

Executive summary

Thirteen years after the end of a decade-long conflict that left Sierra Leone's human capital, infrastructure and institutions heavily degraded, the country is now firmly on the path to sustainable peace and development. It stands as a good example of an African country that has made a successful transition from conflict. Nevertheless, a great deal remains to be done.

The African Development Bank (AfDB, or the Bank) has made a major commitment to building its capacity to work effectively in countries affected by fragility. In 2008, it established a Fragile States Facility, later renamed the Transition Support Facility, to scale up development assistance to countries in fragile situations. Of the \$2.5 billion the Bank committed to this work, \$100 million was for Sierra Leone, doubling the standard country allocation. The Bank has recently upgraded its transition support department and approved a new Strategy for Addressing Fragility and Building Resilience in Africa, which focuses on key entry points for managing the underlying drivers of fragility and building resilient states and societies through effective institutions, capacity building and partnerships.

This Development Effectiveness Review of the Bank's support to Sierra Leone reviews both Sierra Leone's progress in managing the transition away from conflict and the lessons the Bank has learned on delivering support effectively in a fragile environment in the country. It presents data from the Bank's Results Measurement Framework from 2005 to 2014 and provides examples of our operations at work. The first chapter looks at Sierra Leone's efforts to move from humanitarian assistance and post-war reconstruction towards longer-term development goals, through successive country-led national development plans. The second chapter examines the Bank's contribution to these results and the evolution of its portfolio in response to evolving Government priorities. The third chapter looks at how well the Bank manages its portfolio in Sierra Leone, and the fourth looks at our organisational capacity in the devolved Sierra Leone Field Office. The final chapter focuses on the future of our interventions in Sierra Leone.

Development in Sierra Leone

Since 2002, Sierra Leone has made commendable progress in restoring basic services and essential infrastructure, reintegrating ex-combatants and refugees and creating the foundation for a return to prosperity. These achievements culminated in the successful closure of the UN Integrated Peacebuilding Office in Sierra Leone in March 2014 and its replacement by a development mission. Although Sierra Leone still has challenges to meet, it stands out among African

countries in fragile situations for its achievements in overcoming the legacies of conflict and fragility.

After the end of the conflict in 2002, the Government of Sierra Leone moved quickly to launch a National Recovery Strategy, addressing the most pressing post-war reconstruction needs and putting in place a bridge to longer-term recovery and development. Its first Poverty Reduction Strategy, "A National Programme for Food Security, Job Creation and Good Governance" (2005), focused on economic recovery and poverty reduction, and the second, "Agenda for Change 2008–2012", emphasised state-building. The current "Agenda for Prosperity 2013–2018" identifies the foundations required for Sierra Leone to become a middle-income country by 2035. It focuses on making better use of the country's abundant agricultural potential, increasing its participation in regional markets, expanding infrastructure investments and strengthening governance of the extractives sector, to ensure that the country's mineral endowments are used for the benefit of the population.



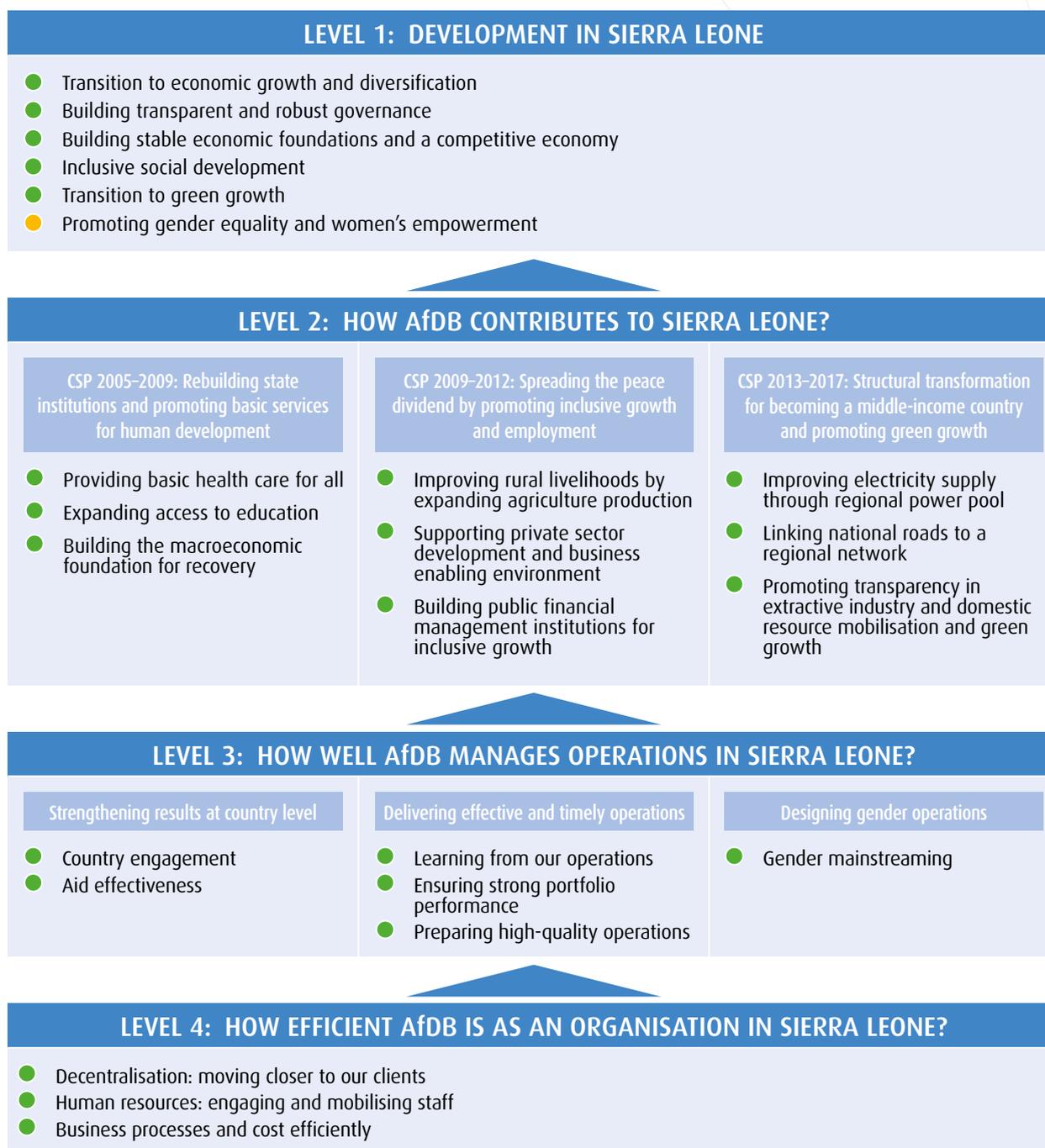
With the electricity from the Bumbuna dam, I am making about about \$5 a day. I put this profit back into the business and my dream is to have a bigger shop stock with a variety of products people need in this community

Sheku Mansaray, Proprietor of All Nations telecenter, SALCOST Highway, Bumbuna

Sierra Leone's economic growth over the past five years has been remarkable, averaging 8% and reaching 20.1% in 2013. The key driver of growth has been minerals (diamonds, rutile, bauxite, gold, iron and ilmenite), with two large-scale iron ore firms starting operation in 2011; in addition, there is strong potential for offshore oil and gas production.

The challenge is ensuring that these resources provide opportunities for the population as a whole. At present, youth unemployment in the urban areas and underemployment in the countryside remain key challenges. Agricultural value-added has increased only slowly, and most cultivation is at subsistence level, although agriculture remains the largest employer and contributor to GDP. Over the past five years, the poverty ratio has fallen from 66% to 53% — an important result, but one that masks significant inequality between urban and rural areas.

Summary performance scorecard 2015



For Level 1, Sierra Leone's relative performance is measured by comparing its progress with progress in peer African countries in fragile situation; for Level 2, the Bank's performance is measured by comparing expected and actual achievements for all operations that have been completed; and for Levels 3 and 4 the progress is measured against the targets set out in our Results Measurement Framework.

- **Made progress:** more than half of the indicators in the group improved over baselines or reference groups
- **Little progress:** Results are mixed, with equal numbers of indicators showing improvement or little/no progress.
- **Progress stalled or regressed:** more than half of indicators in the group stalled or regressed over two or more review periods.
- **Progress could not be measured.**

The Government of Sierra Leone has been a strong leader of its development partnerships, and in recent years a champion of the New Deal agreed in Busan, with its peace-building and state-building goals. It has taken steps to reduce corruption by strengthening its Anti-Corruption Act in 2008 and has registered steady improvement on a range of governance indicators, including audit and procurement capacity. However, sustained good governance, including dealing with corruption, remains a challenge that the Government needs to address.

To strengthen the governance of the extractives sector, the Government passed a new mining code in 2009, created a National Mineral Agency in 2012 to regulate the mining industry and achieved compliance with the Extractive Industries Transparency Initiative (EITI) in 2014. More needs to be done, however, to ensure that the minerals sector makes a proportionate contribution to national development by generating employment and government revenues.

A decade of conflict caused a huge infrastructure deficit that impedes the country's growth. The Government has made infrastructure investment a priority, but it still has some way to go to close the gap. At present, just 14% of Sierra Leoneans have access to electricity, and they face some of the highest electricity prices in Africa (\$0.32 per Kw/h). There are major gaps in transport and energy infrastructure, and particularly in major regional connections. The regional infrastructure Development Master Plan of the Economic Community of West Africa will address some of these gaps. For example, the Trans-West African Coastal Highway from Dakar to Lagos would link 12 West African countries with each other through 4600 km of paved roads.

Sierra Leone has made important progress in improving its business environment, dramatically reducing the time and cost involved in starting a business. However, its financial system remains underdeveloped: only 15% of people have access to financial services. The emergence of new financial services adapted to the African reality, such as mobile banking, should help to close this gap in the coming years. It is encouraging that commercial banks—Guaranty Trust Bank, ECOBANK and United Bank for Africa, for example—have been established and are sharing their expertise and expanding access to basic banking services to the wider population. At the same time, liquidity constraints due to non-performing loans and soaring interest rates are affecting some state-owned banks.

By the end of the war, Sierra Leoneans had a life expectancy below 40 years, the country had some of the lowest human development indicators in the world, and basic services were in disarray. The past 12 years have seen substantial improvement. In education, the primary completion rate stands at a creditable 71%, compared with an average of 59% for countries in fragile situations; however, a lack of vocational training facilities leaves young Sierra Leoneans poorly equipped for formal employment or entrepreneurship. Health indicators have steadily improved, with maternal and under-5 mortality both reduced and life expectancy increasing to 46 years. To improve the nation's poor health indicators, the Government launched

a flagship health care program that includes free health care for pregnant and lactating women and children under five years of age.

Unfortunately, health care service delivery still remains weak. The health system was unable to contain the Ebola outbreak, which has spread exponentially in rural and urban areas. Beyond the unprecedented mortality, the epidemic is causing severe disruption to economic and social life. The full extent of the impact is not yet known, but preliminary assessments by the Bank suggest that a range of economic fundamentals have been affected: economic growth; macroeconomic stability, including the fiscal deficit and price levels that affect trade; employment levels; agricultural productivity; and overall poverty levels. Steady improvement in all these indicators over the past decade had put Sierra Leone firmly on the path of transition from a fragile situation to a resilient state; now, depending on the spread and duration of the epidemic, the country faces a very real risk of slippage and reversal.



The Government of Sierra Leone has been a strong leader of its development partnerships and is champion of the New Deal

The epidemic caused a slowdown in real GDP growth. The epidemic caused a slowdown in real GDP growth from 20% in 2013 to 7% in 2014. The epidemic has also put pressure on food prices, with inflation moving from 6.5% to 10% between May and December and a deterioration in the balance of payments due to increased imports of food and medical equipment and dwindling exports of iron ore. The Government's recovery program seeks an extrabudgetary expenditure of \$625 million to revive economic and social activity over the next 12 months. The recovery program is expected to support the restoration of basic services in health and education, revive agricultural and private sector activity and ensure the Government's smooth transition to implementation of its Agenda for Prosperity.

How AfDB has contributed to Sierra Leone's Development

Since resuming the country programme after 2002, the Bank has demonstrated its strong commitment to the country's post-conflict recovery by contributing over \$350 million in grants and concessional lending to Sierra Leone, including \$100 million through the Transition Support Facility. The Bank's support through its Country Strategy Papers (CSPs) has been closely aligned with successive national development strategies and delivered in close partnership with the Government, in accordance with New Deal principles. The country programme represents a good example of some of the principles and commitments the Bank set out in its new Strategy for Addressing Fragility and Building Resilience in Africa and of the priorities in the Bank's Strategy 2013–2022.

In the immediate post-conflict phase, our support went towards restoring basic services for the population. Under the Government's leadership and in view of the destruction of three-quarters of the health infrastructure, the Bank provided financing to rebuild and rehabilitate 44 health care units, including 15 hospitals, and train 800 doctors, nurses and other medical staff, providing improved health services to 2.6 million people. In education, we supported the Government's back-to-school campaign, which introduced free primary education from 2001. We rebuilt 56 education facilities and trained over 1500 teachers, providing 432 000 children with improved access to education and 24 000 people with vocational training. While these contributions were substantial and helped the Government's recovery, we are aware that daunting challenges remain in the social sector.



The Bank moved quickly to mobilise an emergency response package to the Ebola crisis that involved a quick-disbursing budget support and technical assistance program amounting to \$223 million for the region, of which \$60 million was for Sierra Leone

To restore macroeconomic stability, the Bank provided a series of budget support operations that allowed the financing of public services and investments that were critical in reviving the economy and restarting structural and budgetary reforms. We provided \$106 million in debt relief on nominal terms, to free up Sierra Leone's public resources for essential services. As macroeconomic conditions stabilised, the Bank shifted its focus from balance-of-payments support to budget support with the aim of supporting longer-term reforms in public financial management and good governance in the extractives sector. This contributed to Sierra Leone's becoming compliant with the Extractive Industries Transparency Initiative (EITI) in 2014 and enabled its participation in the Natural Resource Charter international benchmarking process. We are also helping to develop improved financial infrastructure across the West African Monetary Zone, to facilitate real-time interbank payments and foster regional integration.

The Bank has also supported the Sierra Leone Government by investing substantially in agriculture and fisheries, to help restore the basic livelihoods on which a large part of the population depends. It rehabilitated 5000 hectares of swampland and 8000 hectares of tree crops, benefiting tens of thousands of farmers. It helped to restore government capacity in the sector by rehabilitating 93 Ministry of Agriculture buildings, training specialist advisers and establishing 325 farmer field schools and farmer-based organisations. It also invested directly in the private sector, including in the Addax bio-energy project, which employed over 2500 people, half of whom were farmers. Fish landing sites were constructed in Goderich, Tombo, Shenge and Bonthe, improving the livelihoods of

10 000 people, of whom 60% were women. These landing sites are currently being managed under a public-private partnership (PPP) arrangement.

The current CSP for 2013–2017 supports Sierra Leone's ambition to become a middle-income country by 2035. As part of the pillar on supporting transformational and sustainable infrastructure development, the Bank supports Sierra Leone by investing substantially in the development of the West Africa Power Pool, which links the national grids of Côte d'Ivoire, Liberia, Guinea and Sierra Leone to overcome the inefficiencies of small national electricity systems. The Bank also helped fund the completion of the Bumbuna hydroelectric dam, which more than doubled Sierra Leone's electricity generation capacity by producing 50 MW more power. We are investing in regional transport networks, such as a section of the Matotoka-Sefadu road corridor linking the eastern part of the country to the rest of the country, and the Port Loko-Lungi Road, which connects the airport to the capital. This gives businesses access to larger regional markets, while providing a range of additional benefits to communities along the route. Our investment in medical services and the general health of the population is complemented by the support provided by the Bank to improve water and sanitation services, the area in which we have invested the most since the end of the conflict. Through our budget support and policy dialogue, we continue to promote transparency in the extractives sector and improved public financial management, to increase Sierra Leone's capacity to raise natural resource revenues and invest them in the public interest.



The school has encouraged community people to send their children to school. It's the only primary school in the community. It runs morning shift only, with four teachers and 490 pupils from Class I-VI

Amadu M. Conteh, Head Teacher

In 2014, at the urgent request of the Government of Sierra Leone, the Bank rapidly scaled up its interventions in the health sector in response to the Ebola crisis. Across the region, the Bank has been at the forefront, supporting the National Response Plans of the three most affected countries, Guinea, Liberia and Sierra Leone. In April 2014 we were among the first development partners to provide emergency support. The Bank's President, Dr. Donald Kaberuka, was among the first world leaders to visit Sierra Leone in the early stages of the outbreak. In 2014, we provided a total of \$223 million across the region, of which \$60 million was for Sierra Leone. These funds were provided through a combination of budget support, technical assistance for deployment of external medical personnel, emergency response measures and increased support for regional health care systems and human capacity.

How well we manage our operations

One of the Bank's major priorities is improving its ability to operate efficiently and effectively in fragile situations. The Sierra Leone country programme is one of its leading examples. The Bank has worked closely with the Government to help strengthen its leadership of the development partnership. The Bank is committed to the Mutual Accountability Framework that was agreed between the Government and development partners in early 2014 and reflects the New Deal for engaging in fragile states. Earlier, we formally linked the country programme to the World Bank's through a Joint Assistance Strategy, aligned with the country's Agenda for Change. We are active in five donor partner thematic groups, and we chair the budget support donors' working group to harmonise our performance indicators and policy dialogue.



Sierra Leone has agreed a Mutual Accountability Framework with development partners, setting out their joint commitment to supporting peacebuilding and statebuilding

Strong leadership from the Government of Sierra Leone and the proactive engagement of our field office have helped us to improve our portfolio performance: our ratings for technical quality and efficient delivery are steadily improving. The limited capacity in the national systems has been a key challenge for our operations, and we have addressed it by supporting efforts to strengthen project management skills in the country; as a result, all our completed operations are rated as "satisfactory". Furthermore, all of our capacity-building work – such as our support for the National Revenue Authority – has led to sustainable outcomes.



Over the past seven years, the Bank has provided over \$2.5 billion in extra support through the Transition Support Facility, including an additional \$100 million for Sierra Leone

To boost the quality of implementation, we provided training on project management to our national counterparts and the local private companies involved in implementation, to help them meet the Bank's fiduciary requirements. Thanks to the resulting efficiency gains, our disbursement rates have improved from 12% in 2011 to 43% in 2014, and the share of projects at risk of failure dropped from 43% to zero during the same period. For 2014, the Ebola crisis led to suspension of the civil works activities of some Bank-funded projects, and this could potentially affect the quality of the portfolio if the outbreak is not contained quickly. New Bank

environmental and social safeguards have been fully applied in Sierra Leone, and in 2014 all our operations had satisfactory risk mitigation measures in place.

In addition to our financial support, the Bank has prepared three knowledge products in recent years – a comprehensive review of infrastructure needs for the Government and development partners, and studies on green growth and gender equality, written to help the Government mainstream these issues into the Agenda for Prosperity.



Business is good, I am making much more now. Before the Bumbuna dam, I depended on a small generator to supply the shop with electricity; I used about 4-5 litres of petrol per day and I often ran at a loss

Sheku Mansaray, Proprietor of All Nations telecenter, SALCOST Highway, Bumbuna

Our organisational efficiency in Sierra Leone

The Bank has worked hard in recent years to enhance its ability to operate efficiently in countries in fragile situations. Key to that process in Sierra Leone was the establishment of a field office in 2007 and subsequent work to strengthen it and delegate authority to it. Our presence in the country has helped to deepen the dialogue with the Government and improve our collaboration with other development partners, leading to, among other things, joint operations with the UK Department for International Development, European Union and OPEC Fund for International Development. The much deeper knowledge of the country context we have gained from our country presence has informed better-quality analytical work and improved project design. We are also better able to work closely with Government counterparts, helping to build their capacity and address implementation challenges.

Finally, in 2014, the Bank showed its strong commitment to Sierra Leone by activating our Business Continuity Process, which enabled the field office to continue its operations throughout the Ebola crisis. Our virtual working environments reduced the staff footprint while keeping key operations active. The presence of the field office has proved indispensable to coordinating emergency operations with the Government and ensuring timely interventions.

Conclusion and outlook

Sierra Leone has made remarkable progress in consolidating a peaceful democracy and moving from post-war humanitarian support and reconstruction towards laying the foundations for long-term inclusive growth. The Bank has been a close partner of the country throughout this transition process, helping to fill resource gaps and rebuild state capacity.

However, serious drivers of fragility are still at work, and they have been compounded by the Ebola crisis. Some major challenges lie ahead if Sierra Leone is to return to its path of strong growth and post-conflict recovery. Translating the country's mineral wealth into benefits for the population at large will require greater transparency in the minerals sector and in public resource management, to ensure that revenues from mining are collected and invested in the public interest. Sierra Leone will need to diversify its economy and reduce its reliance on mineral exports, with policies and institutions that support a strong private sector, including more productive farming and agro-enterprises. It will also need to invest more on infrastructure to continue narrowing the infrastructure gaps and enable the population to benefit more from economic growth. We

see economic diversification and infrastructure development as the core foundations that will enable Sierra Leone to achieve its vision of middle-income status.

The Bank stands ready to support Sierra Leone in achieving these objectives. We will continue to channel additional resources to the country through the Transition Support Facility. We will also support the Government in identifying additional sources of development finance, including by using Bank resources to leverage more investment from the private sector, building capacity to actively engage in bankable PPPs, and helping the Government improve revenue mobilisation, particularly from the extractives sector. ■

