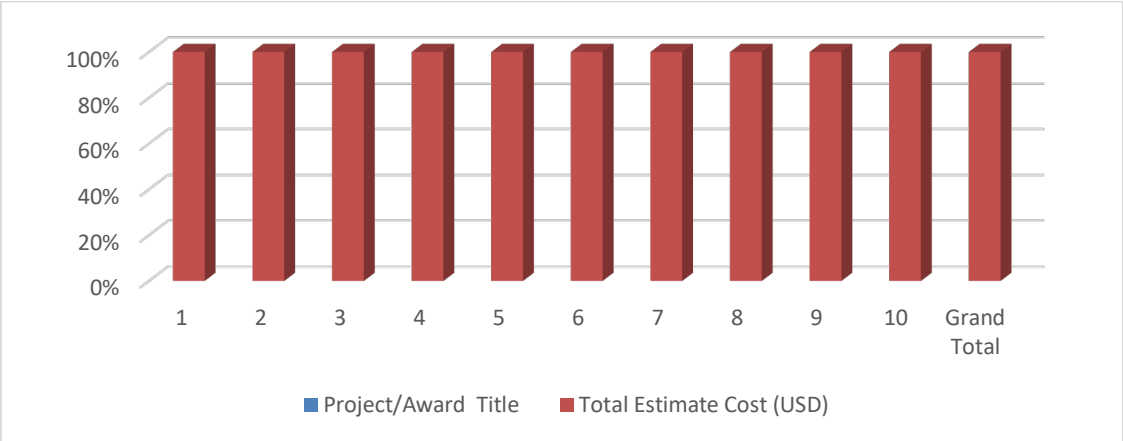
Source: Table 1

By the same token, as previously noted, the Swedish Embassy which ranks as Liberia's second highest donor in aid has announced plan last year to close down its embassy in Liberia. This plan if implemented, will further exacerbate the already limited fiscal space of Liberia. As one of Liberia's key development partners, the Swedish Embassy near Monrovia has been very instrumental in supporting the sustainable development programs and initiates in Liberia. In addition to infrastructural development, environment, biodiversity conservation, the Swedish Embassy continues to promote the strengthening of institutional capacity, accountability, transparency, rule of law, peace & security, health, gender, human rights, child protection and tax policy enhancement.

Table 2. List of some major Swedish funded Projects in Liberia to be closed in August 2026

S/N	Project/Award Title	Total Estimate Cost (USD)
1	Liberian-Swedish Access Driven Rural Development Project	193,260,574.80
2	National Integrity Building & Anti-Corruption Program	1,610,134.83
3	Beyond the Grid Fund for Africa	$10,600,000
4	Strengthening Peace & Rule of Law	$11,800,000
5	Support to National Statistics	$7,600,000
6	Child Protection Services	$6,096,000
7	Access to Sexual & Reproductive Health	$6,700,000
8	Women's Empowerment & Rights	$6,028,000
9	Forestry & Protected Areas Program	$8,029,000
10	LRA & Swedish Tax Partnership	2,600,000
	Grand Total	**254,323,709.63**

Source: Swedish Embassy



Gambar 2. List of some major Swedish funded Project pending closure in August 2026
Source: Table 2

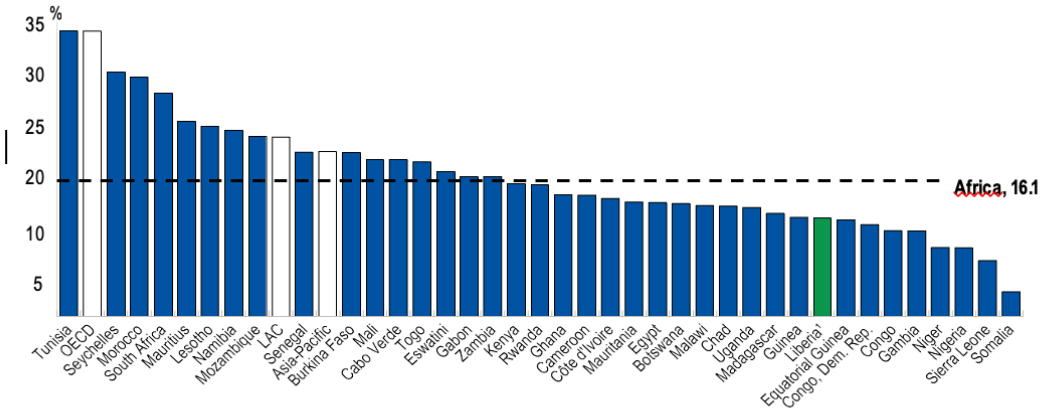
While the Liberia Revenue Authority continues to strive toward ameliorating its revenue/tax collection performance including the impending operationalization of value-added tax which is projected to increase domestic revenue, especially with the annual budget target of U.S. $1.2 billion, it is important to note that Liberia's tax administration is confronted with huge challenges that pose risks to revenue expansion (LRA-FY2025-Q1 Performance Report).

The challenges are as follows:

Low Compliance and Informality- A significant portion of the economy remains informal, making it difficult to broaden the tax base. Taxpayer compliance remains low, often due to resistance among small business owners. High Tax Exemptions (Tax Expenditures): Studies indicate that substantial revenue is foregone through tax exemptions, with reports showing significant amounts in Goods and Services Tax (GST) expenditures relative to collections. Administrative and Enforcement Gaps: Weak legal and regulatory systems, along with high fixed costs in enforcement (e.g., property tax administration), hinder efficiency.

Structural Economic Vulnerability: Over-reliance on raw commodity exports (iron ore, rubber) makes revenue sensitive to global price fluctuations. Operational Limitations: While digital reforms are ongoing, earlier challenges included inadequate training and technological capacity in remote areas. Evidence suggests that Liberia does not have a strong tax capacity given its low Tax-GDP- Ratio. From the Organization for Economic Cooperation and Development (OECD) 2023 Revenue Statistics Report on Africa published in 2025, Liberia's tax-to-GDP ratio dwindled by 0.9% percentage points from 12.5% in 2022 to 11.7% in 2023.

Comparatively, Liberia's tax-to-GDP ratio fell by 4.4% below the 16.1% average of the thirty-eight (38) African Countries reflected in the OECD's 2023 Revenue Statistics Report on Africa. By implication, Liberia's lower tax-GDP-ratio reflects enormous revenue mobilization challenges that culminate in limited fiscal space for public spending on key national priorities, propelled by a huge informal economic sector, un-necessary tax exemptions, and low administrative capacity (OECD).



Gambar 3. OECD 2023 Revenue Statistics for 38 African countries
Source: OECD 2023 Revenue Statistics for 38 African countries

This paper uncovers that Tunisia, Seychelles, Morocco, South Africa, Mauritius and Senegal rank at the top of African countries that have recorded notable successes in their expansion of their domestic revenues through the application of effective domestic resource mobilization. These countries are noted for having high tax-to-GDP ratios above the 16.1% average set by OECD for 38 African countries. Intriguingly, this paper found that Liberia's prospects for addressing its fiscal gap created by the shrinkage in donor aid significantly lie in the mining sector, biodiversity/ecotourism sector, modernization of tax administration, reduction in tax exemptions, increased budgetary allocation to the LRA, specialized capacity building/training for auditors and streamlining and transparentizing public expenditure as part of fiscal probity.

Discussion of Results

Preponderance of evidence suggests that Tunisia, Seychelles, Morocco, South Africa, Mauritius and Senegal have made tremendous progress in enhancing their domestic revenues through effective domestic resource mobilization. These present great lessons that Liberia can adopt in its tax jurisdiction for its revenue expansion to drive economic growth and sustainable development with the decline in donor aid to Liberia. Additionally, the paper found that Liberia has prospects and opportunities such as the mineral sector, biodiversity/ecotourism, increased budgetary allocation, economic diversification, informal sector regulation, digital technology and tax compliance audit training which can be leveraged to enhance its domestic resource mobilization efforts.

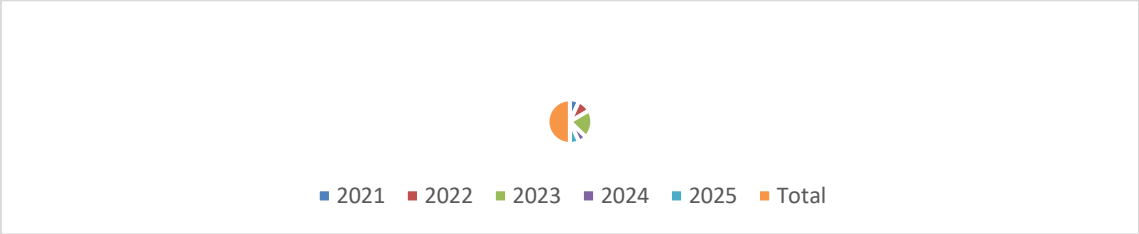
Tunisia

Tunisia's domestic resource mobilization (DRM) success, particularly in the pre-2010 era, was built on high tax-to-GDP ratios, with tax revenue making up roughly 87% of the state's ordinary resources. The reforms undertaken were directed at modernizing the tax system and improving revenue administration which eventually minimized foreign aid dependency. Strategically, the notable tax reform interventions included strong tax performance, fiscal efficiency, and diversification of tax base with focus on improving tax capacity and diversification of the economy through the inclusion of tourism, transport, and phosphate production into its tax base (OECD). Total revenue generated from domestic resource mobilization amounted to USD111,506,000,000 between 2021-2025.

Table 3. Showing revenue generated from domestic resource mobilization from 2021-2025

2021	2022	2023	2024	2025	Total
15,000,000,000	22,000,000,000	46,000,000,000	13,406,000,000	15,100,000,000	**111,506,000,000**

Source: General Directorate of Taxes



Gambar 4. Showing revenue generated from domestic resource mobilization from 2021-2025

Source: Table 3

Seychelles

Seychelle ranks as one of the countries on the African Continent that has recorded substantial success in domestic resource mobilization (DRM). In 2008, unsustainable debt management plunged the country into significant macroeconomic instability. Public debt escalated up to $406M which accounted for over 150% of its GDP, while external debt constituted 95% of the GDP. The severity of the debt crisis led to a default on payment.

In an endeavor to mitigate the crippling effects of its debt crisis, and spur economic transformation, market-driven policies were shifted to and blue economy adopted with domestic resource mobilization being the key driver. In addition to the tightening of its monetary policy and other reforms led by the IMF, the specific reforms measures implemented under its domestic resource mobilization included the following:

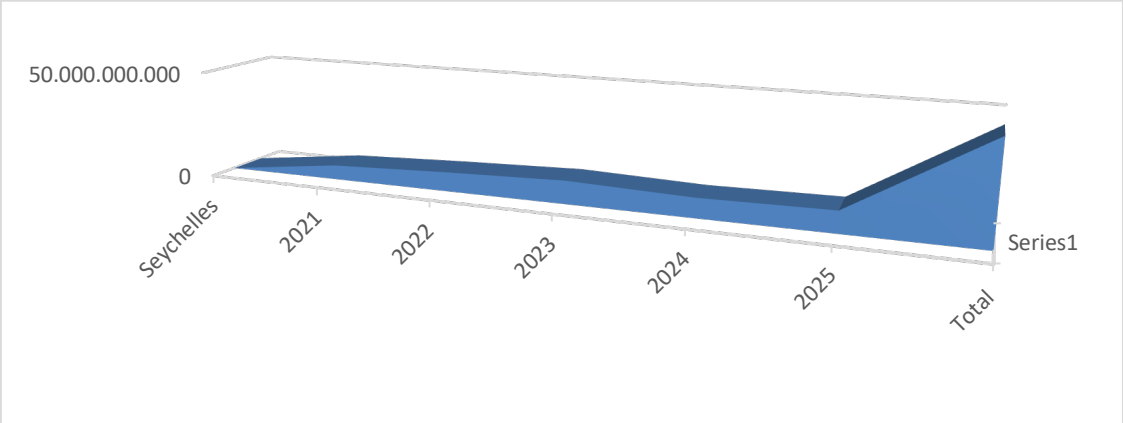
1. Adoption of The Blue Economy & Sectoral Strategy: a Small Island Development States (SIDS) model of domestic resource mobilization was leveraged to exploit ocean-based tourism and sustainable fishing.
2. Institutionalization of transparency and fiscal governance: with the realization that domestic resource mobilization alone is not adequate to ensuring increased revenue generation, transparent revenue management measures were operationalized to build investor trust and secure long-term investment.
3. Removal of exemptions and broadening of tax base: to maximize its domestic revenue size, deliberate tax policy reforms such as removal of exemptions and the expansion of tax base were carried out.
4. Digitalization of tax systems and processes: revenue leakages and other loopholes pose significant threats to domestic resource mobilization efforts and creates reputational risk which reduce tax morale and promotes non-compliance. Addressing these risks is critical to achieving the objectives of domestic resource mobilization. In this context, digitalization was rolled out across the tax landscape to keep these risks at bare minimum.

Predicated upon its effective domestic resource mobilization strategies, between 20221-2025, Seychelles generated USD 45,170,000,000.

Table 4. Showing revenues generated from domestic resource mobilization by Seychelles from 2021-2025

2021	2022	2023	2024	2025	Total
6,720,000,000	8,930,000,000	10,700,000,000	9,020,000,000	9,800,000,000	**45,170,000,000**

Source: Seychelles Revenue Commission's Reports



Gambar 5. Showing revenue generated from domestic resource mobilization from 2021-2025

Source: Table 3

Morocco

Domestic resource mobilization remains a key driver of Morocco's economic transformation. Evidently, between 2013 to 2023, the country's tax-to-GDP ratio grew significantly above the African average of 16.1%. As a manifestation of the impact its domestic resource mobilization interventions, tax revenues dilated from $19.5 billion in 2020 to $29.5 billion in 2024, which depicts a 50% increase.

The below domestic resource mobilization strategies were implemented which contributed to the success story of Morocco:

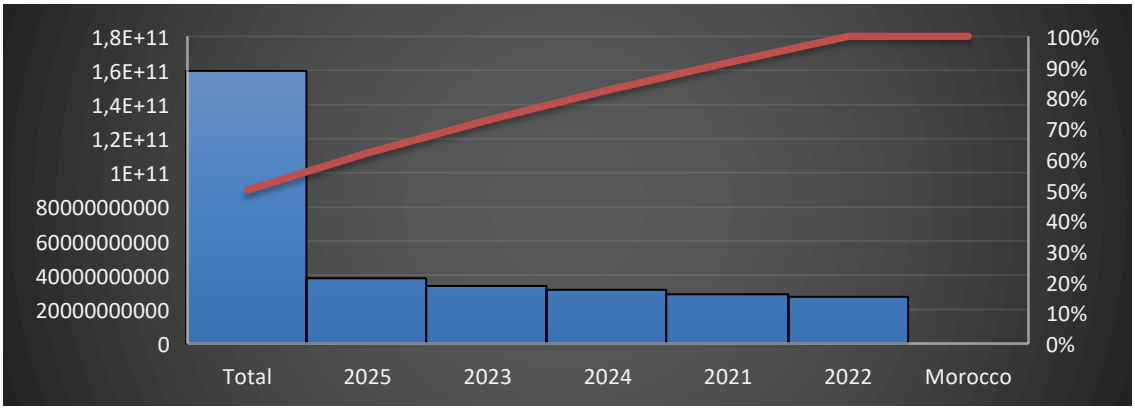
1. Tax Administration Reform: Modernization efforts were directed at the digitalization of the tax compliance programs and the strengthening of audit programs. These combined initiatives drastically mitigated tax evasion and expanded revenue collection through the incorporation of informal business operators into the tax net.
2. Expanding the Tax Base: structural reforms were implemented and targeted at independent professionals and non-salaried income. The coverage of layers of taxpayers expanded the country's the tax base.
3. Tax Amnesty Efficiency: with tax audits being very effective generating sustainable revenue by minimizing revenue leakages stemming from shielded or undisclosed and unreported revenues, Morocco took intention land practical steps in drifting away from tax amnesties and moved toward more permanent structural tax reforms (Journal of Tax Reform. 2024. Vol. 10. №3. Pp. 628-642).
4. Fiscal Decentralization and Equity: as part of its effort to ensure fairness and equitable distribution of tax burdens across the country, tax programs were spread across all regions and sectors with strategic focus on regions with high value addition activities with the intention to boost long-term economic growth.

As an offshoot of its domestic resource mobilization endeavor, a total of USD159,700,000,000 was generated between 2021-2025.

Table 5. Showing the total revenue generated by Morocco from domestic resource mobilization between 2021-2025 recorded in billion.

2021	2022	2023	2024	2025	Total
28,700,000,000	27,200,000,000	33,900,000,000	31,600,000,000	38,300,000,000	**159,700,000,000**

Source: General Directorate of Taxes



Gambar 6. Showing the total revenue generated by Morocco from domestic resource mobilization between 2021-2025 recorded in billion
Source: Table 5

South Africa

Despite its dark history of apartheid, South Africa remains a resilient nation that continues to exert its economic power on the African Continent and globally. For many decades, the country has been a key member of G20. Interestingly, South Africa remains on the path of higher tax-to-GDP ratio above the 16.1% average for 38 African countries which demonstrates its efficiency in domestic resource mobilization.

For fiscal year 2025/2026, the country's tax-GDP-ratio is projected to be 25.9%. For fiscal year 2024/2025, its tax-to-GDP ratio stood at 25.1%, and for fiscal year 2023, it recorded a tax-to-GDP ratio of 26.5% with a 1.4% decrease. Particularly, the South Africa instituted the below measures in line with its domestic resource mobilization:

1. Smart Modernization and AI Implementation: dating from 2024, artificial intelligence (AI) and machine learning (ML) were introduced in risk profiling by the South African Revenue Service. To ensure appropriate revenue assessment and reduce tax revenue fraud, cross-reference third-party data from banks, employers, and crypto-asset providers were used.
2. Voluntary Compliance and Digital Transformation: in order to significantly boost public trust in its revenue service and to ease the burden of tax compliance, auto-assessments were introduced through digitalization which has a coverage of virtually 4 million taxpayers.
3. Increased Focus on High-Net-Worth Individuals and Illicit Flows: to seal revenue leakages efforts were directed at combating criminal syndicates and tax evasion in sectors with high revenue which include tobacco, alcohol, and fuel. These efforts culminated in the generation of yielding over R30 billion in 2024/2025.

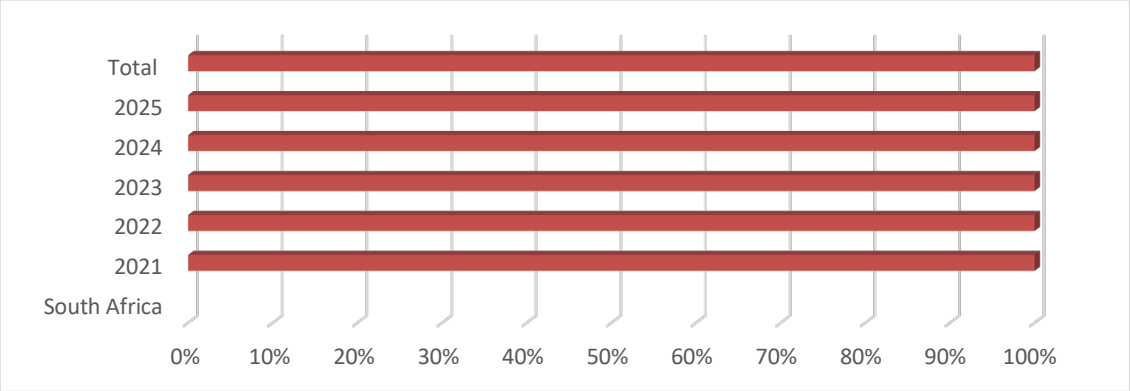
As an offshoot of its domestic resource mobilization measures, a gross revenue of USD 502,000,000,000 was collected from 2021-2025, with compliance being the

major driver rather than increment in tax rates. Measures audits, debt collections and risk profiling through the implementation of rigorous compliance programs (South Africa Revenue Service).

Table 6. Showing the total revenue generated by South Africa from domestic resource mobilization between 2021-2025 recorded in billion (USD).

2021	2022	2023	2024	2025	Total
100,000,000,000	94,000,000,000	96,000,000,000	102,000,000,000	110,000,000,000	**502,000,000,000**

Source: South Africa Revenue Service



Gambar 7. Revenue generated by sout africa from domestik resource mobilization between 2021-2025

Source: South African Revenue Services

Senegal

Within the West African region, Senegal ranks amongst the few countries with success stories around domestic resource mobilization. Research shows that the country's tax-to-GDP ratio is being improved as a result of tax reforms, digital transformation, and better management of natural resources under the Emerging Senegal Plan (Niang & Mbaye, 2020).

Notable achievements from its domestic resource mobilization encompass the following:

1. Institutional reform: project such as the African Development Bank's PAIMRAI and other initiatives were undertaken to enhance its tax administration with the goal of widening the tax base and engendering an enabling environment to attract investment.
2. Digitalization and Tax Enforcement: deliberate investment was made in digitalizing the tax systems and processes thereby streamlining revenue collection and combating international tax avoidance. This intervention ameliorated the operationalization of Value Added Tax (VAT) collection and by focusing on the informal sector.

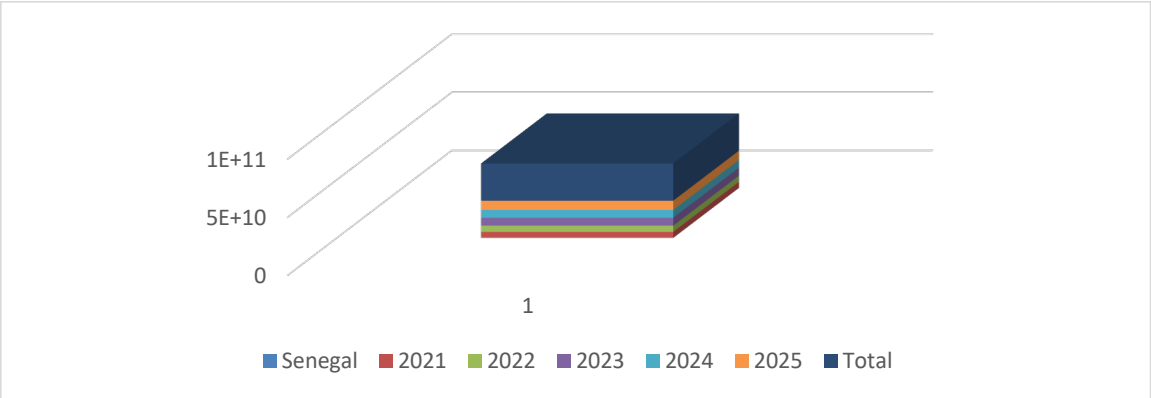
3. Extractive Sector Transparency: with the persistent global shocks that often affect petroleum products, effective management of its natural resources became a centrality to its domestic resource mobilization to ensure sustainability.
4. Regional Collaboration: to address the tax complexities of international trade including transfer pricing which presents opportunities to foreign investors for revenue leakages if not well managed, the country collaborated with OECD and trained more than 350 professionals in international tax standards *(ibid*).

Senegal being of the few West African countries with a good tax-to-GDP ratio, recorded USD31,990,000,000 between the period 2021-2025.

Table 7. showing the total revenue generated by Senegal from domestic resource mobilization between 2021-2025 recorded in billion.

2021	2022	2023	2024	2025	Total
5,150,000,000	5,400,000,000	6,800,000,000	6,700,000,000	7,940,000,000	**31,990,000,000**

Source: Senegal Revenue Authority



Gambar 8. Revenue generated by senegal from domestik resource mobilization between 2021-2025

Source: Senegal Revenue Authority

Prospects and opportunities that Liberia can leverage internally to enhance its domestic resource mobilization drive to address fiscal gap due to the plummeting of donor aid

Liberia's donor financial landscape has been rapidly drifting away from emergency crises to sustainable development. In 2018, Liberia witnessed a plummeting in external grants from 14% of Liberia's GDP to 6% in 2023 (Cakouros et al., 2024). To a large extent, this has partly been catalyzed by unlawful central bank budget financing, weak budget execution control, and lapses in governance have eroded confidence, reducing international community willingness to provide direct financial assistance.

These dynamics have been compounded by the closure of USAID Liberia Mission and its programmes as well as the pending closure of the Swedish Embassy in near Monrovia and its development programmes. These realities call for Liberia to assume full ownership of its sustainable development financing needs including the ARREST Agenda for Inclusive Development (AAID).

To achieve this, Liberia must harness its domestic resource mobilization in a more sustainable way. In this light, the Government of Liberia through the Liberia Revenue Authority (LRA) can leverage on the country's vast mining sector, rich biodiversity/ecosystems, promote economic diversification through agricultural value chains, regulate the informal sector, enhance digital technology and finance specialized tax compliance training/capacity building programs to seal revenue leakages.

Mineral Sector

Liberia remains a global hub to many natural resources, especially iron ore, gold, diamond, bauxite and other precious minerals which are major drivers of global economic growth and sustainable development (AfDB Country Focus Report, IMF Country Report, USAID Forestry Assessment, UN Desk Study on Environment in Liberia). With the great potential the mining sector has to drive Liberia's domestic resource mobilization, it largely remains unregulated, thus facilitating illegal mining that is contributing to substantial revenue loss.

To addressing this requires robust engagement with and sustained collaboration of the LRA with the Ministry of Mines & Energy to improve governance around mining operations including licensing of miners, prospecting, data collection, training of specialized mineral engineers, geologists, market research, adequate training of auditors in transfer pricing, scientific analysis, proper pricing of minerals, taxation of minerals, and the enhancement of internal controls over mineral revenue collection, enforcement and reporting (Zallé, 2022).

Biodiversity/Ecotouris

Liberia is replete with rich biodiversity evidenced by its occupation of 43% of the Upper Guinean Forest which makes Liberia a global biodiversity hotspot (FAO, Liberia National Biodiversity Strategic Action Plan). The conservation and protection of Liberia's biodiversity which is under huge threats due to economic pressure and livelihoods support will engender the enabling environment for massive domestic revenue mobilization.

This can be achieved through the adoption or institutionalization as well as the implementation of fiscal policy reforms geared towards the elimination of nature-harmful subsidies and incentives and the promotion of nature-positive subsidies and incentives to drive tax revenue growth.

These measures would inevitably contribute to tax revenue growth from biodiversity credits, biodiversity offsets, ecological fiscal transfers, payments for

ecosystem services (PES), green bonds and loans, carbon credits, debt-for-nature swaps, eco-labels and sustainable commodities, biodiversity-relevant taxes, park and conservation fees, and concession and tourism royalties (Busch et al., 2021).

Intentional increased budgetary allocation to the Liberia Revenue Authority

Effective revenue or tax administration greatly hinges on adequate resource allocation to drive the strategic, corporate, operational and risk management goals of a revenue authority. Evidence from 2014-2026 national budgets depict that the Liberia Revenue Authority has been underfunded. This continues to inhibit the capacity of the institution to expand its revenue or tax base by opening new tax offices, hiring, deploying adequate human resources and the needed logistics to sustainably maintain the effectiveness of revenue administration systems and operations across the country.

Empowering the Liberia Revenue Authority (LRA) inevitably calls for deliberate sufficient budgetary allocation through the annual national budgeting process. As a tax administration and revenue collection and enforcement institution, it is prudent to grant budgetary autonomy to the LRA to remove bureaucratic bottlenecks in accessing and disbursing its funds to execute its statutory mandate. Notably, staff compensation and benefits reforms and improvement at the LRA will substantially boost employee morale and correlationally boost revenue performance to enable Central Government to meet its national development priorities.

Economic Diversification-Agricultural Value Chains

Traditionally, iron ore, gold, diamond and rubber have long been the key drivers of the Liberian economy for newly two centuries now. Similarly, Liberia's tax domestic system has been substantially based on these traditional exports. Evidently, ArcelorMittal and Firestone Liberia have competitively been among the top or largest taxpayers in Liberia evidenced by their recognition and certification by the Liberia Revenue Authority. With these traditional exports being vulnerable to intermittent global shocks and price volatility which adversely affect taxation, it is important to diversify the Liberian economy by shifting to the country's rich agricultural value chains.

By comparative advantage, Liberia's strength lies in agriculture and its rich value chains. This sector has a great potential to unlock revenue as Liberia strives with its domestic resource mobilization effort. By harnessing the country's agricultural value chains through value addition, these can create viable sources for productive activities, job creation along the lines of production, harvesting, storage, packaging, marketing, distribution and sales. Eventually, these value chains would engender new sustainable avenues for revenue growth through taxation along these value chains.

Taxation of the Informal Economic Sector in Liberia

The Liberian economy is largely informal. This greatly contributes to tax revenue loss since bulk of the informal business activities are outside of the tax bracket. Bringing such informal sector into the tax bracket is challenging evidenced by global literature on the taxing of the informal economy. Taxing the informal economy remains a subject of ongoing debates within the body of literature on taxation (Bachas et al., 2024). Those favoring the taxation of the informal economy contend that it serves as a catalyst in sustaining tax morale and tax compliance among larger businesses (Schneider, 2011).

Along this same line, others argue that it contributes to GDP growth in some countries and potentially serve as tax revenue for cash-strapped governments (Schneider, 2011). On the other side of the coin, critics contend that probable revenue yields are low, administrative costs are high, tax incidence tends to be regressive, and tax enforcement risks exposing vulnerable firms to harassment (Keen, 2012).

Research has proven the taxing the informal sector is challenged by high compliance costs for small taxpayers and high costs of collection for tax administrations (Loeprick, 2009). To address these challenges, it advisable for the LRA to apply presumptive tax to the informal businesses, register those businesses and provide tax education and basic financial management & training keeping training for these businesses. Also, LRA should ensure that cash basis accounting system is adopted for these businesses which is quite simple than accrual accounting.

Fully Apply Digital Technology to Liberia's Tax Administration System

The digitization of Liberia's tax system is imperative to ensure the system is aligned with technological advancement (Okunogbe & Santoro, 2023). This is pivotal for promoting the ease of doing business, reducing business processing time, simplifying tax administration, reducing transactional cost, safeguarding tax revenues from fraud, and promoting the accessibility tax services aimed at boosting overall tax compliance (Mascagni et al., 2021; Okunogbe & Pouliquen, 2022).

Invest in and Sustain Specialized Tax Audit Capacity Building Programs for Auditors

Obviously, while the rational for adopting a voluntary declaratory tax regime in Liberia is generally good to lessen tax burdens and promote voluntary tax compliance, however, this opportunity has been abused by unwilling and corrupt taxpayers to seal and underreport legitimate revenues which ultimately culminate in revenue leakage. This unwholesome practice continues to undermine revenue performance in Liberia.

Evidence from LRA annual reports point to tax compliance audits being instrumental in raising domestic revenues through objective and comprehensive assessments of unreported and underreported tax revenues from businesses and

concession companies across the small, medium and large taxpayers' spectra of Liberia. With tax compliance audit programs being proven as a viable means of generating huge tax revenues, it is prudent to invest more resources in specialized tax compliance audit capacity building programs for auditors to cover key sectors such as insurance, banking, fintech/mobile money services, hotel management, natural resources management for transfer pricing, energy, oil & gas, telecommunication, biodiversity/ecotourism, construction management and etc.

Taken together, the cross-country evidence indicates that stronger DRM performance is associated not with a single intervention but with a combination of tax-administration modernization, digitalization, broader tax bases, stronger compliance and audit systems, improved fiscal governance, economic diversification, and effective natural-resource management. The experiences of Tunisia, Seychelles, Morocco, South Africa, and Senegal also show that these strategies are context-dependent: blue-economy measures are particularly relevant to Seychelles, while AI-supported risk profiling is prominent in South Africa and regional cooperation is important in Senegal. For Liberia, transferability therefore requires adaptation to its low tax-to-GDP ratio, large informal sector, tax exemptions, administrative capacity constraints, and dependence on commodity revenues.

This synthesis supports the study's conceptual emphasis on tax capacity and state capacity: DRM reforms are more likely to contribute to sustainable development when revenue expansion is accompanied by institutional capacity, transparency, and fiscal probity (Adeosun et al., 2023). The comparative evidence should consequently be interpreted as policy lessons for adaptation rather than as interventions that can be replicated mechanically.

CONCLUSION

The study concludes that Liberia must strengthen domestic resource mobilization to reduce dependence on foreign aid and finance its sustainable development priorities. Effective DRM strategies from Tunisia, Seychelles, Morocco, South Africa, and Senegal provide lessons for Liberia, particularly tax administration modernization and digitalization, economic diversification, broadening the tax base, transparency and fiscal governance, natural resource management, and effective tax compliance audits. Internally, the Government of Liberia through the LRA should explore the mining sector, biodiversity and ecotourism, agricultural value chains, and the informal economic sector.

Liberia should also reduce unnecessary tax waivers, strengthen specialized tax compliance audit programs, increase annual budgetary allocation to the LRA, and grant budgetary autonomy. These measures can strengthen Liberia's domestic resource mobilization capacity, improve revenue collection, bridge the fiscal gap

caused by declining donor aid, and support the ARREST Agenda for Inclusive Development.

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CONFLICT OF INTEREST

The author declares that there is no conflict of interest regarding the research, authorship, and publication of this article.

AUTHOR CONTRIBUTION

Andy Saye Gbatu was solely responsible for the conceptualization of the study, research design, methodology, data collection (including the review of secondary sources and interviews with tax experts and practitioners in Liberia), data analysis and interpretation, writing of the original draft, and review and editing of the final manuscript. The author has read and approved the final version of the manuscript.

GENERATIVE ARTIFICIAL INTELLIGENCE USAGE STATEMENT

During the preparation of this manuscript, the author used AI to improve language and readability. After using this tool, the author reviewed and edited the content as needed and takes full responsibility for the content of the publication.

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