HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

SIERRA LEONE

Climate Policy Diagnostic

December 2024

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High-Level Summary Technical Assistance Report
Fiscal Affairs Department

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: Sierra Leone faces important development challenges. This includes dealing with the impacts of climate change such as rising temperatures, more frequent extreme hot days, and increasingly erratic rainfall patterns, with intensified single-day precipitation events. This is especially important given the country's strong dependence on agriculture and hydropower. Climate change also requires improved Disaster Risk Management (DRM) and more forward-looking risk assessments. On the mitigation side, competing development needs have led to rapid urbanization and deforestation requiring a more integrated approach to land policy, planning, and forest protection. The country also needs substantial investments in its electricity, water, and waste sectors but private investment is lacking. The mission reviewed the current fiscal policies supporting climate action and provided recommendations to support the long-term climate resilience in Sierra Leone, while aligning with its overall development objectives.

JEL Classification Numbers H3, H23, H5, L1, L5
Keywords: climate policy, fiscal policy, climate adaptation, climate mitigation

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Background

The government of Sierra Leone aims to attain middle-income status by 2039 while addressing multiple development challenges. Key priorities include increasing access to electricity (currently less than 40 percent of the population has access), improving food security (one-third of households are severely food insecure), and expanding access to basic water and sanitation services (available to just over 60 percent and 31 percent of the population, respectively). These goals are complicated by a growing population, constrained fiscal space, high public debt, low domestic revenue, and limited private investment. Climate change will further strain efforts. Integrating climate action into the broader development agenda, supported by education and information sharing, will be essential for Sierra Leone's success.

Sierra Leone is experiencing significant climate change, including rising temperatures, more frequent extreme hot days, and more intense precipitation events. The impact is already being felt with climate-related natural disasters posing a threat to lives and livelihoods, human health, and food security; heavy rains in September 2024 resulted in severe flooding, displacement, crop loss, and contributed to collapsed buildings.

Summary of Findings and Recommendations

Expanding Energy Provision While Containing Emissions

Energy access is a major developmental and climate challenge for Sierra Leone. Currently, less than 40 percent of the population has access to electricity, with unreliable service and frequent outages reported. Most electricity generation comes from hydropower and imported fossil fuels, which is expensive and contributes to high operational costs for state-owned energy companies. In addition, the inefficiencies in the energy sector, including outdated infrastructure, high transmission losses, and low bill collection rates, have left the sector financially vulnerable. Addressing these issues will require a comprehensive energy sector reform that includes tariff adjustments, competitive tendering for Independent Power Producers (IPPs), and investments in renewable energy sources such as solar mini-grids. Rural electrification, which lags significantly behind urban areas, should be prioritized. Mini-grids powered by renewable energy could provide a viable solution, but they currently face high capital costs and affordability issues for end-users. Sierra Leone relies on fuel imports, with government’s direct and indirect subsidies intervening with efficient pricing. Restoring the GST for petrol and diesel and adjusting taxation to incorporate inflation and exchange rate fluctuations on a predictable schedule would support fuel efficiency and promote cleaner energy mix.

The agriculture and forestry sectors are both crucial to Sierra Leone’s economy and livelihood but are under pressure from deforestation and unsustainable agricultural practices. Agriculture accounts for 43 percent of GDP and is a significant source of employment, but its expansion, particularly through shifting small-scale traditional farming methods, is causing significant deforestation. The country has lost about 25 percent of its tree cover since 2000, primarily due to expanding agriculture, urbanization, and logging. Deforestation is not only a threat to biodiversity but also a major contributor to greenhouse gas emissions, with the agriculture and land use, land-use change, and forestry (LULUCF) sectors combined accounting for 60 percent of Sierra Leone’s total emissions. The government has set ambitious targets for forest preservation and reforestation but needs to do more in order to realize them. Completing a forest

inventory and strengthening monitoring and enforcement mechanisms are important activities to be undertaken.

Climate Sensitive Management of Water Resources and Waste

Sierra Leone's water resources are under increasing strain from climate change and human activity. The country's water supply is critical for agriculture, hydropower, and basic consumption needs, yet it is becoming more vulnerable to extreme weather events such as floods and droughts. Deforestation and urban sprawl, particularly in and around Freetown, are exacerbating these challenges by reducing the ability of watersheds to replenish and store water. At the same time, waste management facilities are lacking. The government has made progress in establishing legal frameworks for water resource management, including the creation of the National Water Resources Management Agency (NWRMA), but enforcement remains weak due to capacity constraints. The introduction of water permits for water extraction is a positive step toward regulating use, but public awareness of this system is low, particularly among small-scale users. Improved data collection on water availability, stronger enforcement mechanisms, and the development of long-term climate scenarios to ensure that water resources are managed sustainably are needed. To incentivize waste reduction, the government could expand the advance disposal fee for plastic to cover all plastic materials and single-use recyclable beverage containers, while encouraging the use of biodegradable materials (such as cellulose). It could also in the medium-term implement a refund system to further encourage waste collection and recycling.

Resilience to Climate Change Implications

Increasing climate-related risks, particularly from extreme weather events such as flooding, landslides, and coastal erosion, pose a threat to lives and livelihoods. The government has made progress in disaster risk management by establishing the National Disaster Management Agency and formulating a National Disaster Risk Management Policy. Disaster risks are exacerbated by human activities, including uncontrolled expansion of vulnerable urban settlements around large cities and in coastal areas. However, the current focus is on responding to disasters and not on risk prevention or mitigation efforts. Effective land-use planning and building controls are pivotal in reducing disaster risks. This will require completing the significant land management reforms that are currently underway and introducing an appropriate building code. At the same time, the public sector should ensure that infrastructure is designed and built to be disaster safe and climate-resilient. Several sectors operate basic early warning systems (EWS) catering only to parts of the population. Taking a systematic approach to develop a single EWS by successively rolling out a multi hazard system that aspires to serve the entire population would allow for specialization and create synergies, saving scarce resources while providing a reliable service.

Enabling Institutions to Enact Climate Change

Sierra Leone has some basic elements of a legal framework for climate change management. However, in many areas the legal framework is outdated, resulting in contradictory laws and insufficient coordination of legacy policies across sectoral laws. The Government of Sierra Leone is currently preparing a Climate Change Act, which is expected to define the institutional arrangement for climate change management and offers an opportunity to provide an institutional structure with well-defined roles and responsibilities of institutions and individuals. It will be imperative that the law is accompanied by the appropriate revision of sectoral laws to integrate climate change considerations with a long-term view and

ensure consistent and clear responsibilities. While most sectoral policies refer to climate change issues, they lack a long-term view and vary in the level of their adaptation and mitigation considerations. The planning horizons are often limited to the short-term, driven by immediate development targets. Decision-making is hampered by limited data availability and sharing. To address these constraints, data requirements for efficient climate change management should be prioritized (such as hazard vulnerability maps and GHG inventory), and systematic information sharing should be established.