



SIERRA LEONE

July 2026

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF PERFORMANCE CRITERIA, AND REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—PRESS RELEASE; STAFF REPORT; 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 June 18, 2026, following discussions that ended on May 1, 2026, 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 May 29, 2026.
- A **Debt Sustainability Analysis** prepared by the staffs of the International Monetary Fund and the International Development Association.
- A **World Bank Assessment Letter** for the Resilience and Sustainability Facility.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director** for Sierra Leone.

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Sierra Leone: IMF Executive Board Approves Arrangement Under the Resilience and Sustainability Facility and Completes Third Review Under the Extended Credit Facility

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed the third review under the Extended Credit Facility (ECF) arrangement, enabling an immediate disbursement of about US\$31.72 million. The Executive Board also approved a new arrangement under the Resilience and Sustainability Facility (RSF) for Sierra Leone, equivalent to about US\$211.45 million, to support the authorities' efforts to strengthen resilience to climate shocks.
- The authorities' macroeconomic policy tightening in recent years helped stabilize the exchange rate, lower inflation, contain borrowing costs, and restore private sector credit. However, reserve coverage remains low, and debt remains at high risk of distress.
- While there is some fiscal space to address the fallout from the war in the Middle East, persevering on fiscal consolidation is critical to keep debt on a sustainable path. The RSF arrangement will focus on climate-sensitive public investment management, climate resilience, and financial stability.

Washington, DC – June 18, 2026: The Executive Board of the International Monetary Fund (IMF) completed the third review of Sierra Leone's arrangement under the [Extended Credit Facility](#) (ECF). Completion of the review enables the immediate disbursement of SDR 23.333 million (about US\$31.7 million), bringing total disbursements under the arrangement to SDR 116.664 million (about US\$158.6 million).

In completing the review, the Executive Board approved the authorities' request for waivers of nonobservance of the continuous performance criterion on the ceiling on concessional external debt and the end-December performance criterion on net domestic assets, based on corrective actions taken by the authorities.

The Executive Board also approved an arrangement under the Resilience and Sustainability Facility (RSF) for Sierra Leone in the amount of SDR 155.550 million (about US\$211.5 million), with disbursements to begin upon completion of the first review. The RSF will support the authorities' efforts to strengthen resilience and external stability, with a focus on climate-sensitive public investment management, climate resilience, and financial stability.

Sierra Leone's economic outlook remains stable. Growth accelerated last year, but spillovers from the Middle East war are weighing on the economy in 2026. Growth is expected to fall to 4 percent, while end-year inflation will reach 11.6 percent. The outlook is subject to significant risks, including rising political tensions ahead of the elections, the fallout from the war in the Middle East, and possible reform fatigue amid the sustained fiscal consolidation.

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

"The authorities' policy tightening has helped stabilize the exchange rate, lower borrowing costs and inflation, and restore private credit access. However, reserve coverage remains low, and debt is at high risk of distress.

"Growth accelerated last year, but spillovers from the Middle East war are weighing on the economy in 2026. Growth is expected to fall to 4 percent, while end-year inflation will reach 11.6 percent.

"The authorities have some space to accommodate fiscal pressures arising from the Middle East war but persevering on fiscal consolidation—while protecting critical social spending—is key to keep debt sustainable.

"In the absence of a strong social safety net to provide targeted relief, the fuel price subsidy can help avoid disruptive price movements. However, it needs to remain temporary and transparent and adhere to the agreed cost ceiling.

"Advancing energy and public financial management reforms will help contain spending, avoid arrears accumulation, and strengthen arrears monitoring. Revenue mobilization gains will require stronger tax administration and mining revenue collection, while stronger debt management will help mitigate risks.

"Monetary policy should be tightened if inflationary pressures persist, and efforts should continue to strengthen safeguards and implement the new monetary policy framework. The authorities should rebuild reserves, allow the exchange rate to adjust to shocks, and repay overdue budget support loans to the BSL.

"Structural reforms should be stepped up, including by strengthening arrears management, operationalizing the bank resolution framework, completing the resolution of the problem bank, and implementing the recommendations of the Governance and Corruption Diagnostic.

"The RSF arrangement will promote balance of payments stability by supporting resilience to climate shocks in the areas of public investment, social protection, fiscal planning, and financial risks."

Sierra Leone: Selected Economic Indicators			
	2024	2025	2026
	Prel.	Est.	Proj.
Output (annual percentage change)			
Real GDP growth	4.4	5.0	4.0
Real GDP growth, excl. iron ore	3.8	4.8	4.0
Prices (annual percentage change)			
Inflation, end of period (%)	13.8	4.3	11.6
Central Government Finances (percent of non-iron ore GDP)			
Revenue, excl. grants	10.1	10.7	11.5
Grants	3.4	2.6	2.2
Expenditure and net lending	19.1	17.6	16.6
Overall balance	-5.6	-4.3	-2.8
Public debt	51.1	49.3	47.3
Money and credit (annual percentage change)			
Broad money	18.0	19.3	13.6
Credit to the private sector	41.2	49.0	23.4
Balance of payments (percent of non-iron ore GDP)			
Current account	-7.1	-5.4	-3.7
Gross reserves (months of imports)	2.1	2.0	2.7
External debt	31.0	26.9	25.5
Sources: Central Bank, Ministry of Finance, Statistics Sierra Leone, and Fund staff estimates and projections			



SIERRA LEONE

May 29, 2026

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF PERFORMANCE CRITERIA, AND REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY

EXECUTIVE SUMMARY

Context. The ambitious fiscal consolidation continues to yield tangible results, although significant vulnerabilities remain. The authorities strengthened the domestic primary balance by 7 ppts of GDP since 2022, on the back of 3.5 ppts in tax revenue gains. Paired with the significant monetary policy tightening, the consolidation contributed to stabilizing the exchange rate, reducing inflation, containing borrowing costs, and restoring private access to credit. However, reserve buffers remain inadequate, debt is at high risk of distress, and political tensions are rising ahead of the 2028 elections.

ECF performance has improved compared to previous reviews.

- **End-December 2025 PCs/ITs.** The authorities met all continuous performance criteria (PCs) except the US\$100 million ceiling on new concessional external debt. They also met most other PCs and ITs except for the PC on Net Domestic Assets and the ITs on Domestic Arrears and the Domestic Primary Balance.
- **End-March ITs.** The authorities met the ITs on NCG, NDA, NIR, and all continuous PCs. They missed the FX Spending, School Feeding, Domestic Revenues, Domestic Primary Balance, Social Spending and Domestic Arrears ITs.
- **Structural benchmarks.** The continuous SB on upholding EIRA terms was not met but will be completed through a prior action, while the continuous fuel pricing SB was missed following the introduction of fuel price subsidies in April. The end-March SB to recapitalize the BSL was met, while the end-March SB to operationalize the safe harbor for iron ore was not met but will be completed through a prior action. The end-March SB on mining governance was missed because entities named in the SB no longer exist, but all elements of the SB were completed for entities replacing those named in the SB. The end-April SB to strengthen arrears management will be replaced by a prior action and two new SBs.

- **Prior actions.** Staff propose three prior actions to strengthen structural reform performance. First, the authorities will operationalize the safe harbor; second, they will share with IMF staff the results of a comprehensive stock-taking of central government expenditure arrears; and third, they will provide evidence that all mining agreements ratified since December 2025 comply with the EIRA in their latest ratified form.
- **Budget support.** The EU delivered its 2025 budget support operation in February with delay, following technical challenges. Due to reform delays, the WB operation, previously planned for Q1-2026, was postponed to Q4-2026. The AfDB and the EU are also expected to disburse in Q4-2026. The authorities have requested additional WB grant support through the Rapid Response Option (RRO) but their discussions with the WB on possible modalities are ongoing.
- **ECF Program Issues.** The authorities request waivers of non-observance of the continuous PC ceilings on concessional external debt, and of the end-December PC ceiling on NDA. Corrective actions include (i) reducing the 2026 concessional external debt ceiling by the amount of the 2025 slippage; and (ii) bringing the NDA on track, by end-March, to achieve the revised (tighter) end-June target.
- **Request for an RSF.** The authorities request an arrangement with duration until December 30, 2027, aligned with the remaining duration of the ECF arrangement, and access of 75 percent of quota (SDR 155.55 million). The RSF will target three priority reform areas: (i) climate-sensitive public investment management, (ii) climate resilience; and (iii) financial stability.
- **Policy Discussions.** The discussions focused on (i) continuing the fiscal consolidation while temporarily accommodating pressures from the war in the Middle East; (ii) further mobilizing revenues by bolstering tax and customs administration and enforcement; (iii) strengthening PFM and debt management to help contain fiscal and debt related risks; (iv) reforming the monetary policy framework, rebuilding reserves, and enhancing safeguards; (v) and implementing the recommendations of the Governance and Corruption Diagnostic.
- **Risks to the program.** A further spike in oil and fertilizer prices could raise import costs, increase fiscal and inflationary pressures, and adversely affect growth and reserves. Trade restrictions, geopolitical challenges, and declining commodity prices could impact net exports and put pressure on reserves. Other risks include reform fatigue amid the ambitious fiscal consolidation, rising domestic political tensions, and spillovers from the war in the Middle East. Further delays in budget support could increase fiscal pressures and raise debt related risks. Extreme climate events could adversely affect agriculture, with knock-on effects on food prices.

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

Discussions were held during April 20 - May 1, 2026, in Freetown, Sierra Leone. The team comprised Mr. Saborowski (Head), Mr. Dwight, Mr. Kanga, Ms. Tan (all AFR), Ms. Kazandjian and Mr. Reinders (SPR), Mr. Pierri (FAD), Mr. Godbillon (MCM), Mr. Mitchell (Resident Representative) and Mr. Kargbo (Economist, Freetown office). Ms. Minnett (FAD) and Ms. Seneviratne (MCM) participated virtually from HQ. The mission met with President Bio, Finance Minister Bangura, Governor Stevens, senior government officials, civil society organizations, members of the private sector, and development partners. Ms. Arifin (AFR) provided research support; Ms. Fragano (AFR) assisted in preparing this report.

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CONTEXT

1. **As the 2028 elections approach, political tensions are rising.** Stakeholders have raised concerns about delays in the National Census, slow progress in implementing Tripartite Committee recommendations and limited transparency in the Constitutional Review process. The main opposition party resumed participation in Parliament in April—after a two-month absence—as the government committed to restructuring the Electoral Commission.
2. **The ambitious fiscal consolidation continues to yield tangible results, but significant vulnerabilities remain** (Text Figure 1). The domestic primary balance improved by 7 ppts of GDP from 2022 to 2025, on the back of 3.5 ppts in tax revenue gains. Paired with the ambitious monetary tightening, the consolidation helped stabilize the exchange rate, reduce inflation, contain borrowing costs, and restore private access to credit. However, reserve buffers remain inadequate, and debt remains at high risk of distress.

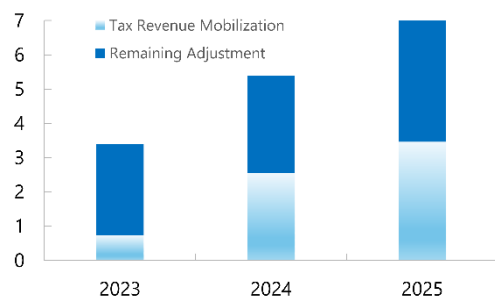
RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

3. **Fiscal policy tightened significantly in 2025 but faces growing challenges in 2026.** The authorities achieved a domestic primary surplus of 1.3 percent of GDP in 2025, up from a deficit of 2.7 percent in 2024. Tax revenues grew by 0.8 ppts of GDP, while spending cuts centered on domestic capital spending. Nonetheless, fiscal pressures are mounting in 2026:
 - **Revenues.** Preliminary data suggest that revenues underperformed by 10 percent in the first quarter of 2026, largely due to poor compliance. Most tax measures under the 2026 Finance Act—estimated to yield 1.5 percent of GDP in additional annual tax revenues—have been implemented. However, the removal of GST exemptions on water and magazines, and the expansion of the circulation levy, are pending.
 - **IPP transfers.** To ensure continuity of electricity supply, the authorities expect to have to transfer US\$42.5 million more than previously envisaged to help the electricity utility (EDSA) meet its obligations to Independent Power Producers (IPPs).
 - **Policy support amid the war in the Middle East.** As of early May, the authorities have raised fuel prices this year by 28 (Petrol) and 46 percent (Diesel). To avoid more disruptive price movements, and in the absence of a strong social safety net to provide more targeted relief, they have maintained temporary subsidies of 1.1 (Petrol) and 4.3 (Diesel) Nle per liter since April.
4. **The monetary policy stance has remained consistent with the BSL's single digit inflation objective.** In 2025 and Q1-2026, reserve money grew broadly in line with program projections and the single digit inflation objective. In December 2025, the BSL reduced the policy rate by 200 bps to 16.75 percent, which staff assesses to be close to the neutral rate. It has since refrained from further cuts, amid the onset of the war in the Middle East.

Figure 1. Sierra Leone: Macroeconomic Stabilization 2022-26

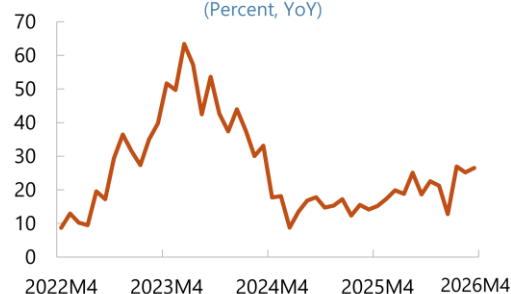
Fiscal policy tightened substantially since 2022 on the back of successful tax revenue mobilization.

Change in Domestic Primary Balance Since 2022
(Percentage points of GDP)



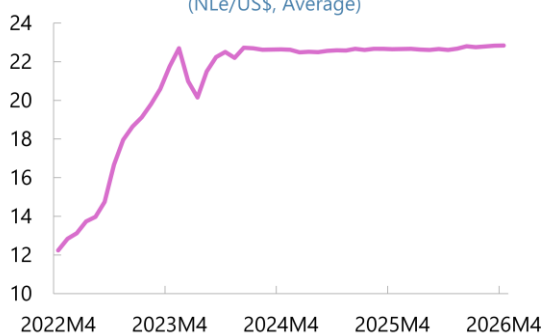
Monetary policy also contracted considerably over the same period.

Base Money Growth
(Percent, YoY)



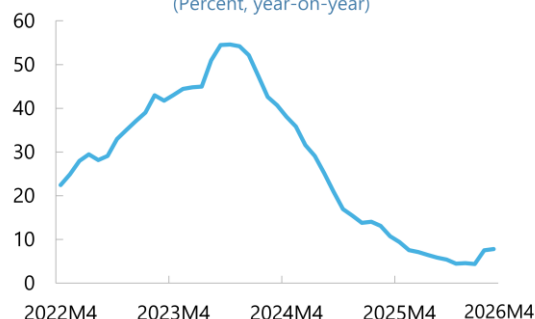
The significant tightening in the policy stance contributed to stabilizing the exchange rate, ...

Nominal Exchange Rate
(NLe/US\$, Average)



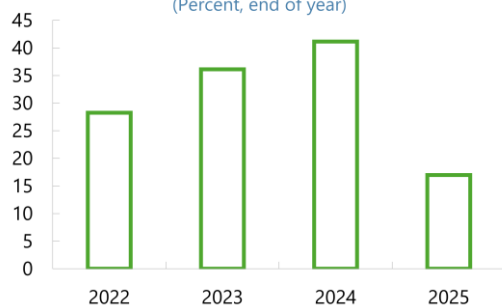
... sharply reducing inflation, ...

Consumer Price Inflation
(Percent, year-on-year)



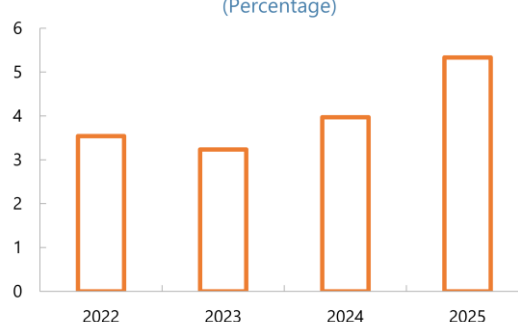
... bringing borrowing costs down to sustainable levels ...

T-Bill Rate, 2022-25
(Percent, end of year)



... and reversing the crowding out of private credit.

Private Sector Credit
(Percentage)



Sources: Sierra Leonean authorities and IMF estimates.

5. The Bank of Sierra Leone (BSL) has made progress in rebuilding reserves. Coverage increased from 1.5 months of imports in September to 1.9 months in March, on the back of corrective actions taken in the context of the first and second ECF reviews in December, and aided by US\$26 million in BSL reserves purchases in Q1-2026. However, higher-than-projected government FX spending continues to constrain the pace of reserve accumulation.

6. The banking sector remains profitable and highly capitalized but vulnerable to sovereign risk (Table 9 and Figure 3). Solid profitability—supported by large holdings of government securities—has moderated with declining T-Bill rates. Consequently, the Tier 1 capital ratio has fallen to a still high 47.4 percent of risk-weighted assets, while pockets of vulnerability remain. BSL stress tests show that the sector is resilient to credit and interest risks but remains vulnerable to sovereign risk based on its large exposure to sovereign debt. Amid falling government borrowing appetite, banks have continued to re-balance their portfolios toward the private sector: gross loans grew by 36.4 percent year-on-year in March 2026, driving the decline in the non-performing loans ratio to 9.4 percent. High financial dollarization persists—with FX deposits accounting for 44 percent of total deposits—with attendant exposure to exchange rate risk. The net open position remains under regulatory thresholds in the aggregate and FX lending has been limited. However, individual banks report a high negative net position, and there is uncertainty between reporting dates as well as lack of clarity around offshore deposit practices.

7. External budget support has been delayed. Following technical challenges, the EU delivered its 2025 budget support in February 2026. This year's WB, EU and AFDB budget support operations are now all expected to disburse in Q4-2026, amid reform delays. Discussions are ongoing on the authorities' request for additional WB grant support through the Rapid Response Option.

8. The outlook has weakened amid the war in the Middle East (Text Tables 1 and 2).

- **Growth** reached 5 percent in 2025, exceeding expectations, but is projected to fall to 4.0 percent this year, in part due to the oil price shock, and despite robust performance in agriculture, manufacturing, and services. Staff projects it to reach its potential of around 4.6 percent over the medium-term as the oil shock subsides, the Feed Salone program further expands agricultural production, and fiscal policy becomes less contractionary.
- **Inflation** rose to 10.8 percent in April, reflecting higher gas prices, transportation costs, and rental costs. Under the baseline, inflation is expected to rise further in the near term, before falling to 11.6 percent by end-2026, and converging to the BSL's medium-term single digit objective by end-2027.
- **Current account.** The deficit is projected to shrink to 3.7 percent of GDP in 2026, despite the oil price shock, as the fiscal consolidation continues. The projected deficit is lower than previously expected as higher export projections more than offset the upward revision in historical imports data. Staff assess the 2025 external sector position as moderately weaker than the level implied by fundamentals and desirable policies (Annex II).

Text Table 1. Sierra Leone: Medium-Term Macroeconomic Framework, 2024-31

	2024	2025	2026	2027	2028	2029	2030	2031
	Prel.	Prel.			Proj.			
(In percent of non-iron ore GDP unless otherwise indicated)								
Output and Inflation								
GDP at constant prices (percent change)	4.4	5.0	4.0	4.5	4.6	4.6	4.6	4.6
Consumer prices (end-of-period)	13.8	4.3	11.6	9.0	9.0	9.0	9.0	9.0
Public Sector								
Revenue (excl. grants)	10.1	10.7	11.5	12.3	12.3	12.3	12.3	12.3
Domestic primary balance	-2.7	1.3	1.1	2.9	3.0	3.0	3.0	3.0
Overall Balance	-5.6	-4.3	-2.8	-0.5	-0.1	-0.4	-0.1	0.4
Public Sector Debt	51.1	49.3	47.3	43.5	39.9	36.9	33.9	31.1
External Sector								
Current account balance (incl. grants)	-7.1	-5.4	-3.7	-3.6	-3.8	-4.2	-4.3	-4.3
Gross international reserves (months of next year's imports)	2.1	2.0	2.7	3.8	3.7	3.7	3.8	3.8
External public debt	31.0	26.9	25.5	26.1	24.6	23.6	22.8	21.8

Source: Sierra Leonean Authorities and IMF staff calculations.

9. The outlook would weaken under the IMF's Severe Downside Scenario published in the April World Economic Outlook (WEO) (Text Table 2). A more protracted war in the Middle East would dampen growth and weaken Sierra Leone's fiscal and external sector positions by raising oil and fertilizer prices. The WEO scenario assumes an oil price increase of around 60 percent relative to the April 2026 WEO global assumptions (GAS) used for the baseline projection in this report. Staff estimate that this shock would increase inflation to 13 and 14.5 percent in 2026 and 2027, respectively, while lowering growth to 2.8 and 3.4 percent; it would also lower the primary surplus and raise gross financing needs and debt related risks.

10. Sierra Leone faces other significant risks (Annex I). Trade restrictions, geopolitical tensions and intensification of conflicts, and declining commodity prices could negatively impact net exports and put pressure on reserves. Other risks include reform fatigue amid the ambitious fiscal consolidation, rising political tensions ahead of the elections, and the fallout from the war in the Middle East. Further delays in budget support could increase fiscal pressures, raise debt related risks and limit the build-up of external buffers in the context of downside risks. Extreme climate events could adversely affect agriculture, with knock-on effects on food prices.

Text Table 2. Sierra Leone: Baseline and April WEO Severe Scenarios

	2026	2027
Baseline		
GDP at constant prices (percent)	4.0	4.5
Consumer price (end-of-period, percent)	11.6	9.0
Revenue (excl. grants)	11.8	12.2
Domestic primary balance	1.1	2.8
Current account balance (incl. grants)	-5.7	-4.9
Gross international reserves (months of next year's imports)	2.6	3.7
April WEO Severe Scenario		
GDP at constant prices (percent)	2.8	3.4
Consumer price (end-of-period, percent)	13.0	14.5
Revenue (excl. grants)	11.4	11.9
Domestic primary balance	0.1	2.0
Current account balance (incl. grants)	-8.7	-8.0
Gross international reserves (months of next year's imports)	2.3	3.1

Source: Sierra Leonean Authorities and IMF staff calculations.

PROGRAM PERFORMANCE

11. Program performance has improved. The authorities corrected PC slippages and are catching up with the structural reform agenda, including through prior actions. While several end-March ITs were missed, they are confident in their ability to meet the end-June targets.

- **End-December 2025 PCs and ITs.** The authorities met all continuous PCs except the US\$100 million concessional external debt ceiling, which they breached by US\$8.5 million. The breach followed two consecutive years in which they remained significantly below the ceiling (US\$62 million in 2024; US\$35 million in 2023). They corrected the breach by reducing the 2026 ceiling by US\$8.5 million. Among the remaining PCs, they only missed the Net Domestic Assets PC—due to a temporary spike in liquidity demand at the end of the year—which they corrected by bringing the NDA on track, as of end-March, to achieve the revised (tighter) end-June target. They also met most ITs except those on Domestic Arrears and the Domestic Primary Balance.
- **End-March ITs.** The authorities met the continuous PCs and the ITs on NCG, NDA, NIR but missed the FX Spending, School Feeding, Domestic Revenues, Domestic Primary Balance, Social Spending and Domestic Arrears ITs. The Domestic Revenues and Primary Balance ITs were missed due to the fiscal pressures in Q1-2026 discussed above. The FX spending IT was missed mainly due to payments to medical equipment suppliers required to preserve service delivery. To reduce the risk of recurrence, the MoF and BSL will strengthen coordination, and the MoF will cease requesting FX from the BSL for (i) transfers to IPPs and (ii) entities outside central government. The School Feeding, Social spending and Domestic Arrears ITs were missed due to liquidity issues amid fiscal pressures in Q1-2026, and delays in payment processing. The

authorities are committed to ensuring that the end-June targets are met as revenues pick up and liquidity shortages ease.

- **Structural benchmarks.** The continuous SB on upholding the fiscal prescriptions of the Extractive Industry Revenue Act (EIRA) was not met but will be completed through a prior action. The authorities missed the continuous fuel pricing SB as they introduced temporary price subsidies in April. The end-March SB to recapitalize the BSL was met, while the end-March SB to operationalize the safe harbor for iron ore was not met but will be completed as a prior action. The end-March SB on mining governance was missed because entities named in the commitment no longer exist, but all elements of the SB were completed for entities replacing those named in the SB. The end-April SB to strengthen arrears management will be replaced by a prior action and two new SBs.

POLICY DISCUSSIONS

A. Fiscal Policy

12. The authorities plan to accommodate some fiscal pressures arising from the war in the Middle East. They intend to prepare a supplementary budget (**new end-September 2026 SB**) that envisages a **0.5 ppts of GDP** smaller domestic primary surplus than in the original budget (MEFP110).

- **Revenues.** The authorities pledged to recover the Q1-2026 revenue shortfall by improving collection efforts and swiftly implementing the remaining Finance Act 2026 tax measures. Nonetheless, revenues are expected to fall short of target (**0.3 ppts of GDP**) due to the growth slowdown and the lower demand for fuel imports.¹
- **Policy support to mitigate the impact of the war in the Middle East.** The authorities plan to treat fuel price subsidies as strictly temporary, will cap their cost at **0.13 ppts of GDP** in 2026 and will allow for full pass-through of oil prices when the envelope is exhausted. They remain committed to the **continuous SB** on fuel pricing, which was updated to reflect the agreement to temporarily permit price subsidies. The authorities are also seeking grants from development partners to finance higher social spending and will create a fiscal buffer in the supplementary budget (**0.2 ppts of GDP**) to guard against slippages, considering the significant fiscal pressures and the uncertainty surrounding the oil price shock. They are committed to spending the buffer only in Q4-2026, and only to the extent that it can still be accommodated under the end-December NCG ceiling.²

¹ The projected 0.3 ppts decline in revenue is subject to significant uncertainty as Finance Act 2026 measures are implemented and the war in the Middle East disrupts activity.

² Social safety nets are undeveloped in Sierra Leone, which limits the extent to which the authorities can provide a targeted response to the war in the Middle East. However, RM5 under the proposed RSF arrangement envisages establishing a new digital social protection registry, which would allow for a more targeted response going forward.

- **IPP transfers and capital spending.** The authorities plan to more than offset IPP transfer overruns through capital spending cuts (reducing spending on balance by **0.1 ppts of GDP**). The supplementary budget will include an updated PIP annex to detail budget allocations by project that are consistent with the updated capital spending envelope. The cuts will preserve priority spending, including on the census, the Feed Salone program, and the contributions to multilateral and bilateral projects.

13. Contingency planning will remain critical. Should additional spending pressures materialize or revenues fall short, the first line of defense would be the fiscal buffer. If that is not enough, the authorities would consider (i) further rationalizing domestically financed capital expenditure and reducing goods and services spending; (ii) frontloading the implementation of TADAT recommendations; (iii) increasing energy tariffs; and, if necessary, (iv) introducing tax policy measures, including increases in tobacco excises and further rationalization of GST exemptions on food items (MEFP¶15).

14. An important focus of the authorities' revenue mobilization efforts will be on extractive industries. The **end-March SB** to operationalize the iron ore safe harbor—a predefined pricing rule for taxing iron ore transactions between affiliated parties—was missed, but the authorities now plan to complete it as a **Prior Action** by applying the pricing formula unless an advance pricing agreement has already been concluded with the relevant iron ore mining company. They also remain committed to the **continuous SB** to uphold EIRA terms in mining agreements and will renegotiate any agreements that are not compliant. To this end, as a **Prior Action**, they plan to provide evidence that all mining agreements ratified since December 2025 are in full compliance with the Act (MEFP¶11).

15. The government also plans to improve tax and customs administration (MEFP¶12). A recent Tax Administration Diagnostic Assessment Tool (TADAT) mission revealed significant weaknesses in administration, and progress on reforms has been slow.³ Against this backdrop, the **end-September 2026 SB** to undertake a RAGIA assessment has been replaced with a **new end-April 2027 SB** to enhance the CRM framework. To strengthen customs operations, the authorities also intend to ensure that core customs functions will be performed solely by customs authorities, as recommended in the Governance and Corruption Diagnostic (**new end-November 2026 SB**).

16. Reforming the energy sector remains an important priority. The Electricity Distribution and Supply Authority (EDSA)'s sizeable arrears with IPPs, significant technical losses, and poor revenue collection constitute substantial fiscal risks.⁴ The authorities are committed to accelerating WB-supported energy sector reforms, including by selecting a private concessionaire to operate and maintain the distribution network, and plan to swiftly operationalize the concession (**new end-May 2027 SB**, MEFP¶14). Transfers to IPPs are projected to gradually decline from \$62.5 million in 2026

³ While the NRA updated compliance improvement plans for large taxpayers and extractive industries, the MoF-NRA performance contract, the ASYCUDA upgrade, and the selection of a provider for the electronic single window at customs are pending. Progress on customs revenue enhancement activities is uneven.

⁴ EDSA arrears are monitored monthly by the MoF's fiscal risk unit and amounted to US\$113 million at end-February.

to \$20 million in 2030, as efficiency and collections improve and lower cost alternatives substitute for Diesel generation, supported by investments in solar (Solar Planet and Respite) and gas (Nant), and MCC support for the southern transmission corridor. Nonetheless, the authorities are committed to cutting other spending should IPP transfers continue to surprise on the upside.

B. Debt Sustainability

17. Sierra Leone’s debt is sustainable, but at high risk of distress. Under the baseline, the external debt service-to-revenue ratio would breach its threshold until 2028, and the present value of the public debt-to-GDP ratio would breach its threshold in 2026. Staff project total debt service-to-revenues to fall below 100 percent by 2028.

18. Further reducing domestic borrowing and adhering to external borrowing limits is paramount (Text Table 3). Net government borrowing from the domestic banking system has dropped from 4.4 percent of GDP in 2024 to 2.4 percent of GDP in 2025 and is projected to turn negative by 2027. Reducing domestic borrowing by persevering on the fiscal consolidation is critical to containing domestic borrowing costs.

19. Strengthening debt management will help contain debt related risks. The authorities are committed to (i) annually updating the Medium-Term Debt Strategy; (ii) issuing debt securities through competitive auctions; (iii) restricting the issuance of domestic FX-linked debt securities to exceptional circumstances in consultation with IMF staff, namely when favorable terms are available and the benefits clearly outweigh the considerable risks;⁵ (iv) strengthening market communication through regular investor fora at senior policy level and a new investor relations desk; (v) conducting market surveys on T-bond appetite; and (vi) improving debt management arrangements and domestic market practices, with WB and IMF TA support (MEFP121). In addition, the government should enhance the coverage of debt by improving the reporting of SOE debt and arrears.

C. Public Financial Management (PFM)

20. The government has agreed to a credible roadmap to strengthen arrears management (MEFP117). The **end-April 2026 SB** was missed—reflecting capacity constraints—and has been replaced by (i) a **Prior Action** to share with the IMF team a comprehensive stock-taking of central government expenditure arrears as of end-December 2025; (ii) a **new end-November 2026 SB** to publish the audit of the arrears stock and implement a new arrears profiling system; and (iii) a **new end-April 2027 SB** to publish an updated arrears clearance strategy.⁶ This more gradual sequencing of reforms accounts for capacity constraints amidst CD support and together with the coverage of both stock and flow issues (e.g., through the new profiling system) aims at mitigating

⁵ Staff currently do not expect domestic FX-related borrowing to recur.

⁶ The authorities are in the process of negotiating repayment of domestic FX-denominated legacy arrears to Compagnie Sahelienne d’Entreprises (CSE), a Senegalese road contractor incorporated in Sierra Leone, amounting to about \$60 million.

implementation and credibility risks. Once the audit of the new stock is complete, and the new monitoring system is in place, the perimeter of the domestic arrears IT can be expanded.⁷

Text Table 3. 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 debt financing	92	60–66
Concessional debt 2/	92	60–66
Non-concessional debt 3/	0	0
Use of debt financing	92	60–66
Project financing	92	60–66
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.

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

21. The government has made progress on other PFM reforms. Expenditure controls improved following corrective actions implemented during the first and second ECF reviews. These included approving the cash management system's terms of reference and preparing detailed investment pipelines and procurement plans. Consequently, overall spending remained within budgetary limits, and the stock of unpaid invoices returned to MDAs declined substantially compared to previous years. Key ministries, departments, and agencies (MDAs) have started monthly submissions to the cash management system, which informs quarterly budget allotments and the auction calendar (MEFP118). Going forward, the authorities plan to improve the quality of data submissions with IMF TA support. They are in the process of drafting an updated PFM Act and expect the SOE Act to be passed by Parliament later this year.

D. Monetary, Exchange Rate and Safeguards Policies

22. The BSL stands ready to tighten should inflationary pressures persist. With the oil price shock expected to be transitory, the BSL plans to maintain its programmed reserve money path and to refrain from further reducing the policy rate. The BSL agreed that a tighter policy stance may be needed if the shock proves larger and more persistent than anticipated (MEFP122).

23. The BSL is implementing its monetary policy reform strategy (MEFP123). The BSL Board approved its monetary policy strategy in December 2025, with full implementation scheduled for the

⁷ The domestic arrears IT currently only includes the stock pre-2018 legacy arrears and the stock of unpaid cheques at the BSL and AGD.

fourth quarter of 2026. The authorities are developing guidelines for market participants to engage in 7-day repo operations, including guidance on applicable haircuts for illiquidity and market risk when T-bonds are used as collateral. They plan to (i) use the 7-day reverse repos as the primary instrument for liquidity injection by June 2026 and to (ii) limit outright purchases of government securities to structural liquidity management purposes.

24. The BSL remains committed to allowing the exchange rate to flexibly adjust to shocks while it rebuilds reserve buffers (MEFP¶25). The BSL will purchase at least US\$35 million in FX every six months until the end of the program. However, given higher-than-expected government FX spending in Q1-2026, an additional US\$29 million in FX purchases is estimated to be required in Q2-2026 to achieve the end-June NIR target. To contain FX spending going forward, the government will not request FX from the BSL for (i) transfers to IPPs or (ii) for entities outside the central government (**FX spending PC**).

25. The authorities have begun to recapitalize the BSL. They provided the BSL with a first instalment through a 10-year bond with an 8 percent coupon in March (**end-March SB**), which will be followed by three additional installments this year. They intend to make full use of the dedicated budget allocation of Nle 971.5 million, which they consider would appropriately balance the need to rebuild BSL capital buffers with the government's fiscal constraints (MEFP¶26). They will carefully consider the terms of the forthcoming bonds in consultation with their auditors with view to their accounting treatment. Meanwhile, they requested IMF TA to assess risk-based recapitalization needs based on a stress testing exercise to further strengthen the BSL's balance sheet going forward.

26. Implementation of safeguards recommendations by the BSL is progressing, albeit at a measured pace. The authorities have reiterated their commitment to implementing safeguards recommendations (MEFP ¶27). While some steps have been taken, important gaps remain. Key outstanding recommendations relate to strengthening governance, building IFRS capacity, enhancing controls in monetary operations, and safeguarding the BSL's financial autonomy. The audit of the FY2025 financial statements is expected to be published by end June 2026; continued progress toward timely publication in line with statutory deadlines will be important.

27. The BSL is committed to refrain from monetary financing, and the MoF agreed to repay overdue budget support loans to the BSL. The MoF repaid ways and means advances in line with BSL Act Section 64(7) this year. However, since 2022, the government has repeatedly missed due dates for repayments of budget support loans related to ECF disbursements on-lent by the BSL to the government. The BSL is committed to working closely with IMF staff to strengthen compliance and control safeguards, and both the government and the BSL have pledged to fully comply with the updated MoU to ensure that on-lent budget support loans are henceforth repaid on time by the government. The government will repay all overdue budget support loans to the BSL—totaling some 1.5 percent of GDP—as soon as possible, and no later than by end-2026 (MEFP¶24).

E. Financial Sector Policies

28. The authorities plan to resolve Union Trust Bank (UTB) by end-June. They initiated resolution proceedings for UTB as a prior action for the first and second ECF reviews. The BSL has since hired an accounting firm to (i) provide an independent valuation of the assets and liabilities that will be transferred and (ii) determine the funding gap, which will be covered by the government. The government is finalizing the legal instrument to implement the transfer (MEFP128).

29. The authorities are strengthening the financial safety net (MEFP129). The crisis management and resolution framework was approved by the BSL board in December 2025, and the BSL's resolution section has drafted a manual that is now under internal review. The BSL plans to operationalize the resolution framework by the end of the year (**end-December 2026 SB**). The Deposit Protection Act is awaiting adoption by parliament.

30. More progress is needed on FX supervision and regulation. The authorities are committed to strengthening staff training and initiating bank FX risk management examinations, including on placements abroad. They should also increase the frequency of net open position reporting from banks and introduce reserve requirements on FX deposits by end-September 2026 (MEFP130).

31. As private lending expands, the BSL needs to monitor it carefully. Banks have a limited pool of high-quality borrowers, and the expansion of the loan book will require good underwriting, credit risk management and NPL recovery practices as a way for banks to safely support economic growth.

F. Governance and Institutions

32. The government has taken steps to implement the recommendations of the Governance and Corruption Diagnostic (GCD). The GCD was published last year.⁸ The end-March 2026 SB to strengthen the governance arrangements of key mining sector entities was not met as the government discontinued the contract with Mountain View, abolished the Mineral Wealth Fund (MWF), and replaced it with a new Exploration and Mining Company (EMC). Nonetheless, the authorities made substantive progress on the three elements of the SB. In particular: (i) the MMDMC's audited 2024 financial statements were published;⁹ (ii) cabinet adopted a policy on the appointment of independent directors that applies to the MMDMC, EMC, and similar entities and (iii) cabinet adopted a KPI policy that applies to the MMDMC and related entities.

33. The authorities are developing an action plan to implement the remaining GCD recommendations. They plan to set up a taskforce to oversee implementation of the

⁸ The report can be found here: <https://mof.gov.sl/wp-content/uploads/2025/12/Technical-assistance-report-Sierra-Leone-governance-and-corruption-diagnostic.pdf>.

⁹ The financial statements can be found here: <https://mof.gov.sl/wp-content/uploads/2026/04/SLMMMC-AUDITED-FINANCIAL-STATEMENTS-31ST-DECEMBER-2024-1.pdf>.

recommendations by June 2026 and develop a detailed action plan by October 2026 (MEFP131). They have also made progress towards meeting the **end-September SB** to amend the Anti-Corruption Act with a requirement for the risk-based verification and publication of asset declarations for politically exposed persons (MEFP132).

34. The authorities are also making progress on implementing the 2025 National AML/CFT strategy but should address implementation and capacity gaps. They have made progress in strengthening the AML/CFT framework, including by completing the 2023 National Risk Assessment and validation of the national AML/CFT strategy, supported by broad stakeholder engagement and capacity-building. They are also making beneficial ownership more transparent, including by drafting regulations that mandate disclosure and verification. However, implementation of targeted financial sanctions remains weak and limited capacity and resources hamper financial sector supervision.

RSF ARRANGEMENT

35. Sierra Leone's economy is highly vulnerable to climate shocks (Annexes IV/V). It ranks 22nd on the 2021 IMF-adapted ND-GAIN index. Agriculture, which is primarily rainfed, accounts for half of employment and 30 percent of value added. Sierra Leone's capacity to absorb and respond to climate shocks is constrained by limited fiscal space, weak institutions, data challenges, and an underdeveloped social safety net.

36. Past and projected temperature increases are expected to reduce output and adversely impact food security. Sierra Leone's average temperature has increased by 1°C over the last 60 years. The average number of heat days per year has increased from 30 to 40 over the last 20 years. Total annual rainfall is lower than in the 1950s, but Sierra Leone now experiences more intense rainfall episodes. The number of extremely hot days (above 35°C) could exceed 45 annually by 2050—more than double the current average. The WB's CCDR projects a decrease in yields for all rainfed crops and a 3-5 percent GDP loss from agriculture by 2050, while the CPD projects GDP per capita could fall by 8 percent by 2100, in the fastest warming scenario, assuming slow adaptation.

37. Sierra Leone is increasingly vulnerable to natural disasters and reduced access to drinking water. Sierra Leone experiences frequent floods and sporadic yet severe landslides, with 14 occurrences since 2004. More intense rainfall could further heighten these risks. A major landslide in 2017 caused damages of about US\$36 million (0.5 percent of GDP), and model estimates suggest that a 1-in-25 years river flood would cause US\$75 million in losses and damages (1 percent of GDP). Despite high rainfall, only about half of Sierra Leone's population has access to treated water, with the remainder relying on rivers, lakes, and unprotected wells, which are vulnerable to extreme heat and changing precipitation patterns.

38. Sierra Leone's low-lying coastline is highly exposed to flooding, storm surges, erosion, and saltwater intrusion. Freetown, where about 20 percent of the country's population reside (about 1.5 million people), has an average elevation of less than 15 meters above sea level. Under a

moderate emissions pathway, projections indicate a median sea level rise of 0.6 meters from 2000 to 2100, increasing to 0.8 meters under a very high emissions scenario. Without adaptation, the annual average cost of sea level rise is estimated at 0.3–0.4 percent of GDP. These costs are expected to stem primarily from loss of life and damage to physical capital during storm surges.

39. The authorities consider strengthening climate resilience a national priority. The 2024–2030 Medium-Term National Development Plan identifies climate resilience as a cross-cutting priority. The updated Nationally Determined Contributions (NDC) and National Adaptation Plan (NAP) outline climate priorities, focusing on adaptation (including in agriculture, water and energy) with an emphasis on social inclusion and infrastructure. Despite Sierra Leone’s limited capacity and resources, the authorities have shown strong ownership and effectively coordinated among ministries and agencies on RSF reform measures. The RMs will be implemented with technical support from the IMF, World Bank (WB), and the Global Center on Adaptation (GCA).

40. Staff support the authorities’ request for an RSF arrangement.

- **Eligibility.** Sierra Leone meets the RSF eligibility criteria based on its per capita Gross National Income (GNI). It is classified as a Group A country for the purpose of IMF interest charges.
- **Access.** Staff propose access of 75 percent of quota (SDR 155.55 million), which will be used for budget support. The proposed access reflects staff’s assessment that the reform measures (RMs) are ambitious and feasible given Sierra Leone’s institutional capacity.
- **Duration.** The duration of the proposed RSF is aligned with the remaining duration of the ECF arrangement (until December 30, 2027).

41. The proposed RSF would support efforts to strengthen resilience and balance of payments (BOP) stability (Annex VI). The proposed RMs focus on three priority areas at the intersection of climate and development: (i) climate-sensitive public investment management; (ii) climate resilience; and (iii) financial stability (MEFP Table 3). The package of RMs reflects Sierra Leone’s capacity, fiscal, and political constraints, and is informed by recent climate diagnostics and consultations with the authorities and development partners.¹⁰ Without timely adaptation and resilience-building, climate change would likely amplify macroeconomic volatility and external imbalances, as disaster-related losses and reduced productivity would translate into higher fiscal deficits, increased external financing needs, and greater vulnerability to BOP shocks (Annex IV). It is expected that the RSF will catalyze other climate financing by providing an improved institutional environment and a more stable and resilient investment climate (see Annex IV for the potential catalytic role of each RM).

42. The first RSF pillar is climate-sensitive public investment management (Annex IV; MEFP135). Sierra Leone’s public investment and budgeting systems are not well aligned with climate objectives. The RMs under this pillar will enable climate-informed resource planning, strengthen

¹⁰ Diagnostics include the Climate Policy Diagnostic (CPD, 2024), the Climate Module of the Public Investment Management Assessment (C-PIMA, 2024), and the Country Climate and Development Report (CCDR, 2025).

fiscal risk management, improve infrastructure maintenance, and enhance spending transparency, supported by IMF TA.

- **RM1. Climate resilient investment planning and risk management.** This RM supports the authorities in adopting a framework for a climate-sensitive public asset registry, and in beginning to implement the framework by completing assessments for selected critical assets in priority sectors. The RM will allow more effective management of public non-financial assets vulnerable to climate events.
- **RM2. Maintenance plans for climate-vulnerable infrastructure.** This RM will support the Ministry of Planning and Economic Development (MOPED) and the National Assets and Government Property Commission (NAGPC) in their efforts to develop and adopt a framework for climate-sensitive infrastructure maintenance. This framework would be the basis for ensuring that maintenance plans and funding consider climate-related exposures, enhance investment efficiency, protect valuable economic and social assets, and limit unexpected fiscal shocks.

43. The second RSF pillar is climate resilience. Sierra Leone has limited capacity to assess macro-fiscal risks arising from climate change and natural disasters. At the same time, support systems are weak and vulnerable populations and essential services are highly exposed to climate shocks. The RMs in this pillar will strengthen household and service resilience by supporting actions to assess macro-fiscal risks (MEFP136), improve disaster preparedness (MEFP136), streamline social protection (MEFP137), and build water sector financial sustainability (MEFP138).

- **RM3. Assessing fiscal risks from climate change.** The Ministry of Finance will develop a methodology to quantify fiscal risks from natural disasters with IMF TA support. The authorities will publish both the methodology and results of its application on the MoF website. The RM is expected to help the government prepare for fiscal costs in the event of a natural disaster, reducing the need for external financing and imports for reconstruction. The authorities intend to use the methodology to include an updated assessment of the impact of natural disasters in the fiscal risks statement accompanying the yearly budget process.
- **RM4. Mapping areas vulnerable to natural disasters and climate change.** The National Disaster Management Agency (NDMA) will prepare a national vulnerability map, covering the main climate related hazards in Sierra Leone. The map will be published on the Ministry of the Environment and Climate Change (MoECC) and/or NDMA websites. The main climate hazards expected to be covered are extreme heat, changes in precipitation patterns, floods (pluvial, fluvial, coastal), landslides, coastal erosion, drought, and wildfire. The RM is expected to reduce economic losses, and the need for government support, following disasters. TA support will be provided by the GCA.
- **RM5. Creating a Digital Social Protection Registry (DSPR).** The National Social Protection Authority will establish a new digital social protection registry to target social support to those in extreme poverty, including households with exposure to climate risks and natural disasters.

The new registry will link information in the existing beneficiary registries, which covers approximately 10 percent of extreme poor households, to the national identification system. As part of the RM, protocols for dynamic updating and poverty ranking will be established. The DSPR will strengthen economic and social resilience by enabling faster, better targeted, and scalable support following shocks, including from natural disasters. At present, social support is commonly provided through less efficient instruments, including fuel subsidies. TA support will be provided by the WB.

- **RM6. Expanding the DSPR to additional households.** The National Social Protection Authority (NSPA) will expand coverage of the new DSPR to include at least 100,000 additional households in extreme poverty and in climate-vulnerable areas. RM6 ensures that the DSPR evolves into an effective climate-shock-responsive registry that functions for households who live in climate-vulnerable areas, defined by up-to-date vulnerability mapping. This reform is ambitious as it requires the NSPA to transition from managing a limited beneficiary database to delivering a climate-informed expansion of the registry, while operationalizing vulnerability-based targeting systems at scale. TA support will be provided by the WB, which has already started engaging the authorities and helped inform the design of RM6 to ensure that it is feasible within the RSF timeframe.
- **RM7. Developing a water tariff methodology.** The Electricity and Water Regulatory Commission (EWRC) will develop a multi-year water tariff methodology, consistent with IMF and WB technical advice, and use it to implement an appropriate increase in water tariffs. The RM will support climate resilience and sustained growth by improving the financial sustainability of water utility companies, enabling greater investment in resilient water infrastructure, lowering the fiscal cost of supporting the water sector, and strengthening water-dependent, export-oriented sectors such as agriculture. Initial TA support from FADEP has informed the design of the RM, while subsequent TA support will be provided by the WB.

44. The third RSF pillar is financial stability (MEFP139). Sierra Leone's financial sector lacks tools to manage climate risks. RSF reforms will strengthen the BSL's capacity to collect data and develop climate risk monitoring tools to assess financial stability risks.¹¹ TA support will be provided by the IMF.

- **RM8. Reporting banks' loan exposure to climate risks by location and sector.** The BSL will require commercial banks to report data on loans and collateral by geographic locations (16 districts) and sectors. RM8 will improve financial stability and asset allocation, thereby reducing economic losses following disasters.
- **RM9. Identifying transmission channels of climate risks to the financial sector.** The BSL will prepare and publish a report on its website identifying physical risk transmission channels to the

¹¹ Given capacity and other constraints in Sierra Leone, strengthening underlying institutional frameworks and assessing risks to financial stability that stem from climate change are first-order priorities to catalyze climate finance in the medium- to long run.

financial sector. By linking the collected loan and collateral data from RM8 with climate hazard and vulnerability data from RM4, RM9 will support the development of forward-looking physical risk indicators. Like RM8, it is expected to improve financial stability and asset allocation, thereby reducing economic losses after disasters.

PROGRAM MODALITIES

45. Staff support the authorities' requests for (i) completion of the third ECF review, (ii) modification of performance criteria, and (iii) waivers of non-observance of the end-December PC on NDA and the continuous PC on concessional external borrowing, on the basis of corrective actions. The authorities have corrected (i) the breach of the end-December 2025 NDA ceiling by bringing the NDA on track, as of end-March, to achieve the revised (tighter) end-June 2026 target; and (ii) the breach of the 2025 concessional external debt ceiling by reducing the 2026 ceiling by the amount of the slippage (US\$8.5 million).

46. The authorities commit to implementing three prior actions for the third ECF review. First, they will operationalize the iron ore safe harbor by applying the pricing formula unless an advance pricing agreement has already been concluded with the relevant iron ore mining company (¶14, MEFP¶11). Second, they will share with IMF staff a comprehensive stock-taking of central government expenditure arrears (¶20, MEFP¶17). Third, they will provide evidence that all mining agreements ratified since December 2025 comply with EIRA in their latest ratified form (¶14, MEFP¶11).

47. Staff also support the request for modification of performance criteria on NCG, NDA, NIR, and new concessional external debt for June and December 2026 (MEFP¶47). The NCG ceiling would be raised by Nle 2242 million in June and by Nle 828 million in December. The proposed changes in the NCG target primarily correspond to the changes in the overall balance (including grants), relative to the 1st and 2nd ECF reviews, after accounting for changes in net external financing. The main drivers of the change in the overall balance are the lower-than-expected revenues (especially in 2026H1), increased net expenditure amid the oil price shock, delays in AfDB and World Bank budget support grants from Q2 to Q4, and an increase in projected domestic interest payments. The NDA ceiling would be tightened in June by 5.4 percent to correct the end-December slippage, while the end-December target would remain determined by the end-year reserve money objective. The end-June NIR target will be modified to reflect the latest information on the timing of budget support disbursements. The continuous PC on new concessional external debt would be tightened by US\$8.5 million in 2026 to correct the 2025 slippage. In addition, staff propose to amend the definitions of (i) budgetary FX spending per TMU¶15 to clarify its scope and source of information; (ii) monitoring and reporting of fiscal spending on the National School feeding Program per TMU¶20 to require quarterly, rather than monthly, reporting with a detailed breakdown; and (iii) the adjustment clause for FX bonds per TMU¶14 to cover any new or re-issued FX bonds.

48. Financing assurances are adequate. The ECF is fully financed, with firm commitments for the next 12 months from the WB, AfDB, and EU and good prospects for the remainder of the program. The overall share of Fund financing in official budget support for the program period is estimated at 69.5 percent (55 percent excluding the RSF, unchanged from the last ECF review). However, the WB and AfDB budget support disbursements were delayed until Q4 2026.

49. Sierra Leone's capacity to repay the IMF remains adequate, but downside risks are significant. Under the baseline, the proposed RSF would push Sierra Leone's total Fund credit outstanding (Figure 4) into the top quartile of past PRGT-only arrangements and increase the already-high stock of senior debt. The BSL has rebuilt reserves, but they remain low. Projected Fund credit outstanding would peak at 7.5 percent of GDP in 2027, equivalent to 244 percent of quota and 114 percent of gross reserves (Figure 4, Table 6). Given the RSF's 10.5-year grace period, Sierra Leone's obligations to the Fund would remain manageable since repayments would begin only after the ECF is repaid. Annual gross repayments to the Fund are projected to peak in 2026 at 4.2 percent of exports and 0.9 percent of GDP. Positive factors include the significant improvement of Sierra Leone's fiscal position in recent years (Text Figure 1), the authorities' strong track record of servicing IMF debt, their commitment to reforms as demonstrated by the improved program performance, and continued donor support.

STAFF APPRAISAL

50. Staff welcome the improved program performance. The authorities met most continuous and end-December PCs and are addressing target slippages and reform delays.

51. The fiscal consolidation in recent years has created some fiscal space to counter the fallout from the war in the Middle East. Staff support the authorities' decision to accommodate revenue shortfalls in the supplementary budget and can go along with modest fuel price subsidies, so long as these remain strictly temporary and transparent and adhere to the agreed cost ceiling. The authorities are encouraged to seek grant support from donors to expand social programs.

52. However, fiscal space is limited and persevering on the fiscal consolidation is critical to keep debt on a sustainable path. Sierra Leone's debt is sustainable but at high risk of distress. The authorities need to continue to consolidate to reduce borrowing from the domestic market while adhering to external borrowing limits. Contingency planning will be important in case fiscal outturns disappoint. Steadfast implementation of energy sector reforms, and reinforced PFM and arrears management, will help avoid fiscal slippages. To further contain debt related risks, the authorities should bolster debt management and lengthen debt maturities.

53. Stepped-up tax administration will support revenue mobilization. The authorities should enhance the CRM framework and strengthen customs operations, including by ensuring that core customs functions will be performed solely by customs authorities. The safe harbor for iron ore should help boost mining sector revenues alongside the authorities' commitment to uphold EIRA terms in new mining agreements.

54. The BSL should stand ready to tighten monetary policy should inflationary pressures persist. Implementing the monetary policy strategy will strengthen policy frameworks and introduce new liquidity tools. Staff welcome the authorities' commitment to avoid monetary financing and repay overdue budget support loans related to past ECF disbursements as soon as possible.

55. Progress on safeguards reforms is critical. Steps to recapitalize the BSL are welcome, but the authorities should carefully consider the terms of future recapitalization bonds and reassess the need for additional support in consultation with IMF TA.

56. Rebuilding FX reserves is paramount. The BSL should continue purchasing FX in the markets. Coordination between the MOF, BSL and MDAs should improve to better track FX spending and ensure it does not exceed program targets.

57. As private lending expands, the BSL should monitor it carefully. Banks have a limited pool of high-quality borrowers, and the expansion of the loan book will require good underwriting, credit risk management and NPL recovery practices. Staff also encourage the BSL to make swift progress in operationalizing the bank resolution framework, introducing FX reserve requirements, and completing the resolution of the problem bank.

58. The authorities have made progress on governance and anti-corruption reforms.

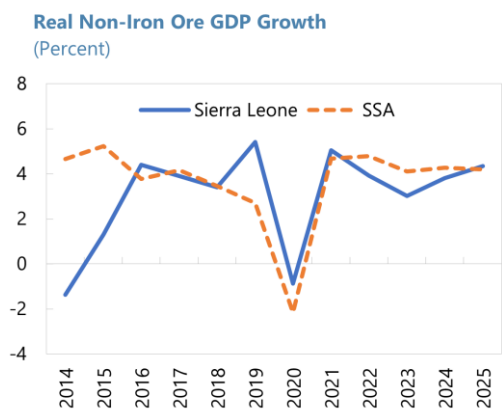
Pursuing an action plan to implement the recommendations of the GCD will help focus and coordinate reform efforts.

59. Staff welcome the authorities' request for the proposed RSF arrangement. Reforms to strengthen (i) climate-sensitive public investment management, household and service resilience, (iii) disaster preparedness; (iv) social protection; (v) water sector financial sustainability; and (vi) the financial sector's capacity to manage climate risks should strengthen resilience and BOP stability.

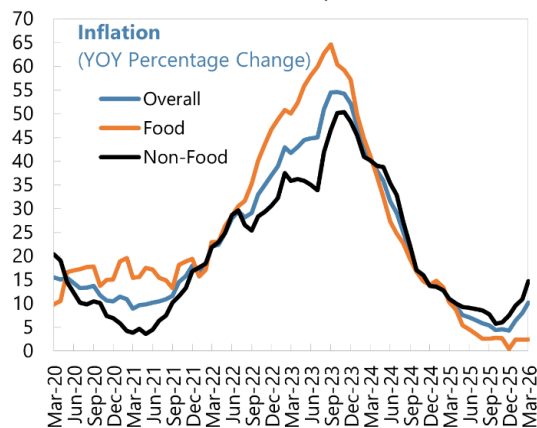
60. On the basis of the authorities' prior actions and corrective actions, staff support the requests for completion of the third ECF review, waivers of nonobservance of missed PCs, modification of PCs, and approval of the RSF arrangement.

Figure 2. Sierra Leone: Real and External Sectors, 2014-26

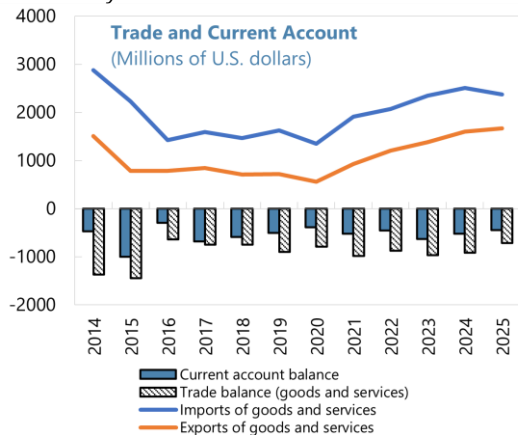
Non-iron ore growth accelerated in 2025.



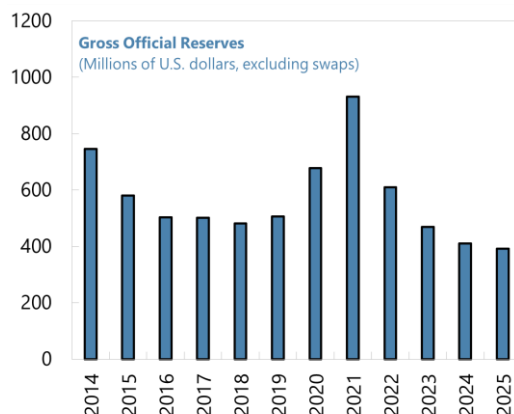
Inflation fell to the BSL's single-digit objective last year but has since increased amid the oil price shock.



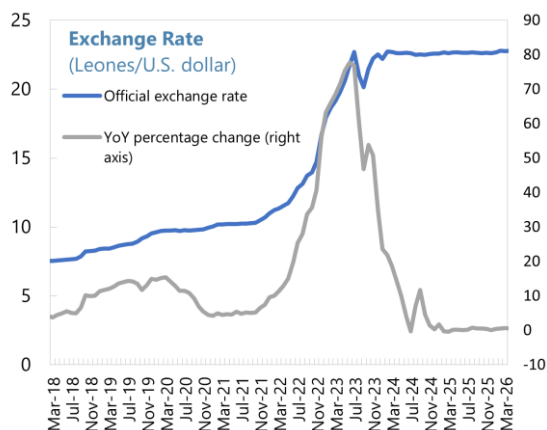
Exports have continued to grow while imports edged down last year.



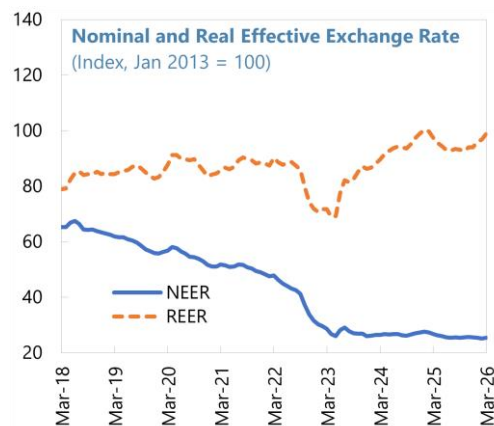
Official reserves declined further in 2025.



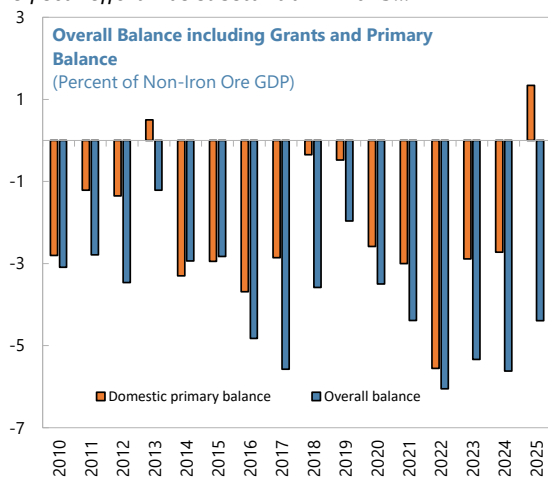
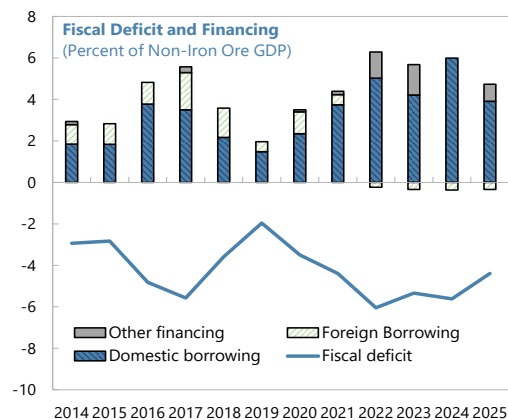
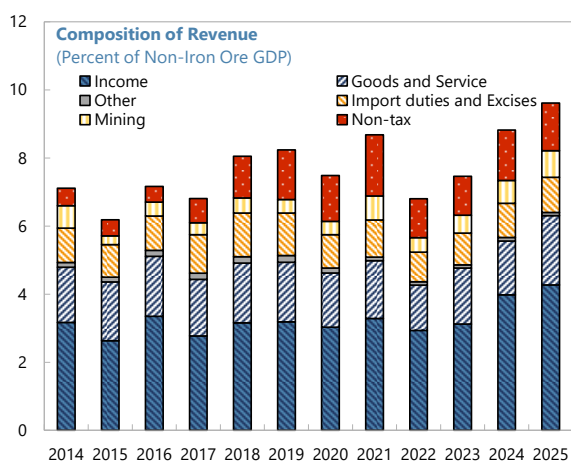
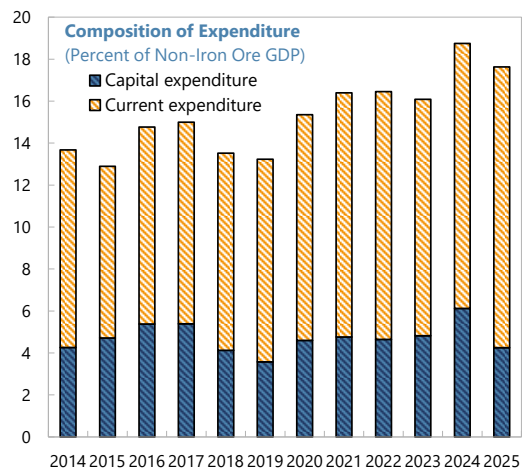
The nominal exchange rate against the dollar remains stable ...



... and the REER appreciated in recent months.



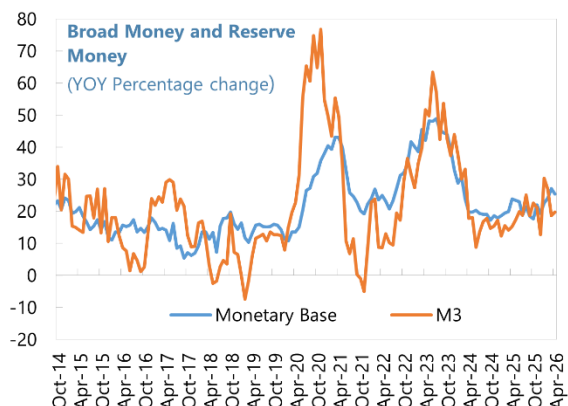
Sources: Sierra Leonean authorities; and IMF staff estimates.

Figure 3. Sierra Leone: Fiscal Sector, 2010-25*The fiscal effort was substantial in 2025...**... and domestic borrowing decreased.**Revenue collection continues to improve ...**... and expenditures decreased.*

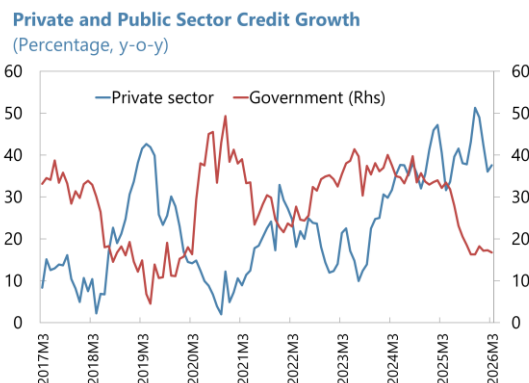
Sources: Sierra Leonean authorities; and IMF staff estimates.

Figure 4. Sierra Leone: Monetary and Financial Indicators, 2014–26

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

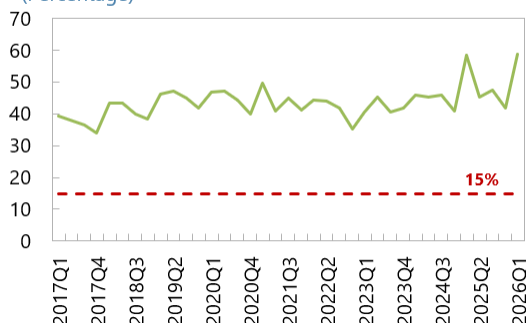


...and private credit growth has picked up.

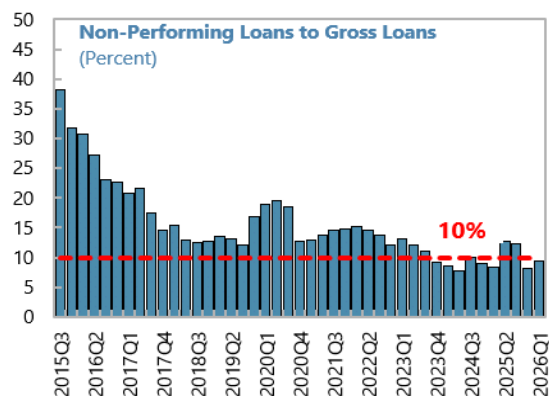


The banking sector is well capitalized, ...

Total Bank Regulatory Capital to Risk-Weighted Assets
(Percentage)

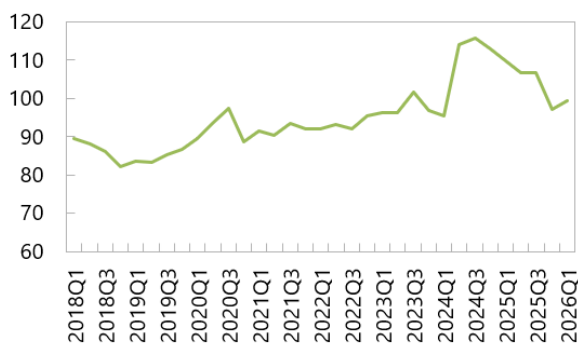


... NPL ratios have fallen below the 10 percent threshold...

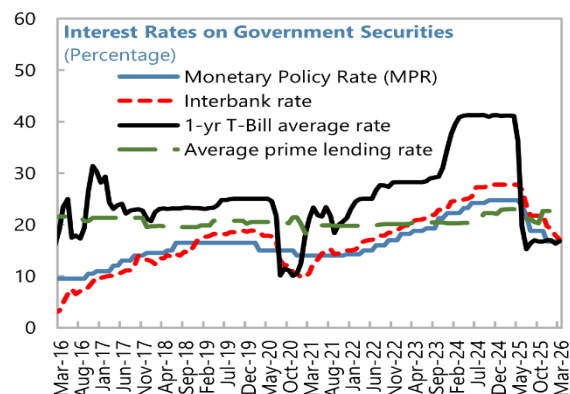


... and banks remain liquid.

Liquid Assets to Short-Term Liabilities
(Percentage)



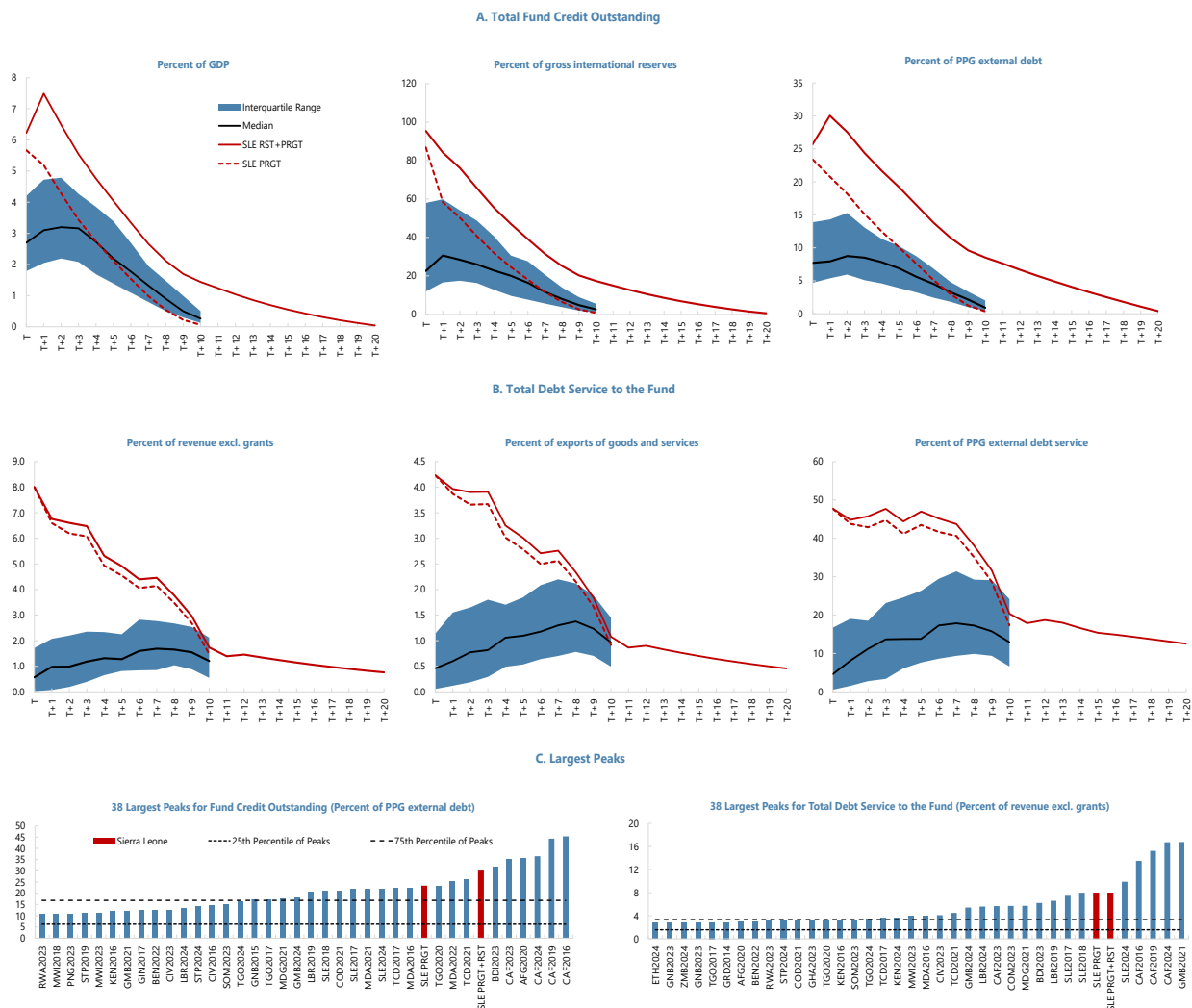
Interest rates have remained stable since last year's decline.



Sources: Sierra Leonean authorities; and IMF staff estimates.

Figure 5. Sierra Leone: Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries

(In percent of the indicated variable)



Notes:

- 1) T = date of arrangement approval. PPG = public and publicly guaranteed.
- 2) Red lines/bars indicate the CIR indicator for the arrangement of interest.
- 3) The median, interquartile range, and comparator bars reflect arrangements (including blends) approved for PRGT countries between 2014 and 2024.
- 4) The comparator group "All PRGT" excludes arrangements that never had a UCT between 2014 and 2024.
- 5) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.
- 6) Comparator series is for PRGT arrangements only and runs up to T+10.
- 7) Debt service obligations to the Fund reflect prospective payments, including for the current year.
- 8) In the case of blends, the red lines/bars refer to PRGT+GRA. In the case of RST, the red lines/bars refer to PRGT+GRA+RST.
- 9) International reserves are provided by imputed reserves as measured by net foreign assets or by the currency union's total reserves for LICs that are part of currency unions.

Table 1. Sierra Leone: Selected Economic Indicators, 2024-31

	2024	2025		2026		2027		2028	2029	2030	2031
		1st & 2nd rev.	Prel.	1st & 2nd rev.	Proj.	1st & 2nd rev.	Proj.		Proj.		
(Annual Percent Change, unless otherwise indicated)											
National account and prices											
Growth											
GDP at constant prices	4.4	4.4	5.0	4.5	4.0	4.7	4.5	4.6	4.6	4.6	4.6
GDP excluding Iron ore	3.8	4.3	4.8	4.4	4.0	4.6	4.4	4.6	4.7	4.8	4.8
GDP excluding mining	4.1	4.5	4.5	4.1	3.9	4.4	4.4	4.5	4.8	4.8	4.8
GDP deflator	10.3	6.7	7.2	7.5	6.4	6.8	7.9	6.9	6.9	7.1	7.4
Inflation											
Consumer prices (end-of-period)	13.8	7.0	4.3	9.0	11.6	9.0	9.0	9.0	9.0	9.0	9.0
Consumer prices (average)	28.4	8.3	7.6	9.6	9.3	9.0	9.9	9.0	9.0	9.0	9.0
External sector											
Terms of trade (deterioration -)	-6.8	0.3	5.8	-0.6	-4.9	-2.1	-0.2	-1.3	-1.6	-0.5	1.2
Exports of goods	15.6	4.1	4.5	6.2	5.9	3.7	5.0	4.3	2.8	3.4	4.8
Imports of goods	6.4	-3.9	-7.0	1.5	3.9	2.3	3.8	4.1	3.3	4.2	4.7
Gross international reserves (excl. swaps) (months of next year's imports)	2.1	2.0	2.0	2.5	2.7	2.9	3.8	3.7	3.7	3.8	3.8
Money, credit and reserves											
Domestic credit to the private sector	41.2	31.2	49.0	21.0	23.4	21.2	21.2	21.2	20.9	20.9	20.9
Domestic credit to the private sector (percent of non-iron GDP)	4.3	4.9	5.5	5.3	6.2	5.7	6.6	7.1	7.7	8.3	8.9
Base money	17.2	14.5	12.8	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6
M3	18.0	14.5	19.3	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6
Gross international reserves (excl. swaps) (US\$ millions)	410	403	392	503	559	601	829	831	860	916	966
(In percent of non-iron ore GDP, unless otherwise indicated)											
National accounts											
Gross capital formation	21.3	19.1	18.8	19.5	19.0	19.2	19.1	19.0	19.4	19.8	19.7
Government	6.1	4.5	4.2	4.5	3.9	3.7	3.5	3.3	3.5	3.4	3.1
Private	15.2	14.6	14.6	15.1	15.1	15.5	15.5	15.6	15.9	16.4	16.5
National savings	14.2	14.0	13.4	16.4	15.3	16.4	15.4	15.1	15.2	15.4	15.4
Debt											
Public debt	51.1	49.3	49.3	47.3	47.3	44.3	43.5	39.9	36.9	33.9	31.1
Domestic	20.0	20.9	22.4	20.2	21.8	18.3	17.3	15.4	13.3	11.1	9.3
External public debt (including IMF)	31.0	28.4	26.9	27.1	25.5	26.0	26.1	24.6	23.6	22.8	21.8
External sector											
Current account balance											
(including official grants)	-7.1	-5.1	-5.4	-3.1	-3.7	-2.8	-3.6	-3.8	-4.2	-4.3	-4.3
(excluding official grants)	-10.4	-5.5	-5.7	-4.2	-5.0	-3.6	-4.4	-4.6	-4.6	-4.7	-4.7
Central government budget											
Domestic primary balance 1/	-2.7	0.6	1.3	1.6	1.1	2.9	2.9	3.0	3.0	3.0	3.0
Overall primary balance	-2.4	-0.6	0.5	1.2	0.9	2.3	2.4	2.5	1.9	2.0	2.1
Overall balance	-5.6	-5.4	-4.3	-2.3	-2.8	-0.7	-0.5	-0.1	-0.4	-0.1	0.4
Overall balance (excluding grants)	-9.1	-7.3	-6.9	-4.4	-5.1	-2.5	-2.4	-1.8	-1.6	-1.0	-0.4
Revenue (excluding grants)	10.1	10.8	10.7	11.8	11.5	12.3	12.3	12.3	12.3	12.3	12.3
Grants	3.4	1.9	2.6	2.0	2.2	1.8	1.9	1.7	1.2	1.0	0.7
Total expenditure and net lending	19.1	18.1	17.6	16.2	16.6	14.8	14.7	14.1	13.9	13.3	12.7
Financing											
External financing (net)	-0.4	0.2	-0.2	0.3	0.4	0.2	0.2	0.4	0.9	0.9	0.7
Domestic financing (net)	6.0	5.1	4.5	2.0	2.5	0.5	0.4	-0.3	-0.5	-0.9	-1.0
o/w Banks, net of Budget Support	4.4	3.3	2.4	1.1	1.0	-0.4	-2.5	-0.8	-1.1	-1.5	-1.4
o/w IMF Budget Support	0.7	0.5	0.6	0.1	0.7	0.1	2.1	-0.6	-0.5	-0.4	-0.4
o/w non-bank sector	0.9	0.6	0.3	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Memorandum items:											
GDP at market prices (Leone millions)	157,363	175,397	177,239	197,185.5	196,234	220,415	221,340	247,666	276,758	309,988	348,325
Excluding iron ore (Leone millions)	144,521	165,939	168,080	187,511.3	186,273	210,210	211,286	237,289	266,141	298,463	335,370
Excluding iron ore (US\$ millions)	6,397	7,273	7,418	7,806.9	8,128	8,188	8,893	9,348	9,807	10,286	10,808
Per capita GDP (US)	806	926	887	968.5	951	992	1,014	1,040	1,066	1,094	1,126
National currency per US dollar (average) (Leone)	23	..	..	..	..	..	..	..	..	..	..
National currency per US dollar (EOP) (Leone)	23	..	..	..	..	..	..	..	..	..	..
Interest expense	3.2	4.8	4.8	3.6	3.7	3.0	2.9	2.6	2.3	2.0	1.7
Transfers to energy IPPs	0.8	0.5	0.3	0.3	0.8	0.2	0.3	0.3	0.3	0.2	0.2
Roads envelope	1.5	..	0.2	..	0.1	..	..	..	..	..	..
Off-budget grants	3.3	2.2	2.1	1.8	1.7	1.8	1.7	1.7	1.7	2.0	2.3

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, 2024-31
(Millions of Leone)

	2024	2025		2026		2027		2028	2029	2030	2031
		1st & 2nd rev.	Prel.	1st & 2nd rev.	Proj.	1st & 2nd rev.	Proj.		Proj.		
Total revenue and grants	19,525	21,078	22,366	25,935	25,654	29,620	29,969	33,145	35,928	39,586	####
Revenue	14,560	17,939	18,033	22,164	21,513	25,851	25,989	29,163	32,755	36,702	41,272
Tax revenue	12,424	15,717	15,720	19,021	18,532	22,323	22,461	25,216	28,340	31,753	35,716
Personal Income Tax	3,356	3,546	3,629	4,016	4,016	4,518	4,521	5,111	5,705	6,402	7,227
Corporate Income Tax	2,395	3,380	3,437	4,238	4,236	5,495	5,492	6,163	6,905	7,749	8,751
Goods and Services Tax	2,292	3,319	3,369	3,861	3,858	4,383	4,485	5,099	5,825	6,587	7,399
Excises	1,812	2,276	2,127	3,404	2,919	3,977	3,964	4,449	4,965	5,565	6,253
Import duties	1,449	1,679	1,708	2,075	2,063	2,362	2,413	2,780	3,107	3,479	4,107
Mining royalties and licenses	976	1,410	1,292	1,285	1,299	1,429	1,426	1,412	1,606	1,714	1,691
Other taxes	145	107	158	142	141	159	160	204	229	256	288
Non-tax	2,137	2,222	2,313	3,143	2,981	3,528	3,528	3,946	4,415	4,949	5,556
Grants	4,965	3,140	4,332	3,771	4,140	3,770	3,979	3,983	3,173	2,884	2,398
o/w Budget support	1,593	361	0	1,755	2,053	1,309	1,211	1,320	633	710	798
o/w Project grants	3,373	2,779	4,332	2,016	2,088	2,460	2,769	2,662	2,540	2,174	1,601
Expenditures and net lending	27,643	30,029	29,639	30,336	30,925	31,061	31,104	33,391	36,931	39,736	####
Current expenditures	18,238	22,283	22,144	21,651	23,002	23,069	23,366	25,243	27,344	29,562	31,945
Wages and salaries 1/	6,370	7,170	7,232	7,869	7,867	8,800	8,787	9,824	11,022	12,381	13,752
Goods and services	3,733	4,031	4,259	3,789	3,750	4,292	4,300	4,901	5,389	6,040	6,717
o/w School feeding program	319	331	340	1,123	1,072	1,200	1,213	1,295	1,509	1,759	1,901
o/w Security spending	1,108	942	942	799	816	856	886	995	1,116	1,252	1,406
Subsidies and transfers	3,445	3,095	2,606	3,286	4,505	3,665	4,160	4,399	4,788	5,062	5,680
o/w Transfers to Local Councils	128	285	231	345	345	385	387	423	483	552	630
o/w Elections and Democracy	97	92	31	100	100	105	406	237	146	164	184
o/w Fuel Subsidies	...	0	0	0	243	0	0	0	0	0	0
o/w Transfers to IPPs	1,112	750	443	480	1,432	513	713	762	814	580	621
Capital Expenditure 2/	8,852	7,399	7,031	8,391	7,258	7,707	7,453	7,863	9,346	10,090	10,513
Foreign financed	4,455	5,061	5,765	4,538	4,494	5,027	5,145	5,205	6,067	5,945	5,632
Domestic financed	4,397	1,079	1,266	2,699	1,610	2,680	2,308	2,658	3,279	4,146	4,881
Capital transfers	0	1,259	0	1,154	1,154	0	0	0	0	0	0
Net lending	0	0	0	0	0	0	0	0	0	0	0
Contingent expenditure	96	60	133	35	407	35	35	35	35	35	35
Arrears Paydown (cash)	457	287	331	259	259	250	250	250	207	49	0
Domestic primary balance 3/	-3,938	958	2,206	3,074	1,963	6,129	6,149	7,096	8,036	8,989	10,208
Overall primary balance	-3,428	-963	773	2,307	1,609	4,871	4,984	5,873	5,141	5,929	6,973
Interest	4,690	7,988	8,047	6,707	6,880	6,312	6,119	6,119	6,145	6,079	5,796
Domestic	4,416	7,669	7,734	6,431	6,654	6,003	5,809	5,649	5,597	5,441	5,077
Foreign	274	318	313	276	226	309	309	470	548	638	719
Overall balance including grants	-8,118	-8,951	-7,274	-4,401	-5,271	-1,441	-1,135	-246	-1,003	-150	1,177
Overall balance excluding grants	-13,083	-12,090	-11,606	-8,172	-9,411	-5,210	-5,115	-4,229	-4,176	-3,035	-1,221
Financing	8,118	8,951	7,274	4,401	5,271	1,441	1,135	246	1,003	150	-1,177
External financing (net)	-537	410	-351	602	655	445	393	1,051	2,397	2,695	2,235
Borrowing	1,083	2,282	1,507	2,522	2,406	2,567	2,376	3,051	4,341	4,641	4,032
Projects	1,083	2,282	1,433	2,522	2,406	2,567	2,376	2,543	2,718	2,906	3,107
Budget	0	0	74	0	0	0	0	0	809	865	925
unidentified						-2,123	...	508	814	871	0
Amortization	-1,620	-1,871	-1,858	-1,920	-1,751	-2,123	-1,983	-2,000	-1,944	-1,946	-1,797
Domestic financing (net)	8,655	8,541	7,625	3,798	4,616	996	742	-805	-1,394	-2,545	-3,412
Total Banking Sector (net)	7,351	6,217	4,943	2,347	3,175	-637	-899	-3,231	-4,370	-5,839	-6,095
Banks, net of Budget Support	6,345	5,397	3,974	2,097	1,897	-865	-5,374	-1,805	-2,965	-4,558	-4,822
IMF Budget Support 4/	1,006	821	969	250	1,277	228	4,475	-1,426	-1,406	-1,281	-1,273
Disbursements	1,153	1,825	1,820	1,654	2,720	1,768	5,900	0	0	0	0
of which, Regular ECF	1,153	1,825	1,820	1,654	1,559	1,768	1,639	0	0	0	0
of which, exceptional financing-RCF	0	0	0	0	0	0	0	0	0	0	0
of which, RSF	0	0	0	0	1,161	0	4,262	0	0	0	0
of which, SDR allocations onlending	0	0	0	0	0	-1,540	0	0	0	0	0
Repayments	-147	-1,004	-851	-1,403	-1,442	-1,540	-1,426	-1,426	-1,406	-1,281	-1,273
of which, Regular ECF	-147	-678	-534	-558	-749	-507	-469	-413	-321	-553	-1,115
of which, exceptional financing-RCF	0	-326	-317	-846	-693	-1,033	-956	-1,013	-1,085	-728	-158
of which, RSF	0	0	0	0	0	0	0	0	0	0	0
of which, SDR allocations onlending	0	0	0	0	0	-49	0	0	0	0	0
Non-Bank Sector	1,333	923	531	1,451	1,441	1,633	1,642	1,898	2,129	2,388	2,683
Use of SDR allocations	0	1,400	1,360	0	0	0	0	0	0	0	0
Other 5/	-29	0	791	0	0	0	0	528	847	906	0
Financing Gap	0	0	0	0	0	0	0	0	0	0	0
Memorandum item:											
Total Stock of Arrears 6/ 7/	1,751	1,112	1,730	804	1,423	505	1,124	874	667	619	619
Foreign Financed Capital expenditure	4,455	5,061	5,765	4,538	4,494	5,027	5,145	5,205	6,067	5,945	5,632
Loans	1,083	2,282	1,433	2,522	2,406	2,567	2,376	2,543	3,527	3,771	4,032
Project grants	3,373	2,779	4,332	2,016	2,088	2,460	2,769	2,662	2,540	2,174	1,601
Off-Budget grants 8/	4,737	3,616	3,590	3,388	3,232	3,799	3,516	3,995	4,487	5,388	6,098

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. Foreign capital expenditure is estimated as the sum of foreign project loans and grants.

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 of program disbursement for budget support.

5/ Other includes unpaid cheques and discrepancy.

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

7/ The total stock of domestic arrears only includes pre-2018 central government legacy arrears and the stock of unpaid cheques at the BSL and AGD.

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

Table 2b. Sierra Leone: Fiscal Operations of the Central Government, 2024-31
(Percent of non-iron ore GDP)

	2024	2025		2026		2027		2028	2029	2030	2031
		1st & 2nd rev.	Prel.	1st & 2nd rev.	Proj.	1st & 2nd rev.	Proj.	Proj.			
Total revenue and grants	13.5	12.7	13.3	13.8	13.8	14.1	14.2	14.0	13.5	13.3	13.0
Revenue	10.1	10.8	10.7	11.8	11.5	12.3	12.3	12.3	12.3	12.3	12.3
Tax revenue	8.6	9.5	9.4	10.1	9.9	10.6	10.6	10.6	10.6	10.6	10.6
Personal Income Tax	2.3	2.1	2.2	2.1	2.2	2.1	2.1	2.2	2.1	2.1	2.2
Corporate Income Tax	1.7	2.0	2.0	2.3	2.3	2.6	2.6	2.6	2.6	2.6	2.6
Goods and Services Tax	1.6	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.2
Excises	1.3	1.4	1.3	1.8	1.6	1.9	1.9	1.9	1.9	1.9	1.9
Import duties	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2
Mining royalties and licenses	0.7	0.8	0.8	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.5
Other taxes	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Non-tax	1.5	1.3	1.4	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.7
Grants	3.4	1.9	2.6	2.0	2.2	1.8	1.9	1.7	1.2	1.0	0.7
o/w Budget support	1.1	0.2	0.0	0.9	1.1	0.6	0.6	0.6	0.2	0.2	0.2
o/w Project grants	2.3	1.7	2.6	1.1	1.1	1.2	1.3	1.1	1.0	0.7	0.5
Expenditures and net lending	19.1	18.1	17.6	16.2	16.6	14.8	14.7	14.1	13.9	13.3	12.7
Current expenditures	12.6	13.4	13.2	11.5	12.3	11.0	11.1	10.6	10.3	9.9	9.5
Wages and salaries 1/	4.4	4.3	4.3	4.2	4.2	4.2	4.2	4.1	4.1	4.1	4.1
Goods and services	2.6	2.4	2.5	2.0	2.0	2.0	2.0	2.1	2.0	2.0	2.0
o/w School feeding program	0.2	0.2	0.2	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6
o/w Security spending	0.8	0.6	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Subsidies and transfers	2.4	1.9	1.6	1.8	2.4	1.7	2.0	1.9	1.8	1.7	1.7
o/w Fuel Subsidies	...	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
o/w Transfers to IPPs	0.8	0.5	0.3	0.3	0.8	0.2	0.3	0.3	0.3	0.2	0.2
Capital Expenditure 2/	6.1	4.5	4.2	4.5	3.9	3.7	3.5	3.3	3.5	3.4	3.1
Foreign financed	3.1	3.0	3.4	2.4	2.4	2.4	2.4	2.2	2.3	2.0	1.7
Domestic financed	3.0	0.7	0.8	1.4	0.9	1.3	1.1	1.1	1.2	1.4	1.5
Capital transfers	0.0	0.8	0.0	0.6	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
Contingent expenditure	0.1	0.0	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Arrears Paydown (cash)	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Domestic primary balance 3/	-2.7	0.6	1.3	1.6	1.1	2.9	2.9	3.0	3.0	3.0	3.0
Overall primary balance	-2.4	-0.6	0.5	1.2	0.9	2.3	2.4	2.5	1.9	2.0	2.1
Interest	3.2	4.8	4.8	3.6	3.7	3.0	2.9	2.6	2.3	2.0	1.7
Domestic	3.1	4.6	4.6	3.4	3.6	2.9	2.7	2.4	2.1	1.8	1.5
Foreign	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Overall balance including grants	-5.6	-5.4	-4.3	-2.3	-2.8	-0.7	-0.5	-0.1	-0.4	-0.1	0.4
Financing	5.6	5.4	4.3	2.3	2.8	0.7	0.5	0.1	0.4	0.1	-0.4
External financing (net)	-0.4	0.2	-0.2	0.3	0.4	0.2	0.2	0.4	0.9	0.9	0.7
Borrowing	0.7	1.4	0.9	1.3	1.3	1.2	1.1	1.3	1.6	1.6	1.2
Projects	0.7	1.4	0.9	1.3	1.3	1.2	1.1	1.1	1.0	1.0	0.9
Budget	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.3
Amortization	-1.1	-1.1	-1.1	-1.0	-0.9	-1.0	-0.9	-0.8	-0.7	-0.7	-0.5
Domestic financing (net)	6.0	5.1	4.5	2.0	2.5	0.5	0.4	-0.3	-0.5	-0.9	-1.0
Total Banking Sector (net)	5.1	3.7	2.9	1.3	1.7	-0.3	-0.4	-1.4	-1.6	-2.0	-1.8
Banks, net of Budget Support	4.4	3.3	2.4	1.1	1.0	-0.4	-2.5	-0.8	-1.1	-1.5	-1.4
IMF Budget Support 4/	0.7	0.5	0.6	0.1	0.7	0.1	2.1	-0.6	-0.5	-0.4	-0.4
Disbursements	0.8	1.1	1.1	0.9	1.5	0.8	2.8	0.0	0.0	0.0	0.0
of which, Regular ECF	0.8	1.1	1.1	0.9	0.8	0.8	0.8	0.0	0.0	0.0	0.0
of which, exceptional financing-RCF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which, RSF	0.0	0.0	0.0	0.0	0.6	0.0	2.0	0.0	0.0	0.0	0.0
Repayments	-0.1	-0.6	-0.5	-0.7	-0.8	-0.7	-0.7	-0.6	-0.5	-0.4	-0.4
of which, Regular ECF	-0.1	-0.4	-0.3	-0.3	-0.4	-0.2	-0.2	-0.2	-0.1	-0.2	-0.3
of which, exceptional financing-RCF	0.0	-0.2	-0.2	-0.5	-0.4	-0.5	-0.5	-0.4	-0.4	-0.2	0.0
of which, RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Bank Sector	0.9	0.6	0.3	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Use of 2021 SDR allocations	0.0	0.8	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other 5/	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.2	0.3	0.3	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
Memorandum item:											
Total Stock of Arrears 6/ 7/	1.2	0.7	1.0	0.4	0.8	0.2	0.5	0.4	0.3	0.2	0.2
Foreign Financed Capital expenditure	3.1	3.0	3.4	2.4	2.4	2.4	2.4	2.2	2.3	2.2	2.1
Loans	0.7	1.4	0.9	1.3	1.3	1.2	1.1	1.1	1.3	1.4	1.5
Project grants	2.3	1.7	2.6	1.1	1.1	1.2	1.3	1.1	1.0	0.8	0.6
Off-Budget grants 8/	3.3	2.2	2.1	1.8	1.7	1.8	1.7	1.7	1.7	2.0	2.3
Non-iron ore GDP (Leone millions)	144,521	165,939	168,080	187,511	186,273	210,209.8	211,286	237,289	266,141	298,463	335,370

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. Foreign capital expenditure is estimated as the sum of foreign project loans and grants.

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 of program disbursement for budget support.

5/ Other includes unpaid cheques and discrepancy.

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

7/ The total stock of domestic arrears only includes pre-2018 central government legacy arrears and the stock of unpaid cheques at the BSL and AGD.

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, 2025-27
(Millions of Leone)

	2025					2026					2027				
	Q1	Q2	Q3	Q4	annual	Q1	Q2	Q3	Q4	annual	Q1	Q2	Q3	Q4	annual
	Act.	Act.	Act.	Act.	Act.	Prel. 9/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	5,585	5,565	5,313	5,902	22,366	5,457	6,261	5,816	8,120	25,654	6,650	7,915	6,784	8,618	29,969
Revenue	3,946	5,061	4,429	4,598	18,033	4,588	5,740	5,294	5,892	21,513	5,958	7,223	6,092	6,716	25,989
Tax revenue	3,282	4,369	3,939	4,131	15,720	3,847	4,907	4,617	5,160	18,532	4,974	6,240	5,360	5,888	22,461
Personal Income Tax	791	882	941	1,015	3,629	988	964	1,049	1,016	4,016	1,047	1,175	1,093	1,206	4,521
Corporate Income Tax	659	1,050	788	939	3,437	829	1,105	1,070	1,231	4,236	1,090	1,488	1,361	1,553	5,492
Goods and Services Tax	666	858	895	950	3,369	814	1,074	958	1,012	3,858	1,014	1,293	1,084	1,095	4,485
Excises	514	659	502	451	2,127	501	762	693	963	2,919	938	1,075	898	1,054	3,964
Import duties	335	444	436	492	1,708	383	570	507	603	2,063	540	691	576	606	2,413
Mining royalties and licenses	294	424	351	222	1,292	306	390	316	287	1,299	313	471	323	319	1,426
Other taxes	21	50	26	61	158	27	42	24	47	141	32	48	25	55	160
Non-tax	664	692	490	467	2,313	741	832	677	732	2,981	984	983	732	828	3,528
Grants	1,639	504	885	1,304	4,332	868	522	522	2,228	4,140	692	692	692	1,903	3,979
o/w Budget support	0	0	0	0	0	364	0	0	1,688	2,053	0	0	0	1,211	1,211
o/w Project grants	1,639	504	885	1,304	4,332	504	522	522	540	2,088	692	692	692	692	2,769
Expenditures and net lending	7,670	6,702	7,503	7,765	29,639	8,225	8,455	6,690	7,555	30,925	7,452	7,544	7,795	8,313	31,104
Current expenditures	5,331	5,330	5,737	5,746	22,144	6,307	6,559	4,891	5,245	23,002	5,689	5,580	5,591	6,505	23,366
Wages and salaries 1/	1,755	1,770	1,919	1,788	7,232	1,902	2,360	1,809	1,795	7,867	2,057	2,074	2,149	2,507	8,787
Goods and services	953	1,037	1,126	1,143	4,259	806	1,125	934	885	3,750	959	1,191	1,071	1,079	4,300
o/w School feeding program	44	22	115	159	340	115	268	268	421	1,072	303	303	303	303	1,213
o/w Security spending	259	282	225	177	942	157	286	163	211	816	308	213	177	188	886
Subsidies and transfers	749	860	645	351	2,606	1,073	1,385	883	1,165	4,505	1,245	1,085	900	931	4,160
o/w Transfers to Local Councils	7	71	118	35	231	40	121	79	105	345	86	107	96	97	387
o/w Elections and Democracy	22	53	-52	8	31	19	35	14	32	100	101	101	61	142	406
o/w Fuel Subsidies	0	0	0	0	0	0	182	61	0	243	0	0	0	0	0
o/w Transfers to IPPs	170	148	126	0	443	718	238	238	238	1,432	281	144	144	144	713
Capital Expenditure 2/	2,218	1,260	1,654	1,900	7,031	1,786	1,779	1,762	1,930	7,258	1,692	1,893	2,132	1,736	7,453
Foreign financed	1,681	930	1,465	1,689	5,765	1,135	1,123	1,123	1,112	4,494	1,286	1,604	1,327	928	5,145
Domestic financed	537	330	189	211	1,266	344	367	350	548	1,610	405	289	806	808	2,308
Capital transfers	0	0	0	0	0	308	289	289	269	1,154	0	0	0	0	0
Net lending	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingent expenditure	0	24	35	74	133	12	12	11	371	407	9	9	9	9	35
Arrears Paydown (cash)	121	88	77	45	331	120	104	26	10	259	63	63	63	63	250
Domestic primary balance 3/	-169	951	438	986	2,206	24	98	992	849	1,963	1,221	2,512	1,096	1,319	6,149
Overall primary balance	-211	524	-142	601	773	-242	-504	391	1,964	1,609	627	1,601	461	2,294	4,984
Interest	1,874	1,662	2,048	2,464	8,047	2,526	1,689	1,265	1,399	6,880	1,429	1,230	1,472	1,988	6,119
Domestic	1,778	1,579	1,947	2,429	7,734	2,452	1,610	1,211	1,380	6,654	1,336	1,162	1,394	1,917	5,809
Foreign	96	83	100	35	313	74	79	54	19	226	93	68	77	71	309
Overall balance including grants	-2,084	-1,138	-2,190	-1,862	-7,274	-2,768	-2,193	-875	565	-5,271	-802	371	-1,010	306	-1,135
Overall balance excluding grants	-3,724	-1,641	-3,074	-3,166	-11,606	-3,637	-2,715	-1,397	-1,663	-9,411	-1,494	-321	-1,702	-1,597	-5,115
Financing	2,084	1,138	2,190	1,862	7,274	2,768	2,193	875	-565	5,271	802	-371	1,010	-306	1,135
External financing (net)	-487	-129	-55	320	-351	-8	146	146	371	655	98	78	78	138	393
Borrowing	42	426	580	459	1,507	630	602	602	573	2,406	594	594	594	594	2,376
Projects	42	426	580	385	1,433	630	602	602	573	2,406	594	594	594	594	2,376
Amortization	-529	-555	-635	-139	-1,858	-639	-455	-455	-202	-1,751	-496	-516	-516	-456	-1,983
Domestic financing (net)	2,571	1,266	2,245	1,543	7,625	2,776	2,047	728	-936	4,616	703	-449	932	-444	742
Total Banking Sector (net)	2,100	516	855	1,471	4,943	2,416	1,686	368	-1,296	3,175	293	-860	521	-854	-899
Banks, net of Budget Support	2,258	728	1,173	-184	3,974	2,501	1,486	571	-2,660	1,897	903	-3,312	1,151	-4,116	-5,374
IMF Budget Support 4/	-157	-211	-318	1,656	969	-85	201	-203	1,364	1,277	-610	2,452	-629	3,262	4,475
Non-Bank Sector	680	127	-252	-24	531	360	360	360	360	1,441	410	410	410	410	1,642
Use of SDR allocations	0	0	0	1,360	1,360	0	0	0	0	0	0	0	0	0	0
Other 5/	-209	623	1641	-1264	791	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
Memorandum item:															
Total Stock of Arrears 6/ 7/	931	1,412	2,784	1,730	1,730	1,598	1,482	1,444	1,423	1,423	1,348	1,273	1,199	1,124	1,124
Social Spending	196	290	569	339	1,394	307	307	307	297	1,217	349	349	349	349	1,397
FX Spending, US\$ millions					153	37.1	26.2	26.4	19.7	109	29.0	26.8	30.5	22.1	108
MoF					151	35.6	19.4	19.4	19.4	94	21.6	21.6	21.6	21.6	86
BSL 8/					2	1.5	6.8	6.9	0.3	15	7.4	5.2	8.9	0.5	22

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. Foreign capital expenditure is estimated as the sum of foreign project loans and grants.

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 of program disbursement for budget support.

5/ Other includes discrepancy.

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

7/ The total stock of domestic arrears only includes pre-2018 central government legacy arrears and the stock of unpaid cheques at the BSL and AGD.

8/ The QPC on BSL spending up to 2026Q1 only includes BSL FX spending on travel and printing of currency. After 2026Q1, BSL FX spending includes all FX spending except debt service.

9/ For 2026Q1, preliminary data is shown for revenues, grants and expenditures, except foreign capex, which remains a projection. Only projections are shown for below the line financing.

Table 3. Sierra Leone: Monetary Accounts, 2024-31
(Millions of Leone, unless otherwise indicated)^{1/}

	2024				2025				2026				2027	2028	2029	2030	2031
	Act.				Act.				Act.		Proj.		Projections				
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec					
I. Monetary Survey																	
Net foreign assets	4,600	4,318	3,395	4,928	4,514	3,894	3,683	5,963	6,260	7,112	7,509	9,490	14,144	16,533	19,242	22,311	25,792
Net domestic assets	22,721	22,905	25,942	27,090	28,260	29,586	31,069	32,182	35,378	35,529	36,177	33,831	35,069	39,372	44,267	49,834	56,166
Net domestic credit	25,741	26,888	30,473	32,085	35,007	36,220	39,199	41,337	44,787	46,968	47,855	47,105	48,644	48,899	48,896	48,220	47,270
Claims on central government (net)	20,760	21,865	25,217	26,195	28,133	29,074	31,925	32,424	35,313	37,000	37,368	36,072	35,173	32,470	28,947	24,014	17,918
Claims on private sector	5,137	5,352	5,582	6,248	7,216	7,473	7,692	9,309	9,926	10,421	10,940	11,485	13,924	16,882	20,402	24,659	29,805
Claims on others 2/	-156	-329	-326	-358	-343	-327	-417	-396	-453	-453	-453	-453	-453	-453	-453	-453	-453
Other items (net)	-3,020	-3,983	-4,531	-4,995	-6,746	-6,634	-8,130	-9,155	-9,409	-11,439	-11,678	-13,274	-13,575	-9,527	-4,630	1,615	8,895
Money and quasi-money (M3)	27,309	27,212	29,323	31,955	32,756	33,467	34,741	38,135	41,620	42,641	43,686	43,321	49,212	55,905	63,509	72,146	81,957
II. Bank of Sierra Leone																	
Net foreign assets	-4,423	-4,909	-6,200	-5,242	-5,551	-6,268	-6,716	-4,175	-3,882	-3,380	-3,341	-1,235	1,401	1,497	1,601	1,712	1,831
Net domestic assets	12,804	12,888	14,727	15,456	15,117	15,833	16,833	15,694	15,222	14,769	15,451	14,320	13,464	15,389	17,582	20,080	22,925
Net domestic credit	11,193	11,593	13,158	14,556	14,531	15,439	16,789	15,871	15,984	15,520	16,189	15,045	14,187	16,210	18,508	21,118	24,083
Claims on other depository corporations	1,011	1,379	1,040	2,477	1,885	2,447	1,494	869	-373	-1,037	-166	-2,674	-8,006	-5,086	-2,230	756	4,994
Claims on central government	10,084	10,238	12,122	12,074	12,656	12,991	15,298	14,982	16,419	16,619	16,416	17,781	22,255	21,357	20,799	20,424	19,151
Claims on other sectors	99	-24	-4	5	-10	1	-3	20	-62	-62	-62	-62	-62	-62	-62	-62	-62
Other items (net) 3/	1,611	1,295	1,570	901	586	394	43	-177	-762	-751	-738	-725	-723	-821	-925	-1,038	-1,158
Reserve money	8,381	7,979	8,527	10,215	9,565	9,565	10,117	11,519	11,340	11,389	12,110	13,085	14,865	16,887	19,183	21,792	24,756
Memorandum items:																	
	(Annual percent change unless otherwise indicated)																
Base money	33.1	8.8	17.8	17.2	14.1	19.9	18.6	12.8	18.6	19.1	19.7	13.6	13.6	13.6	13.6	13.6	13.6
M3	23.8	20.3	19.1	18.0	20.4	14.1	8.7	19.3	24.4	22.7	14.6	13.6	13.6	13.6	13.6	13.6	13.6
Credit to the private sector (growth)	31.7	37.6	35.6	41.2	40.5	39.6	37.8	49.0	37.6	39.4	42.2	23.4	21.2	21.2	20.9	20.9	20.9
Velocity 4/	..	..	..	4.9	..	..	..	4.8	..	..	..	4.6	4.6	4.5	4.5	4.4	4.4
Money multiplier (M3/base money)	3.3	3.4	3.4	3.1	3.4	3.5	3.4	3.3	3.7	3.7	3.6	3.3	3.3	3.3	3.3	3.3	3.3
Credit to the private sector (in percent of non iron ore GDP)	..	..	..	4.3	..	..	..	5.5	..	..	..	6.2	6.6	7.1	7.7	8.3	8.9
Nominal exchange rate, average (Leones/US\$)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Nominal exchange rate, end of period (Leones/US\$)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..

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, 2024-31

(Millions of US\$, unless otherwise indicated)

	2024		2025		2026		2027		2028	2029	2030	2031
	1st & 2nd rev.	Prel.	1st & 2nd rev.	Prel.	1st & 2nd rev.	Proj.	1st & 2nd rev.	Proj.				
Current account	-480.4	-451.2	-367.8	-402.3	-241.6	-299.3	-226.0	-320.9	-358.6	-410.3	-444.7	-467.3
Trade balance	-425.8	-576.8	-285.0	-358.6	-213.7	-340.6	-194.0	-333.0	-343.2	-363.1	-392.7	-408.8
Exports, f.o.b.	1,548.1	1,548.1	1,611.5	1,617.7	1,710.8	1,713.4	1,774.1	1,798.3	1,874.7	1,927.1	1,993.1	2,089.6
of which : Diamonds	144.3	144.3	75.0	16.5	84.7	0.0	83.9	0.0	0.0	0.0	5.0	5.0
Iron ore	779.3	779.3	798.1	915.2	775.5	987.0	765.3	946.2	914.0	874.8	888.0	933.5
Rutile and ilmenite	72.3	72.3	122.6	90.8	165.3	140.7	171.2	147.0	178.9	183.3	190.8	198.6
Imports, f.o.b.	-1,973.9	-2,124.9	-1,896.5	-1,976.3	-1,924.6	-2,054.0	-1,968.1	-2,131.3	-2,218.0	-2,290.2	-2,385.8	-2,498.4
of which : Oil	-418.9	-418.9	-381.4	-386.8	-380.4	-488.4	-397.2	-471.6	-482.3	-502.0	-523.4	-544.5
Services (net)	-385.1	-335.1	-383.6	-272.6	-397.6	-285.3	-390.4	-278.0	-310.3	-321.0	-334.7	-350.7
Income (net)	-57.1	-76.2	-65.1	-87.4	-66.1	-90.3	-69.1	-100.5	-110.1	-115.9	-122.3	-128.5
of which : Interest on public debt	-11.5	-11.5	-14.0	-14.0	-11.5	-9.9	-12.0	-13.0	-18.5	-20.2	-22.0	-23.2
Transfers	387.6	536.8	365.9	316.2	435.8	416.8	427.6	390.6	405.1	389.8	405.0	420.7
Official transfers (net)	67.6	216.8	33.2	17.6	89.6	106.2	67.6	67.6	69.1	40.4	41.6	42.8
Other transfers (net)	320.0	320.0	332.8	298.7	346.1	310.6	360.0	323.1	336.0	349.4	363.4	377.9
Capital and financial account	386.6	607.1	352.5	376.5	354.1	431.8	333.1	435.2	416.0	487.7	537.7	582.7
Capital account	224.5	374.2	297.0	366.8	242.9	250.9	262.6	284.9	283.6	281.2	283.9	272.6
of which : Project support grants	281.1	359.0	280.3	349.7	225.0	232.1	243.8	264.5	262.3	259.0	260.6	248.1
Financial account	162.1	232.8	55.5	9.8	111.2	180.9	70.5	150.3	132.4	206.5	253.8	310.1
Foreign direct and portfolio investment	186.7	236.8	60.6	22.2	126.3	152.7	94.9	138.3	118.3	188.6	234.8	285.1
Other investment	-24.6	-3.9	-5.2	-12.4	-15.1	28.2	-24.4	12.0	14.1	17.9	18.9	25.0
of which : Public sector (net)	0.1	-0.1	18.0	-15.5	25.1	28.0	17.3	15.4	19.1	54.7	58.0	66.4
Disbursements	47.9	47.9	100.0	66.5	105.0	105.0	100.0	100.0	100.2	130.0	129.9	129.9
Amortization	-69.9	-69.9	-82.0	-82.0	-79.9	-77.0	-82.7	-84.6	-81.1	-75.3	-71.9	-63.5
Errors and omissions	56.1	-193.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-37.8	-37.8	-15.2	-25.7	112.5	132.5	107.1	114.4	57.5	77.5	93.0	115.4
Financing	37.8	37.8	15.2	25.7	-112.5	-132.5	-107.1	-114.4	-77.5	-107.5	-123.0	-115.4
Change in net central bank reserves (- increase)	42.2	42.2	17.4	27.9	-110.3	-130.3	-105.4	-112.7	-77.5	-107.5	-123.0	-115.4
of which : Change in gross central bank reserves (- increase)	58.2	58.2	7.6	18.1	-100.1	-119.4	-98.4	-103.2	-1.7	-29.4	-55.8	-50.1
of which : Net use of Fund credit	-16.1	-16.1	9.8	9.8	-10.2	-10.9	-6.9	-9.5	-75.8	-78.1	-67.1	-65.3
Disbursements	46.5	46.5	78.8	78.7	64.2	64.2	64.3	64.3	0.0	0.0	0.0	0.0
Repayments	-62.5	-62.5	-69.0	-68.9	-74.4	-75.1	-71.2	-73.8	-75.8	-78.1	-67.1	-65.3
DSI (repayment)	-4.4	-4.4	-2.2	-2.2	-2.2	-2.2	-1.7	-1.7	0.0	0.0	1.0	2.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.0	30.0	30.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.0	30.0	30.0	0.0
Residual 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
RSF disbursement (not linked to RM BoP costs)	...	0.0	...	0.0	...	47.6	...	166.7	0.0	0.0	0.0	0.0
Memorandum items	(Percent of non-iron ore GDP unless otherwise indicated)											
Current account	-7.5	-7.1	-5.1	-5.4	-3.1	-3.7	-2.8	-3.6	-3.8	-4.2	-4.3	-4.3
Trade balance	-6.7	-9.0	-3.9	-4.8	-2.7	-4.2	-2.4	-3.7	-3.7	-3.7	-3.8	-3.8
Capital and financial account	6.0	9.5	4.8	5.1	4.5	5.3	4.1	4.9	4.5	5.0	5.2	5.4
Overall balance	-0.6	-0.6	-0.2	-0.3	1.4	1.6	1.3	1.3	0.6	0.8	0.9	1.1
Budget support (grants and loans)	1.1	1.1	0.2	0.0	0.9	1.1	0.6	0.6	0.6	0.5	0.5	0.5
Budget support (grants and loans), millions of U.S. dollars	70.4	70.4	15.8	3.5	73.0	89.6	51.0	51.0	52.0	53.1	54.3	55.5
Gross international reserves (including swaps, with RSF)	...	439	...	471	...	629	...	829	831	860	916	966
Gross international reserves (excluding swaps, with RSF)	...	410	...	392	...	559	...	829	831	860	916	966
Gross international reserves (excluding swaps, with RSF), months of next year's imports	...	2.1	...	2.0	...	2.7	...	3.8	3.7	3.7	3.8	3.8
Gross international reserves (including swaps, without RSF)	439	439	457	471	553	581	601	615	616	646	701	752
Gross international reserves (excluding swaps, without RSF)	410	410	403	392	503	511	601	615	616	646	701	752
Gross international reserves (excluding swaps, without RSF), months of next year's imports	2.1	2.1	2.0	2.0	2.5	2.5	2.9	2.8	2.8	2.8	2.9	2.9
National currency per US dollar (average)	...	22.6	...	22.7	...	...	...	...	...	...	...	...

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

Table 5. Sierra Leone: External Financing Requirements and Sources, 2024-31
(Millions of US\$)

	2024	2025	2026	2027	2028	2029	2030	2031			
	Prel.	1st & 2nd rev.	Prel.	1st & 2nd rev.	Proj.	1st & 2nd rev.	Proj.	Proj.			
Financing needs	-627	-547	-555	-588	-679	-548	-652	-586	-633	-681	-688
Current account balance (excluding net official current transfers)	-548	-401	-420	-331	-405	-294	-388	-428	-451	-486	-510
Debt amortization (excluding IMF)	-70	-82	-82	-80	-77	-83	-85	-81	-75	-72	-65
Repayments to IMF	-63	-69	-69	-74	-75	-71	-74	-76	-78	-67	-65
DSSI (repayment)	-4	-2	-2	-2	-2	-2	-2	0	0	0	1
Gross international reserves accumulation (- increase) (without RSF)	58	8	18	-100	-119	-98	-103	-2	-29	-56	-50
Identified financing sources	458	454	478	453	528	434	538	514	550	597	633
Capital account balance	224	297	367	243	251	263	285	284	281	284	273
Disbursements from official creditors (excluding IMF)	48	100	67	105	105	100	100	100	130	130	130
Net official current transfers	-3	17	17	17	29	17	17	17	-13	-13	-11
Foreign direct and portfolio investment	187	61	22	126	153	95	138	118	189	235	285
Net acquisition of financial assets of commercial banks (- increase)	-27	-23	3	-40	-40	-42	-53	-55	0	0	0
Other	29	2	2	2	30	2	52	50	-37	-39	-43
Errors and omissions	56	0	0	0	0	0	0	0	0	0	0
Financing gap	112	92	77	135	151	114	114	72	83	84	55
Other financing sources	112	92	77	135	151	114	114	72	83	84	55
Disbursements from IMF (ECF)	46	79	79	64	64	64	64	0	0	0	0
World Bank	58	-4	0	53	40	30	30	30	30	30	30
EU	12	20	0	20	37	21	21	22	23	24	24
AfDB	0	0	0	0	12	0	0	0	0	0	1
Unidentified financing	0	0	0	0	0	0	0	20	30	30	0
<u>RSF disbursement (not linked to RM BoP costs)</u>	...	...	0	...	48	...	167	0	0	0	0
<u>Reserve accumulation (with RSF) (- increase)</u>	58	...	18	...	-167	...	-270	-2	-29	-56	-50
Memorandum items											
Gross international reserves (excluding swaps)	410	403	392	503	511	601	615	616	646	701	752
Gross international reserves (excluding swaps) (months of next year's imports)	2.1	2.0	2.0	2.5	2.5	2.9	2.8	2.8	2.8	2.9	2.9
Total RSF disbursements	...	...	0	...	48	...	167	0	0	0	0

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

Table 6. Sierra Leone: Indicators of Capacity to Repay the IMF, 2026-40 ^{1/}
(Millions of SDRs, unless otherwise indicated)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
	Projection														
Fund obligations based on existing credit (millions of SDRs)															
Principal	51.2	48.8	48.0	49.6	41.5	37.7	26.4	23.3	18.7	11.7	0.0	0.0	0.0	0.0	0.0
Charges and interest	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Fund obligations based on existing and prospective credit (millions of SDRs)															
Principal	51.2	48.8	48.0	49.6	41.5	40.1	38.1	42.0	37.3	30.3	16.3	13.0	15.6	15.6	15.6
Charges and interest	3.4	4.8	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.8	6.5	6.1
Fund obligations based on existing and prospective credit															
In millions of SDRs	54.6	53.6	55.0	56.6	48.6	47.1	45.1	49.0	44.4	37.4	23.4	20.0	22.4	22.0	21.7
In millions of US\$	75.1	73.9	75.9	78.2	67.2	65.3	61.4	65.3	58.0	47.9	29.3	24.7	27.0	26.1	25.1
In percent of exports of goods and services	4.2	4.0	3.9	3.9	3.2	3.0	2.7	2.8	2.3	1.8	1.1	0.9	0.9	0.8	0.8
In percent of total debt service 2/	46.4	43.1	43.3	45.0	41.7	43.0	41.4	41.4	36.2	30.2	19.9	16.5	18.0	17.4	16.2
In percent of GDP	0.9	0.8	0.8	0.8	0.6	0.6	0.5	0.5	0.4	0.4	0.2	0.2	0.2	0.2	0.1
In percent of gross international reserves	14.7	12.0	12.3	12.1	9.6	8.7	7.8	7.9	6.6	5.2	3.0	2.4	2.5	2.3	2.1
In percent of quota	26.3	25.9	26.5	27.3	23.4	22.7	21.8	23.6	21.4	18.0	11.3	9.7	10.8	10.6	10.4
Outstanding Fund credit based on existing and prospective credit															
In millions of SDRs	387.0	505.9	457.8	408.3	366.7	326.7	288.5	246.5	209.2	178.9	162.6	149.5	133.9	118.4	102.8
In millions of US\$	532.5	697.2	631.9	564.1	507.7	453.1	392.4	328.7	273.4	229.2	204.2	184.1	161.7	140.1	119.3
In percent of exports of goods and services	30.0	37.4	32.5	28.2	24.5	20.9	17.3	13.9	11.0	8.8	7.5	6.4	5.4	4.5	3.6
In percent of total debt service 2/	328.7	406.7	360.2	325.0	315.2	298.2	264.4	208.2	170.9	144.5	138.3	122.9	108.0	93.8	77.0
In percent of GDP	6.2	7.5	6.5	5.5	4.8	4.0	3.3	2.7	2.1	1.7	1.4	1.2	1.0	0.9	0.7
In percent of gross international reserves	104.1	113.4	102.5	87.4	72.4	60.3	49.7	39.6	31.3	25.0	21.2	18.2	15.2	12.5	10.1
In percent of quota	186.6	243.9	220.8	196.9	176.8	157.5	139.1	118.9	100.9	86.3	78.4	72.1	64.6	57.1	49.6
Net use of Fund credit (millions of SDRs)	30.0	118.8	-48.0	-49.6	-41.5	-40.1	-38.1	-42.0	-37.3	-30.3	-16.3	-13.0	-15.6	-15.6	-15.6
Disbursements	81.2	167.6	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
Repayments	51.2	48.8	48.0	49.6	41.5	40.1	38.1	42.0	37.3	30.3	16.3	13.0	15.6	15.6	15.6
Memorandum items															
Exports of goods and services (millions of US\$)	1,774.3	1,864.6	1,944.2	1,999.7	2,069.1	2,169.5	2,267.1	2,368.8	2,480.2	2,596.5	2,723.7	2,857.3	2,997.4	3,144.6	3,299.2
Total debt service (millions of US\$) 2/	162.0	171.4	175.4	173.6	161.1	151.9	148.4	157.9	160.0	158.6	147.6	149.8	149.8	149.3	155.0
Nominal GDP (millions of US\$)	8,563.1	9,316.5	9,756.3	10,198.3	10,682.7	11,225.2	11,772.4	12,337.8	12,929.3	13,548.9	14,196.6	14,875.0	15,585.7	16,330.0	17,109.7
Gross international reserves (millions of US\$)	511.4	614.6	616.2	645.6	701.4	751.6	789.9	830.2	872.5	917.1	963.9	1,013.2	1,065.1	1,119.8	1,177.3
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/ Sierra Leone is classified as a Group A country under the RSF interest rate structure.

2/ Total debt service includes repayments to IMF.

Table 7. Sierra Leone: Schedule of Disbursements Under the ECF Arrangement, 2024-27
(Millions of SDRs, unless otherwise indicated)

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: Proposed Schedule of Disbursements Under the RSF Arrangement, 2026-27
(Millions of SDRs, unless otherwise indicated)

Availability	Disbursements		Conditions for Disbursement
	In millions of SDRs	In percent of quota 1/	
November 15, 2026	17.284	8.3	Reform measure 3 implementation review
November 15, 2026	17.283	8.3	Reform measure 8 implementation review
May 15, 2027	17.284	8.3	Reform measure 1 implementation review
May 15, 2027	17.283	8.3	Reform measure 4 implementation review
May 15, 2027	17.283	8.3	Reform measure 5 implementation review
November 15, 2027	17.284	8.3	Reform measure 2 implementation review
November 15, 2027	17.283	8.3	Reform measure 6 implementation review
November 15, 2027	17.283	8.3	Reform measure 7 implementation review
November 15, 2027	17.283	8.3	Reform measure 9 implementation review
Total disbursements	155.550	75.0	
Quota in millions SDR:	207.4		

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

Table 9. Sierra Leone: Financial Soundness Indicators, 2014-26

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 March
(Percent, end of period, unless otherwise indicated)													
Capital adequacy													
Regulatory capital ratio 1/	30.2	34.0	34.1	34.1	38.4	41.7	40.1	41.0	35.2	41.8	40.9	41.8	50.7
Regulatory tier 1 capital ratio 2/	25.9	29.0	27.2	27.2	29.6	33.9	33.2	34.3	27.8	31.4	29.7	27.4	47.4
Asset quality													
Nonperforming loans to total gross loans	35.3	33.2	15.5	15.0	13.0	16.8	12.7	15.2	12.1	9.1	9.0	8.1	9.4
Nonperforming loans (net of provisions) to regulatory capital	41.8	31.9	1.2	12.1	9.9	7.2	4.3	4.8	2.4	1.2	0.2	3.1	4.2
Earnings and profitability													
Return on assets	2.6	3.2	3.8	5.6	6.0	6.1	6.1	5.4	6.5	7.7	9.3	10.6	9.2
Return on equity	15.4	18.0	21.8	29.8	28.6	26.1	27.6	23.9	28.2	34.8	38.9	40.6	32.5
Interest margin to gross income	43.5	36.6	51.1	63.2	63.2	66.9	70.0	66.4	70.9	69.7	77.2	78.5	74.5
Liquidity													
Liquid assets to short-term liabilities	87.0	87.0	86.0	77.8	82.3	86.8	94.1	92.0	95.5	96.8	115.7	97.1	99.3
Liquid assets to total assets	78.9	83.3	85.5	70.9	69.2	68.4	73.4	73.7	78.3	77.0	73.5	65.4	66.0
Sensitivity to Market Risk													
Net open position in FX to capital	0.8	-6.8	14.4	-14.4	-12.8	-1.8	-12.2	-10.6	-0.2	-14.1	-10.7	-12.0	-17.9
Memorandum Item:													
Number of banks	13	13	13	14	14	14	14	14	14	14	13	13	13

Source: Bank of Sierra Leone.

1/ Total capital over risk-weighted assets

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

Table 10. Sierra Leone: Decomposition of Public Debt and Debt Service by Creditor, 2023-25^{1/}

	Debt Stock (end of period)			Debt Service					
	2025			2023			2024		
	(In mil. US\$)	(Percent total debt)	(Percent GDP)	(In mil. US\$)	(Percent GDP)		(In mil. US\$)	(Percent GDP)	
Total	3,636	100.0	46.5	700	8.9	11.3	886	11.3	15.1
External	1,985	54.6	25.4	144	1.8	1.8	142	1.8	2.1
Multilateral creditors ³	1,639	45.1	21.0	111	1.4	1.5	117	1.5	1.7
IMF	696	19.1	8.9						
World Bank	469	12.9	6.0						
AfDB	160	4.4	2.0						
Other Multilaterals	315	8.7	4.0						
o/w: Islamic Development Bank	94	2.6	1.2						
EEC/EIB	56	1.5	0.7						
Bilateral Creditors	198	5.4	2.5	25	0.3	0.2	17	0.2	0.3
Paris Club	50	1.4	0.6	0	0.0	0.0	0	0.0	0.0
o/w: South Korea	50	1.4	0.6						
Non-Paris Club	147	4.1	1.9	25	0.3	0.2	17	0.2	0.3
o/w: Kuwait	50	1.4	0.6						
China	50	1.4	0.6						
Bonds	-	-	-	-	-	-	-	-	-
Commercial creditors	148	4.1	1.9	8	0.1	0.1	8	0.1	0.1
Other international creditors	-	-	-	-	-	-	-	-	-
Domestic²	1,651	45.4	22.5	556	7.3	10.7	744	10.7	13.1
Held by residents, total	1,651	45.4	22.5	n/a	n/a	n/a	n/a	n/a	n/a
Held by non-residents, total	-	-	-	-	-	-	-	-	-
T-Bills	1,202	33.1	16.4	n/a	n/a	n/a	n/a	n/a	n/a
Bonds	181	5.0	2.5	n/a	n/a	n/a	n/a	n/a	n/a
Loans	26	0.7	0.4	n/a	n/a	n/a	n/a	n/a	n/a
Memo items:									
Nominal GDP	7,822								

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 Matrix^{1/}

Nature/Sources of Risk	Relative Likelihood	Expected Impact if Realized	Policies to Mitigate Risks
Geopolitical Tensions and Intensification of Conflicts	High	High. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility. 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.”
Trade-related Risks: Protectionism and Trade Disruptions	High	Medium/High. Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism. High inflation and slower growth in major economies could raise inflation in Sierra Leone and reduce demand for its mineral exports.	Tighten fiscal policy to address falling export revenues, and maintain tighter monetary measures should inflationary pressures continue. Diversify the economy away from the mining sector.
Trade-related Risks: New Trade Agreements	Low	Medium. Tangible progress in trade talks reduces uncertainty and trade barriers. Wider cooperation on services, FDI, and taxation boosts investment and bolsters public finances. Higher global growth and increased FDI in Sierra Leone would raise demand and production for its minerals.	Ensure mines have the capacity and infrastructure to meet higher demand for key minerals.
Commodity Price Volatility	High	Medium/High. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro 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 safeguard reserves and rebuild the reserve cover as needed.

^{1/}The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline. Likelihood reflects staff’s subjective assessment: “low” (below 10 percent), “medium” (10-30 percent), and “high” (30-50 percent). The RAM captures staff views on the source of risks and overall concern as of the time of discussions with the authorities. Risks may interact and materialize jointly. The conjunctural shocks reflect shorter-term risks (12-18 months) while structural risks are more persistent.

Nature/Sources of Risk	Relative Likelihood	Expected Impact if Realized	Policies to Mitigate Risks
Disorderly AI Correction	High	<i>Medium.</i> An abrupt revision in expectations of strong AI-led productivity gains causes a sharp market correction, investment decline, and wealth loss, which suppress demand and tighten financial conditions globally.	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> Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics. Disruptions are amplified by increased role of price-sensitive investors and leveraged NBFIs in sovereign debt markets, limited market absorption capacity when NBFIs offload debt securities, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus. Concurrently, capital outflows from emerging and developing economies elicit a sharp increase in short-term rates. 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.
Policy Uncertainty	High	<i>High.</i> Elevated and wide-ranging policy uncertainty weighs on sentiment and holds back consumption and investment. Political interference in independent economic institutions erodes public confidence and trust and raises the risk of policy mistakes. Policy uncertainty may reduce mineral demand in Sierra Leone by slowing growth in advanced and emerging market economies.	This shock will likely affect Sierra Leone through trade-related risks. Therefore, risk mitigation policies should fall under “Trade-related Risks: Protectionism and Trade Disruptions”

Nature/Sources of Risk	Relative Likelihood	Expected Impact if Realized	Policies to Mitigate Risks
Social Discontent	Medium	High. Persistently high living costs, youth unemployment and inequality, amid an erosion in governance standards and pressures from geoeconomic realignments, trigger social unrest, political repression and instability, affecting countries' capacity to pursue economic reforms. 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.	Continue to prioritize social programs that help vulnerable segments of the population to effectively participate in the economy. Improve governance, transparency and communication frameworks.
Cyberthreats	High	Low. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	Develop and implement a national cyber security plan.
Labor Shortages and Remittances	High	Low. Tighter immigration policies exacerbate labor shortages in aging destination economies, reducing potential output, fueling inflation, and straining fiscal balances through lower revenues. Origin countries see depressed remittances and incomes, and worsening external balances, though a larger labor force could partly offset the remittance decline over the medium term.	There are two opposite effects. On one hand, the effects of tighter migration policies are limited on Sierra Leone and likely to come through decreased demand for commodities. Therefore, the authorities should continue efforts to diversify the economy away from the mining sector. On the other hand, lower remittance inflows would negatively impact the external sector and further impoverish households dependent on them. The authorities should enhance social safety measures.
Climate Change	Medium	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. Sierra Leone is highly exposed to weather and climate-related shocks.	Prioritize public investment in climate-resilient infrastructure. Seek grant financing for climate projects related to adaptation. Strengthen the social safety net.
AI Acceleration	Low	Medium. Rapid AI adoption significantly improves productivity, boosts growth, and revives business dynamism. Realizing these gains requires complementary policies to manage energy constraints, scale critical inputs, and support labor market transitions. For Sierra Leone, higher global growth prospects through improved productivity would lead to higher demand for its minerals.	Ensure mines have the capacity and infrastructure to meet higher demand for key minerals.

Annex II. External Sector Assessment¹

Assessment: Sierra Leone's external position in 2025 was moderately weaker than the level implied by fundamentals and desirable policies. The assessment is subject to a wide margin of uncertainty as it relies on 2025 projections. 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 rebuilding reserves, and (iv) enhance productivity and improve competitiveness.

Foreign Assets and Liabilities: Position and Trajectory

Background. The net international investment position (NIIP) at end-2025 is projected at around -59.5 percent of GDP, with gross foreign assets of 15.8 percent of GDP and gross foreign liabilities of 75.2 percent. The foreign assets of deposit-taking corporations constitute 48 percent of foreign assets, with the remainder including the BSL's gross official reserves (38 percent) and foreign assets of other non-official sectors (14 percent). About 47 percent of foreign liabilities are FDI liabilities, while the remainder is accounted for by other (mainly public sector) investment liabilities. The NIIP worsened over 2018-2023 but has improved since 2024, and is projected to moderate over 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.

2025 (percent GDP)	NIIP: -59.5	Gross Assets: 15.8	Gross Liabilities: 75.2
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Current Account

Background. Over the past five years, current account deficits were large in the context of sizable fiscal deficits and weak terms of trade amid the pandemic and Russia's war in Ukraine. A further sizable upward revision in imports contributed to the larger than previously projected current account deficits in 2023-2024. Preliminary data show that the deficit declined from 9.8 percent of GDP in 2023 to 6.5 percent of GDP in 2024, and it is projected to shrink further to 5.1 percent of GDP in 2025 amid the tightening fiscal policy stance. The trade balance improved as imports grew moderately due to the fiscal tightening, while agricultural exports and exports of some minerals, e.g., iron ore, heavy mineral concentrate, and zircon, strengthened. The current account deficit 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.

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 2025 was moderately weaker than the level implied by fundamentals and desirable policies. Using projections for 2025, the CA model indicates an overvaluation of 9.1 percent, a CA gap of -1.2 percent of GDP and a cyclically adjusted CA balance of -5.1 percent of GDP against a norm of -3.8 percent of GDP (Text Table 1).

¹ The external sector assessment is based on projections for 2025 and preliminary 2024 BOP estimates provided by the authorities. These data may be further revised as the estimates are reconciled by the authorities and 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.

Text Table 1. Sierra Leone: Model Estimates for 2025
(Percent of GDP)

	CA model 1/ (in percent of GDP)	REER model
CA-Actual	-5.1	
Cyclical contributions (from model) (-)	0.2	
Natural disasters and conflicts (-)	-0.3	
Adjusted CA	-5.1	
CA Norm (from model) 2/	-3.8	
Adjusted CA Norm	-3.8	
CA Gap	-1.2	-1.1
o/w Relative policy gap	-0.2	
Elasticity	-0.1	
REER Gap (in percent)	9.1	8.0
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 reversed somewhat in 2025 amid trading partner appreciation against the dollar.

Assessment. The EBA-lite REER model indicates an overvaluation of 8.0 percent in 2025, implying a CA gap of -1.1 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 which is projected to somewhat reverse in 2025.¹ 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 supported by increased FDI. The financial account is projected to worsen in 2025 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, especially in the context of declining official development assistance.

FX Intervention and Reserves Level

Background. Gross international reserves excluding swaps dropped more than expected to 5.0 percent of GDP in 2025. Factors contributing to this decline included: (i) higher than projected FX spending on official-sector goods and services, and (ii) significant external debt service obligations. These more than offset the BSL's efforts to rebuild reserves through market purchases and an FX bond issuance later in the year. The stock of FX swaps stands at \$70 million at end-March 2026, and the FX swap exposure is being unwound as projected with repayment of maturing FX swaps in January and April 2026.

Assessment. The authorities' actions to rebuild reserves are welcome, but efforts to contain the government's FX spending need to be stepped up. The authorities should continue to allow the exchange rate to adjust flexibly to shocks while market purchases of FX will need to continue 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 also undertake reforms to support FX market development.

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 III. Capacity Development Summary

A. 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).
2. **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.
3. **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.
4. **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 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.
5. **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 extending coverage to include 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, it is critical to strengthen institutional coordination and bridge FDI and other investments data gaps in the international position for the non-financial corporations.
- Inadequate capacity and a sluggish pace of data collection from other agencies remain issues (e.g., data on imports). The authorities are setting up a committee that will coordinate among the BSL, NRA (Customs and Income Tax), NMA, and Stats SL. Increased availability of high frequency data will be crucial. These should include quarterly GDP estimates and monthly financial soundness indicators, such as NPL ratios and the ratio of banks' liquid assets to total assets.

B. Main Risks and Mitigation

6. 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 (Figure 1), 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.

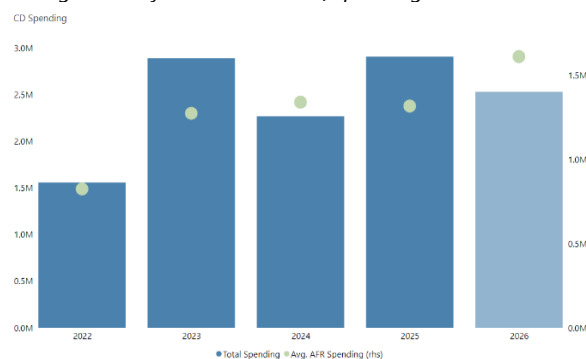
7. Several initiatives could help mitigate these risks. The placement of two resident advisors at the BSL in 2022, on banking supervision and monetary policy, and of a PFM resident advisor at the MoF in 2024 has helped support CD delivery in a fragile institutional setting. The incorporation of Sierra 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

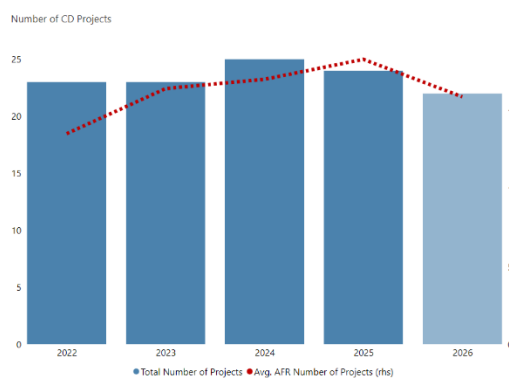
Priority	Objectives
Public Finance Management	Ensure fiscal sustainability through: (i) Implementing reforms to better manage public investment with stronger focus on project appraisal and selection; (ii) More effectively prioritize spending to critical sectors; (iii) improve budget execution through advising on updates to reforming the PFM legislation, developing capabilities on strategic and baseline budgeting; (iv) Strengthening fiscal risk management, including SOEs; (v) Enhancing cash forecasting and cash management function; (vi) Accelerate transparency and governance reforms, including follow-up of audit recommendations. Improve fiscal reporting by enhancing coverage of the whole of central government and gradually extending it to the general government, adopting IPSAS-based accounting and fiscal reporting, and improving 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 and customs compliance and supporting development of a compliance risk management 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 and customs administration and enhancing data integrity; (vi) Limiting and improving control and monitoring over tax and customs exemptions; (vii) Integrating the NRA system with other fiscal systems.
Expenditure Policy	Sierra Leone is a pilot country for IMF's medium-term engagement focusing on building government capacity to undertake expenditure reviews. Mission on wage bill management supported authorities' development of a 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 strengthening 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 MFSMCG 2016 standard; improve estimation methodologies for foreign direct investment inflows, remittances, and unrecorded exports of minerals. Additionally, net international position data has not been released since 2017.

Figure 1. Overview of Past and Present CD Spending

Sierra Leone has received as much CDs as the AFR average country, both in terms of spending ...

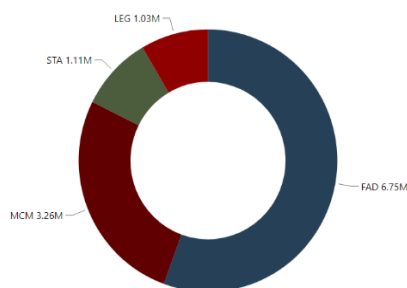


... and number of projects.

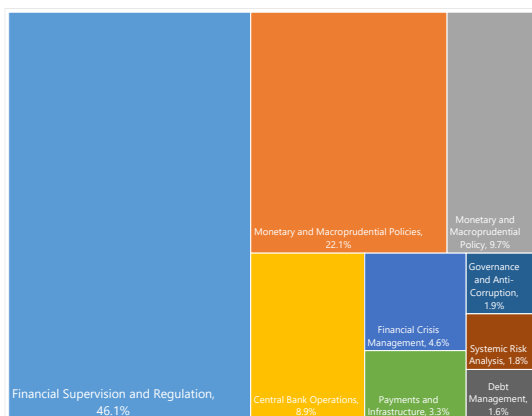


Most CD is delivered by FAD ...

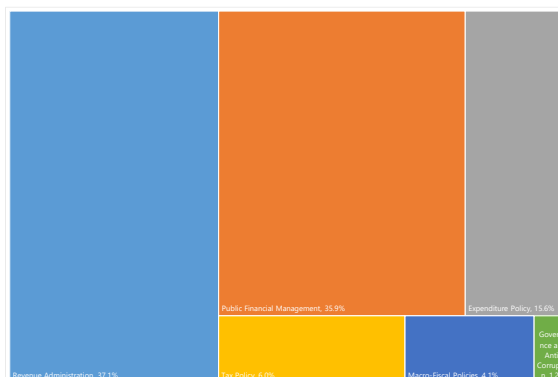
CD Spending by CD Department



... while MCM's CD is aimed at improving financial sector supervision and regulation, and monetary and macroprudential policies

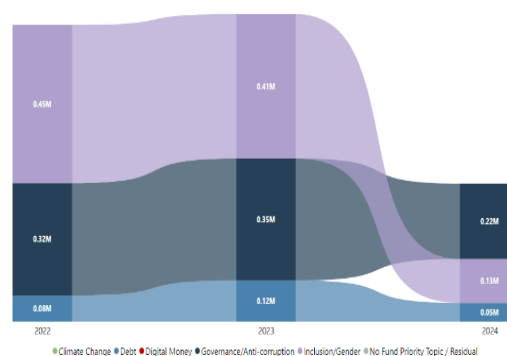


...and primarily focused on revenue administration and Public Finance Management.



Inclusion & gender, and governance were two priority areas of intervention in Sierra Leone.

CD Spending Weighted by Core Priority Areas



Sources: IMF Staff calculations.

Annex IV. Climate Profile¹

Sierra Leone's economy is highly vulnerable to climate shocks, including floods and landslides, as well as to changes to its already hot and humid climate. The country's capacity to deal with these shocks is severely constrained by lack of fiscal space, weak institutions, data challenges, and an underdeveloped social safety net. The strong linkages between climate vulnerabilities and macroeconomic challenges point to the need for priority reforms with a strong focus on building economic resilience.

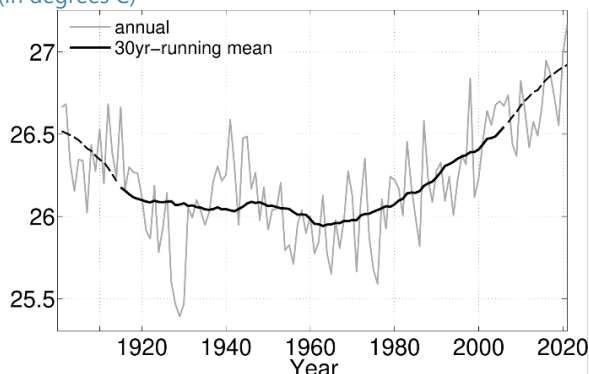
1. **Sierra Leone has experienced a significant increase in average temperatures over recent decades as well as an increase in the intensity of precipitation events (Figure 1).** The average temperature increased to 27°C during the past sixty years—from a historical average of 26°C—with higher averages in the more densely populated regions near the coast. Moreover, during the past 20 years, the average number of heat days per year has trended upward rapidly, from 30 in 2005 to over 40 in 2025 (Figure 4, panel A4). Average annual precipitation, at approximately 2700 mm in 2020 (Figure 1, Panel C), is high compared to other countries. Precipitation levels vary across the country and the year, with south-western regions being wetter than north-eastern regions, and the highest precipitation levels occurring from July to September. Although total yearly rainfall is lower than in the 1950s, Sierra Leone experiences more intense rainfall events, which is reflected in the upward trend of annual maximum one-day precipitation (RX1DAY) (Figure 1, Panel D).
2. **Sierra Leone is projected to experience rising temperatures throughout the century, with the extent of warming depending on future global emission scenarios (Figure 2).** A particularly concerning trend is the sharp increase in the number of extremely hot days (above 35°C), which could exceed 45 days annually—more than double the current average (Figure 3, Panel A). Heatwaves impair both physical and cognitive capacities of workers by raising heart rate, straining the body's temperature regulation, and causing fatigue. Fatigued workers are less productive and work shorter hours. Most workers work outdoors – especially in agriculture – with little room for adaptation to heatwaves. The economic impacts on rural workers are likely to be large and will further damage food production. Indoor workers – mostly in cities – can adapt in principle, but electricity demand already outstrips supply, and the grid is unable to support large scale temperature controls. As labor productivity and supply decreases, structural transformation of the economy is hindered – with foregone fiscal gains. The CCDR projects heat stress to drive a GDP decline of about 3-5 percent by 2050, while the CPD projects a decline in GDP per capita of approximately 8 percent by 2100 in the fastest warming scenario, assuming slow adaptation.

¹ This annex was prepared by Danielle Minnett, Henk Reinders, Dulani Seneviratne, and Balazs Stadler.

Figure 1. Temperature and Precipitation Data.

Average temperatures have risen by about 1 degree Celsius since the 1960s...

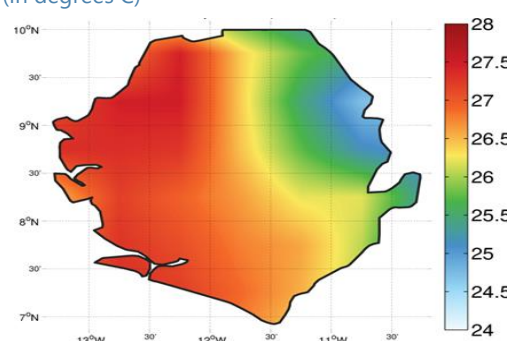
Average Annual Temperature (In degrees C)



Source: FADCP Climate Dataset.

... with higher average temperatures along the highly populated coast.

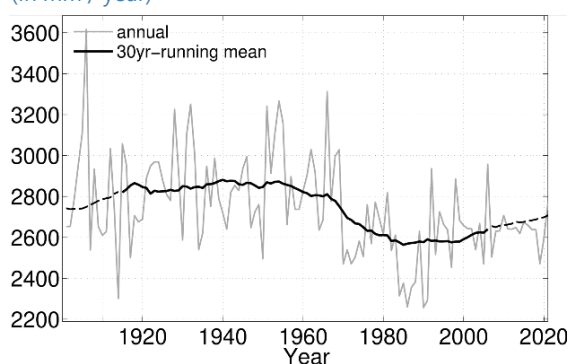
Average Temperature, Spatial Distribution (2020) (In degrees C)



Source: FADCP Climate Dataset.

Average annual precipitation is high at 2700 mm...

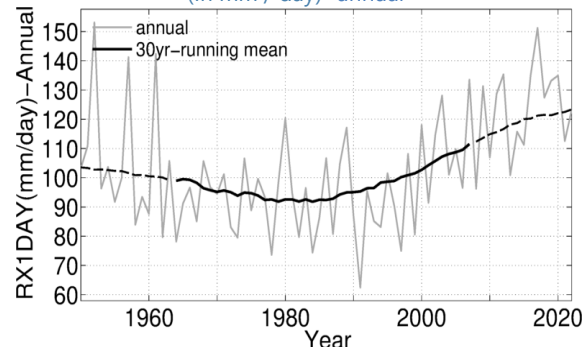
Average Annual Precipitation (In mm / year)



Source: FADCP Climate Dataset.

...with precipitation events becoming more intense.

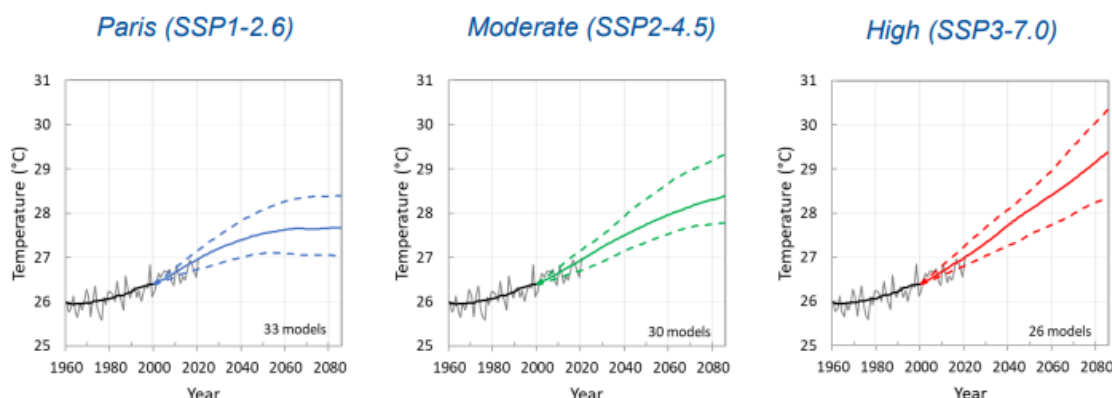
Annual Max 1-Day Precipitation (RX1) (mm) (In mm / day)- annual



Source: FADCP Climate Dataset.

3. These changes in climatic conditions are undermining agricultural productivity, weighing on GDP and worsening food insecurity. Agriculture accounts for half of employment and 30 percent of value added in the economy. Nonetheless, food insecurity has been increasing since 2000 and affects over 80 percent of the population. Sierra Leone is more vulnerable than other AFR countries to changes in cereal yields, food import dependency, and agricultural capacity (Figure 4, Panel A3). The WB's CCDR projects a decrease in yields for all rainfed crops and a 3-5 percent GDP loss from agriculture by 2050. Given Sierra Leone's high dependence on climate-sensitive sectors such as agriculture and infrastructure, climate change poses a direct threat to economic growth and external stability.

Figure 2. Time Series of Average Annual Temperature (degrees C) and Total Annual Precipitation (mm/year)



Sources: FADCP Climate Dataset.

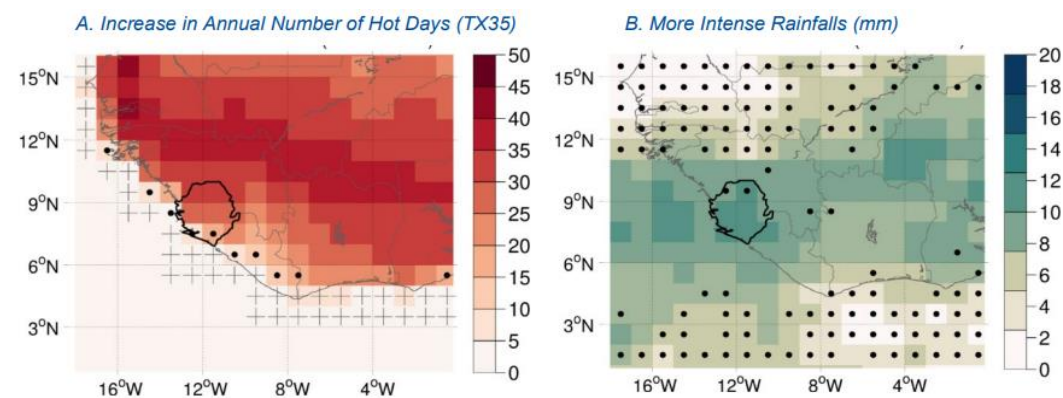
4. Floods and landslides are costly, disproportionately affecting vulnerable communities and undermining livelihoods. Informal settlements around urban centers are especially exposed and vulnerable to floods. About 10 percent of Freetown’s population lives in high-risk zones, and around 28 percent of the population in the Western Area’s rural district, and more than a third of its urban district, are exposed to flood risks. Sierra Leone experiences frequent floods and sporadic yet severe landslides, with 14 occurrences since 2004 (Figure 4, Panel A2). Both flood and landslide risks may increase if precipitation events become even more intense (Figure 3, Panel B). The 2017 landslide cost an estimated \$36 million (around 0.5 percent of 2017 GDP). The 2024 September floods displaced about 750 people and have destroyed food supplies and livelihoods. In other areas, floods submerged over 1,500 farmers’ lands with crops destroyed or damaged. For larger disasters, models predict a 1-in-25 years river flood causing \$75 million in losses and damages, around 1 percent of 2025 GDP.² The increased frequency and severity of climate shocks can lead to lower export earnings, higher import needs for reconstruction and food, and can exacerbate balance of payments pressures in the medium to long term.

5. Despite high rainfall, Sierra Leone faces significant challenges in access to drinking water and vulnerability to contamination. In rural areas, only about half of the population has access to treated water. The remainder rely on water sources like rivers, lakes, and unprotected wells. In urban areas about 90 percent of the population has access to drinking water - but rapid unregulated urbanization and population growth are overstressing the capacity of the outdated and unsupported system. Freetown, the capital city, has expanded into the Western Area Peninsula National Park, endangering the local watersheds, which covers about 90 percent of Freetown’s

² WB Disaster Risk Management Diagnostic Note for Sierra Leone (2020).

water supply. Informal settlements are not serviced. Water pollution will deteriorate people's health and could cause disease outbreaks.

Figure 3. Projected Changes of Number of Hot Days and Extreme Precipitation by 2050 Under SSP2-4.5 (Current Trends)



Sources: FADCP Climate Dataset.

6. Sierra Leone's low-lying coastline is exposed to erosion, flooding, storm surges, and saltwater intrusion. Freetown, the capital, sits under 15 meters above sea level and hosts about 1.5 million people—roughly one-fifth of the national population. Global sea levels have already risen by 0.2 meters between 1901 and 2018, with the rate of increase accelerating (IPCC 2023)—a challenge that can be managed but not eliminated. For Sierra Leone, median projections, under a moderate emissions pathway (RCP 4.5) suggest an increase of 0.61 meters by 2100 compared to 2000 levels, while under a very high emissions scenario (RCP 8.5) the increase could reach 0.77 meters—broadly in line with global averages. Without adaptation, the annual average cost of sea level rise is estimated between 0.3-0.36 percent of GDP annually in a Paris-aligned and extreme emissions scenarios. These costs are largely driven by the loss of life and loss of capital during storm surges and capture welfare losses, which include non-monetary costs like loss of life, ecosystem losses, and disutility from coastal inundation.

A. Current Legislation, Policies, and Gaps

Addressing climate change is a priority for Sierra Leone. About half of Sierra Leoneans know of climate change, and around 90 percent of these think that the government should do 'a lot more' about it (Afrobarometer, 2022). President Bio called for urgent action during the 2019 Climate Action Summit and has been a vocal advocate for scaling up climate finance. Without timely adaptation and resilience-building investments, climate change is likely to amplify macroeconomic volatility and external imbalances, as disaster-related losses and reduced productivity translate into higher fiscal deficits, increased external financing needs, and greater vulnerability to BOP crises.

B. Institutional Environment for Climate Change Management

7. The government has established several climate change specific plans, currently facing implementation challenges. Table 1 presents a selection. The updated Nationally Determined Contribution (NDC) and the National Adaptation Plan (NAP) outline the overarching national climate priorities. For adaptation, the NDC prioritizes the following seven sectors: (i) agriculture and food insecurity, (ii) water and energy, (iii) coasts, (iv) environment, and (v) disasters, and two cross-cutting issues: (vi) social inclusion and (vii) infrastructure. For mitigation, the NDC pledges a 25 percent reduction of greenhouse gas emissions by 2050 (partly conditional and compared to a business-as-usual scenario). The country aims to reduce emissions, while expanding electrification and reforestation efforts, including reaching land degradation neutrality by 2030. However, as emphasized in the NDC, implementation challenges are caused by insufficient coordination, missing data, and lack of technical capacity.

8. Climate change is also embedded in key national development strategies, but the country lacks a cohesive governance framework, resulting in coordination challenges. The Medium-Term National Development Plan (2024–2030) envisions Sierra Leone as an “inclusive and green middle-income economy by 2039” and improving resilience to climate change is included as a cross-sectoral priority. However, the plan fails to ensure consistency among sectoral policies and is not fully aligned with international commitments (iNAP and NDC). While most sectoral policies refer to climate change issues, limited cross-sectoral coordination results in partially conflicting policies. In 2021, the Environment Protection Agency Act established a Climate Change Secretariat responsible for developing and implementing plans related to climate change. The Ministry of Environment and Climate Change oversees the coordination of climate action across the government. However, the secretariat is made up of only a few individuals, and a broader understanding of MDAs’ roles and responsibilities around climate is needed. To fill this gap, the government has begun drafting a Climate Change Act, which will include an institutional framework on climate change. Submitting this act to parliament is a trigger in the WB DPO.

C. Public Financial Management

9. Fiscal risks stemming from the impact of climate shocks on public infrastructures and the economy are not adequately considered in the PFM framework. The National Public Management Investment Policy envisions the integration of climate considerations in PIM cycles, including at the concept stage, the appraisal stage and the selection stage, but important implementation gaps persist. There are climate change planning frameworks—for example Guidelines for Mainstreaming Climate Change Adaptation and Mitigation into Development Planning—but climate commitments and public investments remain inconsistent, and coordination is imperfect. Project appraisal guidelines insufficiently reflect climate adaptation and resilience considerations, and the Public-Private Partnership framework does not include climate risk sharing. The C-PIMA highlights the lack of a comprehensive registry of critical public assets including assessments of their vulnerability to natural disasters as a key obstacle to effective asset management and to the development of climate aware maintenance plans. These plans are critical

for proper budgeting of maintenance costs. A structured framework for maintenance planning is therefore needed to systematically prioritize, schedule, and finance upkeep of public assets based on their climate exposure and criticality (**RMs 1 and 2**).

Table 1. Sierra Leone: Key climate-related documents of Sierra Leone

National Climate Change Strategy and Action Plan (2015)	Outlines priority strategies for a low emission and climate-resilient economy and presents an overarching framework for climate policy.
National Renewable Energy Policy (2015)	Set out Government principles, objectives and strategies for renewable energy, exploiting its abundant natural resources.
Nationally Appropriate Mitigation Actions (2020)	Provides guidance on implementation of mitigation measures outlined in the NDC.
Updated National Determined Contribution (NDC) (2021)	Outlines commitments of Sierra Leone under the Paris Agreement.
National Adaptation Plan (NAP) (2021)	Outlines actions of reduce Sierra Leone's vulnerability by half by 2030.
National Climate Change Policy (2021)	Seeks to ensure a climate-resilient and climate-compatible economy while achieving sustainable development through equitable low-carbon economic growth.

Source: CCDDR and authorities.

D. Building Resilience Against Climate Shocks

10. Insufficient data limits Sierra Leone's capacity to allocate scarce resources effectively across competing development priorities and to integrate climate considerations into planning. The country has limited knowledge of the macro-fiscal costs (output, expenditure, and revenue impacts) associated with disasters of varying magnitudes. Understanding their disaster risk financing gap and reporting potential risks from various natural disasters in upcoming Fiscal Risk Statements will help prepare the country for upcoming disasters (**RM 3**). Moreover, given the lack of financial resources and limited administrative capacity, MDAs are mostly operating reactively in response to pressures in their respective areas of responsibility. They have generally adopted a short- to medium-term perspective (6 months to 6 years) in their planning and pay little attention to long term effects with some exceptions: for example, the 2021 NDC assessed temperature and rainfall trends under RCP 4.5 and 8.5 scenarios out to 2080, and SL-MET has produced sea-level rise projections through 2060 under the same scenarios. While the NDMA Act tasks the agency to implement government policy on disaster prevention, disaster risk reduction, and climate risk management, key policy areas—including land-use planning, public infrastructure, forest management, and management of marine activities and coastal areas—are under the responsibility of other MDAs. Thus, NDMA cannot design and implement preventive policies on its own. Instead, it requires the relevant MDAs to understand vulnerability data and incorporate it into their decision-

making. So far, the NDMA has some vulnerability data, however, this data is fragmented, out of date and incomplete. The lack of necessary data, including hazard vulnerability maps that incorporate climate change scenarios—makes it difficult for MDAs to incorporate a long-term climate perspective into planning. **(RM 4)**

11. Sierra Leone is at the beginning stages of establishing a social safety net system, and administrative infrastructure is needed to efficiently respond to disasters. The current system consists largely of a donor-financed cash transfer program for extreme poor households and community works programs led by the National Commission for Social Action (NaCSA). However, the system lacks formally defined structures and benefits. The Government has made progress by adopting the National Social Protection Strategy (2022–2026) and preparing the National Social Protection Bill, which establishes the legal and institutional foundation for a life-course social protection system and calls for the formalization and digitalization of a social registry. To date, the country maintains beneficiary lists from previous programs (covering around 10 percent of the extreme poor), using program ID numbers. Meanwhile, the NDMA has a list of vulnerable households to hazards using a 2016 map, which does not include climate scenarios. Recently, National Identification Number (NIN) cards were distributed, although a small subset of the vulnerable population has yet to receive one. The lack of a permanent, dynamic and digitalized social protection registry linked with the national electronic ID hinders targeting, allows for duplication, and reduces the country’s ability to rapidly scale up support in the event of shocks, including from donors. Instead, the country uses an on-demand community targeting approach that takes time to identify beneficiaries for social support. The National Social Protection Authority was recently established, with responsibility of creating a social protection registry. The next step should be to merge current beneficiary registries with the national identification system **(RM 5)**, strengthening the ability of the government and development partners to rapidly and effectively scale up support to extremely poor populations during disasters. Meanwhile, integrating the new social registry with updated hazard assessment data and expanding coverage of extreme poor households in those areas would ensure that support reaches disaster-affected households quickly, including those who were not previously a program beneficiary, while also strengthening the capacity of the newly established National Social Protection Authority to further expand coverage over time **(RM 6)**.

12. Expansion of water services and the maintenance of existing services is a challenge as the sector is not economically viable and lacks financial resources for appropriate maintenance and investment. Water availability is essential for an agricultural sector that is resilient to climate change. Meanwhile, food security is the main priority for the authorities with “Feed Salone” as the President’s flagship initiative. The Electricity and Water Regulatory Commission (EWRC) established tariff rules in 2019 to guide cost-recovery methodologies for tariff setting. According to the water companies, their operation depends on government support as current water tariffs do not cover operational costs. Guma Valley Water Company’s (GVWC) last tariff adjustment was approved in 2021. Despite the tariff increase, GVWC continued to operate below cost recovery, with a negative net cash flow of 11.3 million leones in 2022. Sierra Leone Water Company (SALWACO) tariffs were last updated in 2023. Their tariffs, however, remain among the

lowest in Sub-Saharan Africa. Low tariff levels and high non-revenue water continue to hinder full cost recovery.³ A recent TA from EP showed the need to develop a multi-year water tariff methodology that includes provisions for periodic comprehensive tariff reviews, efficiency targets, and interim indexation with targeted pass-throughs for verified exogenous costs. **(RM 7)**

E. Financial Stability Risks

13. Significant limitations exist in Sierra Leone’s financial sector that exacerbate its capacity to identify risks stemming from climate change. While the creation of the Emerging Risks Unit at the central bank’s prudential supervision directorate overseeing climate risks is a welcoming development (IMF, CPD 2024), significant limitations exist in Sierra Leone’s conventional stress testing framework (IMF, FSSR 2020). Improving overall financial sector resilience by enhancing the conventional stress testing framework and data collection capacities, refocusing banks’ business models—which have created a large sovereign-bank nexus—and capital market development remain first-order priorities. Given the significant constraints in the financial sector, complex undertakings such as climate-related scenario design, climate risk analyses, climate-related disclosures, and green finance guidelines are not well-suited for Sierra Leone at the current juncture. However, the BSL could step up efforts to improve its capacity to understand potential pressure points for the financial system due to material climate risks such as floods and landslides. Given that all commercial banks are willing to gather geographic information related to their sectoral exposures in Sierra Leone, BSL could start by collecting banks’ sectoral loan and collateral exposures by geographic locations **(RM 8)**.

14. Sierra Leone lacks the capacity to assess risks to the financial system stemming from climate change. Assessing climate risks, allowing accurate market pricing, and enabling informed investment decisions requires a robust information architecture around climate risks. Given the limitations at sectoral level in Sierra Leone, efforts to identify data gaps and develop reliable and better-quality data are important steps from a climate-related financial sector risk management point of view. To better understand the impact of climate related physical risks on the banking sector, Sierra Leone should improve its capacity to identify risk transmission channels **(RM 9)**.

15. In the long-run, principles to align investments to sustainability goals could help banks direct their lending towards climate resilient sectors. Fundamental improvements are needed in key strategic sectors identified in the NDC to develop bankable projects and for the banking system to disseminate risk-based lending (following the principle of risk neutrality). Once appropriate sectoral policies are in place (for instance, through the effective implementation of reform measures, including those outlined here), a climate-related alignment approach (e.g., a taxonomy) covering mitigation and adaptation needs across key strategic sectors could help attract climate finance in the long run.

³ Non-revenue water is water that has been produced and is "lost" before it reaches the customer, either through leaks, theft, or metering inaccuracies. It is defined technically as the difference between the volume of water put into a water distribution system (system input volume) and the volume that is billed to customers.

F. Climate Finance

16. Sierra Leone requires significant climate financing to meet its adaptation needs. The country attracts only a small fraction of climate finance flows in Africa (Figure 4, Panel CF1). The Nationally Determined Contribution 3.0 (NDC)⁴ of Sierra Leone estimates climate finance needs between 2025-2035 to be around \$3 billion, with closer to two-thirds allocated for adaptation needs. However, climate financing flows have been subdued over the years due to impediments explained throughout this report. The mismatch between climate finance needs and the current climate investment flows thus far has produced a financing gap of around 50 percent of total needs. Over one third of the existing climate financing flows went into climate resilient investments in the energy sector, while cross-sectoral projects and the agriculture sector attracted about 25 percent and 20 percent of climate finance, respectively (CPI, 2023). Additional financing is needed across the board to prioritize the strategic sectors underlined in the NDC 3.0.

17. The NDC 3.0 aims to finance Sierra Leone's climate investment needs through various domestic and international stakeholders, though domestic stakeholder capacity remains constrained. The domestic public sector can mobilize only up to \$10 million through the domestic budget reallocation and the contingency budget reserve (CCDR, 2024).⁵ Given the debt sustainability issues facing Sierra Leone, meeting the country's climate goals will require concerted efforts to identify sources of concessional non-debt-based climate financing. Therefore, a strong policy framework backed by extensive technical assistance from international stakeholders is needed to catalyze additional climate finance.

18. The lion share of climate finance currently comes from the international public sector. Most public financing originates from multilateral development banks (over 60 percent of total funding), while bilateral public financing contributes the second largest share (at around 30 percent) during the same period (OECD, 2023). Most of this funding has come in the form of grants. However, going forward, climate financing through official development assistance (ODA) could come under pressure due to geopolitical tensions and reprioritization of ODA to other sectors. Private financing flows to Sierra Leone remain significantly lower, at less than 5 to 10 percent based on various estimates.

19. As in many other developing economies, there are multiple impediments to scaling up climate finance in Sierra Leone. This includes the lack of a large bankable pipeline of projects, institutional challenges, high upfront costs, the long-dated and volatile nature of most climate investments, and risk-return mismatches (GFSR 2023). In Sierra Leone, there is no pipeline of appraised and prioritized projects and it lacks criteria for informed decision-making. Failure to

⁴ The NDC and iNAP set out the country's long-term goals of reducing CO2 emission levels by 2050, enhancing adaptive capacity, and halving vulnerability by 2030.

⁵ CCDR's estimate is based on the government's approach exemplified by disaster events in 2022. The NDC 3.0 however notes that the government aims to finance \$304 million over the period of 2025-2035.

prioritize projects has resulted in a public investment pipeline that includes a large amount of projects for which there is insufficient funding (IMF, CPIMA 2024).

20. Gaps in Sierra Leone’s regulatory landscape impede the ability to effectively coordinate and mobilize climate finance. The NDC 3.0 calls for a National Climate Financing Facility (NCFF) to set out a National Investment Plan (NIP), including a strategy for meeting the financing needs envisaged in the NDC. However, this is yet to be developed. The country’s overarching planning instrument—the Medium-Term National Development Plan (MTNDP, 2024–2030)—is not clearly aligned with the strategies set out in the NDC and the initial National Adaptation Plan (iNAP) (IMF, CPIMA 2024). In 2023, the Presidential Initiative on Climate Change, Renewable Energy, and Food Security was established to provide coherence in the coordination and implementation of the new MTNDP. However, it does not have a clear mandate and is understaffed. A platform that brings all these institutions and initiatives together to coordinate investment from a climate perspective does not exist in Sierra Leone (IMF, CPIMA 2024). Sierra Leone’s recently finalized national climate finance strategy could help clarify institutional roles, responsibilities, and coordination mechanisms. However, this capacity is conditional on follow-through. Without legal backing, detailed operational rules, and sustained capacity building, the strategy alone may not be sufficient to fully resolve long-standing coordination challenges. The recently completed disaster risk finance strategy could usefully enhance disaster risk insurance penetration by creating a disaster emergency fund and employing insurance instruments such as accessing the African Risk Capacity (IMF Sierra Leone CPD, 2024).

21. Climate-related sovereign debt instruments are ill-suited for Sierra Leone at the current juncture owing to demand constraints, limited fiscal space, and debt sustainability concerns. The investor base for debt instruments remains limited given the lack of international market access, underdeveloped domestic capital markets, and domestic bank business models focused on investing in sovereign debt securities.⁶ Moreover, the country’s constrained fiscal space and elevated debt vulnerabilities limit its ability to borrow for climate-related purposes without undermining macroeconomic stability.

22. Concessional financing based on non-debt financial instruments could be more suitable for Sierra Leone. Grants, equity investments, and other non-debt financial structures could provide funding without adding strain to the country’s debt burden. One example of such an innovative structure from the region is the Acumen Resilient Agriculture Fund—an equity fund—targeting investments to enhance climate resilience for smallholder farmers in East and West Africa. It is anchored in the Green Climate Fund (GCF), which provides first-loss capital as well as technical assistance grants (UNDP, 2023).⁷ The GCF as well as other international climate funds such as the Climate Investment Funds (CIF) and the Global Environment Facility (GEF) have provided additional

⁶ Sierra Leone is unrated by ratings agencies and about one-third of banks’ balance sheets comprise of sovereign debt securities. Market capitalization of the Sierra Leone stock exchange amounts to about 0.1 percent of GDP with about 3 listed entities.

⁷ The first-loss layer enables investors with a lower risk tolerance to participate.
<https://www.greenclimate.fund/sites/default/files/document/case-study-fp078.pdf>.

financing for Sierra Leone (CCDR, 2024). In Sierra Leone, the GCF has so far provided closer to \$75 million in grant financing for 8 projects as of end-2025 (additional information on donor support is presented in the subsequent section of this annex).⁸

23. Sierra Leone’s NDC aims at implementing United Nations’ REDD+ (Reducing Emissions from Deforestation and Forest Degradation) programs that could help attract additional financing in the long run. This requires addressing impediments related to deforestation and forest degradation, land tenure issues, and forest governance issues. Addressing these barriers will also help with other interconnected issues such as energy and food insecurity. Sierra Leone’s REDD+ Strategy (2019) is constrained by capacity gaps, tenure and governance weaknesses, uncertain financing, incomplete MRV systems, and limited integration with broader development policies. Attracting financing in REDD+ related areas in the long run would require prioritizing improvements in the capacity to monitor, report, and verify REDD+ activities and to maintain a robust and transparent national forest monitoring system.

24. The RSF can help Sierra Leone unlock, absorb, and deploy larger volumes of concessional climate financing. RMs 1–2 increase the credibility and bankability of public investment projects for climate finance providers including development partners. RM3 improves the government’s ability to quantify and disclose climate-related fiscal risks, an increasingly important requirement for accessing climate financing instruments and disaster risk financing facilities. RM4 supports evidence-based adaptation planning and helps development partners and climate funds better target investments to high-risk areas. RMs 5–6 strengthen adaptive social protection systems through a digitalized and scalable social protection registry linked to climate vulnerability data, enabling faster and better-targeted donor support and shock-responsive financing following natural disasters. RMs 8–9 strengthen climate risk monitoring within the financial sector, enabling policymakers to target adaptation efforts in regions most exposed to material financial losses—thereby potentially reducing risk premia and bolstering investor confidence. Taken together, the RSF reform package would not only strengthen resilience and macroeconomic and financial stability, but also create institutional systems, data infrastructure, and policy credibility needed to crowd in external climate financing.

G. Development Partner Involvement

25. Development partners have provided balanced support across adaptation and mitigation priorities. Between 2018 and 2022, Sierra Leone received approximately US\$850 million in climate-related financing from development partners. Of this, US\$400 million was directed toward adaptation, US\$350 million toward mitigation, and US\$100 million toward cross-cutting initiatives. This distribution reflects a strategic effort to address both immediate vulnerabilities and long-term structural challenges. Persistent institutional challenges limit the effectiveness of external assistance. While development partners have aligned their support with Sierra Leone’s stated

⁸ <https://www.greenclimate.fund/countries/sierra-leone>.

climate priorities, recent diagnostics point to persistent institutional challenges that limit the effectiveness of external assistance.

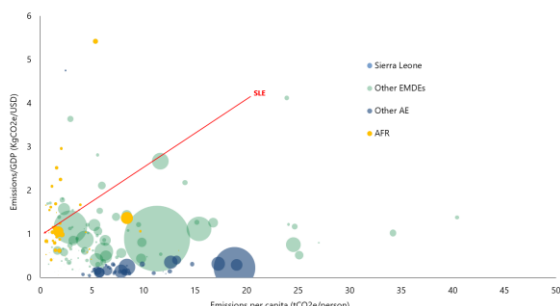
26. Mitigation efforts have focused on expanding clean energy access and reducing deforestation. Donors such as the WB, Germany, Japan, and the United Kingdom have supported rural electrification and off-grid solar solutions. The UK's US\$50 million Rural Renewable Energy Project exemplifies this dual focus on development and climate resilience. More broadly, the WB DPO and ongoing TA target resilience and financial sustainability of the energy sector – including a multi-year tariff methodology and separation of assets between Electricity Generation and Transmission (EGTC) and Energy Distribution and Supply Authority (EDSA). Forestry-related interventions have included drone-based forest monitoring (Project Sapling), remote sensing (WFP), community forest management (EU's PAPFor and PAPBio), and clean cooking solutions. Forestry initiatives have been leveraged to enhance Sierra Leone's readiness for REDD+. Support from the GCF and FAO has focused on establishing monitoring systems, developing a national forest inventory, and building a pipeline of projects. These efforts aim to position Sierra Leone well to attract future climate finance for forest conservation and sustainable land use.

27. Adaptation support has targeted agriculture, disaster preparedness, and health system resilience. Programs such as the EU's Nature Nourishes initiative have promoted climate-smart agriculture and strengthened value chains for smallholder farmers and SMEs. UNICEF has supported early warning systems and emergency preparedness, while Iceland and the Global Climate Facility have invested in solar-powered emergency services and improved water, sanitation, and hygiene infrastructure. Under the WB DPO, the WB has supported the country in creating a National Country Planning Bill, which governs the integration of disaster and climate risk considerations into urban planning.

28. Development partners have also contributed to strategic planning and institutional strengthening. The Green Climate Fund (GCF) has supported the development of Sierra Leone's comprehensive National Adaptation Plan, while Germany has assisted with the third Nationally Determined Contribution. UNDP has worked with the authorities to integrate climate considerations into fiscal planning through a green budgeting framework. Persistent institutional challenges limit the effectiveness of external assistance. While development partners have aligned their support with Sierra Leone's stated climate priorities, recent diagnostics point to persistent institutional challenges that limit the effectiveness of external assistance. Strengthening institutional capacity and improving governance will be essential to translate donor engagement into sustained climate resilience. The WB DPO has a trigger to submit a Climate Change Act to Parliament that consolidates existing climate change-related legislation and outlines clear roles and responsibilities related to climate change action across government.

Figure 4. Main Climate Data in Sierra Leone**M1. GHG Emissions Intensity Vs. Total Emissions, 2022**

Sierra Leone contributes only a minimal share of global GHG emissions and has very low per capita emissions. However, its carbon intensity—emissions relative to GDP—is relatively high compared to other EMDEs and AFR countries.

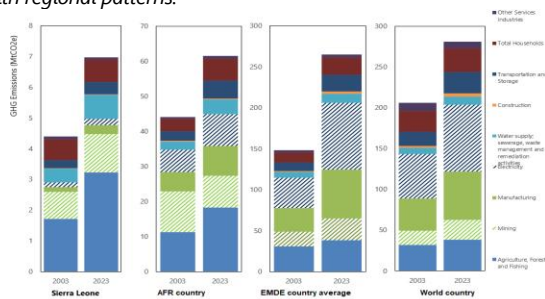


Note: Bubble size indicates total GHG emissions excluding land-use and land-use change and forestry. Outlier Palau is excluded.

Sources: [IMF Climate Change Dashboard](#) (2021) and IMF World Economic Outlook (WEO).

M2. Emissions by Sector

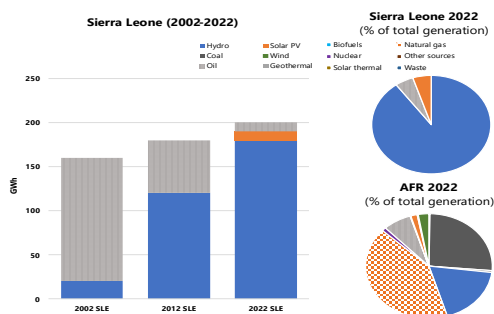
Sierra Leone's emissions are dominated by agriculture, consistent with regional patterns.



Note: GHG emissions excluding land-use and land-use change and forestry are shown. Source: OECD Air Emission Accounts; UNFCCC; EDGAR; IMF staff calculations.

M3. Electricity Mix by Source

Sierra Leone's electricity generation mix is cleaner than the average in AFR countries¹, with 90% of its power generated from hydropower. The increased contribution of hydro and solar energy has diminished the reliance on fossil-based generation. However, access is still limited with peak demand near 100 MW and generation capacity between 75-80 MW.



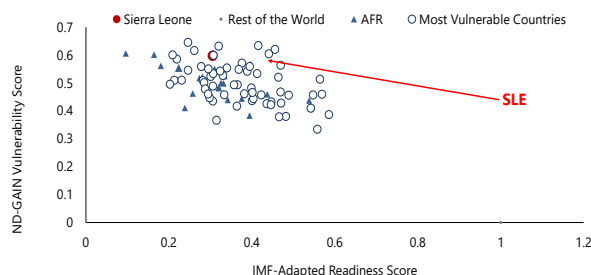
Source: [Our World in Data/Ember](#) and [IEA Data Services](#).

1/ Data for AFR is preliminary.

Notes: M=Mitigation, A=Adaptation, CF=Climate Finance.

A1. Climate risks and readiness (NDGAIN, 2022)

Sierra Leone is the 22nd most vulnerable country according to the IMF-Adapted NDGAIN Index, exhibiting low readiness.

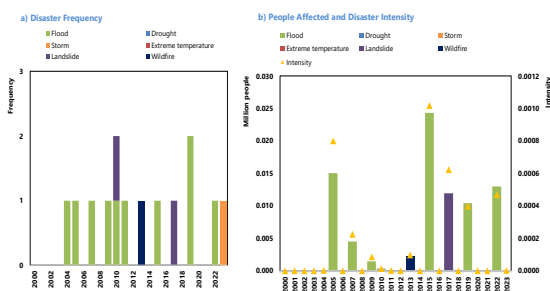


Sources: [IMF-Adapted ND-GAIN](#) (2021) from IMF Climate Change Indicators Dashboard.

Note: The Vulnerability Score assesses a country's current vulnerability to climate reflecting exposure, sensitivity, and adaptive capacity. The Readiness Score assesses a country's readiness to leverage public and private sector investment for adaptive actions.

A2. Key Natural Hazard Statistics

Sierra Leone is prone to flooding and has experienced sporadic yet severe landslides.

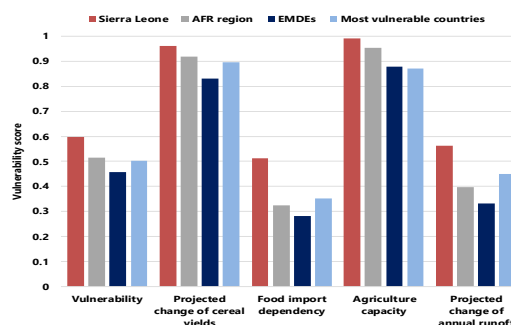


Note: Following Pondi and others (2022), intensity is defined as (Total death+30% Total Affected)/Total population.

Sources: EM-DAT and Staff calculations using [Pondi and others \(2022\)](#).

A3. Food Security and Adaptation

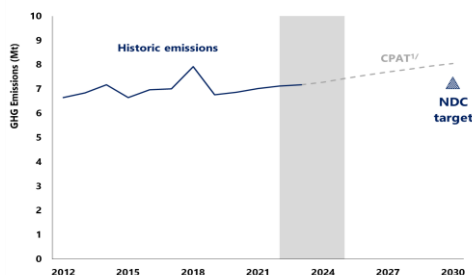
Sierra Leone is more vulnerable than other AFR countries to changes in cereal yields, food import dependency, and agricultural capacity. Similarly, the country faces greater vulnerability to changes in annual water runoff compared to the rest of the region.



Source: [NDGAIN Vulnerability Index](#) and subcomponents.

Figure 4. Main Climate Data in Sierra Leone (concluded)**M4. GHG Emissions vs. NDC Targets**

The gap between Sierra Leone's NDC target and its baseline emissions is modest, indicating that additional, yet manageable, mitigation efforts are needed to meet the target.

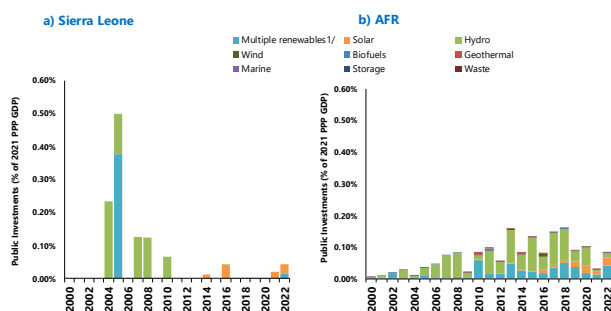


Sources: [IMF Climate Change Dashboard](#) with data from the UNFCCC, EDGAR, FAO and IMF Staff-calculations.

1/ CPAT estimations are indicative as they are based on uniform assumptions across all countries across the globe (i.e., no new mitigation policies, 50% reduction in explicit subsidies if applicable, energy prices based on average IMF-WB forecasts, and macroeconomic projections from the latest WEO).

M5. Public Investment in Renewable Energy

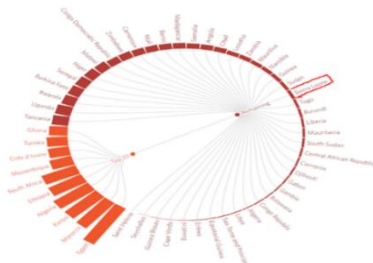
Public investment in renewable energy has seen a peak in the early 2000s but is currently substantially below the AFR average.



1/ Multiple renewables refer to commitments that target more than one renewable energy technology. Sources: [IRENA](#) statistics.

CF1. Climate Finance Vis-à-Vis the Region, 2020

Sierra Leone attracts only a small fraction of climate finance flows in Africa.



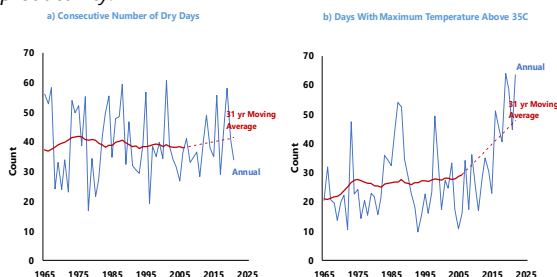
Sources: Climate Policy Initiative (CPI).

Note: This amounts to about 2.5 percent of GDP (ranked 17th).

Notes: M=Mitigation, A=Adaptation, CF=Climate Finance.

A4. Number of Hot Days and Consecutive Dry Days

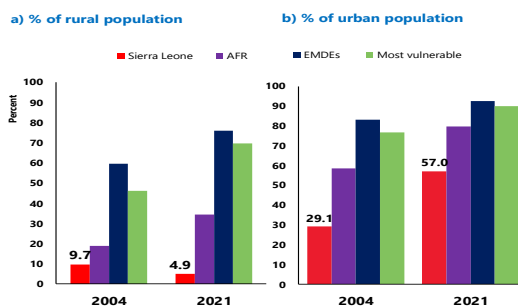
Over the past 20 years, the average number of heat days per year has shown a significant upward trend, potentially increasing health risks and challenging agricultural productivity.



Sources: FADCP Climate Dataset (Masseti and Tagklis, 2024), using ERA5 reanalysis data (Hersbach et al., 2023).

A5. Access to Electricity

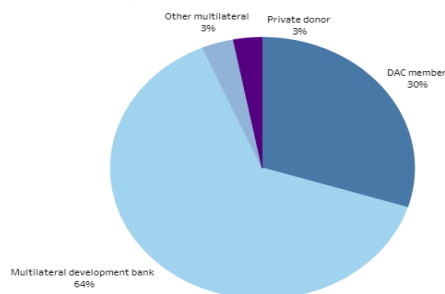
Despite notable improvements, access to electricity in Sierra Leone lags behind other AFR and climate-vulnerable countries, potentially exacerbating its vulnerabilities. Additionally, there is a pronounced disparity between urban and rural electrification levels.



Source: [World Development Indicators](#) (2021)

CF2. Climate Finance Investor Base, 2021

Most climate finance to Sierra Leone is provided by Multilateral Development Banks.



Sources: OECD

Annex V. Fiscal Reform for Climate Resilience

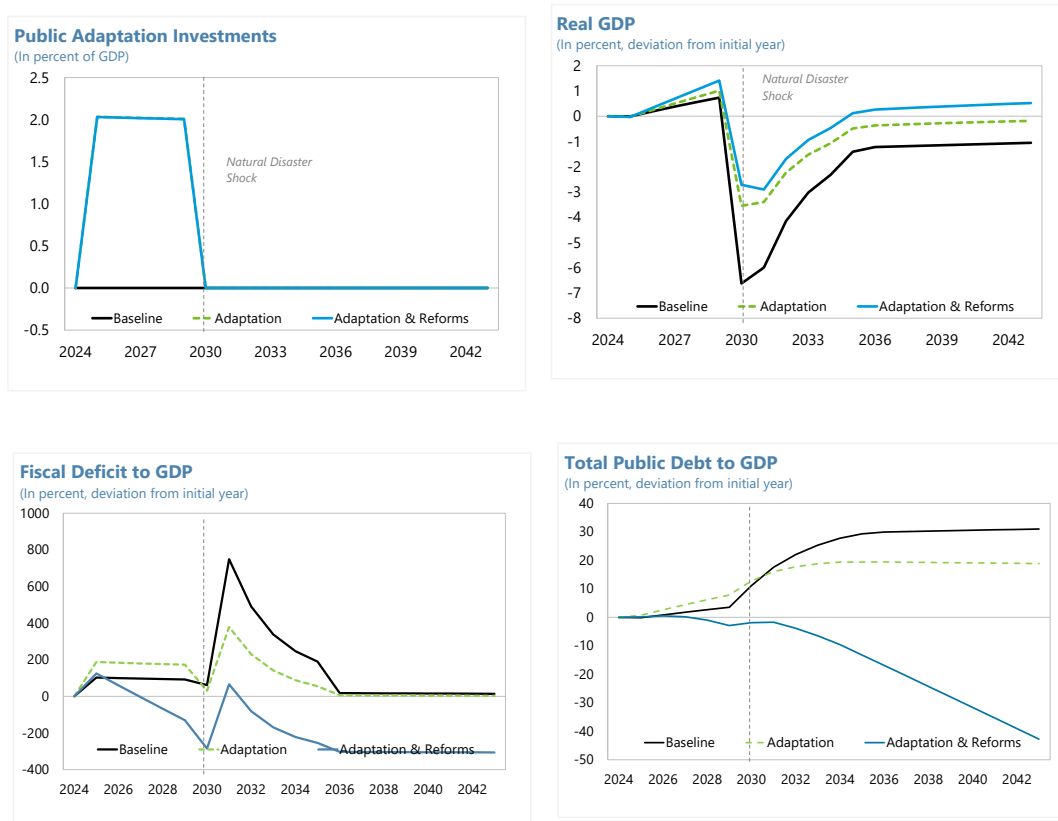
This annex uses the IMF-DIGNAD model to analyze Sierra Leone's climate vulnerability and how investing in adaptation affects output and public debt. Simulations suggest that prioritizing climate resilient investment, and efficiency enhancing public investment could lessen natural disaster effects in 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 data as of end-December 2024, with steady-state values based on 2018-2024 averages.** Public investment in infrastructure is set at 4.5 percent of GDP, 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 WB'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. The government 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 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. The adaptation and Reform Scenario is aligned with the RMs set out in Annex III (Table 13). 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. DIGNAD Simulation Results for Baseline, Adaptation Investment and Public Investment Efficiency, All-Debt Scenario 2024-43



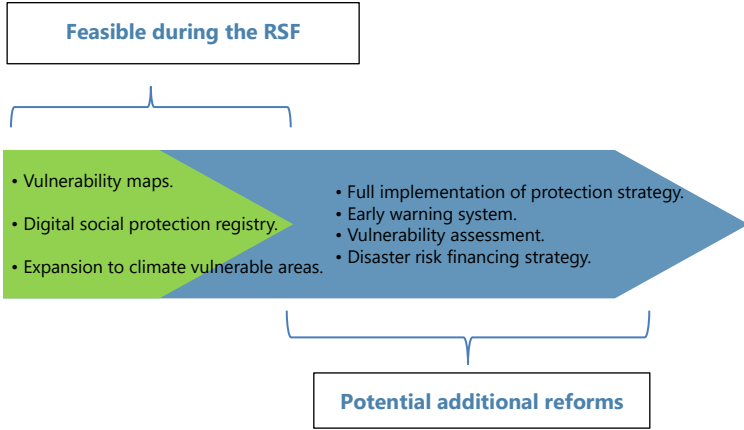
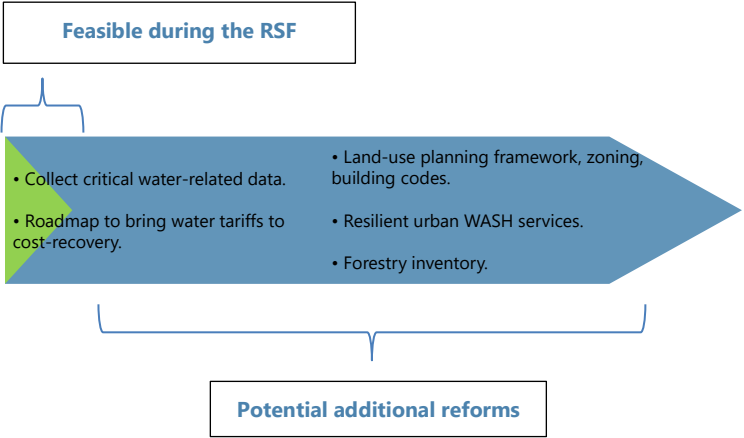
Source: IMF DIGNAD Model Simulation Results; and IMF Staff Estimates.

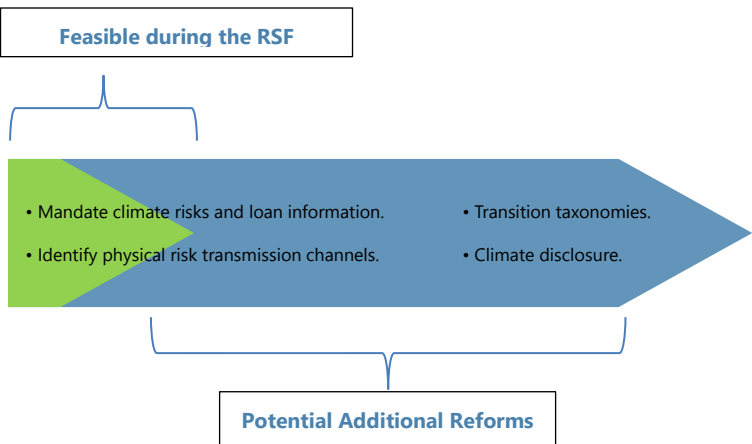
Source: IMF staff calculations

Annex VI. Evaluating Progress Toward Reducing Long-Term BOP Risks Through the RSF

Staff assesses that strengthening Sierra Leone's prospective balance of payments stability requires fiscal, financial, and structural policies – including macro-structural reforms in selected specific economic sectors. Reform areas covered by the RSF include: (i) Public Financial Management; (ii) Disaster Risk Management and Social Safety nets; (iii) adaptation reforms focused on water and land management; (iv) Financial Sector Risk Management. All reforms proposed are key to managing the impacts of climate change on longer-term balance of payments stability. For each of these reform areas, the table below shows an assessment of the current status—including policies or institutional frameworks (first column) and the desired long-term policy outcome (third column). RSF-supported reform areas (both RMs and commitments in the MEFP), represented by the green arrow (second column) aim to help the country achieve these outcomes. To fully achieve the policy outcomes, additional reforms will be necessary. Some of the possible additional reforms, drawn from available diagnostics, are reported in the blue arrow, and may be supported under a future RSF, by development partners, or carried forward independently by the authorities. However, they do not represent authorities' commitments. Some of these additional reforms are already underway, highlighting the complementarity of the RSF with efforts from country authorities and other development partners. The relative length of the green arrow compared to the "full set" of reforms provides a proxy of the progress expected to be possible directly through RSF-supported reforms. This reflects the authorities' ambition and implementation capacity under the RSF arrangement as well as limits to the Fund's expertise in certain areas. For example, the Fund's expertise in areas such as agriculture is limited while development partners are better placed to provide this support.

Current status	Main Reforms: RSF-Supported (green) and other Reforms Needed (blue)	Desired LT Policy Outcome	Prospective BoP Risk Reduction
No internalization of fiscal risks in the budget process. No asset registry nor maintenance plans. No integration of climate into PIM.	Public Financial Management Feasible during the RSF - Fiscal risks in the budget. - Asset registry and maintenance plan. - Fully integrate climate into PIM. - Database of PPPs. - Clarify roles and responsibilities. Potential additional reforms	More effective management of public non-financial assets Timely assessment and incorporation of fiscal risk to the budget for risk mitigation and contingency planning	<i>Improved fiscal and external sustainability.</i> Rationalizes fiscal expenditure on maintenance and reduces potential needs for rebuilding and related import demands. Reduces fiscal costs in the event of climate-related events and the need for external financing; reduces import demand for reconstruction; facilitates quick recovery of growth and exports.

Current status	Main Reforms: RSF-Supported (green) and other Reforms Needed (blue)	Desired LT Policy Outcome	Prospective BoP Risk Reduction
No social protection registry. No vulnerability assessment; early warning systems. No clarity on how disaster response would be funded.	Disaster Risk Management and Social Safety nets  The diagram shows a large blue arrow pointing right, representing reforms. A bracket above the arrow indicates 'Feasible during the RSF' and covers a green section on the left. This green section contains three bullet points: 'Vulnerability maps.', 'Digital social protection registry.', and 'Expansion to climate vulnerable areas.'. The rest of the blue arrow contains three bullet points: 'Full implementation of protection strategy.', 'Early warning system.', 'Vulnerability assessment.', and 'Disaster risk financing strategy.'. A bracket below the arrow indicates 'Potential additional reforms' and covers the entire blue arrow.	Well-designed social protection incorporating climate vulnerability considerations. Vulnerability assessment and Early warning systems informing policies and social protection. Articulated DRF for fast and effective response.	Reduced economic losses when climate risks materialize, lowering the need for government support after disasters. <i>Improved fiscal and external sustainability.</i> Enables a more effective social protection system for vulnerable households, contributing to improved and more resilient human capital and stronger growth and export potential.
No reliable information on water uses and costs; tariff below cost recovery. Water-use conflicts and no comprehensive water management plan. Inadequate land management and no cadastre.	Adaptation: Water and Land Management; Coastal Resilience  The diagram shows a large blue arrow pointing right, representing reforms. A bracket above the arrow indicates 'Feasible during the RSF' and covers a green section on the left. This green section contains two bullet points: 'Collect critical water-related data.' and 'Roadmap to bring water tariffs to cost-recovery.'. The rest of the blue arrow contains three bullet points: 'Land-use planning framework, zoning, building codes.', 'Resilient urban WASH services.', and 'Forestry inventory.'. A bracket below the arrow indicates 'Potential additional reforms' and covers the entire blue arrow.	Sustainable land and water use.	<i>Improved fiscal and external sustainability.</i> Supports growth in export-oriented water- dependent sectors. Foundation for economic activity and economic growth.

Current status	Main Reforms: RSF-Supported (green) and other Reforms Needed (blue)	Desired LT Policy Outcome	Prospective BoP Risk Reduction
No data architecture for green finance. Lack of information on potentially bankable projects and climate-related risks. No taxonomies nor disclosure requirements.	Financial Sector Risk Management 	Financial sector resilient to climate-related shocks and able to identify risks and opportunities in climate-related projects.	Safeguarding financial stability and improving asset allocation, reducing economic losses after disasters. (Identifying risk transmission channels provides the fundamental skills needed for a risk analysis in the future and has direct implications for financial stability -- therefore, this RM is well within Fund's expertise and the mandate, including Basel III Pillar I and BCP15.)

Sources: IMF Climate Policy Diagnostics Report for the Sierra Leone (2025); IMF Public Investment Management Assessment with Climate Module (C-PIMA, 2025); World Bank Sierra Leone Country Climate and Development Report (CCDR, 2025); and staff assessment.

Arrangement Under the Resilience and Sustainability Facility

Attached hereto is a letter May 29 (the “Letter”), with its attached Memorandum of Economic and Financial Policies (the “MEFP”) and Technical Memorandum of Understanding (the “TMU”), from the Minister of the Finance and the Governor of the Bank of Sierra Leone, requesting from the International Monetary Fund, as Trustee of the Resilience and Sustainability Trust (the “Trustee”), an arrangement under the Resilience and Sustainability Facility (“RSF Arrangement”) of the Resilience and Sustainability Trust (the “RST”), and setting forth the reform measures (“Reform Measures”) that the authorities of Sierra Leone intend to pursue during the period of the arrangement.

1. To support the Reform Measures, the Trustee approves the RSF arrangement for Sierra Leone until December 30, 2027 in accordance with the following provisions, and subject to the provisions of the Instrument to Establish the Resilience and Sustainability Trust (the “RST Instrument”)
 - (a) During the period of the RSF Arrangement, Sierra Leone will have the right to obtain disbursements from the Trustee in a total amount equivalent to SDR 155.55 million, subject to the availability of resources in the RST.
 - (b) Except as specified in Section II, Paragraphs 1(b)(4)(ii) and (iii) of the RST Instrument, this RSF Arrangement will terminate on the date of the expiration, termination or cancellation of the Arrangement under the ECF for Sierra Leone approved by the Executive Board of the International Monetary Fund on October 31, 2024, or when all amounts committed under this RSF Arrangement have been drawn;
2. At the request of Sierra Leone, during the period of the RSF Arrangement and subject to the conditions set out in paragraph 3 below, disbursements will be available as follows:
 - (a) A disbursement linked to reform measure (“RM”) 3, in an amount equivalent to SDR 17.284 million, and a disbursement linked to RM 8, in amount equivalent to SDR 17.283 million, will be available on or after November 15, 2026;
 - (b) A disbursement linked to RM 1, in an amount equivalent to SDR 17.284 million, and disbursements linked to RMs 4 and 5, each in amount equivalent to SDR 17.283 million, will be available on or after May 15, 2027;
 - (c) A disbursement linked to RM 2, in amount equivalent to SDR 17.284 million, and disbursements linked to RMs 6, 7, and 9, each in amount equivalent to SDR 17.283 million, will be available on or after November 15, 2027.
3. Sierra Leone will not request a disbursement under this RSF Arrangement specified in paragraph 2 above:

- (a) Until the Trustee has completed a review under this RSF Arrangement, which shall take place concurrently with the completion of a review under the Arrangement under the ECF, or as otherwise specified in Section II, paragraph 1(b)(9) of the RST Instrument, and determined that with respect to each disbursement, the accompanying Reform Measure, as set out in Paragraph 2 above and in Table 3 of the MEFP has been implemented, or that any deviation in implementation of the Reform Measure relative to its design and underlying objective was minor; or
 - (b) After 30 calendar days have passed from the date of the completion of a review under this RSF Arrangement in accordance with Section II, paragraph 3(c) of the RST Instrument.
4. In accordance with the Letter, Sierra Leone will provide the Trustee with such information as the Trustee requests in connection with the progress of Sierra Leone in implementing the Reform Measures supported by this RSF Arrangement.
 5. During the period of this RSF Arrangement, Sierra Leone shall remain in close consultation with the Trustee. In accordance with the Letter, Sierra Leone shall consult with the Trustee on the adoption of any measures that may be appropriate at the initiative of the government or whenever the Managing Director of the Trustee requests such a consultation. Moreover, after this RSF Arrangement ends and while Sierra Leone has outstanding financial obligations to the Trustee arising from loan disbursements under this RSF Arrangement, Sierra Leone will consult with the Trustee from time to time, at the initiative of the government or whenever the Managing Director of the Trustee requests consultation on Sierra Leone's economic and financial policies. These consultations may include correspondence and visits of officials of the Trustee to Sierra Leone or of representatives of Sierra Leone to the Trustee.

Appendix I. Letter of Intent

Freetown, Sierra Leone

May 29, 2026

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 complete the third review of the Extended Credit Facility (ECF) arrangement and approve our request for a Resilience and Sustainability Facility (RSF) arrangement. We request approval of the disbursement of the fourth tranche of the ECF credit, following our requests for waivers of non-observance for the quantitative performance criteria (PCs) relating to the end-December 2025 Net Domestic Assets (NDA) and the continuous ceiling on concessional external debt.

We request modification of PCs, including (i) to raise the June and December 2026 NCG ceilings, to account for lower-than-expected revenues, increased interest expense and oil price shock-related spending, and delays in budget support; (ii) to tighten the end-June 2026 NDA target to correct the end-December 2025 slippage, while the end-December target would remain determined by the end-year reserve money objective; (iii) to tighten the 2026 concessional external debt ceiling by US\$8 million to correct for the 2025 slippage; and (iv) to reduce the end-June NIR target to reflect the latest timing of budget support disbursements.

We are taking corrective actions to justify the waivers. We have corrected (i) the breach of the end-December 2025 NDA ceiling by bringing the NDA on track, as of end-March, to achieve the revised end-June 2026 target; and (ii) the breach of the 2025 external concessional debt ceiling by reducing the 2026 ceiling by the amount of the slippage.

We are firmly committed to the policies outlined in the attached Memorandum of Economic and Financial Policies (MEFP). They aim to (i) maintain the fiscal consolidation strategy while temporarily accommodating fiscal pressures from the war in the Middle East; (ii) mobilize revenues by bolstering tax and customs administration and enforcement; (iii) bolster PFM and debt management to

help contain fiscal and debt related risks; (iv) reform the monetary policy framework, rebuild reserves, and enhance safeguards; (v) strengthen governance; and (vi) build resilience to climate change. The Government believes that the policies set forth in the attached MEFP are adequate to achieve the objectives of its 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 the policies contained in the MEFP, in accordance with the Fund's policies on such consultation.

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

Attachment I. Memorandum of Economic and Financial Policies

This Memorandum of Economic and Financial Policies (MEFP) supplements the one dated December 2025. It summarizes recent developments, our performance under the ECF arrangement, and the policies and reforms we will pursue over the course of the ECF arrangement. It also sets out policy commitments to support our request for an arrangement under the Resilience and Sustainability Facility (RSF).

Recent Economic Developments and Outlook

1. We tightened fiscal policy significantly in 2025 but are facing new pressures this year.

We achieved a domestic primary surplus of 1.3 percent of non-iron ore GDP, up from a deficit of 2.7 percent in 2024. However, we are facing significant fiscal pressures as (i) revenues underperformed in Q1-2026, largely on account of falling oil imports, and are expected to continue to be held back by weaker-than-expected economic activity; (ii) transfers to help clear EDSA's arrears to IPPs are expected to exceed budgeted amounts; and (iii) policy support, including temporary fuel subsidies introduced in Q2-2026, will be needed to address the fallout from the war in the Middle East.

2. Our monetary policy stance has remained consistent with our medium-term inflation objective. In 2025 and in Q1-2026, base money grew broadly in line with program projections and the single digit inflation objective. We cut the policy rate by 200 bps to 16.75 percent in December 2025 but refrained from further reductions at our March meeting amid the oil price shock.

3. We have made some progress in rebuilding reserves, but our FX spending remains too high. Gross reserves increased to 1.9 months of imports at end-March 2026, up from 1.4 months of imports in September 2025. While our FX spending was too high in Q1-2026, we more than offset this overrun with additional FX purchases.

4. The economic outlook has weakened amid the war in the Middle East

- **Growth** in 2025, at 5 percent, was stronger than expected. It is projected to reach 4.0 percent this year, dragged down by the oil price shock but supported by robust performance in agriculture, manufacturing, and services. It is projected to reach its 4.6 percent potential going forward as the shock subsides, the Feed Salone program boosts agriculture, the mining sector expands, and fiscal policy becomes less contractionary.
- **Inflation** rose to 10.8 percent YoY in April amid the oil price shock, reflecting higher fuel prices, transportation costs, and rental costs. Under the baseline, the oil price shock is expected to raise inflation further in the near term, before reaching 11.6 percent by end-2026.
- The **current account** deficit is estimated at 5.4 percent of GDP in 2025 and projected to shrink to 3.7 percent of GDP in 2026, despite the oil price shock, as the fiscal consolidation continues. However, it is higher than previously projected due to upward revisions in historical imports data prepared by BSL and Customs with IMF TA support.

5. The banking sector remains profitable but vulnerable to sovereign risk. Profitability has moderated as T-Bill rates declined, with the return on assets falling from 13 percent in March 2025 to 10.6 percent in December. Amid the fiscal retrenchment, banks have re-balanced their portfolios toward the private sector. This shift has contributed to a decline in the Tier 1 capital ratio, which nonetheless remained comfortable at 27.4 percent of risk-weighted assets. Non-performing loans fell below the 10 percent regulatory threshold in December. BSL stress tests show that the sector is resilient to credit, foreign exchange and interest risks but remains vulnerable to sovereign risk.

6. The resolution of Union Trust Bank is in progress. The BSL is expected to receive a revised asset valuation from an independent private accounting firm, which will inform the scope of assets to be transferred to the acquirer and the associated funding gap that the government pledged to cover. The BSL has resolved legal interpretation issues that allow finalizing the instrument and executing the transaction.

Program Performance

7. We met most end-December targets and are making progress in implementing structural reforms, albeit with delays. While we missed several end-March 2026 ITs, we are confident that we can make the needed adjustments to meet the end-June targets.

- **End-December 2025 PCs and ITs.** We met all continuous PCs except the US\$100 million concessional external debt ceiling, which was breached by US\$8.5 million. The breach followed two consecutive years in which we remained significantly below the ceiling (US\$62 million in 2024 and US\$35 million in 2023). We corrected the breach by reducing the 2026 ceiling by the amount of the slippage to ensure that average annual concessional external borrowing remains in line with the program. We met all other PCs, except the PC on Net Domestic Assets—due to a temporary spike in liquidity demand at the end of the year—which we corrected by bringing the NDA on track, as of end-March, to achieve the revised (tighter) end-June target. We also met most ITs except those on Domestic Arrears and the Domestic Primary Balance.
- **End-March ITs.** We met the continuous PCs and the ITs on NCG, NDA and NIR but missed the FX Spending, School Feeding, Domestic Revenues, Domestic Primary Balance, Social Spending and Domestic Arrears ITs. We missed the Domestic Revenues and Primary Balance ITs due to the fiscal pressures in Q1-2026 discussed above. The FX spending IT was missed mainly due to payments to medical equipment suppliers required to preserve service delivery. To reduce the risk of recurrence, the MoF and BSL will strengthen coordination, and the MoF will cease requesting FX from the BSL for (i) transfers to IPPs and (ii) entities outside central government. The School Feeding, Social spending and Domestic Arrears ITs were missed mainly due to liquidity issues amid lower domestic revenue mobilization in Q1-2026 and delays in payment processing. We are committed to ensuring that the end-June targets are met as revenues pick up and liquidity constraints ease.

- **SBs.** We did not meet the continuous fuel pricing SB as we have subsidized fuel prices modestly since April. We also missed the continuous SB on mining agreements but will complete it through a prior action. We met the end-March SB to recapitalize the BSL, while the end-March SB to operationalize the safe harbor for iron ore was missed but will be completed as a prior action. The end-March SB on mining governance was missed because entities named in the commitment no longer exist, but the SB was completed in spirit. The end-April SB to strengthen arrears management will be replaced by a prior action and two new SBs.

8. We request waivers of non-observance for the missed PCs based on strong corrective action. We have corrected (i) the breach of the end-December 2025 NDA ceiling by bringing the NDA on track, as of end-March, to achieve the revised end-June 2026 target; and (ii) the breach of the 2025 concessional external debt ceiling by reducing the 2026 ceiling by the amount of the slippage (from US\$100 million to US\$91.5 million).

9. We are committed to completing three prior actions for the third review of the ECF. We will (i) operationalize the safe harbor by enforcing the pricing formula unless we have already completed an advance pricing agreement; (ii) share with IMF staff the results of a comprehensive stock-taking exercise of central government expenditure arrears at end December 2025, based on responses from all MDAs to an MoF request to report all their arrears, including all types of arrears referenced in the IMF TA report; and (iii) provide evidence that all mining agreements ratified since December 2025 are in compliance with EIRA.

Program Objectives and Economic and Financial Policies

A. Fiscal Policy

10. We plan to maintain a prudent fiscal policy stance while implementing policy support to contain the fallout from the war in the Middle East. We will submit a supplementary budget to Parliament with a domestic primary surplus of 1.1 percent of GDP (**New end-September 2026 SB**). It will include an updated PIP annex to detail budget allocations by project that are consistent with the domestic capital spending envelope.

- **Revenues.** Although revenues underperformed in Q1, collections have picked up since March, and we plan to fully offset the shortfall by bolstering enforcement and implementing the remaining Finance Act 2026 tax measures.¹ Nonetheless, revenues are expected to fall short of the annual target by 0.3 ppts of GDP this year relative to the original budget due to the downward revision in growth and falling demand for imported fuels.
- **Spending.** We expect to transfer US\$42.5 million (0.5 ppts of GDP) more than budgeted to IPPs this year to support EDSA in clearing its arrears. We will more than offset these overruns by

¹ PIT and CIT systems have been reconfigured with the new rates, and the new excise rates have been applied on fuels, cigarettes, cement and imported rice. Efforts are ongoing to implement the remaining measures, including the removal of GST exemptions on water and magazines and the expansion of the circulation levy.

cutting spending on domestically financed capital expenditure by US\$47.5 million (0.6 pts of GDP). We also introduced fuel subsidies in April to avoid disruptive price adjustments to petrol and Diesel. These subsidies are temporary and will be capped at a cost of 0.13 pts of GDP. We plan to allow for full pass-through of oil prices when this envelope is exhausted. We will seek financing from the WB contingency emergency spending and disbursements for any increased spending on social programs. We will also allocate 0.2 percent of GDP to a fiscal buffer in the supplementary budget to guard against slippages, considering the significant fiscal pressures we are facing and the uncertainty surrounding the oil price shock. We commit to spending the buffer only in Q4-2026 and only to the extent that fiscal outturns allow for it without jeopardizing the end-December NCG target.

11. An important focus of our revenue mobilization efforts will be on extractive industries. We did not meet the **end-March SB** to operationalize the iron ore safe harbor but will complete it as a **Prior Action**. We also remain committed to the **continuous SB** to uphold EIRA terms in mining agreements. To this end, as a **Prior Action**, we will provide evidence that all mining agreements ratified since December 2025 are in full compliance with the EIRA.

12. We will also bolster tax and customs administration:

- We are implementing the recommendations of the TADAT assessment under the oversight of a specifically established team responsible for monitoring progress against KPIs. We will incorporate human capital risk into the enterprise risk management framework, promote the integration of ITAS with ECR, banks, SICPA FIS, and other IT systems. We will also enhance NRA's CRM framework (**new end-April 2027 SB**)—in line with Fund TA recommendations and the TADAT framework—by: (i) equipping the CRM unit with necessary resources including staff, equipment, and budget; (ii) integrating compliance risk management throughout the four principal taxpayer obligations, namely: registration within the tax system; submission of tax declarations; timely payment of taxes; and the provision of complete and accurate information in tax filings; (iii) approving and publishing an annual Compliance Improvement Plan; and (iv) establishing an operational risk management committee of senior officials responsible for approving and overseeing the plan. In fulfilling this commitment, we will follow the TADAT 2025 field guide.
- By September 2026, the Ministry of Finance will enter into a new performance management contract with the NRA, establishing clear indicators and aligned targets.
- We will fully operationalize the revenue courts by December 2026.
- We have made progress in implementing the customs revenue enhancement plan developed with AFW2, including analyzing risk data and using it to target post-clearance audits. We plan to fully implement it by end-December 2026.

- We will modernize customs operations by implementing the National Electronic Single Window as agreed with the World Bank and fully operationalize the end-to-end customs integrated processing platform by end-September 2026.
- We have engaged UNCTAD to audit ASYCUDA and will deliver an approved report by August 2026. The audit will identify weaknesses in NRA's ASYCUDA operation that could cause revenue loss or hinder trade and will be followed by an ASYCUDA upgrade by December 2026.
- To address risks identified in the Governance and Corruption Diagnostic Report (GCD), we will take action to ensure that starting February 1st, 2027, customs authorities will exclusively perform the core functions of destination inspection and classification and valuation of goods (**new November 2026 SB**).

13. We remain committed to preserving fuel revenues. Since March 2026, the fuel pricing formula accurately incorporates excise duties, IDF rates, and all other levies. As of early May, we have raised fuel prices by 28 percent for petrol and 46 percent for diesel this year. Nonetheless, we did not meet the **continuous SB**, in part due to the subsidies we introduced in April to avoid disruptive fuel price movements. These subsidies were transparently reflected in the fuel price formula and publicly announced as temporary measures. We remain committed to the SB—which was updated to reflect the temporary need for subsidies (Table 2)—going forward.

14. 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. Guided by our medium-term wage bill strategy, we remain committed to preventing wage bill overruns, by strengthening payroll and recruitment controls and keeping wage adjustments within the budget envelope.
- **Goods and services.** We plan to contain goods and services spending, including in line with the **FX spending PC**, while safeguarding social spending (**Social Spending IT**). This includes our commitment to continue raising outlays for the school feeding program (**School Feeding PC**). We will also continue to strengthen the National School Feeding Secretariat by improving its program monitoring capacity, which would facilitate timely invoice processing and payment. We will also review the formula for meal costing in the National School Feeding Financing and Investment Plan and update it to reflect the current cost of meal provision. We will continue to implement the program with reputable partners and integrate it with local farmers and producers in support of the objectives of the Feed Salone strategy.
- **Subsidies and transfers to IPPs.** The fuel subsidies introduced in April will be strictly limited to 2026—with their costs capped at 0.13 percent of GDP—and are expected to be terminated in July. We also intend to contain IPP transfers by stepping up energy sector reforms. To complement energy sector reforms supported by WB DPF2, we plan to fully operationalize the

concession as a **new end-May 2027 SB**, ensuring that the selected private operator will oversee all of EDSA's operations by that time. As these reforms bear fruit and as we reduce our reliance on costly diesel energy, we expect to be able to reduce IPP transfers gradually over the medium term. We commit to fully compensating for any IPP overruns by cutting non-priority domestic capital spending. We also intend to increase transparency in the sector by publishing EDSA's 2024 audited financial statements, and a report containing updated information of EDSA's liabilities to IPPs as of December 2025, by June 2026.

- **Domestically financed capital expenditure.** To offset higher than previously expected IPP transfers over the medium-term, domestically financed capital spending will be limited to 0.9 percent of GDP in 2026. As reforms at EDSA bear fruit, we project IPP transfers to fall and plan to be able to increase domestic capital spending accordingly.

15. Contingency planning remains critical. Possible measures we could take if needed to achieve the NCG target include (i) reprioritizing spending as needed, including by rationalizing domestically financed capital expenditure or cutting goods and services spending, taking action to reduce government energy use; (ii) strengthening tax administration by frontloading the implementation of TADAT recommendations; and, if necessary, (iii) introducing tax policy measures including increases in tobacco excises and further rationalization of GST exemptions on food items. Should oil prices remain elevated, we may also need to increase energy tariffs.

16. We have made progress in transitioning to GFSM 2014 with IMF TA support (end-September 2026 SB). Implementing the new GFS2014 format will boost transparency and align fiscal reporting with international standards. The technical working group, formed to enhance coordination on reporting and data sharing among agencies, is well-established and meets regularly. We will receive additional IMF TA in June 2026 to ensure a smooth transition.

B. Public Financial Management

17. Strengthening arrears management is an important priority. We did not meet the **end-April SB**, partly due to capacity constraints. We will adopt a more gradual sequencing of reforms to account for these capacity constraints with CD support, while covering both arrears stock and flow issues. Specifically, we plan to complete and share with IMF staff a comprehensive stock-taking exercise of central government expenditure arrears as of end-December 2025 as a **Prior Action**, covering all potential types of arrears specified in the recent Fund TA report, including arrears in IFMIS and not in IFMIS. The stock-taking will be based on responses from all MDAs to an MoF request to report all arrears, and it will specify the total amount of arrears and their distribution across MDAs, types of arrears, currency, and economic category. We also commit to publish an independent audit of the arrears stock and operationalize a new arrears profiling system (**new end-November 2026 SB**) and agree to include these audited arrears in the domestic arrears IT as soon as the arrears stock is audited and the new monitoring system is firmly in place. We are committed to clearing all these arrears. To that end, we will publish an updated arrears clearance strategy (**new end-April 2027 SB**) and we will start clearing the audited arrears stock as part of the 2027 budget.

Separately, we are in negotiations to settle domestic FX-denominated legacy arrears to Compagnie Sahelienne d'Entreprises (CSE) amounting to US\$60 million.

18. We have begun operationalizing the cash management and forecasting systems. All key MDAs are now submitting cash data and forecasts, which are being used to inform quarterly budget allotments and the auction calendar. The ECDMC has been meeting regularly, chaired by the Chief Economist, with participation from all directors or their deputies, BSL, and NRA.

19. Enhancing budget credibility remains a key priority. We plan to strengthen transparency on budget transfers and contingent liabilities from SOEs. We will continue publishing 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. We expect the SOE Act to be adopted by Parliament by September 2026, in line with our commitments under the WB DPF2. Based on the Act, we will seek TA support from the WB and the IMF on SOE financial reporting, and plan to require SOEs to publish audited financial statements on an annual basis going forward.

C. Debt and Debt Management

20. Our overall and external public debts are assessed as sustainable, but at high risk of distress. To maintain borrowing costs at sustainable levels, we firmly commit to reducing domestic borrowing and adhering to external borrowing limits.

21. We are committed to improving debt management. We plan to (i) update the Medium-Term Debt Strategy annually; (ii) issue debt securities only through public auctions; (iii) restrict the issuance of FX-linked debt securities to exceptional circumstances when terms are favorable, as determined in agreement with, and by seeking non-objection from, the IMF; (iv) hold a quarterly investor forum at a senior policy level within three weeks after the publication of each quarterly fiscal report; (v) establish a new investor relations desk by August 2026; (vi) conduct market surveys on T-bond appetite by September 2026; and (vii) improve debt management institutional arrangements and domestic market practices, with WB and MCM TA support.

D. Monetary, Safeguards and Exchange Rate Policy

22. We stand ready to tighten monetary policy should inflationary pressures persist. With the oil price shock expected to be transitory we plan to maintain the programmed path for reserve money growth and have paused further MPR reductions. However, we will remain vigilant as a tighter policy stance may be needed should the shock prove larger and more persistent.

23. We are determined to reform our monetary policy framework. The BSL Board approved the monetary policy strategy in December 2025. We are developing guidelines for market participants to engage in 7-day repo operations, including guidance on applicable haircuts to compensate for illiquidity and market risk when T-bonds are used as collateral for repos. We are committed to (i) start using the 7-day reverse repo as the primary instrument for

liquidity injection by June 2026 and (ii) gradually phasing out outright purchases of government securities, which will be strictly limited to 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. We aim to fully implement the strategy by Q4-2026.

24. We will refrain from any form of direct monetary financing, and the MoF will repay overdue budget support loans to the BSL. Over the past two years, we have repaid ways and means advances in line with the deadlines stipulated in BSL Act Section 64 paragraph 7. However, since 2022, the Government has repeatedly failed to repay budget support loans to the BSL when they were due according to the MoU between the MoF and the BSL on the Treatment of Fund Resources for Budget Financing. The BSL is committed to working closely with IMF staff to strengthen compliance and control safeguards, and both the government and the BSL pledge to fully comply with the updated MoU to ensure that budget support loans are henceforth repaid on time. The government will repay all overdue budget support loans—totaling some 1.5 percent of GDP—as soon as possible and no later than by end-2026.

25. We continue to build reserve buffers and are committed to exchange rate flexibility. We remain committed to purchase at least US\$35 million of FX every six months until the end of the program. However, we will need larger purchases in H1-2026 to achieve the end-June NIR target given that FX spending was higher than expected in Q1. We currently estimate that we will need an additional US\$29 million in FX purchases in Q2-2026 to achieve the end-June NIR target. To contain FX spending going forward, the MoF will not request FX from the BSL for (i) transfers to IPPs and (ii) for entities outside the central government, which must use commercial banks, unless they access their own FX deposits at the BSL (**FX spending PC**).

26. We have begun to recapitalize the BSL. We recapitalized the BSL with the first of four instalments through a marketable 10-year bond with an 8 percent coupon in March (**end-March 2026 SB**). We are cognizant that the accounting treatment of the bond by the BSL will need to be discussed with our auditors as we are committed to complying with existing accounting regulations and the BSL Act. We plan to issue three further instalments this year, with the total adding up to the dedicated budget allocation of NLe 971.5 million. We consider that this volume appropriately balances fiscal constraints with the need to rebuild buffers, including by restoring equity-to-GDP ratios to levels prevailing before the 2022 currency redenomination. We remain committed to pursuing the IMF's forward-looking stress testing TA to inform potential future recapitalization needs.

27. We remain committed to implementing other safeguards reforms. The BSL Board has approved a workplan to review institutional responsibilities and to ensure all policies under its purview are formally approved by the Board. The Board also approved an impairment policy in compliance with IFRS 9 and a policy on monetary operations. However, we did not meet the requirement to complete the audited 2025 financial statements within three months of the year-end. We plan to publish them by end-June 2026. Work is ongoing to develop the policies and

workplans for audit and risk management, reconciliation of cash and BSL accounts, and the IT security and business continuity policies.

E. Financial Sector Policies

28. We are committed to swiftly executing the transfer of assets from the problem bank to the acquirer and liquidate the remaining bank with minimal cost to the government and risk to the acquirer. With the revised asset valuation, we have determined the assets and liabilities to be transferred and the funding gap, which will be covered by the government. We are finalizing the legal instrument to implement the transfer, i.e., setting out the assets and liabilities to be transferred, the funding gap and recognizing the government's claim. We aim to finish the resolution by mid-2026.

29. We are staffing the resolution unit with a view to toward establishing a strong financial safety net. We plan to implement the Deposit Protection Fund (DPF) Act once it is adopted by parliament. We have finalized the Framework for crisis management and resolution which was adopted by the board and are committed to operationalizing the bank resolution framework (**end-December 2026 SB**), including by filling the vacancies in the Crisis Management Section and finalizing the recovery and resolution manual. Going forward, we plan to (i) engage the industry on resolution planning; (ii) draft resolution plans; and (iii) coordinate with home authorities of cross-border groups.

30. We commit to strengthening foreign currency regulation and supervision. We plan to strengthen staff training, initiate examination of banks' FX risk management practices, including on placements abroad, and the calculation and impact of net open positions in FX. We will increase the frequency of net open position reporting from banks to a daily frequency. We will also introduce reserve requirements on foreign currency deposits by end-September 2026.

F. Governance

31. We will work on an action plan to implement the recommendations of the Governance and Corruption Diagnostic (GCD). We plan to form a task force overseen by the Vice President by end-June 2026 and to complete a detailed action plan by October 2026.

32. We have made progress in strengthening the governance of the mining sector entities. We (i) published the MMDMC's audited 2024 financial statements; (ii) adopted a policy for MMDMC regarding the appointment of independent directors, which is in effect and has been adopted by cabinet; and (iii) developed a KPI policy that was adopted by cabinet. With that we fulfilled the spirit of the **end-March SB**, although it could not technically be met because we abolished the Mineral Wealth Fund (MWF) and replaced it with the Sierra Leone Exploration and Mining Company (SLEMC). We are making good progress on the **end-September SB** on online publication and risk-based verification of asset declarations. The proposal to amend the Anti-Corruption Act was approved by Cabinet in May, followed by engagement with stakeholders. We expect that the amended bill will be presented to parliament by end-July 2026.

33. We continue to make progress on implementing the 2025 National Anti-Money Laundering / Combating Financing of Terrorism Strategy (AML/CFT). We will amend the 2009 Companies Act to make beneficial ownership more transparent. By the end of 2026, we will adopt a requirement that companies disclose and verify their true owners and ensure this information is accessible to the relevant authorities. We will continue to improve our risk-based supervisory framework in line with the National Risk Assessment (NRA) and address the remaining challenges in regulating designated non-financial businesses and professions (DNFBPs), notably in high-risk real estate and dealers in the precious metals and stones. We will also address regulatory gaps in the targeted financial sanctions regime related to terrorism, terrorism financing, and proliferation under the United Nations Security Council Resolutions. We commit to adopt, by end-2026, regulations that will allow the committee responsible for counterterrorism-related designations to operate.

G. Reforms to Improve Resilience to Climate Change

34. We request support via a new IMF arrangement under the Resilience and Sustainability Facility (RSF). We identified a comprehensive set of reforms to be supported by the new arrangement, informed by IMF technical assistance tools—including the Climate Policy Diagnostic and Public Investment Management Assessment Climate Module—and the World Bank's Country Climate and Development Report. The new arrangement supports us in building buffers in anticipation of future shocks. We are targeting three priority reform areas at the intersection of climate and development: (i) climate-sensitive public investment management, (ii) climate resilience; and (iii) financial stability.

35. We are committed to enhancing climate-sensitive public investment management. To this end, the Cabinet will (i) adopt a framework for a climate-sensitive public asset registry, and (ii) start operationalizing the framework by completing assessments for selected critical assets in priority sectors, in line with IMF technical advice (**reform measure 1, for end-June 2027**). The adoption of a framework for a climate-sensitive public asset registry refers to the establishment of a functioning registry system, including agreed data standards, institutional responsibilities, and procedures for regular updating. We will include assessments of at least 20 critical assets across priority sectors (energy, water, infrastructure, and public buildings). The framework will formally assign MOPED and the NAGPC the mandate to develop, adopt and regularly update maintenance plans for public sector assets. Additionally, MOPED, jointly with the National Assets and Government Property Commission (NAGPC), will develop and adopt a framework for climate-sensitive maintenance plans, in line with IMF technical advice (**reform measure 2, for end-December 2027**). The framework for climate-sensitive maintenance plans refers to a standardized methodology and institutional process for preparing, updating, and using maintenance plans, including climate-resilience criteria. It will be aligned with the climate-sensitive asset registry framework and will ensure climate-aware maintenance plans consider the differential impact of climate change on different types of assets. We plan to establish maintenance plans for selected critical assets and periodically revise the assessment of climate change vulnerability within the asset register and maintenance plans to include the best available data sources.

36. We will develop a methodology to assess macro-fiscal risks for natural disasters and improve data-driven systems for disaster risk management. We plan to develop a methodology that quantifies fiscal risks from natural disasters, in line with IMF technical advice, and publish the methodology and results of the application of the methodology on the MoF website (**reform measure 3, for end-December 2026**). We plan to use the methodology to include an updated assessment of the impact of natural disasters in the fiscal risks statement accompanying the yearly budget process. Additionally, the National Disaster Risk Management Agency (NDMA) will prepare and publish on the MoECC and/or NDMA website a national vulnerability map, covering the main climate-related hazards in Sierra Leone (**reform measure 4, for end-June 2027**) to improve the availability of climate related vulnerability data. Where data is available, the vulnerability map will include a layer with climate change scenarios that indicate how specific hazards could change over time. The main climate hazards expected to be covered are extreme heat, changes in precipitation patterns, floods (pluvial, fluvial, coastal), landslides, coastal erosion, drought, and wildfire. The national vulnerability map should have sufficient granularity and coverage such that it can be used to support RM6 (digital social protection registry) and RM9 (climate risk transmission channels to the financial sector).

37. We will establish a nation-wide digital social protection registry to better target support for vulnerable groups, including those vulnerable to climate-related disasters. To enable poverty targeted social support including after natural disasters, the National Social Protection Authority will establish a new digital social protection registry based on existing beneficiary registry data and will link the new registry with the national identification system (**reform measure 5, for end-June 2027**). The new registry will include households that are in existing beneficiary registries (approximately 10 percent of extreme poor households). Household records will be uniquely linked to their national identification number. A targeting system will be established to allow households to be poverty assessed and ranked. The registry will feature protocols for a dynamic updating mechanism, including regular maintenance, data privacy, data validation and integration with administrative systems. We plan to follow these protocols when expanding the registry and to use the registry to deploy social and development partner support in response to shocks. Also, the National Social Protection Authority will expand coverage of the new national social protection registry to include at least 100,000 additional extreme poor households in climate-vulnerable areas as identified under RM4 and apply the targeting mechanism to assess poverty and rank households in the registry, in line with TA (**reform measure 6, for end-December 2027**). The registry's ranking system will use the most up-to-date poverty data to identify and rank households in accordance with the targeting system and protocols established under RM5. Additional household records in the expansion phase will also be uniquely linked to national identification numbers. We plan to ensure regular maintenance and updates of the registry and leverage lessons learned from the expansion phase to strengthen system design, coverage, and operational effectiveness.

38. We are committed to implementing reforms within the water sector with financial sustainability as the desired outcome. SLEWRC will (i) develop a multi-year water tariff methodology, consistent with IMF and WB technical advice, and (ii) implement a water tariff

increase aligned with the methodology (**reform measure 7, for end-December 2027**). The multi-year tariff methodology will be published on the SLEWRC website. The methodology will include rate setting guidelines, including provisions for periodic comprehensive tariff reviews (e.g., every five years), efficiency targets, interim indexation with targeted pass-throughs for verified exogenous costs, and will consider the impact on vulnerable households.

39. We commit to enhancing our ability to address financial sector risks related to climate change. Considering Sierra Leone's capacity and other constraints, strengthening the underlying institutional frameworks to assess climate-related financial stability risks is paramount to catalyzing climate finance in the long run. To this end, BSL will issue a directive requiring all commercial banks to submit quarterly reports on loan and collateral exposures by geographic regions (16 districts) and sectors (ISIC 2 level). We will complete the data collection and the validation process and share the data with IMF staff on a confidential basis (**reform measure 8, for end-December 2026**). Using bank-level data collected under (RM8) and climate hazard data from the vulnerability maps under (RM4), we will prepare and publish a report on the BSL website identifying climate risk transmission channels to the financial sector. This report will include an analysis explaining the relevance of climate risks for the financial sector in the historical context (e.g., losses/NPLs in the banking system during past climate-related stress episodes), sectoral and geographic concentration risks, and transmission channels that heighten credit risks including through an exposure-at-risk analysis following FSB's analytical framework to assess climate-related vulnerabilities. The report will also include an implementation timeline to address data gaps and a capacity development plan to improve the assessment of climate-related risks in the financial sector. Upon successfully completing RM9, we will continue conducting and publishing this analysis on an annual basis. (**reform measure 9, for end-December 2027**).

40. We expect that the Climate Change Act (CCA) will be adopted by parliament by Q3-2026 as a commitment under the WB's DPF2. The CCA will include a chapter on institutions and governance, with clearly defined roles and responsibilities across relevant ministries.

H. Inclusive, Green, and Sustainable Growth

41. 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. With support of the World Bank, government has established a business solution center, a one stop shop for business registration, licensing and permits, and payment of taxes. We commit to establishing an online business registration system, and to 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.

42. The Feed Salone initiative shows positive results. The initiative's implementation enhanced food production by boosting yields. We are committed to continue implementing the initiative by providing fertilizer, seeds, chemicals, and support for land preparation through the electronic voucher system. We are actively improving the distribution of domestically produced food to decrease reliance on imports.

43. 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. We are developing and implementing the gender budget statement.

Capacity Development

44. IMF Technical Assistance will continue supporting the ECF program objectives. TA from FAD is supporting our progress on strengthening arrears reporting and cash management. In addition, TA from MCM and the WB will continue to support the BSL's efforts to strengthen monetary operations and debt management. We are also committed to improving BOP statistics and fiscal reporting to align with international standards, with the support of TA from STA.

45. We will continue improving the quality of our external sector statistics, including an imports data reconciliation exercise with BSL, Customs, and Stats SL. We will continue increasing staffing, building technical capacity, and providing adequate financial resources to the BSL External Sector Statistics Section to improve the compilation of BOP statistics and support implementation of surveys. We will improve inter-agency coordination by constituting and operationalizing the Balance of Payments Technical Committee, comprising BSL, NRA (Customs and Income Tax), NMA, Stats SL, and other major stakeholders.

46. Implementation of the RSF reform measures will also require TA from the IMF and development partners. TA from FAD will be supporting our progress on Public Financial Management (reform measures 1 and 2) and climate fiscal risk assessment (reform measure 3). In addition, TA from MCM will support the BSL's efforts to assess disaster and climate-related risks to the financial sector (reform measures 8 and 9). We will work with the World Bank and the Global Center on Adaptation to implement reforms related to hazard and vulnerability mapping (reform measure 4), developing a social protection registry including a pilot focusing on disaster-prone areas (reform measures 5 and 6), and financial sustainability of the water sector (reform measure 7).

Program Monitoring

47. The program will continue to be monitored through semi-annual and continuous performance criteria (PCs) and reviews, as well as quarterly indicative targets (ITs).

Quantitative performance criteria targets were set for end-June 2026, end-December 2026 and end-June 2027 (Table 1). Performance criteria on NCG, NDA, NIR, and new concessional external debt for June and December 2026 were modified. The NCG ceiling has been raised by NLe 2242 million in June and NLe 828 million in December, due to lower-than-expected revenues, increased policy support amid the oil price shock, and, in the case of the June target, delays in AfDB and World Bank budget support grants. The NDA ceiling was tightened in June by 5.4 percent to correct the end-December slippage, while the end-December target would remain determined by the end-

year reserve money objective. The end-June NIR target was modified to reflect the latest information on the timing of budget support disbursements and the continuous PC on new external debt has been tightened by US\$8.5 million in 2026 to correct for the 2025 slippage. Based on these corrective actions, we request waivers of non-observance of the end-December PCs on NDA and the continuous PC on concessional external borrowing. We will continue to provide IMF staff with the data and statistical information identified in the 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. We are requesting that an amount of SDR 23.333 million is made available for the third review. The fourth review is scheduled to be completed on or after November 15, 2026; this review will be based on the June 30, 2026 test date. The fifth ECF program review will be based on the end-December 2026 targets and is expected to be completed on or after May 15, 2027. The final sixth ECF program review will be based on end-June 2027 targets and is expected to be completed on or after November 15, 2027. The first, second, and third reviews under the RSF arrangement will take place at the time of the fourth, fifth, and sixth reviews under the ECF arrangement, respectively.

Table 1. Sierra Leone: Quantitative Performance Criteria and Indicative Targets, 2025-2027
(Within-year cumulative change-Leone millions, unless otherwise indicated)

	Dec. 2025				Mar. 2026				Jun. 2026		Sep. 2026		Dec. 2026		Mar. 2027	Jun. 2027
	CR No. 2024/321	Adj. Prog	Est	Status	CR No. 2024/321	Adj. Prog	Est	Status	Prog.	Rev.	Prog.	Rev.	Prog.	Rev.		
Quantitative Performance Criteria																
Net domestic bank credit to the central government (ceiling)	4959	5495	4943	Met	76	1892	1883	Met	1265	3506	2143	3586	1193	2021	293	-567
Unadjusted target (ceiling)		4959				76										
Adjustment for shortfall in external budgetary assistance		359.9				549										
Adjustment for cumulative net flow of electronic funds transfer checks and other outstanding payments		-214				559										
Adjustment for net issuance of treasury securities to the non-bank private sector		391				708										
Adjustment for cumulative net flow of non-tradable securities issued to non-bank sector for regularizing the stock of legacy arrears																
Net domestic assets of the BSL (ceiling)	183		231	Not met	-437		-470	Met	-886	-934	-264	-264	-891	-1357	409	173
Net international reserves of the BSL, US\$ millions (floor)	-39.3	-56.7	-44.2	Met	35.5	9.9	11.8	Met	71.3	33.7	62.6	25.0	105.0	119.4	-1.3	25.1
Unadjusted target (ceiling)		-39.3				35.5				71.3		62.60		105.00		
Adjustment for change in external budgetary assistance		-14.4				-25.6				-37.6		-37.56		14.45		
Adjustment for payment/issuance of FX and FX-denominated bonds		-3.0														
FX spending, US\$ millions (ceiling)	162		153	Met	28		35.8	Not met	56	56	84	84	112	112	29	56
Spending on the National School Feeding program (floor)	150		340	Met	281		115	Not met	561	561	839	839	1123	1123	303	606
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		108.5	Not met	91.5		89.7	Met	100	91.5	100	91.5	100	91.5	100	100
New non-concessional external debt contracted or guaranteed by the public sector, US\$ million (annual ceiling)	0			Met	0		0	Met	0	0	0	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			Met	0		0	Met	0	0	0	0	0	0	0	0
External payment arrears of the public sector (annual ceiling)	0			Met	0		0	Met	0	0	0	0	0	0	0	0
Indicative Targets																
Total domestic government revenue (floor)	17939		18033	Met	5111		4588	Not met	11205	10328	16423	15621	22164	21513	5958	13181
Social spending (floor)	1394		1439	Met	307		250	Not met	613	613	920	920	1217	1217	349	699
Domestic primary balance (floor)	2217		2206	Not met	709		332	Not met	1763	718	2566	1998	4228	3117	1221	3734
Domestic Arrears (ceiling)	1112		1730	Not met	996		1068	Not met	880	880	842	842	804	804	1348	1273
Memo Items:																
Programmed external budgetary support, US\$ million			0		40		16		52	52	52	52	73	73	30	21
Domestic primary balance (floor)			2206		709		332		1763	718	2566	1998	4228	3117	1221	3734
Capital Transfers			0		308		308		596	596	885	885	1154	1154	0	0
Domestic primary balance			2206		402		24		1167	122	1682	1114	3074	1963	1221	3734

Table 2. Sierra Leone: Prior Actions and Structural Benchmarks

	Measure	Macroeconomic Objectives	Due Date	Status
Prior Actions				
PA1	Authorities to share with IMF staff written communication to the relevant iron ore company that the iron ore safe harbor pricing formula is now in force and an audit of the company based on the formula is forthcoming, unless the authorities have already completed (and shared with IMF staff), an advance pricing agreement with the company.	Protect revenue base	5 working days before the Board meeting	
PA2	Authorities to share with IMF staff the results of a comprehensive stock-taking of central government expenditure arrears as of end-December 2025, based on responses from all MDAs to an MoF request to report all their arrears, including all types of arrears referenced in the IMF TA report.	Improve governance and transparency in public finances	5 working days before the Board meeting	
PA3	Authorities to provide evidence that all mining agreements ratified since December 2025 comply with EIRA in their latest ratified form.	Strengthen governance and mobilize revenues	5 working days before the Board meeting	
Structural Benchmarks for the Third ECF Review				
SB1	Authorities to: (i) 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 rates of IDF and all other levies on fuels at least as high as those prescribed by the March 2025 fuel pricing formula; and (iii) refrain from providing any subsidy to retail fuel prices.	Protect the tax base and efficiency of public spending	Continuous	Not Met
SB2	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	Not met; to be completed through Prior Action
SB3	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	Not met; to be completed through Prior Action
SB4	Authorities to recapitalize the BSL with IMF technical support.	Enhance the credibility and effectiveness of monetary policy	End-March 2026	Met

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

	Measure	Macroeconomic Objectives	Due Date	Status
SB5	(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	Not met; completed in spirit.
SB6	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	Not met; replaced with Prior Action and two new SBs.
Structural Benchmarks Proposed for the Fourth and Fifth Reviews				
SB7	Authorities to (i) refrain from providing any form of subsidies to retail fuel prices except the temporary subsidy agreed with IMF staff (ii) maintain fuel excises at least at the level established in the 2026 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.	Protect the tax base and efficiency of public spending	Continuous	New SB to replace SB1 for third review.
SB8	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	
SB9	Authorities to submit to Parliament a 2026 supplemental budget that (i) is in line with third ECF review program projections for the domestic primary balance, domestic revenue and total expenditure, and (ii) includes an updated PIP appendix that identifies updated budget allocations by project that are consistent with the overall spending envelope.	Improve governance and transparency in public finances	End-August 2026	New SB
SB10	Transition to GFSM 2014 standards for fiscal reporting in time to facilitate preparation of the 2027 budget.	Enhance fiscal transparency	End-September 2026	

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

SB11	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	
SB12	Authorities to (i) publish an independent audit of the stock of arrears based on a comprehensive stocktaking, and to (ii) fully operationalize the new arrears reporting system in line with the recommendations in the recent AFW2 CD report.	Strengthen cash and arrears management	End-November 2026	New SB
SB13	Authorities to provide written confirmation to IMF staff that customs authorities will exclusively perform the core functions of destination inspection and classification and valuation of goods from February 1 st , 2027.	Improve governance of revenue administration.	End-November 2026	New SB
SB14	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	
SB15	MoF to publish an arrears clearance plan on the MoF website based on the independently audited arrears stock. Annual payment targets should align with the macro-fiscal framework, include clear prioritization criteria, and be prepared with IMF technical support.	Improve governance and transparency in public finances	End-April 2027	New SB
SB16	Authorities to (i) equip the CRM unit with necessary resources including staff, equipment, and budget; (ii) integrate compliance risk management throughout the four principal taxpayer obligations, namely: registration within the tax system; submission of tax declarations; timely payment of taxes; and the provision of complete and accurate information in tax filings. (iii) approve and publish an annual Compliance Improvement Plan; and (iv) establish an operational risk management committee of senior officials responsible for approving and overseeing the plan.	Enhance domestic revenue collection.	End-April 2027	New SB
SB17	Authorities to complete the transfer of EDSA's full operational control to the concessionaire.	Enhance efficiency of the energy sector and limit fiscal risks.	End-May 2027	New SB

Table 3. Sierra Leone: Reform Measures under the RSF, 2026-27

Pillar	Reform measure	Description	CD partner	Due Date	Diagnostic	Prospective BoP risk reduction
Pillar I: Climate-Sensitive Public Investment Management	RM1. Climate-Sensitive Public Asset Registry	To support climate-resilient investment planning and risk management, the Cabinet to (i) adopt a framework for a climate-sensitive public asset registry, and (ii) start operationalizing the framework by completing assessments for selected critical assets in priority sectors, as defined in the MEFP and in line with IMF technical advice.	IMF	Jun-27	C-PIMA; CPD; CCDR	Improved fiscal and external sustainability. Enables more effective management of public non-financial assets vulnerable to climate events, which would rationalize fiscal expenditures on maintenance and potential needs for rebuilding, reducing import demands for reconstruction, and improving growth and export potential.
	RM2. Maintenance Plans for Climate-Vulnerable Infrastructure	MOPED jointly with the NAGPC to develop and adopt a framework for climate-sensitive maintenance plans as defined in the MEFP, in line with the climate-sensitive asset registry framework and IMF technical advice.	IMF	Dec-27	C-PIMA; CPD; CCDR	Improved fiscal and external sustainability. Enables more effective management of public non-financial assets vulnerable to climate events, which would rationalize fiscal expenditures on maintenance and potential needs for rebuilding, reducing import demands for reconstruction, and improving growth and export potential.
Pillar II: Climate Resilience	RM3. Fiscal Risk Assessment from Climate Change	The Ministry of Finance to develop a methodology that quantifies fiscal risks from natural disasters, in line with IMF technical advice, and publish the methodology and results of the application of the methodology on the MoF website.	IMF	Dec-26	C-PIMA; CPD; CCDR	Improved fiscal and external sustainability. Reduces fiscal costs in the event of natural disasters and the need for external financing; reduces import demand for reconstruction; facilitates quick recovery of growth and exports.

Table 3. Sierra Leone: Reform Measures under the RSF, 2026-27 (continued)

	Reform measure	Description	CD partner	Due Date	Diagnostic	Prospective BoP risk reduction
	RM4. Vulnerability Mapping	To improve the availability of climate related vulnerability data, the National Disaster Risk Management Agency to prepare and publish on the MoECC and/or NDMA website a national vulnerability map, covering the main climate-related hazards in Sierra Leone.	GCA	Jun-27	CPD; CCDD	Reduced economic losses when climate risks materialize, lowering the need for government support after disasters.
	RM5. Digital Social Protection Registry	To enable poverty targeted social support including after natural disasters, the National Social Protection Authority to establish a new digital social protection registry based on existing beneficiary registries' data and will link the new registry with the national identification system.	WB	Jun-27	CPD; CCDD	Improved fiscal and external sustainability. Enables a more effective social protection system for vulnerable households, contributing to improved and more resilient human capital and stronger growth and export potential. Reduces the risks of widespread social unrest and the potential needs for fiscal and external financing support.
	RM6. Expansion in Climate-vulnerable Areas	The National Social Protection Authority to expand coverage of the new digital social protection registry to include at least 100,000 additional extreme poor households in climate-vulnerable areas as identified under RM4 and apply the targeting mechanism to assess poverty and rank households in the registry, in line with WB technical advice.	WB	Dec-27	CPD; CCDD	Improved fiscal and external sustainability. Enables a more effective social protection system for vulnerable households, contributing to improved and more resilient human capital and stronger growth and export potential. Reduces the risks of widespread social unrest and the potential needs for fiscal and external financing support.

Table 3. Sierra Leone: Reform Measures under the RSF, 2026-27 (concluded)

Pillar	Reform measure	Description	CD partner	Due Date	Diagnostic	Prospective BoP risk reduction
Pillar II: Climate Resilience (continued)	RM7. Water Tariff Methodology	SLEWRC will (i) develop a multi-year water tariff methodology, consistent with IMF and WB technical advice, and (ii) implement a water tariff increase aligned with the methodology.	WB	Dec-27	CPD; CCDR	Improved fiscal and external sustainability. Supports growth in export-oriented water-dependent sectors. Foundational for economic activity and economic growth.
Pillar III: Financial Sector Risk Management	RM8. Banks' Loan Exposure Reporting by Location and Sector	The Bank of Sierra Leone to require commercial banks to report to BSL data on loans and collateral by geographic locations (16 districts) and sectors.	IMF	Dec-26	FSSR, CCDR	Safeguarding financial stability and improving asset allocation, reducing economic losses after disasters. Identifying risk transmission channels provides the fundamental skills needed for a risk analysis in the future and has direct implications for financial stability (including Basel III Pillar I and BCP15).
	RM9. Climate Risk Transmission Channels to the Financial Sector	The Bank of Sierra Leone to prepare and publish a report on BSL's website identifying physical risk transmission channels to the financial sector and developing forward looking physical risk indicators, by linking the collected loan and collateral data from RM8 with climate hazard and vulnerability data from RM4.	IMF	Dec-27	FSSR, CCDR	Safeguarding financial stability and improving asset allocation, reducing economic losses after disasters. Identifying risk transmission channels provides the fundamental skills needed for a risk analysis in the future and has direct implications for financial stability (including Basel III Pillar I and BCP15).

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 June 2026, December 2026, and June 2027, and ITs for September 2026 and March 2027. The authorities shall consult with the 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.

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**).
 - 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**).

¹ This TMU will apply to test dates beginning with end-June 2026.

- 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.³ The downward adjustment does not apply to excess external budgetary assistance provided with the explicit purpose of building buffers to retire domestic debt or pay 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 2025 value); (c) downward (upward) by the excess (shortfall) in Leone value of net issues of government securities to the non-bank private sector;⁴ 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.⁵

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, calculated at program exchange rates, are defined as the end-period stock of reserve money minus the net foreign assets of the BSL. Reserve

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

³ If an excess or shortfall in external budgetary assistance was denominated in any foreign currency other than the US dollar, the amount would first be converted at the prevailing market rate to US dollars, before conversion to leones at the BSL reference rate.

⁴ 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.

⁵ 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.

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).⁶

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;⁷ (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.

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 at the program exchange rate.

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 new or re-issued 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 new or re-issued FX bonds or FX-denominated zero-coupon bonds issued absent agreement with Fund staff.

⁶ In the January 2026 IMD shared by the authorities, NFA at the official exchange rate can be found in AD-CB, line 7.

⁷ The authorities have confirmed that this Bilateral Trade Agreement is no longer operational.

Budgetary FX Spending

14. Definition. Budgetary FX spending is defined as all FX spending on the part of the budgetary central government and the BSL, as measured in the BSL's FX cashflow table, excluding debt service. It includes the budget line items listed in Text Table 1, as well as all BSL FX spending on goods and services, including the printing of currency in Text Table 1. Any other government FX spending that does not fall into specific categories listed under "Other Government FX spending on goods" should be included in "Other spending".

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 (previously 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.

**Text Table 1. Sierra Leone: Cap on Budgetary FX Spending
(Millions of US\$)**

	Act. 2025	Proj. 2026	Proj. 2027
Total	152.6	109.4	108.4
1. Goods and services	131.3	91.9	84.4
Government travel	19.6	9.7	8.7
Ordinary travel	12.8	7.0	6.0
Other travel, including charters	6.8	2.7	2.7
Embassies/High Commissions	48.6	47.8	47.5
Embassy other expenses	7.7	9.8	9.8
Repatriation expenses	0.7	0.7	0.7
Wages, embassies	40.2	37.3	37.0
Subscriptions	4.8	5.5	5.5
Other Government FX Spending on goods and services	58.4	28.9	22.7
o/w:			
Vehicles	4.8	2.4	0.0
Medical supplies	12.6	8.6	7.0
Medical bills	0.5	0.2	0.2
N_Soft	3.7	0.2	0.0
ECOWAS Levy	5.5	2.8	2.8
Consultancies	0.7	0.7	0.7
Security	2.9	3.1	3.1
Other spending	27.7	11.0	9.0
2. Subsidies and Transfer	19.3	2.0	2.0
Electricity support	19.3	2.0	2.0
IPPs	17.0	2.0	2.0
Wartsila West Africa S.A	2.3		
3. BSL 1/	2.0	15.5	22.0

1/ BSL goods and services spending realization in 2025 only includes FX spending on BSL travel. Total BSL Spending in 2025 was \$11.6 million. Projections for 2026 and 2027 include all BSL FX spending from the FX cashflow table, apart from debt service.

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 quarter**. Reports shall include: (i) actual spending against the budget line for school feeding; (ii) the breakdown of payments made to each school feeding provider in the quarter; (iii) source of financing (domestic vs. external); and (iv) 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 (at the market exchange rate):

June 30, 2026	US\$ 15.9 million
September 30, 2026	US\$ 15.9 million
December 31, 2026	US\$ 89.1 million
March 31, 2027	US\$ 0 million
June 30, 2027	US\$ 0 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.⁸

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 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.

⁸ 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.

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 the (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

1. 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 both from customs and SICPA. 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
	School feeding expenditure on cash basis, broke down by school feeding provider.	Quarterly	End of quarter + 30 days
	Report on the stock of debt outstanding, and loan agreements under discussion	Quarterly	End of quarter + 6 weeks

	Type of Data	Frequency	Reporting deadline
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 month + 2 week
	Foreign exchange cash flow table, including details on government FX transactions	Monthly	End of month + 2 weeks
	Balance of payments data	Annual	End of year + 7 months; 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 + 4 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

May 29, 2026

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF PERFORMANCE CRITERIA, AND REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—DEBT SUSTAINABILITY ANALYSIS

Approved By

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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 December 2025. This assessment hinges on the authorities' commitment to program objectives—including an 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, while the PV of the public debt-to-GDP ratio only breaches its threshold in 2026. The overall debt-service-to-revenue ratio remains above 100 percent until 2027. 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 continue reducing domestic financing needs. Sierra Leone is highly susceptible to shocks to exports, the exchange rate, contingent liabilities, and the primary balance. The risk of reform fatigue is high, including in light of spending pressures related to recent oil price shock.

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 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 debt stock data as of end-2025.

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;¹ (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.

¹ 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 monitored by the fiscal risk unit of the MOF. However, due to poor financial statement reporting by SOEs, MOF does not have estimates of SOE debt stock. Due to the exclusion of SOE debt from the DSA debt stock, staff has increased the contingent liability shock above its default value to reflect the added risk posed by uncaptured SOE debt. On energy sector arrears, the repayment of EDSA's IPP arrears is included in the macro framework as transfers to IPPs under current expenditures and therefore factor into the DSA as part of the DSA's gross financing needs and domestic debt projections. However, data on other SOE arrears is lacking.

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.			

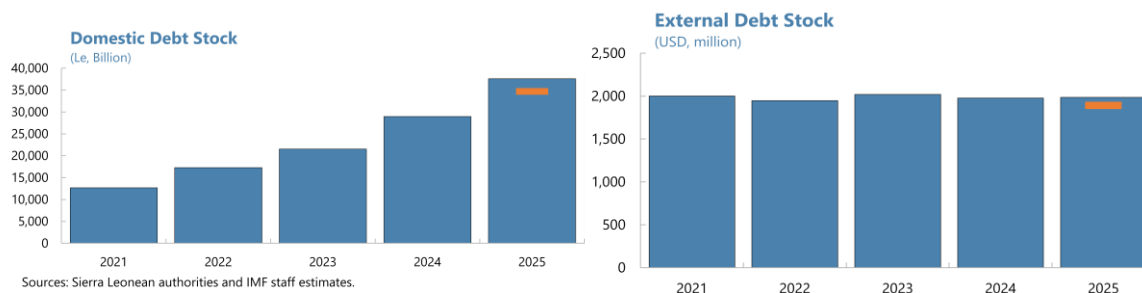
BACKGROUND ON DEBT

3. End-2025 stock data shows that Sierra Leone's public external debt marginally declined as a ratio to GDP (Text Figure 1). Total public debt declined from 46.9 to 46.7 percent of GDP at end-2025 amid strong nominal GDP growth and the stability of the nominal exchange rate against the dollar. The authorities breached the new external borrowing Fund-supported program ceiling by US \$8.5 million in 2025.²

4. The composition of public debt is largely unchanged from the previous DSA. Approximately 55 percent of total public and publicly guaranteed (PPG) debt is external debt, with 36 percent comprising non-restructurable obligations to multilateral creditors including the IMF (19.2 percent of total PPG debt stock) and the WB (12.9 percent of total PPG debt stock). The remaining 45 percent is domestic debt, of which 33.1 percent are 364-day T-bills. Of these, 31.3 percent are held by the BSL, 55.8 percent by commercial banks, and 12.9 percent by non-banks (Text Figure 2).³

² The authorities borrowed US\$62.3 million in 2024 and US\$35 million in 2023, significantly below the US\$100 million ceiling.

³ The BSL's net claims on the government increased from 12,073.71 million leones to 14,908.28 million leones from end-December 2024 to end-December 2025.

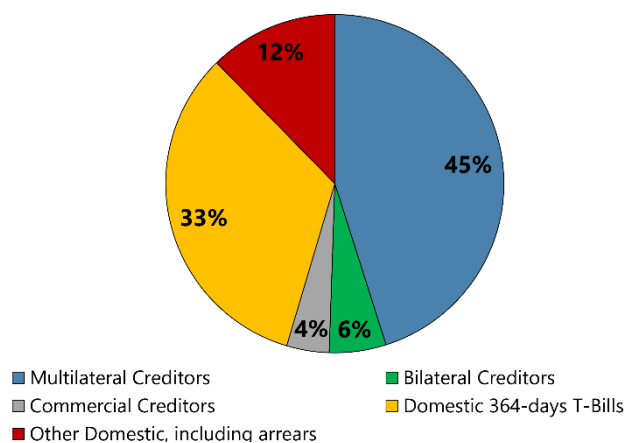
Text Figure 1. Sierra Leone: Debt Stock (Domestic and External)

Note: Orange markers show the projection as of the November 2025 DSA.

Source: Sierra Leonean authorities and IMF staff estimates.

5. The authorities are current on previously discovered external arrears. In February 2024, they 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 arose outside of the program period. The arrears are included in the debt stock, and their clearance is included in debt service projections.

6. In 2025, the authorities issued comfort letters to contractors for NLe 640.4 million, out of which NLe 346.9 million are outstanding. The authorities have confirmed that these letters were issued by the Ministry of Finance but do not convey a government guarantee per Sierra Leonean law. Nonetheless, the letters constitute a considerable fiscal risk. The authorities are in the process of determining the full stock of comfort letters from previous years.

Text Figure 2. Sierra Leone: Debt Stock as of End-2025

Source: Sierra Leonean authorities and IMF staff estimates.

Text Table 3. 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 debt financing	92	60–66
Concessional debt 2/	92	60–66
Non-concessional debt 3/	0	0
Use of debt financing	92	60–66
Project financing	92	60–66
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.

MACRO FORECASTS

Macroeconomic Assumptions

Text Table 4. Sierra Leone: Macroeconomic Assumptions

	Current DSA													Previous DSA (December 2025)												
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	LT ave. ^{1/}	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	LT ave. ^{1/}		
Real GDP growth (in percent)	5.0	4.0	4.5	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.4	4.5	4.7	4.6	4.6	4.6	4.5	4.5	4.6	4.6	4.6	4.6		
Inflation (GDP deflator, in percent)	7.2	6.4	7.9	6.9	6.9	7.1	7.4	7.2	7.2	7.2	7.2	7.2	6.7	7.5	6.8	6.6	7.0	7.4	7.2	7.2	7.2	7.2	7.2	7.1		
Primary deficit (- = surplus) (percent of GDP)	-0.4	-0.8	-2.3	-2.4	-1.9	-1.9	-2.0	-1.9	-1.5	-1.3	-1.4	-1.6	0.5	-1.2	-2.2	-2.0	-1.6	-1.8	-1.9	-1.9	-1.5	-1.3	-1.3	-1.5		
Domestic primary balance (percent of GDP)	1.2	1.0	2.8	2.9	2.9	2.9	2.8	2.3	2.1	2.2	2.4	2.4	0.5	1.6	2.8	2.5	2.8	2.8	2.9	2.9	2.4	2.1	2.1	2.3		
Non-interest current account balance (percent of GDP)	-5.0	-3.4	-3.3	-3.5	-3.8	-4.0	-4.0	-4.1	-4.3	-4.4	-4.5	-4.0	-4.6	-2.8	-2.5	-2.7	-2.9	-3.4	-2.9	-3.1	-3.2	-3.4	-3.6	-3.2		
^{1/} Average between 2025 to 2035																										

^{1/} Average between 2025 to 2035.

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

- **Growth** is estimated at 5 percent in 2025 but is projected to fall to 4.0 percent this year due to the war in the Middle East. The economy is expected to reach its 4.6 percent potential growth over the medium term—supported by robust performance in agriculture, manufacturing and services—as the Feed Salone program boosts agriculture productivity and fiscal policy becomes less contractionary. While the continued tight policy stance will weigh on activity, lower public borrowing and lower interest rates on government securities have led banks to boost private sector lending, with credit rising from 4.0 to 5.3 percent of GDP between December 2024 and December 2025.⁴ Therefore, despite the short-term

⁴ The public sector retrenchment led to a crowding-in of private sector credit despite relatively high private sector borrowing rates, contributing to economic growth in 2025.

fallout from the ongoing war in the Middle East, the expected crowding-in of private investment, along with the resulting capital deepening, higher labor productivity and increased economic stability and positive sentiment, is projected to support growth in the medium and longer-term. There is also the potential of a demographic dividend in the coming years. The baseline forecast assumes climate impacts such as adverse effects of global warming on agriculture (reduced yields) and on the informal service sector, which are partly mitigated by the Feed Salone program and climate mitigation measures. Overall, the outlook is predicated on the government continuing to pursue adaptation and resilience strategies to counteract adverse climate effects, including with support from the RSF program, which is designed to support the implementation of reforms to build resilience to climate change, including strengthening PFM for climate related spending, enhancing social protection systems and managing fiscal risk associated with climate events.

- Inflation.** CPI inflation fell to 4.4 percent by December 2025 amid the macroeconomic consolidation, a stable exchange rate, and buoyant local food production. Nonetheless, following an increase in fuel prices in February and the oil price shock in March, inflation has been rising, reaching 10.8 percent in April 2026, reflecting higher gas prices, transportation costs, and rental costs. Under the baseline, inflation is expected to rise further in the near term, before falling to 11.6 percent by end-2026, before falling back down to the BSL's single digit objective. The authorities remain committed to maintaining low inflation, including by limiting purchases of government securities in the secondary market, continuing to refrain from securitizing ways and means balances, and implementing the monetary policy strategy supported by the IMF program.
- Fiscal.** The authorities achieved a significant fiscal consolidation in 2025, with the domestic primary balance shifting from a deficit of 2.7 percent of non-iron ore GDP in 2024 to a surplus of 1.3 percent in 2025. The fiscal effort reached 6.9 percentage points of GDP since 2022, with tax revenue gains contributing around half of the total. However, fiscal policy is facing challenges in 2026 due to the war in the Middle East. While the authorities plan to more than offset higher than expected IPP transfers by cutting domestic capital spending, the domestic primary balance is projected to deteriorate by 0.5 percent of GDP relative to the original budget. This is driven by a 0.35 ppts of GDP decline in revenues, driven by the growth downward revision, and a 0.15 ppts increase overall spending, including due to fuel price subsidies introduced in April.⁵ Over the medium term, the fiscal outlook continues to assume further consolidation anchored in full implementation of the 2026 tax package, strengthened public financial management and tax administration, reduction in IPP transfers as energy sector reforms bear fruit (Text Table 5). The end-2025 stock of domestic arrears, which includes verified pre-2018 legacy domestic arrears as well as the stock of

⁵ In light of the oil price shock, the decline in projected revenues is mainly driven by expected declines in fuel excise and road user tax revenue, while the projected increase in expenditure includes a temporary subsidy on petrol and diesel and slightly higher expenditures on goods and services. While revenues underperformed by around 10 percent relative to projections in Q1, even prior to the Middle East conflict, staff expect increased tax compliance and enforcement in the rest of the year to largely compensate for this pre-conflict shortfall.

unpaid cheques at the BSL and AGD is estimated at 0.7 percent of non-iron ore GDP and is reflected in the DSA. However, the stock of domestic arrears accumulated after 2018 is incomplete and does not include potential arrears outside of IFMIS. Consequently, as part of a prior action for the third ECF review, the authorities are conducting a comprehensive stocktaking of domestic arrears that would include all central government arrears, including those outside of IFMIS (not arrears of SOEs outside the central government). Once audited as part of an end-November 2026 structural benchmark under the ECF program, these MDA arrears will be incorporated into the stock of domestic arrears and the DSA debt stock and monitored going forward. Based on the audited MDA arrears stock, the authorities will publish an arrears clearance strategy on the MoF website by end-April 2027.

Text Table 5. Sierra Leone: Expenditure Outlook

	2024	2025	2026	2027	2028	2029	2030	2031
			Proj.	Proj.			Proj.	
Current expenditures	12.6	13.2	12.1	11.0	10.6	10.2	9.8	9.5
Wages and salaries	4.4	4.3	4.2	4.2	4.1	4.1	4.1	4.1
Goods and services	2.6	2.5	2.0	2.0	2.1	2.0	2.0	2.0
Subsidies and transfers	2.4	1.6	2.4	2.0	1.9	1.8	1.7	1.7
o/w Fuel Subsidies	...	0.0	0.1	0.0	0.0	0.0	0.0	0.0
o/w Transfers to IPPs	0.8	0.3	0.8	0.3	0.3	0.3	0.2	0.2
Capital Expenditure	6.1	4.2	3.9	3.5	3.3	3.5	3.4	3.1
Foreign financed	3.1	3.4	2.4	2.4	2.2	2.3	2.0	1.7
Domestic financed	3.0	0.8	0.9	1.1	1.1	1.2	1.4	1.5
Capital transfers	0.0	0.0	0.6	...	...	...	...	...
Contingent expenditure	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0

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

- **External.** The current account deficit is projected to have shrunk in 2025 to 5.1 percent of GDP from 6.5 percent of GDP in 2024 amid the continued fiscal consolidation. It is projected to improve modestly over the medium term, supported by stronger mining production, improved domestic agricultural production and slower import growth as fiscal policy consolidates further, despite recent commodity price shocks. Reserves increased from 1.5 to 2.0 months of imports from end-September to end-December 2025 and are projected to further improve over the medium term. In line with the more stable macroeconomic situation and recovering confidence, the Leone has remained stable.⁶

Financial Assumptions

- **IDA financing.** IDA financing for the DSA assumes 100 percent grant financing through 2027; zero-interest, 40-year credits during 2028–2030, with a 10-year grace period and standard service charges; and regular IDA credits from 2031 onwards

⁶ Its end-February 2026 value just 0.15 percent higher than its value as of end-December 2025. The variance over the period January 2025–February 2026 of end of period readings stood at 0.07.

- **Additional use of SDR retrocession.** The authorities used an additional NLe1360 million in 2025 (US\$60 million, or 0.8 percent of GDP).⁷ They are not expected to use additional SDR retrocession this year or going forward.
- **Budget support loans not repaid by the MoF to the BSL.** The Ministry of Finance (MoF) has generally adhered to repayment timelines for ways and means advances in line with Section 64(7) of the BSL Act.⁸ However, since 2022, the government has repeatedly missed due dates for repayments of budget support loans related to ECF disbursements on-lent by the BSL to the government. The BSL is committed to working closely with IMF staff to strengthen compliance and control safeguards, and both the government and the BSL have pledged to fully comply with the updated MoU to ensure that on-lent budget support loans are henceforth repaid on time by the government. They have also committed to repay all overdue budget support loans (estimated at about 1.5 percent of GDP) by end-2026. Staff incorporated these arrears into the end-2025 debt stock, assuming that their repayment will be financed through T-bill issuance.
- **The authorities issued two FX bonds to local resident banks in 2025.** The first (US\$20 million) bond was issued in September, and the proceeds were used primarily for external debt amortization. The second (US\$50 million) bond was issued in December, and part of the proceeds were used to compensate for the shortfall in multilateral budget support. The DSA reflects these FX bond issuances and their repayment terms in its projections. The authorities have committed not to issue any new FX bonds in the coming years without the ex-ante agreement of the Fund and the Bank.⁹
- **RSF disbursements.** The DSA includes RSF financing totaling 155.55 million SDR (75 percent of quota at normal access), with an interest rate of 2.25 percent (Group A), a 10.5-year grace period, and a 20-year maturity. The RSF is assumed to substitute for more expensive domestic financing.
- **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

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 According to Section 64(7) of the BSL Act, 'an advance made under subsection 64(5) shall be repaid within 93 days from the end of the Government's financial year to which it relates'.

⁹ The US\$20 million FX bond issued in September 2025 has a maturity of 2 years and an interest rate of 9.8 percent per annum. Repayment of the coupon is semi-annual and commences 6 months after the issuance date. At maturity, face value of the bond and the final coupon will be repaid. The US\$50 million FX bond issued in December 2025 has a maturity of 4 years and an interest rate of 9.5 percent per annum. Repayment of the interest and principal will commence 18 months after the issuance, over a period of 4 years.

2028-30 and assumes that the gap will be covered by new external concessional financing.¹⁰ 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 30 percent of new domestic debts are financed by 1-3 year bonds from 2026-2030, and (ii) 20 percent and 10 percent of new domestic debts are financed by 1-3 years bonds and 4-7 year bonds respectively after 2030. These assumptions are broadly in line with the previous DSA.¹¹ Lastly, staff have reflected the ongoing recapitalization of the BSL in 2026 in the DSA, as a ten-year bond issued by the central government and held by the BSL.¹²

- **Domestic borrowing costs** have hovered at around 16-17 percent since September 2025, reflecting lower borrowing from the government in the domestic market and decreasing policy rates. T-bill rates are projected to remain at around that level through the end of the program, consistent with the projected single-digit inflation rates, the sustained fiscal consolidation and the sharp decline in government net borrowing from the domestic banking system.

Risks

8. Downside risks to the baseline are high as the country is vulnerable to domestic and external shocks, given its exposure to global volatility through the mining industry and commodity prices. A more pronounced spike in oil and fertilizer prices resulting from the war in the Middle East could sharply raise import costs and further increase fiscal, current account, and inflationary pressures. Domestically, 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. Heightened trade restrictions, geopolitical challenges, and declining commodity prices may negatively impact net exports and put pressure on reserves. Climate shocks could threaten output due to reliance on rainfed agriculture. These risks are mitigated by the government's commitment to maintaining low inflation and to continue the fiscal consolidation effort. The outlook is also supported by the

¹⁰ 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.

¹¹ The authorities' 2024-29 MTDS entails more ambitious assumptions than this DSA, including an over 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.

¹² The recapitalization of the BSL is currently recorded in the fiscal table as a capital transfer, with an envelope of 971.5 million Nle in 2026. The first tranche of the recapitalization in Q1 was financed by a 10-year bond issued at 8 percent interest. As such, the full projected amount of the recapitalization has been reflected in the DSA as financed by 10-year domestic securities to be issued in 2026.

ongoing Feed Salone program which is expected to increase domestic agriculture productivity and output, lower inflation and narrow the current account deficit, and the implementation of resilience strategies outlined within the IMF-supported RSF arrangement. The lack of comprehensive data on arrears—both for the central government and for SOEs outside the central government—is a concern. A more complete picture on arrears is critical to ascertaining the fiscal stance with precision.

9. The realism tools flag optimism relative to the historical trend as the required fiscal consolidation effort is large (Figure 4). The 3-year average primary balance adjustment is 2.0 ppts of GDP close to the 73rd percentile of the historical distribution for Sierra Leone’s peers. Nonetheless, given that the most ambitious part of the fiscal consolidation, as measured by the domestic primary balance, was already achieved in 2025, staff consider the projected fiscal adjustment to be feasible. The remaining fiscal effort of 1.5 ppts of GDP required by 2027 projected to be achieved through the full implementation of the 1.5 ppts of GDP in tax policy measures in the 2026 Finance Act, supported by improvements to tax administration and firm expenditure controls. The authorities have been receiving technical assistance from the IMF and World Bank in enhancing domestic revenue mobilization, rationalizing expenditures and 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.

10. There is a need for careful contingency planning. If needed, the authorities are prepared to (i) reprioritize spending, including rationalizing domestically financed capital expenditure or cutting goods and services spending, taking action to reduce government energy use; (ii) strengthening tax administration by frontloading the implementation of TADAT recommendations; and (iii) introducing tax policy measures including further rationalizing GST exemptions on food items.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

11. Sierra Leone’s debt-carrying capacity was downgraded to “weak” in the previous DSA. Sierra Leone’s debt-carrying capacity was downgraded to “weak” in December 2025 after two consecutive signals of weak debt-carrying capacity, registered in April and October 2025 (Text Tables 6 and 7). Based on the data from the April 2026 WEO and the 2024 CPIA, Sierra Leone’s composite indicator stood at 2.69 in April 2026, providing a first signal for an upgrade to a “medium” debt-carrying capacity.

12. 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	Medium 2.69	Weak 2.65	Weak 2.67	
Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.113	1.20	44%
Real growth rate (in percent)	2.719	4.860	0.13	5%
Import coverage of reserves (in percent)	4.052	26.269	1.06	40%
Import coverage of reserves^2 (in percent)	-3.990	6.901	-0.28	-10%
Remittances (in percent)	2.022	4.088	0.08	3%
World economic growth (in percent)	13.520	3.637	0.49	18%
CI Score			2.69	100%
CI rating			Medium	

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

13. 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 ratios are somewhat less favorable in the medium term relative to the last DSA, but the paths of the external debt service-to-exports and the external debt service-to-revenue are slightly more favorable in the long term, helped by the continued stability in the nominal exchange rate, which in turn hinges on the continued tight policy

mix and stable macroeconomic environment. 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).¹³ 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 2026 and declines below the threshold of 14 percent only in 2029. The PPG external debt service-to-exports ratio remains below the 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 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

14. 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 starting in 2027 and does not signal additional sustainability risk (Text Figure 3). The ratio is projected to steadily decrease from 20.7 percent of GDP in 2026. The domestic debt service to revenues (including grants) ratio is expected to decline from a peak of 116.5 percent in 2026 to 92.4 percent in 2027 reflecting the short tenor of the debt and associated rollover needs. This ratio is expected to fall steadily driven by the continued fiscal consolidation and enhanced debt management strategies, including issuing longer-term debt. The large negative net domestic debt issuances from 2026 are predicated on the continued strong and front-loaded fiscal adjustment, reliance on concessional financing and grants, and moderately high growth rates.

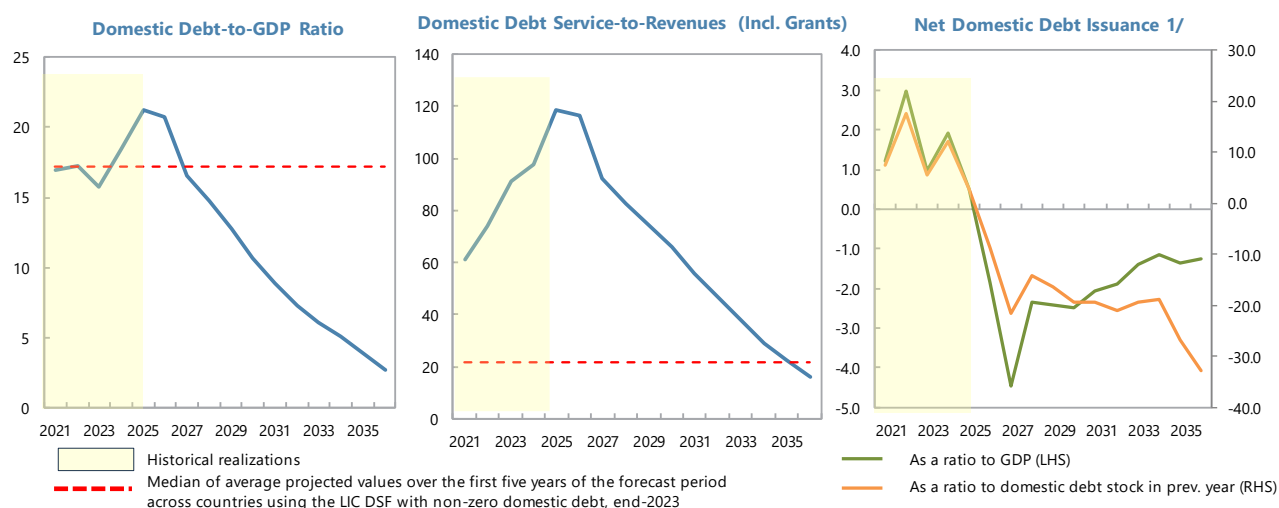
- Under the baseline scenario, the PV of the public debt-to-GDP ratio exhibits a one-time breach of the threshold of 35 percent of GDP only in 2026 and gradually declines over the medium term (Figure 2). The overall debt service-to-revenue ratio is projected to fall below 100 percent

¹³ 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.

by 2028 but remains relatively high in the medium run, suggesting a tight liquidity situation (Text Figure 3, and Text Figure 4). The paths of all three indicators are more favorable relative to the last DSA in the medium and long term.

- Stress tests indicate that the shocks to combined contingent liabilities and the primary balance are the most extreme ones. All the shocks simulated lead the PV of debt to GDP to breach the threshold, at least in the short run. Since the external debt service-to-revenue ratio exhibits a protracted breach 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 3. Sierra Leone: Indicators of Public Domestic Debt 2021-35
(Percent)



Borrowing Assumptions (average over 10-year projection) Value

Shares in new domestic debt issuance

Medium and long-term	30%
Short-term	70%

Borrowing terms

Domestic MLT debt

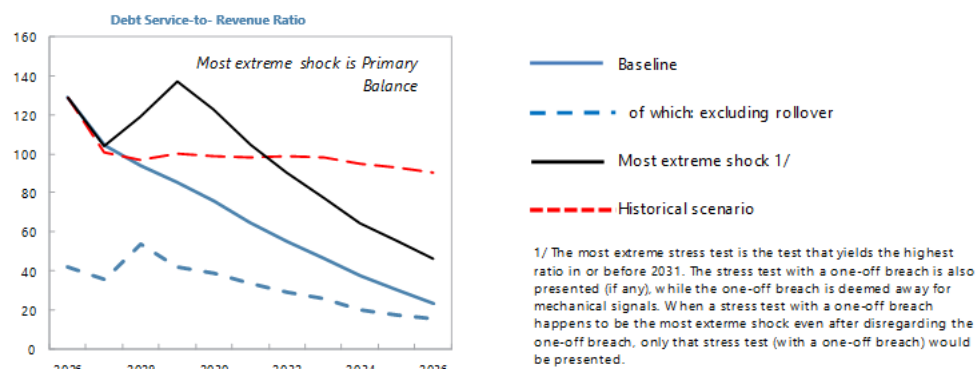
Avg. real interest rate on new borrowing	10.4%
Avg. maturity (incl. grace period)	2
Avg. grace period	1

Domestic short-term debt

Avg. real interest rate	9.0%
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Sources: Country authorities; and staff estimates and projections.

1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, Other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

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

15. 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 64 percent of gross financing needs in 2025 (Text Table 8, Text Figure 3, and Text Figure 4). 56 percent of these T-bills are held by domestic public banks and domestic subsidiaries of foreign banks. The central bank also holds a substantial share (around 31 percent) of outstanding T-bills associated with its operations in the secondary government securities market. Rollover risk is high but 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											
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2046
Debt service-to-revenue and grants ratio 1/	132.7	128.9	104.1	93.8	85.6	75.7	64.4	55.0	46.7	37.4	30.5	23.3	5.2
of which: T-bills amortization	85.3	87.1	69.0	40.4	43.4	36.9	31.0	26.0	21.0	17.6	13.0	8.0	0.0
of which: others	47.4	41.9	35.2	53.4	42.1	38.8	33.4	28.9	25.7	19.7	17.5	15.3	5.2
Gross financing need 2/	19.0	18.2	13.5	11.7	10.6	9.1	7.2	5.8	5.1	3.9	2.8	2.0	0.5
of which: T-bills amortization	12.5	12.8	10.4	6.1	6.3	5.4	4.4	3.7	3.0	2.5	1.8	1.1	0.0
of which: others	6.5	5.3	3.1	5.6	4.3	3.7	2.8	2.2	2.1	1.5	1.0	0.9	0.5

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.

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 unduly imperil growth 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 has a zero ceiling on non-concessional external debt.

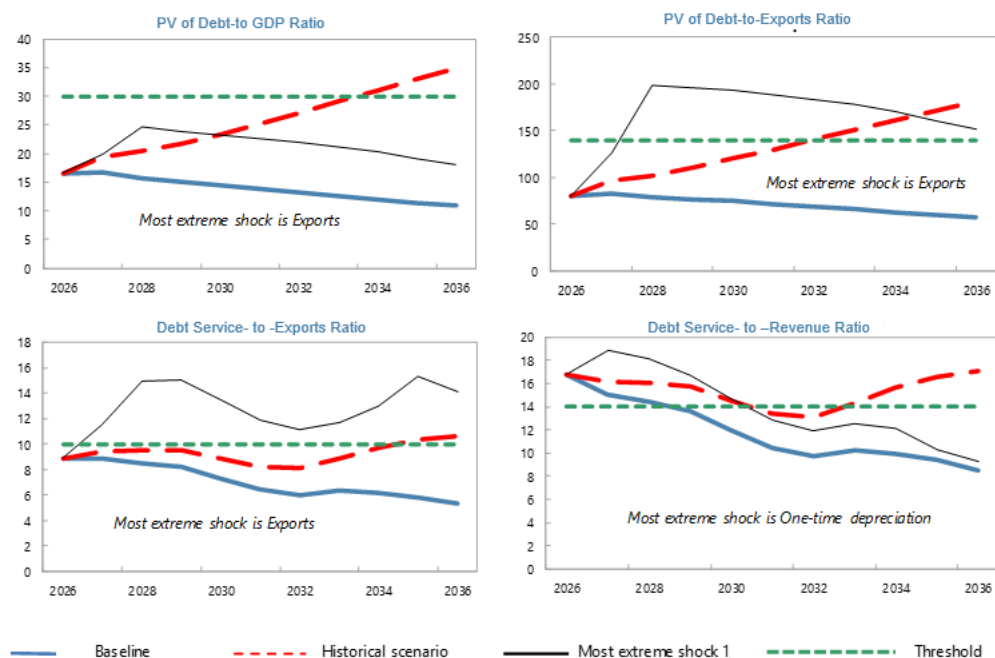
18. It will be critical to mitigate risks through steadfast implementation of the fiscal consolidation, paired with the development of a deeper domestic debt market. While staff assesses that risks remain manageable at the current juncture, debt burden indicators could shift up considerably, should the 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 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 potentially on debt management functions and practices, 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 importance of sustaining a credible fiscal consolidation despite the Middle East war. They emphasized that they have taken important steps in this direction and are firmly committed to meeting the agreed fiscal targets, including to reduce borrowing from the domestic market and contain borrowing costs. To this end, they plan to submit to Parliament a 2026 supplementary budget consistent with program projections. They committed to continuing to prioritize grant resources, seeking only highly concessional financing, and ratifying loans only to the extent that there is space under 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

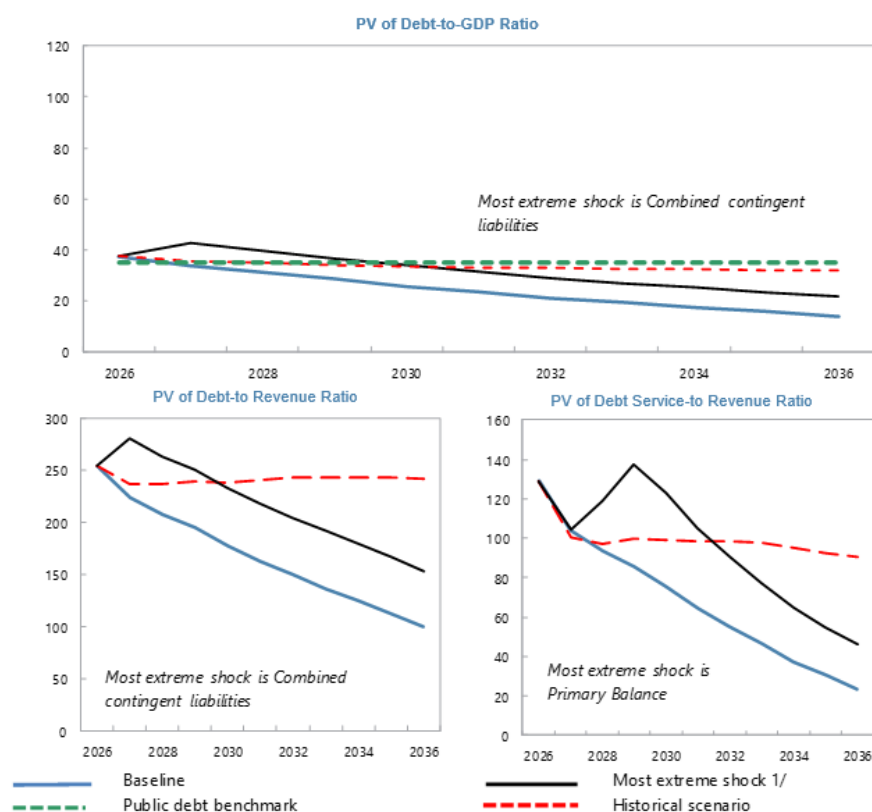
public outreach to market participants. The authorities reiterated their commitment to clearing domestic arrears and staying current on their external debt obligations.

Figure 1. Sierra Leone: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2026–36



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

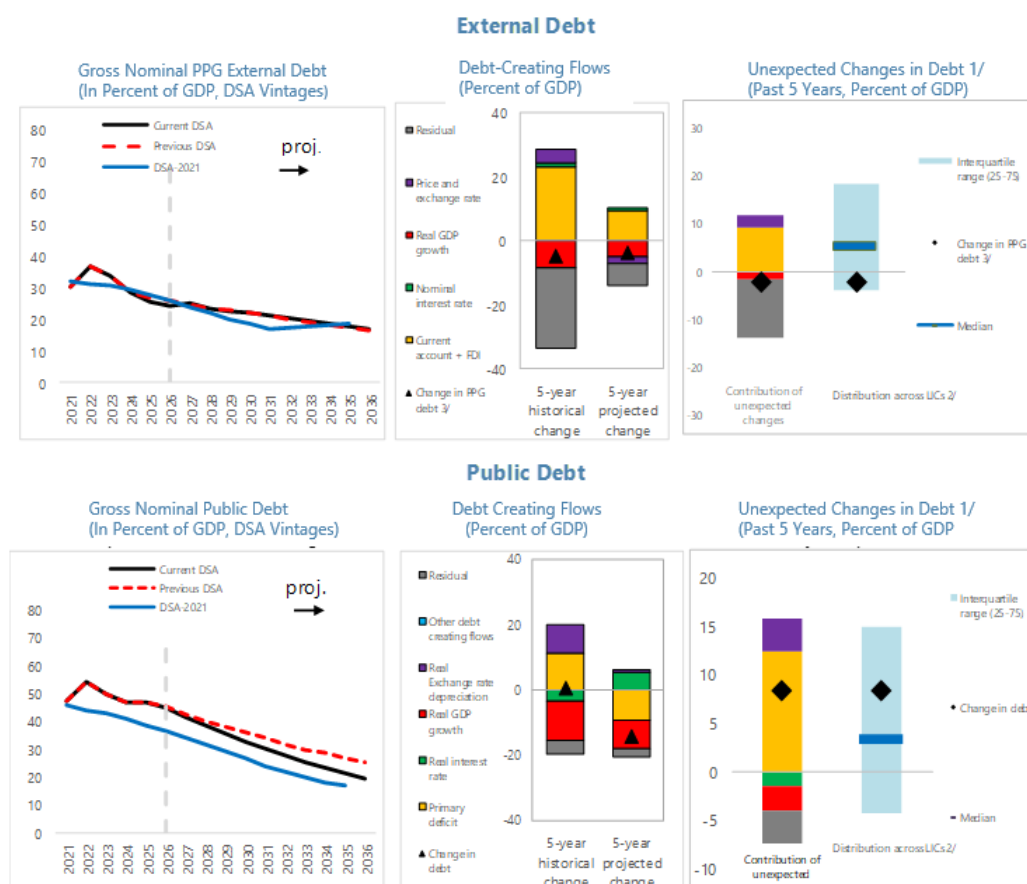
1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (in any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock 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, 2026–36

* 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, 2021–36

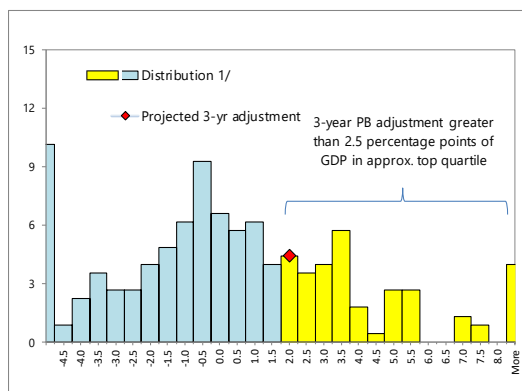
1/ Difference between anticipated and actual contributions on debt ratios.

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.

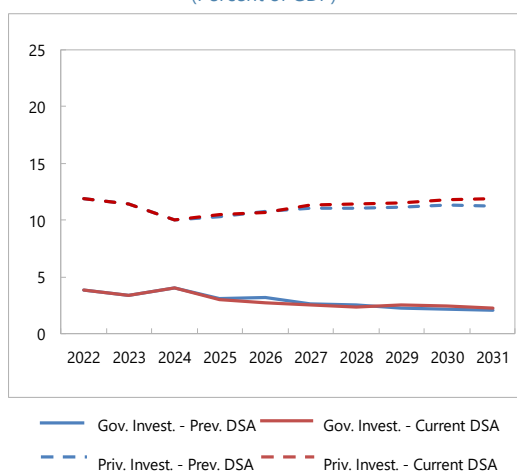
Figure 4. Sierra Leone: Realism Tools

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

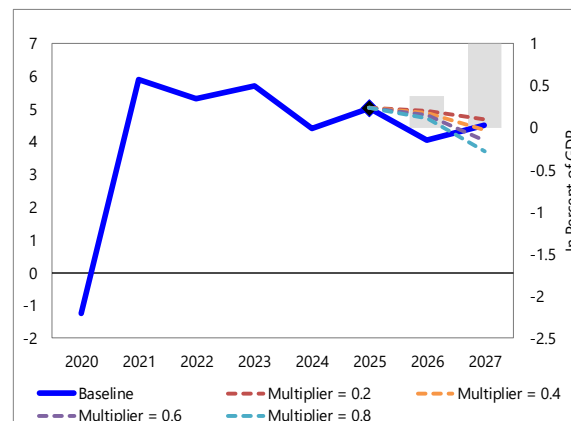


1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Public and Private Investment Rates (Percent of GDP)



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).

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

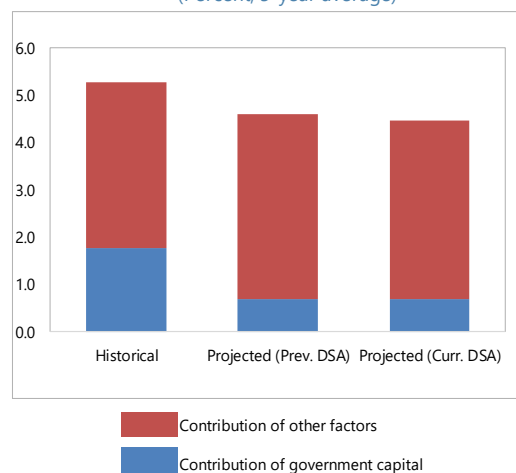


Table 1. Sierra Leone: External Debt Sustainability Framework, Baseline Scenario, 2025-46
(Percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 8/ Historical Projections	
	2025	2026	2027	2028	2029	2030	2031	2036	2046	Historical	Projections
External debt (nominal) 1/	25.5	24.2	24.9	23.5	22.7	22.0	21.0	16.9	10.6	29.1	21.0
of which: public and publicly guaranteed (PPG)	25.5	24.2	24.9	23.5	22.7	22.0	21.0	16.9	10.6	29.1	21.0
Change in external debt	-3.0	-1.3	0.7	-1.4	-0.8	-0.7	-0.9	-0.7	-0.5		
Identified net debt-creating flows	1.7	0.8	1.0	1.4	1.1	1.0	0.7	0.6	1.1	4.5	0.8
Non-interest current account deficit	5.0	3.4	3.3	3.5	3.8	4.0	4.0	4.6	5.8	7.3	4.0
Deficit in balance of goods and services	8.1	7.3	6.6	6.7	6.7	6.8	6.8	7.3	8.1	12.3	6.9
Exports	21.4	20.7	20.0	19.9	19.6	19.4	19.3	19.2	19.5		
Imports	29.5	28.0	26.6	26.6	26.3	26.2	26.1	26.5	27.6		
Net current transfers (negative = inflow)	-4.0	-4.9	-4.2	-4.2	-3.8	-3.8	-3.7	-3.6	-3.3	-5.9	-3.9
of which: official	-0.2	-1.2	-0.7	-0.7	-0.4	-0.4	-0.4	-0.4	-0.3		
Other current account flows (negative = net inflow)	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Net FDI (negative = inflow)	-0.3	-1.8	-1.5	-1.2	-1.8	-2.2	-2.5	-3.4	-4.2	-2.6	-2.5
Endogenous debt dynamics 2/	-2.9	-0.8	-0.9	-0.9	-0.8	-0.8	-0.8	-0.6	-0.4		
Contribution from nominal interest rate	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1		
Contribution from real GDP growth	-1.3	-0.9	-1.0	-1.1	-1.0	-1.0	-1.0	-0.8	-0.5		
Contribution from price and exchange rate changes	-1.8	...	...	...	...	...	...	...	...		
Residual 3/	-4.7	-2.1	-0.2	-2.8	-2.0	-1.7	-1.6	-1.3	-1.7	-4.0	-1.6
of which: exceptional financing	0.0	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	17.4	16.5	16.6	15.7	15.1	14.5	13.8	10.9	6.7		
PV of PPG external debt-to-exports ratio	81.1	79.8	83.1	78.9	76.8	74.8	71.6	57.0	34.5		
PPG debt service-to-exports ratio	9.7	8.9	8.8	8.5	8.2	7.3	6.4	5.3	3.6		
PPG debt service-to-revenue ratio	20.4	16.8	15.1	14.4	13.6	12.0	10.5	8.5	6.1		
Gross external financing need (Million of U.S. dollars)	528.6	294.1	334.4	387.6	365.4	339.3	298.1	315.1	503.2		
Key macroeconomic assumptions											
Real GDP growth (in percent)	5.0	4.0	4.5	4.6	4.6	4.6	4.6	4.6	4.6	4.3	4.5
GDP deflator in US dollar terms (change in percent)	6.9	5.2	4.1	0.1	0.0	0.2	0.5	0.2	0.2	-2.3	1.0
Effective interest rate (percent) 4/	0.7	0.5	0.6	0.8	0.9	1.0	1.0	1.0	0.9	0.7	0.9
Growth of exports of G&S (US dollar terms, in percent)	4.7	6.0	5.1	4.3	2.9	3.5	4.8	4.9	4.9	10.2	4.5
Growth of imports of G&S (US dollar terms, in percent)	-8.2	4.1	3.1	4.9	3.3	4.2	4.7	5.1	5.9	2.4	4.5
Grant element of new public sector borrowing (in percent)	...	32.2	31.0	37.0	39.3	40.4	42.8	47.3	47.3	...	41.2
Government revenues (excluding grants, in percent of GDP)	10.2	11.0	11.7	11.8	11.8	11.8	11.8	11.9	11.7	8.6	11.8
Aid flows (in Million of US dollars) 5/	349.7	321.7	315.5	354.0	356.6	369.1	337.5	390.3	564.1		
Grant-equivalent financing (in percent of GDP) 6/	...	4.6	4.5	3.7	3.4	3.3	2.9	2.5	2.3	...	3.2
Grant-equivalent financing (in percent of external financing) 6/	...	72.7	64.7	82.6	78.0	78.6	81.6	83.9	88.5	...	79.3
Nominal GDP (Million of US dollars)	7,822	8,563	9,317	9,756	10,198	10,683	11,225	14,197	22,626		
Nominal dollar GDP growth	12.3	9.5	8.8	4.7	4.5	4.7	5.1	4.8	4.8	1.8	5.6
Memorandum items:											
PV of external debt 7/	17.4	16.5	16.6	15.7	15.1	14.5	13.8	10.9	6.7		
In percent of exports	81.1	79.8	83.1	78.9	76.8	74.8	71.6	57.0	34.5		
Total external debt service-to-exports ratio	9.7	8.9	8.8	8.5	8.2	7.3	6.4	5.3	3.6		
PV of PPG external debt (in Million of US dollars)	1357.6	1415.1	1549.4	1533.5	1536.0	1547.8	1553.9	1551.3	1521.0		
(Pvt-Pvt-1)/GDPt-1 (in percent)		0.7	1.6	-0.2	0.0	0.1	0.1	0.0	-0.1		
Non-interest current account deficit that stabilizes debt ratio	8.0	4.7	2.6	4.9	4.7	4.7	4.9	5.4	6.3		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

α = 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

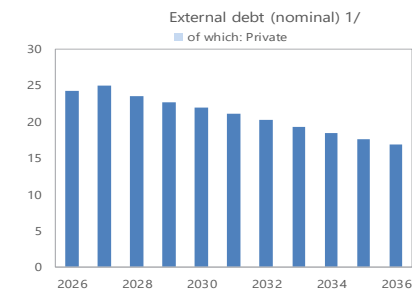
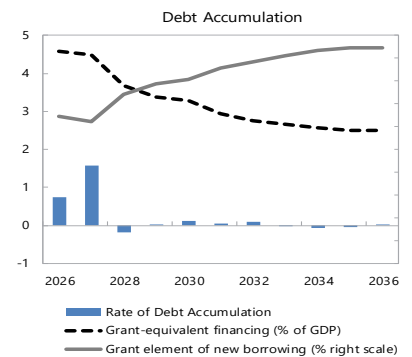


Table 2. Sierra Leone: Public Sector Debt Sustainability Framework, Baseline Scenario, 2025-46
(Percent of GDP, unless otherwise indicated)

	Actual	Projections												Average 6/ Historical Projections	
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2037	2046	Historical	Projections
Public sector debt 1/	46.7	44.9	41.5	38.3	35.5	32.7	29.9	27.5	25.4	23.5	21.5	17.7	10.8	45.9	30.9
of which: external debt	25.5	24.2	24.9	23.5	22.7	22.0	21.0	20.2	19.3	18.4	17.6	16.2	10.6	29.1	21.0
Change in public sector debt	-0.2	-1.8	-3.5	-3.2	-2.8	-2.8	-2.7	-2.5	-2.1	-1.9	-2.0	-1.8	-0.6		
Identified debt-creating flows	-1.1	-1.0	-3.0	-3.1	-2.6	-2.7	-2.8	-2.8	-2.4	-2.2	-2.3	-2.0	-0.8	1.3	-2.5
Primary deficit	-0.4	-0.8	-2.3	-2.4	-1.9	-1.9	-2.0	-1.9	-1.5	-1.3	-1.4	-1.2	-0.2	2.4	-1.7
Revenue and grants	14.6	14.7	15.1	15.0	14.6	14.5	14.3	14.1	14.1	14.0	14.0	14.0	13.8	13.2	14.4
of which: grants	4.5	3.8	3.4	3.2	2.8	2.7	2.4	2.3	2.2	2.1	2.1	2.1	2.1		
Primary (noninterest) expenditure	14.2	13.9	12.9	12.6	12.7	12.6	12.3	12.2	12.6	12.7	12.5	12.8	13.6	15.6	12.7
Automatic debt dynamics	-0.6	-0.2	-0.7	-0.8	-0.7	-0.8	-0.8	-0.9	-0.9	-0.9	-0.8	-0.8	-0.6		
Contribution from interest rate/growth differential	0.4	-0.2	-0.7	-0.8	-0.7	-0.8	-0.8	-0.9	-0.9	-0.9	-0.8	-0.8	-0.6		
of which: contribution from average real interest rate	2.6	1.6	1.2	1.1	0.9	0.8	0.6	0.4	0.3	0.2	0.2	0.0	-0.1		
of which: contribution from real GDP growth	-2.2	-1.8	-1.9	-1.8	-1.7	-1.6	-1.4	-1.3	-1.2	-1.1	-1.0	-0.9	-0.5		
Contribution from real exchange rate depreciation	-1.0	...	...	...	...	...	...	...	...	...	...	...	...		
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	0.9	-0.8	-0.5	-0.1	-0.2	-0.1	0.1	0.4	0.3	0.3	0.2	0.2	0.2	0.5	0.0
Sustainability indicators															
PV of public debt-to-GDP ratio 2/	38.7	37.4	33.8	31.1	28.5	25.8	23.3	21.1	19.3	17.6	15.7	12.4	7.1		
PV of public debt-to-revenue and grants ratio	264.1	254.0	223.7	207.2	195.0	177.8	163.3	149.7	136.9	125.7	112.7	88.6	51.9		
Debt service-to-revenue and grants ratio 3/	132.7	128.9	104.1	93.8	85.6	75.7	64.4	55.0	46.7	37.4	30.5	17.3	5.2		
Gross financing need 4/	19.0	18.2	13.5	11.7	10.6	9.1	7.2	5.8	5.1	3.9	2.8	1.2	0.5		
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	5.0	4.0	4.5	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.3	4.5
Average nominal interest rate on external debt (in percent)	0.7	0.5	0.6	0.8	0.9	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.0	0.7	0.9
Average real interest rate on domestic debt (in percent)	18.1	10.6	5.9	7.9	7.9	7.7	7.3	7.5	7.3	7.3	7.2	6.3	-6.7	1.0	7.6
Real exchange rate depreciation (in percent, + indicates depreciation)	-3.7	...	...	...	...	...	...	...	...	...	...	...	...	5.5	...
Inflation rate (GDP deflator, in percent)	7.2	6.4	7.9	6.9	6.9	7.1	7.4	7.2	7.2	7.2	7.2	7.2	7.2	13.3	7.2
Growth of real primary spending (deflated by GDP deflator, in percent)	-15.2	1.8	-3.2	2.6	5.5	3.3	2.0	3.9	7.7	5.9	3.2	5.4	4.6	6.6	3.5
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-0.2	1.0	1.2	0.9	0.9	0.9	0.7	0.5	0.6	0.6	0.6	0.7	0.4	3.9	0.8
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 rate 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.

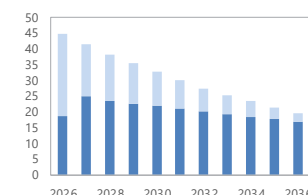
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (-): a primary surplus, which would stabilize the debt ratio only in the year in question.

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/

■ of which: local-currency denominated
■ of which: foreign-currency denominated



■ of which: held by residents
■ of which: held by non-residents

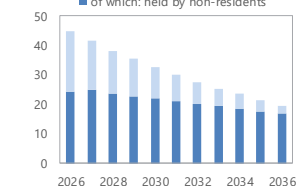


Table 3. Sierra Leone: Sensitivity Analysis, External Debt, 2026-36

	Projections 1/										
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
PV of debt-to GDP ratio											
Baseline	16.5	16.6	15.7	15.1	14.5	13.8	13.3	12.7	12.0	11.4	10.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2026-2036 2/	16.5	19.3	20.3	21.7	23.3	25.2	27.1	29.1	31.0	32.9	34.8
B. Bound Tests											
B1. Real GDP growth	16.5	17.2	16.9	16.2	15.6	14.9	14.3	13.6	13.0	12.3	11.8
B2. Primary balance	16.5	17.5	17.9	18.2	18.5	18.6	18.6	18.5	18.2	17.9	17.5
B3. Exports	16.5	20.0	24.6	23.9	23.3	22.5	21.9	21.2	20.3	19.1	18.0
B4. Other flows 3/	16.5	18.7	19.9	19.3	18.7	18.0	17.4	16.8	16.0	15.1	14.3
B5. One-time 30 percent nominal depreciation	16.5	20.8	17.5	16.7	16.0	15.2	14.5	13.7	12.9	12.3	11.9
B6. Combination of B1-B5	16.5	20.2	20.2	19.5	18.9	18.2	17.6	16.9	16.0	15.1	14.3
C. Tailored Tests											
C1. Combined contingent liabilities	16.5	18.0	17.8	17.9	17.9	17.8	17.7	17.4	17.1	16.7	16.4
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	16.5	18.6	19.5	18.9	18.3	17.5	16.7	15.8	14.8	13.7	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	79.8	83.1	78.9	76.8	74.8	71.6	69.0	65.9	62.7	59.6	57.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2026-2036 2/	79.8	96.6	101.9	110.6	120.4	130.2	140.8	151.5	161.7	171.8	181.3
B. Bound Tests											
B1. Real GDP growth	79.8	83.1	78.9	76.8	74.8	71.6	69.0	65.9	62.7	59.6	57.0
B2. Primary balance	79.8	87.2	89.7	92.8	95.5	96.0	96.6	96.2	95.0	93.2	91.2
B3. Exports	79.8	126.2	199.1	196.5	193.6	187.9	183.4	178.1	170.7	160.8	151.6
B4. Other flows 3/	79.8	93.6	100.0	98.2	96.4	93.1	90.5	87.4	83.4	78.8	74.6
B5. One-time 30 percent nominal depreciation	79.8	83.1	70.1	67.9	65.9	62.7	60.1	57.1	53.8	51.4	49.4
B6. Combination of B1-B5	79.8	108.4	94.0	118.3	115.9	111.7	108.4	104.4	99.0	93.7	88.9
C. Tailored Tests											
C1. Combined contingent liabilities	79.8	89.7	89.4	91.3	92.6	92.0	91.7	90.6	88.9	87.2	85.6
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	79.8	107.9	110.9	106.6	101.8	95.1	89.0	84.4	78.9	73.1	67.7
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	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	8.9	8.8	8.5	8.2	7.3	6.4	6.0	6.3	6.1	5.8	5.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2026-2036 2/	8.9	9.4	9.5	9.5	8.9	8.2	8.1	8.8	9.7	10.3	10.6
B. Bound Tests											
B1. Real GDP growth	8.9	8.8	8.5	8.2	7.3	6.4	6.0	6.3	6.1	5.8	5.3
B2. Primary balance	8.9	8.8	8.6	8.4	7.6	6.7	6.4	6.7	6.9	7.0	6.8
B3. Exports	8.9	11.5	14.9	15.0	13.5	11.9	11.2	11.7	13.0	15.3	14.1
B4. Other flows 3/	8.9	8.8	8.7	8.5	7.6	6.7	6.3	6.6	7.2	7.6	7.0
B5. One-time 30 percent nominal depreciation	8.9	8.8	8.5	8.1	7.2	6.3	5.9	6.2	6.0	5.1	4.6
B6. Combination of B1-B5	8.9	10.0	11.2	10.8	9.7	8.5	8.0	8.4	9.3	9.1	8.3
C. Tailored Tests											
C1. Combined contingent liabilities	8.9	8.8	8.6	8.4	7.5	6.7	6.3	6.6	6.5	6.2	5.7
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	8.9	10.4	10.1	9.7	8.5	7.3	6.7	7.0	7.5	7.7	7.0
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	16.8	15.1	14.4	13.6	12.0	10.5	9.7	10.2	9.9	9.4	8.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2026-2036 2/	16.8	16.1	16.1	15.7	14.5	13.4	13.1	14.3	15.6	16.6	17.1
B. Bound Tests											
B1. Real GDP growth	16.8	15.6	15.6	14.6	12.9	11.3	10.5	11.0	10.7	10.1	9.2
B2. Primary balance	16.8	15.1	14.5	13.9	12.4	11.0	10.3	10.8	11.1	11.3	11.0
B3. Exports	16.8	15.5	15.7	15.4	13.7	12.0	11.2	11.7	13.0	15.3	14.1
B4. Other flows 3/	16.8	15.1	14.7	14.1	12.5	11.0	10.2	10.7	11.6	12.2	11.2
B5. One-time 30 percent nominal depreciation	16.8	18.9	18.1	16.7	14.7	12.8	11.9	12.5	12.2	10.3	9.2
B6. Combination of B1-B5	16.8	15.9	15.9	15.1	13.3	11.7	10.9	11.4	12.6	12.3	11.2
C. Tailored Tests											
C1. Combined contingent liabilities	16.8	15.1	14.6	13.9	12.3	10.9	10.2	10.7	10.4	10.0	9.1
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	16.8	17.9	17.6	17.1	14.6	12.3	11.0	11.1	11.8	12.1	11.0
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	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, 2026-36

	Projections 1/										
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
PV of Debt-to-GDP Ratio											
Baseline	37.4	33.8	31.1	28.5	25.8	23.3	21.1	19.3	17.6	15.7	14.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2026-2036 2/	37	35	35	34	33	33	33	33	32	32	32
B. Bound Tests											
B1. Real GDP growth	37	35	34	32	30	28	27	25	24	23	22
B2. Primary balance	37	39	42	39	36	34	31	29	27	25	24
B3. Exports	37	37	39	36	34	31	29	27	25	23	20
B4. Other flows 3/	37	36	35	33	30	28	25	24	22	20	18
B5. One-time 30 percent nominal depreciation	37	35	32	29	26	23	20	18	16	13	11
B6. Combination of B1-B5	37	38	37	33	29	26	23	21	19	17	15
C. Tailored Tests											
C1. Combined contingent liabilities	37	43	40	37	34	31	29	27	25	23	22
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	35	34	34	34	33	32	30	29	28	27
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	254.0	223.7	207.2	195.0	177.8	163.3	149.7	136.9	125.7	112.7	100.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2026-2036 2/	254	237	237	239	238	241	243	243	244	243	242
B. Bound Tests											
B1. Real GDP growth	254	230	225	218	206	196	187	179	172	164	155
B2. Primary balance	254	259	280	269	250	235	221	208	196	182	169
B3. Exports	254	242	260	249	232	217	204	192	179	162	146
B4. Other flows 3/	254	238	236	225	208	194	180	167	155	140	125
B5. One-time 30 percent nominal depreciation	254	237	215	200	179	161	144	128	113	97	82
B6. Combination of B1-B5	254	252	247	226	204	184	166	149	135	119	104
C. Tailored Tests											
C1. Combined contingent liabilities	254	281	264	251	233	219	205	192	180	167	154
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	254	262	256	264	253	242	229	214	208	200	191
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	128.9	104.1	93.8	85.6	75.7	64.4	55.0	46.7	37.4	30.5	23.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2026-2036 2/	129	100	97	100	99	98	99	98	95	93	91
B. Bound Tests											
B1. Real GDP growth	129	107	101	96	89	80	73	66	58	53	46
B2. Primary balance	129	104	119	137	123	105	90	77	65	55	46
B3. Exports	129	104	94	86	76	65	56	47	39	35	27
B4. Other flows 3/	129	104	94	86	76	65	55	47	39	33	26
B5. One-time 30 percent nominal depreciation	129	100	92	82	73	63	54	46	37	30	23
B6. Combination of B1-B5	129	102	99	113	101	85	72	61	48	39	30
C. Tailored Tests											
C1. Combined contingent liabilities	129	104	134	125	109	94	80	69	57	47	38
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	129	119	108	99	98	93	86	78	69	64	57
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.



SIERRA LEONE

June 15, 2026

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF PERFORMANCE CRITERIA, AND REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—WORLD BANK ASSESSMENT LETTER FOR THE RESILIENCE AND SUSTAINABILITY FACILITY

A. Country Vulnerability to Climate Change Including Human, Social and Economic Costs¹

1. Climate change is redefining weather and climate extremes in Sierra Leone, jeopardizing the environment, poverty reduction, and long-term growth. Annual temperatures and extreme heat events are expected to increase, particularly in the northern and eastern provinces. Rainfall may become more erratic, with greater variability across seasons and regions. Hotter temperatures, shifting precipitation patterns, and sea-level rise increase risks of heatwaves, flooding, land degradation, and more frequent disasters. Agriculture and coastal and urban infrastructure face the most acute risks. The consequences on people and the economy are severe. If no action is taken, by 2050, Sierra Leone's GDP may decline by 9–10 percent relative to its 2025 baseline across growth and climate scenarios². Under baseline growth, the poverty rate could rise by 2–7 percentage points across climate scenarios.

2. Without adaptation and resilience measures, economic losses are driven primarily by declining labor and agricultural productivity. Rising temperatures will increase heat stress across the workforce, particularly in agriculture. Hotter, drier conditions will also reduce water availability (for both irrigated and rain-fed crops) and yields of crops sensitive to extreme heat, such as rice, cassava, and staple vegetables. Periods of heavy rainfall can also lower yields through the risk of soil erosion and flooding. Rising sea temperatures will threaten fisheries, reducing catches that sustain coastal incomes and provide the country's main source of animal protein.

¹ World Bank Group. 2025. Sierra Leone Country Climate and Development Report. Washington, DC: World Bank Group.

² Growth scenarios refer to a baseline scenario, which assumes recent growth trends continue, and an aspirational scenario, which assumes faster structural transformation and ambitious reforms. Climate scenarios refer to dry/hot and wet/warm futures with lower rainfall and higher temperatures, or heavier rainfall and warmer temperatures, respectively.

3. Substantial losses are also expected from damage to infrastructure. Roads, bridges, and infrastructure face growing risks from flooding, sea-level rise, extreme precipitation, and heat, leading to higher maintenance costs and service disruptions. As the economy shifts from agriculture toward services, urban areas are projected to house more than half of the population by 2050. Rapid urban expansion has strained the provision of basic services and increased encroachment into forests and flood-prone areas. Over 2 million people already live below 10 meters elevation. Climate hazards will continue to test the livability of cities and connectivity, disrupting transport, energy, commerce, and access to services.

4. Sierra Leoneans have limited capacity to cope with climate shocks. With 42.5 percent of the population at high risk to climate hazards, vulnerability to climate change is severe. Vulnerability is exacerbated by widespread poverty, affecting over half of the population, and poor human development, with the country ranking 185th on the 2025 Human Development Index. Though the economy is diversifying, agriculture employs half the workforce, leaving livelihoods highly sensitive to climate shifts. As a result, climate impacts are projected to reduce incomes, worsen food insecurity, and widen inequality. Shifting weather patterns also undermine human capital health risks, such as accelerating the spread of infectious diseases, while severe weather and flooding damage infrastructure and disrupt schooling.

B. Government Policies and Commitments in Terms of Climate Change Adaptation and Priority Areas to Strengthen Resilience

5. Sierra Leone updated its third Nationally Determined Contribution (NDC 3.0) in October 2025, outlining climate change priorities for 2025–2035³. Sierra Leone ratified the Paris Agreement in 2016. In 2021, it submitted NDC 2.0 and adopted the National Climate Change Policy (NCCP), which promotes a climate-resilient economy while advancing sustainable development and growth. NDC 3.0 is aligned with the Medium-Term National Development Plan (MTNDP 2024–2030), the Energy Transition and Green Growth Plan, and the Feed Salone Strategy, and global frameworks such as the Sustainable Development Goals, Agenda 2063 of the African Union, and Sendai Framework for Disaster Risk Reduction.

6. While NDC 3.0 encompasses a broad policy menu, translating these commitments into action requires prioritizing the most critical reform areas for adaptation. Key priorities include operationalizing climate-smart agriculture to safeguard livelihoods and food security (aligning with the *Feed Salone* strategy), enforcing robust land-use and spatial planning to manage urban expansion in high-risk coastal and flood-prone areas, and integrating climate-resilient standards into infrastructure development.

³ Government of Sierra Leone (GoSL). 2025. *Nationally Determined Contributions (NDC3.0): 2025–2030*. Freetown: GoSL

C. Government Policies and Commitments in Terms of Climate Change Mitigation and Priority Areas to Reduce Greenhouse Gas Emissions

7. The NDC 3.0 also establishes a mitigation agenda focused on reducing greenhouse gas emissions while supporting economic growth and energy access. It targets a reduction of 19,987 Gg CO₂e by 2035, equivalent to approximately one-third of projected business-as-usual (BAU) emissions (NDC 2.0 targeted only a 10 percent reduction of BAU emissions). The NDC prioritizes actions across energy, forestry, agriculture, transport, waste, and industrial sectors, with a strong emphasis on expanding renewable energy, reducing deforestation and forest degradation, promoting sustainable land management, improving waste management, and increasing energy efficiency.

8. Compared with NDC 2.0, NDC 3.0 significantly raises mitigation ambition, expands sectoral coverage, and establishes a more results-oriented framework for implementation, monitoring, and accountability. Targets in the NDC are grounded in Sierra Leone's national policies and legal frameworks. The NCCAP identifies the Ministry of Environment and Climate Change (MECC), the Sierra Leone Meteorological Agency (SL-MET), the Environmental Protection Agency (EPA), and the Ministry of Energy as key institutions responsible for advancing the climate agenda. MECC leads overall coordination and implementation of the NDC. To strengthen cross-government coordination, the government operationalized the National Climate Change Steering Committee (NCCSC) in 2022 following the enactment of the EPA Act. A novel focus of NDC 3.0 is the establishment of a Monitoring, Reporting, and Verification (MRV) system by the EPA. The country is also preparing its Climate Change Act that aims to streamline roles for climate actors, facilitate coordination, and improve access to climate finance.

D. Other Challenges and Opportunities

9. Sierra Leone's NDC requires substantial financing. The government estimates needs of US\$2.97 billion by 2035, with US\$1.02 billion for mitigation actions and US\$1.95 billion for adaptation. However, Sierra Leone has limited fiscal space and is at high risk of debt distress. As per the NDC 3.0 financial roadmap, the government plans to mobilize 20 percent of total mitigation needs (US\$205 million) and 21 percent of adaptation (US\$400 million), with about half coming from its budget (US\$304 million) and the other half through the private sector (US\$301 million) by 2035. This would imply additional annual expenditures of 0.4 percent of GDP until 2035, making it challenging without further fiscal consolidation and prioritization of climate expenditures.

10. To bridge the gap, the government's Climate Finance Roadmap proposes a diversified financing strategy that combines domestic resource mobilization, international climate finance, and private sector participation. Opportunities for domestic resource mobilization include environmental taxes and fees and concessional external financing from development partners and multilateral climate funds, alongside private capital mobilized through blended finance, sovereign guarantees, sustainability-linked loans, green and blue bonds, climate insurance, carbon markets, and results-based financing mechanisms. The roadmap also adopts a phased approach that moves from pilot activities to larger-scale implementation, allowing institutions, markets, and

investors to build confidence over time. In addition, it prioritizes strengthening climate finance governance, environmental tracking, and MRV systems to improve transparency, demonstrate results, and facilitate access to performance-based climate finance. The Sierra Leone Climate Fund (SLCF) will serve as the intended vehicle for consolidating these domestic, international, and private climate financial flows.

11. Mobilizing climate finance and implementing activities at the scale envisioned in the NDC will require stronger institutions and policy frameworks, and capacity strengthening. Limited fiscal space, restricted access to capital markets, data gaps, and weak project preparation capacity hinder Sierra Leone's capacity to attract and effectively deploy climate finance. Implementation risks are heightened by weak accountability, low transparency, incomplete decentralization, clientelism and corruption. For example, the absence of climate-informed Public Financial Management (PFM) systems limits the ability to track climate expenditures, while the lack of natural resource valuation hinders the structuring of bankable green investment. While the establishment of the Climate Finance Unit (CFU) within the Ministry of Finance and the planned MRV system in the EPA signals progress in transparency, substantial capacity-building efforts are imperative to overcome the weak governance, resource constraints and improve investor and donor confidence. More broadly, Sierra Leone's climate institutional landscape remains fragmented, with overlapping mandates across key agencies and limited inter-agency coordination undermining a whole-of-government approach to climate action. Addressing these structural gaps through strengthened institutional coordination, deeper integration of climate considerations into public investment and budget processes, and sustained capacity building is a prerequisite for Sierra Leone to effectively access and deploy climate finance needed to meet its NDC.

E. World Bank Engagement on Climate Change

12. The World Bank Group's (WBG) Sierra Leone Country Partnership Framework (CPF FY2021–26)⁴ centers around jobs towards the achievement of ending extreme poverty and boosting sharing prosperity. The CPF is structured around three focus areas: (1) Sustainable Growth and Accountable Governance; (2) Human Capital Acceleration for Inclusive Growth; and (3) Economic Diversification and Competitiveness with Resilience, along with three cross-cutting themes: Governance, Gender and Technology. Climate resilience is embedded in Focus Area 3, prioritizing areas such climate-smart agriculture, energy, and resilient infrastructure and services.

Selected WB-Financed Activities

13. *Macro and Fiscal Policy, Emergency Response and Digital Transformation*: Engagement in this area is anchored by the Sierra Leone Macro Stability and Resilience Development Policy Operation (DPO) programmatic series of three operations. The first operation (a DPO with a Catastrophe Deferred Drawdown Option, P503960, 2024, US\$80M) supports fiscal management and growth through energy and financial reform, and builds climate and disaster resilience through

⁴ World Bank Group. 2020. *Country Partnership Framework for The Republic of Sierra Leone for the Period FY21–FY26*. Report No. 148025-SL. Washington, D.C.: World Bank.

climate-sensitive public investment and strengthened disaster risk management frameworks. The Sierra Leone Contingent Emergency Response Project (CERP, P516624, 2026) provides a pre-positioned rapid response mechanism for eligible crisis, including floods and other disasters, enabling swift reallocation of undisbursed resources to protect vulnerable populations and support early recovery. The Sierra Leone Digital Transformation Project (P177077, 2022, US\$50M) expands broadband access, builds digital skills, and strengthens digital public services, including early warning systems and communication infrastructure.

14. *Sustainable Energy*: The Enhancing Sierra Leone Energy Access Project (P171059, 2021, US\$61M) expands renewable and off-grid energy solutions to replace liquid fuel and diesel generation and aims to increase electricity access and improve the operational performance of EDSA. The Additional Financing operation scales up grid extension and off-grid solar activities and supports reforms in EDSA.

15. *Urban Development and Water Security*: The Resilient Urban Sierra Leone Project (P168608, 2021, US\$55M) improves integrated urban management, service delivery, and disaster emergency management in the Western Area and secondary cities of Sierra Leone. It finances resilient municipal infrastructure and urban greening, builds city council planning and capacity, and strengthens emergency management systems. Achievements include the installation of weather stations and rehabilitation of the national weather forecasting center, with integrated flood forecasting infrastructure under development and improved WASH infrastructure in Freetown settlements. The Sierra Leone Water Security and WASH Access Improvement Project (P507588, 2025, US\$40M), the first phase of a Multiphase Programmatic Approach, improves the operational performance of the water supply service provider, and promote sanitation in the Western Area, with a climate dimension through protection of the Guma Dam catchment and rehabilitation of urban water infrastructure to address flood and drought risks. The project supports measures to improve the Guma Valley Water Company's operational efficiency and climate resilience.

16. *Climate-smart agriculture*: The Sierra Leone Connectivity and Agricultural Market Infrastructure Project (P178683, 2024, US\$74M) aims to enhance climate-resilient transport connectivity and agricultural market access, embedding climate resilience across all components: resilient urban transport in Freetown, four long-span bridges designed to withstand flooding, erosion, and extreme temperatures, and climate-resilient agricultural market infrastructure with integrated weather and early warning data systems. Complementing this, the pipeline Sustainable Agricultural Value-chains Intensification for Growth Project (SAVIG, P513429, FY2026, US\$40M) will deepen the agenda by supporting climate-smart productivity improvements, value addition, and market access.

17. *Social Resilience*: The Sierra Leone Quality Essential Health Services and Systems Support Project (P172102, 2021, US\$60M) aims to increase utilization and improve quality of maternal and child health services across five target districts. Additional Financing approved in 2025 deepens the climate dimension through climate-shock-resilient facility rehabilitation, flood-proofed medicine storage, full solarization of hub facilities, and integration of climate risk information into

community health worker training. The Productive Social Safety Nets and Youth Employment Project (P176789, 2022, US\$40M) improves access to social safety nets and income-generating opportunities for targeted beneficiaries, with climate relevance through Green and Digital Public Works (DPW) supporting terrestrial and mangrove tree planting and tree tracking in urban areas; Sustainable Cash for Work financing climate-adaptive rural livelihoods; and consolidation of climate risk information (including heat mapping through DPW) for Freetown through an Climate Risk Analytics Management (CRAM) Platform (forthcoming).

18. In addition, there have been several recent climate-related Advisory Services and Analytics (ASAs). The Sierra Leone Country Climate and Development Report (CCDR) (P180420) is the flagship climate-development diagnostic launched in June 2025, outlining pathways for climate resilience across macroeconomic, agriculture, infrastructure, and human capital dimensions. Unlocking Results-based Climate Finance for Upper Guinean Forests (P501060) is a regional ASA supporting Sierra Leone and other Upper Guinean Forest countries to build capacity in forest natural capital accounting and valuation of forest ecosystems for sustainable management decision-making. Sierra Leone Climate and Health Vulnerability Assessment (P501993) assesses climate-related health risks and recommends measures to strengthen health system resilience. Sustainable Cities: Urban Areas and Climate Change in Sierra Leone (P179704) examines climate risks in Sierra Leonean cities, particularly Freetown, recommending nature-based solutions, hazard zone mapping, and locally led adaptation. Sierra Leone: Pathways to a Transformation of the Agri-Food Sector (P177046) supports the Ministry of Agriculture and Food Security with climate-smart agricultural transformation pathways.

**Statement by the Staff Representative on Sierra Leone
Executive Board Meeting
June 18, 2026**

This statement provides information that became available after the staff report was issued on June 2, 2026. This information does not alter the thrust of the staff appraisal.

1. **The authorities met Prior Action 1** by sharing with Fund staff the letter sent to the relevant iron ore company on June 5, 2026, formally notifying it that the iron ore safe harbor pricing formula will be applicable going forward and that an audit of the company's operations is forthcoming.
2. **The authorities met Prior Action 2** by sharing with Fund staff the findings of a comprehensive stocktaking of central government expenditure arrears as of end-December 2025. The authorities confirmed in writing that all MDAs either submitted their outstanding stock of (potential) arrears or confirmed that they do not have any beyond those already recorded in IFMIS or previously transmitted to the MoF. The next steps will be to publish an independent audit of all MDA submissions (end-November 2026 SB), before publishing a clearance strategy for those arrears that are verified by the audit (end-April 2027 SB). Once the audit is completed, the verified stock of arrears will be reflected in the macro framework and the DSA.
3. **The authorities met Prior Action 3** by amending the only mining agreement ratified since December 2025 to bring it into compliance with EIRA. Parliament ratified the amended agreement on June 11, 2026.
4. **The authorities have made progress in the resolution of the problem bank.** They received the independent valuation which will inform the transfer perimeter and the resulting funding gap. The funding gap is estimated at NLe 192 million (0.1 percent of GDP) or less and will be covered in part in cash and in part via a government recapitalization bond. The assets and liabilities of the failed bank (excluding shareholders) have been transferred to the intermediary institution, which is used as a vehicle for the transfer. All deposits and good assets are expected to be transferred to the acquirer, leaving bad assets and other liabilities behind. The operation is expected to be completed this month.
5. **The authorities revised fuel price subsidies in May**, from 1.1 and 4.3 NLe per liter for Petrol and Diesel to 3.24 and 2.64 NLe, respectively. They remain compliant with their commitments under the program, including as regards the transparent and temporary nature of the subsidy. Based on past consumption patterns, the revisions would not substantially alter the monthly cost of the subsidy and thus the period for which it can be sustained under the agreed cost ceiling.

**Statement by Mr. Ouattara Wautabouna and Mr. Paul Mansaray (OEDAW) on Sierra Leone
June 18, 2026**

1. Our Sierra Leonean authorities would like to convey their sincere appreciation to Management and Staff for the close and constructive engagement in concluding the third review under the Extended Credit Facility (ECF) and the guidance on the authorities' request for financial assistance under the Resilience and Sustainability Facility (RSF) arrangement. Our authorities value the Fund's continued support, policy guidance, technical assistance and ongoing capacity development, which have contributed to tangible improvements in macroeconomic performance over the last three years. Notably, the domestic primary balance has strengthened by 7 percentage points of GDP from 2022 to 2025, supported by a tight monetary policy stance.
2. Sierra Leone's economy has remained resilient despite the compounding effects of multiple shocks and constrained fiscal space. The authorities have maintained the reform momentum and kept key macroeconomic indicators broadly on track. The exchange rate has remained stable, inflation and interest rates have declined, and external buffers have improved. While the outlook remains challenging, with risks tilted to the downside amid limited external financing and funding delays, our authorities remain confident that continued support from the Fund and partners will sustain growth and reinforce reform momentum. They remain firmly committed to preserving macroeconomic and price stability, strengthening debt sustainability, rebuilding reserves, supporting inclusive growth through reforms and targeted social spending, and strengthening governance, institutions and rule of law.

Program Performance

3. The authorities continue to demonstrate ownership of the Fund supported program, despite challenging global and domestic conditions. Program performance has remained broadly on track. Most of the end-December 2025 Performance Criteria (PC) and Indicative Targets (IT) were met except for the targets on concessional external borrowing, Net Domestic Assets (NDA), domestic arrears and the domestic primary balance. The authorities have since taken corrective actions by bringing NDA back on track as of end March 2026 to meet the revised end-June 2026 target, and by lowering the 2026 ceiling on concessional external borrowing by the amount of the slippage. The authorities met the end-March 2026 continuous PCs and ITs on Net Credit to Government (NCG), Net Domestic Assets (NDA), and Net International Reserves. The recapitalization of the Bank of Sierra Leone (BSL) structural benchmark was met, underscoring strong commitment to financial stability.
4. While the structural benchmarks on fuel pricing, adherence to EIRA terms for new mining agreements, operationalization of the safe harbor for iron ore, and mining governance were not met, these outcomes primarily reflect evolving implementation challenges rather than a lack of commitment by the authorities. In particular, the fuel pricing benchmark was missed

as the authorities opted to subsidize fuel prices to mitigate the impact of adjustment measures on vulnerable households. Similarly, progress on the mining governance benchmark was constrained by changes in the operating landscape, notably the exit of some companies originally covered under the commitment. The authorities have corrected these three missed SBs, including the comprehensive stock-taking of central government expenditure arrears through prior actions. Two new SBs on strengthening arrears management have been programed for the next review.

5. Mindful of the impact on prices should the conflict in the Middle East persist, the authorities reaffirm their strong commitment to sustaining fiscal consolidation, complemented by appropriately calibrated monetary policy to preserve macroeconomic stability. The ECF continues to serve as a critical policy anchor, guiding fiscal and budget decisions, while laying a solid foundation for strong performance under a prospective Resilience and Sustainability Facility (RSF) arrangement. The authorities underscore the importance of the RSF in addressing Sierra Leone's exposure to climate-related risks. Despite strong commitment to reform implementation under the ECF, the country's vulnerability to climate shocks continue to pose significant risks to macroeconomic and long-term Balance of Payments (BoP) stability. The RSF would provide critical support to strengthen climate resilience, advance adaptation efforts, and catalyze additional financing, while reinforcing ongoing reform momentum anchored under the ECF. To this end, our authorities are requesting Directors' support for the completion of the third review under the ECF arrangement, waivers for the missed PCs given the corrective measures taken, modification of performance criteria and the request for an arrangement under the Resilience and Sustainability Facility.

Recent Economic Development

6. Real GDP growth improved from 4.4 percent in 2024 to 5.0 percent in 2025, driven by a boost in agricultural productivity under the Feed Salone Initiative, in addition to growth in manufacturing and services. Looking ahead, growth is projected to reach 4 percent in 2026 and gradually converge to its medium-term potential of 4.6 percent, contingent on an easing of the Middle East crisis, improvements in agricultural productivity, expansion in mining activity, and a less contractionary fiscal stance.
7. Inflation declined sharply from 54.5 percent in October 2025 to 4.4 percent in December 2025, reflecting strong fiscal consolidation, a tight monetary policy stance, and exchange rate stability. Single-digit inflation was sustained at 6.4 percent in January and 8.1 percent in February 2026. However, inflation rose to 10.8 percent in April, largely driven by external shocks following the Middle East conflict and associated fiscal pressures.
8. The current account deficit narrowed from 7.1 percent in 2024 to 5.4 percent in 2025 and is projected to further narrow to 3.7 percent in 2026, reflecting both slower import growth due to a tight fiscal policy stance, import substitution, and stronger export performance driven by

- 2 strong mineral exports growth, especially iron ore, heavy mineral concentrates, bauxite and agricultural produce such as coffee, cocoa beans and palm oil.
9. Gross international reserves increased to 1.9 months of imports at end-March 2026, up from 1.5 months in September 2025, supported by sustained FX purchases by the BSL, despite higher-than-expected payments for goods and services. The authorities remain firmly committed to rebuilding reserve buffers over the medium term. They are taking proactive steps to strengthen external resilience, recognizing that a stronger reserve position is essential to cushion the economy against external shocks and support macroeconomic stability.

Fiscal Consolidation and Debt Management

10. Our authorities remain firmly committed to sustaining recent fiscal consolidation gains, which delivered a domestic primary surplus of 1.3 percent of GDP in 2025, marking a significant turnaround from a deficit of 2.7 percent in 2024. Looking ahead, they plan to continue this trajectory and ensure prudence, discipline and rebuilding policy buffers.
11. They are strengthening domestic revenue mobilization and controlling expenditures, while safeguarding space for priority spending amid rising fiscal pressures. Tax reforms, spanning revised personal and corporate income tax systems, alongside the operationalization of the safe harbour regime for iron ore, are expected to strengthen revenue performance, particularly as the extractive sector continues to expand. At the same time, revenue administration is being reinforced, with a clear delineation of responsibilities to ensure that core customs functions are carried out exclusively by customs authorities, in line with the Governance and Corruption Diagnostic recommendations. The authorities plan to submit a supplementary budget, targeting a domestic primary surplus of 1.1 percent of GDP to Parliament by September 2026, alongside an updated public investment program with project-level allocations aligned with the capital spending envelope. Key expenditure measures include further rationalizing capital budget to support critical spending on the upcoming census, the continuation of the feed Salone program and counterpart funding contributions to multilateral and bilateral projects.
12. The authorities prioritize protecting the most vulnerable, while recognizing the need to further improve targeting and efficiency of social support. The current fuel subsidy is being treated as a temporary and tightly capped measure, limited to 0.13 percent of GDP in 2026, with a commitment to allow a full pass-through of international oil price as warranted. They remain committed to safeguarding social spending amidst the ongoing cost-of-living pressures. While Sierra Leone's Social Protection Registry for Integrated National Targeting (SPRINT) has served the authorities well, they welcome the proposed reform under the RSF arrangement to extend and ensure the current digital social protection registry include those vulnerable to climate related disasters.
13. The authorities continue to strengthen public financial management, and adherence to Fund advice by enhancing cash and debt management, linking budgets to execution. Key

ministries, departments and agencies are now submitting regular cash forecasts and investment pipelines to guide budget execution and the auction calendar. The authorities are closely monitoring the Energy Distribution and Supply Authority's (EDSA) arrears to independent power producers (IPPs) to prevent further accumulation, continue payment of arrears to reduce public debt, while addressing structural weaknesses in the utility sector to contain fiscal risks and safeguard macroeconomic stability. They have demonstrated clear discipline to scale back support to the energy sector. This responsibility is firmly anchored in the Fiscal Risk Unit of the Ministry of Finance, whose capacity has been significantly strengthened to effectively manage these risks. While the stocktaking exercise points to a sizeable stock of arrears, the forthcoming audit, set as a structural benchmark, is expected to substantially reduce the reported figure. This reflects the likelihood that some claims may not crystallize, while others could have been duplicated, or deemed invalid upon verification. The authorities remain firmly committed to clearing all validated arrears as quickly as possible.

14. To reinforce these efforts, the authorities are actively mobilizing grant financing from development partners to support higher priority spending, while building a fiscal buffer of 0.2 percent of GDP in the forthcoming supplementary budget to be utilised only in the fourth quarter of 2026 to guard against risks, in the face of heightened fiscal pressures and continued uncertainty surrounding the oil price shock. They remain committed to updating the Medium Term Debt Strategy annually, issuing debt securities through competitive bidding, limiting domestic FX-linked debt issuance to cases agreed with the Fund, strengthening communication, and improving debt coverage through enhanced reporting of SOE debt and arrears.

Monetary, Exchange Rate, and Financial Sector Policies

15. The authorities have taken decisive actions to restore macroeconomic stability and rebuild policy credibility. Their monetary policy stance remains prudent and data dependent. They have combined firm monetary tightening with fiscal discipline, including a stronger domestic primary balance, helping to ease inflation pressures and stabilize the exchange rate. Inflation is on a downward path, consistent with the authorities' medium-term objective, despite recent price hikes arising from the oil price shock. The board of the Central Bank approved in December 2025 its monetary policy strategy and are advancing its implementation, including operationalizing the 7-day repo as the main policy instrument. The Board also approved other policies, such as the Impairment Policy in compliance with IFRS9 and a policy on monetary operations. At the same time, the authorities have begun recapitalizing the central bank in a steady and consistent manner, in line with the structural benchmark to build foreign reserves, thereby contributing to the increase in import cover. Going forward, the authorities stand ready to make appropriate monetary adjustments should inflation surprises persist. They are actively rebuilding external buffers while preserving exchange rate flexibility. Reserve coverage has risen from 1.5 months of imports in September 2025 to 1.9 months in March 2026, supported by FX

purchases and improved policy credibility, alongside disciplined FX management and tighter control of government FX spending.

16. The authorities are proactively safeguarding financial sector stability through concrete supervisory and resolution actions. They have made significant progress in resolving the problem bank and are advancing the legal instrument required to ensure a seamless transfer. Relatedly, they are strengthening crisis management frameworks and enhancing FX risk monitoring, including daily reporting of net open positions and new reserve requirements on FX deposits. They are strengthening financial sector resilience amid rapid credit expansion. As private sector lending continues to grow quickly, the central bank is tightening supervision, improving risk management standards, and preparing further safeguards to address emerging vulnerabilities, including risks related to NPLs and sovereign exposures.

Structural Reforms

17. The authorities have made tremendous progress in implementing well-sequenced structural reforms across fiscal, public financial management, energy, and governance. They are advancing efforts to strengthen mining governance and taxation, including application of the 4 safe harbor regime for iron ore, as well as customs modernization through digital systems and audits to reduce leakages, improve compliance, and enhance revenue collection. The transition to GFSM 2014 is at an advanced stage. The authorities welcome Fund technical assistance and plan to incorporate it into this next budget to strengthen transparency and accountability.
18. The authorities have taken concrete steps to strengthen governance and transparency. They have published the audited 2024 financial statements of the Mines and Minerals Development and Mining Corporation (MMDMC), while plans to publish asset declarations are underway as part of a broader amendment to the Anti-Corruption Act. In parallel, progress has been made in strengthening AML/CFT frameworks, with ongoing efforts to amend the Companies Act of 2009 to enhance beneficial ownership transparency. By end-2026, the authorities intend to require companies to disclose and verify their true owners and ensure this information is accessible to the relevant authorities. In the same vein, the authorities are addressing structural fiscal risks in the energy sector through market-based solutions, including the selection of a private concessionaire for electricity distribution and the rationalization of untargeted subsidies, with a clear intention to restore cost-recovery pricing once shocks subside. At the same time, they are advancing legal reforms to strengthen SOE oversight and enhance fiscal risk disclosure. The authorities have taken steps to improve the business environment, with support from the World Bank, by establishing a Business Solution Center that streamlines business registration, licenses, and permits. Plans are also underway to make the platform accessible online to further support businesses.

Climate Change and the RSF Arrangement.

19. Sierra Leone remains highly vulnerable to climate-related disasters and faces recurrent climate related shocks, including floods, mudslides, and extreme weather events that have led to loss of lives, destruction of critical infrastructure, and significant disruptions to agricultural output. These repeated shocks highlight the country's deep structural climate vulnerability and reinforce the urgency of sustained policy action, without which climate risks could erode macroeconomic stability and derail development gains. Amid limited fiscal space and constrained institutional capacity, the authorities view climate resilience reforms as macro-critical to safeguarding macroeconomic stability, preserving fiscal sustainability, strengthening infrastructure resilience, and advancing inclusive growth. The three reform areas targeted under the RSF; climate-sensitive public investment management, climate resilience; and financial stability are very critical to enhance long term macroeconomic stability. The reforms under the RSF will support the authorities' efforts to strengthen capacity and resilience to climate change. Our authorities aim to continue building on the RSF's catalytic effect, including working with the World Bank and other partners.

Conclusion

20. Our Sierra Leonean authorities reaffirm their strong commitment to maintaining prudent macroeconomic policies to achieving the objectives of the ECF and prospective RSF arrangement. They remain grateful to the Board, Management, and staff for their continued support.
21. Finally, they look forward to the Executive Directors' support for the completion of the third review and associated requests, and the approval of their request for an arrangement under the RSF to strengthen long-term resilience and advance sustainable and inclusive growth.