

# **AFRICAN DEVELOPMENT FUND**



## **SIERRA LEONE**

**MID-TERM REVIEW OF THE 2005-2009 RESULTS-BASED  
COUNTRY STRATEGY PAPER AND REQUEST FOR ACCESS  
TO THE FRAGILE STATES FACILITY**

**REGIONAL DEPARTMENT WEST 2 (ORWB)**

**NOVEMBER 2008**

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**CURRENCY EQUIVALENTS**

**As of October 31<sup>st</sup> 2008:**

**1 UA=SLL 4664.59**

**1 \$=SLL 3134.17**

**1 UA=\$1.48830**

**WEIGHTS AND MEASURES**

Metric System

**GOVERNMENT FISCAL YEAR**

January 1 – December 31

## Abbreviations and Acronyms

ADB	African Development Bank
ADF	African Development Fund
APC	All People's Congress
BSL	Bank of Sierra Leone
CPR	Country Portfolio Review
CSP	Country Strategy Paper
DACO	Development Association Coordination Office
DFID	Department for International Development (UK)
ESW	Economic and Sector Work
EU	European Union
FSF	Fragile States Facility
GBAA	Government Budgeting and Accountability Act
GDP	Gross Domestic Product
GoSL	Government of Sierra Leone
HDI	Human Development Index
IP	Implementation Progress
IPRP	Independent Procurement Review Panel
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments, and Agencies
MDBS	Multi-Donor Budget Support
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
NPPA	National Public Procurement Authority
PEFA	Public Expenditure and Financial Assessment
PETS	Public Expenditure Tracking Survey
PFM	Public Financial management
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SME	Small and Medium Enterprise
WB	World Bank

## EXECUTIVE SUMMARY

1. This report is the mid-term review of the Country Strategy Paper (CSP) 2005-2009 for Sierra Leone (ADB/BD/WP/2005/76 and ADF/BD/WP/2005/86), approved by the Bank's Boards of Directors on 27 July 2005. The review assesses the outcomes achieved in the implementation of the Bank's strategy for 2005-2007, and draws lessons for its continuation to 2009. The content of this report reflects the outcomes of discussions held with the Sierra Leonean authorities, civil society, and development partners, and is based on information gathered during a Bank's mission from 23 January to 1 February 2008. **Also, one of the objectives of this mid-term review is to assess Sierra Leone's eligibility to access the resources of the Enhanced Support Window of the Fragile States Facility (FSF). It is envisaged that strong country commitment combined with enhanced and more predictable support will sustain and accelerate transition out of fragility.**

2. Since the end of the civil war in January 2002, Sierra Leone has made substantial progress in consolidating peace, social and economic security for its people but still remains a fragile state in the post-crisis/transition stage that needs support to reconstruct and consolidate its entry into the gradual improvement stage. Growth rate has averaged 7.2 percent during 2005-2007. Inflationary pressures re-emerged in 2007, from 8.3% in December 2006 to 15.6% in November 2007 due to the effects of accommodating monetary policy, lull in business activities during the period of elections and rise in oil and food prices. The Government in May 2006 concluded a new PRGF with the IMF, covering the period of May 2006 to May 2009. Performance under the Program in 2006 was commendable, supporting continued growth and a moderation of inflation. The improved economic performance helped Sierra Leone to reach the HIPC Completion Point in December 2006. The primary school enrolment continued to show strong growth while the infant and maternal mortalities are among the worst in the world. In September 2007, the opposition party, All People's Congress (APC) won the Presidential and Parliamentary elections, which led to a peaceful transfer of power.

3. The 2007 assessment of financial requirements to meet the MDGs shows that Sierra Leone needs to scale up resource inflows from non-traditional sources including stimulating domestic revenues.

4. The Bank's Country Strategy Paper (CSP) is aligned to the Sierra Leone Poverty Reduction Strategy Paper (PRSP) and is articulated through 2 pillars: (i) Promoting Economic Growth by Improving Governance, and (ii) Human Resources Development. The first pillar of the CSP relates to sectors and aspects that contribute to economic growth such as agriculture, infrastructure, and good governance, while pillar 2 relates to service sectors that enhance human resources development such as education and health. The draft PRSP II (2008-2012) is centered on four themes namely: (i) sustaining stability and avoiding growth collapses, (ii) closing infrastructure gaps, (iii) enabling private sector growth, and (iv) managing natural resources. PRSP II focuses on six areas<sup>1</sup> of growth which are relevant for determining the interventions for the remaining CSP period.

5. The mid-term outcomes of the 2005-09 strategy were assessed against the objectives identified by the Bank for each pillar. Performance was measured in terms of indicators

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<sup>1</sup> This includes Energy, Infrastructure, Transport, youth unemployment, the source of growth (Agriculture, Fisheries, Tourism, Mining) as well as the catalysts for growth i.e. finance and trade, social services and capacity development.

defined in the RBCSP thematic outcomes matrix in consultation with the Government, civil society, and development partners present in Sierra Leone. The purpose of this mid-term review is to compare these indicators to the actual outcomes so as to determine the ground remaining to be covered by 2009.

6. Over the 2005-2007 period, there has been progress in the implementation of the Bank's operational strategy in Sierra Leone under pillars 1 and 2 but more so for pillar 2. The assessment under pillar 1 takes into account ten operations in agriculture, transport, infrastructure, power, and multi-sector while assessment under pillar II is based on three operations in education and health. In the final evaluation of performance under the two pillars, account was taken of the post-conflict environment and the binding capacity constraints in the country.

7. Overall, there has been some progress in meeting the targets and benchmarks of the CSP. Nevertheless, there is a long way to go and dialogue and assistance will need to continue. **For the remaining period, the strategy will focus on pillar 1 with emphasis on infrastructure and good governance.** Access to the enhanced support window of the Fragile States Facility (FSF) resources is sought to enhance the Bank's strategic responsiveness to the country's needs for the remaining period of the strategy. **The flexibility embodied in the FSF and the eligible expenditure policy and procurement will be of special importance in view of the delays in project implementation that have affected the portfolio in the past.** For the Bank's strategy for the second phase, the sharpened focus on good governance and infrastructure is in line with both pillar 1 of the CSP and pillar 1 of the FSF.

8. The Boards of Directors are invited to approve the strategy proposed in this RBCSP Progress Report for 2008-2009. The assistance strategy shall be financed with the country's resources amounting to UA 72.47 million, representing a combined ADF 11 allocation of UA 29.71 million and Fragile-state top up of UA 42.76 million. The Boards are therefore invited to grant Sierra Leone access to resources to the tune of 42.76 under the supplemental support window and up to UA 2 million under the targeted support window.

## **I. INTRODUCTION**

1.1. This report is the mid-term review of the 2005-2009 Country Strategy Paper (CSP) for Sierra Leone, approved by the Board on 27 July 2005 and request for access to FSF resources. The strategy aims at assisting the country transit from a nation focused on post-conflict emergency needs to one poised for long-term sustainable growth and development. The CSP supports the Poverty Reduction Strategy Paper (SLPRSP) on the basis of a selected approach that entails two pillars: (i) Promoting Economic Growth by Improving Governance, and (ii) Human Resources Development. In approving the CSP, the Boards commended the Government for significant progress towards achieving strong macro-economic stability including maintaining low inflation rate, pursuing robust GDP growth and a prudent fiscal policy. However, they noted that more improvements are needed to reduce the alarming unemployment rate among youth, strengthen the capacities of public sector institutions and enhance the quality of service delivery by enhancing efficiency, transparency and accountability in public financial management.

1.2. This mid-term review assesses outcomes achieved in the implementation of the Bank's strategy for 2005-2007, and draws lessons for its continuation to 2009. The report reflects the outcomes of discussions held with Sierra Leonean authorities, civil society, and development partners, and is based on information gathered during the Bank's mission of 23<sup>rd</sup> January to 1<sup>st</sup> February 2008. In addition to this introduction, Section II analyzes the Country Context and Recent Developments. Section III examines the implementation of the Bank Group Strategy and Results achieved at Mid-Term while Section IV summarizes lessons learnt at Mid-Term. Section V provides the Bank Group strategy for the remaining period and assesses the eligibility of the country to FSF enhanced support. Section VI concludes with the recommendations and outlook for the Bank and the way forward.

## **II. COUNTRY CONTEXT**

### **2.1. Recent Political Developments**

Sierra Leone has made substantial progress in consolidating peace, social and economic security for its people. The main political event since 2005 has been the Presidential and Parliamentary elections in August and September 2007, which led to the inauguration of the government of Ernest Bai Koroma of All People's Congress (APC) party on 15 November 2007. The elections were generally regarded by the international community as free and fair. Since then, the new Government has developed six areas from which priority programs and activities must be derived in order to affect the envisaged transformation and sustained growth in the next 3-4 years including: Energy, Infrastructure and Transport; Youth unemployment, the sources of Growth (Agriculture, Fisheries, Mining, Tourism) as well as the catalysts for growth i.e. finance and trade, social services, and capacity development.

### **2.2. Economic and Social Developments**

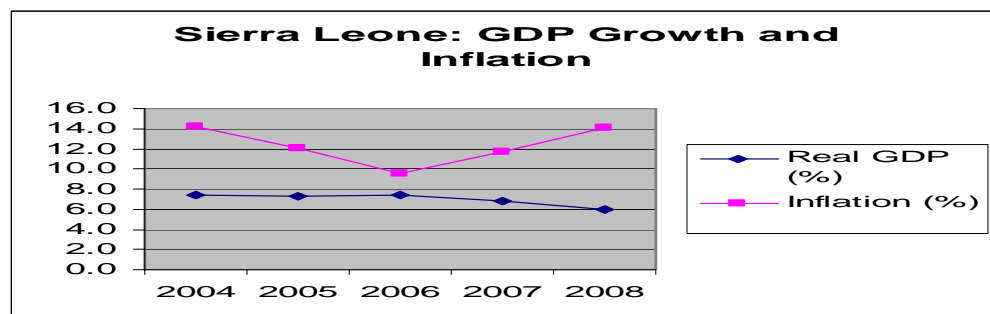
2.2.1 In 2006 Sierra Leone experienced a real GDP growth rate of 7.4%, compared to 7.3% for the previous year, led by agriculture, mining, construction and the service sectors. However, the economy grew in 2007 at about 6.8%, lower than the 2006 rate and also below the projected rate of 7.4% for the year. This was due to protracted shortages in electricity supply, reduced Government spending and the rise in oil prices.

2.2.2 Weak performance in domestic revenues in the second half of 2006 continued into 2007. Total revenues fell by 1.8% of GDP. The shortfalls are attributable to: (i) uncertainty created by the

prolonged election processes, which caused businesses to adopt a “wait-and-see” attitude; (ii) adverse impact of the energy crisis on corporate profits; (iii) discretionary duty waivers and other tax exemptions granted to selected importers; (iv) late enactment of the 2007 Finance Bill which prevented the timely implementation of new rates for royalties and excise taxes; and (v) a relaxation of collection efforts. With delays in external budget support Government adopted a cash-budget management system in April 2007 resulting in severe curtailing of expenditures and an accumulation of domestic arrears. Total expenditure decreased from 21.4% of GDP in 2006 to 17.1% of GDP in 2007 mainly due to the compression of non-interest, non-salary recurrent expenditures following the adoption of a cash budget.

2.2.3 Inflationary pressures re-emerged in 2007, rising from 8.3% to 15.6%<sup>2</sup> in November, reflecting a shortage of basic consumer goods following supply disruptions and the effects of an accommodating monetary policy in the first quarter of 2007. Food price inflation accounts for over a half of the CPI. The Bank of Sierra Leone (BSL) focused monetary policy mainly on containing these inflationary pressures. The weak revenue performance in the first quarter of 2007 resulted in an increase in bank credit to the Government during the period. Figure 1 below depicts GDP growth and inflation over 2004-2008.

**Figure 1: Sierra Leone GDP Growth and Inflation**



Source: AfDB Statistics.

2.2.4 External sector performance continued, largely on account of the strong growth in mineral exports including diamonds, rutile and bauxite. Exports grew strongly to 28.3% in 2006 from 13.1% in 2004. After recovering strongly during 2001-2002, imports slowed down during 2003-2006 as reconstruction and humanitarian activities weakened. The deficit of the current account balance declined to 5.4 percent of GDP in 2006 from 7.7 percent of GDP in 2005. Exports grew strongly during 2007, reflecting improved performance in both mineral and agricultural output. Total value of imports increased in 2007, but less strongly than exports. Gross international reserves reached the equivalent of 3.5 months, and gross foreign reserves are estimated at 3.9 months of import cover as at end September 2007 due mainly to aid disbursement.

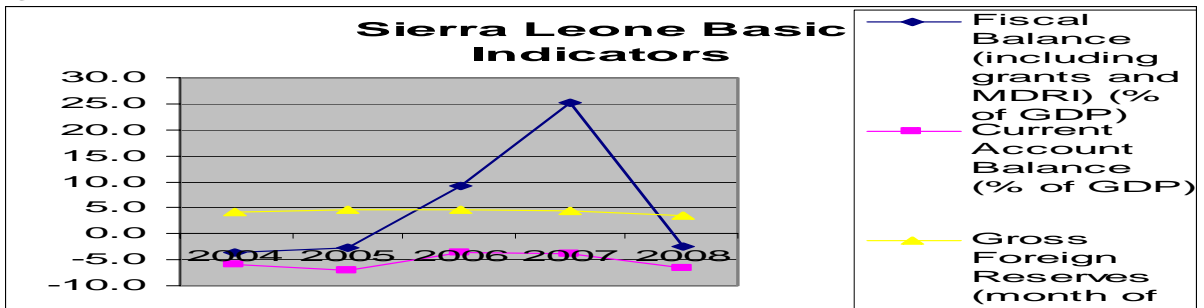
2.2.5 **Public/External Debt:** Sierra Leone has been current with its external debt servicing obligations in the last several years. Following the attainment of the HIPC Completion Point in December 2006, debt relief worth nearly US\$1.0 billion was granted to Sierra Leone under both the heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI). The

<sup>2</sup> Government Budget and Statement of Economic and Financial Policies for the Financial Year 2008 delivered by the Ministry of Finance and Economic Development in the Chamber of Parliament in 21 December, 2007; and also included to the letter of development policy to the World Bank on 13<sup>th</sup> December, 2007.

delivery of debt relief by the Multilateral Financial Institutions and Paris Club Bilateral Creditors has significantly reduced Sierra Leone's external debt from US\$1.7 billion to US\$530 million.

2.2.6 Following MDRI debt relief, the debt service ratio fell sharply from 10.6% of exports in 2005 and 6.6% in 2006 to an estimated 0.8% in 2007. It follows that the country has moved from 100% grant recipient to 50/50 loan/grant combination. However, for the remaining external debt owed to commercial creditors, the Government is seeking the assistance of the World Bank for a second debt-buyback operation to address this issue. The Government is also confronted with the challenge of servicing high domestic debt, including Treasury Bills, Treasury Bearer Bonds and arrears to domestic suppliers as well as to utility companies. Annex III contains a summary of economic and financial indicators from 2004 through 2008.

**Figure 2: Sierra Leone Basic Indicators**



Source: AfDB Statistics.

### 2.3. Social Developments and Poverty

2.3.1 Poverty in Sierra Leone continues to be deep and widespread. The UN Human Development Index 2007 (2005 data) ranks Sierra Leone 177<sup>th</sup> out of 177 countries, with maternal mortality (1,800 per 100,000 compared to 661 for Africa, 440 for developing countries and 13 for developed countries) and infant mortality perilously high (174.8 per 1,000 compared to 80.6 for Africa). The 2007 assessment of financial requirements to meet the MDGs shows that Sierra Leone needs to scale up resource inflows from non-traditional sources including stimulating domestic revenues. Development Partners contributed an estimated US\$351.5 million in 2006.

2.3.2 It is estimated that two thirds of the rural population have no access to safe drinking water. The available water supply within towns is generally of low quality. The main water supply to Freetown is vulnerable to climate change as the rains appear to be becoming less predictable. Low rainfall in 2006 resulted in the water level at Freetown's principal water source, the Guma reservoir, reaching a critical point resulting in widespread rationing. It is estimated that only 11% of the population have access to septic tanks while 76% use pit latrines. The sewage is discharged untreated to the ocean leading to coastal pollution. With respect to education, the literacy rate is only 34.8 percent and there is vast gender and regional disparities in the literacy rate. The combined primary, secondary and tertiary gross enrolment ratio is 44.6 percent. These issues are addressed by government through the implementation of a new Education Sector Plan. Life expectancy at birth was recorded at 41.8 years during 2007. Years of conflict have had a major impact on the health status of Sierra Leoneans, leaving the sector with very serious challenges. The Ministry of Health and Sanitation has articulated a National Health Policy in 2006, which provides the framework for the revitalization of the health system.

## **2.4 New Main Priorities of the National Poverty Reduction Program**

PRSP I covered 2005-2007 and was centered around three pillars: (i) Promoting good governance, peace and security, (ii) sustainable Pro-poor growth for food security and job creation, and (iii) human development. As subsequently reflected in the first President's Retreat Address in January 2008, the new Government's priorities over the next 3-4 years are as follows: develop energy and water supply, develop infrastructure and transportation, increase youth employment, promote the growth sectors including agriculture, mining, fisheries and tourism, revitalize the social services, and implement capacity building measures. Annex IX provides details on the goals and targets of the government poverty reduction program as reflected in the President's Retreat Address. The themes of the President's Retreat Address are also reflected in the new draft PRSP II (2008-2012).

### **III. IMPLEMENTATION OF THE BANK GROUP STRATEGY AND THE RESULTS ACHIEVED AT MID-TERM**

#### **3.1. Overview on the CSP's strategic framework and implementation progress**

The two pillars of the Bank Group's strategy (i) Promoting Economic Growth by Improving Governance, and (ii) Promoting Human Development support pillars II and III of the PRSP and touch upon pillar I by including governance. The initial portfolio under the 2005-2009 Bank Strategy had ten projects under Pillar I and three projects under Pillar II. The lending program approved during the CSP period consists of two projects under Pillar I and one project under Pillar II. The following is an assessment of the Bank's strategy under each pillar.

#### **3.2. Progress towards RBCSP Results**

The mid-term outcomes of the 2005-2009 Bank Group strategy for Sierra Leone were assessed against the objectives identified by the Bank for each of the two pillars of the strategy, namely (i) promoting economic growth by improving governance; and (ii) promoting human development. It should be noted that the first pillar relates to all sectors and aspects that contribute to economic growth such as agriculture and infrastructure as well as good governance, while pillar 2 relates to all service sectors that enhance human resources development such as education and health.

Pillar I indicators show mixed results because GDP growth targets are barely met. In terms of improving governance, progress has been made in the area of financial management. Under Pillar II, significant progress has been achieved in terms of child immunization rates, utilization of primary health care facilities and under five children who sleep under insecticide bed nets. There has been some progress in the rate of births attended by skilled health personnel and the tuberculosis detection rates. (See Annex 1 for details on the outcomes achieved at mid term in relation to various projects).

#### **Pillar I: Promoting Economic Growth through improved governance**

The assessment of this pillar is based on progress made on ten operations under the following sectors: Transport, water/sanitation, Power, Agriculture, and Multi-Sector. These include the, Bumbuna Hydroelectric Project, the Matotoka-Sefadu Road Studies, the Agricultural Sector Rehabilitation Project Institutional Support Project to Strengthen Public Financial Management (PFM) and Energy Sector, and the Economic Rehabilitation and Recovery Program (ERRP III) (new lending under the CSP).

**3.2.1 Governance/Multi-sector:** The Bank strategy, addressing weaknesses in state administration, accountability, and economic management, supports two projects in this sector namely the Institutional Support Project to strengthen Public Financial Management (PFM) and Energy Sector, and the Economic Rehabilitation and Recovery Program (ERRP III). The Institutional Support to strengthen Public Financial Management (PFM) and Energy Sector experienced implementation delays, and as of the mid-term evaluation, no meaningful outputs were realized. With respect to the ERRP III, which aimed to support the Government in the implementation of public financial management reforms, fiscal budgetary system reforms, public procurement reform, and decentralization reform so as to achieve improved economic performance, fiscal budgeting and reporting, and delivery of essential public services, the results were mixed. Economic growth increased from 7.4 percent in 2004 and 7.3 percent in 2005, to 7.4 percent in 2006, but fell back to 6.8 percent in 2007. GDP growth is projected at 7% in 2008. The year-on-year national inflation rate increased to 12.15, in 2007 about 4.26 percentage points higher than the rate for December 2006. This reflects the rise in oil and food prices. With respect to spending in the priority sectors, Government data show that education and health expenditures have not increased as share of total expenditures. Expenditures on education amounted to 8.6 percent of non-interest spending in 2004, 8.7 percent in 2005, 7.2 percent in 2006 and 8.0 percent in 2007. Expenditures on health increased from 3.7 percent in 2004 to 3.9 percent in 2005 and 5.6 percent in 2006, but fell precipitously to 1.7 percent in 2007.

**3.2.2** In general, there have been improvements in public financial management. The Accountant Generals Department has been strengthened and this has enhanced the clearing of outstanding Annual Statements of Public Accounts for 2002 – 2006; however, the 2005 and 2006 reports were not yet published at the time of the mid-term evaluation. The National Public Procurement Authority (NPPA) and the Independent Procurement Review Panel (IPRP) are staffed and operational. Areas that have shown progress also include (i) the implementation of the Government Budgeting and Accountability Act (GBAA), improved budget preparation and execution, the implementation of recommendations from public expenditure tracking surveys (PETS), and strengthening of external auditing; and (ii) decentralization through improved transparency in revenue allocation and capacitating of local councils, showing up in improved perceptions of public health and education services.

**3.2.3 Infrastructure/Transport:** Poor state of the road network is among the key impediments to economic growth and socio-economic development in Sierra Leone, due to poor access to markets and services. Post war road rehabilitation efforts have only managed to improve a fraction of the network. The Bank Group's objective was to revitalize the sector. Support in this respect includes the financing of three road projects and project studies including (i) Matotoka – Sefadu Road Rehabilitation Project (ii) Matotoka to Sefadu Road Studies, and (iii) Freetown-Lungi Studies consisting of three separate studies (New Freetown-Lungi Links, Lungi-Port Loko Road Upgrade and Bandajuma-Mano River Bridge). With respect to the Matotoka-Sefadu Road Studies, no outputs were generated as of the mid-term evaluation due to delays in implementation. The study on the Lungi-Port Loko Road upgrade was completed in July 2006 and the Bank will finance the implementation of the project in 2009 as discussed in section 5.2.5.

**3.2.4 Power:** One of the most fundamental constraints on job creation and poverty reduction is access to electric power. The Government is committed to the electrification of the district capitals and improvement to the distribution network in Freetown. The Bank Group's objective is to rehabilitate the energy sector and help move away from the near collapse of public sector generated capacity leading to high cost and unreliable power supply. In this regard, the Bank is working with the Governments of Sierra Leone, Italy and other Donor partners to complete the Bumbuna Hydroelectric Project (BHP). Though BHP was approved in 1991, the works could not

be finished due to the break out of the civil strife, and then to a delay in closing a financing gap of USD 38 million that led to the suspension of works in February 2007. During the CSP period, some funds were reallocated from ongoing projects to the energy project in an attempt to finish the works. As of the mid-term evaluation, the dam and associated hydraulic installations were 100% completed, a powerhouse with two 25 MW generators were 95% completed, electrical installations were 80% completed and a 200km transmission line from Bumbuna to Freetown was 75% completed. The Bank Group has recently approved a supplemental loan of UA 10.3 million to complete the project and get it operational. Upon completion, the BHP should assist in realizing the rehabilitation objective of the Bank Group. It will increase the supply of reliable, cost-effective, and environmentally sustainable electricity for industrial, commercial and domestic use. It will supply power for about one million people in Freetown, Bumbuna village, and other areas.

**3.2.5 Agriculture:** This sector contributes 45% of Sierra Leone's GDP and provides employment for over 75% of the Population. However, Agriculture is beset by low capital investment, weak research and poor extension services; weak input base; inadequate access to finance and markets. It is also characterized by poor infrastructure including poor networks of roads, particularly feeder roads and high transportation cost due to higher fuel prices and other institutional weaknesses. The Bank's main objective is to strengthen the sector with a view to promoting food security. Supports to this sector is through 4 projects (i) Agriculture Sector Rehabilitation Project, (ii) The Artisanal Fisheries Development Project, (iii) The Rehabilitation and Community Reduction Project, (iv) The Multinational NERICA Dissemination Project. The projects in this sector experienced implementation delays which were primarily due to limited familiarity with and non adherence to Bank rules and procedures, and as of the mid-term evaluation, field activities that have been carried out were low. These activities together with the interventions of other key Development Partners have improved on the share of households with adequate food consumption from 56% in 2005 to 71% at end 2007, following the steady increase in domestic production of major crops as well as livestock. The production of rice significantly increased to 637,983 mt in 2007, 34% above the targeted level of 475,000 mt for the year in the CSP. Production of maize also increased in 2007 from 2005 by 12.56% to 54,944 mt. It can be concluded that intermediate outcomes in agriculture have been achieved. Moreover, in the context of the Africa Food Crisis Response, the Agriculture Sector Rehabilitation Project has been restructured to provide about UA 8.79 million to be used to purchase inputs and materials (fertilizers, seeds, pesticides and materials) for farmers at subsidized prices to be determined. Expected additional production in 2008 is as follows: rice (9,700 tons); maize (4,140 tons); vegetables (496 tons); groundnuts (2,810 tons).

**3.2.6 Water/Sanitation:** Water/sanitation can be discussed under either pillar 1 or pillar 2 of the CSP. It is discussed under pillar 1 to highlight the infrastructure aspects of it. The objectives of the water component are (i) adequate clean drinking and rural sanitation facilities for rural residents (ii) improve solid waste collection in Freetown; (iii) improve quality of water services in Freetown and reform management and operation of the Guma Valley Water Company. The on-going Water Supply and Sanitation Study seeks to provide the framework for intervention in the sector which is planned for 2010 (Water Supply and Sanitation Project). The planned project will reinforce the improvements that have taken place in the sector. The percentage of households with access to safe drinking water has increased from 46% in 2004 to 51.5% in 2007.

## **Pillar II: Human Resource Development**

**3.2.7 Health sector:** The Bank's objective in the social sectors is to help the country achieve the MDG targets. If present trends continue, Sierra Leone will most probably not meet the MDGs as there are major constraints across the whole health sector including lack of skilled staff, poor facilities and limited availability of services. The Bank Group assistance under the 2005–2009 Strategy includes the Support to District Health Services (SDHS) Project and the Multinational Mano River Union HIV/AIDS project. The SDHS project experienced effectiveness delays and was not effective by the mid-term evaluation. For the MRU HIV/AIDS project, progress has been achieved in terms of knowledge about HIV/AIDS, continuous provision of condoms, establishment of Voluntary Counseling and Confidential Testing (VCCT) sites and provision of Anti-Retrovirals (ARV). The Health Sector Rehabilitation Project approved in 1997 was completed during the CSP period. The HSRP contributed to the health sector through the rehabilitation of hospitals including the two main Government hospitals - Connaught Hospital and Princess Christian Maternity Hospital, and other peripheral clinics in Freetown. Rehabilitation was greatly needed following the war years. Percentage of one-year olds receiving DPT has increased from 56% in 2004 to 96% in 2006. Maternal mortality declined from 1800/100000 in 2004 to 1600/100000 in 2005 while infant mortality declined from 170/1,000 in 2004 to 115/1,000 in 2005. The proportion of births attended by skilled health personnel increased from 33% in 2004 to 42% in 2006. Overall, there has been progress but there is a long way to go in order to realize the MDG targets.

**3.2.8 Education:** There is good improvement in education: primary school enrolment has doubled since the end of the war and the Ministry of Education, Science and Technology's 10 year Education sector Plan addresses innovation, introduction of new programs, etc. The Bank Group supports this sector through the Rehabilitation of the Basic and Non-Formal Education and Vocational Skills Training Project. The objective of the project is to assist in the provision of quality basic education, through the establishment of school facilities, provision of teaching and learning materials and training of teachers. The implementation of construction activities is behind schedule, but the provision of textbooks has been very successful. To date over four and half million textbooks has been supplied under the project - the largest consignment of books that the country has ever received. Primary enrollment increased from 64% in 2004 to 101% in 2007. Overall, there has been progress in the achievement of results in education.

### **3.3. Other effects of the CSP**

Apart from being based on the Government's full PRSP, the CSP is also consistent with the Bank Group's vision, guidelines, and ADF policies. A major progress is consolidation of peace which led to the Government embarking on the implementation of macroeconomic and structural reforms that were previously derailed by the onset of the civil conflict. Other effects include reaching completion point under the HIPC initiative in December 2006 and the significant reduction in Sierra Leone's external debt from US\$1.7 billion to US\$530 million. This has led to the country being classified as yellow in the Debt Sustainability Framework, qualifying for a 50/50 loan/grant combination. Although modest, the CPIA improved from 3.2 in 2006 to 3.34 in 2007. Notable are the improvements in debt policy, quality of budgetary and financial management, and gender equality. Finally, regional integration is among the other effects of the CSP. The multinational projects of NERICA Rice Dissemination Project, Support to Mano River HIV/AIDS Control Project, and the recently approved WAMZ Payment System Development Project strengthen the regional integration effects of the CSP. The WAMZ Payment System Development project, estimated at US \$23 Million, will directly benefit Sierra Leone, The Gambia, and Guinea. It also

aims at promoting the creation of a single currency in the sub-region and boosting integration to the economic and monetary union in WAMZ, resulting in a larger regional market.

### 3.4. Country Resource Issues

Sierra Leone's CPIA rating was 3.2 for 2006 and 3.34 for 2007. The resources available for the country under ADF 10 were in the amount of UA 29.69 million for 2007, which were used to finance the Economic Rehabilitation and Recovery Loan (UA 10.7 million), Support to District Health Services (UA 17 million), and Matotoka-Sefadu Road Studies (UA 1.99 million). The indicative<sup>3</sup> resources under ADF 11 amount to UA 72.47 million, representing an ADF 11 allocation of UA 29.71 million and a proposed top up of UA 42.76 under the Fragile States Facility. The country has been classified under the Debt Sustainability Framework (DSF) as yellow and hence the ADF allocation will be provided in 50/50 Loan/Grant combination.

### 3.5 Portfolio Management Issues

**3.5.1 Scale of the Portfolio:** The Bank Group began its lending operations in Sierra Leone in 1969. Its total commitments to Sierra Leone as of end of 2007 stood at UA 268.25 million for 43 operations. The Portfolio at end 2007 contained 13 ongoing operations; with UA 123.19 million total commitments of which UA 59.93 million or 46.2% had been disbursed. The Bank's current portfolio is diverse in terms of sectoral allocation, lending instruments and concentrated mainly in the Social sector (education and health), which account for 36.5% (UA 45 million) of the Bank's total commitments, the agriculture sector 22.6% (27.87million), the power sector UA 34.65 million (28.1%), the multi-sector UA 13.49 million (10.9%), the infrastructure sector including water, transport and others (1.9%).

**3.5.2 Portfolio Performance Review:** Portfolio implementation is facing recurrent difficulties stemming from the country's institutional constraints. Low disbursement rate (46.2% on average at midterm) is the key constraint on project implementation. Although the disbursement rate has increased since 2005 (by 91% from September 2007 to February 2008) the PAR rate is still relatively high as exhibited in Annex V. Out of 11 rated projects, there are two problem projects and three potentially problematic projects giving rise to a PAR rate of 45.5% which is higher than the 40% estimated for midterm. Poor internalization of procurement procedures, the Bank regulations on procurement, long delays in project effectiveness, satisfying conditions precedent to first disbursement as well as compliance in request forms from the Bank are among the major constraints on portfolio implementation. No doubt, the portfolio problems have been aggravated by the fragile and post-conflict environment in Sierra Leone. (See Annex V for more details on portfolio performance).

**3.5.3** On the whole, however, the portfolio has undergone some improvements especially in disbursement rates since the Field Office was put in place in Freetown. A Country Portfolio Review (CPR) is currently under preparation and will shed more light on the state of the portfolio. The CPR will assess portfolio performance and will offer recommendations on how to improve portfolio management. Based on preliminary observations, the recommendations may include such drastic measures as restructuring and/or reallocating funds from non-performing operations to other uses. The full range of new arrangements under the FSF can then be applied to improve implementation of the new or possible restructured projects. The rapid-response procedures can be applied to disbursement procedures and procurement methods under FSF in such a way as to

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<sup>3</sup> The amounts shown for the 3 year cycle are indicative. Actual ADF country envelope on a given year will depend on the country's own performance; its performance relative to other ADF countries; the overall resources available for ADF and; changes in the list of ADF eligible countries.

produce substantial improvements in portfolio performance especially in relation to disbursement and procurement. For a summary of the on-going projects, see Annex IV.

### **3.6 Developments in Aid Coordination and Harmonization**

Sierra Leone signed the Paris Declaration in February 2007. Coordination of development assistance, information sharing and consultation between the Government of Sierra Leone and donor partners is carried out by the Ministry of Finance and Economic Development, with the major task of ensuring that all development assistance to Sierra Leone is incorporated in the annual budget. The Sierra Leone PRSP provides the framework for alignment and harmonization of donor interventions, including for capacity development. Therefore, the four main international donors accounting for about two-thirds of donor financing: EU, WB, AfDB, and DFID, recognized the need for harmonization and very close cooperation on key projects and budget support. Annex VI summarizes Sierra Leone's progress towards Paris Declaration Indicators. Important developments include joint missions, joint Multi-Donor Budget Support MDBS, and the sharing of ESW among development partners and government.

### **3.7. Monitoring and Evaluation of Bank Group assistance under the CSP**

**3.7.1 Country's capacity to monitor RBCSP implementation:** The CSP is monitored on the basis of a results-based framework and agreed intermediate outcomes as well as a specified set of benchmarks and performance criteria. However, capacity remains a major impediment to Sierra Leone's project implementation. In addition, Monitoring and Evaluation (M & E) practices and results-based management have not been widespread within Sierra Leone's public administration. Recently<sup>4</sup>, however, the new Government has introduced into public a response to donor partners concerns to be fully committed to providing the needed resources and to putting in place an effective monitoring modality. The initiatives also include that relevant ministries, departments and agencies of Government realize their responsibilities to implement benchmarks.

**3.7.2 Appraisal of Bank Group Performance:** Portfolio performance reviews, the RBCSP mid-term progress report, and project completion reports serve as instruments for evaluating and measuring progress in the attainment of intermediate results and the medium-term impact of Bank assistance. The Bank has maintained continuous dialogue with government and other stakeholders to ensure successful implementation of the strategy. Despite this implementation progress has been slow mainly on account of the historically low disbursement rates. The resources available for the country under ADF 10 were in the amount of UA 29.69 million for 2007, which were used, as planned, to finance the Economic Rehabilitation and Recovery Loan (UA 10.7 million), Support to District Health Services (UA 17 million), and Matotoka-Sefadu Road Studies (UA 1.99 million). Regarding non-financing activities, ESW and a Governance Profile were planned for the CSP period but were never undertaken. The reason the Governance Profile was not undertaken is the hold put on Governance Profiles by OSGE. A Public Expenditure Review is planned for 2009.

**3.7.3 Statistical Capacity of the Country:** Availability of relevant and timely statistics is critical to enabling conditions for policy development and assessment that allows measuring inputs, outcomes and impacts. Over the years, progress has been made in improving the statistical system of the country for accurate reporting on development results. Various statistical products were produced to inform the public, and a National Strategy for the Development of Statistics (NSDS) which aims at boosting the capacity of the National Statistical System (NSS) has been recently launched covering 2008 – 2012. Support to Statistics Sierra Leone is needed to enhance and sustain these efforts.

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<sup>4</sup> Government Budget and Statement of Economic and Financial Policies for the Financial year, 2008 delivered by the Minister of Finance and Economic Development in the Chamber of Parliament (21 December, 2007. P.46)

## **IV. LESSONS LEARNED AT MID TERM**

### **4.1. Lessons for the Bank**

4.1.1 Some benchmarks have not been met because of the low disbursement rates in 2005 and 2006. Continued dialogue on key issues is needed as the country is still dealing with post-conflict environment issues, where capacity and state institutions are still inherently fragile. The situation can be greatly improved by the country having access to the enhanced resources of the FSF. The flexibility embodied in the FSF and the eligible expenditure policy and procurement will be of special importance in view of the delays in project implementation alluded to earlier. According to the Bank's Strategy for Enhanced Engagement in Fragile States, the Bank will improve delivery by introducing waivers on a case-by-case basis, for new or restructured projects, allowing for up to a 100% financing of operations in fragile states including for recurrent expenditures, taxes and local costs.

4.1.2 Another lesson for the Bank is the importance of presence in the field. There has been a noticeable difference in portfolio performance since SLFO was put in place. Even the historically low disbursement rates are showing some improvement. It is important that SLFO plays a more proactive role in portfolio management and continuous dialogue with the Government. As we decentralize, field offices will be of central importance because they have a better understanding of client needs due to proximity to clients. They can therefore engage successfully in management for development results and aid effectiveness as well as foster country ownership.

### **4.2 Lessons for the Government of Sierra Leone**

The key lesson learnt for the Government of Sierra Leone is the importance of government ownership of reforms to move forward the implementation of programs and regulations as well as improve sequencing and prioritization of Government's main focus and objectives. Another lesson is the importance of enhancing government Monitoring Evaluation mechanisms. It is only recently that the Government has put in place a monitoring and evaluation mechanism (Progress Assessment Framework) in collaboration with the development partners. It is important that the system is enhanced and strengthened by the Government. It is also imperative that the government enhances its role in donor coordination and harmonization. Finally, the Government realizes the importance of finding a solution to the youth unemployment problem and ensuring that high youth unemployment issues and other civil service reforms are adequately and promptly addressed in order to create an enabling environment for job creation and sustainable growth and reduce the chances of social unrest.

## **V. BANK GROUP STRATEGY FOR THE REMAINING PERIOD**

### **5.1 Stakeholder Consultations**

The AfDB CSP Midterm Review mission visited Sierra Leone in January-February 2008 and held consultations with Government, Development Partners, and civil society. The consultation process is outlined in Box 1 below.

### 5.1. Stakeholder Consultations Box 1: Stakeholder Consultations

An ADB Team visited Sierra Leone during the period of 23 January to February 1<sup>st</sup> 2008, to undertake a Mid-Term Review (MTR) of the Bank Group's Country Strategy Paper (CSP) 2005-2009. The team held extensive discussions with the Government, stakeholders, the International Development Partners (IDPs), as well as the Civil Society. Major focuses of the MTR are (i) the retrospective evaluation of the achievements under the current CSP 2005-2007, (ii) the definition, inter alia, the priorities and sectoral focus of the Government's development agenda for the next 2-3 years, (iii) the definition of the strategic orientation and sectoral focus of the CSP for the Bank for the remaining period, (iv) the identification of concrete Bank interventions (projects/studies) for the remaining CSP period and (v) the gathering of data on the Government's objectives for the next 2-3 years in the sectors supported by the Bank for the remaining CSP period and discussion on new benchmarks. Project Implementation Units (PIU) and project managers expressed concerns in regard of the issue of low disbursement and implementation rate of projects, compliance difficulties with Bank's Forms as well as serious delays in correspondence response from the Bank. The Government authorities, Stakeholders, private sector and civil society appreciated the opening of a Field Office in Freetown and expressed their wishes that the Bank group addresses major concerns raised during the consultations, particularly the issue of low disbursement correlated to low implementation. The ADB Team requested a list of priorities from the Ministry of Finance and other ministries to better define sectoral focus of the Government's development agenda for the next 2-3 years.

## 5.2. Bank Group Strategy for the Remaining Period

5.2.1 Sierra Leone satisfies the conditions for accessing FSF resources. FSF policies and supplemental resources will enhance and lead the Bank's strategic responsiveness to the country's needs for the remaining period of the CSP. This is in line with the country development framework articulated through the first President's Retreat Address and the SLPRSP under (i) promoting good governance, security and peace (Pillar 1); (ii) Pro-poor sustainable growth for food security and job creation and (Pillar 2), and (iii) human development (pillar 3). In support to the continuity of the Bank Group's strategy, is the first President's Retreat Address, which has reiterated commitment to policies that will establish macroeconomic stability and pledged to move forward with plans to reduce unnecessary government spending, address the severe infrastructure constraints, tackle the endemic youth unemployment and bring better services to the poor. FSF will augment the limited ADF 11 resources and help strengthen the Bank's ability to help achieve these challenges. Pillar 1 will be renamed "supporting pro-poor growth" with emphasis on infrastructure and good governance which will constitute new lending for the remaining CSP period. Pillar 2 will be supported by the on-going portfolio but no new lending since there will be a focus on infrastructure and governance under pillar 1. Operations to be financed using the increased resources during 2008-2010 include the recently approved Bumbuna Supplemental loan (UA 10.3 m.), Lungi-Port Loko Road and TOR for Freetown Ring roads (2009, UA 25.26 m.), Budget Support (ERRP IV 2009, UA 10 m.), and Water Supply and Sanitation Project (2010, UA 26.91 m.). The Bumbuna Project will be financed by a loan from the ADF 11 allocation while it is proposed that the Port Loko-Lungi Road and budget Support be financed entirely from the FSF. The Water Supply and Sanitation Project can be financed partly from the ADF allocation and partly from the FSF. The financing arrangements are yet to be finalized with Government. The RBCSP Results-based Framework summarizes the intermediate outcomes expected by the Bank Group's intervention to Sierra Leone under the two pillars, through the Matrix of Results Framework Monitoring. Annex 1 presents the status of achieving these outcomes by midterm.

5.2.2 **Eligibility for the Fragile States Facility** – A note on the eligibility of Sierra Leone under the Enhanced Support Window (ESW) which constitutes supplemental support and targeted support of the FSF is contained in Annex II. It outlines steps taken in the country that make the case for eligibility under the ESW according to the Operations Guidelines of the Fragile States Facility.

**5.2.3 Supplemental Support:** Under the first-stage criteria of the supplemental support window, it is observed that (i) the country's economy has been destroyed by the war placing Sierra Leone last on the Human Development Index for 2007 (2005 data), and that (ii) the country has signed a peace agreement and (iii) has elected a new government. The decade long conflict officially ended in January 2002 following the Lome Peace Accord. Two successive presidential and parliamentary elections were successfully held in 2002 and 2007. Furthermore, the Truth and Reconciliation Commission, which was established to enhance peace building and political reconciliation, successfully completed its work in June 2004. Despite these political achievements, devastation from the war has left Sierra Leone the last country in the HDI ranked 177<sup>th</sup> out of 177. Under the second-stage criteria, it is noted that (i) the country's macroeconomic and debt conditions have improved, (ii) the country is committed to pursuing structural reforms in public Financial Management and private sector development, and (iii) there is increased transparency and accountability. Regarding the second-stage criteria of the supplemental support window, real GDP per capita was stable over the period 2005 to 2007 averaging 7.2%. The level of reserves increased reaching 4.5 months of import cover at end 2007. Annual inflation was brought down to single digit by end 2006 but the soaring oil and food prices pushed it to double digits in 2007. Additionally, Sierra Leone reached the HIPC decision point in March 2002, which made it eligible for US\$950 million in debt service relief. The Bank Group's contribution in this program amounted to US\$42.81 million in end 2000 NPV terms. Sierra Leone's improved economic performance helped it to reach the HIPC completion point in December 2006 and benefit from HIPC and MDRI resources since then. In regard of structural reforms, the Financial Administration Regulations (1998) have been revised with the enactment of the Financial Management Regulations (2007). The Medium Term Expenditure Framework has been strengthened. Regarding corruption, the Government has recently empowered the Anti-Corruption Commission to prosecute cases in addition to its investigative powers. Transparency has been improved since the introduction of the Integrated Financial Management Information System in 2005 and the support provided by Development Partners including the Bank Group to the Accountant General's Department and Audit Service Sierra Leone. For more details, please see Annex II.

**5.2.4 Targeted support:** Although there has been progress towards improving the country's core institutions of economic and financial management and administration, the capacity in these institutions still remains weak. Additionally, Civil Society Organizations (CSOs) and Parliamentarians who are supposed to monitor progress and provide the checks and balances required for effective implementation of programs are unable to do so due to capacity constraints. Through the use of FSF resources up to UA 2 million, the capacity of these state institutions could be enhanced. Availing the country of supplemental support and targeted support under the FSF will enable the Bank to provide enhanced support during the ADF 11 cycle and will assist the country in implementing its development agenda by using the substantially increased resources.

**5.2.5 Over the 2008-2009 period, the Bank Group's strategy will be focused on pillar 1 of the CSP reformulated as 'supporting pro-poor growth' with emphasis on good governance and infrastructure.** Apart from emphasizing good governance as implied by the wording, pillar one is by design related to **productive sectors and infrastructure** that contribute to growth. Despite emergence from the devastation of the civil war, the post-conflict environment is still looming and the MDGs are far from being reached. To assist the country in this regard, the Bank Group will continue support through the on-going portfolio in infrastructure, multi-sector, agriculture, social sectors and add new projects in infrastructure and multi-sector. Infrastructure is a natural choice in view of the damage done to the sector by war. **Infrastructure upgrading is also consistent with the strategic orientation of the FSF.** The country has severely degraded institutional and administrative capacity; physical infrastructure is badly deteriorated; and social services are minimal or non-existent in many areas. Pillar 2, however, will be supported by the on-

going portfolio that contains social-sector projects. In the light of the above analysis, it is proposed to maintain the CSP 2005-2009, and avail the country of the supplemental resources and targeted support of the FSF. The resources and interventions proposed in 3.4 are consistent with this framework.

5.2.6 Under pillar 1, with respect to the on-going portfolio, the Bank will speed up the implementation of the four on-going agricultural projects and also finalize the Mototoka to Sefadu Road Studies. As reiterated earlier, new lending will focus on infrastructure and governance. The recently approved Bumbuna Supplemental loan, Port Loko-Lungi Road, ERRP IV, and Water Supply and Sanitation Project will improve performance under pillar 1 to achieve (i) GDP growth between 6-9 by 2009, (ii) poverty headcount ratio of 57% by 2009, (iii) paddy rice production increased from 637,983 mt. in 2007 to 740,000 mt in 2009, and (iv) installed generating capacity increased by 50 MW in 2009. Under pillar 2, the Bank will speed up implementation of the three on-going projects in health and education. The Bank will contribute to further reduction in the maternal, infant, and under-five mortality rates. Tuberculosis detection rate is to be increased by 10% from 2007 to 2009 while proportion of births attended by skilled personnel will be increased by 15%. Overall, access to basic services is targeted to increase by 30% from 2007 to 2009.

5.2.7 As regards new lending under ADF 11 and FSF, the Bank will intervene under pillar 1 of the CSP, pro-poor growth with a focus on good governance and infrastructure.. As stated in 5.2.1, new lending for 2008-2010 includes Bumbuna Supplemental loan, Port Loko-Lungi Road, ERRP IV, and Water Supply and Sanitation Project.

**Bumbuna Supplemental Loan** consists of a 50 MW hydroelectric power station at Bumbuna and a 200 km transmission line to transfer the electricity from Bumbuna to Freetown, Bumbuna village, Makeni and Lunsar. The project will supply Sierra Leone with a much needed infrastructure on which the country would rely to build development projects and reduce the need for diesel fuel for production of electricity. The Bank approved this project in October 2008..

**Port Loko-Lungi Road** (2009) will contribute to the post-war rehabilitation of basic road network in order to promote socio-economic development, regional integration and poverty reduction efforts and help the country transition out of fragility. It will connect Port Loko and the rest of north and east of Sierra Leone with the airport city of Lungi; and with Freetown, the economic and political capital of Sierra Leone. The road is also part of a regional network connecting Liberia and Guinea and will thus promote regional integration.

**Budget Support (ERRP IV, 2009)** will aim at improved efficiency of budget preparation and execution, enhanced revenue administration, and improved planning and management of basic service delivery. The budget support operation will strengthen public financial management systems and modernize the tax and customs administration.

**Water Supply and Sanitation Project (2010)** will provide adequate clean drinking and rural sanitation facilities for rural residents; improve solid waste collection in Freetown; improve quality of water services in Freetown and reform management and operation of the Guma Valley Water Company.

Table 1 below presents the pipeline projects to be financed under ADF 11 using the substantially increased resources from the FSF. The resource requirements as presented in the table clearly indicate the need for the FSF Enhanced Support Window resources to augment the limited ADF 11 allocation of UA 29.71 million.

**Table 1**  
**Pipeline Projects under ADF 11 and FSF**

<b>Project</b>	<b>Year</b>	<b>Amount (UA)</b>	<b>Instrument</b>	<b>CSP Pillar</b>
1. Bumbuna Supplementary Loan	2008	10.30	ADF Loan	1
2. Port Loko-Lungi Road and TOR Freetown Ring Roads	2009	25.26	FSF	1
3. Budget Support (ERRP IV)	2009	10.00	FSF	1
4. Water Supply and Sanitation Project	2010	26.91	ADF/FSF	1
<b>Total</b>		<b>72.47</b>		

There is clearly an emphasis on infrastructure upgrading in the new lending. This is in line with the Sierra Leone President's Retreat Address as outlined earlier and is also in line with the draft PRSP II (2008-2012) which is centered around four themes namely: (i) sustaining stability and avoiding growth collapses, (ii) closing infrastructure gaps, (iii) enabling private sector growth, and (iv) managing natural resources. The emphasis on infrastructure is also consistent with the FSF strategic orientation. The amounts shown for the 3 year cycle are indicative. Actual ADF country envelope on a given year will depend on the country's own performance; its performance relative to other ADF countries; the overall resources available for ADF and; changes in the list of ADF eligible countries.

**5.2.8 Implementation modalities** for the new projects under FSF would include introduction of more flexible waivers on a case-by-case basis allowing for up to 100% Bank financing of operations including for recurrent expenditures, taxes and local costs. They could also include streamlining of procurement procedures in order to substantially improve quality control and to ensure that unnecessary procurement delays are eliminated,

**5.2.9 Monitoring of FSF Resources:** The Revised Results Framework Monitoring Matrix attached as Annex 1 will be used to monitor the use of FSF resources. However, a full results monitoring framework for FSF resources, complete with benchmarks negotiated with Government, will be provided in the full CSP that will be prepared in 2009.

### **5.3. Country Dialogue Issues**

Dialogue with the GoSL authorities has been ongoing and covers issues on macro-economic stability and project implementation. Dialogue with the Government will continue on the revival of the private sector so that it can serve as an engine for growth and job creation. Dialogue will also continue on developing a well-designed trade and regional integration strategy. Additionally, dialogue will complement the Government's efforts to integrate labor market policies into its poverty reduction strategy. Finally, full staffing and more proactive engagement of the Bank's Field Office in Sierra Leone will significantly improve the portfolio performance and delivery outcomes.

### **5.4. Risks and Mitigation Measures**

**Country risks:** There are four risks identified in the 2005-2009 CSP Document as capable of impeding the successful implementation of the CSP. First, the failure to significantly strengthen institutional capacity may lead to slow and partial implementation. One of the legacies of the 11-year civil conflict is the loss by Sierra Leone of a large number of highly trained and experienced civil servants, while many years of mismanagement and de-motivation have resulted in weak institutions. The Bank, to assist mitigate the risk, in partnership with other development partners,

needs to implement selected interventions that focus on capacity building and human resource development during the remaining period. The on-going Institutional Support Project is a step in the right direction despite implementation difficulties. The second risk relates to corruption. Despite the Government's efforts to root out corruption, it is far from being eliminated. Besides strengthening the public financial management through ERRP III, the Bank has, through SLFO, enhanced dialogue with the Government on the issue emphasizing zero tolerance of corruption. The dialogue should be extended to the institutions, including the Anti-Corruption Commission (ACC) which is now in place, the Audit Services Department as well as the Ministry of Finance that are entrusted with the responsibility of ensuring transparency and accountability. Third, there is the risk that achieving macroeconomic stability could prove difficult, either because of failure to maintain fiscal discipline due to the possibilities of extra budgetary expenditures, or because of corruption or unprecedented shortfalls in donor funds. This risk was at work in 2007 and early 2008 and threatened to derail the IMF-supported PRGF but has been successfully mitigated by the Government's demonstrated commitment to the implementation of the required reform agenda. Finally, the CSP identified the risk that peace efforts in neighboring countries such as Liberia would collapse resulting in an influx of refugees into Sierra Leone. So far, the concerted efforts deployed by the international community and the election of President Sirleaf's Government in November 2005 have resulted in durable and sustainable peace in Liberia.

## **VI. CONCLUSION AND RECOMMENDATION**

### **6.1. Conclusion**

6.1.1 Overall, there has been some progress in meeting the targets and benchmarks of the CSP despite the low disbursement rates. This is especially significant if viewed against the backdrop of the unfavorable circumstances of a war-devastated country like Sierra Leone. Nevertheless, there is a long way to go and dialogue and assistance will need to continue, with the new government more willing to show political leadership and improve implementation, portfolio performance, and outcome deliveries.

6.1.2 Sierra Leone remains one of the poorest countries, ranked 177 out of 177 countries on the Human Development Index (2007). The country has absorbed the resources under ADF 10 and is capable of absorbing resources under ADF 11 before 2010 to achieve major targets of the MDGs. Additional resources from the Fragile States Facility can certainly improve the country's ability to rebuild its war-devastated capacity. Therefore, the Bank Group and the Government of Sierra Leone's agreed strategy does not require substantial change since its priorities remain within the PRSP objectives.

### **6.2. Recommendation**

The Boards of Directors are invited to approve the strategy proposed in this RBCSP Progress Report for 2008-2009. The assistance strategy shall be financed with the country's resources amounting to UA 72.47 million, representing a combined ADF 11 allocation of UA 29.71 million and Fragile-state top up of UA 42.76 million. This CSP Mid-term Review, therefore, recommends that the Board grant Sierra Leone access to Fragile State Facility (FSF) supplemental resources for 2008-2010 in the amount of UA 42.76 million. Targeted support up to UA 2 million is also requested. A note on the eligibility for the FSF resources is attached as Annex II.

## Annex 1: Revised Results Framework Monitoring Matrix

Longer-term strategic goals of the CSP	Shorter term outcomes of the Bank's CSP 2005-2009				Bank priorities and performance	
	Sector-related issues	Expected CSP outputs and outcomes By 2009	Intermediate indicators By 2007	Strategy/actions	Bank operations and donors intervening in related areas (Box 11)	Instruments to measure performance
<p>PILLAR I : supporting Pro-poor Growth</p> <p>Focus on Governance and infrastructure</p> <ul style="list-style-type: none"> <li>Promote Food Security through investment in productive sectors – agriculture and fisheries and rural infrastructure</li> <li>Job creation through infrastructure rehabilitation- energy, roads, transport, communication , ICT, Private sector development and mining.</li> <li>Improving public financial management</li> </ul>	<p>1. Agricultural sector completely devastated following the decade long conflict</p> <p>2. Private sector completely devastated following the destruction of the civil conflict</p> <p>3. Increase energy supply</p>	<p>1.1 Real GDP growth of 6 to 9 percent</p> <p>2.1 Progressive reduction in the poverty headcount from 70 percent of the population in 2004 to 57 percent by 2009</p> <p>2.2 Increase rice paddy production from 422,000 MT in 2002 to 543,000MT by 2009</p> <p>2.3 Develop overall strategy to revitalize livestock sector, with role for the private sector</p> <p>2.4 Improve the rural communities through training and provision of extension services to strengthen capacity</p> <p>2.5 Increase installed generating capacity by 50 MW</p>	<p>1.1 Maintenance of real GDP growth of between 6 to 9 percent <i>Was 6.8% in 2007</i></p> <p>2.1 Progressive reduction in the poverty headcount from 70 percent in 2004 to 65 percent by 2007. <i>Head count ratio fell from 70% in 2004 to 64% in 2007</i></p> <p>2.2 Increase paddy rice production, the staple food to 475,000MT by 2007. <i>2007 production is 637,983 mt.</i></p> <p>2.3 Food secure population increased by 20 percent. <i>Share of households with adequate food consumption increased from 56% in 2005 to 71% in 2007.</i></p> <p>2.4 Agriculture GDP grows from 5.5 percent in 2003 to 7.5 percent by 2007</p>	<ul style="list-style-type: none"> <li>Rehabilitation of the agricultural sector, including the provision of feeder roads</li> <li>Rehabilitation of the energy sector</li> <li>Strengthening Public Financial management</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of the agriculture rehabilitation project</li> <li>Implementation of the Infrastructure rehabilitation project</li> </ul> <p><u>Other donors:</u></p> <ul style="list-style-type: none"> <li>- WB</li> <li>- IMF</li> <li>-DFID</li> <li>-EU</li> <li>-UNDP</li> <li>-IFAD</li> </ul>	<p>Regular supervision missions (jointly with those donors who are parallel-financing projects)</p> <p>Mid-term review and project appraisal missions</p> <p>Project audits</p> <p>Studies</p> <p>Mid-term Review</p>

	<p>1.1 Budget programming and execution does not fully reflect the strategic orientation of Sierra Leone's PRS process</p> <p>1.2. Budget classification is based on organizations rather than programmes, hence making budget analysis difficult.</p> <p>1.3. Donor funding and government funding are not integrated in estimates of fiscal reports by programme or function . As a result monitoring total expenditure on PRSP programs and assessing their impact will be difficult.</p>	<p>1.1 Improve transparency of overall government resource envelop and allocation and ensure that 90 percent of the donor funds are captured in the budget and fiscal reports using government classifications of programmes and objective of expenditure</p> <p>1.2 Improve transparency on poverty expenditure by publishing year reports for tracking poverty expenditures.</p> <p>1.3 Improve efficiency of procurement planning and execution by ensuring that 90 percent of the public funds budgeted in the procurement plan are actually expended for the intended purposes by 2008</p> <p>1.4 More qualified managerial and professional staff in key MDAs (MoF, Agriculture, Education, Health, Mineral Resources, Transport, Works and Defense</p>	<p>1.1 By 2006, three (3) ministries (agriculture, education, and health) should have prepared their strategic plans. <i>In 2006, six MDAs including Agriculture, Education and Health, produced their Strategic Plans.</i></p> <p>1.2 The three ministries should also have embarked on program-based budget for FY 06-08 that are consistent with the PRSP . <i>By end 2007 all MDAs produced Strategic Plans for the MTEF budget period 2006-2010.</i></p> <p>1.3 New Chart of Accounts is adopted in 2005, allowing tracking poverty expenditure . <i>Adopted and functional since 2005.</i></p> <p>1.4 Financial Management information implemented in MOF in 2005, allowing for timely reconciliation of accounts and reports. <i>In place by 2007.</i></p> <p>1.5 Annual procurement report, including information on amount of contract, goods and services delivered, services/goods providers, prepared by the Ministries of Agriculture, Education Health , and mineral resources in 2007. 75 percent of the funds budgeted in the procurement plan are actually expended for the intended purposes in 2007. <i>Variance between planned and actual expenditure is now 10%</i></p>	<p>1.1 Fiscal decentralization strategy</p>	<p>1.1 Implementation of the Economic Rehabilitation and Recovery Program (ERRP)</p> <p>1.2 Implementation of Institutional Support project</p> <p><u>Other donors:</u></p> <p>- WB</p> <p>- IMF</p> <p>-DFID</p> <p>-EU</p> <p>-UNDP</p>	<p>1.1 Regular supervision Missions (jointly with these donors that are parallel – financing project</p>
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Longer-term strategic goals of the CSP	Shorter term outcomes of the Bank's CSP 2005-2009				Bank priorities and performance	
	Sector-related issues	Expected RBCSP outputs and outcomes	Intermediate indicators	Strategy/actions	Bank operations and donors intervening in related areas	Instruments to measure performance
		By 2009	By 2007			
<p><b>PILLAR II</b></p> <p><b>Promoting Human Development</b></p> <ul style="list-style-type: none"> <li>• Increase access to education, including vocational training and elimination of gender disparities in education</li> <li>• Improve quality of education at all levels</li> <li>• Improve life quality through skill acquisition and job creation</li> <li>• Improve health status of Sierra Leone in order to reduce poverty</li> <li>• Strengthen preventive and curative primary health services</li> <li>• Increase access to the provision of quality primary health care</li> <li>• Reduce the diseases attributable able to communicable</li> </ul>	<ol style="list-style-type: none"> <li>Lack of access to primary health care</li> <li>Shortage of trained healthy personnel</li> <li>Lack of access to basic social infrastructure</li> <li>Insufficient capacity for analyzing and monitoring poverty policies at the National Planning Commission</li> </ol>	<ol style="list-style-type: none"> <li>Utilization of Primary health care increase by 15 percent by 2006 from the base position of 2005</li> <li>Proportion of children under one year and under two years fully immunized increased by 20 percent from the base position of 2005</li> <li>Maternal, infant and under –five mortality rates reduced</li> <li>Tuberculosis detection rate increased by 20 percent from base year position in 2005.</li> <li>Proportion of birth attendant ed by skilled health personnel increased by 30 percent</li> </ol> <p>Access to basic social services increased by 60 percent in the project area</p>	<ol style="list-style-type: none"> <li>Utilization of Primary Health Care facilities increased by 15 percent from the base year position in 2005. <i>n.a.</i></li> <li>Proportion of children under one year and under two years fully immunized increased by 10 percent. <i>% of one-year olds receiving DPT has increased from 56% in 2004 to 96% in 2006.</i></li> <li>Maternal, infant and under0-five mortality rates reduced. <i>Maternal Mortality reduced from 1800/100000 in 2004 to 1,600/100,000 in 2005. Infant mortality from 170/1,000 in 2004 to 115/1,000 in 2005..</i></li> <li>Tuberculosis detection rate increased by 10 percent</li> <li>Proportion of birth attendants by skilled health personnel increased by 30 percent . <i>Increased from 33% in 2004 to 42% in 2006.</i></li> <li>Access to basic social services increased by 30 percent in project areas . <i>progress is mixed. Primary enrollment increased from 64% in 2004 to 101% in 2007. Number of PHUs has increased from 668 in 2004 to 868 in 2006. However, the amount of drugs delivered to PHUs deteriorated by 9% between 2006 and 2007. Percentage of households with access to safe drinking water increased from 46% in 2004 to 51.5% in 2007. Number of clean waste disposal sites has remained the same and are limited to Freetown only.</i></li> </ol>	<ul style="list-style-type: none"> <li>• Rehabilitation of health facilities and training institutions</li> <li>• Provision of drugs equipment and supplies</li> <li>• Provision of training to enhance the skills of health personnel</li> <li>• Advocacy and training on poverty reduction initiatives at community level</li> <li>• Provision of training to strengthen the management and planning capacity of Ministry of Health</li> <li>• Rehabilitation of agricultural sector</li> </ul>	<p>Implementation of the Health Services Rehabilitation Project</p> <p><u>Other donors:</u></p> <ul style="list-style-type: none"> <li>- WB</li> <li>- DFID</li> <li>- CIDA</li> <li>- IFAD</li> <li>- UNDP</li> </ul>	<p>Regular supervision missions (jointly with those donors who are parallel-financing projects)</p> <p>Project appraisal missions</p> <p>Project completion reports</p> <p>Project audits</p> <p>Studies</p> <p>Mid-term Review</p>

## Annex II

### Eligibility for Fragile States Facility (FSF)

#### “Supplemental Support and Targeted Support Windows”

#### Sierra Leone Update – November 2008

##### *Analysis of First Stage Criteria for Sierra Leone – Supplemental Support Window*

Commitment to Consolidate Peace and Security	<ul style="list-style-type: none"> <li>(i) The decade long civil conflict officially ended in January 2002 following the Lome Peace Accord.</li> <li>(ii) Two successive Presidential and Parliamentary elections were successfully held in 2002 and 2007. Local and Chiefdom elections were successfully conducted for the first time in thirty two years in May 2004. A second successful Local and Chiefdom elections in July 2008.</li> <li>(iii) The disarmament, demobilisation and reintegration programme was concluded in February 2004 and about 72,500 ex-combatants were disarmed, over 71,000 demobilised and 55,000 received support for integration into active community life.</li> <li>(iv) The Truth and Reconciliation Commission which was established to enhance peace building and political reconciliation successfully completed its work in June 2004.</li> </ul>
Unmet Social & Economic Needs	<ul style="list-style-type: none"> <li>(i) Poverty-reducing expenditures, after increasing to 4.4% of GDP in 2006 fell to 3% in 2007, against a target of 5%. This was a result of sharp decrease in domestic revenue mobilisation as well as delays in external budget support caused in part by donors concern about fiscal management.</li> <li>(ii) Sierra Leone is ranked the least (177 out of 177 countries) in the UN Human Development Index (2007/2008) with a HDI of 0.336.</li> <li>(iii) Infrastructural services such as electricity, water, sanitation and roads are in a poor state and remain a big challenge. There is need to increase investment on infrastructure and ensure that management of public utilities is strengthened.</li> </ul>

##### *Analysis of Second Stage Criteria for Sierra Leone – Supplemental Support Window*

Improving Macroeconomic Conditions and Pursuit of Sound Debt Policy	<ul style="list-style-type: none"> <li>(i) In March 2002, Sierra Leone reached the HIPC decision point, which made it eligible for US\$950 million in debt service relief. The Bank’s Group contribution in this programme amounted to US\$42.81 million in end 2000 NPV terms.</li> <li>(ii) Sierra Leone’s improved economic performance helped it to reach the HIPC decision point in December 2006 and benefit from HIPC and MDRI resources since then.</li> <li>(iii) As at end of June 2008, Sierra Leone’s debt stock stood at US\$567.2 million. According to the IMF Country Report No.08/249 of July 2008, the NPV of debt to export ratio is maintained at below a sustainability threshold of 100%. Real GDP per capita was stable over the period 2005 to 2007 averaging 7.2%. The level of reserves increased reaching 4.5 months of import cover at end 2007. Annual inflation was brought down to single digit by end 2006 but the soaring oil and food prices pushed it to double digits in 2007.</li> </ul>
Sound Financial Management Practices	<ul style="list-style-type: none"> <li>(i) The Financial Administration Regulations (1998) have been revised with the enactment of the Financial Management Regulations (2007) to support the implementation of the Government Budgeting and Accountability Act (2005). The Medium Term Expenditure Framework process has been strengthened with emphasis on strategic planning and performance –based budgeting to ensure that the budget activities are</li> </ul>

	<p>consistent with the PRSP objectives. All MDAs now produce three-year strategic plans outlining key objectives, activities, output and expected outcomes.</p> <p>(ii) In its fight against corruption, Government has recently empowered the Anti-Corruption Commission to now prosecute corrupt cases, in addition to its investigative powers. The recommendations of the 2002 CFAA are being implemented. An oversight committee has been established, Budgeting and Accountability Act 2005 enacted, Financial Regulations drafted for Local Councils, Financial Regulations for MDAs in final draft, IFMIS now put in place.</p> <p>(iii) progress is being made in deepening the implementation of Procurement Act</p>
Transparency of Public Accounts	<p>(i) With support from development partners including the Bank Group, the capacity of both the Accountant General's Department and Audit Service Sierra Leone have been improved. A major achievement of this was the publication in 2007 of audited public accounts for 2002 – 2004. The accounts for 2005 and 2006 have been audited and laid before Parliament.</p>

***Rationale for using FSF funds for Budget Support.*** The Bank has not provided direct budget support to Sierra Leone in the recent past. The country has, however, seen three policy-based operations culminating in Economic Rehabilitation and Recovery Program (ERRP III) approved in May 2005 as a UA 10.7 million balance of payments grant. The grant was fully disbursed by December 2006 and according to the PCR prepared in 2008, it helped the Government in supporting economic growth through improved governance and in catalyzing reforms. The provision of budget support during the current CSP (2005-2009) is critical to help Sierra Leone further strengthen its systems. Budget support is an efficient way to support the Government's on-going post-conflict program, which includes PFM reforms designed to strengthen national systems. These will help enhance transparency and improve Sierra Leone's CPIA ratings. Sierra Leone satisfies the conditions for budget support as set out in the Bank policy on Development Budget Support Lending (DBSL) and its policy on fragile states. The IMF's second review under the PRGF (July 2008) indicated that risks to the program include surging food and oil prices and emphasized the need for continued budget support. The EC, World Bank and DFID are already supporting PFM reforms through budget support. DFID is supporting a program in modernizing the National Revenue Authority (NRA) and the NRA is making effort to enhance the efficiency of public spending by strengthening governance, accountability, and transparency in resource mobilization. Measures will be put in place to ensure that budget support is implemented successfully. These include continued dialogue and monitoring of the budget support operation through the Partnership Framework that the Bank signed with Government and other development partners in 2007.

**Targeted support:** Although there has been progress towards improving the country's core institutions of economic and financial management and administration, the capacity in these institutions still remains weak. Additionally, Civil Society Organizations (CSOs) and Parliamentarians who are supposed to monitor progress and provide the checks and balances required for effective implementation of programs are unable to do so due to capacity constraints. Through the use of FSF targeted support resources the capacity of these state institutions could be enhanced.

**KEY ECONOMIC AND FINANCIAL INDICATORS**

	2004	2005	2006	2007	2008
<b>Annual % change</b>	Actual	Actual	Actual	Proj.	Proj.
Real GDP	7.4	7.3	7.4	6.8	7.0
Nominal GDP	24.6	21.1	19.6	18.5	17.1
Consumer Prices (End of Period)	14.4	13.1	8.3	9.1	9.5
Consumer Price (Average)	14.2	12.1	9.5	11.0	9.7
Broad Money	18.9	32.8	19.3	17.5	17.6
Reserve Money	12.6	24.3	10.7	15.5	16.5
Exports (US Dollars)	13.1	15.4	28.3	13.6	-7.1
Imports (US Dollars)	-11.7	31.8	10.2	15.6	9.7
<b>% of GDP</b>					
Gross Domestic Savings	-0.4	4.1	5.6	7.1	6.0
Government	-1.2	-1.6	-1.3	1.1	0.6
Private	0.8	5.7	6.9	6.0	5.4
Gross Domestic Investment	10.7	17.3	15.4	18.3	20.2
Government	4.6	5.8	5.1	8.5	9.7
Private	6.1	11.5	10.3	9.8	10.6
Current account balance including official transfers	-5.8	-7.1	-5.7	-6.3	-9.3
Current account balance excluding official transfers	-13.1	-14.2	-11.1	-10.7	-13.6
Overall balance of payments	-0.5	1.0	10.3	-0.1	1.0
Government domestic revenue	12.3	11.9	11.8	13.6	13.5
Total expenditure and net lending	24.8	24.6	22.8	24.6	26.5
<i>Of which current expenditure</i>	20.1	18.7	17.7	15.8	15.1
Overall fiscal balance (commitment basis excluding grants and MDR)	-12.4	-12.8	-11.0	-11.0	-13.1
Overall fiscal balance (commitment basis including grants and MDR)	-3.5	-2.7	9.2	25.3	-5.3
Domestic primary fiscal balance	-2.8	-3.1	-3.1	-1.0	-3.6
Domestic financing	-0.1	1.2	-10.7	0.9	0.3
Gross international reserves	124.9	168.3	184.2	196.5	225.5
GDP (billions of Leones)	2,898.6	3,510.2	4,199.4	4,977.5	5,829.3

*SOURCE: Government of Sierra Leone (BSL) and IMF.*

**On-Going Projects as at  
Mid-term including  
Multinational Projects**

## ANNEX IV

N°	Sector	Project Title	Approved Loan (UA)	Entry into Force	Disb. Deadline	Disbursed	Undisbursed	% to be disbursed	Date Last supervision	Implementing Progress rating (IP)
1	AGRI	Agriculture Sector Rehabilitation Project	12,000,000.00	02.08.2005	31.12.2011	245,676.83	11,754,323.17	97.9	24.06.2007	Satisfactory
2	AGRI	Artisanal Fisheries Development	10,000,000.00	07.01.2003	31.12.2007	1,927,298.75	8,072,710.25	80.7	28.10.2006	Satisfactory
3	AGRI	Rehabilitation & Community Reduction Project	5,862,702.69	02.03.2006	30.09.2011	0	5,862,702.69	100	24.06.2007	Satisfactory
4	TRANSP	Freetown-Lungi Road Study	1,256,000.00	26.09.2003	31.12.2007	1,032,958.36	223,041.64	17.0	11.06.2005	Highly Satisfactory
5	WATSAN	Water Supply & Sanitation Study	850,000.00	03.09.2004	31.12.2007	91,567.99	758,432.01	89.2	08.02.2006	Satisfactory
6	POWER	Bumbuna Hydro-Electric Project	34,649,977.00	22.03.1991	31.12.2006	34,649,933.64	0.00	0.0	04.05.2006	Unsatisfactory
7	SOCIAL	Support to Basic & non-formal education (Educ III)	16,000,000.00	25.08.2003	31.12.2007	2,367,142.18	13,632,857.82	85.2	30.09.2006	Satisfactory
8	SOCIAL	Strengthening of District Health Services	17,000,000.00	17.10.2005	31.12.2011	0.00	17,000,000.00	100.0	Not yet supervised	n/a
9	SOCIAL	Social Action Support Project (SASP)	12,000,000.00	08.03.2004	31.12.2009	5,108,746.83	6,891,253.17	57.4	19.10.2006	Satisfactory
10	MULTI-SECT	Inst. Support Public Financial Management & Energy Sector Pro.	2,790,000.00	19.07.2006	31.12.2011	850,294.99	1,939,705.01	69.5	29.11.2006	Highly Satisfactory
11	MULTI-SECT	Economic Rehabilitation & Recovery Program	10,700,000.00	23.12.2005	31.12.2007	10,658,305.53	41,694.47	0.4	29.11.2006	Highly Satisfactory
<b>TOTAL: 11 ON-GOING PROJECTS</b>			<b>123,086,799,69</b>			<b>56,931,925.10</b>		<b>46.24%</b>		

Annex IV Continued

N°	Sector	Project Title	Approved Loan (UA)	Entry into Force	Disb. Deadline	Disbursed	Undisbursed	% to be disbursed	Date Last supervision	Implementing Progress rating (IP)
1	MULTI-NATIONAL	NERICA Rice Dissemination Project	2,850,000.00	05.02.2005	31.12.2010	276,089.38	2,573,910.62	<b>9.69</b>	22.02.2007	Unsatisfactory
2	MULTI-NATIONAL	Support to Mano River HIV/AIDS Control	5,000,000.00	23.02.2005	31.12.2009	4,991,964.19	8,035.81	<b>9.84</b>	01.05.2007	n/a
<b><u>TOTAL: 2 ON-GOING MULTINATIONAL PROJECTS</u></b>			<b>7,850,0009.00</b>			<b>5,268,053.57</b>				

**SELECTED INDICATORS ON BANK GROUP PORTFOLIO PERFORMANCE  
AND MANAGEMENT**

<b>Indicators</b>	<b>Baseline</b>	<b>First Year Status</b>	<b>Mid-Term Estimate</b>
<b>Portfolio Assessment</b>			
Number of projects under implementation	<b>11</b>	<b>12</b>	<b>10</b>
Average implementation period (Years)	<b>5.6</b>	<b>4.8</b>	<b>3.6</b>
Percent of problem projects	<b>36.4%</b>	<b>42.9%</b>	<b>20%</b>
Percent of Projects at risk	<b>45.5%</b>	<b>42.9%</b>	<b>40%</b>
Commitments at risk	<b>0.40</b>	<b>0.60</b>	<b>0.45</b>
Disbursement ratio	<b>34.56</b>	<b>38.06</b>	<b>46.24%</b>
<b>Portfolio Management</b>			
CPPR during the year (Yes/No)	<b>No</b>	<b>No</b>	<b>No</b>
Average supervision	<b>Na</b>	<b>Na</b>	<b>1.4</b>
Average Size of operations	<b>UA 8.7 m</b>	<b>UA 7.5 m</b>	<b>UA 7 m</b>

## ANNEX VI

## SIERRA LEONE PROGRESS TOWARDS PARIS DECLARATION INDICATORS

	Indicator	Status (As at December 2007)
	<b>Ownership</b>	
1	Partners have operational Development Strategy	Sierra Leone reached the completion under the HIPC Initiative; the BWs institutions including the Bank approved the MDRI and SL signed the Paris declaration in February 2007.
	<b>Alignment</b>	
2	Reliable country systems	Sierra Leone's accounting and auditing systems have been under continued review and are considered to meet international standards. These systems are used by all donors, including the Bank
3	Aid flows are aligned on national Priorities	SLPRSP has been the basis for assistance provided by donors; aid flows are determined by the development priorities set by the Government
4	Strengthen capacity by coordinated support	The SLPRSP provides the framework for alignment and harmonization of donor interventions, including for capacity development
5a	Use of country public financial Management system	MDBS (Multi-Donor Budget Support) use Sierra Leone's PFM systems
5b	Use of country procurement system	
6	Strengthen capacity by avoiding parallel implementation	MDBS donors use the implementation structure
7	Aid is more predictive	The MDBS framework has significantly increased the predictability of donors' budget support
8	Aid is united	MDBS budget support is united
	<b>Harmonization</b>	
9	Use of common arrangements or procedures	Common arrangements are used for general and sector budget supports
10	Encouraged shared analysis	ESW are shared among Donor Partners (DPs) and Government; participate in IMF reviews.
	<b>Managing for Results</b>	
11	Results-Oriented Framework	DPs use the MDBS Progress Assessment Framework (PAF), which is based on the Government's results matrix for assessment of SLPRSP
12	Mutual accountability	

**Annex VII Status of Progress towards the MDGs**

<b>MDG</b>	<b>Situation at beginning of CSP Period (2005)</b>	<b>Government PRSP Objectives</b>	<b>Situation at End of CSP period (Likelihood MDG will be achieved)</b>	<b>Is Bank Strategy Contributing? Yes/No</b>
1- Between 1990 and 2015, reduce by half the number of persons living in extreme poverty and victims of hunger. (% of Population)	70	Reduce from 70 to 57 in 2009	Likely	Yes
2- Extend primary Education to all (boys and girls) by 2015. (% of population)	74.3	Increase to all	Likely	Yes
3- Eradicate gender disparity in primary education by 2005, and at all level by 2015 (% of population)	63	Full eradication	Likely	Yes
4- Reduce by two thirds the infants mortality between 1990 and 2015 (per 1000)	170	Reduce from 170 to 115 in 2007	Likely	Yes
5- Reduce maternal mortality By three quarters between 1990 and 2015 (per 1000)	1800	Reduce from 1800 to 1600	Likely	Yes
6- Reduce by half then reverse the spread of HIV/AIDS, malaria and other diseases by 2015 (% of pop 15-49)	2	Reduce to 1%	Unlikely	No
7- Guarantee environmental Sustainability and better access To sources of water supply (% of pop with access)	46	70% by 2009	Likely	Yes
8- Develop a global partnership for development	Partially	Developed Reforms Policy	Likely	Yes

*\*World Development Indicators, September 2006*

## ANNEX VIII: CROSSCUTTING ISSUES AND DEVELOPMENT CONSTRAINTS

### 7.1 Crosscutting Issues

**7.1.1 Gender Parity:** The Gender-related Development Index for Sierra Leone of 0.3573 indicates that women suffer greater deprivation and lower achievements levels than men. Women constitute approximately 51.3% of the population in Sierra and constitute the majority of the rural labor force. It is estimated that 60-80% of women earn their living from agriculture and that women are engaged in 90% of food production. Over 90% of women in rural areas are illiterate. 51% of the poor living on less than a USD a day is male and 49% female. Female poverty is more extreme than male poverty since 74% of the female are living on less than 50 cents USD a day, compare to only 54% of the male poor. The government needs to improve these numbers.

**7.1.2 HIV/AIDS and Communicable Diseases:** There is no reliable data on HIV/AIDS prevalence and estimates vary widely<sup>5</sup>. However 47% of HIV positive cases are new infections, indicating that the prevalence rate is rising fast. High sexual behavior is common in post-conflict environment where many young men, including ex-combatants, are unemployed and struggling to find a role in society. Knowledge of HIV and other sexual health issues is generally low.

**7.1.3 Governance:** Good governance is a key prerequisite for economic and social stability. One of the three pillars of the Government of Sierra Leone Poverty Reduction Strategy Paper (SLPRSP) is the promotion of good governance (pillar 1). Although significant progress has been made in rebuilding various institutions for governing the state and safeguarding national security, there is still need for deeper reforms to tackle the endemic corruption in the country. Key elements of the Government program for good governance include: (i) public service reform aimed at better service delivery through improvements in personnel management and remuneration; (ii) decentralization of services delivery; (iii) continued improvements in public financial management; (iv) strengthening the anti-corruption agenda; and (v) generating better statistics for monitoring outcomes. The Government has created and empowers the Anti-corruption Commission (ACC) with human and financial resources to enable it fully execute its duties. In addition, the Department for International Development (DFID) has pledged a significant budget support to the activities of the commission with Le 1.3 billion.

### 7.1.4 Regional Integration

Sierra Leone is a member of ECOWAS (Economic Community of West African States) established in 1975, as well Mano River Union (with Liberia and Guinea), an increasingly important forum for discussion of common sub-regional issues. ECOWAS is the largest regional integration group in West Africa, embracing more than 250 million people, with an average income per capita above \$300 US and half population live in an absolute poverty. However, sub regional cooperation has not developed to its full potential. But, member states of ECOWAS commission including Sierra Leone are working to strengthen macroeconomic surveillance and harmonize the statistical and reporting systems in the sub-region as well as adopt the same West African Monetary Zone (WAMZ). The objective of the same currency is to serve a bridge to economic and regional integration among the 15 states to facilitate

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<sup>5</sup> The National Population base HIV seroprevalence Survey of Sierra Leone indicates that the prevalence of HIV in the study population was 1.53%, but lack of quality data makes analysis difficult. There appears to be an abnormal increase in the prevalence in males from 0.8% in the 30-34 year group to 3.5% in the 35-39 groups.

regional trade, create a large market of over 250 million people, achieve economies of scale, and enhance comparative advantage and competitiveness.

**7.1.5 Environment:** The Government of Sierra Leone's strategic Vision 2025 is to ensure sustainable exploitation and effective utilization of natural resources, while maintaining a healthy environment. Environmental management is a cross-cutting issue in SLPRSP, recognized as a key challenge theme aimed at addressing poverty<sup>6</sup>. However, progress has been very slow. Natural resources drive the national economy with renewable natural resources including agriculture, fisheries and forestry contributing to over 50% of GDP and support the livelihoods of 75% of the population. Fisheries represent 11% of the GDP representing the highest contribution rate to the GDP in the West African Sub-region. The current trends of widespread environmental degradation, resource depletion, and low agricultural productivity highlight a need for the Government of Sierra Leone to prioritize environment as key cross-cutting issue able to generate sustained economic growth and contributes to human development. In the right direction however, the GoSL created the National Commission on Environment and Forestry (NACEF) in 2006 as a strategic action plan to identify a coherent set of priorities to improve environmental management.

## **7.2 Development Constraints and challenges**

**7.2.1 Energy:** Access to Electric Power is one the most important constraints on job creation and poverty reduction in Sierra Leone. Key features of the power sector in Sierra Leone include: (i) a near collapse of public sector generated capacity, leading to high cost and very poor reliability of power supply; (ii) the poor technical and financial performance of the national Power Authority (NPA); and (iii) economy-wide consequences of a legacy of under investment in the development of the power sector.

**7.2.2 Road Rehabilitation and Maintenance:** The poor road network condition is another critical constraint on economic growth and poverty reduction. Only 8% of the approximately 8,400 km road network is paved and the remaining 90% is constantly endangered by deterioration from normal use and annual rains.

**7.2.3 Ports:** Low productivity and inefficiencies at Freetown port with Sierra Leone Port Authority (SLPA) increase cost of imported and exported goods and act as constraint and challenge to economic development of country.

**7.2.4 Insufficient Capacity building:** The poor management of several key public enterprises has been a significant drag on economic and job creation. The challenge for the Government is to ensure that these constraints in regards to the poor management in public enterprises including the utilities controlling the supply of power, water, non-cellular telecommunication, public entities controlling road maintenance and the port operations are addressed as quickly as possible, to refocus in moving back the economy in the right path of sustained growth.

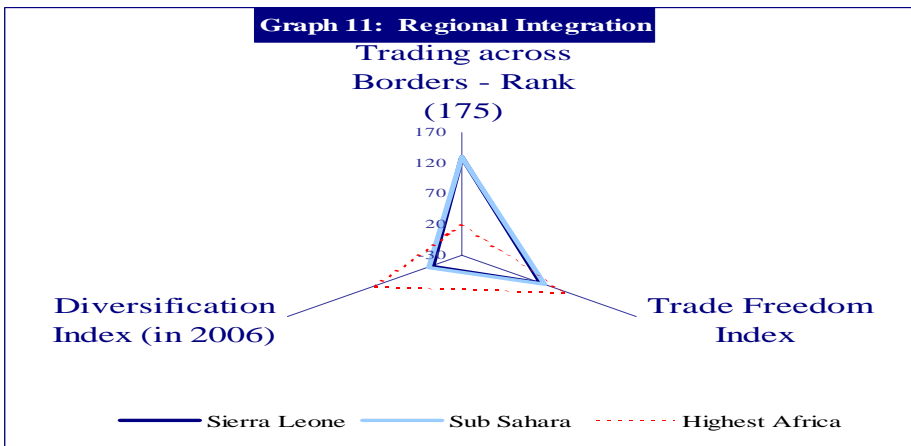
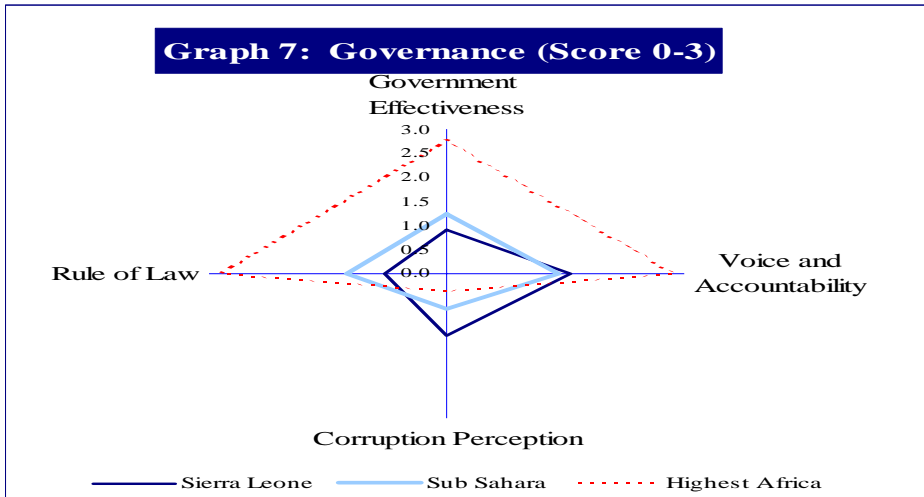
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<sup>6</sup> The SLPRSP identifies priorities with respect to agricultural development, mining, sanitation, medical waste management, drinking water and sanitation, housing and addressing environmental risks and shocks.

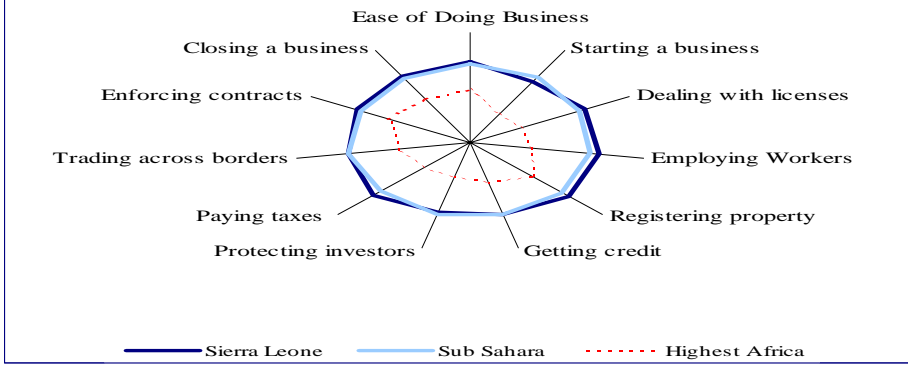
### 7.3 Business Environment and Private Sector

7.3.1 An important area of the PRSP that the government is pursuing is the creation of an enabling environment for reviving the private sector, as it recognizes the centrality of the private sector to its poverty reduction efforts in post-conflict Sierra Leone. The strategy is to support the private sector to become a central pillar for growth, job creation, increasing incomes and subsequent poverty reduction on sustainable basis.

7.3.2 Initially, this strategy will focus on the implementation of the divestiture program. To this end, the National Commission for Privatization (NCP) has been mandated to act as a prudent shareholder, and will appoint boards of directors, manage and prepare all public enterprises for divestiture or private management, in order to ensure the efficient delivery of public services. Apart from the actions on PEs, measures to support private sector growth include: (i) formulating a transparent and competitive investment code, (ii) facilitating the availability of credit for small and medium sized enterprises by developing sustainable mechanism for the provision of micro-finance; and (iii) reactivating skills training centers to provide demand driven training for business and industry.



**Graph 8 : Ease of Doing Business (Rank)**



## Annex IX

## Goals and Targets of the Government's Poverty Reduction Program

Summary of key sectors, Goals and Targets of the Government's Poverty Reduction Program		
SECTOR	SECTOR GOALS/OBJECTIVES	EXPECTED OUTCOMES/TARGETS
<b><u>Energy and Power</u></b>	<ol style="list-style-type: none"> <li>1. Work towards rural and urban electrification</li> <li>2. Expand water supply in rural areas/Rehabilitate all water systems country-wide</li> <li>3. Provide adequate energy and water to support manufacturing and improve quality of life</li> <li>4. Completion of Bumbuna</li> </ol>	<ol style="list-style-type: none"> <li>1. 60MW produced in Freetown</li> <li>2. 12 towns with reliable electricity</li> <li>3. 100 stand posts in construction</li> <li>4. 70% of households with pipe borne water in Freetown</li> </ol>
<b><u>Infrastructure and Transport</u></b>	<ol style="list-style-type: none"> <li>1. Road: construction of inter-city road network</li> <li>2. Reduce traffic congestion in Freetown by constructing a network that would provide a beltway around the city</li> <li>3. Construction of Feeder roads by districts with support from SLRA</li> <li>4. Riverine Transport-even in Freetown</li> <li>5. Rehabilitation and construction of Lungi Airport</li> </ol>	Take immediate steps to decongest traffic in Freetown and environs by accelerating the ongoing road projects; Peninsula road, Waterloo/Tokeh road, Hillside and Crafton roads
<b><u>Youth Employment</u></b>	<ol style="list-style-type: none"> <li>1. Set up Employment centers country-wide</li> <li>2. Set up a Youth Commission</li> <li>3. Prepare Youths for sustainable employment</li> <li>4. Create youth training vocational literacy centers</li> <li>5. Create youth farming projects</li> <li>6. Empower youths to establish youth-led SME's</li> <li>7. Revisit Reform Labor Laws</li> </ol>	<ol style="list-style-type: none"> <li>1. Reduce unemployment from 60% to 20% by 2012</li> <li>2. Completion in 2008</li> <li>3. Completion in 2010</li> <li>4. Completion in 2008</li> <li>5. Completion in 2008</li> <li>6. Completion in 2008</li> </ol>
<b><u>Growth Sector</u></b> a. Agriculture b. Mining c. Trade d. Fisheries e. Tourism	<ol style="list-style-type: none"> <li>1. Increase agricultural productivity</li> <li>2. Promote agriculture by private sector</li> <li>3. Improve agricultural research and delivery services</li> <li>4. Increase aquaculture/develop fishing trade</li> <li>5. Pursue value added in the mining sector</li> <li>6. Develop downtown Freetown as nice tourist site</li> <li>7. Improve and modernize the Lumley beach site and the Aberdeen cultural village</li> </ol>	<ol style="list-style-type: none"> <li>1. 1.2 ton per hectare</li> <li>2. Increase input supply</li> <li>3. 1,800 fish ponds</li> <li>4. At least one facility</li> <li>5. From 0% to 50%</li> </ol>
<b><u>Social Services</u></b> a. Health b. Education	<p><b><u>a. In Health</u></b></p> <ol style="list-style-type: none"> <li>1. Reduce high infant and maternal mortality rate</li> <li>2. Improve primary health care delivery</li> <li>3. Reduce and control non and communicable diseases</li> <li>4. Strengthen Reproductive and child health care</li> <li>5. Strengthen human resources (increase capacity)</li> <li>6. Eliminate availability of fake drugs</li> <li>7. Energy source at all hospitals</li> <li>8. HIV/AIDS: raise awareness and restructure set-up</li> </ol> <p><b><u>b. In Education</u></b></p> <ol style="list-style-type: none"> <li>1. Improve quality of education system</li> <li>2. Improve the number of girls enrolment in schools</li> </ol>	<p>* From 158/1000 to 134/1000</p> <p>* Number of MD's from 64 to 100</p> <p>* 100% in Sec. &amp; Tertiary centers</p> <p>* Increase passes in public exams from 50% to 70%</p> <p>* From 49.4% to 69.40%</p>