

I. COUNTRY REFORM PROGRESS

Sierra Leone has embarked on a comprehensive tax reform agenda to strengthen domestic revenue mobilization and reduce fiscal vulnerabilities. The approval of the Medium-Term Revenue Strategy (MTRS) in late 2023 marked a pivotal step, providing a structured roadmap for tax policy and tax administration reforms. On tax policy, capacity development (CD) support has been effective in informing tax policy decisions that widen key tax bases such as corporate income tax and personal income tax. In December 2025, the authorities implemented many tax policy actions based on CD support provided, including improvements in the minimum alternative tax and reforms to indirect taxes on fuels and tobacco. On tax administration, the National Revenue Authority (NRA) prioritized modernization through digitalization and introduction of risk-based compliance management frameworks. Initiatives include expanding of electronic cash registers for GST-registered businesses, integrating customs systems with port stakeholders and strengthening audit capacity. CD provided by the IMF's Fiscal Affairs Department (FAD) has been focused on these areas. A FAD supported Tax Administration Diagnostics Assessment Tool (TADAT) evaluation was carried out to further assess the gaps from good international practice in the tax administration value chain.

Regarding expenditure policy, the authorities remain committed to harmonizing the civil servant pay scale. CD activities are planned for the remainder of the fiscal year to support reforms in water and energy subsidies.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY26: Significant progress was made with a comprehensive tax policy CD mission delivered in June 2025. Recommendations were provided on revenue mobilization, which informed the development of the 2026 Budget in Sierra Leone and are expected to lead to higher revenue from 2026 onwards, which will help fiscal sustainability.

Previous Progress: N/A (The June 2025 mission was the first activity under the GPFP program.)

Next Steps: Further support to the authorities will be informed by the performance of revenue in the near term. The authorities may also seek support in commencing their planning for a supplementary medium-term revenue strategy that would commence in 2027.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY26: The authorities have made good progress in implementing the Compliance Risk Management (CRM) Framework. They have appointed a senior coordinator and are working on establishing a CRM Unit. They have identified more areas in need of CD, with amendment of the NRA Act as a top priority. A review of the NRA Act was conducted and recommendations given to the authorities. A TADAT assessment was also carried out, which is to be followed closely by a post TADAT mission to assist with the strengthening of the reform plan.

Previous Progress: With FAD assistance, Sierra Leone was able to finalize its MTRS in 2023. They prioritized the implementation of the risk-based compliance management framework, including the development of compliance improvement plans for the large taxpayer office. Recent work has focused on

ensuring a proper sequencing of activities in institutionalizing compliance risk management. The authorities also noted constraints relating to governance, where they prioritized a review of the NRA Act.

Next Steps: A post TADAT mission is planned for late November to assist the authorities develop a prioritized reform plan. During the recent Annual Meetings, they presented a long list of requests, which are currently under review for purposes of effective sequencing.

SM I: Spending Module I – Spending Policy

Key Progress in FY26: The authorities have continued to keep the wage bill under control, while remaining committed to harmonizing the pay scale of public servants.

Previous Progress: In FY24 we conducted a CD activity on energy subsidy and one on wage bill management. Since those missions, the authorities made progress on keeping the wage bill under control and developed a strategy to further strengthen wage bill management, which incorporated the recommendation from FAD CD. In FY25 we conducted another mission to quantify measures from the authorities' strategy.

Next Steps: In FY26, following up on previous advice and in support of ongoing negotiations under the IMF's Resilience and Sustainability Facility, FAD expects to conduct activities on energy and water subsidy reform. Activities in support of the authorities' plan to reform the pay scale are likely to take place in FY27.

III. LOGICAL FRAMEWORK

Country – Sierra Leone		
RM I: Objective – Improve Tax Policy Design - TPD		Rating - 3
Outcome	Rating	Narrative
Improved distributional fairness across taxpayers due to amended tax rates or base	3 Largely Achieved	Substantial progress of CD support informing local policy decisions. Tax policy changes expected in forthcoming Finance Act (Nov/Dec 2025).
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	3 Largely Achieved	CD support has been provided, and expected to be implemented by end 2025.
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 3
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	2 Partially Achieved	Models are available on both personal income tax and the GST, but training has yet to be provided to key officials.

RM II: Objective – Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 2
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized.	2 Partially Achieved	An MTRS Implementation plan is in place but has not yet been costed. Steering Committee meetings are not being held.
Corporate priorities are better managed through effective risk management.	2 Partially Achieved	An action plan was developed in July 2024. It is currently being implemented. A simplified transfer pricing regime for iron ore exports, developed with the support of this project, was published in February 2025 and is currently being implemented by the NRA.
RM II: Objective – Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 1
Outcome	Rating	Narrative
Audit and other verification programs more effectively ensure accuracy of reporting.	1 Not Achieved	This seems to have been downgraded in the list of priorities. However, the staff in charge of the extractive industry gained technical skills and confidence; A first series of transfer pricing-oriented audits of large-scale mines were initiated in 2024.
SM I: Objective – Strengthen Expenditure Policy Formulation and Design - EPD		Rating - 2
Outcome	Rating	Narrative
Government pay and employment are more competitive and consistent with fiscal constraints.	2 Partially achieved	The authorities have been making progress on controlling the wage bill and have designed a strategy to strengthen such control and reform the salary structure, closely following previous FAD advice. No update in October 2025.
Reduce subsidies while mitigating impact on vulnerable households.	1 Not achieved	An activity was conducted in FY24, but there has been no CD activity in this area in FY25. Activity is foreseen in FY26 concerning both water and electricity subsidy.
Public expenditure is fiscally sustainable and efficient.	2 Partially achieved	The authorities have managed to keep the wage bill under control so far, and primary spending has been kept down as a share of GDP. Foreseen activities on water and electricity subsidies might further reduce primary spending.

SM I: Objective – Strengthen Expenditure Policy Evaluation and Institution Building - PEI		Rating - 0
Outcome	Rating	Narrative
Authorities have an understanding of opportunities to enhance the adequacy, efficiency, and sustainability of public expenditure	1 Not Achieved	No activity has been conducted yet to assess progress in this area.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM I: CD support could be disrupted by travel restrictions that limit face-to-face interactions.	Low	Switch to remote support
RM II: Risk that external events create a more challenging environment to implement reforms.	High	Ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events.
Political Support		
RM I: Key ministers withdraw support for the project.	Medium	Ongoing engagement with ministers and ensure CD support aligns with country priorities and commitments.
RM II: Lack of political support for reforms inhibits required actions or resources being allocated that are needed to enhancements to fiscal risk management institutions and practices.	High	Ensure CD is focused on priority areas and engage regularly with ministers and senior management to ensure government are aware of political economy considerations and to ensure ownership of reforms.
SM I: Difficulties in implementing measures due to lack of political support.	Medium	Increase awareness through discussion with political-level actors and senior management.
Management and Technical Staff Support and Commitment		
RM I: Key personnel lose interest or reduce support for project activities.	Low	Continue ongoing engagement on local priorities.
RM II: Low commitment of management and staff in finance and other ministries to adopt and implement fiscal risk management practices.	Very High	Engage with senior management and technical staff proactively and explain the importance of strengthening fiscal risk management.
SM I: Lack of commitment	Medium	Discussion with the authorities
Resource Adequacy		
RM I: Resources not sufficient to deliver the CD required.	Low	Ensure that planning identifies potential shortfalls at an early stage

Description	Rating	Mitigation Measures
RM II: Insufficient technical capacity and human resources necessary to implement reforms.	High	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.
SM I: There is a risk of resources unavailability to implement the measures.	Medium	Closely monitor resource availability and allocation to identify potential shortfall. Prioritizing CD delivery in key areas.
Other Risks		
RM I: Unexpected macroeconomic or external shocks force the authorities to focus on immediate response, at expense of other CD activities.	Medium	Delay or slow CD activities as needed.
RM II: Multiple donors are providing technical assistance on fiscal risk topics and gaps, or overlaps may arise as a result.	Low	Take an active role in engaging with other donors to ensure support is well coordinated.

V. PROJECT MANAGERS CONTACT INFORMATION

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