

Level 3: How well AfDB manages operations in Sierra Leone?

This chapter examines how well the Bank is managing its operations in Sierra Leone. We take stock of how well the Bank has responded to the challenges of working in a fragile, post-conflict environment through flexible funding, robust programme designs and appropriate delivery arrangements. We also review the policy advice to the Government and joint work with other development partners to promote aid effectiveness, in line with the Bank's commitment to the New Deal.

To measure progress in Sierra Leone, we have 19 indicators in Level 3 of our results framework, together with targets for 2015. These indicators help us monitor our performance in strengthening results, designing quality operations and delivering efficiently. We also assess our progress on promoting gender equality.

The Bank's approach to working effectively on conflict and fragility

The AfDB is strongly committed to strengthening its capacity to work effectively in situations of conflict and fragility, including by tackling the underlying social and economic drivers. In recent years, the Bank has adapted its policies and internal processes in line with the principles of the New Deal on fragile states. Most recently, the Fragile States Department has been upgraded in status and a new fragile states strategy has been introduced, reflecting the Bank's experiences from recent years and the advice of the High-Level Panel on Fragile States.

In Sierra Leone, we have taken particular care to align our support with national development strategies so that we can help to address the root causes of conflict, promote resilience and help the country achieve stability and prosperity. We now apply a "fragility lens" to all our operations, policy dialogue and analytical work, to ensure that we tailor our support to Sierra Leone's specific needs. This entails a willingness to take greater risks, including by increasing our use of Sierra Leone's own public financial management systems, while seeking to deliver transparent, timely and reliable financial assistance.

In recent years, the Bank has increased its financial support for countries emerging from conflict through its Fragile States Facility (now renamed the Transition Support Facility), which provides supplementary resources for additional investments, arrears clearance and capacity building. The Bank allocates its concessional resources through a performance-based system, according to the quality of each country's policies and institutions and the Bank's country portfolio. The Transition Support Facility channels additional resources to countries emerging from a period of fragility or conflict, in recognition of their urgent needs.



We now apply a "fragility lens" to all our operations, policy dialogue and analytical work, to ensure that we tailor our support to Sierra Leone's specific needs

In Sierra Leone, the Transition Support Facility more than doubled the Bank's total support, from \$90 million to \$190 million for 2008–2014. The supplementary financial resources have been used for investment projects and budget support operations, as well as technical assistance for such strategic interventions as the following:

- ▶ Providing support to the Teachers' Record Management Program to ensure that the teachers' payroll was cleaned up and to strengthen the record management system;
- ▶ Establishing the Extractive Industry Revenue Unit within the National Revenue Authority to enhance the Authority's mineral revenue collection capacity;
- ▶ Conducting a Fiscal Mineral Tax Harmonisation Study on metals and precious minerals in the Mano River Union member states to harmonise mineral taxes and license regimes;
- ▶ Creating a Natural Resource Charter Benchmarking Framework that will promote the good governance of and accountability for natural resources; and
- ▶ Conducting a study on Sierra Leone's domestic revenue mobilisation.

Table 3: Is AfDB managing its operations effectively (Level 3)

This table presents the Bank's progress in achieving its 2015 targets for portfolio management.

- We have achieved or are within 90% of achieving the target
- We need to pay attention to progress
- We are not moving towards the target
- Data points are missing

INDICATOR	SIERRA LEONE			COUNTRIES IN FRAGILE SITUATIONS	
	Baseline 2011	Latest 2014 ^A	Target 2015	Baseline 2011	Latest 2014 ^A
STRENGTHENING RESULTS AT COUNTRY LEVEL					
● Chairing Development Partners Thematic Group	4 ^c	6	5	2	1
● Country portfolio assessment	4.8	5.4	5.5	4.2	5.3
● Development resources recorded on budget (%)	..	17 ^c	70	54	55
● Predictable disbursements (%)	..	17 ^c	74	63	78
● Use of country systems (%)	39	32 ^c	59	27	38
● Number of cofinanced projects	1 ^c	3	3
DELIVERING EFFECTIVE AND TIMELY OPERATIONS					
Learning from our operations					
● Completed operations rated satisfactory (%)	83	100	85	74	100
● Completed operations with sustainable outcomes (%)	100	100	100	55	50
● Completed operations with a timely PCR (%)	100	100	100	97	83
Ensuring strong portfolio performance					
● Disbursement ratio of ongoing portfolio (%)	12	32	34	20	24
● Operations with satisfactory mitigation measures (%)	100	100	100	82	81
● Operations at risk (%)	43	0	29	..	18
● Operations eligible for cancellation (%)	10	0	8	4	5
Preparing high-quality operations					
● Time to first disbursement (months)	11.6	9.2	12	8	8.4
● New operations rated satisfactory (%)	100	100	100	87	100
● ESWs and knowledge products completed	1 ^B	2	2	..	21 ^B
● Bank-produced and -disseminated ESWs in the current year	2 ^D	2	2	..	21 ^B
DESIGNING GENDER OPERATIONS					
● Projects with satisfactory gender-equality outcomes (%)	100	100	100
● New projects with gender-informed design (%)	100	100	100	67	77

.. = Data not available

Note: The peer group of African fragile states: Burundi, Central African Republic, Chad, Comoros, DRC, Congo, Côte d'Ivoire, Eritrea, Guinea-Bissau, Liberia, Sierra Leone, Somalia, Sudan, Togo and Zimbabwe

^A The last year 2013 has been chosen as this reflects the status of the operations prior to the Ebola crisis

^B for ADF countries

^C 2012

^D Institutional baseline

Source: African Development Bank.

The Facility's flexible procedures allow bilateral donors to channel additional funds to particular Bank projects, thereby promoting harmonisation and risk sharing. For example, the UK Department for International Development (DFID) provided an additional \$9 million through the Facility for the Rural Water Supply and Sanitation project, which is under implementation.

A new emphasis in our fragile states strategy is the focus on regional integration for building resilience and addressing regional

drivers of conflict. Our Sierra Leone country programme is ahead of the curve by supporting the development of a regional power pool, linking the power grids of Côte d'Ivoire, Liberia, Sierra Leone and Guinea. We recognise that promoting regional public goods in West Africa and tackling regional drivers of conflict requires strong frameworks for regional cooperation. We have drawn on the Bank's regional funding stream to improve the payment systems in The Gambia, Guinea and Sierra Leone, which is an essential foundation for regional economic integration.

Following the Ebola crisis, the Bank has demonstrated its ability to mobilise funds rapidly from various sources, including the Transitional Support Facility and the regional envelope. This regional dimension is particularly important, as control of the epidemic will require a closely coordinated regional response.

Strengthening results at country level

Sierra Leone is highly dependent on international aid flows, which in 2012 constituted nearly 15% of gross national income. Good aid practices are therefore extremely important. The Government has now signed a Mutual Accountability Framework with donors to define responsibilities and embed the New Deal principles into its development partnerships. Through this framework, the Bank and other development partners have pledged to put their resources behind the goals and aspirations of Sierra Leone's national plan, the Agenda for Prosperity.

The Transition Support Facility's flexible procedures allow bilateral donors to channel additional funds to particular Bank projects, thereby promoting harmonisation and risk sharing

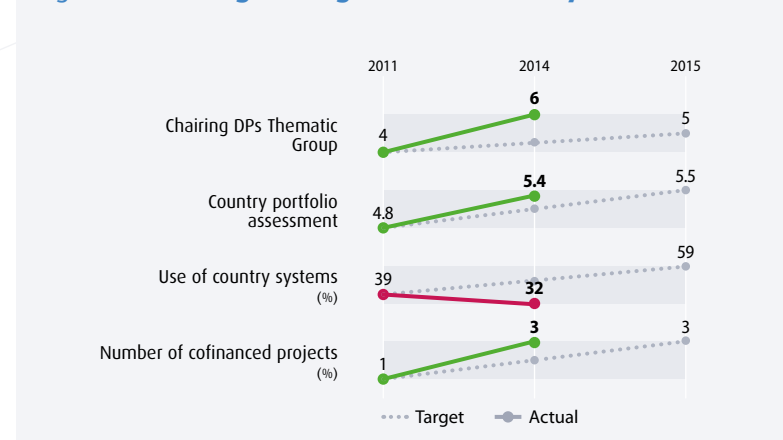
To ensure compliance, there will be regular surveys of donor practices, coordinated by the Development Assistance Coordination Office in the Ministry of Finance and Economic Development, which leads on aid policy and the New Deal. The Government's commitment to implementing the New Deal is also evident from its decision to host the fourth Global Meeting of the International Dialogue on Peace-building and State-building in June 2014.

From 2009 to 2012, the AfDB formally linked its programme to the World Bank's through a Joint Assistance Strategy, which was in turn aligned to Sierra Leone's Agenda for Change. We continue to work closely with the World Bank to ensure complementarity by integrating our programmes and coordinating at sector level. With DFID, EU, World Bank and the OPEC Fund for International Development, we also have three **cofinanced projects**¹ to finance public financial management, water and sanitation in three major towns, and to rehabilitate a major trunk road. This kind of collaboration helps leverage each partner's resources and leads to greater development effectiveness and reduced transaction costs for the Government.

The strong links forged among Sierra Leone's development partners during the post-war reconstruction period are being sustained through regular coordination meetings. The Bank now co-leads

six **Donor Partner Thematic Groups**, in the thematic areas of transport, water, extractive industries, budget support, regional integration and green growth. Through the extractives sector donor group, we provide harmonised support to the EITI, which is expected to achieve significant increases in Government revenue and development expenditure. We work closely with other budget support donors to ensure that key public financial management reforms are supported and disbursement triggers are harmonised. This reduces the transaction costs to the Government while enabling us to help shape a coherent set of messages in support of national priorities.

Figure 3.1 Strengthening results at country level



Overall, these efforts have enabled significant improvement in our portfolio performance, from a **country portfolio assessment** rating of 4.8 in 2011 (on a scale from 0-6) to 5.4 in 2014. This suggests steady improvement in both the technical quality of our operations and in the efficiency of delivery. However, some of the New Deal principles are challenging for the AfDB to implement in a context of limited national capacity in countries like Sierra Leone. The share of our **development resources recorded**² on budget was just 17% in 2012 – far short of our ambitious target of 70% for 2015. Our proportion of **predictable disbursements** was also just 17%, against a 2015 target of 74%. We try as far as possible to strengthen country systems for procurement and public financial management by making use of them in our operations. Our budget support is delivered through country systems, but overall our **use of country systems**³ has slipped from 39% of our portfolio to 32% over the period.

Delivering effective and timely operations

The Bank's Results Management Framework sets out indicators and targets for the quality and timeliness of our operations, from concept through implementation to final review. To make progress in this

1 A green bullet indicate that we have achieved or are within 90% of achieving the target.
 2 A grey bullet indicate that data points are missing.
 3 A red bullet indicate that We are not moving towards the target.

area, we need active leadership and support from the Government of Sierra Leone. Working together, we are able to achieve more sustainable results for the people of Sierra Leone.

Figure 3.2 Learning from our operations

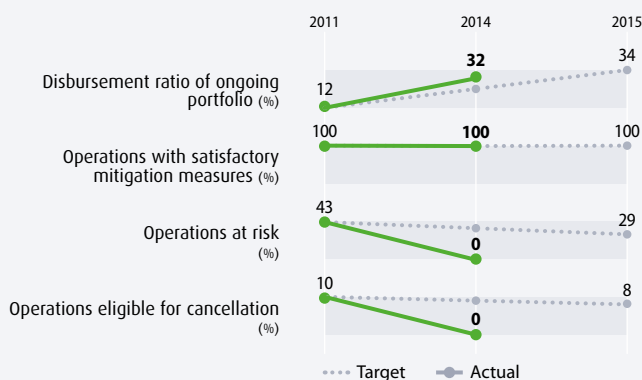


Learning from our operations

In Sierra Leone, the Bank has introduced measures to ensure that our projects are well designed and regularly supervised. We have improved our project management, resulting in a strong portfolio that generates useful lessons for assistance. During the period under review, all of our **completed projects were rated as satisfactory**, which is up from 83% in 2011 and already surpasses our 2015 target of 85%. The rating covers the quality of the original project design and the extent to which the project achieved its objectives and used its resources efficiently.

One of the lessons we have learned in Sierra Leone is the importance of providing additional capacity support alongside our investment projects. For example, as part of our economic governance budget support, we provided technical support for payroll reform in the education sector, helping to eliminate ghost teachers and free up resources to expand basic education. Our capacity building has helped ensure that all of our **completed operations achieved sustainable outcomes**.

Figure 3.3 Ensuring strong portfolio performance



We aim to derive lessons promptly from our projects through Project Completion Reports (PCRs), which are integral to learning from experience and improving future project design and delivery. All our **completed operations delivered a timely PCR** in Sierra Leone, compared to 83% across all fragile states.

Strengthening portfolio performance

AfDB projects are implemented by national counterparts, with the support of the Bank country team. A common challenge in the countries emerging from fragility like Sierra Leone is the lack of project management capacity in the government and in the private sector companies that are engaged to support delivery. To address these challenges, the Bank provides additional training to enhance critical project management skills, including procurement and contract management. For example, in February 2014, the Bank held a three-day training for key Sierra Leonean stakeholders who were responsible for the implementation of the Bank projects.

Our project portfolio in Sierra Leone is subject to close scrutiny and regular monitoring. The Country Portfolio Improvement Plan is regularly updated to identify obstacles to delivery and ways to address them. One measure we have introduced is training local auditors in Bank procedures and requirements, which differ from those of the private sector. By training auditors in these procedures, we can help to ensure that audit reports are submitted in a more timely manner and disbursements are not blocked. We also provide “fiduciary clinics” to both government officials and local contractors, to increase their ability to meet the Bank’s strict financial management requirements. In addition, as part of the Economic Governance Reform Program II, we help strengthen national procurement and financial management systems, so that we can make increasing use of them to deliver our operations.

This proactive approach has led to major efficiency gains. The **disbursement ratio of our portfolio** increased from 12% to 32%, which is just below our 2015 target and above the 24% average for fragile countries. This indicates that projects are now moving forward smoothly. The Bank has worked closely with the Government to address the health of our portfolio, with the result that there are now no **projects at risk**, as compared to 43% at risk in 2011. We have also cancelled five older, non-performing projects, freeing up \$7 million that was reallocated to rural water and sanitation projects. There are no longer any **operations eligible for cancellation in the portfolio**.

Other improvements in design and implementation include strong results frameworks and monitoring and evaluation systems for each of our projects. The Bank has a strong social and environmental assessment framework that ensures that any negative impacts are sufficiently mitigated. In 2014, all our **operations had satisfactory mitigation measures**.

Preparing high-quality operations

In addition to technical soundness and solid design, high-quality projects require engaging with the Government and building national

ownership. In Sierra Leone, the Bank's readiness reviews verify that projects comply with our quality-at-entry standards. Over the period, all of our ● **new operations were rated satisfactory** in terms of quality of design and results focus.

To help us understand the challenging delivery environment in Sierra Leone and support policy dialogue and project design, the Bank prepared two ● **knowledge products** in 2014. "Infrastructure and Growth in Sierra Leone" helped the Government and development partners identify the most strategic infrastructure investments to promote regional integration and national growth. Our reports "Transitioning Towards Green Growth" and "National Gender Profile of Sierra Leone" advised the Government on how to mainstream these critical issues into its Agenda for Prosperity.

In future, the Bank expects to use its project preparation facility to conduct studies to improve the quality at entry of investment projects.

Promoting gender equality and green growth

The Bank promotes gender equality in Sierra Leone, through both policy dialogue and particular projects. In 2012, we undertook a major multisector analysis of gender equality and women's empowerment. This study ranged from the provision of basic services, women's economic empowerment, and the sociocultural and economic constraints to women's participation, to the policies, institutions and legislation dealing with gender equality. Its results and recommendations provided a sound basis for policy dialogue with the Government during the preparation of its Agenda for Prosperity.

The Bank has also worked with the EU, World Bank and DFID to address gender issues. After a joint diagnostic in 2010 to examine how far each of our agencies and programmes promoted gender equality, the development partners agreed on a joint Gender Equality and Women's Empowerment Action Plan to adapt our working practices to focus more on promoting gender equality.

Gender issues have increasing prominence in the Bank's Sierra Leone portfolio. In 2014, all of our ● **projects had satisfactory gender-equality outcomes**. In addition, new operations such as the Three Town Water and Sanitation Project include activities that specifically address gender gaps, with appropriate resources and monitoring arrangements. The Matotoka-Sefado Road Rehabilitation Project, for example, has mainstreamed gender into its design, with specific activities to work with communities to address gender issues, including violence against women. Through such measures, all our ● **new projects have gender-informed design**.

Through policy dialogue, the Bank helped the Government identify opportunities for promoting green growth in its Agenda for Prosperity. This is a key part of the Bank's broader commitment to support regional member countries in moving gradually towards a green economy, to improve their resilience, better manage their natural resources and ensure sustainable infrastructure. In Sierra Leone the Bank has emphasised the importance of promoting

renewable energy by financing the Bumbuna hydroelectric dam and the Addax bio-energy project.

Figure 3.4 Preparing high-quality operations

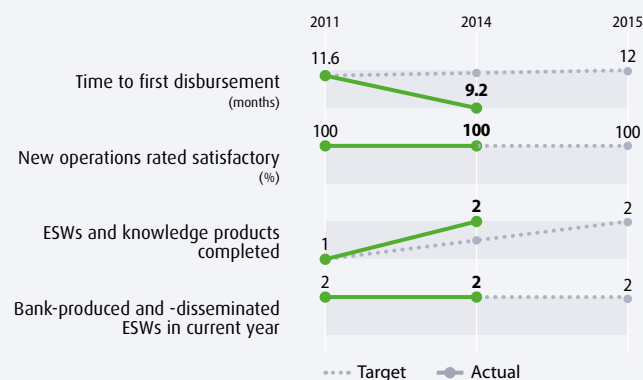
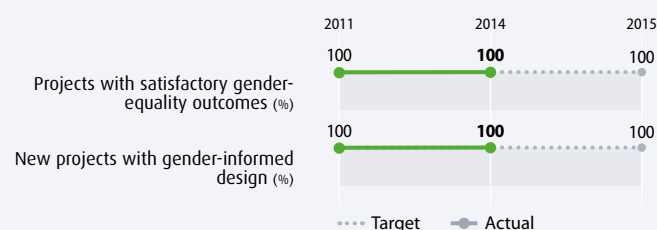


Figure 3.5 Designing gender operations



Conclusion

The Bank has worked hard in recent years to strengthen how it works in the countries in fragile situations. Through our Fragile States or Transition Support Facility, we mobilised additional resources for Sierra Leone and launched capacity-building initiatives. Since the Ebola crisis, we have also demonstrated that our procedures are flexible enough to enable a rapid response to a regional challenge with devastating human and financial costs.

Besides increasing its financial support, the Bank is working hard to tackle the socioeconomic drivers of conflict and fragility. It supports the Government's leadership of its development partnership through the New Deal initiative. It coordinates closely with other development partners and plays a leadership role in some of the donor thematic groups. Its portfolio performance has steadily improved, both in the technical quality of its operations and in the efficiency of its delivery. It has made good progress in incorporating gender equality and green growth objectives into its assistance. However, it still has some way to go to achieve some of its aid effectiveness targets, particularly those related to the use of country systems.

In the next chapter, we turn to how well the Bank manages its own organisation in Sierra Leone. ■

