



SIERRA LEONE

February 2026

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; STAFF STATEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR SIERRA LEONE

In the context of the First and Second Reviews Under the Extended Credit Facility Arrangement, Request for Waivers of Nonobservance of Performance Criteria-Press Release; and Statement by the Executive Director for Sierra Leone, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 16, 2025, following discussions that ended on October 10, 2025, with the officials of Sierra Leone on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on December 1, 2025.
- A **Debt Sustainability Analysis** prepared by the staffs of the International Monetary Fund and the International Development Association.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director** for Sierra Leone.

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IMF Executive Board Completes the First and Second Reviews of Sierra Leone's Arrangement Under the Extended Credit Facility

FOR IMMEDIATE RELEASE

- The IMF Executive Board today completed the first and second reviews of Sierra Leone's arrangement under the Extended Credit Facility. The decision allows for an immediate disbursement of about US\$79.8 million.
- The first review was delayed following program slippages last year. These included fiscal overruns—financed in part by central bank purchases of government securities—reserve depletion, and reform delays, but performance has since improved.
- Plans to strengthen the fiscal effort, reinforce debt management, and protect the most vulnerable will be key to the success of the program. Program policies will also support macroeconomic and financial stability, help rebuild reserves, and reinforce governance.

Washington, DC – December 16, 2025: The Executive Board of the International Monetary Fund (IMF) today completed the first and second reviews of Sierra Leone's arrangement under the [Extended Credit Facility](#) (ECF). The completion of the reviews enables the immediate disbursement of SDR 58.3 million (about US\$79.8 million), bringing total disbursements under the ECF arrangement to SDR 93.3 million (about US\$127.8 million).

The ECF arrangement was approved by the IMF Board on October 31, 2024, to maintain debt sustainability, address fiscal dominance, reduce inflation, rebuild reserves, support growth, and strengthen governance, institutions, and the rule of law (see [Press Release No. 24/432](#)). The first review was delayed amid spending overruns in 2024—financed in part by central bank purchases of government securities—as well as reserve depletion, and reform delays. However, program performance has since improved.

In completing the first and second reviews, the Executive Board approved waivers of non-observance of the end-December 2024 performance criteria pertaining to net credit to government, net domestic assets, and net international reserves, and the end-June 2025 performance criterion on net international reserves, all based on corrective actions carried out by the authorities.

Sierra Leone's economic outlook remains stable, with growth projected to reach 4.4 percent in 2025, supported by the mining and agriculture sectors. Inflation declined to 4.4 percent in October 2025 amid the ambitious macroeconomic policy tightening and a stable leone and is projected to remain in single digits over the medium term. However, reserves dropped to 1.5 months of imports as of end-September, and debt remains at high risk of distress. The

outlook faces considerable risks, including from potential reform fatigue due to the sizable magnitude of the required fiscal adjustment.

At the conclusion of the Executive Board's discussion, Mr. Bo Li, Acting Chair and Deputy Managing Director, made the following statement:

"The authorities have brought the ECF back on track following program slippages in 2024, and the economy is reacting favorably. Inflation declined to 4.4 percent by October 2025, the leone remains stable, growth is near potential, and the cost of borrowing has dropped to sustainable levels. However, debt remains at high risk of distress and reserves have fallen to 1.5 months of imports in September.

"The authorities' plans to tighten fiscal policy more than previously anticipated given the previous fiscal slippages is imperative. Steadfast implementation of recent revenue measures will be key, alongside improvements in tax compliance and administration. Public financial management reforms will help avoid fiscal overruns and support expenditure restraint, but social spending needs to be protected.

"Maintaining debt sustainability will require adhering to the ambitious fiscal adjustment path, supported by robust improvements in debt management practices. Efforts should be intensified to secure grants and concessional financing, lengthen debt maturities, broaden the investor base, build buffers, and ensure that debt securities are issued at sustainable rates.

"Monetary policy can continue transitioning to a neutral stance given low inflation and continued fiscal consolidation. Efforts to enhance central bank safeguards and the monetary policy framework should continue. Rebuilding reserves is an urgent priority, and the authorities should continue to allow the exchange rate to adjust flexibly to shocks. FX spending by the government needs to be curtailed.

"Ongoing efforts to strengthen financial sector oversight, regulation, and safety nets will improve financial stability. Meanwhile, the authorities should continue to proactively address solvency issues in the banking system.

"Progress with structural reforms will underpin Sierra Leone's growth potential. The publication of the Governance and Corruption Diagnostic report is welcome. The authorities should now focus on its steadfast implementation to enhance governance and address corruption vulnerabilities."

Sierra Leone: Selected Economic Indicators

| | 2024 | 2025 | 2026 |
|--|-------------|-------------|-------------|
| | Prel. | Proj. | Proj. |
| Output (annual percentage change) | | | |
| Real GDP growth | 4.3 | 4.4 | 4.5 |
| Real GDP growth, excl. iron ore | 3.7 | 4.3 | 4.4 |
| Prices (annual percentage change) | | | |
| Inflation, end of period (%) | 13.8 | 7.0 | 9.0 |
| Central Government Finances (percent of non-iron ore GDP) | | | |
| Revenue, excl. grants | 10.1 | 10.8 | 11.8 |
| Grants | 3.4 | 1.9 | 2.0 |
| Expenditure and net lending | 19.1 | 18.1 | 16.2 |
| Overall balance | -5.6 | -5.4 | -2.3 |
| Public debt | 50.8 | 49.3 | 47.3 |
| Money and credit (annual percentage change) | | | |
| Broad money | 18.0 | 14.5 | 13.6 |
| Credit to the private sector | 41.2 | 31.2 | 21.0 |
| Balance of payments(percent of non-iron ore GDP) | | | |
| Current account | -7.5 | -5.1 | -3.1 |
| Gross reserves (months of imports) | 2.1 | 2.0 | 2.5 |
| External debt | 31.0 | 28.4 | 27.1 |

Sources: Central Bank, Ministry of Finance, Statistics Sierra Leone, and Fund staff estimates and projections



SIERRA LEONE

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA

December 1, 2025

EXECUTIVE SUMMARY

Context. The first review of the ECF was delayed amid program slippages last year. The authorities exceeded the 2024 budget deficit by a sizable margin, and the BSL helped finance the overruns. At the same time, higher-than-expected government spending on imports and energy subsidies substantially depleted the BSL's foreign exchange reserves. The authorities have since tightened policies, contributing to a sustained decline in inflation and a welcome fall in borrowing costs. However, pressures on reserves remain unabated.

Program performance.

- **QPCs.** The authorities missed the end-December 2024 QPCs on Net Credit to Government (NCG), Net Domestic Assets (NDA), and Net International Reserves (NIR), as well as the end-June 2025 NIR.
- **SBs.** The authorities did not meet the continuous SB to set fuel prices in line with the pricing formula. They met 4 of the 10 remaining SBs, completed 1 more with a delay, and will complete 3 more through Prior Actions. The SB to recapitalize the BSL is reset to March 2026, while the SB to reform the oversight and accountability frameworks of the new mining sector entities is replaced with a March 2026 SB informed by the Governance and Corruption Diagnostic (GCD).
- **PAs.** The authorities plan to implement 4 prior actions: (i) submit to Parliament a 2026 Finance Bill with 1.5 percent of GDP in tax measures; (ii) submit to Parliament a 2026 budget that is consistent with program projections and includes an annex detailing which capital projects are to be financed by the capital budget, and publish a report confirming that contracts not covered are canceled or delayed; (iii) initiate resolution proceedings for banks meeting the criteria prescribed in Section 69 of the Banking Act 2019 as of end-December 2023; and (iv) publish the GCD on the MoF website.

Program Issues. The authorities request waivers of non-observance for the end-December 2024 QPCs on NCG, NDA and NIR and the end-June 2025 QPC on NIR. Corrective actions include (i) addressing the end-December NCG slippage through tax measures to gradually offset the slippage, and PFM measures to address its root cause; (ii) addressing the

end-December NDA slippage by bringing the NDA stock back to its programmed path; and (iii) addressing the end-December/end-June NIR slippages by accumulating US\$71 million in reserves through FX purchases and a domestic FX bond issuance. Staff also proposes to amend the definition of the NIR for ease of calculation and monitoring (TMU¶11-13), and the definition of the NCG to clarify the treatment of recapitalizations of financial institutions (TMU¶6) moving forward.

Policy Discussions. The combined first and second ECF review discussions focused on policies to (i) strengthen the fiscal effort, and improve debt management to keep debt on a sustainable path; (ii) transition monetary policy toward a neutral stance while advancing reforms to the monetary policy framework, enhancing safeguards, and rebuilding reserves; (iii) bolster the financial safety net; and (iv) implement the recommendations of the GCD.

Risks to the program. Reform fatigue could set in given the ambitious adjustment. Food insecurity and governance challenges could fuel social tensions. An adverse shift in the cost of borrowing could push up debt service needs to unsustainable levels. Global trade uncertainty, tighter financial conditions, and the sovereign-bank nexus pose risks.

Approved By
Papa N’Diaye (AFR)
and Jarkko Turunen
(SPR)

Discussions were held during October 2-10, 2025, in Freetown, Sierra Leone. The staff team comprised Mr. Saborowski (Head), Mr. Abdychiev, Mr. Nicholls, Ms. Tan (all AFR), Ms. Kazandjian, Mr. Reinders (all SPR), Mr. Pierri (FAD), Mr. Mugisa (MCM), Mr. Mitchell (Resident Representative), and Mr. Kargbo (Economist, Freetown Office). Ms. Minnett (FAD) and Ms Seneviratne (MCM) participated virtually. The mission met with Finance Minister Bangura, Governor Stevens, senior government officials, members of the private sector, and development partners. Mr. Marquez Barroeta (AFR) provided research support; Mr. Magno (AFR) assisted in preparing this report.

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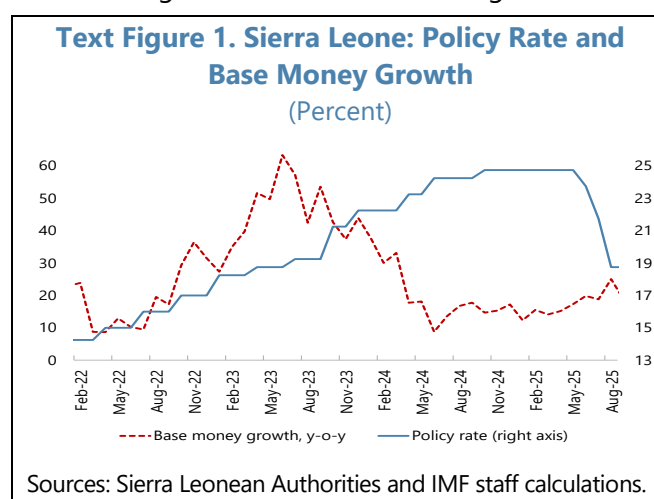
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CONTEXT

- 1. The Mpox outbreak has been brought under control.** The number of active cases declined from a June peak of over 900 to less than 50 in October 2025.
- 2. The first review of the ECF was delayed amid program slippages.** The authorities breached the 2024 budget deficit target by a sizable margin, driven largely by unbudgeted spending on roads construction. BSL's purchases of government securities in the secondary market helped finance the overruns, while higher-than-expected government spending on imports and energy subsidies led to substantial BSL reserve depletion.
- 3. The authorities are correcting the slippages, but reserve pressures remain an urgent concern.** The policy tightening this year contributed to persistent disinflation and a sharp reduction in borrowing costs, but reserves dropped to 1.5 months of imports in September.

RECENT DEVELOPMENTS, OUTLOOK AND RISKS

- 4. Fiscal policy tightened in 2024, but less than envisaged** (Text Table 1). The domestic primary deficit declined from 2.9 percent of non-iron ore GDP in 2023 to 2.7 percent in 2024. However, the adjustment fell 1.9 ppts of GDP short of program targets, largely on account of higher-than-budgeted spending on roads construction.
- 5. The authorities are on track to decisively tighten fiscal policy in 2025.** They passed a supplementary budget in July, offsetting a revenue shortfall in Q1 with spending cuts. Revenue performance has since improved and the authorities maintained tight spending restraint, resulting in a domestic primary surplus of 0.3 ppts of GDP above target in Q1-Q3 of 2025. The government remains on track to achieve its full-year domestic primary surplus target of 0.6 percent of GDP, representing a fiscal consolidation of 3.3 ppts of GDP relative to 2024.¹
- 6. The monetary policy stance has been appropriately tight** (Text Figure 1).
 - At end-2024**, base money growth exceeded its projection only slightly. While the BSL's net domestic assets (NDA) exceeded the December target,



¹ A recent audit of the domestic debt stock has revealed previously unrecorded arrears of approximately NLe1.5 billion as at end-December 2024. These are not included in the domestic debt stock. This amount, which includes fines and penalties, is being vetted against contract terms by the Attorney General's office. Once this process is concluded, the validated amount would be included in the stock of domestic arrears going forward.

the impact on monetary conditions was largely offset by a shortfall in the BSL's net foreign assets (NFA) accumulation.

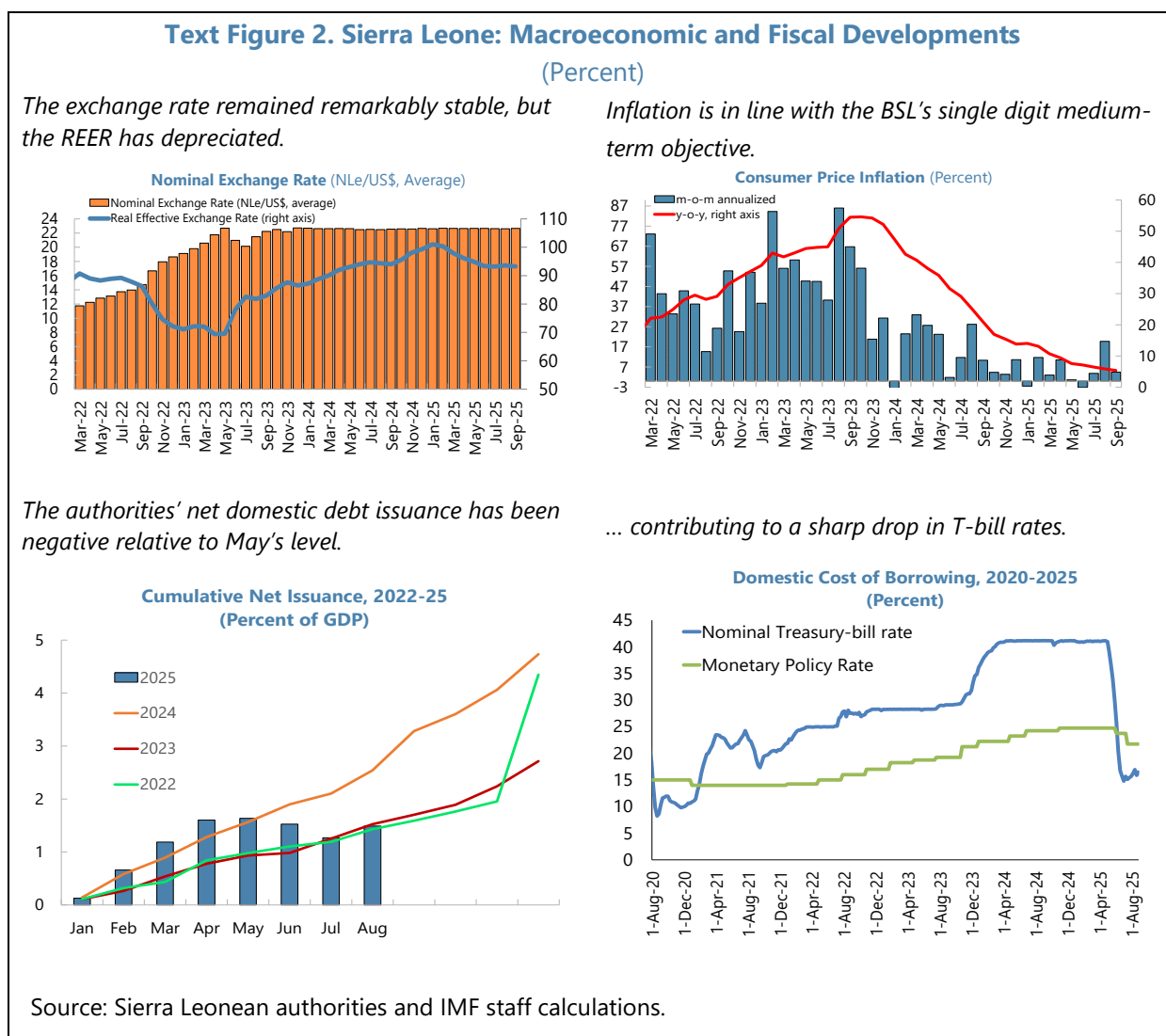
- **In 2025**, the BSL fully corrected the December NDA slippage by June. Preliminary data indicates that the end-September NDA IT was met. With inflation at the single digit objective, the BSL reduced the MPR by 6 ppts to 18.75 percent between May and September.

| | 2023 | | 2024 | | | 2025 | | Jan to Sept 2025 | | |
|---|------------|------------|------------|------------|------------|------------|------------|------------------|--|--|
| | Act. | Prog. | Prel. | Prog. | Proj. | Actual | Target | Diff | | |
| | | | | | | Prel. | | | | |
| Total revenue and grants | 11.2 | 11.1 | 13.5 | 12.2 | 12.7 | 9.8 | 9.7 | 0.1 | | |
| Revenue | 7.9 | 8.9 | 10.1 | 9.8 | 10.8 | 8.1 | 8.0 | 0.1 | | |
| Tax revenue | 6.8 | 7.5 | 8.6 | 8.5 | 9.5 | 7.0 | 6.9 | 0.1 | | |
| Personal Income Tax | 2.0 | 2.1 | 2.3 | 2.2 | 2.1 | 1.6 | 1.6 | 0.0 | | |
| Corporate Income Tax | 1.1 | 1.2 | 1.7 | 1.3 | 2.0 | 1.5 | 1.5 | 0.0 | | |
| Goods and Services Tax | 1.6 | 1.5 | 1.6 | 2.2 | 2.0 | 1.5 | 1.4 | 0.1 | | |
| Excises | 0.4 | 1.1 | 1.3 | 1.1 | 1.4 | 1.0 | 1.0 | 0.0 | | |
| Import duties | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 | 0.7 | 0.7 | 0.1 | | |
| Mining royalties and licenses | 0.5 | 0.7 | 0.7 | 0.6 | 0.8 | 0.6 | 0.7 | 0.0 | | |
| Other taxes | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | | |
| Non-tax | 1.1 | 1.4 | 1.5 | 1.3 | 1.3 | 1.1 | 1.1 | 0.0 | | |
| Grants | 3.3 | 2.2 | 3.4 | 2.5 | 1.9 | 1.7 | 1.7 | 0.0 | | |
| Expenditures and net lending | 16.5 | 14.2 | 19.1 | 16.1 | 18.1 | 12.9 | 13.1 | -0.2 | | |
| <i>Domestic primary expenditure</i> | 10.8 | 11.0 | 12.8 | 11.1 | 10.2 | 7.3 | 7.5 | -0.2 | | |
| Current expenditures | 11.3 | 11.1 | 12.6 | 11.4 | 13.4 | 9.8 | 9.8 | 0.0 | | |
| Wages and salaries | 4.2 | 3.9 | 4.4 | 3.9 | 4.3 | 3.2 | 3.3 | -0.1 | | |
| Goods and services | 2.6 | 2.2 | 2.6 | 2.0 | 2.4 | 1.9 | 1.6 | 0.2 | | |
| o/w School feeding program | 0.1 | 0.2 | 0.2 | 0.5 | 0.2 | 0.1 | 0.2 | -0.1 | | |
| Subsidies and transfers | 2.1 | 2.1 | 2.4 | 1.7 | 1.9 | 1.3 | 1.5 | -0.2 | | |
| o/w Transfers to energy IPPs | 0.7 | 0.8 | 0.8 | 0.5 | 0.5 | 0.3 | 0.4 | -0.1 | | |
| Capital Expenditure | 4.8 | 3.0 | 6.1 | 4.5 | 4.5 | 2.9 | 2.8 | 0.1 | | |
| Foreign financed | 3.2 | 1.7 | 3.1 | 2.7 | 3.0 | 2.3 | 2.3 | 0.0 | | |
| Domestic financed | 1.6 | 1.3 | 3.0 | 1.1 | 0.7 | 0.6 | 0.5 | 0.1 | | |
| Capital transfers | 0.0 | 0.0 | 0.0 | 0.8 | 0.8 | 0.0 | 0.4 | -0.4 | | |
| Net lending | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Contingent expenditure | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Arrears Paydown (cash) | 0.3 | 0.1 | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 | 0.0 | | |
| Domestic primary balance | -2.9 | -0.8 | -2.7 | 0.3 | 0.6 | 0.8 | 0.5 | 0.3 | | |
| Overall primary balance | -2.8 | -0.3 | -2.4 | 0.0 | -0.6 | 0.3 | -0.5 | 0.7 | | |
| Interest | 2.5 | 2.8 | 3.2 | 3.8 | 4.8 | 3.4 | 3.4 | 0.0 | | |
| Domestic | 2.3 | 2.7 | 3.1 | 3.7 | 4.6 | 3.2 | 3.2 | 0.0 | | |
| Foreign | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.0 | | |
| Overall balance including grants | -5.3 | -3.2 | -5.6 | -3.9 | -5.4 | -3.1 | -3.5 | 0.4 | | |
| Financing | 5.3 | 3.6 | 5.6 | 3.9 | 5.4 | 3.1 | 3.5 | -0.4 | | |
| Financing Gap | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Memorandum item: | | | | | | | | | | |
| Off-Budget grants | 2.4 | 1.9 | 2.1 | 2.2 | 2.2 | | | | | |

Sources: Sierra Leonean authorities; and Fund staff estimates and projections.

7. The BSL's reserve coverage has weakened further. As of end-September, the stock of gross reserves had fallen to 1.5 months of imports. The shortfall relative to projections was driven by higher-than-projected government FX spending on imports of goods and services and subsidies and transfers—including spending on embassies and missions, government travel, and electricity support—despite the overall fiscal tightening. To rebuild reserves, the authorities are cutting back on FX spending (**new FX spending QPC**) and plan to accumulate

US\$71 million in reserves through FX purchases and a 3-year domestic FX bond this year. Staff projects reserves to reach 2.0 months of imports by end-2025.



8. The economy remains resilient to the tighter policies, but last year's fiscal overruns kept interest rates too high for too long.

- **Growth** slowed to 4.3 percent in 2024, mainly due to subdued mining growth. It is expected to rise to its potential of 4.6 percent over the medium-term as mining production stabilizes, agricultural production expands, and the negative impulse from tighter macro policies subsides.
- **Inflation** declined to 4.4 percent in October, in line with the BSL's medium-term single-digit inflation objective. This reflects tighter policies, the stable leone (Text Figure 2, top right and left charts), and low food price inflation resulting from strong agricultural production.

- The **external position** in 2024 was moderately weaker than implied by fundamentals and desirable policies (Annex III). The current account strengthened, as a contraction in imports and strong agricultural exports more than offset disappointing mineral exports. While the leone has remained stable against the US dollar, the REER has depreciated (Text Figure 2, top left chart).²
- **Cost of borrowing.** T-bill rates remained above 40 percent until May 2025. They have since dropped—partly on the back of negative net government borrowing from the domestic market between May and August—and have remained around 15-17 percent since mid-June (Text Figure 2, bottom charts). The authorities also stepped-up T-bond issuance, though uptake has been mostly limited to public banks and NASSIT.

9. The banking system remains vulnerable to the strong sovereign-bank nexus. As of end-September 2025, the share of government securities in banks' assets had dropped slightly to 40.5 percent. Tier 1 capital declined to 34.4 percent of risk-weighted assets in recent months on the back of a drop in 364-day treasury bill rate but remains higher than at end-2024. Non-performing loans rose to 12.3 percent of total loans, due to weakening asset quality in the mining sector.

Text Table 2. Sierra Leone: Medium-Term Macroeconomic Framework, 2023-30

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| | Prel. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| (In percent of non-iron ore GDP unless otherwise indicated) | | | | | | | | |
| Output and Inflation | | | | | | | | |
| GDP at constant prices (percent change) | 5.7 | 4.3 | 4.4 | 4.5 | 4.7 | 4.6 | 4.6 | 4.6 |
| Consumer prices (end-of-period) | 52.2 | 13.8 | 7.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 |
| Public Sector | | | | | | | | |
| Revenue (excl. grants) | 7.9 | 10.1 | 10.8 | 11.8 | 12.3 | 12.2 | 12.2 | 12.2 |
| Domestic primary balance | -2.9 | -2.7 | 0.6 | 1.6 | 2.9 | 2.6 | 2.9 | 2.9 |
| Overall Balance | -5.3 | -5.6 | -5.4 | -2.3 | -0.7 | -0.8 | -1.0 | -0.7 |
| Public Sector Debt | 52.9 | 50.8 | 49.3 | 47.3 | 44.3 | 41.7 | 39.6 | 37.5 |
| External Sector | | | | | | | | |
| Current account balance (incl. grants) | -10.1 | -7.5 | -5.1 | -3.1 | -2.8 | -3.0 | -3.1 | -3.6 |
| Gross international reserves (months of next year's imports) | 2.3 | 2.1 | 2.0 | 2.5 | 2.9 | 2.9 | 2.9 | 3.1 |
| External public debt | 36.1 | 31.0 | 28.4 | 27.1 | 26.0 | 24.5 | 23.7 | 23.1 |

Source: Sierra Leonean Authorities and IMF staff calculations.

10. Downside risks to the baseline are high (Annex I). The ambitious adjustment could lead to reform fatigue. Persistent food insecurity and governance challenges could fuel social tensions. A

² Staff is not aware of official action that would explain the stability in the nominal exchange rate since end-2023: intervention has been limited to a handful of instances, and staff is not aware of any new exchange restrictions. The REER depreciated strongly in 2022 following the currency redenomination, which was more than offset by REER appreciation starting in Q2-2023 in the context of the large inflation differential and the stable nominal exchange rate. The REER has depreciated since early this year as the inflation differential shrunk, and trading partner currencies depreciated against the dollar.

sharp increase in borrowing costs could render debt service obligations unsustainable against the backdrop of a strong sovereign bank nexus. In addition, stricter trade barriers, geopolitical tensions and lower commodity prices could reduce export receipts. Extreme climate events could negatively impact agricultural production, adversely impacting food price inflation.

11. Sierra Leone’s outlook is sensitive to geopolitical uncertainty. With oil accounting for 23 percent of goods imports, a spike in prices—such as from supply disruptions related to geopolitical events—would raise import costs, worsen the ToT, and trigger FX pressures. Scenario analysis indicates that a one-standard-deviation increase in oil prices could widen the current account deficit by 0.8 ppts of GDP, reduce FX reserve coverage by 0.2 months of imports, increase the fiscal deficit by 0.3 ppts of GDP, and dampen growth by 1.6 ppts.

PROGRAM PERFORMANCE

12. Program performance was weak in 2024 and Q1-2025 but has since improved. All continuous PCs have been met since program approval. As regards other PCs, ITs and SBs:

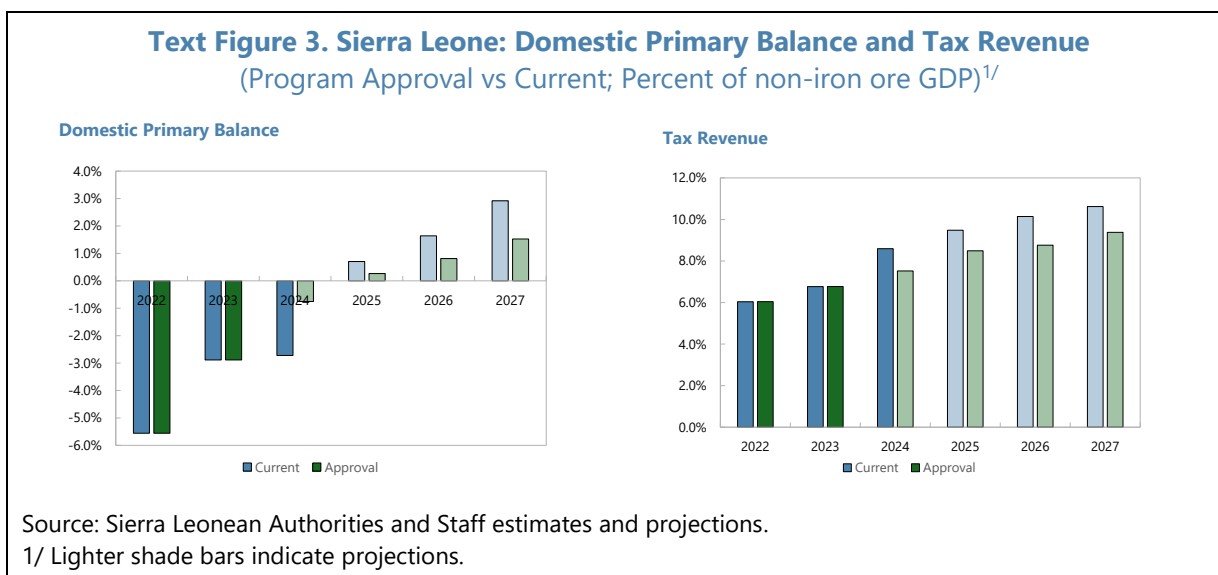
- **End-December 2024 test date for the 1st review.** The QPCs on Net Credit to Government (NCG) and Net Domestic Assets (NDA) were missed, reflecting spending overruns that the BSL partially financed through securities purchases in the secondary market. The Net International Reserves (NIR) QPC was missed due to higher-than-projected FX spending, including on goods and services and transfers to IPPs. The primary balance IT was the only IT that was missed.
- **End-March ITs.** The NIR, social spending, domestic revenue, and domestic primary balance ITs were missed.
- **End-June 2025 test date for the 2nd review.** The NIR QPC was missed amid higher-than-projected FX spending on goods and services, as well as US\$30 million in new FX swaps (in contravention of ECF commitments). The revenue and social spending ITs were missed due to the revenue shortfall early in the year and the failure to scale up the school feeding program.
- **End-September ITs.** The NIR and domestic revenue, social spending, and domestic arrear ITs were missed.
- **SBs.** The authorities did not meet the continuous SB to set fuel prices in line with the pricing formula. They met 4 out of the remaining 10 SBs, completed 1 more with a delay, and will complete 3 more through Prior Actions (Table 2). The SB to recapitalize the BSL is reset to March 2026, while the SB to reform the oversight and accountability frameworks of the new mining sector entities is replaced with a March 2026 SB informed by the Governance and Corruption Diagnostic (GCD).

POLICY DISCUSSIONS

The authorities plan to (i) increase the fiscal effort, reinforce the credibility of the adjustment path, and strengthen debt management to keep debt on a sustainable path; (ii) transition monetary policy to a neutral stance while reforming the monetary policy framework, enhancing safeguards, and rebuilding reserves; (iii) reinforce the financial safety net; and (iv) address the recommendations of the GCD.

A. Fiscal Policy

13. The authorities envisage a larger fiscal effort than planned at the time of ECF approval (Text Figure 3). They are on track to achieve a domestic primary surplus of 0.6 percent of GDP in 2025, implying a 6.3 ppt consolidation relative to 2022, of which 3.5 ppts stem from tax revenue mobilization (MEFP¶10). Looking ahead, they aim to raise the domestic primary balance by another 2.3 ppts of GDP by 2027, including 1.5 ppts of GDP from additional domestic revenues.



14. The authorities' revenue mobilization strategy is centered around new tax policy measures. They plan to incorporate into the 2026 Finance Act a set of measures expected to generate 1.5 ppts of GDP in annual revenues (Text Table 3; **Prior Action 2**; MEFP¶12). To gradually offset last year's fiscal slippage, the package is 0.5 ppts of GDP larger than expected at ECF approval (**end-November 2025 SB**).

15. Reinforcing tax compliance and administration will support revenue mobilization. Among other measures (MEFP¶14), the authorities will: (i) operationalize the iron ore safe harbor (**new end-March 2026 SB**; MEFP¶16); (ii) conduct a Revenue Administration Governance and Integrity Assessment (**new end-September 2026 SB**); (iii) complete the Customs Revenue Enhancement Project; (iv) introduce an Electronic Single Window at customs; (v) formalize an

MoF-NRA performance management contract; (vi) audit the ASYCUDA system; (vii) develop 2026 compliance improvement plans for extractive industries and large taxpayers; and (viii) uphold EIRA terms in mining agreements (**new continuous SB**; MEFP¶15).³

16. The authorities are committed to preserving fuel revenues and avoiding price subsidies. They have maintained fuel excise rates as established in the 2024 Finance Act. However, they did not update the pricing formula between March and November 2025 (**continuous SB**) and temporarily reduced the retail fuel price ceiling through the debt recovery parameter in the pricing formula. Going forward, in line with the **new continuous SB**, the authorities are committed to protecting revenues from all levies raised on fuel and to refrain from subsidizing prices (MEFP¶13).

17. The authorities plan to further consolidate expenditures while scaling up social spending (Text Table 4). They are committed to submitting to Parliament a 2026 budget consistent with program projections (**Prior Action 3**; MEFP¶11) around the following parameters (MEFP¶17):

- **Wages and salaries.** Spending is projected to fall by 0.1 ppts of GDP relative to 2025 as the authorities limit new hires and nominal wage and salary increases. Going forward, a new wage bill strategy is expected to curb payroll spending, including by establishing recruitment quotas and stricter controls over in-year requests.
- **Goods and services.** Spending will be reduced by 0.4 ppts of GDP relative to 2025 while safeguarding the **Social Spending IT** and scaling up spending on school feeding by 0.3 ppts of GDP (**new QPC on Spending on School Feeding Program**; MEFP¶17).⁴ This

Text Table 3. Sierra Leone: New Revenue Measures
(Annual, in percent of GDP)

| Measures | Revenues |
|--|--------------|
| Corporate Income Tax | |
| MTRS Actions | 0.100 |
| Restore MAT to low profitability companies | |
| Abolish investment allowance | |
| Raise CIT rate from 25 to 30 percent | 0.375 |
| Raise non-resident withholding tax rate from 10 to 20 percent | 0.106 |
| Personal Income Tax | |
| Raise resident withholding tax rate on rental income rate from 10 to 15 percent | 0.011 |
| Indirect Tax | |
| Raise Petrol and Diesel excises to Nle 4 and increase RUC by Nle 1 * | 0.518 |
| Raise excises on cigarettes from Nle 2 to 3 per package | 0.100 |
| Raise circulation levy from Nle 200 to 500 and expand it to three-wheeled vehicles | 0.005 |
| Introduce an excise on cement (NLe 10 per each 50kg bag) | 0.111 |
| Raise import duty on rice from 5 to 10 percent | 0.106 |
| Remove GST exemption on supply of water (56.2 W:P ratio) ** | 0.080 |
| Remove GST exemption on magazines (16.2 W:P ratio) | 0.005 |
| Expand circulation levy to boats and vessels *** | 0.002 |
| Total | 1.518 |

Sources: 2025 FAD TP report, staff and authorities' calculations.

* While all other fuel levies (IDF, PF) are kept at the level of March 2025, and no subsidy is provided.

** Exemptions with high ratios of consumption for wealthy versus poor households (W:P ratio) are regressive.

*** USD 1000 for large boats and industrial fishing vessels, Nle 500 for smaller motorized boats

³ The Customs Revenue Enhancement Project, supported by AFW2, includes several activities to strengthen customs, focusing on petroleum import valuation and control, customs declarations, the suspension regime, and evaluation. Applying the EIRA terms to mining agreements is expected to significantly boost revenue performance (2024 Selected Issues Paper on Mobilizing Mining Revenue in Sierra Leone). The NRA performance contract should include clear performance indicators and targets, monitoring mechanisms, and appropriate resource allocations.

⁴ The authorities would need continued support from development partners to ensure timely and effective execution of the school feeding program.

adjustment will be achieved by (i) sharply reducing FX spending (0.3 ppts of GDP; **new QPC on FX spending**; MEFP¶17) and other spending (0.4 ppts of GDP) on goods and services.

- **Subsidies and transfers.** Spending will be reduced by 0.2 ppts of GDP relative to 2025, supported by a US\$20 million cap on energy subsidies to EDSA (MEFP¶17), and stepped-up energy sector reforms (Box 1).
- **Domestically financed capital expenditure.** Spending is projected to rise to 1.4 percent of GDP. This reflects a return to the original program level of 1.2 percent of GDP (following emergency cuts in 2025), and an additional 0.2 ppts of GDP to accommodate spending on the upcoming population census. The quarterly profile in 2026 is backloaded to leave scope for contingency spending cuts in case of fiscal slippages.
- **Contingency planning will be a priority.** If needed, the authorities are prepared to (i) reprioritize spending, including further rationalizing domestically financed capital expenditure; (ii) frontload additional revenue measures, including by introducing a new PIT threshold of 35 percent; and (iii) implement short-term emergency measures, including by temporarily increasing the personal income tax (MEFP¶18).

Text Table 4. Sierra Leone: 2026 Budget and Medium-Term
(Percent of non-iron ore GDP)

| | 2022 | 2023 | 2024 | | 2025 | | 2026 | 2027 | 2028 | 2029 | 2030 |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Act. | Act. | Program | Prel. | Program | Proj. | Proj. | | | Proj. | |
| Total revenue and grants | 11.0 | 11.2 | 11.1 | 13.5 | 12.2 | 12.7 | 13.8 | 14.1 | 14.0 | 13.0 | 13.0 |
| Revenue | 7.2 | 7.9 | 10.2 | 10.1 | 9.8 | 10.8 | 11.8 | 12.3 | 12.2 | 12.2 | 12.2 |
| Tax revenue | 6.0 | 6.8 | 8.6 | 8.6 | 8.5 | 9.5 | 10.1 | 10.6 | 10.5 | 10.5 | 10.5 |
| Non-tax | 1.1 | 1.1 | 1.6 | 1.5 | 1.3 | 1.3 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| Grants | 3.6 | 3.3 | 2.2 | 3.4 | 2.5 | 1.9 | 2.0 | 1.8 | 1.8 | 0.8 | 0.8 |
| Expenditures and net lending | 17.1 | 16.5 | 14.2 | 19.1 | 16.1 | 18.1 | 16.2 | 14.8 | 14.8 | 14.0 | 13.7 |
| Current expenditures | 11.8 | 11.3 | 12.7 | 12.6 | 11.4 | 13.4 | 11.5 | 11.0 | 11.0 | 10.7 | 10.5 |
| Wages and salaries | 4.4 | 4.2 | 4.5 | 4.4 | 3.9 | 4.3 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 |
| Goods and services | 2.8 | 2.6 | 2.5 | 2.6 | 2.0 | 2.4 | 2.0 | 2.0 | 2.1 | 2.0 | 2.0 |
| o/w School feeding program | 0.1 | 0.1 | 0.2 | 0.2 | 0.5 | 0.2 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| Subsidies and transfers | 2.7 | 2.1 | 2.4 | 2.4 | 1.7 | 1.9 | 1.8 | 1.7 | 1.9 | 1.7 | 1.7 |
| o/w Transfers to energy IPPs | 0.8 | 0.7 | 0.9 | 0.8 | 0.5 | 0.5 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Capital Expenditure | 4.6 | 4.8 | 4.9 | 6.1 | 4.5 | 4.5 | 4.5 | 3.7 | 3.7 | 3.3 | 3.2 |
| Foreign financed | 2.2 | 3.2 | 3.6 | 3.1 | 2.7 | 3.0 | 2.4 | 2.4 | 2.4 | 2.0 | 1.9 |
| Domestic financed | 2.4 | 1.6 | 1.4 | 3.0 | 1.1 | 0.7 | 1.4 | 1.3 | 1.3 | 1.3 | 1.3 |
| Capital transfers | 0.0 | 0.0 | 0.0 | 0.0 | 0.7 | 0.8 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Contingent expenditure | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Arrears Paydown (cash) | 0.6 | 0.3 | 0.1 | 0.3 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Domestic primary balance | -5.6 | -2.9 | -0.9 | -2.7 | 0.3 | 0.6 | 1.6 | 2.9 | 2.6 | 2.9 | 2.9 |
| Overall primary balance | -4.2 | -2.8 | -0.4 | -2.4 | 0.0 | -0.6 | 1.2 | 2.3 | 2.1 | 1.7 | 1.8 |
| Interest | 1.9 | 2.5 | 3.2 | 3.2 | 3.8 | 4.8 | 3.6 | 3.0 | 2.8 | 2.7 | 2.5 |
| Domestic | 1.7 | 2.3 | 3.0 | 3.1 | 3.7 | 4.6 | 3.4 | 2.9 | 2.7 | 2.6 | 2.4 |
| Foreign | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Overall balance including grants | -6.0 | -5.3 | -3.6 | -5.6 | -3.9 | -5.4 | -2.3 | -0.7 | -0.8 | -1.0 | -0.7 |
| Overall balance excluding grants | -9.6 | -8.6 | -8.2 | -9.0 | -8.5 | -7.3 | -4.4 | -2.5 | -2.6 | -1.9 | -1.5 |
| Financing | 6.0 | 5.3 | 3.6 | 5.6 | 3.9 | 5.4 | 2.3 | 0.7 | 0.8 | 1.0 | 0.7 |
| External financing (net) | -0.2 | -0.3 | -0.4 | -0.4 | 0.4 | 0.2 | 0.3 | 0.2 | 0.5 | 0.9 | 1.0 |
| Domestic financing (net) | 6.3 | 5.7 | 4.1 | 6.0 | 3.5 | 5.1 | 2.0 | 0.5 | 0.3 | 0.1 | -0.2 |
| Financing Gap | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memorandum item: | | | | | | | | | | | |
| Off-Budget grants | 2.8 | 2.4 | 1.9 | 2.1 | 2.2 | 2.2 | 1.8 | 1.8 | 1.8 | 1.8 | 2.2 |

Source: Sierra Leonean Authorities and Staff estimates and projections.

B. Public Financial Management

18. The authorities are implementing measures to strengthen PFM and address the root causes of last year’s fiscal slippage (MEFP Box 1). The 2025 public investment program (PIP) was updated in line with the supplementary budget, with MDAs instructed to update procurement plans. Detailed PIPs for 2026 and 2027 will be included in the 2026 budget, while identifying canceled and delayed projects (**Prior Action 3**; MEFP¶21). A new cash management system is now operational, and commitment controls have been tightened. The authorities have also adopted an ambitious timeline to transition to GFSM 2014 (**new end-September 2026 SB**; MEFP¶20).

19. Further strengthening PFM will be critical. The authorities are committed to (i) an audit of their arrears—including unpaid MDA invoices—and a plan to clear them alongside a robust accounting system (**new end-April 2026 SB**; MEFP¶24), while mitigating risks associated with arrears management;⁵ (ii) an audit of the rice distribution scheme for the security services; and (iii) the submission of audited financial statements by all SOEs to the MoF (MEFP¶19).

C. Debt Sustainability and Financing Strategy

20. Sierra Leone’s debt is sustainable, but at high risk of distress. The downgrade to “weak” debt-carrying capacity highlights serious short-term liquidity and solvency vulnerabilities. The external debt service-to-revenue ratio breaches its threshold until 2028, and the PV of the public debt-to-GDP ratio breaches its threshold until 2026. Total debt service-to-revenue is projected to swiftly decline after peaking at 140.5 percent this year, falling below 100 percent by 2028. Importantly, all debt indicators remain on a declining path over the medium term.

21. The program aims to significantly reduce reliance on market financing to help contain borrowing costs (Table 2b). The US\$60 million financing shortfall due to lower-than-expected DPO grants in 2025 will be offset through SDR retrocession to avoid increasing borrowing from the domestic market or breaching external borrowing limits (Text Table 5).⁶

22. The authorities plan to strengthen debt management. They aim to contain the cost of borrowing and lengthen its average maturity. To this end, they have allowed T-bonds to be used as collateral for repos and are developing guidelines on the applicable haircuts to compensate for

⁵ Weak arrears management can undermine fiscal credibility and program implementation. Program related risks include breaches of conditionality from misclassification or late recognition of arrears. Mitigation measures should focus on early verification of creditor residency and legal status, timely audits, and transparent reporting. Strengthening arrears management systems, including commitment controls and cash forecasting, is essential to prevent new arrears. Robust governance frameworks and internal controls are critical to reducing systemic and reputational risks.

⁶ Before moving forward with the retrocession, the MoF and the BSL will establish a framework agreement on their respective responsibilities for servicing financial obligations to the IMF. The proposed amount of US\$60 million (0.8 percent of GDP) would be about half of the amounts utilized in 2022 and 2023 (Table 2b). As part of the transaction, the BSL transfers its SDR assets and liabilities to the government. The SDR assets are then sold back to the BSL, which, in turn, credits the government’s local currency accounts. The operation leaves the government with the SDR liabilities, which are counted as additional long-term external debt in the DSA.

illiquidity and market risk. They plan to (i) update their Medium-Term Debt Strategy annually; (ii) reinforce market communication through a new investor relations desk, quarterly meetings with banks, and market surveys on T-bond appetite; (iii) auction debt securities rather than placing them privately; (v) issue FX-linked debt securities only in exceptional circumstances and after seeking non-objection from IMF staff; and (vi) reject debt security bids at terms inconsistent with debt sustainability (MEFP¶27).

Box 1. Energy Sector Reforms

The authorities are committed to sharply reducing annual budgetary transfers to the Electricity Distribution and Supply Authority (EDSA) starting in 2026. They plan to achieve this through steadfast implementation of their ambitious energy sector reform agenda (MEFP¶17):

Reforms center on improving revenues, reducing the cost of energy supply, and remaining current on obligations. Key reforms include:

Private Sector Participation in EDSA. Negotiations have commenced with a potential private operator and are expected to conclude by end-2025. If successful, the private sector operator could start managing EDSA's operations in March 2026. The private operator will manage operations, aiming to reduce losses, improve service and revenue collection, and upgrade infrastructure.

Tariff Reform. A revised EWRC Act was passed by Parliament in July 2025 and was recently assented by the President. The Act enables cost-reflective tariffs, mandates annual reporting to Parliament, and establishes a consumer complaint unit and legal framework for private sector participation. Developing an effective communication and stakeholder engagement strategy will be essential to mitigate the risk of customers' resistance to tariffs' adjustment. The IMF's Fiscal Affairs Department will support the authorities through CD activities on energy and water tariffs starting early 2026.

Revenue Collection Enhancements. A single collection account and waterfall mechanism was agreed. The next step is to hire an independent agency to operate it. Prepaid smart meters are being installed in MDAs and procurement of 3,000 post-paid meters for industrial users has commenced. Measures to combat electricity theft are also ongoing, including inspections, legal enforcement, public reporting hotlines, and enhanced staff accountability.

Performance-Based Management. KPIs will be introduced to reduce losses, enhance billing and collections, and improve customer service.

Payment plan to clear arrears. EDSA, supported by the Government, is negotiating terms of payment plans, as well as renegotiating existing plans, to clear existing payments arrears. In some cases, this may include extending the time for repayment.

Recent AfDB and WB supported investments are expected to provide improved access to lower-cost energy sources. The AfDB-financed Bo and Kenema Distribution System Rehabilitation will enable EDSA to import up to 40 MW of firm energy via the Transco CLSG line in 2026, improving reliability and reducing costs. The WB funded RESPITE (52 MW Solar PV and 28 MW battery storage) energy project launched in 2024 should start supplying cheaper power to the national grid in late 2025 or early 2026, displacing heavy fuel oil generation and reducing costs.

Two large additional investments are on the way. The US\$480 Millennium Challenge Corporation (MCC) grant aims to expand the transmission infrastructure to improve electricity distribution, access to underserved areas, and sectoral governance and financial viability. The natural gas electricity generation project—supported by a US\$292 million loan from the US International Development Finance Corporation (DFC), US\$120 million in political risk insurance from the DFC, and US\$40 million from the ECOWAS Bank for Investment and Development—aims to double the existing generation capacity.

Text Table 5. Sierra Leone: Summary of External Borrowing Plan for 2026

| PPG External debt contracted or guaranteed | Volume of New debt, US Million 1/ | PV of new Debt, US Million 1/ |
|--|-----------------------------------|-------------------------------|
| Sources of Financing | 100.0 | 50-65 |
| Concessional debt 2/ | 100.0 | 50-65 |
| Non-concessional debt 3/ | 0.0 | 0.0 |
| Use of Debt Financing | 100.0 | 50-65 |
| Project Financing | 100.0 | 50-65 |
| Budget Financing | 0.0 | 0.0 |

1/ Contracting and guaranteeing of new debt (defined in TMU). The present value of debt is calculated using the terms of individual loans applying the 5 percent program discount rate.

2/ Debt with a grant element that exceeds a minimum threshold of 35 percent.

3/ Debt which does not meet the definition of concessional debt.

Source: Sierra Leonean Authorities; and IMF staff estimates and projections.

D. Monetary, Exchange Rate and Safeguards Policies

23. Monetary policy is appropriately transitioning to a neutral stance. Reserve money growth projections are consistent with the BSL's medium-term single-digit inflation objective. With inflation in single digits, the authorities have begun to gradually reduce the policy rate toward its neutral level. They are also committed to implementing the monetary policy reform strategy by June 2026 (Box 2; **end-February 2025 SB**; MEFP128).

Box 2. Monetary Policy Strategy

The new monetary policy strategy envisages enhancing monetary policy by moving the BSL to a reserve money targeting framework—aimed at achieving price stability—and replacing outright purchases of government securities with specialized liquidity instruments as the main monetary policy tool.

The BSL intends to move to a reserve money targeting framework aimed at achieving price stability.

It currently operates a hybrid framework based on reserve money targeting, FX intervention, an overnight interest rate corridor, and a monetary policy rate.

Specialized liquidity instruments are set to replace outright purchases of government securities as the main tool of monetary policy. The strategy also envisages (i) publishing new guidelines for open market operations; (ii) initiating new intraday liquidity facilities accepting a broadened collateral base; (iii) introducing central bank securities; and (iv) operationalizing the Minimum Reserve Requirement (MRR).

Institutional reform and CD are key to the strategy's success. The base money path is to be monitored daily, with a newly established Monetary Policy Implementation Committee recommending corrective actions in case of deviations. Operationalizing the MRR requires transferring compliance monitoring to the Financial Markets Department. Attaining the reserve money target entails improved liquidity forecasting.

24. The authorities are committed to allowing the exchange rate to adjust flexibly to shocks while rebuilding an adequate reserve cover. To this end, the BSL plans to accumulate an additional US\$35 million in reserves every six months starting in H1-2026, preferably through FX auctions. The authorities also aim to reduce outflows by drastically cutting back on government FX spending (**new FX Spending QPC**; MEFP¶29). The BSL will report performance against the QPC on a weekly basis to MoF management and IMF staff, as well as at all cabinet-level economic management team meetings. The MoF is committed not to seek access to the BSL's FX for entities outside the central government. Such entities will henceforth seek FX exclusively from commercial banks, except when drawing down their FX deposits at the BSL.

25. BSL safeguards reforms are progressing, albeit with delays. The BSL published its 2024 financial statements (**July 2025 SB**). The reconciliation of cash in vault and general ledger balances remains a work in progress and is expected to be fully reflected in the BSL's 2025 audited financial statements. The authorities plan to request IMF TA on IFRS implementation to achieve full compliance with the standards (MEFP¶31). They intend to include funds in the 2026 budget to recapitalize the BSL, in line with the findings of an analysis of the BSL's balance sheet, to be prepared with IMF technical support (**new end-March 2026 SB**; MEFP¶31).

E. Financial Sector Policies

26. Oversight and regulation need to be reinforced, and solvency concerns need to be addressed. The recent deterioration in bank asset quality is a concern. Plans are underway to adopt components of Pillar 1 of the Basel II/III capital framework. The BSL is committed to resolving or liquidating banks that meet the criteria outlined in the Banking Act 2019 (**Prior Action 1; end-February 2025 SB**; MEFP¶32), while preserving critical functions and minimizing fiscal costs.

27. The BSL is developing a financial crisis management plan. The newly established Crisis Management Working Group will report to the Financial Policy Committee. Remaining tasks include refining internal escalation protocols and finalizing crisis management procedures (MEFP¶36).

28. The authorities are strengthening the safety net. The Emergency Liquidity Assistance framework is operational (**end-July 2025 SB**), and plans are underway to enhance FX regulation and supervision. The amended Deposit Protection Fund Act is pending parliamentary approval. Work is also underway to operationalize the bank resolution framework (**new end-December 2026 SB**; MEFP¶33), including by addressing staffing challenges and finalizing guidelines.

F. Governance and Institutions

29. Governance reforms will center on the recommendations of the recent GCD (Annex IV). The authorities plan to publish the GCD (**end-May 2025 SB; Prior Action 4**; MEFP¶37). It concludes that systemic governance weaknesses persist, heightening corruption risks and undermining service delivery and growth. Its recommendations seek to lay the foundations for durable improvements in governance and macroeconomic resilience. Near-term priorities include reinforcing the integrity of

the public office by ensuring online publication and risk-based verification of asset declarations for a targeted list of politically exposed persons (**new end-September 2026 SB**; MEFP¶37).

30. The authorities also intend to bolster the governance of the newly established mining sector entities. As part of the **new end-March 2026 SB**, they plan to (i) publish the Mines and Minerals Development and Management Corporation's (MMDMC) audited 2024 financial statements; (ii) establish a transparent, merit-based process for appointing independent directors to the boards of MMDMC and Mineral Wealth Fund (MWF); and (iii) implement a KPI-based performance framework for the MMDMC with reporting to the MWF Board. They will also establish a formal dividend policy for the MWF that is consistent with good international practice (MEFP¶38).

31. The authorities are committed to advancing AML/CFT reforms. A national strategy, informed by a risk assessment and broad consultations, is nearing finalization. The authorities are also working to (i) amend the 2009 Companies Act to enhance beneficial ownership transparency, (ii) strengthen risk-based supervision of NBFIs in line with the National Risk Assessment, and (iii) close regulatory gaps in the targeted financial sanctions regime (MEFP¶39).

PROGRAM MODALITIES

32. Staff support the requests for completion of the first and second ECF reviews, and waivers of non-observance of the end-December 2024 QPCs on NCG, NDA and NIR and the end-June 2025 QPC on NIR on the basis of corrective actions. The authorities addressed (i) the end-December NCG slippage through tax measures to gradually offset the slippage (¶13), and PFM measures to address its root cause (¶19); (ii) the end-December NDA slippage by bringing the NDA stock back to its programmed path by June 2025 (¶16); and (iii) the end-December/end-June NIR slippages by accumulating US\$71 million in reserves through FX purchases and a domestic FX bond issuance (¶17).

33. Staff proposes new conditionality. This includes (i) a ceiling on FX spending (**QPC**; MEFP¶17), (ii) a floor on spending on the National School Feeding Program (**QPC**; MEFP¶17), and (iii) one reset and nine new SBs, including two continuous SBs. In addition, staff proposes to amend the definition of (i) NIR per TMU¶11, including revised adjustors in TMU¶12-13; (ii) NCG per TMU¶16; (iii) domestic primary balance per TMU¶29; (iv) social spending per TMU¶30, and; domestic arrears per TMU¶31.

34. Financing assurances are adequate, but burden sharing has declined. The program is fully financed, with firm commitments for the next 12 months and good prospects for its remainder. Yet, the overall share of Fund financing in official budget support for the program period has increased from 46 percent at program approval to 55 percent, reflecting a US\$96 million shortfall in projected DPO grant support (Text Table 6). The authorities continue to make good-faith efforts to reach a collaborative agreement with external commercial creditors on longstanding arrears.

Text Table 6. Sierra Leone: Burden Sharing Under the Program
(USD Million)

| | 2024 | 2025 | 2026 | 2027 | Total | Percent |
|---------------------------------------|-------|------|-------|-------|-------|---------|
| Total Projected Budget Support | 120.0 | 94.7 | 137.2 | 115.3 | 467.2 | 100.0 |
| IMF ECF | 49.6 | 78.8 | 64.2 | 64.3 | 256.9 | 55.0 |
| World Bank DPO | 58.8 | 0.0 | 40.0 | 30.0 | 128.8 | 27.6 |
| EU Poverty Reduction Budget Support | 11.6 | 15.8 | 21.0 | 21.0 | 69.4 | 14.9 |
| AfDB Budget Support | 0.0 | 0.0 | 12.0 | 0.0 | 12.0 | 2.6 |

Source: IMF staff projections.

35. Sierra Leone’s capacity to repay the IMF remains adequate but faces significant downside risks, mitigated by the authorities’ strong track record of servicing IMF debt.

Outstanding IMF credit is projected to peak at end-2025 at 172.1 percent of quota, broadly unchanged from program approval. However, at 119.9 percent, it now amounts to an increased share of gross reserves (Table 6). Annual gross repayments to the Fund are projected to peak in 2026 at 4.1 percent of exports and 0.9 percent of GDP. Safeguards for Fund resources remain adequate, supported by improved program performance and corrective measures.

36. Risks to the program are significant but remain manageable given program ownership by the authorities. The main sources of risk stem from the large adjustment need, capacity constraints and the need for sizable future BSL FX purchases to achieve an adequate reserve cover by the end of the program. These risks are mitigated by the authorities’ commitment to the ECF and its strong conditionality, extensive capacity development plans, a declining share of de facto senior and other multilateral debt over the medium term, and a strong track record of meeting debt service obligations to the Fund.

STAFF APPRAISAL

37. The authorities have brought the ECF back on track, and the economy is responding positively. Inflation has declined to single digits, the exchange rate remains stable, and growth is close to potential. Since May, net domestic borrowing has turned negative, contributing to a sharp drop in domestic borrowing costs.

38. Sustaining these gains will require continued fiscal consolidation. To offset last year’s slippages, a larger fiscal effort is needed to contain domestic borrowing and keep borrowing costs at sustainable levels. New tax revenue measures will be the cornerstone of the revenue mobilization strategy, complemented by tight expenditure restraint. In addition, strengthening PFM will be critical to address the root causes of recent fiscal slippages.

39. Maintaining debt sustainability will require enhanced debt management practices. The authorities should intensify efforts to secure additional concessional financing, while reinforcing measures to lengthen debt maturities, broaden the investor base, build buffers, and ensure that debt securities are issued at rates consistent with a sustainable debt position.

40. Monetary policy can transition to a neutral stance. With inflation at the BSL’s medium-term single digit objective, reserve money targets should continue to align with this goal. The policy rate can gradually move towards its neutral level. Complementary reforms—including modernizing the monetary policy framework and implementing safeguards measures—will improve policy effectiveness.

41. Rebuilding reserves is an urgent priority. The BSL needs to continue purchasing FX in the markets. The MoF will have an important role to play alongside the BSL in preventing further reserve drain by containing FX spending. Current levels of FX spending are inconsistent with adequate reserves, and difficult decisions will need to be taken to substantially reduce it.

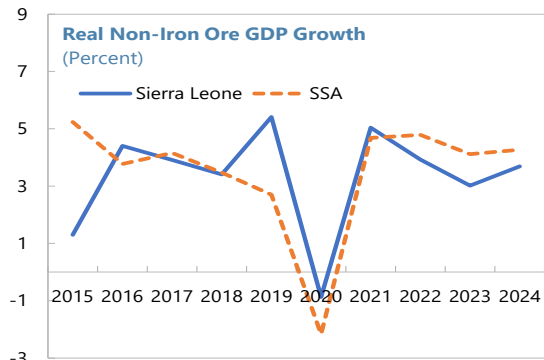
42. Persistent solvency challenges in the banking system need to be addressed. At the same time, oversight and regulation need to be reinforced, and a comprehensive crisis management plan should be established. The financial safety net needs to be strengthened, including by implementing the Deposit Protection Act and operationalizing the bank resolution framework.

43. Progress on governance and anti-corruption reforms is essential. Reform efforts should center on the recommendations of the GCD. Near-term priorities include bolstering the integrity of the public office and governance arrangements for the new mining sector entities.

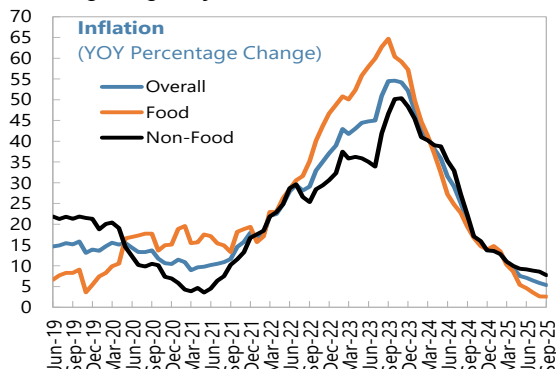
44. Staff support completion of the first and second ECF reviews and the request for waivers of nonobservance of missed QPCs on the basis of corrective actions. Staff also propose new QPCs on school feeding expenditures as well as on the government’s FX spending.

Figure 1. Sierra Leone: Real and External Sectors, 2014-25

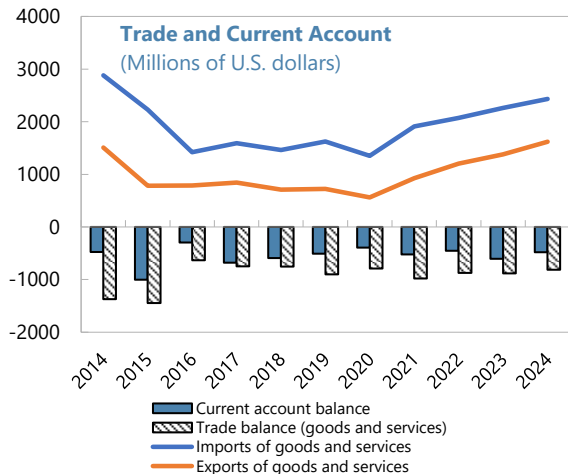
Non-iron ore growth remains subdued.



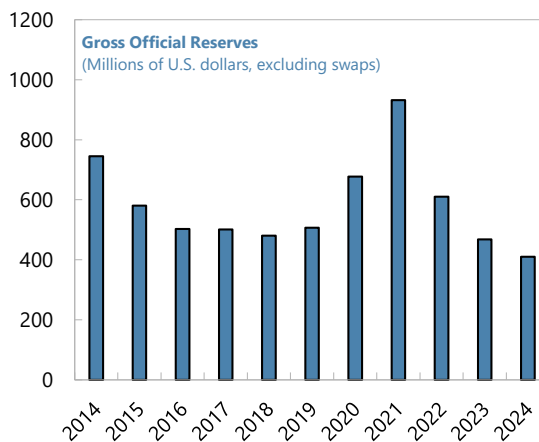
Inflation has fallen to the BSL's medium-term single-digit objective.



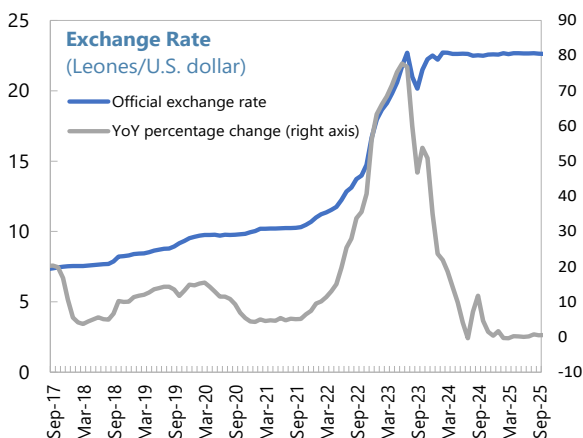
Exports and imports have continued to increase.



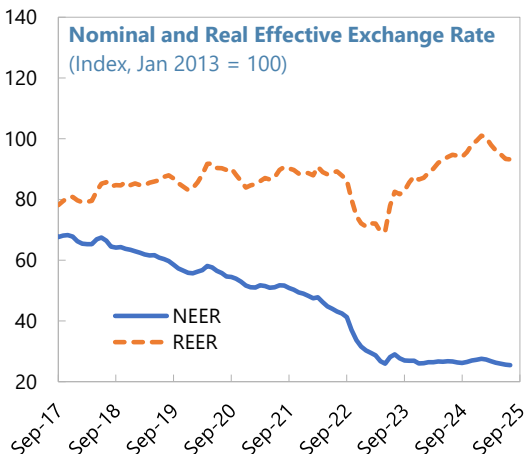
Official reserves have continued their decline.



The nominal exchange rate against the dollar remains stable ...



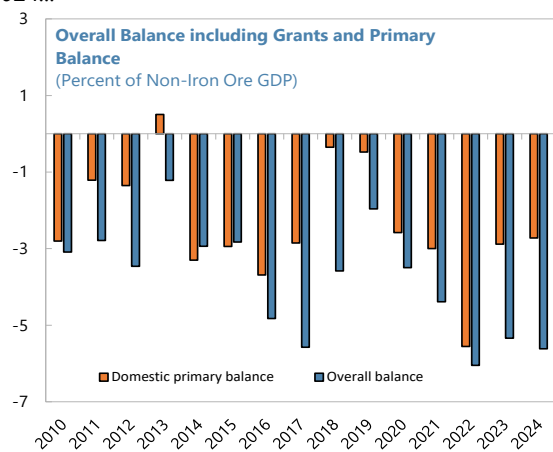
... but the REER has begun to depreciate amid trading partner appreciation against the dollar.



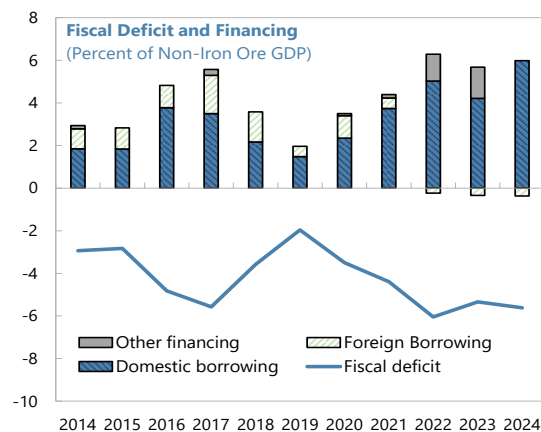
Sources: Sierra Leonean authorities; and IMF staff estimates.

Figure 2. Sierra Leone: Fiscal Sector, 2010-24

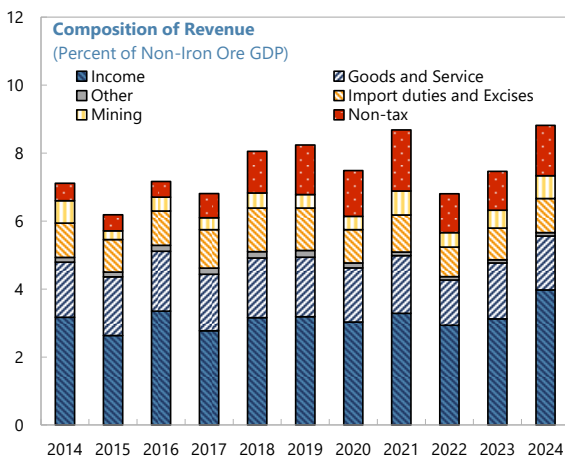
The fiscal policy effort was smaller than expected in 2024...



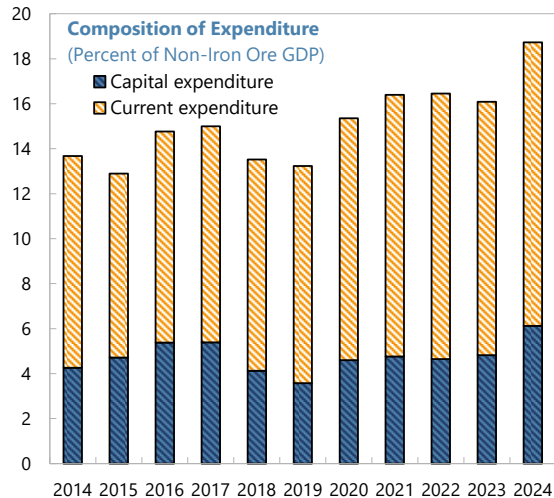
... and domestic borrowing increased.



Revenue collection continues to improve ...



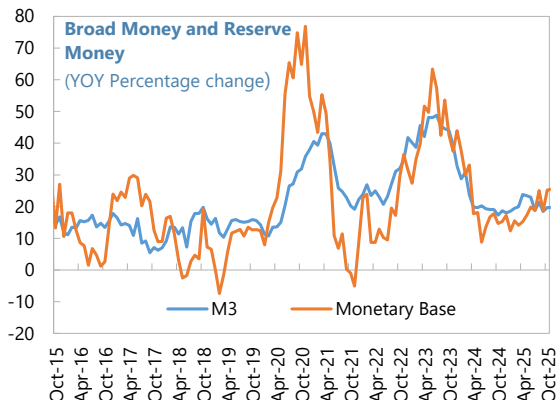
... but expenditures increased in 2024.



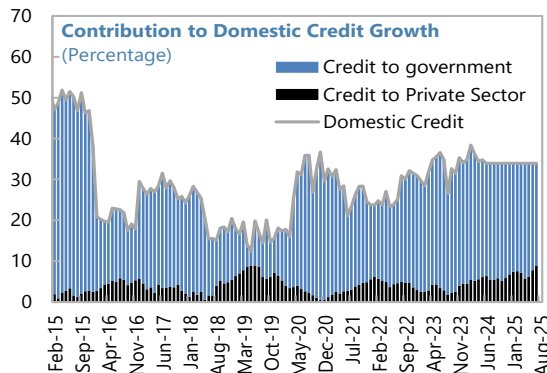
Sources: Sierra Leonean authorities; and IMF staff estimates.

Figure 3. Sierra Leone: Monetary and Financial Indicators, 2015–25

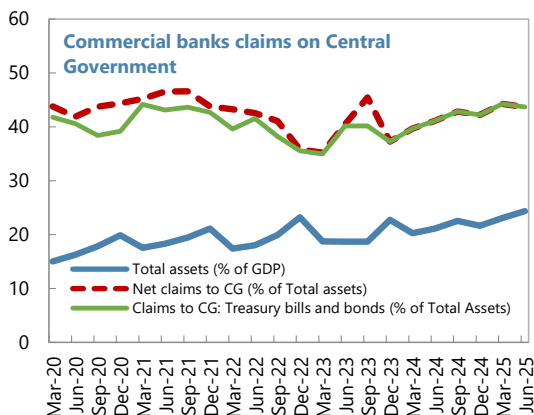
Base money growth has come down from recent peaks ...



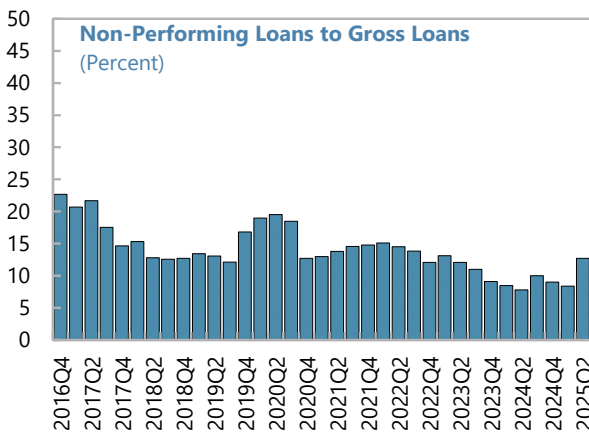
...while private credit growth remains crowded out.



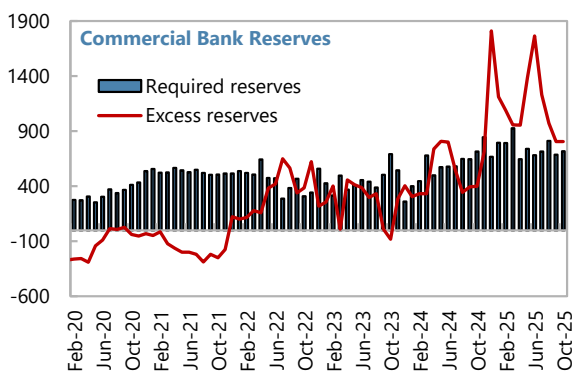
The business models of commercial banks remain focused on government securities.



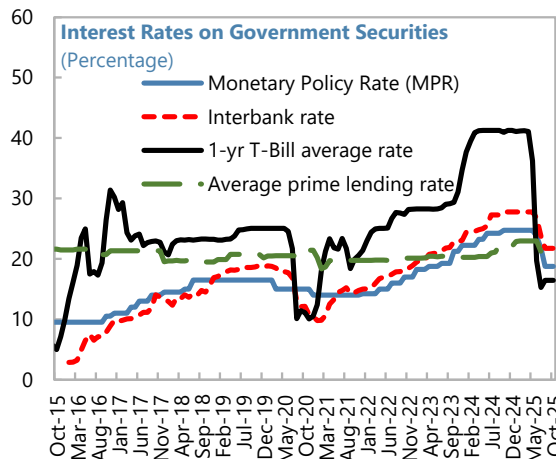
NPL ratios have edged up in Q2-2025.



Banks are holding large volumes of excess reserves.



Interest rates have come down sharply.



Sources: Sierra Leonean authorities; and IMF staff estimates.

Table 1. Sierra Leone: Selected Economic Indicators, 2023-30

| | 2023 | 2024 | | 2025 | | 2026 | | 2027 | 2028 | 2029 | 2030 |
|--|---------|---------|---------|---------|---------|-----------|---------|---------|---------|---------|---------|
| | | Program | Proj. | Program | Proj. | Program | Proj. | | Proj. | | |
| (Annual Percent Change, unless otherwise indicated) | | | | | | | | | | | |
| National account and prices | | | | | | | | | | | |
| Growth | | | | | | | | | | | |
| GDP at constant prices | 5.7 | 4.0 | 4.3 | 4.5 | 4.4 | 4.7 | 4.5 | 4.7 | 4.6 | 4.6 | 4.6 |
| GDP excluding Iron ore | 3.0 | 3.9 | 3.7 | 4.6 | 4.3 | 4.6 | 4.4 | 4.6 | 4.7 | 4.7 | 4.7 |
| GDP excluding mining | 3.5 | 3.7 | 4.0 | 4.3 | 4.5 | 4.7 | 4.1 | 4.4 | 4.5 | 4.8 | 4.8 |
| GDP deflator | 29.3 | 24.5 | 10.5 | 12.0 | 6.7 | 8.0 | 7.5 | 6.8 | 6.6 | 7.0 | 7.4 |
| Inflation | | | | | | | | | | | |
| Consumer prices (end-of-period) | 52.2 | 21.0 | 13.8 | 14.9 | 7.0 | 11.4 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 |
| Consumer prices (average) | 47.7 | 36.6 | 28.4 | 18.0 | 8.3 | 13.2 | 9.6 | 9.0 | 9.0 | 9.0 | 9.0 |
| External sector | | | | | | | | | | | |
| Terms of trade (deterioration -) | 11.7 | -3.4 | -6.8 | -2.2 | 0.3 | -1.3 | -0.6 | -2.1 | -2.9 | -0.8 | 0.8 |
| Exports of goods | 13.6 | 8.7 | 15.6 | 0.5 | 4.1 | 4.8 | 6.2 | 3.7 | 2.0 | 2.9 | 1.5 |
| Imports of goods | 7.3 | 7.2 | 3.0 | 3.6 | -3.9 | 1.1 | 1.5 | 2.3 | 2.2 | 2.4 | 4.1 |
| Gross international reserves (excl. swaps) (months of next year's imports) | 2.3 | 2.4 | 2.1 | 2.7 | 2.0 | 2.9 | 2.5 | 2.9 | 2.9 | 2.9 | 3.1 |
| Money, credit and reserves | | | | | | | | | | | |
| Domestic credit to the private sector | 25.0 | 21.0 | 41.2 | 20.4 | 31.2 | 21.0 | 21.0 | 21.2 | 21.2 | 20.9 | 20.9 |
| Domestic credit to the private sector (percent of non-iron GDP) | 3.5 | 3.2 | 4.3 | 3.3 | 4.9 | 3.6 | 5.3 | 5.7 | 6.2 | 6.7 | 7.2 |
| Base money | 44.0 | 16.5 | 17.2 | 14.5 | 14.5 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 |
| M3 | 32.8 | 16.5 | 18.0 | 14.5 | 14.5 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 |
| Gross international reserves (excl. swaps) (US\$ millions) | 468 | 449 | 410 | 514 | 403 | 558 | 503 | 601 | 617 | 655 | 715 |
| (In percent of non-iron ore GDP, unless otherwise indicated) | | | | | | | | | | | |
| National accounts | | | | | | | | | | | |
| Gross capital formation | 21.2 | 19.1 | 21.3 | 21.3 | 19.1 | 21.3 | 19.5 | 19.2 | 19.3 | 19.2 | 19.5 |
| Government | 4.8 | 4.9 | 6.1 | 6.7 | 4.5 | 6.2 | 4.5 | 3.7 | 3.7 | 3.3 | 3.2 |
| Private | 16.4 | 14.3 | 15.2 | 14.6 | 14.6 | 15.1 | 15.1 | 15.5 | 15.6 | 15.9 | 16.4 |
| National savings | 11.1 | 15.1 | 13.8 | 16.8 | 14.0 | 17.5 | 16.4 | 16.4 | 16.3 | 16.1 | 15.9 |
| Debt | | | | | | | | | | | |
| Public debt | 52.9 | 46.5 | 50.8 | 46.6 | 49.3 | 46.4 | 47.3 | 44.3 | 41.7 | 39.6 | 37.5 |
| Domestic | 16.9 | 16.3 | 19.8 | 16.9 | 20.9 | 17.3 | 20.2 | 18.3 | 17.2 | 15.9 | 14.5 |
| External public debt (including IMF) | 36.1 | 30.2 | 31.0 | 29.7 | 28.4 | 29.0 | 27.1 | 26.0 | 24.5 | 23.7 | 23.1 |
| External sector | | | | | | | | | | | |
| Current account balance | | | | | | | | | | | |
| (including official grants) | -10.1 | -4.0 | -7.5 | -4.5 | -5.1 | -3.7 | -3.1 | -2.8 | -3.0 | -3.1 | -3.6 |
| (excluding official grants) | -10.5 | -5.4 | -8.6 | -5.9 | -5.5 | -5.0 | -4.2 | -3.6 | -3.8 | -3.6 | -4.1 |
| Central government budget | | | | | | | | | | | |
| Domestic primary balance 1/ | -2.9 | -0.8 | -2.7 | 0.3 | 0.6 | 0.8 | 1.6 | 2.9 | 2.6 | 2.9 | 2.9 |
| Overall primary balance | -2.8 | -0.3 | -2.4 | 0.0 | -0.6 | 0.4 | 1.2 | 2.3 | 2.1 | 1.7 | 1.8 |
| Overall balance | -5.3 | -3.2 | -5.6 | -3.9 | -5.4 | -1.8 | -2.3 | -0.7 | -0.8 | -1.0 | -0.7 |
| Overall balance (excluding grants) | -8.6 | -7.2 | -9.0 | -8.5 | -7.3 | -6.1 | -4.4 | -2.5 | -2.6 | -1.9 | -1.5 |
| Revenue (excluding grants) | 7.9 | 8.9 | 10.1 | 9.8 | 10.8 | 10.1 | 11.8 | 12.3 | 12.2 | 12.2 | 12.2 |
| Grants | 3.3 | 4.1 | 3.4 | 4.6 | 1.9 | 4.4 | 2.0 | 1.8 | 1.8 | 0.8 | 0.8 |
| Total expenditure and net lending | 16.5 | 16.1 | 19.1 | 18.3 | 18.1 | 16.2 | 16.2 | 14.8 | 14.8 | 14.0 | 13.7 |
| Financing | | | | | | | | | | | |
| External financing (net) | -0.3 | -0.4 | -0.4 | 0.4 | 0.2 | 0.4 | 0.3 | 0.2 | 0.5 | 0.9 | 1.0 |
| Domestic financing (net) | 5.7 | 3.6 | 6.0 | 3.5 | 5.1 | 1.4 | 2.0 | 0.5 | 0.3 | 0.1 | -0.2 |
| o/w Banks, net of Budget Support | 3.9 | 3.0 | 4.4 | 2.6 | 3.3 | 0.8 | 1.1 | -0.4 | 0.2 | -0.1 | -0.5 |
| o/w IMF Budget Support | 0.5 | 0.2 | 0.7 | 0.5 | 0.5 | 0.2 | 0.1 | 0.1 | -0.7 | -0.6 | -0.5 |
| o/w non-bank sector | -0.1 | 0.4 | 0.9 | 0.3 | 0.6 | 0.3 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Memorandum items: | | | | | | | | | | | |
| GDP at market prices (Leone millions) | 136,689 | 176,871 | 157,456 | 207,012 | 175,397 | 234,074.8 | 197,185 | 220,415 | 245,938 | 275,261 | 309,086 |
| Excluding iron ore (Leone millions) | 127,715 | 164,984 | 144,614 | 193,340 | 165,939 | 218,457.1 | 187,511 | 210,210 | 235,704 | 264,186 | 296,635 |
| Excluding iron ore (US\$ millions) | 5,980 | 6,915 | 6,401 | 7,291 | 7,273 | 7,421.7 | 7,807 | 8,188 | 8,586 | 9,000 | 9,450 |
| Per capita GDP (US) | 807 | 857 | 857 | 884 | 926 | 882.1 | 969 | 992 | 1,015 | 1,041 | 1,071 |
| National currency per US dollar (average) (Leone) | 21 | .. | 23 | .. | .. | .. | .. | .. | .. | .. | .. |
| National currency per US dollar (EOP) (Leone) | 23 | .. | 23 | .. | .. | .. | .. | .. | .. | .. | .. |
| Interest expense | 2.5 | 2.8 | 3.2 | 3.8 | 4.8 | 2.2 | 3.6 | 3.0 | 2.8 | 2.7 | 2.5 |
| Transfers to energy IPPs | 0.7 | 0.8 | 0.8 | 0.5 | 0.5 | 0.4 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Roads envelope | 0.7 | .. | 1.5 | .. | 0.2 | .. | 0.1 | .. | .. | .. | .. |
| Off-budget grants | 2.4 | 1.9 | 2.1 | 2.2 | 2.2 | 1.9 | 1.8 | 1.8 | 1.8 | 1.8 | 2.2 |

Sources: Sierra Leonean authorities; and IMF staff estimates and projections.

1/ Revenue less expenditures and net lending adjusted for interest payments, foreign financed capital spending, and arrears paydown from grants.

Table 2a. Sierra Leone: Fiscal Operations of the Central Government, 2023-30
(Millions of Leone)

| | 2023 | | 2024 | | 2025 | | 2026 | | 2027 | 2028 | 2029 | 2030 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------|
| | Prel. | Program | Proj. | Program | Proj. | Program | Proj. | | | Proj. | | |
| Total revenue and grants | 14,270 | 18,247 | 19,525 | 23,680 | 21,078 | 27,345 | 25,935 | 29,620 | 33,075 | 34,390 | 38,482 | |
| Revenue | 10,100 | 14,690 | 14,560 | 18,909 | 17,939 | 21,980 | 22,164 | 25,851 | 28,736 | 32,175 | 36,149 | |
| Tax revenue | 8,641 | 12,405 | 12,424 | 16,413 | 15,717 | 19,138 | 19,021 | 22,323 | 24,795 | 27,764 | 31,201 | |
| Personal Income Tax | 2,566 | 3,405 | 3,356 | 4,262 | 3,546 | 5,015 | 4,016 | 4,518 | 5,057 | 5,665 | 6,360 | |
| Corporate Income Tax | 1,425 | 1,970 | 2,395 | 2,487 | 3,380 | 2,989 | 4,238 | 5,495 | 6,162 | 6,906 | 7,754 | |
| Goods and Services Tax | 2,097 | 2,552 | 2,292 | 4,311 | 3,319 | 4,919 | 3,861 | 4,383 | 4,968 | 5,624 | 6,371 | |
| Excises | 569 | 1,801 | 1,812 | 2,138 | 2,276 | 2,446 | 3,404 | 3,977 | 4,463 | 4,997 | 5,610 | |
| Import duties | 1,195 | 1,407 | 1,449 | 1,938 | 1,679 | 2,305 | 2,075 | 2,362 | 2,616 | 2,881 | 3,211 | |
| Mining royalties and licenses | 671 | 1,127 | 976 | 1,106 | 1,410 | 1,268 | 1,285 | 1,429 | 1,351 | 1,492 | 1,669 | |
| Other taxes | 118 | 144 | 145 | 172 | 107 | 196 | 142 | 159 | 178 | 200 | 225 | |
| Non-tax | 1,459 | 2,284 | 2,137 | 2,495 | 2,222 | 2,842 | 3,143 | 3,528 | 3,941 | 4,411 | 4,949 | |
| Grants | 4,170 | 3,557 | 4,965 | 4,771 | 3,140 | 5,365 | 3,771 | 3,770 | 4,339 | 2,215 | 2,333 | |
| o/w Budget support | 1,501 | 1,780 | 1,593 | 2,116 | 361 | 2,202 | 1,755 | 1,309 | 1,429 | 680 | 763 | |
| o/w Project grants | 2,669 | 1,777 | 3,373 | 2,655 | 2,779 | 3,164 | 2,016 | 2,460 | 2,910 | 1,535 | 1,569 | |
| Expenditures and net lending | 21,085 | 23,462 | 27,643 | 31,130 | 30,029 | 31,217 | 30,336 | 31,061 | 34,870 | 37,081 | 40,563 | |
| Current expenditures | 14,389 | 18,350 | 18,238 | 22,076 | 22,283 | 21,448 | 21,651 | 23,069 | 25,950 | 28,147 | 31,078 | |
| Wages and salaries 1/ | 5,311 | 6,509 | 6,370 | 7,627 | 7,170 | 8,618 | 7,869 | 8,800 | 9,860 | 11,059 | 12,423 | |
| Goods and services | 3,262 | 3,666 | 3,733 | 3,787 | 4,031 | 4,590 | 3,789 | 4,292 | 4,901 | 5,390 | 6,042 | |
| o/w School feeding program | 154 | 300 | 319 | 870 | 331 | 1,311 | 1,123 | 1,200 | 1,285 | 1,374 | 1,469 | |
| o/w Security spending | 1,161 | 749 | 1,108 | 878 | 942 | 1,027 | 799 | 856 | 959 | 1,075 | 1,207 | |
| Subsidies and transfers | 2,619 | 3,476 | 3,445 | 3,237 | 3,095 | 3,483 | 3,286 | 3,665 | 4,502 | 4,567 | 5,118 | |
| o/w Transfers to Local Councils | 126 | 243 | 128 | 309 | 285 | 348 | 345 | 385 | 422 | 481 | 550 | |
| o/w Elections and Democracy | 360 | 159 | 97 | 72 | 92 | 0 | 100 | 105 | 549 | 145 | 163 | |
| o/w Transfers to energy IPPs | 844 | 1,339 | 1,112 | 875 | 750 | 795 | 480 | 513 | 549 | 587 | 628 | |
| Capital Expenditure 2/ | 6,159 | 4,907 | 8,852 | 8,759 | 7,399 | 9,476 | 8,391 | 7,707 | 8,635 | 8,692 | 9,401 | |
| Foreign financed | 4,104 | 2,830 | 4,455 | 5,306 | 5,061 | 6,254 | 4,538 | 5,027 | 5,655 | 5,351 | 5,650 | |
| Domestic financed | 2,055 | 2,077 | 4,397 | 2,194 | 1,079 | 2,250 | 2,699 | 2,680 | 2,980 | 3,341 | 3,751 | |
| Capital transfers | 0 | 0 | 0 | 1,259 | 1,259 | 972 | 1,154 | 0 | 0 | 0 | 0 | |
| Net lending | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Contingent expenditure | 103 | 35 | 96 | 35 | 60 | 35 | 35 | 35 | 35 | 35 | 35 | |
| Arrears Paydown (cash) | 434 | 170 | 457 | 260 | 287 | 259 | 259 | 250 | 250 | 207 | 49 | |
| Domestic primary balance 3/ | -3,684 | -1,243 | -3,938 | 510 | 958 | 1,774 | 3,074 | 6,129 | 6,208 | 7,577 | 8,731 | |
| Overall primary balance | -3,618 | -515 | -3,428 | -25 | -963 | 885 | 2,307 | 4,871 | 4,892 | 4,441 | 5,414 | |
| Interest | 3,197 | 4,699 | 4,690 | 7,425 | 7,988 | 4,757 | 6,707 | 6,312 | 6,687 | 7,131 | 7,495 | |
| Domestic | 2,922 | 4,386 | 4,416 | 7,106 | 7,669 | 4,316 | 6,431 | 6,003 | 6,343 | 6,745 | 7,074 | |
| Foreign | 274 | 313 | 274 | 319 | 318 | 441 | 276 | 309 | 344 | 386 | 421 | |
| Overall balance including grants | -6,815 | -5,214 | -8,118 | -7,450 | -8,951 | -3,872 | -4,401 | -1,441 | -1,795 | -2,690 | -2,081 | |
| Overall balance excluding grants | -10,985 | -11,917 | -13,083 | -16,423 | -12,090 | -13,389 | -8,172 | -5,210 | -6,134 | -4,905 | -4,414 | |
| Financing | 6,815 | 5,214 | 8,118 | 7,450 | 8,951 | 3,872 | 4,401 | 1,441 | 1,795 | 2,690 | 2,081 | |
| External financing (net) | -435 | -651 | -537 | 759 | 410 | 841 | 602 | 445 | 1,083 | 2,485 | 2,821 | |
| Borrowing | 1,435 | 1,052 | 1,083 | 2,652 | 2,282 | 3,091 | 2,522 | 2,567 | 3,294 | 4,697 | 5,022 | |
| Projects | 1,435 | 1,052 | 1,083 | 2,652 | 2,282 | 3,091 | 2,522 | 2,567 | 2,745 | 2,936 | 3,139 | |
| Amortization | -1,870 | -1,703 | -1,620 | -1,893 | -1,871 | -2,250 | -1,920 | -2,123 | -2,212 | -2,211 | -2,201 | |
| Domestic financing (net) | 7,250 | 5,865 | 8,655 | 6,691 | 8,541 | 3,031 | 3,798 | 996 | 713 | 205 | -740 | |
| Total Banking Sector (net) | 5,661 | 5,225 | 7,351 | 6,051 | 6,217 | 2,271 | 2,347 | -637 | -1,173 | -1,909 | -3,113 | |
| Banks, net of Budget Support | 4,967 | 4,946 | 6,345 | 5,054 | 5,397 | 1,833 | 2,097 | -865 | 376 | -382 | -1,562 | |
| IMF Budget Support 4/ | 694 | 279 | 1,006 | 997 | 821 | 438 | 250 | 228 | -1,549 | -1,527 | -1,551 | |
| Non-Bank Sector | -69 | 640 | 1,333 | 640 | 923 | 760 | 1,451 | 1,633 | 1,886 | 2,113 | 2,373 | |
| Use of SDR allocations | 1,866 | 0 | 0 | 0 | 1,400 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Other 5/ | -208 | 0 | -29 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Financing Gap | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Memorandum item: | | | | | | | | | | | | |
| Total Stock of Arrears 6/ 7/ | 2,012 | 1,804 | 1,398 | 1,496 | 1,112 | 1,237 | 804 | 505 | 255 | 49 | 0 | |
| Foreign Financed Capital expenditure | 4,104 | 5,975 | 4,455 | 9,508 | 5,061 | 10,406 | 4,538 | 5,027 | 5,655 | 5,351 | 5,650 | |
| Loans | 1,435 | 1,052 | 1,083 | 2,652 | 2,282 | 3,091 | 2,522 | 2,567 | 2,745 | 3,816 | 4,081 | |
| Project grants | 2,669 | 1,777 | 3,373 | 2,655 | 2,779 | 3,164 | 2,016 | 2,460 | 2,910 | 1,535 | 1,569 | |
| Off-Budget grants 8/ | 3,033 | 3,145 | 2,978 | 4,202 | 3,616 | 4,152 | 3,388 | 3,799 | 4,321 | 4,854 | 5,828 | |

Sources: Sierra Leonean authorities; and Fund staff estimates and projections.

1/ Starting in 2019, tertiary education wages are classified in the wage bill rather than under subsidies and transfers.

2/ The following expenditure lines have been taken out of domestic capital expenditure and reclassified to goods and services: school feeding, examination fees for WASSCE; diet for boarding home schools, strengthening chiefdom governance, cluster eight means of implementation and subsidies and transfers: school fee subsidies, clearance of grants in aid arrears to tertiary institutions.

3/ Revenue less expenditures and net lending adjusted for interest payments, foreign financed CAPEX and elections, and arrears paydown.

4/ IMF Budget Support is the amount for budget support based on the IMF ECF 8th Review disbursements.

5/ Other includes discrepancy and the corresponding transaction for securities issued to reduce the stock of arrears.

6/ Changes in the total stock of arrears reflect cash paydown of arrears and the clear of arrears to NASSIT through the issuance of long-term bonds.

7/ The total stock of arrears does not include information on arrears owed to EDSA. Work is ongoing to reconcile and settle these figures.

8/ Previously recorded in total grants and foreign financed capital expenditure.

Table 2b. Sierra Leone: Fiscal Operations of the Central Government, 2022-30
(Percent of non-iron ore GDP)

| | 2022 | 2023 | | 2024 | | | 2025 | | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Act. | Program | Act. | Program | Prel. | Program | Proj. | Program | Proj. | Proj. | | | |
| Total revenue and grants | 11.0 | 11.2 | 11.2 | 11.1 | 13.5 | 12.2 | 12.7 | 12.5 | 13.8 | 14.1 | 14.0 | 13.0 | 13.0 |
| Revenue | 7.2 | 7.9 | 7.9 | 8.9 | 10.1 | 9.8 | 10.8 | 10.1 | 11.8 | 12.3 | 12.2 | 12.2 | 12.2 |
| Tax revenue | 6.0 | 6.8 | 6.8 | 7.5 | 8.6 | 8.5 | 9.5 | 8.8 | 10.1 | 10.6 | 10.5 | 10.5 | 10.5 |
| Personal Income Tax | 1.8 | 2.0 | 2.0 | 2.1 | 2.3 | 2.2 | 2.1 | 2.3 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 |
| Corporate Income Tax | 1.1 | 1.1 | 1.1 | 1.2 | 1.7 | 1.3 | 2.0 | 1.4 | 2.3 | 2.6 | 2.6 | 2.6 | 2.6 |
| Goods and Services Tax | 1.3 | 1.6 | 1.6 | 1.5 | 1.6 | 2.2 | 2.0 | 2.3 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 |
| Excises | 0.4 | 0.4 | 0.4 | 1.1 | 1.3 | 1.1 | 1.4 | 1.1 | 1.8 | 1.9 | 1.9 | 1.9 | 1.9 |
| Import duties | 0.9 | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Mining royalties and licenses | 0.4 | 0.5 | 0.5 | 0.7 | 0.7 | 0.6 | 0.8 | 0.6 | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 |
| Other taxes | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Non-tax | 1.1 | 1.1 | 1.1 | 1.4 | 1.5 | 1.3 | 1.3 | 1.3 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| Grants | 3.6 | 3.3 | 3.3 | 2.2 | 3.4 | 2.5 | 1.9 | 2.5 | 2.0 | 1.8 | 1.8 | 0.8 | 0.8 |
| o/w Budget support | 1.9 | 1.2 | 1.2 | 1.1 | 1.1 | 1.1 | 0.2 | 1.0 | 0.9 | 0.6 | 0.6 | 0.3 | 0.3 |
| o/w Project grants | 1.5 | 2.1 | 2.1 | 1.1 | 2.3 | 1.4 | 1.7 | 1.4 | 1.1 | 1.2 | 1.2 | 0.6 | 0.5 |
| Expenditures and net lending | 17.1 | 18.9 | 16.5 | 14.2 | 19.1 | 16.1 | 18.1 | 14.3 | 16.2 | 14.8 | 14.8 | 14.0 | 13.7 |
| Current expenditures | 11.8 | 11.3 | 11.3 | 11.1 | 12.6 | 11.4 | 13.4 | 9.8 | 11.5 | 11.0 | 11.0 | 10.7 | 10.5 |
| Wages and salaries 1/ | 4.4 | 4.2 | 4.2 | 3.9 | 4.4 | 3.9 | 4.3 | 3.9 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 |
| Goods and services | 2.8 | 2.5 | 2.6 | 2.2 | 2.6 | 2.0 | 2.4 | 2.1 | 2.0 | 2.0 | 2.1 | 2.0 | 2.0 |
| o/w School feeding program | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.5 | 0.2 | 0.6 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| o/w Security spending | 0.5 | 0.8 | 0.9 | 0.5 | 0.8 | 0.5 | 0.6 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Subsidies and transfers | 2.7 | 2.1 | 2.1 | 2.1 | 2.4 | 1.7 | 1.9 | 1.6 | 1.8 | 1.7 | 1.9 | 1.7 | 1.7 |
| o/w Transfers to energy IPPs | 0.8 | 0.7 | 0.7 | 0.8 | 0.8 | 0.5 | 0.5 | 0.4 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Capital Expenditure 2/ | 4.6 | 4.8 | 4.8 | 4.9 | 6.1 | 4.5 | 4.5 | 4.3 | 4.5 | 3.7 | 3.7 | 3.3 | 3.2 |
| Foreign financed | 2.2 | 3.2 | 3.2 | 3.6 | 3.1 | 2.7 | 3.0 | 2.9 | 2.4 | 2.4 | 2.4 | 2.0 | 1.9 |
| Domestic financed | 2.4 | 1.6 | 1.6 | 1.3 | 3.0 | 1.1 | 0.7 | 1.0 | 1.4 | 1.3 | 1.3 | 1.3 | 1.3 |
| Capital transfers | ... | ... | ... | 0.0 | 0.0 | 0.7 | 0.8 | 0.4 | 0.6 | ... | ... | ... | ... |
| Net lending | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Contingent expenditure | 0.0 | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Arrears Paydown (cash) | 0.6 | 0.3 | 0.3 | 0.1 | 0.3 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Domestic primary balance 3/ | -5.6 | -2.9 | -2.9 | -0.8 | -2.7 | 0.3 | 0.6 | 0.8 | 1.6 | 2.9 | 2.6 | 2.9 | 2.9 |
| Overall primary balance | -4.2 | -2.8 | -2.8 | -0.3 | -2.4 | 0.0 | -0.6 | 0.4 | 1.2 | 2.3 | 2.1 | 1.7 | 1.8 |
| Interest | 1.9 | 2.5 | 2.5 | 2.8 | 3.2 | 3.8 | 4.8 | 2.2 | 3.6 | 3.0 | 2.8 | 2.7 | 2.5 |
| Domestic | 1.7 | 2.3 | 2.3 | 2.7 | 3.1 | 3.7 | 4.6 | 2.0 | 3.4 | 2.9 | 2.7 | 2.6 | 2.4 |
| Foreign | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Overall balance including grants | -6.0 | -5.3 | -5.3 | -3.2 | -5.6 | -3.9 | -5.4 | -1.8 | -2.3 | -0.7 | -0.8 | -1.0 | -0.7 |
| Financing | 6.0 | 5.3 | 5.3 | 3.2 | 5.6 | 3.9 | 5.4 | 1.8 | 2.3 | 0.7 | 0.8 | 1.0 | 0.7 |
| External financing (net) | -0.2 | -0.3 | -0.3 | -0.4 | -0.4 | 0.4 | 0.2 | 0.4 | 0.3 | 0.2 | 0.5 | 0.9 | 1.0 |
| Borrowing | 0.7 | 1.1 | 1.1 | 0.6 | 0.7 | 1.4 | 1.4 | 1.4 | 1.3 | 1.2 | 1.4 | 1.8 | 1.7 |
| Projects | 0.7 | 1.1 | 1.1 | 0.6 | 0.7 | 1.4 | 1.4 | 1.4 | 1.3 | 1.2 | 1.2 | 1.1 | 1.1 |
| Budget | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.3 |
| Amortization | -1.0 | -1.5 | -1.5 | -1.0 | -1.1 | -1.0 | -1.1 | -1.0 | -1.0 | -1.0 | -0.9 | -0.8 | -0.7 |
| Domestic financing (net) | 6.3 | 5.7 | 5.7 | 3.6 | 6.0 | 3.5 | 5.1 | 1.4 | 2.0 | 0.5 | 0.3 | 0.1 | -0.2 |
| Total Banking Sector (net) | 3.6 | 4.4 | 4.4 | 3.2 | 5.1 | 3.1 | 3.7 | 1.0 | 1.3 | -0.3 | -0.5 | -0.7 | -1.0 |
| Banks, net of Budget Support | 3.5 | 3.9 | 3.9 | 3.0 | 4.4 | 2.6 | 3.3 | 0.8 | 1.1 | -0.4 | 0.2 | -0.1 | -0.5 |
| IMF Budget Support 4/ | 0.2 | 0.5 | 0.5 | 0.2 | 0.7 | 0.5 | 0.5 | 0.2 | 0.1 | 0.1 | -0.7 | -0.6 | -0.5 |
| Non-Bank Sector | 0.2 | -0.1 | -0.1 | 0.4 | 0.9 | 0.3 | 0.6 | 0.3 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Use of 2021 SDR allocations | 1.3 | 1.5 | 1.5 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other 5/ | ... | -0.2 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing Gap | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memorandum item: | | | | | | | | | | | | | |
| Total Stock of Arrears 6/ 7/ | 3.0 | 1.6 | 1.6 | 1.1 | 1.0 | 0.8 | 0.7 | 0.6 | 0.4 | 0.2 | 0.1 | 0.0 | 0.0 |
| Foreign Financed Capital expenditure | 2.2 | 5.6 | 3.2 | 3.6 | 3.1 | 4.9 | 3.0 | 4.8 | 2.4 | 2.4 | 2.4 | 2.0 | 2.1 |
| Loans | 0.7 | 1.1 | 1.1 | 0.6 | 0.7 | 1.4 | 1.4 | 1.4 | 1.3 | 1.2 | 1.2 | 1.4 | 1.5 |
| Project grants | 1.5 | 2.1 | 2.1 | 1.1 | 2.3 | 1.4 | 1.7 | 1.4 | 1.1 | 1.2 | 1.2 | 0.6 | 0.6 |
| Off-Budget grants 8/ | 2.8 | 2.4 | 2.4 | 1.9 | 2.1 | 2.2 | 2.2 | 1.9 | 1.8 | 1.8 | 1.8 | 1.8 | 2.2 |
| Non-iron ore GDP (Leone millions) | 98,034 | 127,630 | 127,715 | 164,984 | 144,614 | 193,340 | 165,939 | 218,457 | 187,511 | 210,210 | 235,704 | 264,186 | 296,635 |

Sources: Sierra Leonean authorities; and Fund staff estimates and projections.

1/ Starting in 2019, tertiary education wages are classified in the wage bill rather than under subsidies and transfers.

2/ The following expenditure lines have been taken out of domestic capital expenditure and reclassified to goods and services: school feeding, examination fees for WASSCE; diet for boarding home schools, strengthening chiefdom governance, cluster eight: means of implementation and subsidies and transfers: school fee subsidies, clearance of grants in aid arrears to tertiary institutions.

3/ Revenue less expenditures and net lending adjusted for interest payments, foreign financed CAPEX and elections, and arrears paydown.

4/ IMF Budget Support is the amount for budget support based on the IMF ECF 8th Review disbursements

5/ Other includes discrepancy and the corresponding transaction for securities issued to reduce the stock of arrears.

6/ Changes in the total stock of arrears reflect cash paydown of arrears and the clear of arrears to NASSIT through the issuance of long-term bonds.

7/ The total stock of arrears does not include information on arrears owed to EDSA. Work is ongoing to reconcile and settle these figures.

8/ Previously recorded in total grants and foreign financed capital expenditure.

Table 2c. Sierra Leone: Fiscal Operations of the Central Government on a Quarterly Basis, 2025-26
(Millions of Leone)

| | 2025 | | | | | 2026 | | | | |
|---|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|--------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | annual | Q1 | Q2 | Q3 | Q4 | annual |
| | Prel. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| Total revenue and grants | 5,581 | 5,539 | 5,094 | 4,864 | 21,078 | 6,576 | 6,886 | 5,722 | 6,751 | 25,935 |
| Revenue | 3,952 | 5,065 | 4,430 | 4,492 | 17,939 | 5,111 | 6,094 | 5,217 | 5,742 | 22,164 |
| Tax revenue | 3,282 | 4,370 | 3,939 | 4,125 | 15,717 | 4,235 | 5,218 | 4,565 | 5,004 | 19,021 |
| Personal Income Tax | 791 | 882 | 940 | 932 | 3,546 | 950 | 1,004 | 991 | 1,072 | 4,016 |
| Corporate Income Tax | 659 | 1,050 | 788 | 882 | 3,380 | 841 | 1,148 | 1,050 | 1,198 | 4,238 |
| Goods and Services Tax | 666 | 860 | 894 | 900 | 3,319 | 873 | 1,113 | 932 | 943 | 3,861 |
| Excises | 514 | 659 | 506 | 596 | 2,276 | 796 | 923 | 781 | 904 | 3,404 |
| Import duties | 335 | 444 | 434 | 464 | 1,679 | 465 | 594 | 495 | 521 | 2,075 |
| Mining royalties and licenses | 294 | 424 | 351 | 341 | 1,410 | 282 | 393 | 293 | 316 | 1,285 |
| Other taxes | 21 | 50 | 26 | 10 | 107 | 28 | 42 | 22 | 49 | 142 |
| Non-tax | 671 | 695 | 491 | 366 | 2,222 | 877 | 876 | 653 | 738 | 3,143 |
| Grants | 1,629 | 475 | 664 | 373 | 3,140 | 1,465 | 792 | 504 | 1,010 | 3,771 |
| o/w Budget support | 0 | 0 | 0 | 361 | 361 | 961 | 288 | 0 | 506 | 1,755 |
| o/w Project grants | 1,629 | 475 | 664 | 12 | 2,779 | 504 | 504 | 504 | 504 | 2,016 |
| Expenditures and net lending | 7,662 | 6,676 | 7,035 | 8,656 | 30,029 | 7,473 | 8,858 | 7,383 | 6,623 | 30,336 |
| Current expenditures | 5,334 | 5,333 | 5,583 | 6,033 | 22,283 | 5,443 | 6,984 | 4,984 | 4,239 | 21,651 |
| Wages and salaries 1/ | 1,750 | 1,765 | 1,828 | 1,828 | 7,170 | 1,928 | 2,361 | 1,810 | 1,771 | 7,869 |
| Goods and services | 953 | 1,037 | 1,111 | 929 | 4,031 | 953 | 1,137 | 943 | 756 | 3,789 |
| o/w School feeding program | 44 | 22 | 115 | 150 | 331 | 281 | 281 | 281 | 281 | 1,123 |
| o/w Security spending | 259 | 282 | 225 | 177 | 942 | 278 | 280 | 160 | 81 | 799 |
| Subsidies and transfers | 757 | 869 | 599 | 870 | 3,095 | 933 | 1,092 | 685 | 575 | 3,286 |
| o/w Transfers to Local Councils | 7 | 71 | 118 | 89 | 285 | 90 | 121 | 79 | 55 | 345 |
| o/w Elections and Democracy | 22 | 53 | 0 | 17 | 92 | 27 | 35 | 14 | 24 | 100 |
| o/w Transfers to energy IPPs | 170 | 148 | 126 | 307 | 750 | 197 | 144 | 91 | 48 | 480 |
| Capital Expenditure 2/ | 2,207 | 1,231 | 1,340 | 2,621 | 7,399 | 1,916 | 1,761 | 2,365 | 2,349 | 8,391 |
| Foreign financed | 1,671 | 901 | 1,164 | 1,326 | 5,061 | 1,135 | 1,135 | 1,135 | 1,135 | 4,538 |
| Domestic financed | 537 | 330 | 176 | 37 | 1,079 | 474 | 338 | 942 | 945 | 2,699 |
| Capital transfers | 0 | 0 | 0 | 1,259 | 1,259 | 308 | 289 | 289 | 269 | 1,154 |
| Net lending | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contingent expenditure | 0 | 24 | 35 | 2 | 60 | 10 | 9 | 8 | 8 | 35 |
| Arrears Paydown (cash) | 121 | 88 | 77 | 0 | 287 | 104 | 104 | 26 | 26 | 259 |
| Domestic primary balance 3/ | -165 | 952 | 604 | -433 | 958 | 402 | 765 | 515 | 1,392 | 3,074 |
| Overall primary balance | -207 | 525 | 104 | -1,385 | -963 | 732 | 423 | -116 | 1,267 | 2,307 |
| Interest | 1,874 | 1,662 | 2,046 | 2,406 | 7,988 | 1,629 | 2,395 | 1,545 | 1,138 | 6,707 |
| Domestic | 1,778 | 1,579 | 1,945 | 2,367 | 7,669 | 1,544 | 2,298 | 1,479 | 1,111 | 6,431 |
| Foreign | 96 | 83 | 100 | 40 | 318 | 86 | 97 | 66 | 28 | 276 |
| Overall balance including grants | -2,081 | -1,136 | -1,942 | -3,792 | -8,951 | -897 | -1,972 | -1,661 | 129 | -4,401 |
| Overall balance excluding grants | -3,710 | -1,611 | -2,605 | -4,165 | -12,090 | -2,362 | -2,764 | -2,165 | -881 | -8,172 |
| Financing | 2,081 | 1,136 | 1,942 | 3,792 | 8,951 | 897 | 1,972 | 1,661 | -129 | 4,401 |
| External financing (net) | -484 | -129 | -135 | 1,158 | 410 | 151 | 131 | 131 | 189 | 602 |
| Borrowing | 42 | 426 | 500 | 1,313 | 2,282 | 630 | 630 | 630 | 630 | 2,522 |
| Projects | 42 | 426 | 500 | 1,313 | 2,282 | 630 | 630 | 630 | 630 | 2,522 |
| Amortization | -525 | -555 | -635 | -156 | -1,871 | -480 | -499 | -499 | -442 | -1,920 |
| Domestic financing (net) | 2,565 | 1,265 | 2,077 | 2,634 | 8,541 | 746 | 1,840 | 1,530 | -318 | 3,798 |
| Total Banking Sector (net) | 2,278 | 874 | 976 | 2,091 | 6,218 | 384 | 1,477 | 1,167 | -681 | 2,347 |
| Banks, net of Budget Support | 2,278 | 874 | 976 | 1,270 | 5,397 | 825 | 854 | 1,749 | -1,331 | 2,097 |
| IMF Budget Support 4/ | 0 | 0 | 0 | 821 | 821 | -442 | 624 | -582 | 650 | 250 |
| Non-Bank Sector | 680 | 127 | -252 | 367 | 923 | 363 | 363 | 363 | 363 | 1,451 |
| Use of SDR allocations | 0 | 0 | 0 | 1,400 | 1,400 | 0 | 0 | 0 | 0 | 0 |
| Other 5/ | -393 | 264 | 1352 | -1224 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financing Gap | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Memorandum item: | | | | | | | | | | |
| Total Stock of Arrears 6/ 7/ | 931 | 1,412 | 2,527 | 1,112 | 1,112 | 996 | 880 | 842 | 804 | 804 |
| Social Spending | 368 | 368 | 368 | 290 | 1,394 | 307 | 307 | 307 | 297 | 1,217 |
| FX Spending, US\$ millions | | | | | 162 | 28 | 28 | 28 | 28 | 112 |
| MoF | | | | | 153.6 | 27 | 27 | 27 | 27 | 109 |
| BSL | | | | | 8.4 | 0.8 | 0.8 | 0.8 | 0.8 | 3 |

Sources: Sierra Leonean authorities; and Fund staff estimates and projections.

1/ Starting in 2019, tertiary education wages are classified in the wage bill rather than under subsidies and transfers.

2/ The following expenditure lines have been taken out of domestic capital expenditure and reclassified to goods and services: school feeding, examination fees for WASSCE; diet for boarding home schools, strengthening chiefdom governance, cluster eight: means of implementation and subsidies and transfers: school fee subsidies, clearance of grants in aid arrears to tertiary

3/ Revenue less expenditures and net lending adjusted for interest payments, foreign financed CAPEX and elections, and arrears paydown.

4/ IMF Budget Support is the amount for budget support.

5/ Other includes discrepancy and the corresponding transaction for securities issued to reduce the stock of arrears.

6/ Changes in the total stock of arrears reflect cash paydown of arrears and the clear of arrears to NASSIT through the issuance of long-term bo

7/ The total stock of arrears does not include information on arrears owed to or by EDSA.

Table 3. Sierra Leone: Monetary Accounts, 2023-30
(Millions of Leone, unless otherwise indicated)^{1/}

| | 2023 | | | | 2024 | | | | 2025 | | | | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|--|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Act. | | | | Act. | | | | Act. | | Proj. | | Projections | | | | |
| | Mar | Jun | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | Sep | Dec | | | | | |
| I. Monetary Survey | | | | | | | | | | | | | | | | | |
| Net foreign assets | 5847 | 4479 | 3738 | 6,415 | 4,600 | 4,318 | 3,395 | 4,928 | 4,514 | 3,894 | 3,683 | 7,013 | 11,249 | 15,953 | 18,310 | 20,981 | 24,011 |
| Net domestic assets | 16225 | 18155 | 20889 | 20,679 | 22,721 | 22,905 | 25,942 | 27,090 | 28,260 | 29,586 | 31,069 | 29,575 | 30,316 | 31,265 | 35,329 | 39,952 | 45,210 |
| Net domestic credit | 18677 | 21308 | 23626 | 23,852 | 25,741 | 26,888 | 30,473 | 32,085 | 35,007 | 36,220 | 39,199 | 42,632 | 46,703 | 48,173 | 49,555 | 50,689 | 51,253 |
| Claims on central government (net) | 14958 | 17517 | 19715 | 19,608 | 20,760 | 21,865 | 25,217 | 26,195 | 28,133 | 29,074 | 31,925 | 34,850 | 37,198 | 36,561 | 35,388 | 33,479 | 30,366 |
| Claims on private sector | 3902 | 3891 | 4117 | 4,424 | 5,137 | 5,352 | 5,582 | 6,248 | 7,216 | 7,473 | 7,692 | 8,199 | 9,923 | 12,030 | 14,585 | 17,627 | 21,305 |
| Claims on others 2/ | -183 | -100 | -205 | -180 | -156 | -329 | -326 | -358 | -343 | -327 | -417 | -417 | -417 | -417 | -417 | -417 | -417 |
| Other items (net) | -2452 | -3154 | -2737 | -3,173 | -3,020 | -3,983 | -4,531 | -4,995 | -6,746 | -6,634 | -8,130 | -13,057 | -16,387 | -16,908 | -14,226 | -10,736 | -6,044 |
| Money and quasi-money (M3) | 22064 | 22627 | 24621 | 27,086 | 27,309 | 27,212 | 29,323 | 31,955 | 32,756 | 33,467 | 34,741 | 36,589 | 41,565 | 47,217 | 53,639 | 60,934 | 69,221 |
| II. Bank of Sierra Leone | | | | | | | | | | | | | | | | | |
| Net foreign assets | -3384 | -3017 | -4689 | -3,746 | -4,423 | -4,909 | -6,200 | -5,242 | -5,551 | -6,268 | -6,716 | -4,041 | -1,571 | 1,127 | 1,205 | 1,289 | 1,378 |
| Net domestic assets | 9679 | 10353 | 11928 | 12,460 | 12,804 | 12,888 | 14,727 | 15,456 | 15,117 | 15,833 | 16,833 | 15,737 | 14,857 | 13,966 | 15,941 | 18,189 | 20,749 |
| Net domestic credit | 8192 | 9519 | 10513 | 10,559 | 11,193 | 11,593 | 13,158 | 14,556 | 14,531 | 15,439 | 16,789 | 15,533 | 14,478 | 13,575 | 15,628 | 17,961 | 20,611 |
| Claims on other depository corporations | 506 | 844 | 514 | 665 | 1,011 | 1,379 | 1,040 | 2,477 | 1,885 | 2,447 | 1,494 | -1,418 | -2,723 | -3,854 | -252 | 3,607 | 7,808 |
| Claims on central government | 7629 | 8569 | 9937 | 9,895 | 10,084 | 10,238 | 12,122 | 12,074 | 12,656 | 12,991 | 15,298 | 16,954 | 17,205 | 17,433 | 15,884 | 14,357 | 12,807 |
| Claims on other sectors | -1 | 106 | 62 | -3 | 99 | -24 | -4 | 5 | -10 | 1 | -3 | -3 | -3 | -3 | -3 | -3 | -3 |
| Other items (net) 3/ | 1487 | 834 | 1415 | 1,901 | 1,611 | 1,295 | 1,570 | 901 | 586 | 394 | 43 | 204 | 380 | 391 | 312 | 228 | 138 |
| Reserve money | 6295 | 7336 | 7239 | 8,714 | 8,381 | 7,979 | 8,527 | 10,215 | 9,565 | 9,565 | 10,117 | 11,696 | 13,286 | 15,093 | 17,146 | 19,478 | 22,127 |
| Memorandum items: | | | | | | | | | | | | | | | | | |
| | (Annual percent change unless otherwise indicated) | | | | | | | | | | | | | | | | |
| Base money | 39.8 | 63.4 | 53.6 | 44.0 | 33.1 | 8.8 | 17.8 | 17.2 | 14.1 | 19.9 | 18.6 | 14.5 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 |
| M3 | 45.6 | 48.0 | 44.6 | 32.8 | 23.8 | 20.3 | 19.1 | 18.0 | 20.4 | 14.1 | 8.7 | 14.5 | 13.6 | 13.6 | 13.6 | 13.6 | 13.6 |
| Credit to the private sector (growth) | 21.4 | 14.8 | 13.9 | 25.0 | 31.7 | 37.6 | 35.6 | 41.2 | 40.5 | 39.6 | 37.8 | 31.2 | 21.0 | 21.2 | 21.2 | 20.9 | 20.9 |
| Velocity 4/ | .. | .. | .. | 5.4 | .. | .. | .. | 4.9 | .. | .. | .. | 4.8 | 4.8 | 4.7 | 4.7 | 4.6 | 4.6 |
| Money multiplier (M3/base money) | 3.5 | 3.1 | 3.4 | 3.1 | 3.3 | 3.4 | 3.4 | 3.1 | 3.4 | 3.5 | 3.4 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 |
| Credit to the private sector (in percent of non iron ore GDP) | .. | .. | .. | 3.5 | .. | .. | .. | 4.3 | .. | .. | .. | 4.9 | 5.3 | 5.7 | 6.2 | 6.7 | 7.2 |
| Nominal exchange rate, average (Leones/US\$) | 20 | 22 | 21 | 22 | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Nominal exchange rate, end of period (Leones/US\$) | 21 | 19 | 23 | 23 | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |

Sources: Sierra Leonean authorities; and Fund staff estimates and projections.

1/ End of period.

2/ Include other financial corporations, public enterprises and the local government.

3/ Includes valuation.

4/ Velocity is calculated as non-iron ore GDP /the average of M3 at the end of the current year and the preceding year.

Table 4. Sierra Leone: Balance of Payments, 2023-30
(Millions of US\$, unless otherwise indicated)

| | 2023 | | 2024 | | 2025 | | 2026 | | 2027 | 2028 | 2029 | 2030 |
|---|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Program | Prel. | Program | Proj. | Program | Proj. | Program | Proj. | | Proj. | | |
| Current account | -319.4 | -606.4 | -279.4 | -480.4 | -329.1 | -367.8 | -278.0 | -241.6 | -226.0 | -255.0 | -282.7 | -343.7 |
| Trade balance | -433.2 | -577.0 | -446.0 | -425.8 | -505.3 | -285.0 | -459.8 | -213.7 | -194.0 | -203.1 | -199.2 | -254.0 |
| Exports, f.o.b. | 1,257.3 | 1,339.0 | 1,366.4 | 1,548.1 | 1,372.7 | 1,611.5 | 1,438.3 | 1,710.8 | 1,774.1 | 1,809.0 | 1,861.7 | 1,890.5 |
| of which: Diamonds | 145.2 | 202.2 | 238.7 | 144.3 | 279.3 | 75.0 | 288.2 | 84.7 | 83.9 | 96.5 | 97.7 | 97.6 |
| Iron ore | 528.6 | 755.1 | 537.4 | 779.3 | 494.9 | 798.1 | 509.5 | 775.5 | 765.3 | 717.7 | 726.4 | 763.7 |
| Rutile and ilmenite | 148.0 | 151.6 | 126.4 | 72.3 | 131.5 | 122.6 | 136.8 | 165.3 | 171.2 | 189.5 | 199.6 | 206.9 |
| Imports, f.o.b. | -1,690.4 | -1,916.0 | -1,812.4 | -1,973.9 | -1,877.9 | -1,896.5 | -1,898.0 | -1,924.6 | -1,968.1 | -2,012.1 | -2,060.9 | -2,144.5 |
| of which: Oil | -372.9 | -396.4 | -398.9 | -418.9 | -393.0 | -381.4 | -390.2 | -380.4 | -397.2 | -417.2 | -437.2 | -455.9 |
| Services (net) | -305.0 | -305.0 | -331.0 | -385.1 | -344.9 | -383.6 | -349.5 | -397.6 | -390.4 | -423.3 | -437.6 | -457.2 |
| Income (net) | -53.8 | -53.8 | -61.4 | -57.1 | -64.6 | -65.1 | -68.5 | -66.1 | -69.1 | -72.1 | -75.5 | -78.9 |
| of which: Interest on public debt | -11.2 | -11.2 | -11.5 | -11.5 | -12.0 | -14.0 | -15.0 | -11.5 | -12.0 | -12.5 | -13.1 | -13.4 |
| Transfers | 472.5 | 329.4 | 559.0 | 387.6 | 585.6 | 365.9 | 599.8 | 435.8 | 427.6 | 443.5 | 429.6 | 446.3 |
| Official transfers (net) | 23.7 | 23.7 | 90.6 | 67.6 | 98.4 | 33.2 | 93.4 | 89.6 | 67.6 | 69.2 | 40.3 | 41.4 |
| Other transfers (net) | 448.9 | 305.7 | 468.3 | 320.0 | 487.2 | 332.8 | 506.4 | 346.1 | 360.0 | 374.4 | 389.3 | 404.9 |
| Capital and financial account | 445.2 | 434.0 | 278.6 | 386.6 | 383.4 | 352.5 | 330.3 | 354.1 | 333.1 | 321.1 | 363.0 | 436.0 |
| Capital account | 346.7 | 381.0 | 208.5 | 224.5 | 260.9 | 297.0 | 250.9 | 242.9 | 262.6 | 282.9 | 238.1 | 257.2 |
| of which: Project support grants | 267.0 | 267.0 | 206.3 | 281.1 | 258.6 | 280.3 | 248.5 | 225.0 | 243.8 | 263.4 | 217.6 | 235.7 |
| Financial account | 98.6 | 53.0 | 70.0 | 162.1 | 122.5 | 55.5 | 79.4 | 111.2 | 70.5 | 38.2 | 124.9 | 178.8 |
| Foreign direct and portfolio investment | 201.2 | 241.0 | 88.7 | 186.7 | 103.8 | 60.6 | 70.8 | 126.3 | 94.9 | 62.4 | 116.1 | 167.0 |
| Other investment | -102.6 | -188.0 | -18.7 | -24.6 | 18.6 | -5.2 | 8.6 | -15.1 | -24.4 | -24.2 | 8.8 | 11.8 |
| of which: Public sector (net) | 65.5 | -10.9 | -27.3 | 0.1 | 28.6 | 18.0 | 28.6 | 25.1 | 17.3 | 19.4 | 54.7 | 59.9 |
| Disbursements | 67.2 | 67.2 | 44.1 | 47.9 | 100.0 | 100.0 | 105.0 | 105.0 | 100.0 | 100.0 | 130.0 | 130.0 |
| Amortization | -72.9 | -72.9 | -71.4 | -69.9 | -71.4 | -82.0 | -76.4 | -79.9 | -82.7 | -80.6 | -75.3 | -70.1 |
| Errors and omissions | -244.8 | 53.4 | 0.0 | 56.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance | -118.9 | -118.9 | -0.8 | -37.8 | 54.3 | -15.2 | 52.3 | 112.5 | 107.1 | 66.2 | 80.3 | 92.3 |
| Financing | 118.9 | 118.9 | 0.8 | 37.8 | -54.3 | 15.2 | -52.3 | -112.5 | -107.1 | -86.2 | -110.3 | -122.3 |
| Change in net central bank reserves (- increase) | 123.3 | 123.3 | 5.2 | 42.2 | -52.1 | 17.4 | -50.1 | -110.3 | -105.4 | -86.2 | -110.3 | -122.3 |
| of which: Change in gross central bank reserves (- increase) | 142.1 | 142.1 | 19.3 | 58.2 | -65.1 | 7.6 | -44.0 | -100.1 | -98.4 | -15.9 | -37.8 | -60.7 |
| of which: Net use of Fund credit | -18.7 | -18.7 | -14.1 | -16.1 | 13.1 | 9.8 | -6.1 | -10.2 | -6.9 | -70.3 | -72.6 | -61.6 |
| Disbursements | 41.5 | 41.5 | 46.4 | 46.5 | 77.4 | 78.8 | 62.2 | 64.2 | 64.3 | 0.0 | 0.0 | 0.0 |
| Repayments | -60.2 | -60.2 | -60.4 | -62.5 | -64.4 | -69.0 | -68.3 | -74.4 | -71.2 | -70.3 | -72.6 | -61.6 |
| DSSI (repayment) | -4.4 | -4.4 | -4.4 | -4.4 | -2.2 | -2.2 | -2.2 | -2.2 | -1.7 | 0.0 | 0.0 | 1.0 |
| Financing gap | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 20.0 | 30.0 | 30.0 |
| Unidentified financing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 20.0 | 30.0 | 30.0 |
| Residual gap | | 0.0 | | 0.0 | | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memorandum items | | | | | | | | | | | | |
| | (Percent of non-iron ore GDP unless otherwise indicated) | | | | | | | | | | | |
| Current account | -5.3 | -10.1 | -4.0 | -7.5 | -4.5 | -5.1 | -3.7 | -3.1 | -2.8 | -3.0 | -3.1 | -3.6 |
| Trade balance | -7.2 | -9.6 | -6.4 | -6.7 | -6.9 | -3.9 | -6.2 | -2.7 | -2.4 | -2.4 | -2.2 | -2.7 |
| Capital and financial account | 7.5 | 7.3 | 4.0 | 6.0 | 5.3 | 4.8 | 4.5 | 4.5 | 4.1 | 3.7 | 4.0 | 4.6 |
| Overall balance | -2.0 | -2.0 | 0.0 | -0.6 | 0.7 | -0.2 | 0.7 | 1.4 | 1.3 | 0.8 | 0.9 | 1.0 |
| Budget support (grants and loans) | 1.5 | 1.5 | 1.0 | 1.1 | 1.1 | 0.2 | 1.0 | 0.9 | 0.6 | 0.6 | 0.6 | 0.6 |
| Budget support (grants and loans), millions of U.S. dollars | 91.2 | 91.2 | 72.1 | 70.4 | 79.8 | 15.8 | 74.8 | 73.0 | 51.0 | 52.1 | 53.2 | 54.3 |
| Gross international reserves (including swaps) | 499 | 499 | 478 | 439 | 518 | 457 | 558 | 553 | 601 | 617 | 655 | 715 |
| Gross international reserves (excluding swaps) | 468 | 468 | 449 | 410 | 514 | 403 | 558 | 503 | 601 | 617 | 655 | 715 |
| Gross international reserves (excluding swaps), months of next year's imports | 2.6 | 2.3 | 2.4 | 2.1 | 2.7 | 2.0 | 2.9 | 2.5 | 2.9 | 2.9 | 2.9 | 3.1 |
| National currency per US dollar (average) | 21 | 21 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |

Sources: Sierra Leonean authorities; and Fund staff estimates and projections.

Table 5. Sierra Leone: External Financing Requirements and Sources, 2023-30
(Millions of US\$)

| | 2023 | 2024 | | 2025 | | 2026 | | 2027 | 2028 | 2029 | 2030 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Prel. | Program | Proj. | Program | Proj. | Program | Proj. | | | Proj. | |
| Financing needs | -626 | -487 | -627 | -631 | -547 | -562 | -588 | -548 | -491 | -509 | -578 |
| Current account balance (excluding net official current transfers) | -630 | -370 | -548 | -427 | -401 | -371 | -331 | -294 | -324 | -323 | -385 |
| Debt amortization (excluding IMF) | -73 | -71 | -70 | -71 | -82 | -76 | -80 | -83 | -81 | -75 | -70 |
| Repayments to IMF | -60 | -60 | -63 | -64 | -69 | -68 | -74 | -71 | -70 | -73 | -62 |
| DSSI (repayment) | -4 | -4 | -4 | -2 | -2 | -2 | -2 | -2 | 0 | 0 | 0 |
| Gross international reserves accumulation (- increase) (without RSF) | 142 | 19 | 58 | -65 | 8 | -44 | -100 | -98 | -16 | -38 | -61 |
| Identified financing sources | 469 | 373 | 458 | 476 | 454 | 428 | 453 | 434 | 419 | 425 | 493 |
| Capital account balance | 381 | 209 | 224 | 261 | 297 | 251 | 243 | 263 | 283 | 238 | 257 |
| Disbursements from official creditors (excluding IMF) | 67 | 44 | 48 | 100 | 100 | 105 | 105 | 100 | 100 | 130 | 130 |
| Net official current transfers | -42 | 19 | -3 | 19 | 17 | 19 | 29 | 17 | 17 | -13 | -13 |
| Foreign direct and portfolio investment | 241 | 89 | 187 | 104 | 61 | 71 | 126 | 95 | 62 | 116 | 167 |
| Net acquisition of financial assets of commercial banks (- increase) | -182 | 9 | -27 | -10 | -23 | -20 | -40 | -42 | -44 | 0 | 0 |
| Other | 4 | 4 | 29 | 2 | 2 | 2 | -10 | 2 | 0 | -46 | -48 |
| Errors and omissions | 53 | 0 | 56 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financing gap | 103 | 114 | 112 | 155 | 92 | 135 | 135 | 114 | 72 | 83 | 84 |
| Other financing sources | 103 | 114 | 112 | 155 | 92 | 135 | 135 | 114 | 72 | 83 | 84 |
| Disbursements from IMF (ECF) | 42 | 46 | 46 | 77 | 79 | 62 | 64 | 64 | 0 | 0 | 0 |
| World Bank | 66 | 60 | 58 | 60 | 0 | 55 | 40 | 30 | 30 | 30 | 30 |
| EU | 0 | 12 | 12 | 20 | 16 | 20 | 21 | 21 | 22 | 23 | 24 |
| AfDB | 0 | 0 | 0 | 0 | 0 | 0 | 12 | 0 | 0 | 0 | 0 |
| Unidentified financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20 | 30 | 30 |
| <u>Reserve accumulation (- increase)</u> | 142 | ... | 58 | ... | 8 | ... | -100 | -98 | -16 | -38 | -61 |
| Memorandum items | | | | | | | | | | | |
| Gross international reserves (excluding swaps) | 468 | 449 | 410 | 514 | 403 | 558 | 503 | 601 | 617 | 655 | 715 |
| Gross international reserves (excluding swaps) (months of next year's import) | 2.3 | 2.4 | 2.1 | 2.7 | 2.0 | 2.9 | 2.5 | 2.9 | 2.9 | 2.9 | 3.1 |

Sources: Sierra Leonean authorities; and IMF staff estimates and projections.

Table 6. Sierra Leone: Indicators of Capacity to Repay the IMF, 2025-39
(Millions of SDRs, unless otherwise indicated)

| | Projection | | | | | | | | | | | | | | |
|--|------------|---------|---------|---------|---------|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 |
| Fund obligations based on existing credit (millions of SDRs) | | | | | | | | | | | | | | | |
| Principal | 48.5 | 51.2 | 48.8 | 48.0 | 49.6 | 41.5 | 26.1 | 14.8 | 11.7 | 7.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Charges and interest | 2.5 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Fund obligations based on existing and prospective credit (millions of SDRs) | | | | | | | | | | | | | | | |
| Principal | 48.5 | 51.2 | 48.8 | 48.0 | 49.6 | 41.5 | 40.1 | 38.1 | 42.0 | 37.3 | 30.3 | 16.3 | 7.0 | 0.0 | 0.0 |
| Charges and interest | 2.5 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Fund obligations based on existing and prospective credit | | | | | | | | | | | | | | | |
| In millions of SDRs | 51.0 | 54.0 | 51.6 | 50.8 | 52.3 | 44.3 | 42.8 | 40.9 | 44.8 | 40.1 | 33.1 | 19.1 | 9.8 | 2.8 | 2.8 |
| In millions of US\$ | 69.0 | 74.2 | 71.1 | 70.1 | 72.4 | 61.4 | 58.2 | 54.5 | 58.5 | 51.4 | 41.6 | 23.5 | 11.8 | 3.3 | 3.2 |
| In percent of exports of goods and services | 4.1 | 4.1 | 3.8 | 3.7 | 3.7 | 3.1 | 2.8 | 2.5 | 2.6 | 2.2 | 1.7 | 0.9 | 0.4 | 0.1 | 0.1 |
| In percent of total debt service 1/ | 41.8 | 44.8 | 42.8 | 42.9 | 45.0 | 42.3 | 46.1 | 48.1 | 51.4 | 43.4 | 36.9 | 20.0 | 9.6 | 2.6 | 2.5 |
| In percent of GDP | 0.9 | 0.9 | 0.8 | 0.8 | 0.8 | 0.6 | 0.6 | 0.5 | 0.5 | 0.4 | 0.3 | 0.2 | 0.1 | 0.0 | 0.0 |
| In percent of gross international reserves | 17.1 | 14.8 | 11.8 | 11.4 | 11.1 | 8.6 | 7.8 | 6.9 | 7.1 | 5.9 | 4.5 | 2.4 | 1.2 | 0.3 | 0.3 |
| In percent of quota | 24.6 | 26.0 | 24.9 | 24.5 | 25.2 | 21.4 | 20.7 | 19.7 | 21.6 | 19.3 | 16.0 | 9.2 | 4.7 | 1.3 | 1.3 |
| Outstanding Fund credit based on existing and prospective credit | | | | | | | | | | | | | | | |
| In millions of SDRs | 357.0 | 352.5 | 350.3 | 302.3 | 252.7 | 211.2 | 171.1 | 133.0 | 91.0 | 53.7 | 23.3 | 7.0 | 0.0 | 0.0 | 0.0 |
| In millions of US\$ | 482.6 | 484.8 | 482.7 | 417.6 | 349.6 | 292.7 | 232.5 | 177.2 | 118.9 | 68.7 | 29.3 | 8.6 | 0.0 | 0.0 | 0.0 |
| In percent of exports of goods and services | 28.5 | 27.0 | 25.9 | 21.9 | 17.8 | 14.7 | 11.1 | 8.1 | 5.2 | 2.9 | 1.2 | 0.3 | 0.0 | 0.0 | 0.0 |
| In percent of total debt service 1/ | 292.5 | 292.4 | 290.9 | 255.5 | 217.1 | 201.7 | 184.1 | 156.4 | 104.5 | 58.0 | 26.0 | 7.3 | 0.0 | 0.0 | 0.0 |
| In percent of GDP | 6.3 | 5.9 | 5.6 | 4.7 | 3.7 | 3.0 | 2.3 | 1.6 | 1.1 | 0.6 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 |
| In percent of gross international reserves | 119.9 | 96.5 | 80.3 | 67.7 | 53.4 | 40.9 | 31.0 | 22.5 | 14.4 | 7.9 | 3.2 | 0.9 | 0.0 | 0.0 | 0.0 |
| In percent of quota | 172.1 | 169.9 | 168.9 | 145.8 | 121.9 | 101.8 | 82.5 | 64.1 | 43.9 | 25.9 | 11.3 | 3.4 | 0.0 | 0.0 | 0.0 |
| Net use of Fund credit (millions of SDRs) | | | | | | | | | | | | | | | |
| Disbursements | 9.8 | -4.5 | -2.2 | -48.0 | -49.6 | -41.5 | -40.1 | -38.1 | -42.0 | -37.3 | -30.3 | -16.3 | -7.0 | 0.0 | 0.0 |
| Repayments | 58.3 | 46.7 | 46.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | 48.5 | 51.2 | 48.8 | 48.0 | 49.6 | 41.5 | 40.1 | 38.1 | 42.0 | 37.3 | 30.3 | 16.3 | 7.0 | 0.0 | 0.0 |
| Memorandum items | | | | | | | | | | | | | | | |
| Exports of goods and services (millions of US\$) | 1,692.0 | 1,796.8 | 1,864.1 | 1,902.9 | 1,960.0 | 1,993.7 | 2,088.2 | 2,179.7 | 2,278.3 | 2,381.7 | 2,489.8 | 2,613.1 | 2,742.7 | 2,879.0 | 3,022.4 |
| Total debt service (millions of US\$) 1/ | 165.0 | 165.8 | 165.9 | 163.4 | 161.0 | 145.1 | 126.3 | 113.3 | 113.8 | 118.4 | 112.7 | 117.8 | 122.3 | 126.8 | 128.0 |
| Nominal GDP (millions of US\$) | 7,687.2 | 8,209.7 | 8,585.5 | 8,958.7 | 9,376.8 | 9,847.1 | 10,309.7 | 10,791.2 | 11,305.0 | 11,843.4 | 12,416.5 | 13,018.5 | 13,649.6 | 14,311.1 | 15,004.5 |
| Gross international reserves (millions of US\$) | 402.5 | 502.6 | 601.0 | 616.9 | 654.7 | 715.4 | 750.5 | 788.1 | 827.6 | 869.8 | 914.2 | 961.0 | 1,010.3 | 1,062.2 | 1,116.8 |
| Quota (millions of SDRs) | 207.4 | 207.4 | 207.4 | 207.4 | 207.4 | 207.4 | 207.4 | 207.4 | 207.4 | 207.4 | 207.4 | 207.4 | 207.4 | 207.4 | 207.4 |

Source: IMF staff estimates and projections.

1/ Total debt service includes repayments to IMF.

Table 7. Sierra Leone: Schedule of Disbursements Under the ECF Arrangement, 2024-27

| Availability | Disbursements | | Conditions for Disbursement |
|----------------------------|---------------------|------------------------|---|
| | In millions of SDRs | In percent of quota 1/ | |
| October 31, 2024 | 34.999 | 16.88 | The approval of the ECF arrangement. |
| May 15, 2025 | 34.999 | 16.88 | Board completion of the first review based on observance of continuous and December 31, 2024 performance criteria |
| November 15, 2025 | 23.333 | 11.25 | Board completion of the second review based on observance of continuous as well as June 30, 2025 performance criteria |
| May 15, 2026 | 23.333 | 11.25 | Board completion of the third review based on observance of continuous and December 31, 2025 performance criteria |
| November 15, 2026 | 23.333 | 11.25 | Board completion of the fourth review based on observance of continuous and June 30, 2026 performance criteria |
| May 15, 2027 | 23.333 | 11.25 | Board completion of the fifth review based on observance of continuous and December 31, 2026 performance criteria |
| November 15, 2027 | 23.333 | 11.25 | Board completion of the six review based on observance of continuous and June 30, 2027 performance criteria |
| Total disbursements | 186.663 | 90.00 | |

1/ This does not reflect the recent 15th quota review across member states.

Table 8. Sierra Leone: Financial Soundness Indicators, 2013-25

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 September |
|---|------|------|------|------|-------|-------|------|-------|-------|------|-------|-------|-------------------|
| (Percent, end of period, unless otherwise indicated) | | | | | | | | | | | | | |
| Capital adequacy | | | | | | | | | | | | | |
| Regulatory capital ratio 1/ | 30.1 | 30.2 | 34.0 | 34.1 | 34.1 | 38.4 | 41.7 | 40.1 | 41.0 | 35.2 | 41.8 | 40.9 | 44.7 |
| Regulatory tier 1 capital ratio 2/ | 26.3 | 25.9 | 29.0 | 27.2 | 27.2 | 29.6 | 33.9 | 33.2 | 34.3 | 27.8 | 31.4 | 29.7 | 34.4 |
| Asset quality | | | | | | | | | | | | | |
| Nonperforming loans to total gross loans | 23.7 | 35.3 | 33.2 | 15.5 | 15.0 | 13.0 | 16.8 | 12.7 | 15.2 | 12.1 | 9.1 | 9.0 | 12.3 |
| Nonperforming loans (net of provisions) to regulatory capital | 31.7 | 41.8 | 31.9 | 1.2 | 12.1 | 9.9 | 7.2 | 4.3 | 4.8 | 2.4 | 1.2 | 0.2 | 4.6 |
| Earnings and profitability | | | | | | | | | | | | | |
| Return on assets | 2.2 | 2.6 | 3.2 | 3.8 | 5.6 | 6.0 | 6.1 | 6.1 | 5.4 | 6.5 | 7.7 | 9.3 | 11.4 |
| Return on equity | 9.6 | 15.4 | 18.0 | 21.8 | 29.8 | 28.6 | 26.1 | 27.6 | 23.9 | 28.2 | 34.8 | 38.9 | 44.7 |
| Interest margin to gross income | 59.2 | 43.5 | 36.6 | 51.1 | 63.2 | 63.2 | 66.9 | 70.0 | 66.4 | 70.9 | 69.7 | 77.2 | 79.2 |
| Liquidity | | | | | | | | | | | | | |
| Liquid assets to short-term liabilities | 81.3 | 87.0 | 87.0 | 86.0 | 77.8 | 82.3 | 86.8 | 94.1 | 92.0 | 95.5 | 96.8 | 115.7 | 106.6 |
| Liquid assets to total assets | 72.5 | 78.9 | 83.3 | 85.5 | 70.9 | 69.2 | 68.4 | 73.4 | 73.7 | 78.3 | 77.0 | 73.5 | 71.7 |
| Sensitivity to Market Risk | | | | | | | | | | | | | |
| Net open position in FX to capital | -1.2 | 0.8 | -6.8 | 14.4 | -14.4 | -12.8 | -1.8 | -12.2 | -10.6 | -0.2 | -14.1 | -10.7 | -14.7 |
| Memorandum Item: | | | | | | | | | | | | | |
| Number of banks | 13 | 13 | 13 | 13 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 13 | 13 |

Source: Bank of Sierra Leone.

1/ Total capital over risk-weighted assets

2/ Core capital (Tier 1) over risk-weighted assets

Table 9. Sierra Leone: Decomposition of Public Debt and Debt Service by Creditor, 2023-25^{1/}

| | Debt Stock (end of period) | | | Debt Service | | | | | |
|-------------------------------------|----------------------------|----------------------|---------------|----------------|------|------|---------------|------|------|
| | 2024 | | | 2023 | 2024 | 2025 | 2023 | 2024 | 2025 |
| | (In mil. US\$) | (Percent total debt) | (Percent GDP) | (In mil. US\$) | | | (Percent GDP) | | |
| Total | 3,238 | 100.0 | 49.6 | 626 | 597 | 613 | 10.4 | 8.6 | 8.2 |
| External | 1,977 | 61.1 | 30.3 | 144 | 142 | 163 | 2.4 | 2.0 | 2.2 |
| Multilateral creditors ³ | 1,597 | 49.3 | 24.5 | 111 | 117 | 131 | 1.9 | 1.7 | 1.8 |
| IMF | 453 | 14.0 | 6.9 | | | | | | |
| World Bank | 463 | 14.3 | 7.1 | | | | | | |
| AfDB | 171 | 5.3 | 2.6 | | | | | | |
| Other Multilaterals | 509 | 15.7 | 7.8 | | | | | | |
| o/w: Islamic Development Bank | 108 | 3.3 | 1.7 | | | | | | |
| EEC/EIB | 55 | 1.7 | 0.8 | | | | | | |
| Bilateral Creditors | 214 | 6.6 | 3.3 | 25 | 17 | 22 | 0.4 | 0.2 | 0.3 |
| Paris Club | 50 | 1.5 | 0.8 | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 |
| o/w: South Korea | 50 | 1.5 | 0.8 | | | | | | |
| Non-Paris Club | 164 | 5.1 | 2.5 | 25 | 17 | 22 | 0.4 | 0.2 | 0.3 |
| o/w: Kuwait | 55 | 1.7 | 0.8 | | | | | | |
| China | 55 | 1.7 | 0.8 | | | | | | |
| Bonds | - | - | - | - | - | - | - | - | - |
| Commercial creditors | 166 | 5.1 | 2.5 | 8 | 8 | 10 | 0.1 | 0.1 | 0.1 |
| Other international creditors | - | - | - | - | - | - | - | - | - |
| Domestic² | 1,261 | 38.9 | 19.3 | 482 | 455 | 451 | 8.0 | 6.6 | 6.0 |
| Held by residents, total | 1,261 | 38.9 | 19.3 | n/a | n/a | n/a | n/a | n/a | n/a |
| Held by non-residents, total | - | - | - | - | - | - | - | - | - |
| T-Bills | 961 | 29.7 | 14.7 | n/a | n/a | n/a | n/a | n/a | n/a |
| Bonds | 144 | 4.4 | 2.2 | n/a | n/a | n/a | n/a | n/a | n/a |
| Loans | 15 | 0.5 | 0.2 | n/a | n/a | n/a | n/a | n/a | n/a |
| Memo items: | | | | | | | | | |
| Nominal GDP | 6,970 | | | | | | | | |

^{1/}As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

^{2/}Some public debt is not shown in the table due to confidentiality clauses and data limitation. Total includes domestic arrears.

^{3/}Multilateral creditors are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

Annex I. Risk Assessment Matrix¹

| Nature/Sources of Risk | Relative Likelihood | Expected Impact if Realized | Policies to Mitigate Risks |
|---|---------------------|--|---|
| External Risks | | | |
| Geopolitical Tensions | High | High. Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains. For Sierra Leone, supply chain disruptions can lead to higher prices for essential imports and weaker commodity exports. | The effects of this shock on Sierra Leone are likely to come through the commodity market. Policies to mitigate the risk would thus be the same as for “Commodity Price Volatility.” |
| Escalating Trade Measures and Prolonged Uncertainty. | High | Medium/High. Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge—especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang. A growth slowdown in major economies would likely lower demand for Sierra Leone’s minerals exports. | Tighten fiscal policy to offset the potential decline in export-related revenues on the budget. Diversify the economy away from the mining sector. |
| Commodity Price Volatility | High | Medium/High. Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability. For Sierra Leone, higher energy prices would increase inflation and heighten fiscal pressures, especially if the government responds with additional fuel subsidies. Rising and volatile food prices could increase food insecurity. A weakening current account could put further pressure on reserves. | Apply the automatic fuel price adjustment mechanism to safeguard critical revenues. Reform the energy sector to shift away from reliance on fuel oil. Introduce targeted measures to mitigate the impact of the shock on the vulnerable, e.g., by expanding the social safety net, including the school feeding program, or by reallocating budgetary resources. Implement policies to boost domestic food production. Continue to safeguards reserves and rebuild the reserve cover as needed. |

¹ Based on August 2025 Global Risk Assessment Matrix (G-RAM).

| Nature/Sources of Risk | Relative Likelihood | Expected Impact if Realized | Policies to Mitigate Risks |
|---|---------------------|---|---|
| Financial Market Volatility and Correction | High | <i>Medium.</i> Stretched asset valuations, easy financial conditions, and subdued volatility in key markets could be significantly affected by a sudden and disruptive shift in investor sentiment or policy stance, triggering market corrections, exchange rate turbulence, spikes in sovereign bond yields, and capital flow volatility. Elevated leverage among Non-Bank Financial Intermediaries further amplifies these risks, as forced deleveraging during periods of stress could exacerbate asset price swings and propagate shocks. Rapid growth of unregulated crypto markets could add to these vulnerabilities by increasing the risk of redemption runs and market dislocations. | The effects of this shock on Sierra Leone are likely to come through the commodity market. Policies to mitigate the risk would thus be the same as for “Commodity Price Volatility.” |
| Fiscal Vulnerabilities and Higher Long-Term Interest Rates | High | <i>Medium.</i> Rising public debt and deficit levels may put upward pressure on long-term interest rates and increase the risk of sovereign bond market disruptions. These developments could amplify capital flow volatility, tighten financial conditions, threaten sovereign debt sustainability, and trigger global spillovers. To the extent that major economies are affected, market imbalances (such as reduced investor capacity to absorb sovereign debt) could emerge, exacerbating risks from a close sovereign-financial nexus. For Sierra Leone, the direct effect of fiscal vulnerabilities and higher long-term interest rates in AEs and EMDEs is limited. Adverse knock-on effects could arise through decreased foreign demand for minerals and lower remittance inflows. | Tighten fiscal policy to offset the potential decline in export-related revenues on the budget. Continue with efforts to diversify the economy away from the mining sector. |
| Decline in International Aid | High | <i>High.</i> A further sharp reduction in international financial assistance, including development aid and humanitarian support, could severely affect low-income and fragile countries. Such an additional aid withdrawal would strain public finances, worsen current accounts, increase debt vulnerabilities, and lead to a further deterioration in living conditions and food security. | Improve revenue mobilization to offset budget support shortfalls. Improve efficiency and prioritize provision of key public services in health and education. Implement policies to boost domestic food production. |

| Nature/Sources of Risk | Relative Likelihood | Expected Impact if Realized | Policies to Mitigate Risks |
|---------------------------------|---------------------|---|---|
| Rising Social Discontent | Medium | <p>High. High living costs, weak growth, and inequality may fuel social unrest, hinder necessary reforms, and weaken countries' capacity to address domestic and external shocks.</p> <p>For Sierra Leone, food insecurity has fed into the political space, materializing in social tensions. Reduced international aid for food and health may heighten social discontent.</p> | Continue to prioritize social programs that help vulnerable segments of the population to effectively participate in the economy. Improve governance, transparency and communication frameworks. |
| New Trade Agreements | Low | <p>Medium. A breakthrough in trade talks could reduce uncertainty and protectionism, boost investment and productivity, and support broader reforms to lift medium-term growth.</p> <p>For Sierra Leone, higher global growth would lead to higher demand for its minerals.</p> | Ensure mines have the capacity and infrastructure to meet higher demand for key minerals. |
| Cyberthreats | High | <p>Low. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.</p> | Develop and implement a national cyber security plan. |
| Climate change | Medium | <p>Medium/High. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.</p> <p>Sierra Leone is highly exposed to weather and climate-related shocks.</p> | Prioritize public investment in climate-resilient infrastructure. Seek grant financing for climate projects related to adaptation. Strengthen the social safety net. |
| Labor-Supply Gaps | Medium | <p>Low. Tighter restrictions to migration could worsen labor shortages in aging economies, reducing potential output, fueling inflation, and straining fiscal balances through lower revenues.</p> | The effects on Sierra Leone are limited and likely to come through decreased demand for commodities. Therefore, the authorities should continue efforts to diversify the economy away from the mining sector. |

Annex II. Capacity Development Summary

CD Strategy and Priorities

1. Sierra Leone's CD Strategy is aligned with the government's MT development goals and integrated with ECF program objectives. The strategy is guided by the priorities set in key national frameworks, including the Medium-Term National Development Plan, the Medium-Term Debt Strategy (MTDS), and the Medium-Term Revenue Strategy (MTRS). Capacity building efforts focus on improving governance and fiscal transparency while mainstreaming climate. CD strategy for the financial sector is guided by the 2021 Financial Sector Stability Review (FSSR) (Table 1).

- **Sierra Leone's fiscal situation remains extremely tight, characterized by large development financing needs, a narrow tax base, and high debt levels.** This requires increased emphasis on revenue mobilization, improving the efficiency and effectiveness of spending, strengthening PFM, and debt management. Against this backdrop, CD is focused on assisting the authorities in implementing the MTRS (including through the rationalization of tax exemptions); building public finance management capacity to strengthen commitment and payment controls, wage bill management; promoting transparency and accountability in the use of public funds; improving accounting and fiscal reporting; reprioritizing spending; and more effective debt management to address rising debt vulnerabilities.
- **The monetary policy transmission mechanism is weak and central bank operations require strengthening.** With the Fund's assistance, the BSL is developing analytical capacity and near-term forecasting tools to inform monetary policy decisions. The BSL is also using the Fund's TA to modernize its monetary policy framework and improve its liquidity management. Improving the infrastructure and systems for foreign exchange operations to develop a well-functioning interbank FX market is a priority. Technical support on the recapitalization of the BSL is a key part of the CD strategy as it is linked to independent monetary policy implementation. Fund support will also be required to implement International Financial Reporting Standards as this was one of the safeguard report's recommendations.
- **High non-performing loans and weaknesses in some banks require strengthening financial sector governance and supervision.** The FSSR follow-up plan for Sierra Leone focuses on bank supervision, systemic risk, financial stability and macroprudential policy frameworks and on developing stress-testing capacity, as well as on the oversight of financial market infrastructure. The implementation of the new Banking and BSL Acts will be supported by capacity development focused on risk-based supervision and the implementation of Basel II/III. Additional support would be needed to operationalize the financial crisis management framework and financial safety net in accordance with the TA Roadmap in the FSSR 2021.
- **Timely data compilation and dissemination across all sectors remain critical for effective policy design and implementation.** Priority areas for support include:

- Debt statistics: strengthening debt recording and management, as well as improving public debt compilation and reporting, including timely reporting and recording of debt of state-owned enterprises and self-accounting bodies.
- National accounts and prices: Improving methodologies to produce more accurate GDP estimates, including
 - deriving improved GDP estimates by production and expenditure,
 - improving the measurement of informal activities,
 - start compiling quarterly GDP by production and expenditure; and
 - compiling and releasing the producer price index (PPI).
- External sector statistics: improving estimation methodologies for foreign direct investment inflows, remittances, and unrecorded exports of minerals. Additionally, the net international position data has not been released since 2017.
- An overarching issue is inadequate capacity and sluggish pace of data collection from other agencies. Increased availability of high frequency data will also be crucial. These would usefully include quarterly GDP estimates and monthly financial stability indicators, such as NPL ratios and the ratio of banks' liquid assets to total assets.

Main Risks and Mitigation

2. Risks to TA implementation in Sierra Leone relate to absorptive capacity, and financing constraints. TA implementation is often constrained by the small number of officials handling a large variety of tasks. This can become binding without careful prioritization, particularly with numerous and sometimes bunched TA missions (Table 2), and TA delivery by other development partners. The cost of implementing TA recommendations, especially those involving investments in hardware or new systems, has sometimes delayed implementation.

3. Several initiatives could help mitigate these risks. The placement of two resident advisors at the BSL in 2022, on banking supervision and monetary policy, and of a PFM resident advisor at the MoF in 2024 has helped support CD delivery in a fragile institutional setting. The incorporation of Sierra Leone as a pilot country for FAD's medium-term programmatic approach to CD planning and delivery should support implementation of TA recommendations and the integration and sequencing of CD priorities. The authorities have requested that future TA should contain a training component to help build domestic capacity.

Table 1. Sierra Leone: Capacity Development Priorities

| Priorities | Objectives |
|---|---|
| Public Finance Management | Ensure fiscal sustainability through: (i) Implementing reforms to better manage public investment with stronger focus on project appraisal and selection; (ii) More effectively prioritize spending to critical sectors. Improve budget execution through: (i) Advising on updates to the PFM legislation; (ii) Developing capabilities on strategic and baseline budgeting; (iii) Strengthening fiscal risk management, including SOEs; (iv) Enhancing cash forecasting and the cash management function; (v) Accelerate transparency and governance reforms, including follow-up of audit recommendations. Improve fiscal reporting by: (i) Enhancing coverage of the whole of central government and gradually extending it to the general government; (ii) International standards (IPSAS) based accounting and fiscal reporting. Improved data integrity of the financial statements |
| Tax Policy | Support revenue mobilization efforts and implementation of individual MTRS measures; strengthen tax policy analysis at the Ministry of Finance in cooperation with development partners, including the Joint Domestic Resource Mobilization Initiative (JDRMI). |
| Revenue Administration | Improve efficiency of domestic resource mobilization by: (i) Increasing tax compliance and supporting development of a compliance risk framework; (ii) Broadening the tax base and strengthening border controls; (iii) Modernizing the governance structure of NRA; (iv) Building capacity in data analytics and audit of specialized industries; (v) Automating tax administration and enhancing data integrity; (vi) Limiting and improving control and monitoring over tax exemptions; (vii) Integrating the NRA system with other fiscal systems. |
| Expenditure Policy | Sierra Leone is a pilot country for IAIP's medium-term engagement focusing on building government capacity to undertake expenditure reviews. Mission on wage bill management supported authorities' development of medium-term wage bill management strategy. |
| Financial Sector Supervision and Regulation | Continue engagement on the assessment of financial sector safety and soundness and strengthening prudential supervision frameworks and processes. |
| Financial Stability | Build tools to monitor systemic risk, conduct stress tests, and improve financial stability analysis. |
| Debt Management | Improve debt recording and debt management, including at state-owned enterprises and self-accounting bodies. |
| Central Banking Operations and Governance | Implement revised Banking and BSL Acts to strengthen BSL's ability to supervise the banking system; discontinue monetary policy analysis for foreign exchange interventions and monetary policy transmission mechanism; continue IFRS implementation and supervisory framework for banks; strengthen governance and capacity to manage BSL's balance sheet. |
| Safeguards | Continue safeguards assessment and strengthen governance reforms. |
| Statistics | Improve macroeconomic and debt-related indicators of economic activities in all sectors; enhance reporting, improve coverage, and leverage high-frequency data; convert monetary accounts to GFSM 2014 standard; improving estimation methodologies for foreign direct investment inflows, remittances, and unrecorded exports of minerals. Additionally, the net international position data has not been released since 2017. |

Table 2. Sierra Leone: Technical Assistance, FY 2021-25

| | |
|--------|--|
| Sep-25 | AFRW2-Support to Capital Budgeting - Hybrid |
| Sep-25 | HQ - Mission - Strengthening Compliance for Specialized Sectors |
| Sep-25 | AFR Follow Up Support to Baseline Costing |
| Aug-25 | Sierra Leone - TA - CPI update |
| Jul-25 | HQ - Mission - Strengthening Compliance Risk Management for LTO: MTRS |
| Jul-25 | Sierra Leone / AFR - TA/Train - GFS/PSDS-D4D 2.0-Transition to GFSM2014 |
| Jul-25 | T/Mission /TADAT Assessment |
| Jun-25 | T/STX/Hybrid - Leadership |
| Jun-25 | T/STX/NRA Act Review |
| Jun-25 | T/STX/TADAT Training |
| May-25 | GDA Sierra Leone PEA Analysis (3 days) - FY26 |
| May-25 | Revenue mobilization follow up mission |
| May-25 | Sierra Leone AFW2 May FY26 Improving Monetary Policy Analysis and NTF Capabilities |
| May-25 | Sierra Leone Apr FY26 FSSR Banking Supervision LTX Extension II FSSR Phase II |
| Apr-25 | Revising the Public Financial Management Act |
| Apr-25 | AFW2 April FY26 Analysis of Early Warning System/TA Feedback |
| Apr-25 | T/STX/International tax/EI- Transfer pricing |
| Mar-25 | C/LTX/Enforcement - Revenue Task Force (Phase 1) |
| Mar-25 | AFW2-Follow up support to implement Gender Based Budgeting |
| Mar-25 | T/STX/Embedding Compliance Risk Management |
| Mar-25 | Sierra Leone AFRITAC West 2 Mar FY25 Operationalizing ELA Framework |
| Feb-25 | Sierra Leone-TA-GDP-Development of QGDP |
| Feb-25 | GDA Sierra Leone - Main Mission |
| Feb-25 | Mission on wage bill management |
| Feb-25 | T/STX/Audit - Specialized Sector Audit Capacity Development (Construction Sector) |
| Jan-25 | FY25 LTX Extension I - ILYAS TUFAS |
| Jan-25 | Sierra Leone Jan FY25 BSR LTX Extension III (Arango) |
| Jan-25 | Sierra Leone Jan FY25 FSSR Banking Supervision LTX Extension FSSR Phase II |
| Dec-24 | AFW2-Follow up support to Budget baseline costing of policies |
| Dec-24 | STX-Developing Reform Management Tools |
| Dec-24 | AFW2-design and train staff on the preparation of the Fiscal Risk Statement |
| Dec-24 | Sierra Leone Dec FY25 Operational Crisis Management Framework for Banks |
| Dec-24 | C/STX/Enforcement - PCA |
| Nov-24 | Sierra-TA-BOP/IIP |
| Nov-24 | T/STX/Compliance Risk Management/Hybrid |
| Nov-24 | STX Assignment - Building Project Management Capacity |
| Sep-24 | MCM/AFW2 TA mission on Improving Monetary Operations |
| Jun-24 | Sierra Leone-TA-GDP mission |
| May-24 | Sierra Leone-TA-GDP-D4D |
| May-24 | Sierra Leone AFW2 May FY25 IFRS Accounting and Prudential Provisioning |
| May-24 | Sierra Leone AFW2 May FY25 Improving Monetary Policy Analysis and NTF Capabilities |
| May-24 | Sierra Leone BSR LTX Extension II (Juan Arango) |
| May-24 | Sierra Leone MPO LTX Extension III (Zsolt Kondrat) |
| Apr-24 | Energy subsidy scoping mission |
| Apr-24 | Scoping Mission on Energy Subsidy Reform |
| Mar-24 | AFW2- Peer Learning on the set up of an SOE Oversight Commission |
| Mar-24 | mining revenue model construction 2 |
| Mar-24 | T/STX support on safe harbor 2 |
| Mar-24 | Wage Bill in-person training |
| Mar-24 | Training on public sector wage bill management and forecasting |
| Mar-24 | Customs Post Clearance Audit Training - STX field |
| Feb-24 | Sierra Leone-TA-GDP-GDP rebasing |
| Jan-24 | Sierra Leone - HQ-Led - C-PIMA and PIMA review |
| Jan-24 | Installation mission |
| Jan-24 | Sierra Leone-PRC-Updating PPI |
| Jan-24 | FSSR FY24: Sierra Leone Jan FY24 Macroprudential Policy |
| Jan-24 | SIERRA LEONE Andrew Argyle |
| Jan-24 | Sierra Leone AFW2 Jan FY24 Operationalization of the Oversight Framework for Payment Systems |
| Jan-24 | Deployment Activity-Ilyas Tufan |
| Nov-23 | Training on the use of the SOE HCT and DGLAT |
| Nov-23 | Training on the use of the SOE HCT and DGLAT (for RM) |
| Nov-23 | Sierra Leone-TA-GDP-Development of QGDP |
| Nov-23 | Sierra Leone Nov FY24 Professional Attachment on Developing Forecasting and Policy Analysis System |
| Nov-23 | Sierra Leone- TA - BOP |
| Nov-23 | Sierra Leone Nov FY24 Developing Stress-Testing Capacity |
| Oct-23 | Customs Induction & Risk Management Training - STX field |
| Oct-23 | MTRS - follow-up mission on TP actions |
| Sep-23 | Sierra Leone Sep FY24 Supporting Basel II/III Implementation |
| Sep-23 | Customs Risk Management - LTX Field |
| Sep-23 | Sierra Leone-TA-PRC-Updating CPI |
| Sep-23 | Customs Risk Management - STX field |
| Sep-23 | AFW2- Professional attachment to Uganda on PIM |
| Sep-23 | AFW2-Professional Attachment MoF Uganda on PIM |

Table 2. Sierra Leone: Technical Assistance, FY 2021-25 (concluded)

| | |
|--------|---|
| Apr-22 | LEG remote mission on High Level Conference on Governance and Corruption Issues |
| Apr-22 | FAD remote mission on Audit training - telecom sector |
| Apr-22 | MCM STX Improving oversight and supervisory framework for FMIs |
| Apr-22 | MCM LTX Improving oversight and supervisory framework for FMIs |
| Apr-22 | MCM remote mission on Improving monetary policy analysis and near-term forecasting capabilities |
| Apr-22 | FAD/AFW2 remote mission on the development of a framework for SOE Ownership |
| Apr-22 | ICD ATI Course on Macroeconomics of Climate Change |
| Apr-22 | FAD/AFW2 STX on strengthening Fiscal reporting and compliance with cash based IPSAS |
| Apr-22 | STA remote mission on Sierra Leone-TA-GDP - GDP Rebasing |
| Mar-22 | FAD remote mission component (joint with MNRW mission) |
| Mar-22 | FAD remote mission on regional coordination work |
| Mar-22 | LEG scoping Mission |
| Mar-22 | FAD remote mission on Customs Trade Facilitation - LTX Duty Station |
| Mar-22 | FAD remote mission on Customs Post Clearance Controls - STX Field |
| Mar-22 | LEG remote mission on regional P2P event (AF) |
| Mar-22 | MCM support on FSSR Banking Supervision LTX FY22 |
| Mar-22 | FAD support during Staff Visit |
| Mar-22 | FAD STX Visit on CRM in the EI |
| Mar-22 | MCM Bilateral LTX in Monetary Policy and Financial Stability FY22 |
| Feb-22 | FAD remote mission/HQ Workshop on MTRS |
| Feb-22 | FAD remote mission on initial workshop |
| Feb-22 | LEG remote mission on SAI Regional Event - Peer to Peer Preparatory Work FY2022 |
| Feb-22 | FAD remote mission on Strengthen Excise Duties Management Capacity |
| Feb-22 | MCM remote mission on IFRS Improving Supervisory Understanding of ECL/IRB |
| Feb-22 | MCM STX Support on FSSR Review of Prudential Guidelines |
| Jan-22 | STA remote mission on Sierra Leone - TA - PRC - Updating CPI |
| Jan-22 | LEG Desk review work |
| Dec-21 | FAD STX support on Developing Reform Management Tools |
| Dec-21 | FAD STX support on Developing Reform Management Tools |
| Dec-21 | FAD/AFW support the preparation of project appraisal guidelines |
| Dec-21 | MCM remote mission in strengthening the Oversight Framework for Payment Systems |
| Dec-21 | MCM remote mission on Sierra Leone-Payment Systems Oversight |
| Dec-21 | MCM Sierra Leone-Payment Systems Oversight |
| Dec-21 | FAD remote mission on mining revenue model mission 1 |
| Nov-21 | FAD Strengthen Tax Exemptions Management Capacity |
| Nov-21 | MCM/AFE/AFS/AFW2 Webinar on climate-related risk |
| Nov-21 | MCM/AFE/AFS/AFW2 Regional Webinar on Climate Related Risk |
| Nov-21 | STA remote mission on Sierra Leone - TA - BOP |
| Nov-21 | FAD STX Assignment - Building Project Management Capacity |
| Nov-21 | FAD Module 2 on Fiscal Risks and Macro Shocks (Correct) |
| Nov-21 | FAD STX support on Customs data analytics |
| Oct-21 | MCM country X FY22 Short Engagement Activity |
| Oct-21 | MCM country X FY22 Short Engagement Activity |
| Oct-21 | MCM SLE: Supporting Basel II/III Implementation Process |
| Oct-21 | MCM Bank Supervision |
| Sep-21 | MCM AFR IMF01 Short Engagement Project - Financial Crisis Management |
| Sep-21 | FAD Customs Border Control, Risk Management & PCA - STX |

Annex III. External Sector Assessment¹

Assessment: Sierra Leone's external position in 2024 was moderately weaker than the level implied by fundamentals and desirable policies. The assessment is subject to a wide margin of uncertainties, given the low quality of official data and the sensitivity of the model results to parameter choices. The current account deficit as a percentage of GDP is projected to moderate over the medium term as export growth in key sectors picks up, while the tightening fiscal stance holds back imports.

Potential Policy Responses: The country should: (i) persevere on the fiscal adjustment path, (ii) rely on highly concessional financing—largely grants—to contain external liabilities, (iii) allow the exchange rate to flexibly adjust to shocks, while being mindful of the pass-through to inflation, and (iv) enhance productivity and improve competitiveness, keeping in mind that sustained external financial support and foreign direct investment (FDI) cannot necessarily be relied upon indefinitely. These policies are also key to rebuilding adequate reserves over the medium term.

Foreign Assets and Liabilities: Position and Trajectory

Background. The net international investment position (NIIP) at end-2024 is estimated at around -62.7 percent of GDP, with gross foreign assets of around 20.8 percent of GDP and gross foreign liabilities of around 83.5 percent. The foreign assets of deposit-taking corporations constitute 57 percent of foreign assets, with the remainder including the BSL's gross official reserves (30 percent) and foreign assets of other non-official sectors (12 percent). About 45 percent of foreign liabilities are FDI liabilities, while the remainder is accounted for by other (mainly public sector) investment liabilities. The NIIP had been worsening over 2018-2023 but has improved in 2024 and is projected to moderate in the medium term.

Assessment. While the NIIP deficit is large, external stability is bolstered by its composition, including the large share of FDI liabilities in total foreign liabilities. The authorities recently published updated official IIP data, in collaboration with IMF TA.

| | | | |
|--------------------|-------------|--------------------|-------------------------|
| 2024 (percent GDP) | NIIP: -62.7 | Gross Assets: 20.8 | Gross Liabilities: 83.5 |
|--------------------|-------------|--------------------|-------------------------|

Current Account

Background. Over the past five years, current account deficits were large in the context of large fiscal deficits and weak terms of trade amid the pandemic and Russia's war in Ukraine. A sizeable upward revision in imports, to account for differences in mirror data recommended by IMF TA, contributed to the larger than previously projected current account deficits in 2020-2023. Preliminary data show that the current account deficit declined from 9.5 percent of GDP in 2023 to 6.9 percent of GDP in 2024 amid the tightening fiscal policy stance. The trade balance improved as imports grew moderately due to the fiscal tightening and import substitution activities, while agricultural exports and some minerals, e.g., iron ore, heavy mineral concentrate, and zircon, strengthened. The current account deficit as a percentage of GDP is projected to moderate over the medium term as export growth in key sectors picks up and the tightening fiscal stance holds back import growth.

¹ The external sector assessment is based on preliminary 2024 BOP estimates provided by the authorities. These data may be revised as the estimates are reviewed by IMF TA, which may change the assessment. Additionally, the Data Adequacy Assessment Rating for external sector statistics is "C" for all dimensions, implying the data provided have some shortcomings that somewhat hamper surveillance.

Assessment. The EBA-lite CA model—which compares the actual current account balance with the estimated current account norm and infers the real exchange rate adjustment necessary to bridge the gap—suggests that Sierra Leone’s external position in 2024 was moderately weaker than the level implied by fundamentals and desirable policies. Using preliminary estimates for 2024, the CA model indicates an overvaluation of 10.1 percent, a CA gap of -1.3 percent of GDP and a cyclically adjusted CA balance of -6.9 percent of GDP against a norm of -5.5 percent of GDP (Text Table 1).

Text Table 1. Sierra Leone: Model Estimates for 2024
(Percent of GDP)

| | CA model 1/ (in percent of GDP) | REER model |
|---|------------------------------------|-------------|
| CA-Actual | -6.9 | |
| Cyclical contributions (from model) (-) | 0.0 | |
| Natural disasters and conflicts (-) | 0.0 | |
| Adjusted CA | -6.9 | |
| CA Norm (from model) 2/ | -5.5 | |
| Adjusted CA Norm | -5.5 | |
| CA Gap | -1.3 | -1.2 |
| o/w Relative policy gap | 2.4 | |
| Elasticity | -0.1 | |
| REER Gap (in percent) | 10.1 | 9.3 |

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. The nominal exchange rate against the dollar has remained remarkably stable since end-2023, but the resulting real effective exchange rate (REER) appreciation has started to reverse in 2025 amid trading partner appreciation against the dollar.

Assessment. The EBA-lite REER model indicates an overvaluation of 9.3 percent in 2024, implying a CA gap of -1.2 percent of GDP. The results of the two models are thus consistent. Staff relies on the CA model for the bottom-line external sector assessment, judging that it offers stronger explanatory power for a country like Sierra Leone.

Capital and Financial Accounts: Flows and Policy Measures

Background. After strengthening in 2023, the capital account weakened in 2024 on the back of a continued decline in project grants.¹ FDI and other investment are the main components making up the financial account. While the data is weak, and the financial account suffers from large estimation errors, net inflows strengthened in 2024, despite lower FDI, due to decreased financial asset accumulation by deposit-taking corporations, except the central bank. The financial account is projected to worsen before recovering over the medium term. FDI inflows are projected to be sustained amid strong mining and resumed timber activity, while the high level of debt amortization will continue.

Assessment. It is important to limit debt-creating flows by relying on grants and concessional loans in financing current account deficits. Enhancing productivity and improving competitiveness is also key, as external financial support and FDI cannot be counted on indefinitely, especially in the context of declining international financial assistance.

FX Intervention and Reserves Level

Background. Gross international reserves excluding swaps dropped more than expected to 5.9 percent of GDP in 2024. Factors contributing to this decline included: (i) higher than projected FX spending on official-sector goods and services; (ii) significant external debt service obligations; and (iii) US\$1.1 million in FX sales in 2024—down from US\$23.1 million in 2023 and US\$93.7 million in 2022.

Assessment. Reserve coverage at end-2024 fell to 2.1 months of next year's imports but the authorities are taking corrective action. Reserve coverage is projected to converge towards 3 months of imports over the medium term. The authorities already purchased \$12 million in FX outright in Q2 2025 and plan to accumulate another US\$71 million in Q4-2025, including through outright purchases. They should continue to take ambitious action to rebuild reserves, and FX sales should be strictly limited to addressing excess volatility in case of very large temporary shocks. To facilitate exchange rate flexibility, the authorities should undertake reforms to support FX market development. Paired with a tighter macroeconomic policy stance, this policy would aid in rebuilding reserve buffers.

¹ Capital account data was updated to more fully account for project support grants. This led to an upward revision in the capital account for 2021–2023.

Annex IV. Governance and Corruption Diagnostic

An IMF Governance and Corruption Diagnostic (GCD) took place in 2025. It examined key governance vulnerabilities, reviewed the anti-corruption framework, assessed the government's progress addressing these issues, and recommended ways to strengthen institutions and enhance transparency.

1. **Diagnosis:** The GCD identified systemic governance weaknesses that create risks for corruption and hinder service delivery. The GCD recommends addressing these risks and suggests institutional reforms to lay the foundation for durable improvements in governance.
2. **Oversight independence:** The Anti-Corruption Commission (ACC), judiciary, and Auditor General's Office lack functional and financial autonomy, creating risk of institutional capture. To address these, reforms should focus on strengthening institutional autonomy, increasing resources and training, improving enforcement, and enhancing inter-agency collaboration.
3. **AML/CFT:** The authorities have made progress with the passage of the 2024 AML/CFT Act which improved customer diligence by financial institutions and coverage of Politically Exposed Persons (PEPs). In addition, the authorities established a Financial Intelligence Unit (FIU) and have boosted its independence. However, further work is needed to strengthen supervision, especially for high-risk Designated Non-Financial Businesses and Professions (DNFBPs), PEP monitoring, and Suspicious Transaction Reporting (STR). The FIU also requires greater resources for effective enforcement.
4. **Fiscal governance:**
 - **Mining:** Sierra Leone has made gradual improvements to its legal framework for the mining sector and earned a relatively high score on implementation of the Extractive Industries Transparency Initiative (EITI). Nonetheless, the continued use of discretionary incentives and opaque licensing have heightened governance risks, while tax exemptions have led to sizable revenue losses. Steps are needed to enhance the transparency of the granting of mining licenses and to identify beneficial owners (BOs).
 - **State owned enterprises (SOEs):** The government has been conducting a management and structural review that will propose reforms and is preparing a new SOE Governance Bill for Parliament's approval. These initiatives aim to improve the governance and efficiency of SOEs. However, many SOEs make losses, rely on budgetary support, or have weak oversight. To address these challenges, further efforts are needed to enforce reporting standards, improve the quality of SOE boards, and identify the quasi-fiscal activities of SOEs
 - **Arrears clearance:** Payment decisions are often ad hoc and open to misallocation. The government should implement a rules-based approach to reduce discretion and develop

commitment control mechanisms to ensure that budgetary funds are available before entering into new financial obligations

- **Public investment management (PIM):** Progress has been made with the approval of a National Public Investment Policy in 2021, implementation of public procurement regulations, and establishment of a National Monitoring and Evaluation Agency (NMEA). Despite this progress, PIM project selection is fragmented and subject to political influence. Measures are needed for a comprehensive review of all projects underway and to create a unified, criteria-based pipeline of investment projects.
- **Revenue and customs:** There have been improvements in transparency and efficiency, including modernizing tax administration. But there are gaps in integrity controls, outsourced valuation with unjustified fees, and limited management of asset-declarations and internal audit capacities. Government action is needed to strengthen the independence of the National Revenue Authority (NRA), to modernize tax administration, improve taxpayer services, and boost compliance and enforcement.

5. Financial sector oversight: Sierra Leone has strengthened financial sector oversight by enhancing the Bank of Sierra Leone's (BSL) legal autonomy, implementing improved supervisory tools, and beginning risk-based supervision with greater focus on corporate governance and AML/CFT compliance. Despite an adequate legal framework, BSL governance and supervisory practices exhibit gaps in transparency and enforcement, state-owned and APEX banks face governance challenges, and AML/CFT supervision is under-resourced. Key recommendations to improve financial sector oversight include further strengthening BSL's operational independence, increasing supervisory capacity and enforcement, implementing robust licensing and sanctioning procedures, and promoting stronger corporate governance with risk-based supervision.

6. Rule of law: Progress includes efforts to strengthen the legal framework, improve judicial processes, enhance contract enforcement, and increase civil society engagement. Nonetheless, judicial independence is weakened by contractual judges and opaque appointments, property rights that are undermined by unclear titles, and limited digitization. Further progress is needed to enhance judicial independence by making appointments more transparent, insulate the judiciary from executive influence, and build public trust through improved accountability and access.

7. Transparency and accountability: Greater transparency is needed in several areas including mining, state enterprises, and government decision-making. Transparency could be further fostered by publicly disclosing the criteria for mining licenses, production statistics, and beneficial ownership. Improvements could also be made by publishing information on procurement and tax exemptions.

8. Institutions and appointments: Governance of the Mineral Wealth Fund (MWF) could be strengthened through transparent board appointments, robust financial management,

clear KPIs, and enhanced stakeholder oversight. The Mineral Monitoring, Development, and Management Committee (MMDMC) could clarify its mandate, boost monitoring, improve public reporting, and further build technical expertise. SOEs could adopt merit-based boards and audited financial statements while the government could establish an independent advisory body for senior appointments, publish Justice and Legal Service Commission (JLSC) recommendations, and end contractual appointments for judges.

9. Institutional integrity: The asset declaration system in Sierra Leone currently lacks effective verification, undermining its ability to deter corruption and promote public integrity. Steps could be taken to strengthen AML/CFT supervision and improve STR reporting.

Appendix I. Letter of Intent

Freetown, Sierra Leone
November 26, 2025
Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

U.S.A.

Madame Managing Director,

On behalf of the Government of Sierra Leone, we request the IMF Executive Board to complete the first and second reviews of the Extended Credit Facility (ECF) arrangement. We request approval of the disbursement of the second and third tranches of the credit, following our requests for waivers of non-observance for the quantitative performance criteria (PCs) relating to the end-December 2024 Net Credit to Government (NCG), Net Domestic Assets (NDA) and Net International Reserves (NIR) and the end-June 2025 NIR. We also request modification of the definition of the NIR PC, as reflected in the TMU.

We are taking strong corrective action to justify the waivers. We (i) brought the net domestic assets of the BSL back to its programmed path by June 2025; (ii) plan to submit to Parliament a 2026 Finance Bill with tax measures yielding at least 1.5 percent of GDP in annual tax revenues; (iii) are implementing public financial management reforms to address the root causes of past fiscal slippages; and (iv) plan to partially offset the shortfall in FX reserves by adding US\$71 million to our gross reserves through outright FX purchases and a domestic 3-year FX bond.

We are firmly committed to the policies outlined in the attached Memorandum of Economic and Financial Policies (MEFP). The policies laid out in this letter and detailed in the MEFP have the full support of H.E. President Maada Bio, as detailed in his letter to you on November 20. They aim to (i) restore stability by bolstering debt sustainability, addressing fiscal dominance, maintaining low inflation and rebuilding reserves; (ii) support inclusive growth through reforms and targeted social spending; and (iii) confront corruption, and strengthen governance, institutions, and the rule of law. The Government believes that the policies set forth in the MEFP are adequate to achieve the objectives of the program, but it will take any further measures that may become appropriate for this purpose. Sierra Leone will consult with the Fund on the adoption of these measures, and in advance of revisions to policies in the MEFP, in accordance with the Fund's policies on such consultation.

We firmly commit to avoiding repeated deviations from the envisaged fiscal adjustment path to maintain a sustainable debt position. Steadfast fiscal consolidation and prudent debt management are without alternative given that our debt is at high risk of distress. Among other policy commitments to achieve this objective, we pledge to (i) achieve the 2025 budget deficit

target agreed with the IMF while meeting our social spending and school feeding targets; (ii) strengthen the domestic primary balance from a deficit of 2.7 percent of GDP in 2024 to a surplus of 2.9 percent of GDP by 2027; and (iii) refrain from contracting any domestically financed roads projects until the end of the ECF arrangement.

We are taking urgent action to halt the continued reserve drain. Our reserves stood at 1.5 months of imports at end-September 2025, which is very concerning and represents a large shortfall relative to commitments at the time of ECF approval. To rebuild reserves, we are significantly scaling back the government's FX spending and plan to add US\$71 million to our reserves through market purchases and a 3-year domestic FX bond. The BSL is committed to accumulate an additional US\$35 million in reserves every six months starting in H1-2026, preferably through FX auctions.

In line with our commitment to transparency and accountability, we agree to the publication of this letter, its attachments, and related staff report, including placement of these on the IMF website in accordance with Fund procedures, following the IMF Executive Board's approval of the request.

Respectfully yours,

_____/s/_____
Sheku A.F. Bangura
Minister of Finance

_____/s/_____
Ibrahim L. Stevens
Governor of Bank of Sierra Leone

Attachments:

- Memorandum of Economic and Financial Policies
- Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

This Memorandum of Economic and Financial Policies (MEFP) supplements the one dated October 2024. It summarizes recent developments, our performance under the ECF arrangement, and the policies and reforms we will pursue over the course of the arrangement.

A. Recent Economic Developments and Outlook

1. We tightened fiscal policy but not as much as previously anticipated.

- **In 2024**, we reduced the domestic primary deficit from 2.9 to 2.7 percent of GDP. However, the adjustment fell 1.9 ppts of GDP short of program targets, largely due to higher-than-budgeted domestic capital spending on roads.
- **In H1-2025**, we contracted spending sharply, more than offsetting a surprise revenue shortfall in Q1, which was due to shortfalls in customs and excise collections. Unfortunately, we did not succeed in scaling up the school feeding program as planned.
- **In H2-2025**, we adopted a supplementary budget that reduces spending to offset the Q1 revenue shortfall. We achieved a domestic primary surplus of 0.3 ppts of GDP above target in for the first three quarters of the year.

2. The BSL's monetary policy stance has been broadly appropriate. In 2024, base money growth exceeded its projection only slightly. While we missed the end-December NDA PC, the impact on base money was largely offset by a shortfall in NFA. By June 2025, we had fully corrected the NDA slippage. With inflation at our medium-term single digit inflation objective, and fiscal policy tightening, we reduced the MPR by 6 ppts to 18.75 percent between May and September 2025.

3. The BSL's reserve coverage has weakened further. As of end-September, the stock of gross reserves stood at 1.5 months of imports. The shortfall in reserves accumulation, relative to projections, is primarily attributed to the government's FX spending on goods and services and subsidies and transfers.

4. The economy continues to react well to the tighter policies

- **Growth** slowed to 4.3 percent in 2024—mainly due to weak mining activity. It is expected to rise to its potential of 4.6 percent over the medium-term as mining production stabilizes and the negative impulse from tighter macro policies subsides. Agriculture is expected to remain a key driver, supported by productivity measures under the Feed Salone initiative.
- **Inflation** declined from a peak of 55 percent YoY in October 2023 to 5.4 percent as of September, in line with the BSL's medium term single digit inflation objective. It is expected to remain in single digits amid prudent macroeconomic policies.

- The **current account** strengthened in 2024 on the back of lower import growth and strong agricultural exports, which more than offset an unexpected decline in mineral exports. While the leone remained stable against the US dollar, the REER has begun to depreciate.
- **Cost of borrowing.** Fiscal overruns kept interest rates too high for too long. T-bill rates remained above 40 percent until May 2025. They have since dropped on the back of the fiscal consolidation and have remained around 15-17 percent since mid-June. We also stepped-up T-bond issuance, though uptake has been mostly limited to public banks and NASSIT.

5. The banking system remains well capitalized but subject to risks emanating from the strong sovereign-bank nexus. As of end-September 2025, the share of government securities in banks' assets had dropped slightly to 40.5 percent. Tier 1 capital declined to 34.4 percent of risk-weighted assets in recent months on the back of a drop in 364-day treasury bill rate but remains higher than at end-2024. Non-performing loans rose to 12.3 percent of total loans, due to weakening asset quality in the mining sector.

B. Program Performance

6. Program performance has been mixed.

- **End-December 2024 PCs/ITs.** We missed the PCs on Net Credit to Government (NCG) and the Net Domestic Assets (NDA), reflecting spending overruns that the BSL partially financed through securities purchases in the secondary market. The Net International Reserves (NIR) PC was missed due to higher than projected FX spending on goods and services, and subsidies and transfers. The only IT we missed was the one on the primary balance.
- **End-March ITs.** We missed four ITs, namely the floors on the NIR, social spending, total domestic government revenue and the domestic primary balance.
- **End-June 2025 PCs/ITs.** The only PC we missed was the one on the NIR, driven by higher than projected FX spending on goods and services, as well as US\$30 million in new FX swaps (the latter in contravention of our ECF commitments). The revenue and social spending ITs were missed due to the revenue shortfall early in the year and our failure to scale up the school feeding program.
- **End-September ITs.** We missed the NIR, domestic revenue, social spending, and domestic arrears ITs.
- **Structural benchmarks.** We did not meet the continuous SB on fuel pricing. We met 4 out of 10 SBs, completed 1 more with a delay and will complete 3 more through prior actions (Table 2). The SB to recapitalize the BSL is reset to end-March 2026, while the SB to reform the

oversight and accountability frameworks of the new mining sector entities is replaced with an end-March 2026 SB informed by the Governance and Corruption Diagnostic (GCD).

7. We request waivers of non-observance for the missed PCs based on strong corrective action. We (i) brought the net domestic assets of the BSL back to its programmed path by June 2025; (ii) plan to submit to Parliament a 2026 Finance Bill with tax measures yielding at least 1.5 percent of GDP in additional annual tax revenues; (iii) are implementing public financial management reforms to address the root cause of past fiscal slippages; and (iv) plan to accumulate US\$71 million in FX reserves through outright purchases and a 3-year domestic FX bond issuance.

8. We are committed to completing four prior actions for the first and second reviews of the ECF. These are: (i) submit to Parliament a 2026 Finance Bill with 1.5 percent of GDP in tax measures; (ii) submit to Parliament a 2026 budget that is consistent with program projections and includes an annex detailing which capital projects are to be financed by capital budget envelopes, and publish a report confirming that contracts not covered by the envelopes are canceled or delayed; (iii) initiate resolution proceedings for any bank meeting the criteria prescribed in Section 69 of the Banking Act 2019 as of end-December 2023 and (iv) publish the GCD on the MoF website.

C. Program Objectives and Economic and Financial Policies

Our ECF supported program aims to (i) restore stability by bolstering debt sustainability, addressing fiscal dominance, maintaining low inflation and rebuilding reserves; (ii) support inclusive growth through reforms and targeted social spending; and (iii) confront corruption, and strengthen governance, institutions, and the rule of law.

Fiscal Policy

9. The fiscal effort over the program period will need to be larger than envisaged at program approval to keep our public debt on a sustainable path. We are targeting a domestic primary surplus of 2.9 percent of GDP by 2027, an adjustment of about 5.6 ppts of GDP relative to 2024 and more than 8 ppts of GDP relative to 2022.

10. Fiscal policy is set to tighten substantially in 2025. We are on track towards achieving a domestic primary surplus of 0.6 percent of non-iron-ore GDP—up from a deficit of 2.7 percent of non-iron-ore GDP deficit in 2024, with domestic revenues and expenditures broadly—in line with the recently approved supplementary 2025 budget.

11. Our fiscal consolidation will continue in 2026. Our 2026 budget envisages an increase in the domestic primary surplus from 0.6 percent of GDP in 2025 to 1.6 percent of GDP.

12. Our revenue mobilization strategy will be underpinned by tax policy measures. The 2026 Finance Bill will include tax policy measures expected to deliver additional annual revenues of 1.5 percent of GDP (**Prior Action**, Text Table 1).

13. We commit to preserve all fuel revenues and not to subsidize fuel prices. We have not updated the fuel pricing formula since March 2025 (**continuous SB**), although we have maintained the fuel excise rate as established in the 2024 Finance Act. In 2025, we lowered the retail fuel price ceiling by forgoing claims on market operators (MOs) through the inclusion of a negative debt recovery parameter in the pricing formula. These claims on MOs amounted to US\$6.7 million at end-June 2024. Recovery through the debt recovery component of the formula continued up to June 2025. We confirm that the debt recovery component of the formula has not led to additional obligations since July 2025, because it applies only to MOs pricing at the regulated ceiling, and all market operators have been pricing below the regulated ceiling since then. We commit to reconciling and auditing the net position between the Government and MOs by March 2026, following which settlement of any amount will be done outside the petroleum pricing formula. Going forward, we will (i) refrain from providing any form of subsidies to retail fuel prices (ii) maintain fuel excises at least at the level established in the 2024 Finance Act and any subsequent Finance Acts, (iii) maintain the sum of other fuel-related levies at least at the level reported by the March 2025 fuel pricing formula; and (iv) update the legally binding fuel pricing ceiling formula monthly and communicate it to MOs and the IMF team (**new continuous SB**). As such, we will not include any negative component in the pricing formula to reduce fuel prices, except for a price correction levy that is strictly justified to cover changes in oil prices and other costs during the previous month, and only after establishing a process to determine it in advance.

14. Revenue mobilization will also benefit from our efforts to strengthen revenue administration. We plan to:

- Develop and implement by March 2026 a new performance management contract between the Ministry of Finance and the NRA to set out (i) clear performance indicators and targets aligned

Text Table 1. Sierra Leone: New Tax Policy Measures
(Annual, Percent of GDP)

| Measures | Revenues |
|--|--------------|
| Corporate Income Tax | |
| MTRS Actions | 0.100 |
| Restore MAT to low profitability companies | |
| Abolish investment allowance | |
| Raise CIT rate from 25 to 30 percent | 0.375 |
| Raise non-resident withholding tax rate from 10 to 20 percent | 0.106 |
| Personal Income Tax | |
| Raise resident withholding tax rate on rental income rate from 10 to 15 percent | 0.011 |
| Indirect Tax | |
| Raise Petrol and Diesel excises to Nle 4 and increase RUC by Nle 1 * | 0.518 |
| Raise excises on cigarettes from Nle 2 to 3 per package | 0.100 |
| Raise circulation levy from Nle 200 to 500 and expand it to three-wheeled vehicles | 0.005 |
| Introduce an excise on cement (Nle 10 per each 50kg bag) | 0.111 |
| Raise import duty on rice from 5 to 10 percent | 0.106 |
| Remove GST exemption on supply of water (56.2 W:P ratio) ** | 0.080 |
| Remove GST exemption on magazines (16.2 W:P ratio) | 0.005 |
| Expand circulation levy to boats and vessels *** | 0.002 |
| Total | 1.518 |

Sources : 2025 FAD TP report, staff and authorities' calculations.

* While all other fuel levies (IDF, PF) are kept at the level of March 2025, and no subsidy is provided.

** Exemptions with high ratios of consumption for wealthy versus poor households (W:P ratio) are regressive.

*** USD 1000 for large boats and industrial fishing vessels, Nle 500 for smaller motorized boats

with revenue performance metrics and the MTRS; (ii) monitoring and evaluation mechanisms; (iii) reporting obligations and review timelines; and (iv) resource allocation for NRA.

- Complete an IMF Revenue Administration Governance and Integrity Assessment (**new end-September 2026 SB**) to better design measures aimed at closing gaps in governance and compliance in NRA.
- Complete by end June 2026 all the activities of the customs revenue enhancement plan designed in partnership with AFW2, including on petroleum import valuation and control, customs declaration, suspension regime, and evaluation.
- Conduct an audit of the ASYCUDA system in partnership with UNCTAD by March 2026. The audit will verify and align all customs and tax rates incorporated in ASYCUDA with the legally established national and regional provisions, correct any discrepancies, and put in place safeguards against unauthorized changes. The audit will also focus on reconciling data from the ASYCUDA system with data from other sources whenever such data is available.
- Develop compliance improvement plans for 2026 for extractive industries and large taxpayers based on the Compliance Improvement Plan template provided during IMF CD activities (by December 2025).
- Modernize customs operations by introducing the Electronic Single Window as agreed with the World Bank and fully operationalizing it by end-September 2026.
- Fully operationalize the revenue courts by December 2026.

15. We are committed to enhancing revenue mobilization from extractive industries. We will ensure full implementation of the Extractive Industries Revenue Act (EIRA) 2018 going forward and will ensure that EIRA terms are upheld in the fiscal provisions of new mining agreements and on renewal of existing agreements (**new continuous SB**). Specifically, to fulfil this structural benchmark, we commit to all the following: we will neither submit to Parliament nor ratify any concessions that supersede fiscal tax or non-tax obligations prescribed by EIRA for new mining operations or for renewals of fiscal concessions on existing mining operations; for each existing mining agreement, we will renegotiate its fiscal terms as soon as permitted by the agreement's fiscal stability clause to ensure full compliance with all EIRA fiscal obligations. We clarify that, while Part IV of the EIRA recognizes the validity of fiscal stability clauses approved on or after the date of EIRA approval, we will not engage in negotiating any such clauses that violate the fiscal obligations set forth elsewhere in EIRA. The NRA also plans to continue carrying out tax audits for high-risk taxpayers, including in the extractive industries, manufacturing, financial services, and telecoms.

16. We commit to fully operationalizing the newly established iron ore safe harbor framework. This will entail, first, enforcing the full documentation requirement under the iron ore safe harbor guidelines and transfer pricing regulation, and second, either (i) completing the advanced price agreement currently under negotiation, or (ii) enforcing the safe harbor formula (**new end-March 2026 SB**).

17. The medium-term expenditure framework seeks to consolidate spending while protecting social programs.

- **Wages and salaries.** We plan to maintain wages and salaries at around 4.2 percent of non-iron-ore GDP over the program period, supported by a new wage bill strategy and the commitment to impose stricter controls on the recruitment and compensation of consultants and sub-vented agencies staff while protecting essential services. The wage bill strategy is expected to curb payroll spending by introducing measures to improve budget planning and execution, including establishing recruitment quotas and stricter controls over in-year requests.

Text Table 2. Sierra Leone: Cap on Budgetary FX Spending
(Millions of US\$)

| | Est. 2025 | Poj. 2026 | Proj. 2027 |
|--|--------------|--------------|--------------|
| Total | 153.6 | 109.3 | 108.4 |
| 1. Goods and services | 114.3 | 89.3 | 88.4 |
| Government travel | 21.9 | 10.7 | 10.7 |
| Ordinary travel | 12.5 | 8.0 | 8.0 |
| <i>Statutory travel</i> | 9.1 | 6.5 | 6.5 |
| <i>non-statutory travel</i> | 3.5 | 1.5 | 1.5 |
| Other travel, including charters | 9.4 | 2.7 | 2.7 |
| Embassies/High Commissions | 48.8 | 47.8 | 47.5 |
| <i>Embassy other expenses</i> | 10.4 | 9.8 | 9.8 |
| <i>Repatriation expenses</i> | 0.9 | 0.7 | 0.7 |
| <i>Wages embassies</i> | 37.5 | 37.3 | 37.0 |
| Subscriptions | 9.7 | 5.5 | 5.5 |
| Other Government FX Spending on goods o/w: | 33.8 | 25.2 | 24.7 |
| <i>Vehicles</i> | 6.4 | 0.0 | 0.0 |
| <i>Medical supplies</i> | 12.8 | 15.0 | 15.0 |
| <i>Medical bills</i> | 0.2 | 0.2 | 0.2 |
| <i>N_Soft</i> | 2.1 | 0.0 | 0.0 |
| <i>ECOWAS Levy</i> | 2.8 | 2.8 | 2.8 |
| <i>Consultancies</i> | 0.7 | 0.7 | 0.7 |
| <i>Security</i> | 4.1 | 3.1 | 3.1 |
| <i>Other spending</i> | 4.8 | 3.6 | 3.0 |
| 2. Subsidies and Transfer | 39.3 | 20.0 | 20.0 |
| Electricity support | 37.0 | 20.0 | 20.0 |
| <i>IPPs</i> | 37.0 | 20.0 | 20.0 |
| <i>Wartsila West Africa S.A</i> | 2.3 | | |
| Memo items | | | |
| 3. BSL | 8.4 | 3.0 | 3.0 |
| Travel | 8.2 | 3.0 | 3.0 |
| Printing of currency | 0.1 | 0.0 | 0.0 |

- **Goods and services.** We plan to contain goods and services spending, while respecting our commitment to protect social spending and scale up the school feeding program. This will require significant cuts, including on FX spending on goods and services (Text Table 2; **New FX spending PC**). The BSL will report performance against the new PC on a weekly basis to MoF management, and at all EMT meetings. The MoF commits not to seek foreign exchange for any entities outside the central government from the BSL. Such entities should from now on seek access to foreign exchange exclusively from commercial banks rather than the BSL, except when drawing down their foreign exchange deposits at the BSL. Nonetheless, the BSL continues to bear ultimate responsibility for meeting the NIR targets.
- **Social spending.** We plan to protect social spending in line with previous commitments (**Social Spending IT**). We will restore spending on the school feeding program to the

level envisaged at the time of program approval (**New School Feeding PC**). With over 800,000 pupils now benefiting from the program, we are committed, during 2025-2026 school year, to continuing our efforts to strengthen the program and enhance its impact. This is being achieved by bolstering the National School Feeding Secretariat to determine standards for program implementation and to establish strong accountability and monitoring systems. We will continue to implement the program exclusively with reputable partners and further integrate the program with local farmers and producers in support of the objectives of the Feed Salone strategy.

- **Domestically financed capital expenditure.** Spending is projected to rise to 1.4 percent of GDP. This reflects a return to the original program level of 1.2 percent of GDP (following emergency cuts in 2025), and an additional 0.2 ppts of GDP to accommodate spending on the upcoming population census.
- **Subsidies and transfers.** We commit to cap annual energy subsidies to EDSA at US\$20 million starting in 2026. Accompanying the subsidy cap is a set of key performance indicators that EDSA would be required to meet to receive the subsidy. We remain committed to strengthening EDSA's revenue effort, including through decisive measures to collect revenues and reduce electricity theft. A revised EWRC Act has been enacted and provides the framework to introduce cost reflective tariffs. Negotiations have begun with a potential private operator for EDSA, who could start running EDSA's operation from early 2026. We are negotiating a new plan to clear EDSA's arrears to IPPs and continue working with the World Bank and other development partners to reduce EDSA's technical and commercial losses and to strengthen its operational performance. In the year to end-September 2025, we installed and commissioned 1,250 smart meters for high-value customers and at secondary substations. We have also commenced work on a time-bound strategy to reduce EDSA's dependence on expensive fossil-fuel generation, including by negotiating more favorable terms in prospective agreements with IPPs, with technical support from development partners.
- **Arrears clearance.** We commit to updating our arrears clearance strategy by end-June 2026 and avoid any net accumulation of arrears (**New IT on Domestic Arrears Accumulation**).

18. Contingency planning is critical. If needed to meet our fiscal targets, we are prepared to (i) reprioritize spending as needed, including by further rationalizing domestically financed capital expenditure (the quarterly profile of domestically financed capital expenditure is backloaded and will be adjusted on a quarterly basis as needed to allow reducing expenditures should revenues disappoint or other expenditures overrun); (ii) frontload additional revenue measures, including introducing a new PIT threshold of 35 percent; and (iii) implement short-term emergency measures such as a temporary increase in the personal income tax.

19. We plan to strengthen transparency on budget transfers and contingent liabilities from SOEs. We will continue to publish information on debt and guarantees of SOEs in the budget and associated fiscal risks in the SOE Financial Analysis report. Starting with the 2025 budget, we have published summary information on SOE government transfers and contingent liabilities. Any additional support to SOEs will be conditioned on an ex-ante review of fiscal risks. Information on implicit transfers will be made public through NRA's annual reports on tax arrears owed by SOEs and NRA will independently act to collect these arrears and enforce compliance while imposing the appropriate sanctions. Starting in September 2026, we plan to require all SOEs to submit audited financial statements to the MoF. We also commit to revisiting the revenue sharing arrangements with revenue-generating TSA agencies by June 2026 to identify which arrangements should be adjusted by lowering the share of revenues retained by the agencies and to ensure that TSA agencies contribute to tightening expenditures across the rest of the GoSL.

20. We are committed to transiting to GFSM 2014 for fiscal reporting. Our plan is to transition to GFSM 2014 standards for fiscal reporting by September 2026 in time to facilitate preparation of the 2027 budget (**new end-September 2026 SB**). Implementation of the new format will improve transparency and bring fiscal reporting in line with international standards. To facilitate this transition, we have established a working group within the MoF to coordinate with the relevant MDAs and agencies and drive the process forward. We also plan to request additional TA from the IMF to ensure a smooth transition.

D. Public Financial Management

21. We are implementing the three corrective actions to address the root causes of fiscal slippages in previous years (Box 1). In particular, we plan to (i) include in the 2026 budget an annex detailing which capital projects are to be financed by the capital budget envelopes for 2026 and 2027, and (ii) publish a report on the MoF webpage confirming that contracts that were included in Annex 5 of the 2025 budget but not covered by the updated capital budget envelopes for 2026 and 2027 are cancelled or delayed (**Prior Action**). We also commit not to contract any new fully domestically-financed roads projects until the end of the ECF arrangement.

22. We implemented measures to improve cash management and forecasting. A Cabinet Directive has been issued to approve the TOR for the Expanded Cash and Debt Management Committee (ECDMC), instruct all MDAs provide quarterly updates on all commitments (including outstanding invoices), instruct the 10 key MDAs to provide their forecasts of monthly cash flow until the end of the year on a rolling basis, and establish that quarterly budget allotments to MDAs will be based on the cash flow projections of the ECDMC. In the case of commitments and expenditures above the quarterly allotments, MDAs have been instructed to submit a letter outlining the measures being implemented to ensure activities remain within the established budget ceilings. The Directive also clarifies that all spending, regardless of its revenue source, must be initiated through an IFMIS generated purchase order.

Box 1. PFM Corrective Actions

Measure 1. Authorities to: (i) establish spending envelopes for domestically financed roads construction for 2025, 2026 and 2027 that are consistent with the 2025 supplementary budget, with the 2026 budget submitted to Parliament, and with projections under the ECF arrangement with the IMF; (ii) identify specific projects that will be financed from these envelopes; (iii) provide the comprehensive PIP for 2025—consistent with the 2025 supplementary budget—to the IMF and attach the 2026 and 2027 PIPs to the 2026 budget (iv) direct SLRA and other relevant agencies to delay or cancel all other projects not covered by these envelopes, and to publish a report on MoF webpage confirming that the relevant projects are cancelled and/or delayed as instructed (v) commit to refrain from committing to any new domestically-financed roads construction projects until end-2027.

Measure 2. Authorities to issue a Cabinet Directive establishing that: (i) All MDAs must provide MoF with quarterly updates on all commitments (including outstanding invoices); (ii) 10 key MDAs proposed by the ECDMC and approved by the Minister must provide expected cash flows for expenditures for the current month and the subsequent months until the end of the current year on a rolling basis; (iii) MoF must issues budget allotments for all expenditures in line with cash forecasts for the respective items; (iv) all spending, regardless of its revenue source, must be initiated through an IFMIS generated purchase order; (v) the cash forecasting system must be closely integrated into existing expenditure commitment controls by limiting commitments to available forecasted cash; (vi) in cases where commitments/expected expenditures exceed quarterly budget allotments, the relevant MDA must submit a letter outlining the measures being implemented to ensure activities remain within the established budget ceilings.

Measure 3. Issue a circular establishing that, in accordance with the NPPA Act and the PFM Regulations, MDAs shall submit an updated procurement plan for the remainder of 2025. MoF to approve based on an assessment that planned purchases and expected costs are in line with the 2025 Supplementary Budget.

23. Procurement plans have been aligned with the supplementary 2025 budget. In line with NPPA Act and PRM Regulations, all MDAs have been instructed to present updated procurement plans within the envelopes established by the 2025 supplementary budget. Moreover, a circular has clarified that all contracts must be approved by the Minister of Finance before the awarding phase; approval is contingent upon the contracts being consistent not only with the procurement plans and budget envelopes, but also with available cash forecasts.

24. We commit to improving arrears management and transparency of spending. We commit to: (i) conduct an independent audit of arrears, including outstanding invoices at MDAs; (ii) publish the independent audit report on the MoF website; (ii) publish a plan to clear them, prepared with IMF technical support, and (iii) design a robust accounting system to record and report payment arrears going forward (**new end-April 2026 SB**). We commit to auditing the rice distribution scheme for the security services by end June 2026.

25. Enhancing budget credibility remains a key priority for us. We intend to continue building capacity to improve the medium-term expenditure framework by issuing realistic medium-term expenditure ceilings. MoF will also provide capacity support to MDAs on the design of credible medium-term strategic plans. To transparently account for existing commitments at the budget

preparation stage, we developed, with FAD and AFW2 support, an action plan to implement baseline budgeting. For the 2026 budget, we intend to take the actions necessary to advance with the implementation of a fully-fledged baseline budget in line with AFW2 recommendations, including by executing the budget calendar as determined in the PFM Regulations.

E. Debt and Debt Management

26. Our overall and external public debts are assessed as sustainable, but at high risk of distress. We firmly commit to (i) issuing our domestic debt securities, whether local currency securities, FX swaps, or FX bonds, through competitive auctions, and to (ii) avoiding the issuance of FX swaps or any FX denominated securities except in exceptional circumstances when terms are highly favorable, as determined in agreement with, and by seeking non-objection from, the IMF. We have removed any such issuances from our issuance calendar.

27. Strengthening debt management will be critical in reducing our debt service needs.

This will involve ensuring that rates on government securities remain at sustainable levels and maturities on our domestic debt can be extended. We have allowed T-bonds to be used as collateral for repo agreements. We are developing guidelines on the applicable haircuts to compensate for illiquidity and market risk. We plan to:

- Update the MTDS annually
- Step up market communication by establishing an active investor relations desk, publishing a quarterly calendar for meetings with banks, and conducting market surveys on the appetite for treasury bonds by end March 2026
- Continue to refrain from accepting T-bill or T-bond bids at rates inconsistent with a sustainable debt position, while remaining in accordance with the Bank of Sierra Leone Act
- Review primary dealership roles with AfDB support and other development partners
- Implement regulatory norms for institutional investors to invest in government securities, while ensuring that they can meet their asset-liability management objectives

F. Monetary, Safeguards and Exchange Rate Policy

28. Monetary policy will be focused on maintaining low and stable inflation. Our medium-term inflation objective is to maintain single-digit inflation. We remain committed to refraining from monetary financing over the program period. We have terminated the securitization of the Ways and Means advances beginning with the outstanding stock at end-December 2024 and will continue to refrain from such securitization. We will continue to strengthen internal capacity and liquidity management operations to help meet our reserve money target. To this end, we plan to implement our strategy for monetary policy operations by end-June 2026. This will include

introducing the 7-day reverse repo as the main liquidity injecting instrument. Outright purchases of government securities will be carried out in a transparent way and strictly for structural liquidity management purposes, namely when a required easing of structural liquidity conditions in the banking sector cannot be achieved through our main liquidity instrument.

29. We are taking action to boost FX reserve buffers and will continue to allow the exchange rate to adjust flexibly to shocks. As corrective action for the end-December 2024 and end-June 2025 NIR target misses, the BSL will bolster its gross reserves through US\$71 million in outright FX purchases and a domestic 3-year FX bond issuance. To continue rebuilding our reserve buffers, the BSL commits to accumulate an additional US\$35 million in reserves every six months, starting in H1-2026, preferably through FX auctions. We are also firmly committed to the **New FX Spending PC** and will ensure that no FX is provided to the government beyond the relevant ceilings.

30. We are committed to strengthening FX market development. To this end, we have started publishing the BSL FX reference rate on the day it is compiled. We also plan to (i) simplify the rules of the FX interbank market; (ii) identify market makers; and (iii) conduct regular FX auctions as and when market conditions permit. We will request the relevant TA from the IMF to implement these measures by June 2026.

31. We continue to make progress in implementing BSL safeguards reforms. The initial reconciliation of cash in vault and general ledger balances remains a work in progress and is expected to be fully reflected in the 2025 audited financial statements. We will also request IMF TA on IFRS implementation to achieve full compliance with the standards. Finally, on conclusion of the IMF technical support on the BSL balance sheet scenario analysis, we will recapitalize the BSL (**new end-March 2026 SB**).

G. Financial Sector Policies

32. We are addressing solvency challenges in commercial banks. The BSL will strictly enforce the Banking Act 2019, including requiring any bank in violation of the minimum CAR to submit a credible and implementable capital restoration plan. Banks that consistently remain in violation of the minimum CAR will be resolved or liquidated. Resolution proceedings for any such bank will be carried out in a way that safeguards the continuity of its important functions and contains fiscal costs (**Prior action**).

33. We plan to build a strong financial safety net. The Deposit Protection Fund (DPF) Unit has been established in the BSL and a 2-year work plan for launching the DPF Act is now underway. Calculation of the required premiums and initial seed capital for the DPF have been finalized. We will launch the DPF once solvency challenges in commercial banks have been dealt with and amendments to the DPF Act have been finalized. We plan to fully operationalize the bank resolution framework (**new end-December 2026 SB**). This would require filling the vacancies in the Crisis Management Section by end-March 2026.

34. The BSL will continue providing regulatory and supervisory oversight of the banking system using the risk-based supervision (RBS) approach. We are working on closing gaps in RBS implementation, including by implementing TA recommendations for the adoption of certain elements of Pillar 1 Basel II/III capital frameworks by December 2026 and continuing with regular on-site supervision of SOBs. This will enhance confidence in banks' ability to perform their intermediation function with prudence and within a risk management culture. Regular on-site supervision of state-owned banks will be enforced to ensure the continued stability of the sector.

35. We plan to strengthen foreign currency regulation and supervision. We published guidelines on foreign currency lending in October 2024, in line with best practice. We are confident that these guidelines will help contain the financial stability risks associated with foreign currency lending. The BSL will introduce the minimum reserve requirement on foreign currency deposits by end March 2026. Foreign currency regulation and supervision, including the enforcement of minimum prudential guidelines for commercial banks, will be strengthened through sustained capacity building, updating bank examination procedures, prioritizing examination of banks' FX controls, and reviewing banks' risk controls on FX placements abroad.

36. The BSL has established a macroprudential policy framework and is in the process of finalizing a crisis management plan. This is in line with the recommendations of the FSSR and FSAP reports to strengthen the financial system in accordance with the Charter of the FPC approved by the BSL Board. We are working towards finalizing the crisis management plan by December 2026.

H. Governance

37. Strengthening governance and combating corruption remain central priorities of our reform agenda. We plan to publish the GCD (**Prior Action**). We will share an action plan with Fund staff by June-2026 to address macro-critical governance vulnerabilities across public resource management, the justice sector, extractives, and state participation in the economy, based on the GCD. Meanwhile, to improve the integrity of the public office, we will ensure online publication and risk-based verification of asset declarations for a targeted list of politically exposed persons, with sanctions for non-compliance (**new end-September 2026 SB**).

38. We plan to strengthen the governance of the Sierra Leone Mines and Minerals Development and Management Corporation (MMDMC) and the Mineral Wealth Fund (MWF). To this end, we will (i) publish the MMDMC's audited 2024 financial statements; (ii) adopt a policy that establishes a transparent, merit-based process for appointing independent directors to the boards of MMDMC and MWF; and (iii) implement a KPI-based performance framework for the operating company with reporting to the MWF Board (**new end-March 2026 SB**). We will also establish a formal dividend policy for the MWF consistent with good international practice.

39. We remain committed to advancing AML/CFT reforms. While challenges persist, progress has been made in strengthening the legal and institutional framework. A national strategy,

informed by a risk assessment and broad consultations, is nearing finalization. We are working to amend the 2009 Companies Act to enhance beneficial ownership transparency, including requirements for disclosure, verification, and access by relevant authorities—targeted for adoption by mid-2026. Limited progress has been achieved in risk-based supervision of NBFIs, and we will continue improving oversight in line with the National Risk Assessment, particularly for high-risk Designated Non-Financial Businesses and Professions (DNFBP) such as real estate and dealers in precious metals and stones. We also aim to close regulatory gaps in the targeted financial sanctions regime under United Nations Security Council Resolutions (UNSCR), with regulations and operational structures expected to be finalized by mid-2026.

I. Inclusive, Green, and Sustainable Growth

40. We are committed to improving our productivity and investment climate. We plan to address barriers to trade by strengthening customs administration and transparency in line with our MTRS. The World Bank is supporting us in establishing an online business registration system, and we continue to support growth of SMEs and SME Ecosystems (capacity for incubators and accelerators), and provision of financial support to SMEs. The MUNAFA Fund continues to provide credit to SMEs through financial intermediaries.

41. To strengthen food production, we will continue to implement the Feed Salone initiative. This includes measures such as the provision of fertilizer, seeds, and chemicals, as well as support for land preparation through the electronic voucher system. We are working with DPs to (i) reform product markets and enhance food security; (ii) strengthen rice, cocoa, and horticulture value chains (with WB support); and (iii) review e-vouchers and subsidies to district farm machinery rigs to incentivize private sector participation.

42. Further promoting gender equality will support our NDP's objectives. We have enacted and implemented a progressive gender equity and empowerment law that seeks to address binding constraints to women's participation in the economy, including to raise female representation. We are addressing residual harmful practices that undermine women's contribution to the economy, including confronting gender-based violence. Our budget framework incorporates a gender-based lens to the allocation of scarce resources.

43. We are taking action to combat the detrimental impact of climate change. We have developed a National Adaptation Implementation Plan, established a National Disaster Management Agency, published a Disaster Risk Financing Strategy, and created a Climate Finance Unit within the Ministry of Finance. Efforts to reduce costly energy subsidies and the transition towards a greener energy mix must be sustained and revamped. Over the medium-term we should press ahead with implementing recommendations from the C-PIMA, the CCDR, and the Climate Policy Diagnostic (CPD). We have begun updating our Nationally Determined Contributions (NDC 3.0), which will facilitate the drafting of the National Climate Change Act.

J. Capacity Development

44. We are committed to improving the quality of our external sector statistics. These efforts will involve increasing staffing, building technical capacity, and providing adequate financial resources to the BSL BOP unit to support implementation of surveys and improve the compilation of BOP statistics. We will improve inter-agency coordination by establishing formal data-sharing agreements (MoUs) with relevant agencies such as NRA and NMA. We will also constitute and operationalize the Inter-Agency Technical Working Group on external sector statistics comprising relevant agencies.

K. Program Monitoring

45. The program continues to be monitored through semi-annual and continuous performance criteria (PCs) and reviews and quarterly indicative targets (ITs). Quantitative performance criteria targets were set for end-December 2025, end-June 2026 and end-December 2026, and indicative targets were set for end-March 2026 and end-September 2026 (Table 1). We will continue to provide IMF staff with the data and statistical information identified in the attached TMU, as well as any other information they may deem necessary or that IMF staff may request for monitoring purposes. As with previous ECF arrangements, the MoF will establish an MOU with the BSL on respective responsibilities to repay the portion of IMF loans used for budget support. The MoF and the BSL will also establish a framework agreement on their respective responsibilities for servicing financial obligations to the IMF before carrying out any SDR retrocession transaction. We are requesting that an amount of SDR 58.332 million is made available for the first and second reviews. The third review is scheduled to be completed on or after May 15, 2026; this review will be based on the December 31, 2025 test date.

Table 1. Sierra Leone: Quantitative Performance Criteria and Indicative Targets, 2024-2026
(Within-year cumulative change-Leone millions, unless otherwise indicated)

| | Dec. 2024 | | | | Mar. 2025 | | | | Jun. 2025 | | | | Sep. 2025 | | | | Dec. 2025 | Mar. 2026 | Jun. 2026 | Sep. 2026 | Dec. 2026 |
|---|-----------------|-----------|-------|---------|-----------------|-----------|-------|---------|-----------------|-----------|-------|---------|-----------------|-----------|---------|---------|-----------|-----------|-----------|-----------|-----------|
| | CR No. 2024/321 | Adj. Prog | Est | Status | CR No. 2024/321 | Adj. Prog | Est | Status | CR No. 2024/321 | Adj. Prog | Est | Status | CR No. 2024/321 | Adj. Prog | PreL. | Status | | | | | |
| Quantitative Performance Criteria | | | | | | | | | | | | | | | | | | | | | |
| Net domestic bank credit to the central government (ceiling) | 5225 | 4688 | 7350 | Not met | 2085 | 1958 | 2256 | Not met | 3745 | 3156 | 2989 | Met | 5523 | 4224 | 4158 | Met | 4959 | 76 | 1265 | 2143 | 1193 |
| <i>Unadjusted target (ceiling)</i> | 5225 | | | | 2085 | | | | 3745 | | | | 5523 | | | | | | | | |
| <i>Adjustment for shortfall in external budgetary assistance</i> | 0 | | | | 0 | | | | 0 | | | | 0 | | | | | | | | |
| <i>Adjustment for cumulative net flow of electronic funds transfer checks and other outstanding payments</i> | -694 | | | | -520 | | | | -101 | | | | -1223 | | | | | | | | |
| <i>Adjustment for net issuance of treasury securities to the non-bank private sector</i> | 157 | | | | 393 | | | | -467 | | | | -76 | | | | | | | | |
| <i>Adjustment for cumulative net flow of non-tradable securities issued to non-bank sector for regularizing the stock of legacy arrears</i> | 0 | | | | 0 | | | | 0 | | | | 0 | | | | | | | | |
| Net domestic assets of the BSL (ceiling) | 2237 | | 3002 | Not met | 536 | | -338 | Met | 1522 | | 392 | Met | 2306 | | 1366 | Met | 183 | -437 | -886 | -264 | -891 |
| Net international reserves of the BSL, US\$ millions (floor) | 2.3 | 2.3 | -31.5 | Not met | 1.7 | 1.7 | -48.1 | Not met | -26.0 | -29.0 | -87.0 | Not met | -37.3 | -147.7 | Not met | -39.3 | 35.5 | 71.3 | 62.6 | 105.0 | |
| <i>Unadjusted target (ceiling)</i> | | | | | | | | | | | | | -34.3 | | | | | | | | |
| <i>Adjustment for shortfall in external budgetary assistance</i> | 0.0 | | | | 0.0 | | | | 0.0 | | | | 0.0 | | | | | | | | |
| <i>Adjustment for payment of CSE & Securipart LLC zero coupon bond</i> | 0.0 | | | | 0.0 | | | | -3.0 | | | | -3.0 | | | | | | | | |
| FX spending, US\$ millions (ceiling) | | | | | | | | | | | | | | | | | 162 | 28 | 56 | 84 | 112 |
| Spending on the National School Feeding program (floor) | | | | | | | | | | | | | | | | | 150 | 281 | 561 | 839 | 1123 |
| Continuous Performance Criteria | | | | | | | | | | | | | | | | | | | | | |
| New concessional external debt with original maturity of one year or more contracted or guaranteed by the public sector, US\$ millions (annual ceiling) | 100 | | 62.3 | Met | 100 | | | Met | 100 | | | Met | 100 | | | Met | 100 | 100 | 100 | 100 | 100 |
| New non-concessional external debt contracted or guaranteed by the public sector, US\$ million (annual ceiling) | 0 | | 0.0 | Met | 0 | | | Met | 0 | | | Met | 0 | | | Met | 0 | 0 | 0 | 0 | 0 |
| Outstanding stock of external debt with maturities of less than one year contracted or guaranteed by the public sector (annual ceiling) | 0 | | 0.0 | Met | 0 | | | Met | 0 | | | Met | 0 | | | Met | 0 | 0 | 0 | 0 | 0 |
| External payment arrears of the public sector (annual ceiling) | 0 | | 0.0 | Met | 0 | | | Met | 0 | | | Met | 0 | | | Met | 0 | 0 | 0 | 0 | 0 |
| Indicative Targets | | | | | | | | | | | | | | | | | | | | | |
| Total domestic government revenue (floor) | 14690 | | 15301 | Met | 4618 | | 3952 | Not met | 9552 | | 9017 | Not met | 14309 | | 13447 | Not met | 17939 | 5111 | 11205 | 16423 | 22164 |
| Social spending (floor) | 1294 | | 1359 | Met | 368 | | 196 | Not met | 736 | | 486 | Not met | 1104 | | 1055 | Not met | 1394 | 307 | 613 | 920 | 1217 |
| Domestic primary balance (floor) | -1243 | | 3938 | Not met | -42 | | -165 | Not met | 477 | | 786 | Met | 861 | | 1391 | Met | 2217 | 709 | 1763 | 2566 | 4238 |
| Domestic Arrears (ceiling) | 1804 | | 1398 | Met | 1727 | | 931 | Met | 1650 | | 1412 | Met | 1973 | | 2527 | Not met | 1112 | 996 | 880 | 842 | 804 |
| Memo Items: | | | | | | | | | | | | | | | | | | | | | |
| Programmed external budgetary support, US\$ million | | | 72 | | | | | | | | | | | | | | 16 | 40 | 52 | 52 | 73 |
| Domestic primary balance (floor) | | | -3938 | | | | -165 | | | | 786 | | | | 1391 | | 2217 | 709 | 1763 | 2566 | 4228 |
| Capital Transfers | | | 0 | | | | 0 | | | | 0 | | | | 0 | | 1259 | 308 | 596 | 885 | 1154 |
| Domestic primary balance | | | -3938 | | | | -165 | | | | 786 | | | | 1391 | | 958 | 402 | 1167 | 1682 | 3074 |

| Table 2. Sierra Leone: Prior Actions and Structural Benchmarks | | | | |
|---|---|--|---|-----------------------------------|
| | Measure | Macroeconomic Objectives | Due Date | Status |
| Prior Actions | | | | |
| PA1 | Authorities to initiate resolution proceedings for any bank meeting the criteria prescribed in Section 69 of the Banking Act 2019 as of end-December 2023, based on a resolution strategy adopted by the BSL and shared with Fund staff, in a way that safeguards the continuity of its important functions but contains fiscal costs. | Promote financial stability | 5 working days before the Board meeting | |
| PA2 | Submit to Parliament a 2026 Finance bill that proposes measures that are projected to deliver at least 1.5 percent of GDP in additional annual tax revenues. | To raise tax revenue yields | 5 working days before the Board meeting | |
| PA3 | Authorities to (i) submit to Parliament a 2026 budget that is consistent with program projections for the primary balance, revenues, and expenditures, and includes an annex detailing which capital projects are to be financed by the capital budget envelopes for 2026 and 2027, and (ii) publish a report on the MoF webpage confirming that contracts that were included in Annex 5 of the 2025 budget but not covered by the updated capital budget envelopes for 2026 and 2027 are cancelled or delayed. | Strengthen governance and efficiency of public spending | 5 working days before the Board meeting | |
| PA4 | Publish the Governance and Corruption Diagnostic report on the MoF website. | Strengthen governance | 5 working days before the Board meeting | |
| Structural Benchmarks for the First and Second ECF Reviews | | | | |
| SB1 | The authorities to set retail fuel prices at the end of each month in accordance with the automatic fuel price indexation mechanism, maintaining the excise rates established in the 2024 Finance Act. | Protect the tax base and efficiency of public spending | Continuous | Not Met; replaced by SB12 |
| SB2 | Submit to Parliament a 2025 budget that is consistent with program projections for the primary balance, revenues, and expenditures, and includes a comprehensive roads budget with information on total cost, variations, allocations in FY2025, and expected funding needs for FY2026 and FY2027. | Improve governance and efficiency of public spending | End-November 2024 | Met |
| SB3 | NRA to issue guidelines and a public notice establishing a safe harbor for iron ore. | Protect revenue base | End-December 2024 | Met |
| SB4 | The BSL will develop a strategy to revise and recalibrate the BSL's monetary policy operational tools with a view to strengthening its capacity to achieve its reserve money target. | Enhance the credibility and effectiveness of monetary policy | End-February 2025 | Not Met; done with delay |
| SB5 | Authorities to initiate resolution proceedings for any bank meeting the criteria prescribed in Section 69 of the Banking Act 2019 as of end-December 2023, in a way that safeguards the continuity of its important functions but contains fiscal costs. | Promote financial stability | End-February 2025 | Not Met; upgraded to prior action |

| Table 2. Sierra Leone: Prior Actions and Structural Benchmarks (continued) | | | | |
|---|---|--|-------------------|-------------------------------------|
| | Measure | Macroeconomic Objectives | Due Date | Status |
| SB6 | Authorities to publish the Governance and Corruption Diagnostic (GCD) report, which will include an action plan. | Enhance governance and transparency anti-corruption efforts | End-May 2025 | Not Met; upgraded to prior action |
| SB7 | BSL to operationalize the new Emergency Liquidity Assistance framework following close consultation with Fund staff. | Promote financial stability | End-July 2025 | Met |
| SB8 | Publish the BSL's audited 2024 financial statements that are audited by two audit firms within the same global network, a local firm, and an international firm with central banking and IFRS expertise. | Strengthen central bank safeguards | End-July 2025 | Met |
| SB9 | Authorities to recapitalize the BSL with IMF technical support. | Enhance the credibility and effectiveness of monetary policy | End-August 2025 | Not Met; reset to March 2026 (SB15) |
| SB10 | Cabinet to (i) review the oversight and accountability frameworks of the Sierra Leone Mines and Minerals Development and Management Corporation and the Mineral Wealth Fund in close consultation with the IMF and the World Bank and (ii) submit to Parliament any revisions to their institutional frameworks needed to address identified concerns and ensure that the frameworks are fully consistent with good international practice and compliant with the domestic legal framework such as the PFM Act, including through the development of clearly defined performance and dividend policies. | Enhance governance and transparency anti-corruption efforts | End-August 2025 | Not Met; replaced by SB16 |
| SB11 | Authorities to submit to Parliament a 2026 Finance bill with measures projected to deliver at least 1 percent of GDP in additional annual tax revenues. | To raise tax revenue yields | End-November 2025 | tbd; upgraded to prior action |
| Structural Benchmarks for the Third and Fourth ECF Reviews | | | | |
| SB12 | Authorities to: (i) refrain from providing any form of subsidy to retail fuel prices; (ii) maintain the rates of excise duties on fuels at least as high as those established by the 2024 Finance Act and any subsequent Finance Acts; (ii) maintain the sum of the rates of IDF and all other levies on fuels at least as high as those prescribed by the March 2025 fuel pricing formula; ; and (iv) update the legally binding fuel pricing ceiling formula monthly and communicate it to market operators and the IMF team | Protect the tax base and efficiency of public spending | Continuous | |

Table 2. Sierra Leone: Prior Actions and Structural Benchmarks (concluded)

| | Measure | Macroeconomic Objectives | Due Date | Status |
|-------------|---|--|--------------------|---------------|
| SB13 | Authorities to ensure that EIRA terms are upheld in the fiscal provisions of new mining agreements and on renewal of existing agreements, as detailed in MEFP. | Strengthen governance and mobilize revenues | Continuous SB | |
| SB14 | Authorities to fully operationalize the safe harbor for iron ore by first enforcing the full documentation requirement under the iron ore safe harbor guidelines and transfer pricing regulation and then either (i) completing the advanced price agreement currently under negotiation, or (ii) enforcing the safe harbor formula. | Protect revenue base | End-March 2026 | |
| SB15 | Authorities to recapitalize the BSL, including as informed by IMF technical support. | Enhance the credibility and effectiveness of monetary policy | End-March 2026 | |
| SB16 | (i) Ministry of Finance to publish on its website MMDMC's audited 2024 financial statements; (ii) Cabinet to adopt a policy for a transparent, merit-based process for appointing independent directors to the boards of MMDMC and MWF; and (iii) MMDMC to adopt and implement a KPI-based performance framework for Mountain View via a performance agreement between the MWF board and Mountain View with reporting to the MWF Board. | Enhance governance and transparency anti-corruption efforts | End-March 2026 | |
| SB17 | Authorities to publish (i) an independent audit of government payment arrears on the MoF website, including the backlog of invoices at MDAs awaiting payment, and (ii) a plan to clear them, prepared with IMF technical support, and to design a robust accounting system to record and report payment arrears going forward. | Improve governance and transparency in public finances | End-April 2026 | |
| SB18 | NRA to conduct an IMF-led Revenue Administration Governance and Integrity Assessment (RAGIA) and publish it on its website along with an action plan for addressing the identified weaknesses, developed in consultation with IMF staff. | Improve governance of customs and revenue administration | End-September 2026 | |
| SB19 | Ministry of Justice to submit to Parliament an amended Anti-Corruption Act that entails a requirement for the online publication and risk-based verification of asset declarations for a targeted list of politically exposed persons (and the establishment of proportionate sanctions for non-compliance). | Enhance governance and transparency anti-corruption efforts | End-September 2026 | |
| SB20 | Fully transition to GFSM 2014 standards for fiscal reporting in time to facilitate preparation of the 2027 budget. | Enhance fiscal transparency | End-September 2026 | |
| SB21 | Operationalize the Bank Resolution Framework, including filling vacancies in the Crisis Management Section and developing guidelines for resolution planning. | Promote financial stability | End-December 2026 | |

Attachment II. Technical Memorandum of Understanding¹

A. Introduction

1. **This Technical Memorandum of Understanding (TMU) defines** the quantitative performance criteria (PCs) and indicative targets (ITs) that will be used to evaluate performance under the program supported by the Extended Credit Facility (ECF) arrangement, as well as the related reporting requirements. Unless otherwise specified, all quantitative PCs and ITs will be evaluated in terms of cumulative flows from the beginning of the relevant calendar year. The definitions and adjustors described below cover the PCs for December 2025 and June 2026, and ITs for March 2026 and September 2026. The authorities shall consult with International Monetary Fund (IMF) staff on any relevant variable or definition that is omitted from the TMU.

2. **Program exchange rates.** For the purpose of program monitoring, most foreign currency related assets, liabilities, and flows, will be evaluated at “program exchange rates” as specified at the time of approval of the current ECF program, shown below.

| Currency | Currency units per SDR | Leones per currency unit | US\$ per currency unit |
|------------------------|---------------------------|-----------------------------|---------------------------|
| US\$ | 1.315 | 22.507 | 1.000 |
| British Pound Sterling | 1.039 | 28.485 | 1.266 |
| Japanese Yen | 211.705 | 0.140 | 0.006 |
| Euro | 1.229 | 24.093 | 1.070 |
| SDR | 1.000 | 29.604 | 1.315 |
| Renminbi | 9.558 | 3.097 | 0.138 |

^{1/} All exchange rates except for the Leone/US\$ exchange rate as reported in the IMF's International Financial Statistics. Leone / US\$ exchange is the Bank of Sierra Leone mid-rate.

B. Quantitative Program Targets

3. **Quantitative PCs are set on:**

- Net domestic bank credit to the central government (NCG) (**ceiling**).
- Net domestic assets (NDA) of the Bank of Sierra Leone (BSL) (**ceiling**).

¹ This TMU will apply to test dates beginning with end-December 2025.

- Net international reserves (NIR) of the BSL (**floor**).
- Budgetary FX spending (**ceiling**).
- Fiscal Spending on the National School Feeding program (**floor**).
- New concessional external debt with original maturity one year or more contracted or guaranteed by the public sector, US\$ million (**cumulative ceiling**).
- New non-concessional external debt contracted or guaranteed by the public sector, US\$ million (**continuous ceiling**).
- Outstanding stock of external debt with maturities of less than one year contracted or guaranteed by the public sector (**continuous ceiling**).
- External payment arrears of the public sector (**continuous ceiling**).

4. ITs are set on:

- Total domestic government revenue (**floor**).
- Domestic primary balance (**floor**).
- Domestic arrears (**ceiling**).
- Social spending (**floor**).

5. **In addition to the specific QPCs listed in paragraph 3, as for any Fund arrangement, continuous QPCs also include the non-introduction of exchange restrictions and multiple currency practices.** Specifically, continuous conditionality covers (i) non-imposition or intensification of restrictions on the making of payments and transfers for current international transactions; (ii) non-introduction or modification of multiple currency practices; (iii) non-conclusion of bilateral payments agreements that are inconsistent with Article VIII; and (iv) non-imposition or intensification of import restrictions for balance of payments reasons. These continuous PCs, given their non-quantitative nature, are not listed in the QPC table annexed to the MEFP.

C. Quantitative Performance Criteria

Net Domestic Bank Credit to the Central Government (NCG)

6. **Definition.** NCG refers to the net banking system's claims on the central government, excluding any financing for the purposes of recapitalizing or resolving financial institutions, as calculated by the BSL. It is defined as the sum of the following:

a. the net position of the government with commercial banks, (ODC-2SR, line 656 – budget financing), including: (a) treasury bills; (b) treasury bonds; and (c) loan and advances of commercial banks to the government; less government deposits in commercial banks (ODC-2SR, line 667); and

b. the net position of the government with the BSL:

CB-1SR, line 758, budget financing: **including** - (a) BSL holdings of treasury bills and bonds, including any bonds issued in the conversion/securitization of ways and means into debt (government's overdraft at the central bank); (b) ways and means advances; and (c) any other type of direct credit from the BSL to the government, including the special lending arrangements relating to budget support. It excludes holdings of special bonds provided by government to cover BSL losses and/or to increase its capital (CB-1SR, line 771 – other financing).

less (a) central government deposits with the BSL (CB-1SR, line 783); and (b) any debt relief received, notably Heavily Indebted Poor Countries (HIPC), Multilateral Debt Relief Initiative (MDRI) and relief deposits, as well as debt relief under the Catastrophe Containment and Relief (CCR) Trust.

7. Adjustment clauses. The ceiling on changes in NCG will be adjusted (a) downward (upward) by the excess (shortfall) in external budgetary assistance²—measured in leones at the BSL reference (not program) rate—with the downward (upward) adjustment capped at the equivalent of US\$50 million. The downward adjustment does not apply to excess external budgetary assistance provided with the explicit purpose of building buffers to retire domestic debt or repay the Electricity Distribution and Supply Authority (EDSA)'s arrears to independent power producers (IPPs); (b) downward (upward) by the increase (decline) in the value of the cumulative net flow of electronic funds transfer (EFT) checks and other outstanding payments (relative to the end-December 2024 value); (c) downward (upward) by the excess (shortfall) in Leone value of net issues of government securities to the non-bank private sector;³ and (d) downwards (upward) by the decrease (increase) in the cumulative net flow of non-tradeable securities issued to the non-bank sector for regularizing the stock of legacy arrears.⁴

² External budgetary assistance is defined as budget grants and loans, excluding HIPC assistance. The amounts are specified in Section D.

³ Taken together, clauses (b) and (c) would imply that a reduction in the stock of electronic funds transfer checks and other outstanding payments from cash budget resources would increase the NCG ceiling by the same amount, but a reduction through securitization would not.

⁴ The stock of legacy arrears refers to arrears identified in the stocktaking exercise completed in September 2019, totaling Le 3.287 trillion. The Government updated its arrears clearance strategy in October 2023 and, to date, has not yet issued any securities for the purpose of clearing these arrears.

8. Data source. The data source for the above will be the series “Claims on Government (net)”, submitted to the IMF staff and reconciled with the monthly monetary survey prepared by the BSL.

9. Definition of Central Government. Central government is defined for the purposes of this memorandum to comprise the central government and those special accounts that are classified as central government in the BSL statement of accounts. The National Social Security and Insurance Trust and state-owned enterprises are *excluded* from this definition of central government.

Net Domestic Assets of the BSL (NDA)

10. Definition. Net domestic assets (NDA) of the BSL are defined as the end-period stock of reserve money minus the net foreign assets of the BSL calculated at program exchange rates. Reserve money is defined as the sum of currency in circulation (currency outside banks plus cash in vaults), deposits of commercial banks with the BSL, and BSL liabilities to other private-sector entities. Net foreign assets are defined as the BSL’s foreign assets (claims on nonresidents) minus the BSL’s foreign liabilities (liabilities to nonresidents).⁵

Net International Reserves of the BSL (NIR)

11. Definition. The net international reserves of the BSL are defined as reserve assets minus short-term and other foreign currency liabilities at program exchange rates. Reserve assets include (i) the BSL’s holdings of monetary gold (excluding amounts pledged as collateral); (ii) holdings of existing Special Drawing Rights (SDRs) and any future allocation of SDRs by the IMF to its membership; and (iii) the BSL’s holdings of foreign currencies in cash or in nonresident financial institutions (deposits, securities, or other financial instruments). Reserve assets do not include (i) frozen, pledged, or any encumbered assets, including but not limited to assets used as collateral or guarantees for third-party external liabilities, or assets received as part of foreign exchange derivatives such as swap, forward, and options arrangements including those with domestic with commercial banks; (ii) foreign currency claims on residents; (iii) precious metals other than gold; (iv) assets in nonconvertible currencies; (v) illiquid foreign assets. Short-term and other foreign currency liabilities include (i) the BSL’s foreign currency-denominated liabilities to residents and nonresidents with a remaining maturity of one year or less, excluding liabilities with an asset counterpart that is excluded from the asset side, as well, and excluding the foreign liability to China of US\$8.4 million relating to a legacy clearing account for a previous bilateral trade agreement;⁶ (ii) all credit outstanding from the IMF, excluding liabilities arising from existing and future allocation of SDRs by the IMF to its membership and debt relief from the CCR Trust granted in 2015; and (iii) the government’s foreign currency deposits with the BSL with remaining maturity of less than 360 days.

⁵ In the July 2025 IMD shared by the authorities, NFA at the official exchange rate can be found in AD-CB, line 7.

⁶ The authorities have confirmed that this Bilateral Trade Agreement is no longer operational.

12. Adjustment clause for external budgetary assistance. The floor on the change in NIR will be adjusted downward (upward) by US dollars equivalent cumulative shortfall (excess) in programmed external budgetary assistance.

13. Adjustment clause for FX bonds, including FX-denominated zero-coupon bonds. The floor on the change in NIR will be adjusted downward by the amount paid on maturity of FX bonds or FX-denominated zero-coupon bonds, and upward by (i) the face value of any FX bonds or FX-denominated zero-coupon bonds with maturity of less than 3 years and issued in agreement with Fund staff; and (ii) the face value of any FX bonds or FX-denominated zero-coupon bonds issued absent agreement with Fund staff.

Budgetary FX Spending

14. Definition. Budgetary FX spending is defined as FX spending on the part of the budgetary central government and the BSL. It includes the budget line items listed in Text Table 2, as well as the BSL spending items listed under “Memo Items” in Text Table 2.

15. Adjustor. The FX spending floor can only be exceeded in the event of unforeseen foreign exchange inflows (grants), to be utilized by Government for a specified purpose, subject to the NCG adjustment clause in paragraph 7, not initially envisaged at the time of the IMF Board approval of the QPCs.

16. Data Source. The data on budgetary FX spending is to be sourced from the BSL’s FX cashflow tables valued at market exchange rates.

Fiscal Spending on the National School Feeding Program (NSFP)

17. Definition. For program purposes, spending on the National School Feeding Program refers to all domestically financed expenditures recorded under the budget classification for school feeding (currently under 301, Ministry of Basic and Secondary Education) in the Government of Sierra Leone’s Chart of Accounts. This includes:

- Food procurement for school meals;
- Transportation and logistics costs for delivery to schools;
- Distribution and related operational expenses.

18. Measurement: Spending will be measured on a cash basis, as recorded in the Integrated Financial Management Information System (IFMIS), under the functional classification for school feeding within the Ministry of Basic and Senior Secondary Education (MBSSE).

19. Monitoring and Reporting. The Ministry of Finance shall report monthly execution data for the school feeding program to IMF staff within **30 days after the end of each month**. Reports

shall include: (i) actual spending against the budget line for school feeding; (ii) source of financing (domestic vs. external); and (iii) any adjustments applied under this TMU.

Assumptions on External Budgetary Assistance

20. The programed cumulative calendar year external budgetary assistance for the calculation of NCG, NDA, and NIR targets is projected to, by the respective test dates, amount to:

| | |
|--------------------|-------------------|
| December 31, 2025 | US\$ 15.8 million |
| March 31, 2026 | US\$ 40 million |
| June 30, 2026 | US\$ 52 million |
| September 30, 2026 | US\$ 52 million |
| December 31, 2026 | US\$ 73 million |

New Concessional External Debt with Original Maturity of One Year or More Contracted or Guaranteed by the Public Sector

21. New external debt is defined as all forms of new external debt with original maturity of one year or more contracted or guaranteed by the public sector based on the residency of the creditor. The external debt definition applies not only to debt as defined in the Guidelines on Public Debt Conditionality in Fund Arrangements (Decision No. 16919-(20/103), October 28, 2020, paragraph 8) but also to commitments contracted or guaranteed for which value has not been received. For the purposes of this PC, external debt is defined on the basis of the residency of the creditor. The residency of the creditor is determined on the basis of incorporation in Sierra Leone as a subsidiary. The “public sector” is defined in paragraph 27.

22. For program purposes, the debt is deemed to have been contracted when it is signed by the government of Sierra Leone and ratified by Parliament. Excluded from this PC are disbursements from the IMF and those debts subject to rescheduling. The government will report any planned external borrowing and its terms to Fund staff before external debt is contracted or guaranteed by the government. The ceiling on new concessional external debt with original maturity of one year or more will be applied on a continuous basis and evaluated in terms of cumulative changes within each calendar year.⁷

23. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between

⁷ For example, a ceiling amount of US\$75 million in calendar year 2025 means that up to US\$75 million of new concessional external debt can be contracted in 2025. Once that ceiling is reached at any point in the year, any new concessional external debt that is contracted will result in the nonobservance of the PC.

the net present value (NPV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The NPV of debt at the time of its signing date of an underlying loan agreement is calculated by discounting the future stream of payments of debt service due on this debt. The discount rate used for this purpose is 5 percent.

New Non-Concessional External Debt Contracted or Guaranteed by the Public Sector

24. Non-concessional external debt is defined as external debt (defined in paragraph 21) on terms that do not meet the definition in paragraph 23. External debt and its concessionality will be reported by the Debt Management Division of the Ministry of Finance and will be measured in US\$ at current exchange rates. This PC will apply on a continuous basis.

25. For loans carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the loan would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the loan contract. The program reference rate for the six-month USD Secured Overnight Financing Rate (SOFR) is 3.23 percent and will remain fixed for the remainder of the program. The spread of six-month Euro Short-Term Rate (ESTR) over six-month USD SOFR is -50 basis points. The spread of six-month JPY Tokyo Overnight Average Rate (TONAR) over six-month USD SOFR is -300 basis points. The spread of six-month GBP SONIA over six-month USD SOFR is 50 basis points. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD SOFR is zero basis points. Where the variable rate is linked to a benchmark interest rate other than the six-month USD SOFR, a spread reflecting the difference between the benchmark rate and the six-month USD SOFR (rounded to the nearest 50 basis points) will be added. This PC will apply on a continuous basis.

Outstanding Stock of Short-term External Debt with Maturities of Less Than One Year Contracted or Guaranteed by the Public Sector

26. Definition. External short-term debt is defined as external debt stock with a maturity of less than one year contracted or guaranteed by the public sector. Debt is defined in Annex I of this TMU. For this purpose, short-term debt will exclude trade credit with maturity of one year or less for imports. For the purposes of this PC, the public sector is defined in paragraph 27. This PC will apply on a continuous basis.

External Payment Arrears of the Public Sector

27. Definition. External payment arrears of the public sector are defined to include all debt-service obligations (interest and principal) arising from loans contracted or guaranteed by the public sector. For the purposes of this PC, the public sector comprises the central government, regional government, state owned enterprises, as listed in Annex 9 of the 2023 budget documents, and the BSL. The non-accumulation of external arrears is a continuous performance criterion during the program period. For the purposes of this performance criterion, external arrears are obligations that have not been paid on due dates (taking into account the contractual grace periods, if any).

Excluded from this PC are (i) external arrears accumulated before the approval of this ECF arrangement and (ii) those debts subject to rescheduling or restructuring or that are under litigation. This PC will apply on a continuous basis.

D. Quantitative Indicative Targets

Domestic Revenue of Central Government

28. Definition. The floor on total domestic central government revenue is defined as total central government revenue, as presented in the central government financial operations table, excluding external grants.

Domestic Primary Balance

29. Definition. Central Government Revenue less expenditures and net lending adjusted for interest payments, foreign financed capital expenditure, foreign financed elections and foreign financed energy spending, foreign financed cash paydown of domestic arrears and capital transfers used to recapitalize financial institutions

Social Spending

30. Definition. For the purposes of the ECF arrangement, social spending is defined as the sum of all non-salary, non-interest recurrent expenditure and domestic capital expenditure as defined in Attachment B: (i) cash transfers; (ii) free health care initiative; (iii) education support programs, excluding the school feeding program; (iv) other social assistance programs; and (v) employment/active labor market programs.

Domestic Arrears

31. Definition. Domestic arrears are defined as (i) the stock of legacy (pre-April 2018) arrears determined for the purpose of the Sierra Leonean authorities' arrears clearance strategy; and (ii) stock of outstanding cheques reconciled with the BSL.

E. Program Monitoring

32. The Sierra Leonean authorities shall maintain a program-monitoring committee composed of senior officials from the MoF, the BSL, and other relevant agencies. The committee shall be responsible for monitoring performance under the program, recommending policy responses, informing the IMF regularly about the progress of the program, and transmitting the supporting materials necessary for the evaluation of PCs and benchmarks. The committee will provide monthly reports to the IMF on progress in implementing the program's quantitative targets and structural benchmarks.

Annex I. Implementation of the Public Debt Limits in Fund Supported Programs with Respect to External Debt

The term “debt” has the meaning set forth in point No. 8a of the Guidelines on Public Debt Conditionality in Fund Arrangements adopted on June 30, 2015, which reads as follows:

“(a) For the purpose of these guidelines, the term “debt” will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers’ credits, i.e., contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property. (b) Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.”

Attachment A. Summary of Data Reporting to IMF Staff

| | Type of Data | Frequency | Reporting deadline |
|---|---|--------------------------|---|
| Real Sector | National accounts | Annual | End of year + 9 months |
| | GDP deflators by sector | Annual | End of year + 9 months |
| | Mining production and exports | Annual | End of year + 9 months |
| | Revisions of national accounts | Annual | End of revision + 2 months |
| Public finance | Net government position and details of nonbank financing, including changes in stocks of arrears, stock of the float, treasury bills, and bonds. | Monthly | End of month + 6 weeks |
| | Government flow-of-funds table (Government Financial Operations Table) | Monthly | End of month + 6 weeks |
| | Structure of petroleum product volume and prices by categories of petroleum products and by dutiable status. Fiscal revenues from petroleum products, separately for excises, import duties, IDF, and other levies. Fuel pricing formula. | Monthly | End of month + 8 weeks; the fuel pricing formula to be reported at the same time it is communicated to market operators |
| | Import duty and GST exemptions by end-users estimates of corresponding revenue losses. | Quarterly | End of quarter + 6 weeks |
| | Details of all new external borrowing and guarantees provided by government on new borrowing, including the associated concessionality calculation (percentage) for each new loan | Monthly | End of month + 4 weeks; the contracting or guaranteeing of external debt should be immediately reported to IMF staff |
| | External debt service payments (separately on principal and interest payment) to each creditor, including and excluding new disbursements in the debt recording system. Also, including and excluding HIPC relief. | Monthly | End of month + 4 weeks |
| | Details of new mining agreements and renewal of existing agreements ratified or proposed to the Parliament, including confirmation that each agreement respects the fiscal terms established by EIRA. | Monthly | End of month + 2 weeks |
| Report on the stock of debt outstanding, and loan agreements under discussion | Quarterly | End of quarter + 3 weeks | |
| Monetary and Financial Data | Monetary survey | Monthly | End of month + 6 weeks |
| | Balance sheet of the BSL | Monthly | End of month + 6 weeks |
| | Consolidated balance sheets of commercial banks | Monthly | End of month + 6 weeks |
| | BSL monitoring sheet of net financing of the financial sector to the government | Daily | COB + 2 days |
| | BSL monitoring sheet of treasury bills and bond holdings | Weekly | COB + 1 day |
| | Borrowing and lending interest rates | Monthly | End of month + 6 weeks |
| | Results of foreign exchange and Treasury Bills Auctions | Weekly | End of week + 1 day |
| | Stocks of government securities | Monthly | End of month |
| | Banking supervision ratios | Quarterly | End of quarter + 4 weeks |
| External Sector | Net official foreign reserves | Weekly | End of week + 1 week |
| | Foreign exchange cash flow table, including details on government FX transactions | Monthly | End of month + 3 weeks |
| | Balance of payments data | Annual | In addition, updated data should be reported when revisions occur |
| | Exports and imports of goods (including the volume of key minerals and fuels). | Monthly | End of month + 3 weeks |
| | Outstanding external arrears and repayments (if applicable) | Monthly | End of month + 4 weeks; the occurrence of new external arrears should be immediately reported to IMF staff |
| | FX transaction volumes | Monthly | End of month + 4 weeks |

Attachment B. Definition and Composition of Social Spending

| MDA Code | Expenditure Category | Percent of GDP | 2026 | Non-Salary, Non-Interest Recurrent Expenditure | Domestic Capital Expenditure |
|----------|---|----------------|------------------|--|------------------------------|
| | Total Social Spending | 0.65 | 1,217,064 | 970,608 | 246,456 |
| | Cash Transfers | 0.00 | 3,527 | 3,527 | - |
| 407 | Sierra Leone Social Safety Net (Cash Transfers to the Aged) | | | | |
| 308 | Social Safety net program | | | | |
| | Free Health Initiative | 0.19 | 362,126 | 246,580 | 115,546 |
| 304 | Free Health Care Initiative (All Health Expenditure) | | | | |
| 307 | Procurement of Free Health Care and Cost Recovery Drugs | | | | |
| 7 | Devolved Function - Health Services | | | | |
| | Education Support Program | 0.34 | 645,074 | 605,189 | 39,886 |
| 7 | Subsidized School Bus Transportation | | | | |
| 301 | Tuition Fees Subsidies for School Going Pupils | | | | |
| 301 | Examination Fees for NPSE, BECE and WASSCE | | | | |
| 301 | Welfare and Hygiene Packages for School Going Girls | | | | |
| 301 | Diet for Boarding Home Schools | | | | |
| 301 | Free Education Programme (All Education Expenditure) | | | | |
| 300 | Ministry of Technical and Higher Education | | | | |
| 7 | Devolved Function - Education Services | | | | |
| 301 | Grants to Physically Challenged Schools | | | | |
| | Other Social Assistance | 0.06 | 118,245 | 65,164 | 53,081 |
| 401 | Climate Change mitigation for poor and Vulnerable farmers | | | | |
| 308 | Support to National Commission for Social Action Pro-Poor Interventions | | | | |
| 305 | Ministry of Social Welfare | | | | |
| 319 | Ministry of Gender and Children's Affairs | | | | |
| 308 | National Commission for Social Action (NaCSA) - Expenditure | | | | |
| 324 | National Social Protection Agency | | | | |
| 305 | Social Protection Programme for Children | | | | |
| 213 | Disaster/Relief Response Fund | | | | |
| | Employment/Active Labour Market Program | 0.05 | 88,092 | 50,149 | 37,943 |
| 310 | Support to Youth in Fisheries | | | | |
| 310 | Support to Youth in Agriculture (Cash for Work) | | | | |
| 310 | Support Youth Empowerment Programme | | | | |
| 318 | National Tree Planting (Cash for Work) | | | | |
| 401 | Empowering Women in Agriculture and Fisheries | | | | |
| 318 | Environmental Impact Expenditure | | | | |



SIERRA LEONE

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—DEBT SUSTAINABILITY ANALYSIS

December 4, 2025

Approved By
Papa N'Diaye and Jarkko Turunen (IMF) and Manuela Francisco and Abebe Adugna (IDA)

Prepared by the staffs of the International Monetary Fund and the International Development Association.

| | |
|---------------------------------------|-------------|
| Risk of external debt distress | High |
| Overall risk of debt distress | High |
| Granularity in the risk rating | Sustainable |
| Application of judgment | No |

Sierra Leone’s public debt is sustainable, but risks of external and overall debt distress are high, unchanged from the previous DSA published in November 2024. The downgrade to “weak” debt-carrying capacity underscores serious short-term liquidity and solvency vulnerabilities.¹ This assessment hinges on the authorities’ commitment to program objectives—including a very ambitious fiscal adjustment—and continued access to highly concessional external financing including grants. The external debt service-to-revenue ratio breaches its threshold until 2028, and the PV of the public debt-to-GDP ratio breaches its threshold until 2026. The overall debt-service-to-revenue ratio remains above 100 percent until 2029. All debt indicators decline over the medium to long term. Efforts to seek grant financing and lengthen the maturity of debt remain critical as debt service ratios and gross financing needs will remain elevated over the medium term. Domestic rollover risks are mitigated by the authorities’ commitment to bringing down the domestic financing envelope. Sierra Leone is highly susceptible to shocks to exports, commodity prices, and the primary balance, and exchange rate, as well as contingent liabilities. The risk to the required fiscal consolidation not being sustained is high in light of the frequent fiscal overruns in recent years.

¹ Sierra Leone’s debt-carrying capacity has been downgraded to “weak” with a composite indicator value of 2.65 based on the October 2025 IMF World Economic Outlook (WEO) and the 2024 World Bank Country Policy and Institutional Assessment (CPIA). This assessment provides a second signal for downgrade from “medium” to “weak” debt-carrying capacity after the first signal in April 2025.

PUBLIC DEBT COVERAGE

1. Public debt coverage is unchanged from the previous DSA. The debt stock includes central government public and publicly guaranteed debts on a residency basis (Text Table 1). The DSA also includes the latest estimate of the consolidated stock of domestic payment arrears. The government is working on improving its financial and debt management systems— with the support of development partners including the World Bank—and on enhancing the accounting for and timely reporting of public debt, including the debts of state-owned enterprises (SOEs) and self-accounting-bodies. This DSA uses the debt stock data as of end-2024.

Text Table 1. Sierra Leone: Public Sector Debt Coverage Under the Baseline Scenario

| Subsectors of the public sector | Check box |
|--|-----------|
| 1 Central government | X |
| 2 State and local government | |
| 3 Other elements in the general government | |
| 4 o/w: Social security fund | X |
| 5 o/w: Extra budgetary funds (EBFs) | |
| 6 Guarantees (to other entities in the public and private sector, including to SOEs) | X |
| 7 Central bank (borrowed on behalf of the government) | X |
| 8 Non-guaranteed SOE debt | |

Note: Blank indicates there is no data.

2. The assumptions in the contingent liability stress test are the same as in the previous DSA. Total contingent liabilities are estimated at 10 percent of GDP. Specifically, (i) the contingent liability for SOE debt is set at 5 percent of GDP, higher than the default value, reflecting the authorities' latest estimates;² (ii) contingent liabilities from financial markets are set at the standard minimum value of 5 percent of GDP based on the average fiscal cost of a financial crisis in LICs since 1980; and (iii) the contingent liability of other elements of the general government is set at 0 because the baseline reflects estimated domestic arrears.

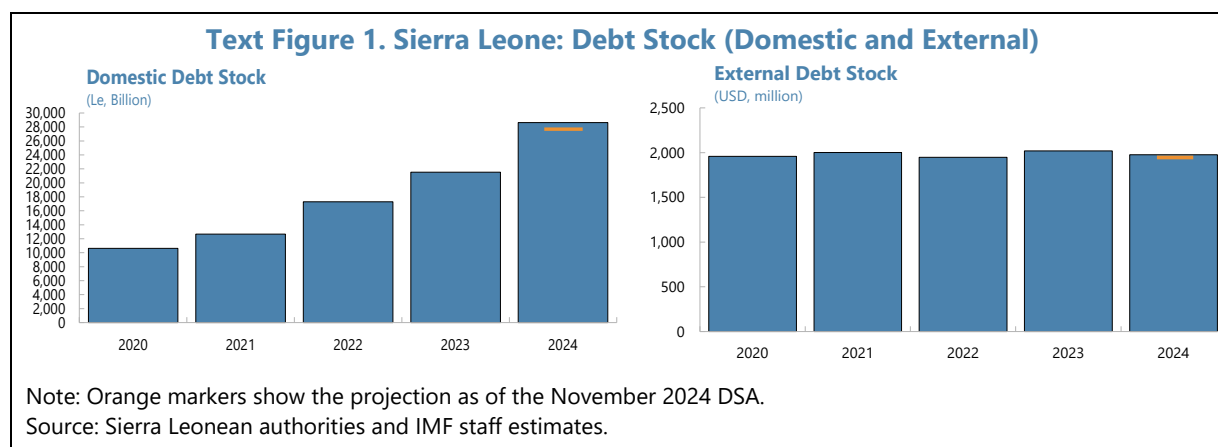
² The SOE contingent liabilities consist of on-lending by the central government of the proceeds of external loans (usually loans for 20 years, with rates ranging from 1.5 percent to 3 percent); domestic loans/overdrafts from local commercial banks (typically for 30 months at interest rates of 18 percent to 20 percent); letters of credit (typically for 36 months). These are all guaranteed by the government and recorded as contingent liabilities. The risk of these materializing is mitigated by the monitoring and reports of the fiscal risk unit in the MoF. They continuously monitor and report on fiscal risk from SOE performance.

| Text Table 2. Sierra Leone: Coverage of the Contingent Liabilities' Stress Test | | | |
|--|---|-----------------------|--|
| 1. The country's coverage of public debt | The central government plus social security, central bank, government-guaranteed debt | | |
| | Default | Used for the Analysis | Reasons for deviations from the default setting |
| 2. Other elements of the general government not captured in 1. | 0 percent of GDP | 0.0 | |
| 3. SOE's debt (guaranteed and not guaranteed by the government) 1/ | 2 percent of GDP | 5.0 | Reflect the authorities' estimate of total indebtedness of SOEs and rebased GDP. |
| 4. PPP | 35 percent of PPP stock | 0.0 | PPP capital stock is under 3 percent of GDP. |
| 5. Financial market (the default value of 5 percent of GDP is the minimum value) | 5 percent of GDP | 5.0 | |
| Total (2+3+4+5) (in percent of GDP) | | 10.0 | |

1/ The default shock of 2 percent of GDP will be triggered for countries whose government guaranteed debt is not fully captured under the country's public debt definition (1). If it is already included in the government debt (1) and risks associated with SOE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0 percent.

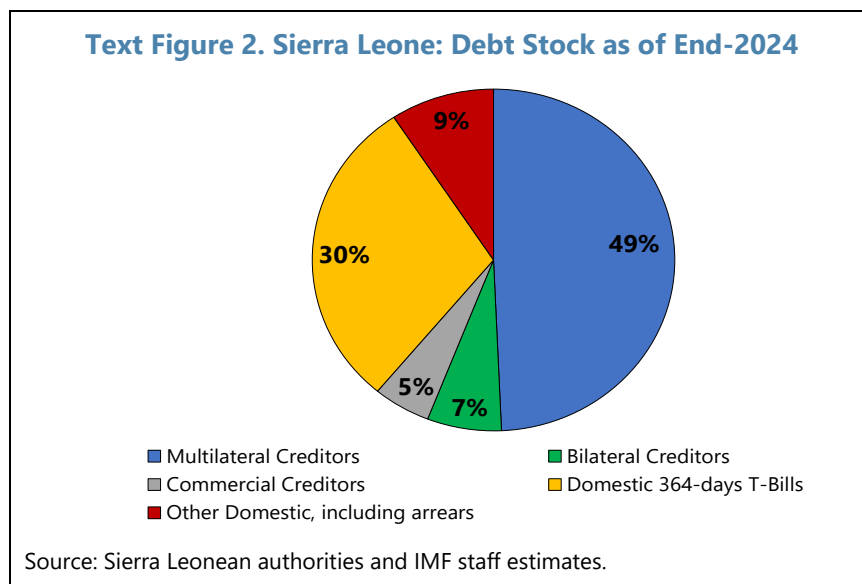
BACKGROUND ON DEBT

3. End-2024 stock data shows that Sierra Leone's public external debt declined both in US dollar terms and as a ratio to GDP (Text Figure 1). Total public debt declined to 44.4 percent of GDP amid strong nominal GDP growth and the stability of the nominal exchange rate against the dollar. The authorities maintained new external borrowing below the Fund-supported program ceiling.



4. The composition of public debt is largely unchanged from the previous DSA. Approximately 61 percent of total public and publicly guaranteed (PPG) debt is external debt, with 55 percentage points comprising non-restructurable obligations to multilateral creditors including the IMF (14.0 percent of total PPG debt stock) and the WB (14.3 percent of total PPG debt stock). The remaining 39 percent is domestic debt, of which 30 percentage points are

364-day T-bills. Of these, 35.9 percent are held by the BSL, 52.2 percent by commercial banks, and 11.8 percent by non-banks (Text Figure 2).³



5. The authorities discovered new external arrears but are current on the agreed repayment plans. In February 2024, the authorities verified external arrears of US\$23.4 million owed to two companies for road construction and penalty interest on delayed payment of civil war-related services. The arrears did not trigger a breach of the continuous PC because they were outside of the program period. The arrears are included in the debt and their clearance as debt service projections.

Text Table 3. Sierra Leone: Summary of External Borrowing Plan for 2024

| PPG external debt contracted or guaranteed | Volume of new debt, US million 1/ | PV of new debt, US million 1/ |
|--|--------------------------------------|-------------------------------|
| Sources of debt financing | 100 | 50-65 |
| Concessional debt 2/ | 100 | 50-65 |
| Non-concessional debt 3/ | 0 | 0 |
| Use of debt financing | 100 | 50-65 |
| Project financing | 100 | 50-65 |
| Budget financing | 0 | 0 |

1/ Contracting and guaranteeing of new debt (defined in the TMU). The present value of debt is calculated using the terms of individual loans applying the 5 percent program discount rate.

2/ Debt with a grant element that exceeds a minimum threshold of 35 percent.

3/ Debt which does not meet the definition of concessional debt.

³ The BSL's net claims on the government increased from 9,895 million leones to 12,074 million leones from end-December 2023 to end-December 2024, and to 15,298 million by end-September 2025. The BSL maintained monetary conditions broadly consistent with its medium-term inflation objective since 2024 but should transition away from using direct purchases of government securities to implement its monetary policy stance. The BSL is committed to replacing outright purchases of government securities with specialized short-term liquidity instruments as the main monetary policy instrument by June 2026, in line with their new monetary policy strategy (see paragraph 6, second bullet).

MACRO FORECASTS

Macroeconomic Assumptions

| | Current DSA | | | | | | | | | | | | | Previous DSA (November 2024) | | | | | | | | | | | | |
|---|-------------|------|------|------|------|------|------|------|------|------|------|-----------------------|------|------------------------------|------|------|------|------|------|------|------|------|-----------------------|--|--|--|
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | LT ave. ^{1/} | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | LT ave. ^{2/} | | | |
| Real GDP growth (in percent) | 4.3 | 4.4 | 4.5 | 4.7 | 4.6 | 4.6 | 4.6 | 4.5 | 4.5 | 4.6 | 4.6 | 4.5 | 4.0 | 4.5 | 4.7 | 4.7 | 4.7 | 4.6 | 4.5 | 4.5 | 4.5 | 4.6 | 4.6 | | | |
| Inflation (GDP deflator, in percent) | 10.5 | 6.7 | 7.5 | 6.8 | 6.6 | 7.0 | 7.4 | 7.2 | 7.2 | 7.2 | 7.2 | 7.4 | 24.5 | 12.0 | 8.0 | 7.1 | 6.2 | 5.9 | 5.6 | 5.6 | 5.6 | 5.6 | 10.5 | | | |
| Primary deficit (percent of GDP) | 2.2 | 0.5 | -1.2 | -2.2 | -2.0 | -1.6 | -1.8 | -1.9 | -1.9 | -1.5 | -1.3 | -1.1 | 0.3 | 0.0 | -0.4 | -0.7 | -0.8 | 0.4 | 0.7 | 1.1 | 0.4 | 0.4 | 0.4 | | | |
| Domestic primary balance (percent of GDP) | -2.5 | 0.5 | 1.6 | 2.8 | 2.5 | 2.8 | 2.8 | 2.9 | 2.9 | 2.4 | 2.1 | 1.9 | | | | | | | | | | | | | | |
| Non-interest current account deficit (percent of GDP) | 6.7 | 4.6 | 2.8 | 2.5 | 2.7 | 2.9 | 3.4 | 2.9 | 3.1 | 3.2 | 3.4 | 3.5 | 3.6 | 4.1 | 3.3 | 3.0 | 3.3 | 3.2 | 2.4 | 2.3 | 2.2 | -2.1 | -3.1 | | | |

^{1/} Average between 2024 to 2034.
^{2/} Average between 2023 to 2033.

6. The macroeconomic assumptions underlying this DSA have been updated (Text Table 4).

- Growth** decelerated to 4.3 percent in 2024 primarily due to weak performance in the mining and construction sectors. Amid the continued macroeconomic policy tightening and lower global commodity prices, growth in 2025 is projected at 4.4 percent, with weak performance in the diamond sector offset by stronger than expected bauxite and iron ore production. In line with the country's Medium-Term National Development Plan (2024-2030), growth is projected to reach its potential of 4.6 percent over the medium term, supported by the stabilization of mining activities, increased agricultural output catalyzed by the Feed Salone program, softer projected global oil prices, and an overall more stable macroeconomic environment. While the fiscal consolidation is expected to have a contractionary effect on the economy in the near-term, the reduced public borrowing and lower interest rates on government securities is expected to have a crowding-in effect by increasing banks' appetite to increase lending to the private sector. Moreover, the improved fiscal health and associated stability is also likely to induce more business confidence and investments, further supporting growth in the medium-term.
- Inflation.** Inflation fell to single digits by April 2025, due to the macroeconomic consolidation, the stable exchange rate, strong local food production, contained reserve money growth. The authorities remain committed to maintaining low inflation, including by limiting purchases of government securities in the secondary market to finance the deficit, and continuing to refrain from securitizing ways and means balances. This commitment is supported by the BSL net domestic asset (NDA) target in the IMF program. The authorities have also shared a monetary policy reform strategy with IMF staff that they intend to fully implement by mid-2026. The strategy envisages enhancing monetary policy by moving the BSL to a reserve money targeting framework and replacing outright purchases of government securities with specialized short-term liquidity instruments as the main monetary policy instrument by June 2026. Against this background, inflation is expected to

remain in single digits going forward, supported by robust domestic agricultural output, continued macroeconomic consolidation, and subdued global oil prices.

- Fiscal.** The authorities are expected to continue their very ambitious fiscal consolidation effort. The fiscal effort—as measured by the change in the domestic primary balance—amounted to 2.9 ppts of GDP between 2022 and 2024, even as it fell 1.9 ppts short of its target in 2024. As of Q3-2025, the authorities are on track towards a domestic primary balance improvement of another 3.4 ppts of GDP in 2025.⁴ The remaining fiscal effort assumed between 2025 and the end of the IMF ECF arrangement in 2027 amounts to 2.2 ppts of GDP, of which only 0.7 ppts of GDP are expected to come from

Text Table 5. Sierra Leone: New Tax Policy Measures
(Annual, Percent of GDP)

| Measures | Revenues |
|--|--------------|
| Corporate Income Tax | |
| MTRS Actions | 0.100 |
| Restore MAT to low profitability companies | |
| Abolish investment allowance | |
| Raise CIT rate from 25 to 30 percent | 0.375 |
| Raise non-resident withholding tax rate from 10 to 20 percent | 0.106 |
| Personal Income Tax | |
| Raise resident withholding tax rate on rental income rate from 10 to 15 percent | 0.011 |
| Indirect Tax | |
| Raise Petrol and Diesel excises to Nle 4 and increase RUC by Nle 1 ^{1/} | 0.518 |
| Raise excises on cigarettes from Nle 2 to 3 per package | 0.100 |
| Raise circulation levy from Nle 200 to 500 and expand it to three-wheeled vehicles | 0.005 |
| Introduce an excise on cement (Nle 10 per each 50kg bag) | 0.111 |
| Raise import duty on rice from 5 to 10 percent | 0.106 |
| Remove GST exemption on supply of water (56.2 W:P ratio) ^{2/} | 0.080 |
| Remove GST exemption on magazines (16.2 W:P ratio) | 0.005 |
| Expand circulation levy to boats and vessels ^{3/} | 0.002 |
| Total | 1.518 |

Sources : 2025 FAD TP report, staff and authorities' calculations.
 1/ While all other fuel levies (IDF, PF) are kept at the level of March 2025, and no subsidy is provided.
 2/ Exemptions with high ratios of consumption for wealthy versus poor households (W:P ratio) are regressive.
 3/ USD 1000 for large boats and industrial fishing vessels, Nle 500 for smaller motorized boats.

spending cuts, all of which are accounted for by the one-off nature of 0.8 ppts of GDP in capital transfers in 2025. The remaining 1.5 ppts are expected to come from tax revenue mobilization based on measures that will be included in the 2026 Finance Act as a prior action for the first and second ECF reviews (Text Table 5). Potential revenue gains from compliance and revenue administration, as well as efficiency gains from digitalization are not built into the projections and can be viewed as upside risks. After 2027, the projections assume a gradual loosening of the domestic primary balance. This is justified by the sharp decline in net borrowing from the banking system over the program period—which is expected to turn negative in 2027, down from over 5 ppts of GDP in 2024—supporting a sustained low cost of borrowing and a durable decline in interest expense.

- External.** The current account deficit is projected to shrink in 2025 to 4.8 percent of GDP from 6.9 percent of GDP in 2024 amid the continued fiscal consolidation and import substitution activities. It is projected to modestly improve over the medium term, supported by strengthening mining production, improved domestic agricultural production and slower

⁴ The authorities adopted a supplementary budget that reduces spending to offset a Q1 revenue shortfall.

- import growth as fiscal policy consolidates further. Reserves dropped to 1.5 months of imports at end-September. The authorities are committed to accumulating US\$71 million in reserves in Q4-2025 through market purchases and an FX bond issuance and to continue building reserves going forward. In line with the more stable macroeconomic situation and recovering confidence, the Leone remains stable in 2025.⁵

Financial Assumptions

- **IDA financing.** IDA financing for the DSA assumes grant financing through 2028; a zero-interest, 40-year credit in 2029 (with an eleven-year grace period and no interest or service charge); and 100 percent regular IDA credits thereafter.⁶
- **Additional use of SDR retrocession is planned in 2025.** We expect the authorities to use an additional NLe1,400million (US\$60 million, or 0.8 percent of GDP) to make up for the shortfall in multilateral budget support.⁷
- **Other assumptions.** As before, this DSA reflects actual and projected future disbursements under the ECF, the SDR allocation in August 2021, debt relief under the CCRT, debt deferment under the DSSI, and external budget support by the European Union and the African Development Bank. It also considers a modest post-program financing gap (PPFG) for 2028-30 and assumes that the gap will be covered by new external concessional financing.⁸ IMF financing under the ECF has a 5.5-year grace period, 10-year maturity, and zero interest. Loans from other multilateral creditors other than the World Bank are assumed to have an overall grant element of 35 percent. This assumption is unchanged from the previous DSA. In terms of domestic financing, this DSA assumes (i) 25 percent of new domestic debts are financed by 1-3 year bonds in 2025, and (ii) 30 percent of new domestic debts are financed by 1-3 years bonds between 2026-29. These assumptions are broadly in keeping with the previous

⁵ Its end-September 2025 value just 0.14 percent lower than its value at the beginning of 2025. Similarly, the variance of weekly readings over the first half of 2025 stood at 0.001

⁶ These assumptions reflect current IDA financing terms and may change due to a change in financing terms applicable to future IDA replenishments and availability of IDA resources. The availability of World Bank financing is also linked to other conditions, such as the adequacy of the macro-economic policy framework in the case of a potential budget support operation.

⁷ As part of an SDR retrocession transaction, the BSL transfers its SDR assets and liabilities to the government. The SDR assets are then sold back to the BSL, which converts them into local currency and credits the government's accounts accordingly. The operation leaves the government with the SDR liabilities which are counted as additional long-term external debt in the DSA. Approximately Le 1,233 billion (1.3 percent of GDP) and Le 1,866 billion (1.5 percent of GDP), were used in 2022 and 2023.

⁸ In the DSA, the assumptions for the PPFG of \$20, \$30 and \$30 million in 2028, 2029, and 2030, respectively, is that it has a 0.5 percent interest rate, a 5-year grace period, 15-year maturity, and an overall grant element of 35.5 percent. Due to the modest amounts of the PPFG, downside risks that this concessional financing cannot be obtained are limited.

DSA.⁹ In addition, 2.3 percent of new domestic debt is projected to be financed by 4-7 years foreign currency-denominated bonds in 2025, given available liquidity in this segment.

- **Domestic borrowing costs** have fallen from 40 percent in May to around 15-17 percent in June-September 2025. To manage the high borrowing costs and bring the rates to a sustainable path, the authorities implemented corrective measures including by rationalizing expenditures so far in 2025. With treasury bills rate at 40 percent in May 2025, the authorities employed moral suasion and reduced borrowing appetite. This led to the drop in the interest cost to around 15-17 percent between June and October 2025. T-bill rates are projected to remain at around that level through the end of the program, in line with the projected single-digit inflation rates and the sharp declines in the government's net borrowing from the domestic banking system. With inflation being projected to be between 7 to 10 percent in the outlook, real borrowing costs are expected to remain within 7 to 10 percent over the medium-term.

Risks

7. Downside risks to the baseline are very high as the country is vulnerable to domestic and external shocks, given its long-standing governance challenges and exposure to global volatility through the mining industry and commodity prices. Food insecurity, higher taxes and higher prices of goods and services could fuel social tensions. An adverse shift in the domestic cost of borrowing could push up debt service needs to unsustainable levels. The government could waver in their commitment to continued fiscal consolidation, especially around the pre-election period. Global trade uncertainty, tighter financial conditions, and the sovereign-bank nexus also pose substantial risks. Climate shocks could threaten output due to reliance on rainfed agriculture. There are also potential technical and capacity challenges that could lead to delays in the implementation of tax policy measures. These risks are being mitigated by the government's commitment to maintaining a stable low inflationary environment and to continue their fiscal consolidation effort. The IMF and World Bank have also been supporting the government in enhancing domestic revenue mobilization, rationalizing expenditures, and strengthening governance systems to improve budget credibility. The outlook is also supported by the ongoing Feed Salone program which is expected to increase domestic agriculture productivity and output, lower inflation and narrow the current account deficit.

8. The realism tools flag substantial optimism relative to the historical trend as the required fiscal consolidation effort is large (Figure 4). The 3-year average primary balance adjustment is 4.0 ppts of GDP close to the 88th percentile of the historical distribution for Sierra Leone's peers. Nonetheless, staff considers the adjustment achievable considering the

⁹ The authorities' 2023-27 MTDS entails more ambitious assumptions than this DSA, including a 40 percent target for the share of T-bonds in total debt securities, which it envisages to achieve with the help of reforms, including (i) stipulating investment norms for institutional investors; (ii) updating auction procedures; (iii) strengthening communication with banks and non-banks on the authorities' MTDS; (iv) reviewing primary dealership roles among commercial banks; and (v) raising limits on T-bond yields.

authorities' strong commitment to the program and given that much of the fiscal effort required—as measured by the domestic primary balance—is expected to be completed by this year, with the remaining fiscal effort of 2.2 ppts of GDP required by 2027 projected to be achieved through (i) tax policy measures to be included in the 2026 Finance Act as a prior action and (ii) the one-off nature of 0.8 ppts of GDP in capital transfers in 2025. The IMF and World Bank have also been supporting the government in enhancing domestic revenue mobilization, rationalizing expenditures, strengthening governance systems to improve budget credibility. This technical assistance and the frequent policy dialogue with the government will support the sustainability of the fiscal reforms.

9. There is a need for careful contingency planning. If needed, the authorities are prepared to (i) reprioritize spending, including further rationalizing domestically financed capital expenditure; (ii) frontload additional revenue measures, including by introducing a new PIT threshold of 35 percent; and (iii) implement short-term emergency measures, including by temporarily increasing the personal income tax.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

10. Sierra Leone's debt-carrying capacity was downgraded to "weak." A first signal for a downgrade to "weak" debt-carrying capacity was registered in April 2025. The current Composite Indicator (CI) score of 2.65 based on the latest data including the October 2025 WEO and the 2024 CPIA constitutes the second signal. With two consecutive signals, Sierra Leone's debt-carrying capacity was downgraded to "weak" (Text Tables 6 and 7).

11. Stress tests generally follow standardized settings, with the addition of two tailored stress tests to capture risks related to contingent liabilities and commodity price shocks. The combined contingent liabilities stress test is described in ¶2 above. Commodity exports make up a significant part of the export base, leaving them exposed to potential price shocks. The magnitude of shocks used for the commodity price shock stress test are based on the commodity price outlook prepared by the IMF Research Department.

Text Table 6. Sierra Leone: Composite Indicator

| Final | Classification based on current vintage | Classification based on the previous vintage | Classification based on the two previous vintages |
|-------|---|--|---|
| Weak | Weak 2.65 | Weak 2.67 | Medium 2.71 |

| Components | Coefficients (A) | 10-year average values (B) | CI Score components (A*B) = (C) | Contribution of components |
|--|------------------|----------------------------|---------------------------------|----------------------------|
| CPIA | 0.385 | 3.113 | 1.20 | 45% |
| Real growth rate (in percent) | 2.719 | 4.320 | 0.12 | 4% |
| Import coverage of reserves (in percent) | 4.052 | 29.762 | 1.21 | 45% |
| Import coverage of reserves^2 (in percent) | -3.990 | 8.858 | -0.35 | -13% |
| Remittances (in percent) | 2.022 | 3.631 | 0.07 | 3% |
| World economic growth (in percent) | 13.520 | 3.035 | 0.41 | 15% |
| CI Score | | | 2.65 | 100% |
| CI rating | | | Weak | |

Text Table 7. Sierra Leone: Applicable Thresholds for Debt Indicators

| | |
|---|------|
| PV of PPG external debt in percent of GDP | 30% |
| PV of PPG external debt in percent of exports | 140% |
| PPG external debt service in percent of exports | 10% |
| PPG external debt service in percent of revenue | 14% |
| PV of total public debt in percent of GDP | 35% |

EXTERNAL AND PUBLIC DEBT SUSTAINABILITY

External DSA

12. Sierra Leone is assessed to be at high risk of external debt distress, and PPG external debt is assessed to be sustainable. This is predicated on the ambitious fiscal adjustment and continued reliance on concessional financing and grants, and moderately high growth rates. The paths of the PV of external debt-to-GDP, the PV of external debt-to-exports, the external debt service-to-exports, and the external debt service-to-revenue ratio are more favorable relative to the last DSA, helped by the continued stability in the nominal exchange rate, which in turn hinges on the continued tight policy mix and stable macroeconomic environment. Despite this, the authorities should continue limiting new external borrowing and restricting external borrowing to highly concessional loans.

- Under the baseline scenario, both the PV of the PPG external debt-to-GDP ratio and the PV of the PPG external debt-to-export ratio decline over the medium term (Figure 1, Table 1).¹⁰ The projected decline in the debt ratios reflects several factors such as the repayment of past ECF disbursements, including those from the Ebola pandemic period, and the projected growth in GDP and exports. While the historical scenario indicates increasing debt ratios, this reflects the COVID-19 and Ebola crises, as well as recent large commodity price shocks.
- The PPG external debt service-to-revenue ratio exhibits a protracted breach from 2025 and declining below the new threshold of 14 percent only in 2029. The PPG external debt service-to-exports ratio remains below the new threshold of 10 percent over the medium and long term.
- Stress tests indicate that the external debt indicators are sensitive to multiple shocks, particularly exports and a one-time depreciation. Additionally, all indicators are above the threshold over the medium term in response to the historical scenario shock. Lastly, all simulated shock scenarios cause the external debt service-to-revenue ratio to breach the threshold at least until 2028.
- Since the PPG external debt service-to-revenue ratio breaches its new lower threshold over the medium term under the baseline, Sierra Leone continues to be assessed at high risk of external debt distress. However, all the external debt indicators decline over the medium to long term.

Overall Risk of Public Debt Distress

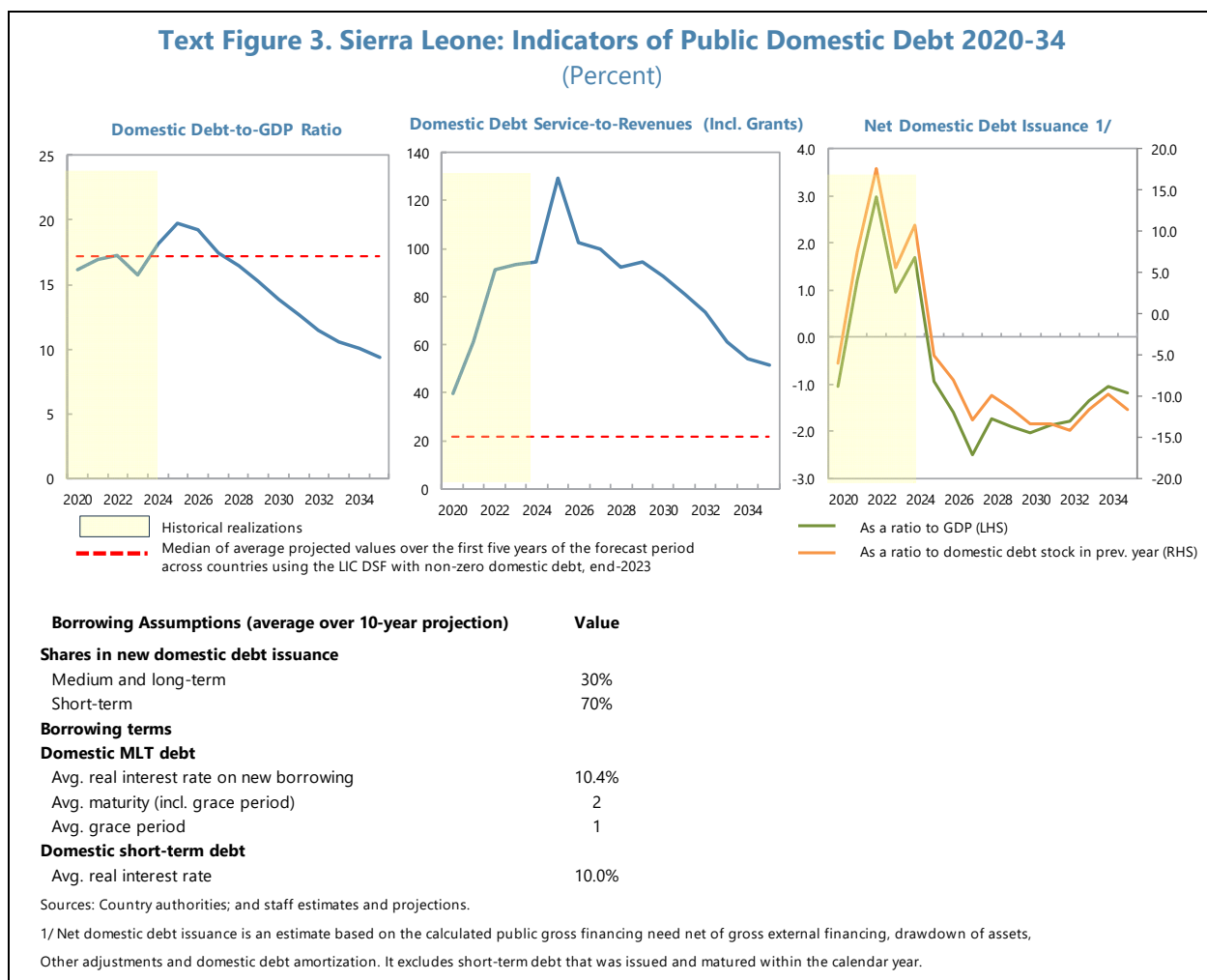
13. Sierra Leone is assessed to be at high overall risk of public debt distress, and public debt is assessed to be sustainable. The domestic debt to GDP ratio is below the median level across LICs for the projection period after 2028 and does not signal additional sustainability risk (Text Figure 3). The ratio is projected to steadily decrease from about 19.8 percent of GDP in 2025. The domestic debt service to revenues (including grants) ratio is very high (129 percent) in 2025 reflecting the short tenor of the debt and associated rollover needs, but this ratio is expected to fall steadily after 2025 driven by the continued fiscal consolidation and enhanced debt management strategies, including issuing longer-term debt as inflation has fallen to single digits. The large negative net domestic debt issuances through 2027 are predicated on the continued strong and front-loaded fiscal adjustment, reliance on concessional financing and grants, and moderately high growth rates.

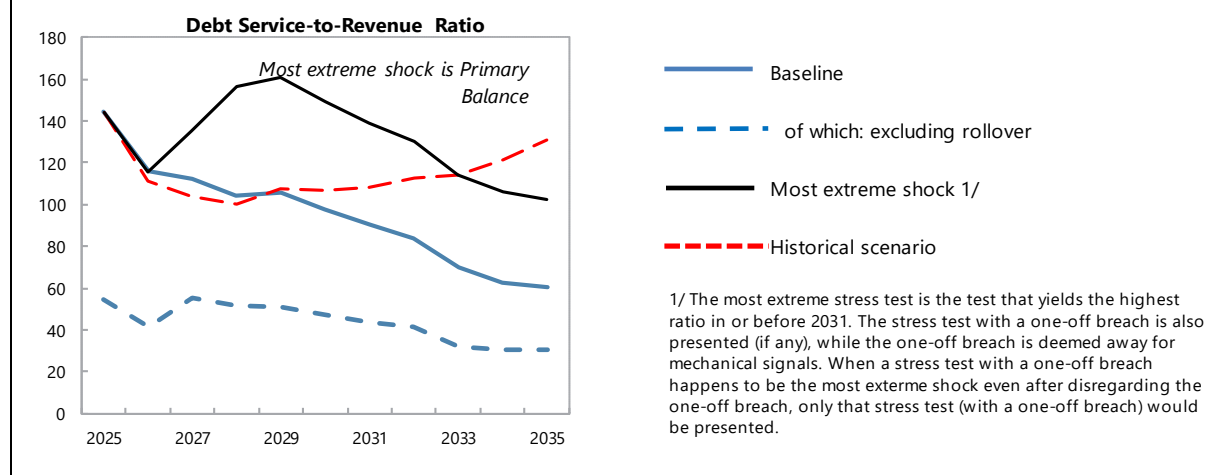
- Under the baseline scenario, the PV of the public debt-to-GDP ratio breaches the new lower threshold of 35 percent of GDP until 2026 and gradually declines over the medium term (Figure 2). The overall debt service-to-revenue ratio is projected to fall below 100 percent by

¹⁰ The residuals in Table 1 reflect exchange rate changes; differential between average and period end exchange rate estimates; and decrease in capital flows, implying higher other BOP inflows, including use of reserves.

2030 but remains relatively high throughout the projection horizon, suggesting a tight liquidity situation (Text Figure 3, and Text Figure 4).

- Stress tests indicate that the shocks to combined contingent liabilities, commodity prices, and the primary balance are the most extreme shocks. All the shocks simulated lead the PV of debt to GDP to breach the threshold, at least in the short run. Since the total public debt burden indicator breaches its respective threshold, in addition to the external debt service-to-revenue ratio exceeding its threshold under the baseline, the country is assessed to have a high overall risk of debt distress.
- In this context, (i) sustained and significant fiscal adjustment; and (ii) continued reliance on highly concessional external financing (ideally grants) are particularly important, including from IFIs which account for a large share of Sierra Leone’s PPG external debt.



Text Figure 4. Sierra Leone: Debt-Service to Revenue and Grants Ratio

14. Debt service and gross financing needs are high, and their reduction is contingent on fiscal adjustment, lengthening the debt maturity profile, and greater grant and concessional borrowing. The need to roll over T-bills issued in the previous year (“T-bills amortization” in Text Table 8) accounts for around 60 percent of gross financing needs in 2025 (Text Table 8, Text Figure 3, and Text Figure 4). These T-bills are held largely by domestic public banks and domestic subsidiaries of foreign banks. The central bank also holds a substantial share of outstanding T-bills associated with its operations in the secondary government securities market. Rollover risk is high but somewhat mitigated by the authorities’ commitment to sharply reduce the domestic borrowing envelope. Risks are also contained by the lack of alternative financing options for holders of securities, and the fact that there is no secondary market trading between commercial banks, implying that banks typically hold T-bills to maturity. Staff assesses that banks have the capacity to absorb the projected volumes of securities assumed under the baseline. Rollover risks should decline with the reduction in the government’s domestic financing need (net borrowing from the banking system is expected to turn negative in 2027 and beyond), the expected lengthening of debt maturities, and the general tightening of macroeconomic policies.

Text Table 8. Sierra Leone: Debt-Service to Revenue and Grants Ratio

| | Actual | Projections | | | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2045 |
| Debt service-to-revenue and grants ratio 1/ | 108.6 | 144.1 | 115.7 | 112.0 | 103.9 | 105.4 | 97.7 | 90.4 | 83.9 | 69.9 | 62.9 | 60.4 | 31.3 |
| of which: T-bills amortization | 69.0 | 89.7 | 74.3 | 56.9 | 52.5 | 54.2 | 50.7 | 46.7 | 42.3 | 38.2 | 32.8 | 29.7 | 15.4 |
| of which: others | 39.6 | 54.4 | 41.4 | 55.1 | 51.4 | 51.2 | 47.0 | 43.7 | 41.6 | 31.7 | 30.1 | 30.7 | 16.0 |
| Gross financing need 2/ | 17.7 | 20.8 | 16.0 | 14.8 | 13.8 | 13.4 | 12.3 | 11.1 | 10.1 | 8.5 | 7.7 | 7.1 | 4.0 |
| of which: T-bills amortization | 9.9 | 12.6 | 11.1 | 8.6 | 8.0 | 7.7 | 7.3 | 6.7 | 6.1 | 5.5 | 4.6 | 4.1 | 2.1 |
| of which: others | 7.8 | 8.2 | 5.0 | 6.1 | 5.8 | 5.7 | 5.0 | 4.4 | 4.0 | 3.0 | 3.0 | 3.0 | 1.9 |

Sources: Country authorities; and staff estimates and projections.

1/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

15. Climate change is an additional source of risk. According to the World Bank’s Country Climate and Development Report (2025), the negative impact of climate change on GDP could

range between 9 to 10 percent by 2050 in Sierra Leone should the risk materialize. Additional adaptation and mitigation investments, over a horizon of 10 years could limit the GDP losses, contain losses in agriculture, and improve energy generation capacity, potentially turning into an opportunity.¹¹ In a simulation based on the Debt, Investment, Growth, and Natural Disaster model, upfront adaptation of climate resilient investment combined with structural reforms to increase efficiency of public investment will reduce GDP losses in the event of climate shock and will allow for a faster recovery (Annex I). While climate adaptation investments may initially have a negative impact on debt burden indicators, they help improve these indicators in the long term by reducing the potential need for additional investments following disasters.

RISK RATING AND VULNERABILITIES

16. Sierra Leone debt is assessed to be sustainable but at high risk of external and overall public debt distress. Failure to achieve the programmed fiscal adjustment constitutes a significant downside risk. The high overall public and external debt service-to-revenue ratios over the medium term suggest high liquidity-related vulnerabilities. The stress-tests highlight that debt indicators are sensitive to shocks to exports, depreciation and combined contingent liabilities shocks.

17. This DSA underscores the importance of sustained fiscal consolidation and structural reforms, supported by technical assistance and prudent financing choices. Given Sierra Leone's high vulnerability to external shocks, maintaining debt sustainability requires, first and foremost, sustained fiscal adjustment underpinned by domestic revenue mobilization and strengthened public financial management. However, to achieve a pace of fiscal adjustment that does not imperil the post-pandemic recovery and allows the country to protect critical social and health spending and to continue addressing its large development needs, it will be vital to rely on highly concessional financing and grants. In line with the limit imposed under the requested ECF-supported program and WB SDFP and performance and policy actions (PPAs), Sierra Leone will have a zero ceiling on non-concessional external debt.

18. It will be critical to mitigate risks through steadfast implementation of the fiscal consolidation, paired with the development of a deeper domestic debt market. While staff assesses that risks remain manageable at the current juncture, debt burden indicators could shift up considerably, should the authorities be unable to issue medium-maturity domestic debt at a reasonable cost, or should the fiscal adjustment fall short of the programmed path, and, relatedly, should T-bill rates fail to remain at sustainable levels. These risks are mitigated by the authorities' commitment to

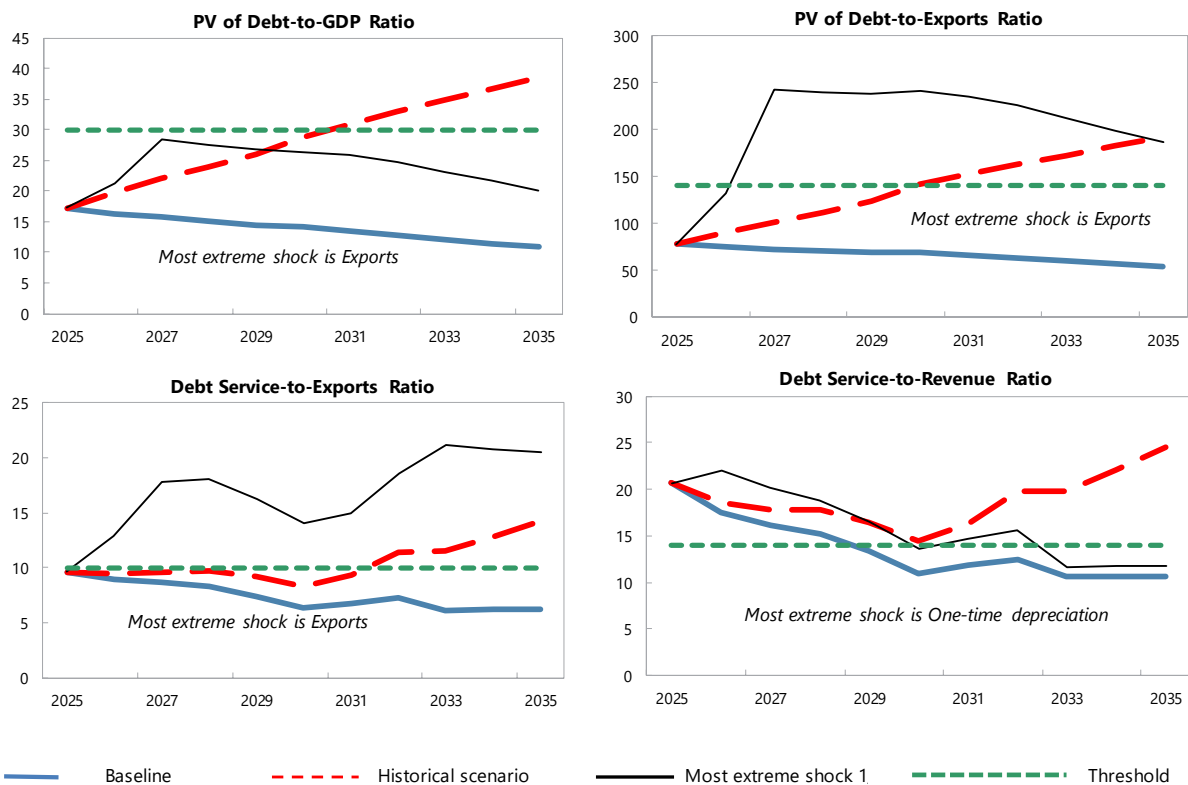
¹¹ Given Sierra Leone's limited fiscal space, climate initiatives have relied heavily on development partner support. Between 2018 and 2022, the country received about US\$850 million (12.2 percent of GDP) in climate-related financing: US\$400 million for adaptation, US\$350 million for mitigation, and US\$100 million for cross-cutting programs. Mitigation efforts focused on expanding clean energy access and reducing deforestation, while adaptation support targeted agriculture, disaster preparedness, and health system resilience. Additionally, in 2025, the WHO awarded Sierra Leone US\$20 million (0.3 percent of GDP) from the Pandemic Fund to strengthen disease surveillance, expand laboratory capacity, and build a skilled health workforce to enhance health security.

limit future domestic borrowing and lengthen tenors through the steadfast implementation of the MTDS. The development of the domestic market, joint World Bank/IMF and AfDB technical assistance on the MTDS, and FY26 Performance and Policy Actions under Sustainable Development Finance Policy supported by World Bank would all help mitigate these risks.

AUTHORITIES' VIEWS

19. The authorities agreed with staff's views on the DSA. They concurred with the urgency of ensuring a sustained and credible fiscal adjustment in 2025 and beyond. They emphasized that they have taken important steps in this direction and are on track towards implementing the 2026 supplementary budget. They committed to continuing to prioritize grant resources, seeking only highly concessional financing, and ratifying only loans within the agreed annual ceiling to safeguard debt sustainability. The authorities recognized the high T-bill rollover risks and are committed to continuing to address these, including by issuing medium-to-long-term bonds and supporting the development of the domestic market, through swift implementation of the medium-term debt strategy, and through regular public outreach to market participants. The authorities reiterated their commitment to clear domestic arrears.

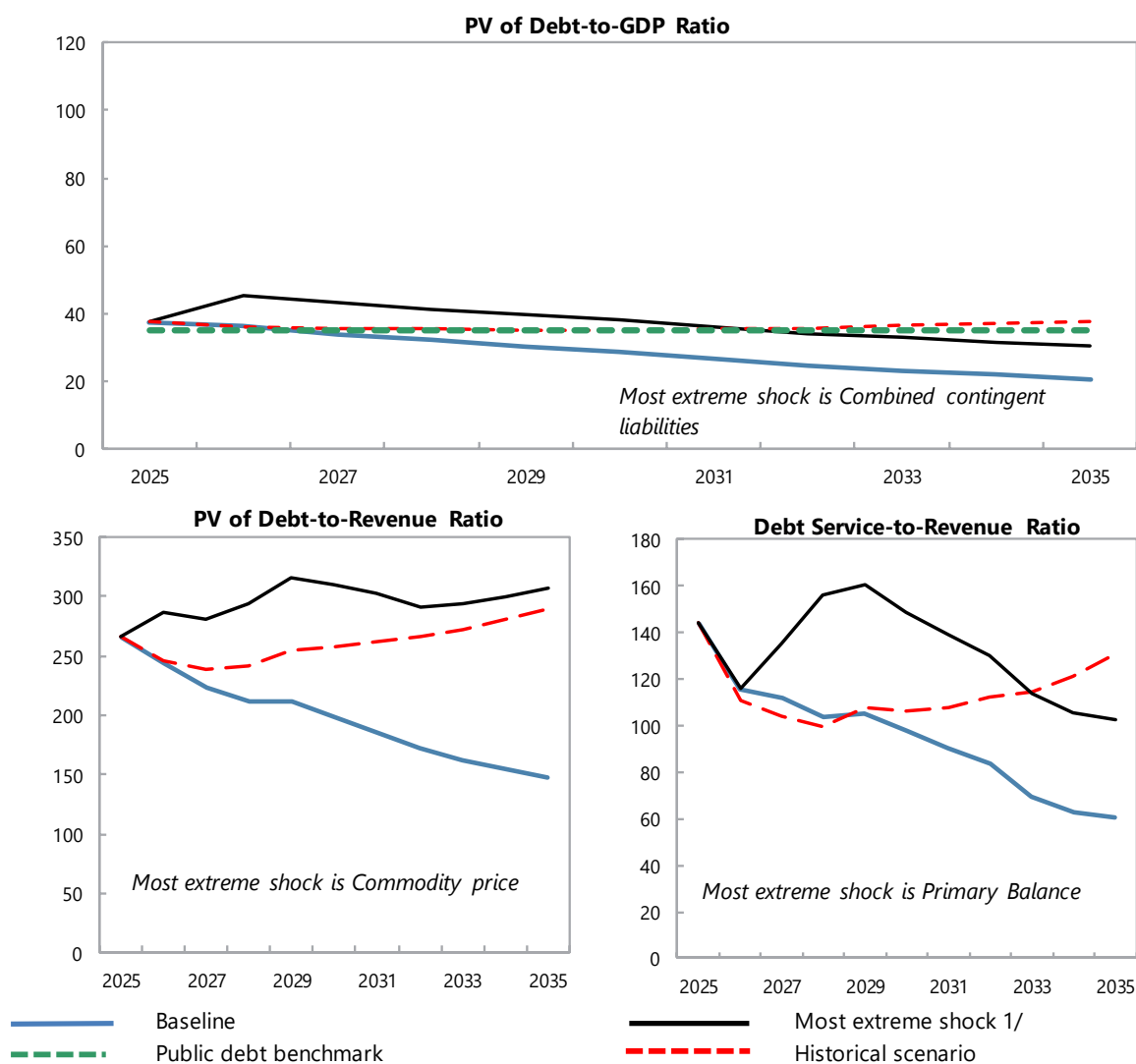
Figure 1. Sierra Leone: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2025–35



Sources: Sierra Leonean authorities; and IMF staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (in any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented. The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Sierra Leone: Indicators of Public Debt Under Alternative Scenarios, 2025–35

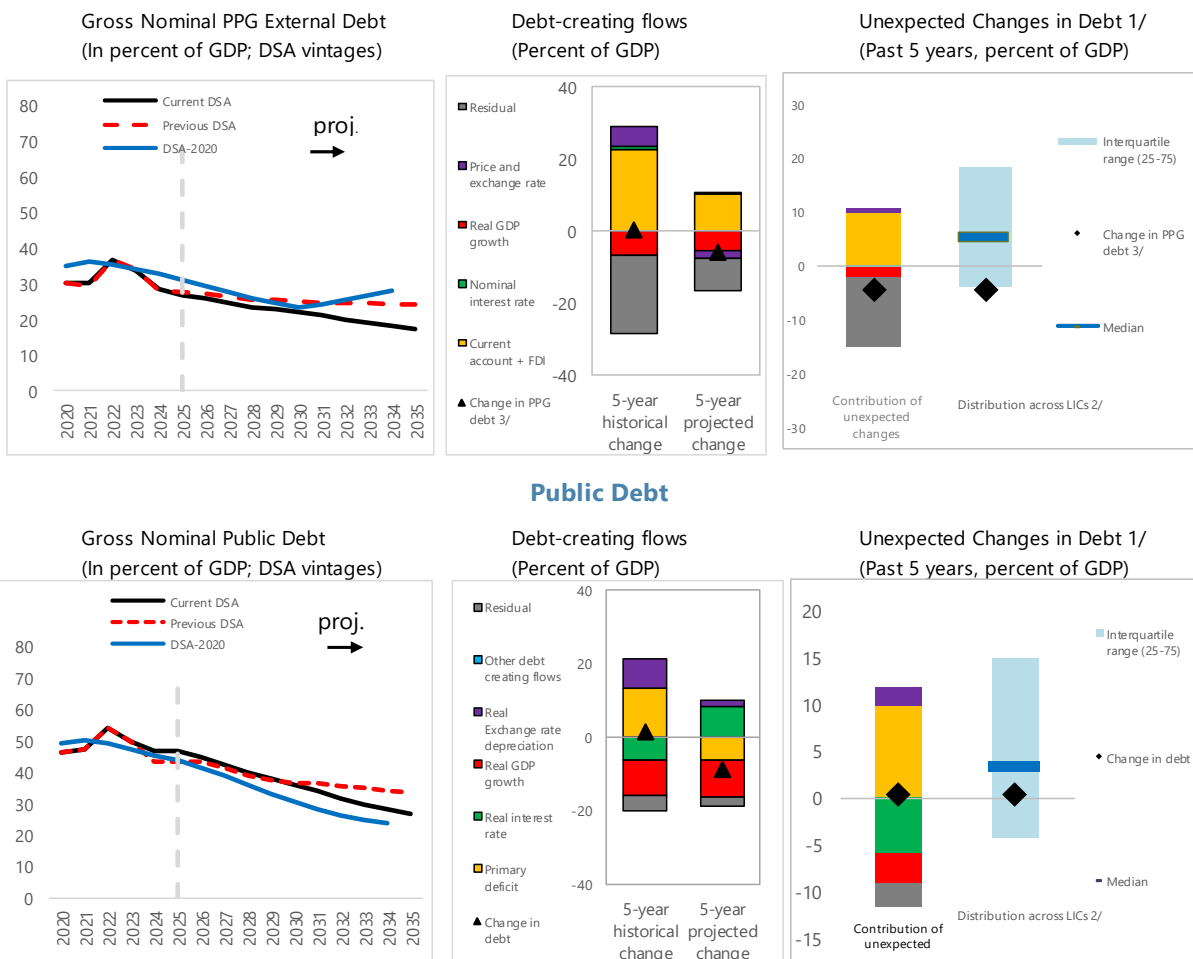


* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Sierra Leonean authorities; and IMF staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (in any), while the one-breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Sierra Leone: Drivers of Debt Dynamics, Baseline Scenario, 2020–35



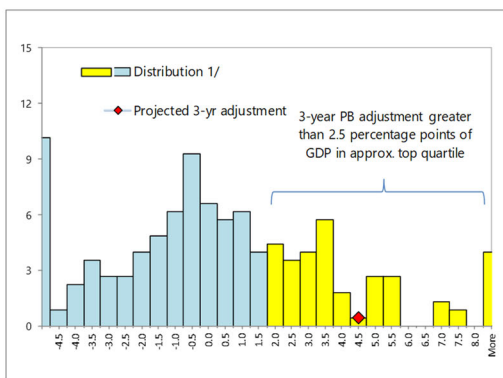
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low -income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

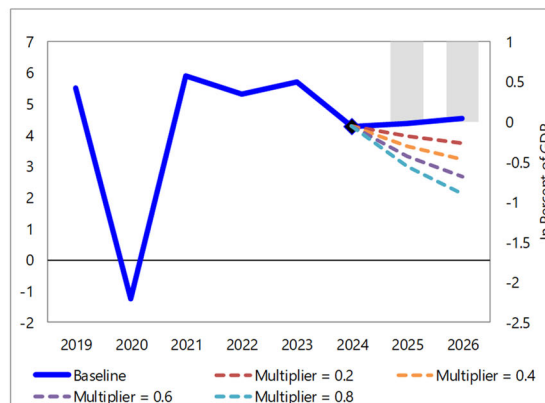
Figure 4. Sierra Leone: Realism Tools

3-Year Adjustment in Primary Balance
(In Percent of GDP)



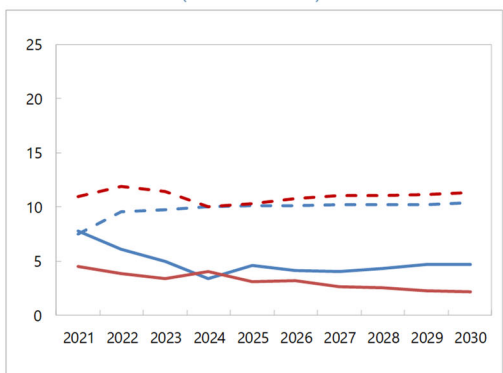
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/
(Percent)



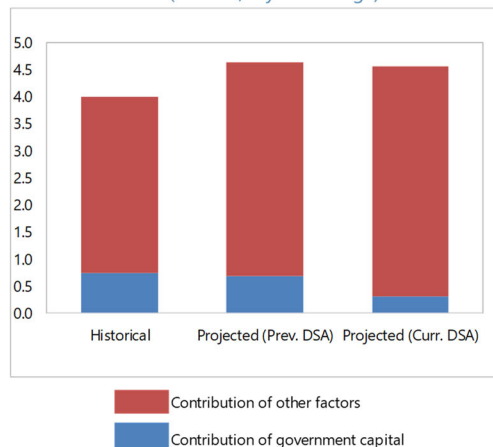
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(Percent of GDP)



— Gov. Invest. - Prev. DSA — Gov. Invest. - Current DSA
- - - Priv. Invest. - Prev. DSA - - - Priv. Invest. - Current DSA

Contribution to Real GDP growth
(Percent, 5-year average)



■ Contribution of other factors
■ Contribution of government capital

Table 1. Sierra Leone: External Debt Sustainability Framework, Baseline Scenario, 2024-45
(Percent of GDP, unless otherwise indicated)

| | Actual | | Projections | | | | | | | Average 8/ Historical Projections | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------------------------------|-------------|
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2035 | 2045 | Historical | Projections |
| External debt (nominal) 1/ | 28.5 | 26.8 | 25.8 | 24.8 | 23.5 | 22.7 | 22.1 | 17.4 | 11.4 | 28.6 | 22.0 |
| <i>of which: public and publicly guaranteed (PPG)</i> | 28.5 | 26.8 | 25.8 | 24.8 | 23.5 | 22.7 | 22.1 | 17.4 | 11.4 | 28.6 | 22.0 |
| Change in external debt | -5.2 | -1.7 | -1.1 | -0.9 | -1.3 | -0.7 | -0.6 | -0.9 | -0.5 | | |
| Identified net debt-creating flows | 1.5 | 2.9 | 0.3 | 0.4 | 1.0 | 0.8 | 0.8 | 0.8 | 1.3 | 5.2 | 1.0 |
| Non-interest current account deficit | 6.7 | 4.6 | 2.8 | 2.5 | 2.7 | 2.9 | 3.4 | 3.6 | 4.4 | 8.3 | 3.2 |
| Deficit in balance of goods and services | 11.6 | 8.7 | 7.4 | 6.8 | 7.0 | 6.8 | 7.2 | 7.2 | 7.7 | 13.4 | 7.2 |
| Exports | 23.3 | 22.0 | 21.9 | 21.7 | 21.2 | 20.9 | 20.2 | 20.1 | 20.4 | | |
| Imports | 34.9 | 30.7 | 29.3 | 28.5 | 28.2 | 27.7 | 27.5 | 27.3 | 28.1 | | |
| Net current transfers (negative = inflow) | -5.6 | -4.8 | -5.3 | -5.0 | -5.0 | -4.6 | -4.5 | -4.4 | -4.0 | -6.0 | -4.7 |
| <i>of which: official</i> | -1.0 | -0.4 | -1.1 | -0.8 | -0.8 | -0.4 | -0.4 | -0.4 | -0.3 | -3.1 | -1.3 |
| Other current account flows (negative = net inflow) | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.9 | 0.7 |
| Net FDI (negative = inflow) | -2.7 | -0.8 | -1.5 | -1.1 | -0.7 | -1.2 | -1.7 | -2.1 | -2.7 | -0.9 | -1.3 |
| Endogenous debt dynamics 2/ | -2.6 | -0.9 | -1.0 | -1.0 | -1.0 | -0.9 | -0.9 | -0.7 | -0.4 | -3.1 | -1.3 |
| Contribution from nominal interest rate | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | | |
| Contribution from real GDP growth | -1.3 | -1.1 | -1.1 | -1.2 | -1.1 | -1.0 | -1.0 | -0.8 | -0.5 | | |
| Contribution from price and exchange rate changes | -1.4 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| Residual 3/ | -6.7 | -4.5 | -1.3 | -1.3 | -2.4 | -1.5 | -1.4 | -1.7 | -1.8 | -4.3 | -2.0 |
| <i>of which: exceptional financing</i> | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Sustainability indicators | | | | | | | | | | | |
| PV of PPG external debt-to-GDP ratio | 18.7 | 17.2 | 16.3 | 15.8 | 15.0 | 14.4 | 14.0 | 10.8 | 6.9 | | |
| PV of PPG external debt-to-exports ratio | 80.2 | 78.2 | 74.6 | 72.7 | 70.6 | 68.7 | 69.3 | 54.0 | 33.9 | | |
| PPG debt service-to-exports ratio | 8.7 | 9.6 | 9.0 | 8.7 | 8.4 | 7.4 | 6.3 | 6.2 | 3.3 | | |
| PPG debt service-to-revenue ratio | 22.0 | 20.7 | 17.5 | 16.1 | 15.2 | 13.3 | 11.0 | 10.6 | 5.8 | | |
| Gross external financing need (Million of U.S. dollars) | 424.0 | 455.7 | 265.4 | 280.8 | 339.0 | 299.3 | 289.8 | 339.2 | 477.6 | | |
| Key macroeconomic assumptions | | | | | | | | | | | |
| Real GDP growth (in percent) | 4.3 | 4.4 | 4.5 | 4.7 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 3.4 | 4.6 |
| GDP deflator in US dollar terms (change in percent) | 4.4 | 5.7 | 2.1 | -0.1 | -0.3 | 0.1 | 0.4 | 0.2 | 0.2 | -2.3 | 0.8 |
| Effective interest rate (percent) 4/ | 0.5 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.8 | 0.6 | 0.7 |
| Growth of exports of G&S (US dollar terms, in percent) | 17.3 | 4.4 | 6.2 | 3.7 | 2.1 | 3.0 | 1.7 | 4.5 | 5.1 | 5.0 | 4.0 |
| Growth of imports of G&S (US dollar terms, in percent) | 7.4 | -2.9 | 2.0 | 1.7 | 3.3 | 2.7 | 4.2 | 5.1 | 5.2 | 0.6 | 3.1 |
| Grant element of new public sector borrowing (in percent) | ... | 33.0 | 33.1 | 33.1 | 34.0 | 40.8 | 40.9 | 45.6 | 45.6 | ... | 40.0 |
| Government revenues (excluding grants, in percent of GDP) | 9.2 | 10.2 | 11.2 | 11.7 | 11.7 | 11.7 | 11.7 | 11.7 | 11.5 | 8.3 | 11.5 |
| Aid flows (in Million of US dollars) 5/ | 351.6 | 296.1 | 298.0 | 294.8 | 335.4 | 339.3 | 359.9 | 377.6 | 562.9 | | |
| Grant-equivalent financing (in percent of GDP) 6/ | ... | 4.6 | 4.3 | 4.1 | 4.0 | 3.3 | 3.3 | 2.7 | 2.6 | ... | 3.5 |
| Grant-equivalent financing (in percent of external financing) 6/ | ... | 74.8 | 75.8 | 76.1 | 81.8 | 76.4 | 77.5 | 82.7 | 88.1 | ... | 79.6 |
| Nominal GDP (Million of US dollars) | 6,970 | 7,687 | 8,210 | 8,586 | 8,959 | 9,377 | 9,847 | 12,416 | 19,923 | | |
| Nominal dollar GDP growth | 8.9 | 10.3 | 6.8 | 4.6 | 4.3 | 4.7 | 5.0 | 4.8 | 4.8 | 0.9 | 5.4 |
| Memorandum items: | | | | | | | | | | | |
| PV of external debt 7/ | 18.7 | 17.2 | 16.3 | 15.8 | 15.0 | 14.4 | 14.0 | 10.8 | 6.9 | | |
| In percent of exports | 80.2 | 78.2 | 74.6 | 72.7 | 70.6 | 68.7 | 69.3 | 54.0 | 33.9 | | |
| Total external debt service-to-exports ratio | 8.7 | 9.6 | 9.0 | 8.7 | 8.4 | 7.4 | 6.3 | 6.2 | 3.3 | | |
| PV of PPG external debt (in Million of US dollars) | 1300.1 | 1322.4 | 1340.0 | 1355.2 | 1343.2 | 1346.0 | 1381.9 | 1345.2 | 1374.1 | | |
| (PVT-PVT-1)/GDPT-1 (in percent) | ... | 0.3 | 0.2 | 0.2 | -0.1 | 0.0 | 0.4 | -0.1 | 0.0 | | |
| Non-interest current account deficit that stabilizes debt ratio | 11.9 | 6.3 | 3.9 | 3.4 | 4.0 | 3.6 | 3.9 | 4.5 | 4.9 | | |

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - \rho(1+g) + \alpha(1+r)] / (1+g+\rho+g)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms,

E = nominal appreciation of the local currency, and α = share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

| Definition of external/domestic debt | Residency-based |
|--|-----------------|
| Is there a material difference between the two criteria? | No |

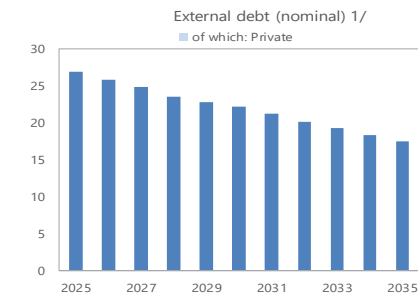
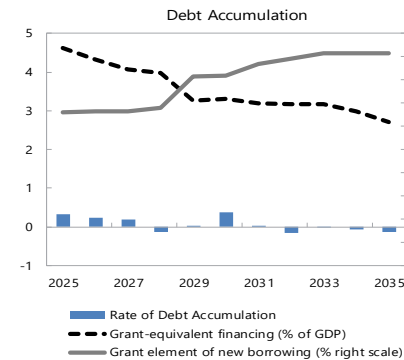


Table 2. Sierra Leone: Public Sector Debt Sustainability Framework, Baseline Scenario, 2024-45
(Percent of GDP, unless otherwise indicated)

| | Actual | | Projections | | | | | | | | | | | Average 6/ | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2036 | 2045 | Historical | Projections |
| Public sector debt 1/ | 46.7 | 46.6 | 45.0 | 42.3 | 40.0 | 38.0 | 36.0 | 33.8 | 31.5 | 29.8 | 28.4 | 25.4 | 16.3 | 44.4 | 36.2 |
| of which: external debt | 28.5 | 26.8 | 25.8 | 24.8 | 23.5 | 22.7 | 22.1 | 21.2 | 20.1 | 19.2 | 18.4 | 16.7 | 11.4 | 28.6 | 22.0 |
| Change in public sector debt | -2.8 | -0.1 | -1.6 | -2.7 | -2.3 | -1.9 | -2.0 | -2.2 | -2.3 | -1.7 | -1.4 | -1.4 | -0.5 | | |
| Identified debt-creating flows | -1.5 | 1.3 | -1.0 | -3.0 | -2.7 | -2.3 | -2.4 | -2.5 | -2.1 | -1.8 | -1.7 | -1.7 | -0.7 | 1.5 | -1.9 |
| Primary deficit | 2.2 | 0.5 | -1.2 | -2.2 | -2.0 | -1.6 | -1.8 | -1.9 | -1.9 | -1.5 | -1.3 | -1.1 | -0.3 | 2.6 | -1.5 |
| Revenue and grants | 14.3 | 14.1 | 14.9 | 15.2 | 15.2 | 14.3 | 14.3 | 14.3 | 14.3 | 14.3 | 14.2 | 14.0 | 13.8 | 12.7 | 14.5 |
| of which: grants | 5.0 | 3.9 | 3.6 | 3.4 | 3.5 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.5 | 2.3 | 2.3 | | |
| Primary (noninterest) expenditure | 16.5 | 14.6 | 13.7 | 13.0 | 13.2 | 12.6 | 12.6 | 12.5 | 12.4 | 12.8 | 12.9 | 12.8 | 13.5 | 15.3 | 13.0 |
| Automatic debt dynamics | -3.7 | 0.8 | 0.2 | -0.8 | -0.7 | -0.6 | -0.7 | -0.6 | -0.6 | -0.6 | -0.6 | -0.5 | -0.4 | | |
| Contribution from interest rate/growth differential | -1.2 | 0.8 | 0.2 | -0.8 | -0.7 | -0.6 | -0.7 | -0.6 | -0.6 | -0.6 | -0.6 | -0.5 | -0.4 | | |
| of which: contribution from average real interest rate | 0.8 | 2.7 | 2.2 | 1.2 | 1.2 | 1.1 | 1.0 | 0.9 | 0.9 | 0.8 | 0.7 | 0.6 | 0.3 | | |
| of which: contribution from real GDP growth | -2.0 | -2.0 | -2.0 | -2.0 | -1.9 | -1.7 | -1.7 | -1.5 | -1.4 | -1.4 | -1.3 | -1.2 | -0.7 | | |
| Contribution from real exchange rate depreciation | -2.4 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | | |
| Other identified debt-creating flows | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Privatization receipts (negative) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Recognition of contingent liabilities (e.g., bank recapitalization) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Debt relief (HIPC and other) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Other debt creating or reducing flow (please specify) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Residual | -1.3 | -1.4 | -0.6 | 0.3 | 0.3 | 0.3 | 0.4 | 0.3 | 0.2 | 0.4 | 0.4 | 0.3 | 0.2 | 0.5 | 0.1 |
| Sustainability indicators | | | | | | | | | | | | | | | |
| PV of public debt-to-GDP ratio 2/ | 36.9 | 37.4 | 36.3 | 33.9 | 32.1 | 30.3 | 28.5 | 26.6 | 24.6 | 23.2 | 22.0 | 19.5 | 12.1 | | |
| PV of public debt-to-revenue and grants ratio | 258.3 | 266.0 | 244.0 | 223.8 | 211.4 | 212.4 | 199.0 | 186.1 | 172.1 | 162.1 | 155.5 | 139.3 | 87.7 | | |
| Debt service-to-revenue and grants ratio 3/ | 108.6 | 144.1 | 115.7 | 112.0 | 103.9 | 105.4 | 97.7 | 90.4 | 83.9 | 69.9 | 62.9 | 56.6 | 31.3 | | |
| Gross financing need 4/ | 17.7 | 20.8 | 16.0 | 14.8 | 13.8 | 13.4 | 12.3 | 11.1 | 10.1 | 8.5 | 7.7 | 6.8 | 4.0 | | |
| Key macroeconomic and fiscal assumptions | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 4.3 | 4.4 | 4.5 | 4.7 | 4.6 | 4.6 | 4.6 | 4.5 | 4.5 | 4.6 | 4.6 | 4.7 | 4.6 | 3.4 | 4.6 |
| Average nominal interest rate on external debt (in percent) | 0.6 | 0.7 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 | 0.7 | 0.7 |
| Average real interest rate on domestic debt (in percent) | 9.1 | 18.8 | 10.2 | 8.5 | 9.2 | 9.0 | 8.8 | 9.0 | 9.3 | 9.4 | 9.4 | 9.5 | 9.5 | -2.5 | 10.1 |
| Real exchange rate depreciation (in percent, + indicates depreciation) | -7.7 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 5.4 | ... |
| Inflation rate (GDP deflator, in percent) | 10.5 | 6.7 | 7.5 | 6.8 | 6.6 | 7.0 | 7.4 | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 | 14.6 | 7.1 |
| Growth of real primary spending (deflated by GDP deflator, in percent) | 12.2 | -7.3 | -2.1 | -1.0 | 6.8 | 0.0 | 4.1 | 3.4 | 4.1 | 8.2 | 5.2 | 6.4 | 4.2 | 6.8 | 2.2 |
| Primary deficit that stabilizes the debt-to-GDP ratio 5/ | 5.0 | 0.6 | 0.4 | 0.5 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.2 | 0.2 | 0.3 | 0.2 | 3.1 | 0.4 |
| PV of contingent liabilities (not included in public sector debt) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |

Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus social security, central bank, government-guaranteed debt. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (-): a primary surplus, which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

| | |
|--|-----------------|
| Definition of external/domestic debt | Residency-based |
| Is there a material difference between the two criteria? | No |

Public sector debt 1/

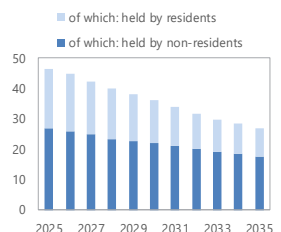
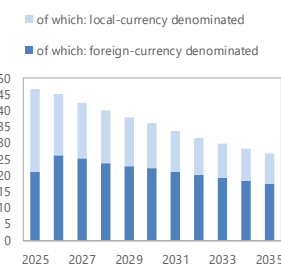


Table 3. Sierra Leone: Sensitivity Analysis, External Debt, 2025-35

| | Projections 1/ | | | | | | | | | | |
|--|----------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
| PV of debt-to GDP ratio | | | | | | | | | | | |
| Baseline | 17.2 | 16.3 | 15.8 | 15.0 | 14.4 | 14.0 | 13.4 | 12.7 | 12.1 | 11.5 | 10.8 |
| A. Alternative Scenarios | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2025-2035 2/ | 17.2 | 19.6 | 22.0 | 23.8 | 26.0 | 28.7 | 31.0 | 32.9 | 34.8 | 36.8 | 38.6 |
| B. Bound Tests | | | | | | | | | | | |
| B1. Real GDP growth | 17.2 | 17.4 | 18.1 | 17.2 | 16.4 | 16.1 | 15.3 | 14.5 | 13.8 | 13.1 | 12.4 |
| B2. Primary balance | 17.2 | 16.7 | 16.9 | 16.7 | 16.7 | 16.9 | 16.8 | 16.5 | 16.2 | 15.9 | 15.5 |
| B3. Exports | 17.2 | 21.2 | 28.4 | 27.6 | 26.8 | 26.4 | 25.8 | 24.6 | 23.1 | 21.7 | 20.2 |
| B4. Other flows 3/ | 17.2 | 18.4 | 20.0 | 19.2 | 18.5 | 18.2 | 17.6 | 16.6 | 15.8 | 14.8 | 13.9 |
| B5. One-time 30 percent nominal depreciation | 17.2 | 20.5 | 17.5 | 16.5 | 15.7 | 15.4 | 14.6 | 13.7 | 13.1 | 12.5 | 11.9 |
| B6. Combination of B1-B5 | 17.2 | 21.1 | 21.9 | 21.0 | 20.2 | 19.9 | 19.2 | 18.0 | 17.1 | 16.1 | 15.1 |
| C. Tailored Tests | | | | | | | | | | | |
| C1. Combined contingent liabilities | 17.2 | 17.1 | 17.1 | 16.8 | 16.6 | 16.8 | 16.6 | 16.2 | 16.0 | 15.7 | 15.4 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 17.2 | 18.5 | 20.0 | 19.3 | 18.6 | 18.2 | 17.3 | 16.2 | 15.0 | 13.9 | 12.7 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Threshold | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| PV of debt-to-exports ratio | | | | | | | | | | | |
| Baseline | 78.2 | 74.6 | 72.7 | 70.6 | 68.7 | 69.3 | 66.2 | 62.7 | 60.0 | 57.1 | 54.0 |
| A. Alternative Scenarios | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2025-2035 2/ | 78.2 | 89.6 | 101.3 | 112.0 | 124.4 | 141.6 | 152.8 | 162.8 | 172.8 | 182.8 | 192.6 |
| B. Bound Tests | | | | | | | | | | | |
| B1. Real GDP growth | 78.2 | 74.6 | 72.7 | 70.6 | 68.7 | 69.3 | 66.2 | 62.7 | 60.0 | 57.1 | 54.0 |
| B2. Primary balance | 78.2 | 76.4 | 77.9 | 78.7 | 79.7 | 83.4 | 82.8 | 81.5 | 80.6 | 79.2 | 77.4 |
| B3. Exports | 78.2 | 132.8 | 242.5 | 240.5 | 238.1 | 242.1 | 235.7 | 225.9 | 212.8 | 199.6 | 186.3 |
| B4. Other flows 3/ | 78.2 | 84.1 | 91.9 | 90.2 | 88.6 | 89.8 | 86.7 | 82.4 | 78.2 | 73.8 | 69.3 |
| B5. One-time 30 percent nominal depreciation | 78.2 | 74.6 | 64.2 | 61.9 | 59.9 | 60.3 | 57.2 | 53.7 | 51.6 | 49.4 | 46.9 |
| B6. Combination of B1-B5 | 78.2 | 106.3 | 89.7 | 120.6 | 118.3 | 119.9 | 115.6 | 109.2 | 103.6 | 97.9 | 92.0 |
| C. Tailored Tests | | | | | | | | | | | |
| C1. Combined contingent liabilities | 78.2 | 78.1 | 78.6 | 79.1 | 79.7 | 82.8 | 81.8 | 80.3 | 79.5 | 78.3 | 76.9 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 78.2 | 98.4 | 104.6 | 100.6 | 96.1 | 94.4 | 87.7 | 82.0 | 76.4 | 70.7 | 64.9 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Threshold | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 |
| Debt service-to-exports ratio | | | | | | | | | | | |
| Baseline | 9.6 | 9.0 | 8.7 | 8.4 | 7.4 | 6.3 | 6.8 | 7.2 | 6.1 | 6.2 | 6.2 |
| A. Alternative Scenarios | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2025-2035 2/ | 9.6 | 9.5 | 9.6 | 9.8 | 9.2 | 8.3 | 9.4 | 11.4 | 11.5 | 12.9 | 14.3 |
| B. Bound Tests | | | | | | | | | | | |
| B1. Real GDP growth | 9.6 | 9.0 | 8.7 | 8.4 | 7.4 | 6.3 | 6.8 | 7.2 | 6.1 | 6.2 | 6.2 |
| B2. Primary balance | 9.6 | 9.0 | 8.7 | 8.4 | 7.6 | 6.5 | 7.0 | 7.6 | 6.8 | 7.1 | 7.3 |
| B3. Exports | 9.6 | 12.9 | 17.9 | 18.1 | 16.2 | 14.0 | 14.9 | 18.6 | 21.1 | 20.8 | 20.5 |
| B4. Other flows 3/ | 9.6 | 9.0 | 8.8 | 8.6 | 7.7 | 6.6 | 7.1 | 8.3 | 7.9 | 7.8 | 7.8 |
| B5. One-time 30 percent nominal depreciation | 9.6 | 9.0 | 8.7 | 8.2 | 7.3 | 6.2 | 6.7 | 7.1 | 5.4 | 5.4 | 5.5 |
| B6. Combination of B1-B5 | 9.6 | 10.7 | 12.2 | 11.8 | 10.5 | 9.0 | 9.6 | 11.9 | 10.5 | 10.5 | 10.4 |
| C. Tailored Tests | | | | | | | | | | | |
| C1. Combined contingent liabilities | 9.6 | 9.0 | 8.7 | 8.4 | 7.6 | 6.5 | 7.0 | 7.4 | 6.4 | 6.4 | 6.4 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 9.6 | 10.6 | 10.2 | 9.9 | 8.6 | 7.3 | 7.6 | 8.8 | 8.3 | 8.2 | 8.0 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Threshold | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Debt service-to-revenue ratio | | | | | | | | | | | |
| Baseline | 20.7 | 17.5 | 16.1 | 15.2 | 13.3 | 11.0 | 11.8 | 12.5 | 10.6 | 10.6 | 10.6 |
| A. Alternative Scenarios | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2025-2035 2/ | 20.7 | 18.5 | 17.9 | 17.7 | 16.4 | 14.4 | 16.2 | 19.8 | 19.8 | 22.1 | 24.5 |
| B. Bound Tests | | | | | | | | | | | |
| B1. Real GDP growth | 20.7 | 18.7 | 18.4 | 17.4 | 15.2 | 12.6 | 13.5 | 14.3 | 12.1 | 12.2 | 12.1 |
| B2. Primary balance | 20.7 | 17.5 | 16.1 | 15.3 | 13.5 | 11.2 | 12.1 | 13.1 | 11.7 | 12.1 | 12.5 |
| B3. Exports | 20.7 | 18.3 | 17.8 | 17.7 | 15.6 | 13.1 | 13.9 | 17.4 | 19.6 | 19.3 | 18.9 |
| B4. Other flows 3/ | 20.7 | 17.5 | 16.3 | 15.7 | 13.8 | 11.4 | 12.3 | 14.3 | 13.6 | 13.5 | 13.3 |
| B5. One-time 30 percent nominal depreciation | 20.7 | 22.0 | 20.2 | 18.8 | 16.5 | 13.6 | 14.6 | 15.5 | 11.6 | 11.8 | 11.8 |
| B6. Combination of B1-B5 | 20.7 | 18.8 | 18.5 | 17.5 | 15.4 | 12.8 | 13.7 | 16.8 | 14.8 | 14.7 | 14.6 |
| C. Tailored Tests | | | | | | | | | | | |
| C1. Combined contingent liabilities | 20.7 | 17.5 | 16.1 | 15.3 | 13.5 | 11.2 | 12.1 | 12.9 | 11.0 | 11.0 | 11.0 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 20.7 | 21.0 | 19.6 | 19.0 | 16.1 | 12.9 | 13.3 | 14.8 | 13.9 | 13.7 | 13.4 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Threshold | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Sierra Leone: Sensitivity Analysis, Public Debt, 2025-35

| | Projections 1/ | | | | | | | | | | |
|--|----------------|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
| PV of Debt-to-GDP Ratio | | | | | | | | | | | |
| Baseline | 37.4 | 36.3 | 33.9 | 32.1 | 30.3 | 28.5 | 26.6 | 24.6 | 23.2 | 22.0 | 20.7 |
| A. Alternative Scenarios | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2025-2035 2/ | 37 | 36 | 35 | 35 | 35 | 35 | 35 | 36 | 36 | 37 | 38 |
| B. Bound Tests | | | | | | | | | | | |
| B1. Real GDP growth | 37 | 39 | 40 | 40 | 40 | 39 | 39 | 38 | 38 | 38 | 38 |
| B2. Primary balance | 37 | 41 | 44 | 43 | 41 | 39 | 37 | 36 | 34 | 33 | 32 |
| B3. Exports | 37 | 40 | 45 | 43 | 41 | 39 | 38 | 35 | 33 | 31 | 29 |
| B4. Other flows 3/ | 37 | 38 | 38 | 36 | 35 | 33 | 31 | 29 | 27 | 26 | 24 |
| B5. One-time 30 percent nominal depreciation | 37 | 38 | 35 | 32 | 30 | 28 | 25 | 23 | 21 | 19 | 17 |
| B6. Combination of B1-B5 | 37 | 40 | 39 | 37 | 35 | 33 | 31 | 29 | 28 | 26 | 25 |
| C. Tailored Tests | | | | | | | | | | | |
| C1. Combined contingent liabilities | 37 | 45 | 43 | 41 | 40 | 38 | 36 | 34 | 33 | 32 | 30 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 37 | 38 | 38 | 40 | 41 | 42 | 42 | 42 | 42 | 43 | 43 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Public debt benchmark | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| PV of Debt-to-Revenue Ratio | | | | | | | | | | | |
| Baseline | 266.0 | 244.0 | 223.8 | 211.4 | 212.4 | 199.0 | 186.1 | 172.1 | 162.1 | 155.5 | 148.1 |
| A. Alternative Scenarios | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2025-2035 2/ | 266 | 246 | 239 | 241 | 255 | 257 | 262 | 266 | 272 | 281 | 289 |
| B. Bound Tests | | | | | | | | | | | |
| B1. Real GDP growth | 266 | 257 | 259 | 255 | 271 | 267 | 264 | 259 | 259 | 264 | 270 |
| B2. Primary balance | 266 | 273 | 291 | 280 | 287 | 274 | 262 | 248 | 239 | 233 | 228 |
| B3. Exports | 266 | 272 | 296 | 284 | 289 | 275 | 262 | 246 | 230 | 219 | 207 |
| B4. Other flows 3/ | 266 | 259 | 253 | 240 | 243 | 229 | 216 | 201 | 189 | 180 | 171 |
| B5. One-time 30 percent nominal depreciation | 266 | 258 | 232 | 216 | 212 | 195 | 178 | 161 | 148 | 137 | 126 |
| B6. Combination of B1-B5 | 266 | 267 | 258 | 244 | 247 | 232 | 218 | 203 | 192 | 185 | 177 |
| C. Tailored Tests | | | | | | | | | | | |
| C1. Combined contingent liabilities | 266 | 304 | 283 | 272 | 277 | 264 | 252 | 238 | 229 | 224 | 218 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 266 | 286 | 281 | 294 | 316 | 311 | 303 | 292 | 293 | 300 | 308 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Debt Service-to-Revenue Ratio | | | | | | | | | | | |
| Baseline | 144.1 | 115.7 | 112.0 | 103.9 | 105.4 | 97.7 | 90.4 | 83.9 | 69.9 | 62.9 | 60.4 |
| A. Alternative Scenarios | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2025-2035 2/ | 144 | 111 | 104 | 100 | 108 | 107 | 108 | 113 | 114 | 121 | 131 |
| B. Bound Tests | | | | | | | | | | | |
| B1. Real GDP growth | 144 | 121 | 127 | 126 | 137 | 135 | 134 | 133 | 123 | 122 | 126 |
| B2. Primary balance | 144 | 116 | 135 | 156 | 160 | 149 | 139 | 130 | 114 | 106 | 103 |
| B3. Exports | 144 | 116 | 112 | 105 | 106 | 99 | 91 | 87 | 76 | 69 | 66 |
| B4. Other flows 3/ | 144 | 116 | 112 | 104 | 106 | 98 | 91 | 85 | 72 | 65 | 63 |
| B5. One-time 30 percent nominal depreciation | 144 | 111 | 109 | 100 | 102 | 94 | 88 | 82 | 68 | 61 | 58 |
| B6. Combination of B1-B5 | 144 | 114 | 113 | 130 | 135 | 125 | 117 | 110 | 95 | 87 | 84 |
| C. Tailored Tests | | | | | | | | | | | |
| C1. Combined contingent liabilities | 144 | 116 | 157 | 151 | 151 | 141 | 131 | 123 | 106 | 98 | 94 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 144 | 132 | 129 | 123 | 142 | 145 | 145 | 143 | 136 | 137 | 142 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Annex I. Fiscal Reform for Climate Resilience

This annex uses the IMF-DIGNAD model to show Sierra Leone's climate vulnerability and how investing in adaptation affects output and public debt. Simulations suggest that prioritizing climate resilient investments, and efficiency enhancing public investment could lessen natural disaster effects in Sierra Leone.

1. The DIGNAD is a small open economy, dynamic general equilibrium model (Marto, Papageorgiou, and Klyuev (2018)). It was developed to analyze how public investment affects growth and debt sustainability, factoring in climate shocks, capital damage, productivity loss, investment efficiency, and creditworthiness. It also evaluates debt risks after disasters and the impact of adaptation policies, while considering inefficiencies and absorptive capacity limits. In this work we use the version of the DIGNAD model that incorporates tax collection efficiency (C-efficiency ratio for GST performance).

2. The DIGNAD model is calibrated using Sierra Leonean economic data as of end-December 2024, with steady-state values based on 2018-2024 averages. Public investment infrastructure is set at 4.5 percent, and its efficiency at 0.52 per the IMF's 2020 PIMA. The initial public debt value is set at 44.0 percent of GDP based on the 2024 estimate. It assumes that climate-resilient infrastructure is costlier than standard types, depreciates more slowly and is resilient to natural events. GST collection efficiency is estimated to average 18 percent during 2018-2023. We simulate a major natural disaster in 2030. The World Bank's CCDR estimates that overall climate change is projected to cause a GDP loss that could be as high as 10 percent by 2050 without adaptation actions.

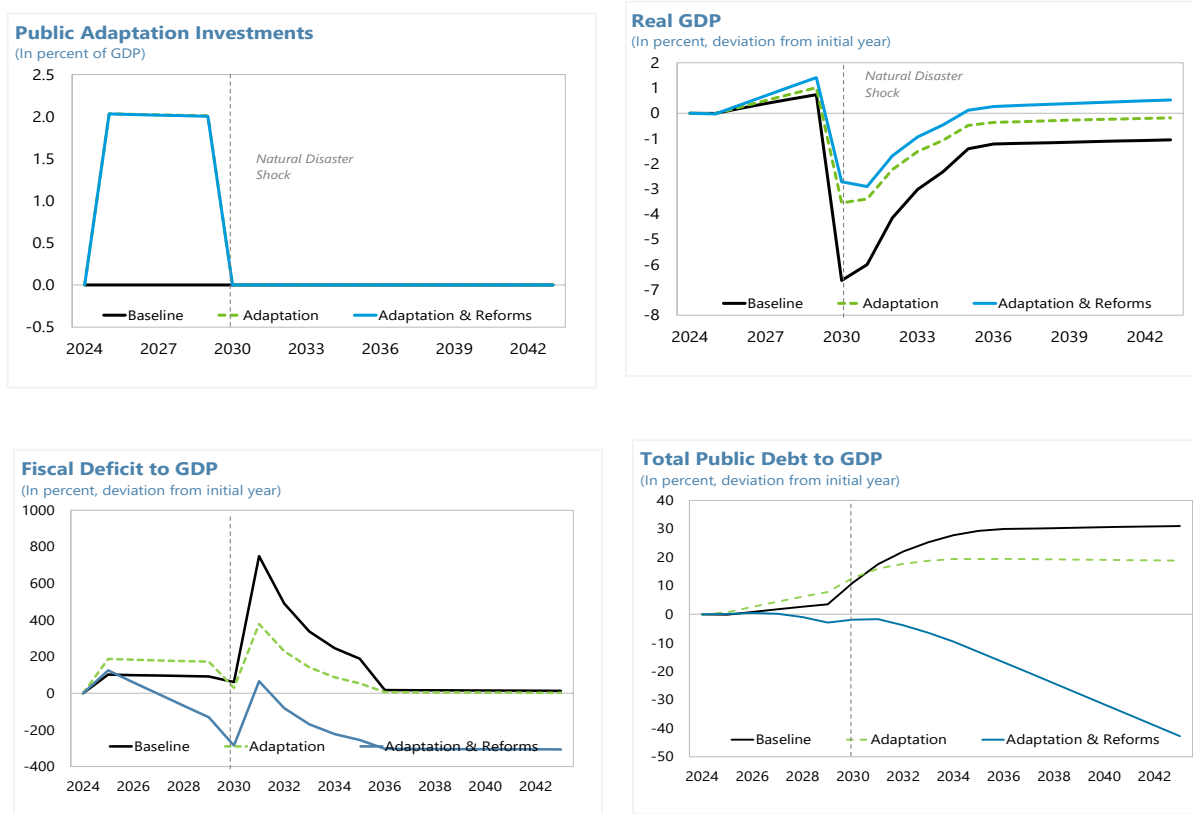
3. To assess macro-fiscal impacts of climate adaptation and reforms in Sierra Leone following a climate shock, three scenarios are simulated (see Figure 1):

- **Baseline scenario:** No policy change. It invests 2.0 percent of GDP in additional standard public infrastructure for each of the five years before the natural disaster. It finances this expenditure through a mix of grants (1.0 percent of GDP) and concessional borrowing (1.0 percent of GDP). A climate disaster is simulated in year 4, leading to a decline in GDP, private investment, and private consumption. At the same time, the public debt to GDP ratio would increase following the need for reconstruction spending by the government and a lower GDP.
- **Adaptation scenario:** The government invests 2.0 percent of GDP in climate-resilient public infrastructure instead of standard public infrastructure for each of the five years before the natural disaster. It finances this expenditure through a mix of grants (1 percent of GDP) and concessional borrowing (1.0 percent of GDP). Under this scenario, the real GDP growth is stronger than in the baseline scenario because of a higher return on adaptation investment. Second, the impact of the climate shock on output is lower under the adaptation case, and the GDP growth is projected to recover more quickly compared to the baseline. Losses to private investment and consumption are also expected to be lower than in the baseline scenario.

- Adaptation and reform scenario:** This scenario combines the adaptation scenario with reforms aimed at increasing public investment efficiency by 20 percentage points (ppts) to reach the average level of estimated efficiency in the SSA region. GST tax collection efficiency is also assumed to increase gradually in five years, from 18 percent to 30 percent, just short of the average level in Sub-Saharan Africa, 35 percent. These reforms reflect the implementation of measures recommended under the ECF arrangement. Compared with the other two scenarios, output losses are lower, and recovery is faster due to enhanced climate resilience.

4. **Upfront investment in climate-resilient infrastructure, combined with efficiency enhancing fiscal reforms, reduces the adverse macroeconomic impact of natural disasters in Sierra Leone (Text figure 1).** DIGNAD simulations show that early resilience measures mitigate disaster effects on growth and debt, but without revenue and spending reforms, initial costs worsen deficits. Mobilizing domestic revenue and improving public investment and tax collection efficiency are critical for long-term macroeconomic stability.

Figure 1. Sierra Leone: DIGNAD Simulation Results for Baseline, Adaptation Investment and Public Investment Efficiency, All-Debt Scenario 2024-42



Source: IMF DIGNAD Model Simulation Results; and IMF Staff Estimates.

Source: IMF staff calculations.

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December 11, 2025

**Statement by the Staff Representative on Sierra Leone
Executive Board Meeting
December 16, 2025**

This statement provides information that became available after the staff report (EBS/25/118) was issued on December 2, 2025. This information does not alter the thrust of the staff appraisal.

1. The authorities accumulated \$71 million in FX reserves to correct the repeated net international reserves (NIR) target misses. This includes US\$21 million in FX purchases and a US\$50 million 4-year FX bond issuance. Staff continue to project reserves to reach 2 months of imports by end-2025—consistent with the staff report—after remaining broadly flat since end-September ahead of the corrective action and expected external financing disbursements.

2. The authorities met Prior Action 1 by initiating resolution proceedings via a Purchase and Assumption Agreement for the only institution that met the criteria under Section 69 of the Banking Act 2019 as of end December 2023. The BSL notified both the bank and the public.¹ In line with the resolution strategy, Sierra Leone's third largest commercial lender—one of two majority government-owned banks—will assume all deposits and selected assets, including performing loans and government securities. Government support to close the funding gap will amount to \$5.2 million, which is below the budgeted amount. A liquidator has taken over responsibility for any assets that will not be taken up by the acquirer. The BSL has also appointed a caretaker team to safeguard UTB's assets, systems, and data.

3. The authorities met Prior Action 2 by submitting to Parliament the 2026 Finance Bill, which includes tax measures estimated to yield more than 1.5 percentage points (ppts) of GDP in annual revenue. Specifically, the Bill includes the measures in Text Table 3 of the staff report (1.52 ppts of GDP), a new duty exemption (-0.01 ppts of GDP), and several additional revenue enhancing measures that staff has not yet quantified.

4. The authorities met Prior Action 3 by submitting to Parliament a budget consistent with key parameters of the macro-financial framework listed in MEFP Table 2. The budget speech establishes capital expenditure envelopes in line with program projections for both 2026 and 2027, includes an annex detailing which projects will be financed, and lists projects included in Annex 5 of the 2025 budget that have been delayed.²

5. The authorities met Prior Action 4 by publishing Sierra Leone's Governance and Corruption Diagnostic Report.³

¹ The public notice is published here: <https://bsl.gov.sl/UTB%20Notice.pdf>.

² The budget speech is published here: <https://mof.gov.sl/wp-content/uploads/2025/11/Budget-Speech-2026.pdf>.

³ The report is published here: <https://mof.gov.sl/documents/technical-assistance-report-sierra-leone-governance-and-corruption-diagnostic>.

Sierra Leone: Selected Economic Indicators

| | 2024 | 2025 | 2026 |
|--|-------------|-------------|-------------|
| | Prel. | Proj. | Proj. |
| Output (annual percentage change) | | | |
| Real GDP growth | 4.3 | 4.4 | 4.5 |
| Real GDP growth, excl. iron ore | 3.7 | 4.3 | 4.4 |
| Prices (annual percentage change) | | | |
| Inflation, end of period (%) | 13.8 | 7.0 | 9.0 |
| Central Government Finances (percent of non-iron ore GDP) | | | |
| Revenue, excl. grants | 10.1 | 10.8 | 11.8 |
| Grants | 3.4 | 1.9 | 2.0 |
| Expenditure and net lending | 19.1 | 18.1 | 16.2 |
| Overall balance | -5.6 | -5.4 | -2.3 |
| Public debt | 50.8 | 49.3 | 47.3 |
| Money and credit (annual percentage change) | | | |
| Broad money | 18.0 | 14.5 | 13.6 |
| Credit to the private sector | 41.2 | 31.2 | 21.0 |
| Balance of payments(percent of non-iron ore GDP) | | | |
| Current account | -7.5 | -5.1 | -3.1 |
| Gross reserves (months of imports) | 2.1 | 2.0 | 2.5 |
| External debt | 31.0 | 28.4 | 27.1 |

Sources: Central Bank, Ministry of Finance, Statistics Sierra Leone, and Fund staff estimates and projections

**Statement by Ouattara Wautabouna, Executive Director and Paul Mansaray,
Advisor to the Executive Director on Sierra Leone Executive Board Meeting
December 16, 2025**

On behalf of our Sierra Leonean authorities, we extend our appreciation to Mr. Saborowski and his team for their close engagement and the quality of the policy dialogue under the combined first and second reviews of the ECF-supported program, as well as the continuous follow up discussions prior to the board date. Our authorities wish to assure directors and the Fund of their strong ownership of the program and commitment to prevent the recurrence of the slippages experienced at the early stage of the program. This commitment has been reinforced by the President's letter to the managing director, the substantial adjustments undertaken this year, the difficult prior actions, the corrective actions on Public Financial Management (PFM). Our authorities are fully committed to following the agreed fiscal adjustment path, including engaging in efficient spending, containing borrowing costs and maintaining debt at sustainable levels. **They welcome staff's candid discussions and broadly agree with their assessment of the state of the economy and policy recommendations.**

The economy continues to face domestic and external imbalances, including reduced reserve buffers, elevated energy and debt service costs, and constrained fiscal space. These factors have resulted in substantial financing gaps that continue to impact policy implementation. Our authorities have made challenging adjustments to correct last year's slippages to bring the program back on track. Their prudent policy stance has resulted in inflation dropping to single digits, interest rates declining, and the exchange rate remaining stable. They are sustaining this momentum and accelerating efforts to boost local food production, enhance domestic revenue mobilization, foster prudent fiscal and debt management, and advance PFM and structural reform measures agreed under the program.

Program Performance

Program performance was constrained by the challenging domestic and external environment. End December 2024 quantitative performance criteria (QPC) on Net Credit to Government (NCG), Net Domestic Asset (NDA) and Net International Reserves (NIR) were missed. The NCG and NDA were missed as a result of the Bank of Sierra Leone's (BSL) indispensable liquidity intervention. Similarly, the NIR was missed due to higher than projected spending on essential goods and services using forex and subsidies and transfers to

independent power producers. Meanwhile, the authorities met all end-June and end-September QPCs except the NIR. A total of eight (8) structural benchmarks (SB) reviewed during the combined first and second reviews mission have been completed, while two (2) have been rescheduled. Of these, four (4) were completed earlier, three (3) were completed through prior actions, and one (1) was completed with delay. The SB for recapitalizing the central bank has been rescheduled to March 2026 while the SB on improving governance of Sierra Leone's Mines and Minerals Development and Management Cooperation (MMDMC) and the Mineral Wealth Fund (MWF) was replaced with a March 2026 SB to incorporate findings from the Governance and Corruption Diagnostic report.

The authorities implemented appropriate corrective measures by completing four prior actions for the 1st and 2nd reviews. These actions include the submission to Parliament of a Finance Bill for 2026 outlining measures expected to generate a minimum of 1.5 percent of GDP in increased annual tax revenues, and a 2026 budget consistent with program projections. The budget includes annexes outlining capital projects to be funded through the capital budget envelopes for 2026 and 2027, as well as those deferred beyond 2027. Additional prior actions involve initiating resolution proceedings for the bank that meets the criteria set forth in Section 69 of the Banking Act 2019 as of end-December 2023, and publishing the Governance and Corruption Diagnostic report on the Ministry of Finance website. **Given the strong commitment demonstrated at all levels, including that of the President of the Republic of Sierra Leone, our authorities seek Executive Directors' support to conclude the first and second reviews under the Extended Credit Facility (ECF) arrangement and approval of waivers for Non-Observance of Performance Criteria.**

Recent Economic Development and Outlook

Sierra Leone's real GDP growth is projected to rebound from 4.3 percent in 2024 to 4.5 percent in 2025, and further increase to an estimated 4.7 percent in 2026. This positive outlook is attributed to the anticipated stability in the mining sector, the macroeconomic improvements resulting from implemented policies, and expected gains in agricultural productivity.

Inflation is expected to remain in single digits this year and in 2026. Since its peak at 54.6 percent in October 2023, inflation has reached 13.8 percent by December 2024, and single digit at 4.4 percent in October 2025. The cost of borrowing has been reduced significantly, falling from about 40 percent in May 2025 to a range of 15-17 percent since June 2025. These results underscore the authorities' sustained commitment to a prudent policy stance, consistent with their medium-term objective of achieving and maintaining single-digit inflation. The external position weakened in 2024 but the current account strengthened due to lower imports and increased agricultural productivity, which offsets an unexpected decline in mineral exports receipts. The Leone continues to remain stable against the United States dollar while gross international reserves remained at 1.5 months of import due to accumulated FX spending and less FX inflows.

Despite global and domestic downside risks, including from economic slowdown in Sierra Leone's trading partner countries and energy supply challenges, recent positive

developments in the mining sector, increased agricultural productivity, and the authorities commitment to ongoing reforms with the Fund's support reinforces the projected improvement in the near term economic outlook.

Fiscal Policy and Debt Management

Our authorities remain committed to avoiding policy slippage by strengthening fiscal consolidation efforts based on improved revenue mobilization and expenditure rationalization measures. To this end, a supplementary budget was passed in July 2025 which contracts spending sharply to offset the revenue shortfall. As a result, a domestic primary surplus equal to 0.3 percentage points of GDP was achieved in the first three quarters of 2025 and is on course to reach the target of 0.6 percent by the end of 2025, up from a deficit of 2.7 percent of GDP in 2024. This positive outcome demonstrates a sustained surplus reflects sustained fiscal adjustment exceeding 5 percentage points of GDP since 2022, primarily achieved through enhanced tax revenue mobilization. Fiscal consolidation will continue in 2026 evidenced by the 2026 budget and finance bill submitted to parliament in November which targets a domestic primary surplus of 1.6 percent of GDP in 2026.

The authorities have taken steps to improve revenue mobilization, consistent with the Medium Term Revenue Strategy (MTRS) to generate additional revenues of 1.5 percent of GDP mainly in tax policy measures. These measures include the setting of key revenue performance targets in a performance contract between the Ministry of Finance and the National Revenue Authority (NRA), with clear operational guidelines and resource allocations for the NRA. Efforts to enhance policy implementation and tax administration are being strengthened. Such measures included: customs revenue enhancement strategies supported by AFRITAC West 2 to be completed by June 2026; audit of the Automated Systems of Customs Data (ASYCUDA) planned with support from UNCTAD to strengthen the integration and accuracy of customs data; maximizing revenues from large tax payers and the extractive sector through the application of Extractive Industry Revenue Act (EIRA) 2018; implementing the Fund supported Safe Harbour framework; improving oversight of the Mineral Wealth Fund (MWF), again with Fund support; modernizing customs operations by introducing electronic single window with support from the World Bank, and accelerating efforts to operationalize the revenue courts by end 2026.

To enhance expenditure control, the authorities will continue to prioritize critical spending, maintain the wage bill at 4.2 percent of non-iron ore GDP over the medium term, and manage recruitment and compensation of consultants and sub-vented agencies consistent with the wage bill strategy. They also plan to contain goods and services spending and sustain efforts to reduce energy subsidies, while updating the arrears clearance strategy by June 2026. The authorities continue to uphold their commitment to sustaining the school feeding program for a minimum of 800,000 pupils. Should revenues underperform, the authorities stand ready to further rationalize, especially domestically financed capital expenditures to create room for priority spending in line with program targets. The authorities continue to strengthen governance of state owned enterprises and publish information on debt and guarantees in the budget and associated fiscal risks.

The authorities plan to adopt GFSM 2014 by September 2026 to enhance fiscal reporting and align with international standards. They are also continuing efforts to improve public financial management, which includes the expanded cash and debt management committee (ECDMC). A cabinet directive has been issued to approve the terms of reference for the committee to ensure that the 10 key ministries, departments and agencies submit monthly cashflow forecast. These forecasts will serve as the basis for quarterly allocations, with the goal of preventing recurrence of fiscal slippage that previously impacted the program. Notable progress has been achieved with continuous efforts to improve arrears management. They intend to conduct an independent audit of arrears and publish the report on the Ministry of Finance website. Additionally, they will publish a plan, supported by the Fund, outlining the process for clearing these arrears.

Our authorities are committed to maintaining debt at sustainable levels and ensuring that risks are lowered. In this connection, they are proactively taking steps to lengthen domestic debt maturities, issue debt instruments through competitive auctions, and restrict the issuance of FX swaps or any FX denominated securities to exceptional circumstances where rates are favourable and approved by the Fund. Additionally, the authorities remain committed to strengthening debt management by annually updating the Medium Term Debt Strategy (MTDS), improving communication with market participants, avoiding T-bills or T-bonds offered at unsustainable rates, enforcing regulatory standards for institutional investors in government securities ensuring they meet their asset-liability management objectives, and reviewing primary dealership roles with support from partners.

Monetary, Exchange Rate, and Financial Sector Policies

The Bank of Sierra Leone has maintained its tight monetary policy stance over the past two years to tame inflation and safeguard financial stability. Inflation now stands at 4.4 percent in October 2025 and the authorities remain committed to sustaining it in single digits over the medium term. Interest rates were high since the program approval reaching 40 percent in May 2025 as fiscal overruns weighed on domestic borrowing costs. Recent measures implemented by the authorities such as limited monetary financing of the budget, and consolidation efforts, have contributed to a reduction in interest rates from 40 percent to a range of 15 to 17 percent between mid-June and November 2025. The authorities are committed to allowing the exchange rate to adjust flexibly. Given the drain in foreign exchange reserves, they have committed to continuing outright FX purchases as needed to meet their current NIR targets over the program period and strengthen FX market development.

The financial sector has maintained stability benefiting from the authorities continued efforts to strengthen oversight through a risk-based supervision approach. They are committed to strictly enforcing the provisions in the 2019 Banking Act which requires any banks in violation of the minimum capital adequacy ratio to submit a credible and actionable plan to restore their capital position. In cases where a bank persistently violates this requirement, appropriate resolution measures will be implemented. They have planned the adoption of components of Pillar 1 Basel II/III capital framework, as well as ongoing regular on-site supervision of state-owned banks consistent with Fund TA recommendations. The authorities remain committed to enhancing the financial safety net, as demonstrated by the

establishment of the Deposit Protection Fund Unit following the enactment of the Deposit Protection Act 2023. To safeguard the current financial stability, they plan to strengthen foreign currency regulations and supervision by publishing the minimum foreign currency reserve requirement on foreign currency deposits, and enforcing the minimum prudential guidelines for commercial banks. Accordingly, a macroprudential policy framework has been established, and efforts are underway to complete the crisis management plan in accordance with recommendations from the 2021 FSSR and FSAP reports.

Structural Reforms

Our authorities prioritize ongoing reforms, including strengthening the fight against corruption and the governance and management of Sierra Leone Mines and Minerals Development and Management Corporation (MMDMC) and the Mineral Wealth Fund (MWF) guided by findings from the Governance and Corruption Diagnostic report. To further demonstrate their commitment to transparency as part of the new SB on the mining entities, they have committed to publishing the MMDMC's 2024 audited financial statements, adopting transparent policies for the appointment of independent board members for the MMDMC and MWF, and implementing key performance based indicators for the operating company with regular reporting to the MWF board.

The authorities have made progress in strengthening the legal and institutional framework to advancing the AML/CFT framework by enacting the 2024 AML/CFT Act, establishing the Financial Intelligence Unit and promoting its independence. They are taking steps to ensure close monitoring of politically exposed persons, other professionals and non-financial businesses. A national strategy for monitoring, developed through comprehensive risk assessment and extensive stakeholder consultations, is near completion. The authorities are also working on amending the 2009 Companies Act to enhance beneficial ownership transparency, including requirements for disclosure, verification, and access by relevant authorities—targeted for adoption by mid-2026.

The authorities are advancing efforts to increase food productivity through the *Feed Salone initiative* by providing farming inputs, supporting land preparation, reforming the e-voucher systems, and subsidizing district farm machinery rings to boost private sector participation. They have established the National Disaster Management Agency, developed the National Adaptation plan, published a Disaster risk financing strategy and established the Climate Finance Unit in the Ministry of Finance. They are taking steps to transition to a greener and cleaner energy mix while focusing on implementing recommendations from the C-PIMA, the CCDD and the Climate Policy Diagnostic going forward.

Conclusion

Our Sierra Leonean authorities remain committed to further entrenching macroeconomic stability under the ECF arrangement, and improving fiscal and debt sustainability and structural reforms. They continue to press ahead with the agreed measures to meet program objectives. To this end, they look forward to Executive Directors' support in completing the combined reviews and associated request under the ECF arrangement.