

# The

# DEBT

# Trap

Why Sierra Leone is Spending More  
on Interest payment Than Education  
or even the Wage Bill in 2026.



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**NLe 8.6 billion**

Sierra Leone's 2026 national budget presents an ambitious plan to support economic stability and improve service delivery. However, a closer look at the numbers reveals a major fiscal challenge: the growing cost of servicing public debt.

According to the 2026 budget presented to Parliament, the Government of Sierra Leone is projected to spend NLe 8.6 billion on debt service payments, equivalent to 4.6% of GDP. Of this amount, NLe 6.7 billion will go toward interest payments, while NLe 1.9 billion will be used to repay the principal on external debt. Interest on domestic debt alone accounts for NLe 6.4 billion, while interest on foreign debt is projected at NLe 275.8 million. When compared to the total national budget of about NLe 30.1 billion, debt servicing represents a significant portion of government spending.

For a country working to improve healthcare, education, infrastructure, and economic opportunities, this level of spending on debt repayments raises critical concerns about fiscal sustainability.

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## Understanding Debt Service Payments

Debt service payments refer to the funds the government uses to repay borrowed money. These payments include two main components:



**Interest payments - the cost of borrowing money**



**Principal repayments - the actual amount borrowed that must be paid back**



**While borrowing can support development projects, high debt service obligations can limit a government's ability to invest in the future.**

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## Why This Matters for Citizens

The rising cost of debt servicing has direct implications for ordinary Sierra Leoneans.



### Reduced Fiscal Space for Development

When a large portion of government revenue is used to repay debt, fewer resources remain for essential sectors such as health, education, agriculture, and infrastructure.

In fact, debt service payments in the 2026 budget are higher than the allocations to key social sectors such as health and education, highlighting how debt obligations can crowd out development spending.

### Pressure on Government Revenues

Sierra Leone's public debt has risen to about US\$3.1 billion, increasing the pressure on public finances and government revenues.

In the first half of 2025, debt servicing consumed up to 50% of domestic revenue, leaving limited room for new investments.



## US\$3.1 billion

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## Why This Matters for Citizens



### Higher Borrowing Costs

Heavy reliance on domestic borrowing can increase interest rates on government securities, making borrowing more expensive and crowding out private sector access to credit.

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### Burden on Future Generations

A child born in Sierra Leone today is already carrying a share of the \$3.1 billion debt before they even start school. If borrowing is not invested in productive sectors that generate economic growth, future generations will bear the burden without seeing the benefits.



## US\$3.1 billion

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## The Bigger Picture: Development vs Debt

**Debt itself is not necessarily a problem. Many countries borrow to finance infrastructure, social programs, and economic development. However, when debt service begins to consume a large share of public resources, it becomes a constraint on development.**

In Sierra Leone's case, the challenge is ensuring that borrowed resources translate into tangible development outcomes, such as improved roads, reliable electricity, better hospitals, and stronger education systems.

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More than 40% of total government expenditure in 2026 is projected to be consumed by debt servicing; a troubling signal for the country's fiscal health. With debt service payments estimated at NLe 8.6 billion, this obligation surpasses both the NLe 3.6 billion allocated to the education sector, which accounts for 21% of the national budget, and even the wage bill of NLe 7.9 billion. This imbalance raises serious concerns about spending priorities and the long-term sustainability of public finances.



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