

I. COUNTRY REFORM PROGRESS

The Global Public Finance Partnership (GPFP) project for Sierra Leone continued to assist the authorities in their efforts to advance key domestic revenue mobilization (DRM) reforms and strengthen against fiscal vulnerabilities. On tax policy, the authorities were empowered to identify and evaluate options for further revenue mobilization, many of which were then implemented at the end of calendar year 2025. These options were consistent with Sierra Leone’s medium-term revenue strategy (MTRS).

On revenue administration work, the Tax Administration made significant progress in compliance risk management (CRM), establishing a CRM Unit and completing Tax Administration Diagnostics Assessment Tool (TADAT) and post-TADAT evaluations to inform reforms. The MTRS was approved, though costing and committee meetings are still pending. A strategic CRM framework has boosted coordination among senior staff. While cross-agency initiatives for priority sectors and high-net-worth individuals face delays due to shifting priorities, staff expertise in extractive industry and transfer pricing audits have improved. Audit programs, however, need ongoing focus to ensure reporting accuracy and further development of audit capabilities.

Regarding expenditure policy, the authorities remain committed to harmonizing the civil servant pay scale. A CD mission to support the reform of the water subsidy took place in February 2026, while CD to assist the authorities in electricity subsidy reform are planned for FY27.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY26: Tax policy support provided the authorities with timely options for revenue mobilization. This advice directly influenced tax policy decisions that were taken in the 2026 Finance Act, announced in December 2025.

Previous Progress: No GPFP activities were conducted in FY25.

Next Steps: Focus will turn to reviewing the MTRS and commencing work on a follow-on MTRS from 2028.

RM II: Revenue Module II – Revenue Administration

Progress in FY26: The authorities advanced implementation of the CRM Framework, establishing the CRM Unit and prioritizing further CD needs. A comprehensive review of the National Revenue Authority (NRA) Act was undertaken, with recommendations provided to guide future reforms. Additionally, a TADAT assessment and subsequent post-TADAT mission strengthened reform plans in line with international standards.

Previous Progress: The GPFP project in Sierra Leone faced challenges related to insufficient technical capacity and limited human resources for implementing reforms. Additionally, coordination among multiple donors providing technical assistance on fiscal risk topics was encouraged to avoid gaps or overlaps in support.

Next Steps: Over the coming six months, the focus will be on translating recent diagnostics into tangible institutional outcomes—specifically, advancing reforms to address governance gaps identified in the NRA Act review and further embedding compliance risk management as a core management tool to improve revenue performance. Progress is also expected toward clearer outcomes in priority areas supported through coordination with FAD and partners, including strengthened frameworks for extractives sector taxation and continued alignment of reforms with the MTRS to support program objectives.

SM I: Spending Module I – Spending Policy

Key Progress in FY26: Building on previous advice and in support of ongoing RSF negotiations, FAD conducted a CD activity on water subsidy reform complemented by a scoping/data gathering activity for electricity subsidy reform. The activity was endorsed for GPFP financing in June 2025; internal IMF resources were used to advance CD activities aligned with GPFP priorities, and this preserved GPFP funds for follow-up work and continued delivery of project objectives.

Previous Progress: FAD recommendations arising from CD activities on wage bill management contributed to the authorities' progress on keeping the wage bill under control and supported the development of a strategy to further strengthen wage bill management.

Next Steps: In FY27, FAD will provide GPFP-funded CD support on electricity subsidy reform, and possibly on wage bill to support the authorities' plan to reform the pay scale.

III. LOGICAL FRAMEWORK

Country – Sierra Leone		
RM I: Objective – Improve Tax Policy Design - TPD		Rating - 4
Outcome	Rating	Narrative
Improved distributional fairness across taxpayers due to amended tax rates or base	4 Fully Achieved	CD support provided a comprehensive range of options to improve distributional fairness, including reforms to withholding taxes that improve the distributional fairness of the tax system (by increasing the taxation of higher income earners), implemented in the 2026 Finance Act. These actions are complemented by CD support provided on wider reform to the personal income tax scale, that is ready for implementation.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	4 Fully Achieved	CD support resulted in several tax policy changes at end-2025. These included an increased corporate income tax rate, adjustments in tobacco excise, the expansion of the minimum alternative tax to correct for avoidance opportunities, and an expanded definition of royalties to broaden the income tax base.
RM I: Objective –Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 2

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	Further training is needed for key officials on techniques for evaluating tax policy options. Given the fiscal pressures facing the authorities, this has so far not been a focus of support to date. It is expected that CD support could transition to technical skills development in FY27 if requested by the authorities.
RM II: Objective – Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 3
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized.	3 Largely Achieved	Reform management capacity improved: The project has developed and approved a MTRS implementation plan, though it remains uncoded. A TADAT assessment was completed to support reform planning. FAD will support the authorities to cost the implementation plan.
Corporate priorities are better managed through effective risk management	2 Partially Achieved	Strategic CRM in place but no Cross Agency and cross functional compliance improvement plans (CIPs) for Priority and High risk established. No CIPs for operational and human risks. FAD will focus on CRM to assist the authorities in establishing a CIP for all taxes, operational and human risks.
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	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. FAD will focus on strengthening CD plans to develop authorities' capacity in audits of the extractive industry and transfer pricing.
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	Closely following previous FAD advice, the authorities continue to make progress on controlling the wage bill and have designed a strategy to strengthen such control and reform the salary structure.
Reduce subsidies while mitigating impact on vulnerable households.	1 Not achieved	A water subsidy reform CD activity took place in FY26, complemented by a scoping activity for electricity subsidy reform. The activity was endorsed for GPFP financing in June 2025; however, internal IMF resources

		were used to advance CD activities aligned with GPFP priorities, allowing GPFP funds to be preserved for follow-up work and continued delivery of project objectives. A full CD mission on electricity subsidy is foreseen for FY27.
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 II: Objective – Strengthen Expenditure Policy Evaluation and Institution Building - PEI		Rating - 1
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 on tax reform could be disrupted by deteriorating global conditions flowing through to reduced appetite for revenue mobilization.	Medium	CD support on tax reform could be disrupted by deteriorating global conditions flowing through to reduced appetite for revenue mobilization.
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.
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.

Description	Rating	Mitigation Measures
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.
Resource Adequacy		
RM I: Resources not sufficient to deliver the CD required.	Low	Ensure that planning identifies potential shortfalls at an early stage.
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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