

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



REPUBLIC OF SIERRA LEONE

AfDB/IDA/IFC JOINT ASSISTANCE STRATEGY 2009-2012

COVER NOTE

REGIONAL DEPARTMENT WEST II

NOVEMBER 2009

1. INTRODUCTION

1.1 The Boards of Directors approved the last Results-Based Country Strategy Paper (RBCSP) for Sierra Leone covering the period 2005-2009 in July 2005 (Document ADB/BD/WP/2005/76-ADF/BD/WP/2005/86). The 2005-2009 CSP assessed Sierra Leone's post-conflict development challenges and the prospects for sustained growth and poverty reduction. Based on that assessment, the CSP proposed that the Bank's medium-term strategy (2005-2009) be geared towards the following: (i) strengthening economic growth through improved governance, and; (ii) human resource development.

1.2 During consideration of the report on 27 July 2005, the Boards of Directors expressed concerns on the Sierra Leone Authorities' need to maintain sound macroeconomic stability and implement the governance measures focusing on the improvement of transparency and accountability in public financial management. Originally, the 2005-2009 RBCSP was centered on two pillars, namely: (I) Promoting Economic Growth by improving Governance, and (II) Human Resources Development. But, at the Mid-Term Review (MTR) in 2008 with the new government changing priorities as well as the country's eligibility for the Fragile States Facility (FSF), the Bank Group reformulated the first pillar to: (i) Pro-Poor Growth with emphasis on infrastructure and Governance.

1.3 The AfDB and World Bank Group including the International Development Association (IDA) and the International Finance Corporation (IFC) have embarked on the preparation of a Joint Assistance Strategy (JAS) for Sierra Leone covering the period 2009-2012. The process was launched through a series of workshops in January and March 2009 held in Freetown with other sites including Tunis and Washington DC connected by video. This was followed by an AfDB mission in Freetown in July 2009 and WB Group/AfDB joint consultation missions up-country and Freetown in August and September 2009 respectively. To summarize the consultation process, a consultation mission with stakeholders at the government and community levels was carried out in Freetown in January 2009 to discuss and validate the strategic directions. In June 2009, the Government of Sierra Leone launched the country's second-generation PRSP under the name, *Agenda for Change*. PRSP-II spells out the vision, direction, and development priorities of the government. Since then, The World Bank, African Development Bank (AfDB), and International Finance Corporation (IFC) have been working on the *Joint Assistance Strategy (JAS)* to support the new PRSP. The preparations started in January, well in advance of the completion of the PRSP, and included several rounds of consultations and feedback. They were concluded in September 2009. This AfDB/IDA/IFC joint strategy is part of a recent trend among Development Partners to align and harmonize their strategies in the country. In this regard, the EU and DFID prepared a joint strategy for 2008-2013. Sierra Leone has prepared an Aid Policy Paper which will be discussed at the November 2009 forthcoming CG meeting. This document sets out the Government's vision for improved aid effectiveness. The CG will also focus on trade and investment opportunities in Sierra Leone as well as increased partner interventions in the context of PRSP II.

1.4 The proposed Joint Assistance Strategy (JAS) conceptualizes Bank Group and World Bank Group support to Sierra Leone during the three-year period of July 2009 to June 2012. **It also requests renewal of Sierra Leone's access to financing under the Fragile States Facility (FSF).** Bank Group assistance to Sierra Leone under the JAS will be provided from part of ADF-11 (2008-2010), and all of ADF-12 (2011-2013), and the FSF resources. The

JAS was prepared in close collaboration between the two institutions with broad consultations with key stakeholders as mentioned in 1.3 above. Sierra Leone Field Office (SLFO) staff participated in the workshops, preparation missions and conducted the joint consultation mission. Close cooperation between the Bank, the World Bank Group and the government will continue during the implementation of the JAS.

2. COUNTRY CONTEXT AND RECENT DEVELOPMENTS

2.1 Political Context

2.1.1 **Peace has been consolidated in Sierra Leone**, following the 2002 end of a decade long civil war, which had devastated this small country of 5 million people. **Sierra Leone is one of few countries designated as “Fragile State” by the Bank to experience a smooth democratic transition of government.** On September 17, 2007 Ernest Bai Koroma of the All Peoples Congress Party (APC) was sworn in as President of Sierra Leone, defeating the candidate of the incumbent Sierra Leone Peoples Party (SLPP) following a second round ballot. There was broad consensus among international observers that the 2007 elections were free, fair and credible. These were the second Presidential and Parliamentary elections since the end of the civil war. All ministers have signed performance contracts with the President, and a recent cabinet reshuffle is understood to have been significantly based on the assessment of these contracts. Civilian rule has always been either under APC or SLPP, with the APC ruling for a 25 year period from 1967 to 1992 and the SLPP ruling from 1961-1967 and from 1996-2007. Recent political events provide good reason for optimism that a sustainable pluralistic democratic system is gradually being established. The situation remains fragile, however, as demonstrated by clashes in urban centers between SLPP and APC supporters.

2.1.2 Local council elections took place on July 5, 2008 and a process of devolution of power, started in 2004, continues to deepen, giving local authorities responsibilities for most local-level delivery of services (health, education, water, feeder roads, etc.). Public Financial Management has been strengthened through the introduction of modern budgeting and accounting systems. New and better budgeting legislations and regulations are now in place. Most ministries and agencies now prepare annual procurement plans. Government has adopted a new Chart of Accounts and requires donors to use it for regular reporting.

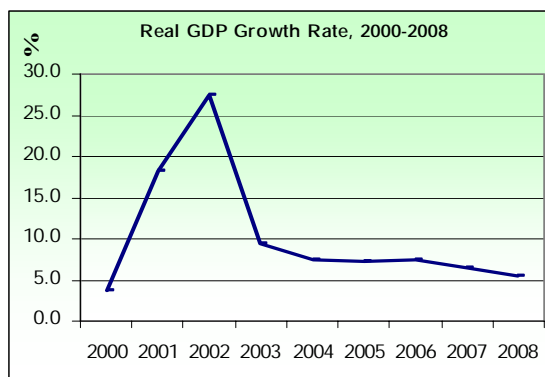
2.1.3 **Delivery of Basic Services has started to improve**, and Government has enacted key legislation to support the decentralization process and important responsibilities for the delivery of basic services have been devolved to district councils. Transparency of allocation is maintained through an allocation formula, which is public. Local councils now have a greater role in basic education, primary health care, water supply, and feeder roads. Access and citizen satisfaction with primary education and health improved between 2005 and 2007 and in some cases significantly. However, **infrastructure** remains devastated and underdeveloped especially water supply and sanitation and roads.

2.2 Recent Economic Developments

2.2.1 **Sierra Leone's post-conflict economic performance has been strong.** The recovery, which began in 2000, continued for an eighth unbroken year into 2008 when real Gross Domestic Product (GDP) grew by an estimated 5.5 percent despite a sharp spike in food and fuel prices. Much of this growth was concentrated in the informal agricultural, fishing, mining, and services sectors that make up the bulk of the economy¹. Formal economic activity is confined primarily to large scale mining, construction, retail services, tourism, and government employment.

2.2.2 **The main source of growth has been high post-conflict “catch up” effect and productivity.** The contribution to growth from the labor force for the period 2002 to 2007 was 2.4 percent while physical capital contributed another 1.6 percent. Productivity growth contributed the remaining 6 percent². From a sector perspective, the main sources of growth in the economy have been agriculture and services due to their weight in the economy. Agriculture employs about 70 percent of the population and, as of 2008, accounts for about 44 percent of the GDP. The mining sector accounts for 2 percent of employment, 18 percent of GDP, and generates the majority of export receipts. Construction and manufacturing add another 7 percent of GDP. The manufacturing sector is small with mainly import-substituting industries and employs only about 2 percent of the labor force. The service sector, much of it informal, accounts for the remaining 31 percent of GDP.

Figure 1: GDP Growth



Source: ADB Statistics and IMF: African Economic Outlook 2008

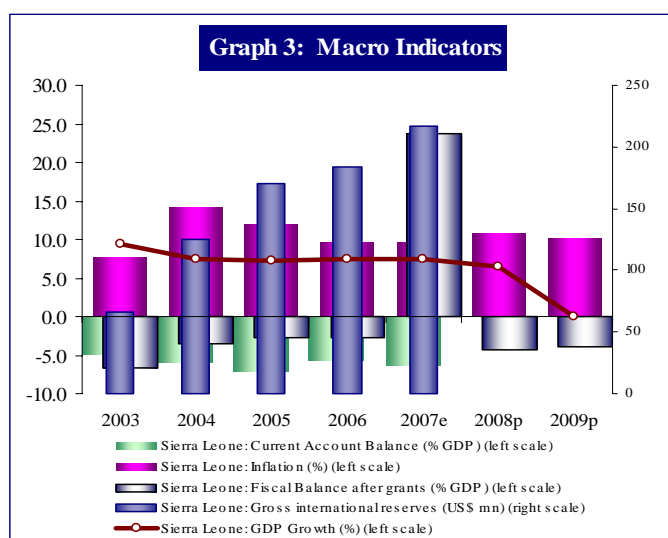
2.2.3 **The current account balance was financed mainly by concessional external assistance and debt relief.** In December 2006, Sierra Leone reached the Completion Point under the Enhanced Heavily Indebted Poor Countries (HIPC) initiative and, in so doing, also gained additional relief under the Multilateral Debt Relief Initiative (MDRI). Taken together, the total relief will amount to roughly US\$1.6 billion in nominal terms spread over 30 years.

¹ No reliable data exist on the share in GDP of the informal sector which employs about 70% of the labor force but the share is likely to be around 60% of GNP based on comparative data.

² This figure seems on the high side for a country like Sierra Leone indicating that imperfections in the data may be at play. The relatively high figure may partly reflect increases in commodity prices.

2.2.4 **The global recession has adversely shocked the Sierra Leone economy through two key channels: the terms of trade, and remittances.** The global economic prospects for traded goods suggest that Sierra Leone will continue to be subjected to volatile terms of trade for the next two years. The terms of trade are expected to move against Sierra Leone in 2009, declining by 4 percent as export prices fall faster than import prices. According to the last IMF PRGF review, the worst of the global recession appears to be over, although the pace of the recovery is not yet well established. The trend is expected to be reversed in 2010 and 2011; with the terms of trade growing by 4 percent and 0.2 percent respectively, as the global recession gradually comes to an end. Remittances from abroad are expected to fall from US\$38 million in 2008 to US\$25 million in 2009 before rebounding to US\$37 million in 2010. Figure 2 below provides a summary of key economic indicators through 2009.

Figure 2: Macroeconomic Indicators



Source: ADB Statistics, African economic outlook 2008.

2.3 Recent Social Developments

2.3.1 The Sierra Leone Integrated Household Survey (SLIHS) conducted in 2003/04 established the poverty profile for the first Poverty Reduction Strategy Paper. Based on the established poverty line thresholds, 66.4 percent of the population was living below the absolute poverty line. Further analyses showed that poverty was more a rural phenomenon: 78.6 percent for rural areas versus 27.4 percent for urban areas. Rural areas accounted for the largest proportion of the poor (78.6 percent) yet accounted for 60.6 percent of the total population. Urban poverty was more prevalent in urban areas outside Freetown (64.9 percent for other urban and 22.2 percent for Freetown). An estimate of food poverty (those not meeting basic minimum food requirements per day) gives an estimate of 62.3 percent of the population being food poor. A greater proportion of rural population is food poor than the urban population (66.2 percent and 56.1 percent respectively).

2.3.2 While the 2008 Sierra Leone Poverty Diagnostic suggests poverty headcount may have decreased to 57 percent in 2007 from 66 percent in 2003/04, rapid international price

inflation in 2008, may have pushed the poverty rate up by at least 4 percentage points. Life expectancy at birth is reported at 41.8 years. Infant mortality in 2005 was estimated at 170 per 1,000 live births, and under-5 mortality at 286 per 1,000. According to the 2005 MICS-III household survey, 31 percent of children less than 5 years old are underweight, 40 percent stunted, and 9 percent wasted. The adult literacy rate according to HDI data is 34.8 percent, whilst the combined gross enrolment rate for primary, secondary and tertiary education is estimated at around 44.6 percent. **These figures paint a grim picture for a country that ranks 180th out of 182 on the 2009 Human Development Index.**

3. MAIN CHALLENGES AND OPPORTUNITIES

3.1 Sierra Leone has very strong comparative advantage in terms of its vast natural resources and favorable climate which constitute opportunities for the development of the country. Regarding **agriculture** the country has an estimated 5.36 million hectares of arable land, five agro-ecologies, 3,500mm -- 4,000mm annual rainfall over a period of six months, and temperatures ranging from 23c – 33c. These provide ample scope for several crops including rice, cocoa, coffee, ginger, maize, sorghum, millet, cassava, sweet potatoes, yams, groundnuts, bananas, plantains and cashew to be grown under rain-fed conditions. Though this sector is the largest economic sector in the country, the opportunities that exist in the sector have not been fully utilized due to several constraints including low investment in the sector, lack of effective institutional arrangements for agricultural credit, inadequate budgetary support, inadequate support for research, technology generation and extension services, poor transportation network and facility, inadequate agro-processing facilities and high post-harvest losses. Government has considered agriculture top most in its priority and is committed to addressing the challenges facing the sector to enhance food security and generate tradable agricultural products with a view to reducing poverty. The high dependence on exploitation of natural resources can lead to **environmental** degradation if not managed properly. Deforestation has become a problem in Sierra Leone, this in addition to environmental degradation caused by increases in coastal populations and urbanization. The prospect of oil will increase the need for proper structures for managing the environment including coastal and marine resources.

3.2 **Energy:** Sierra Leone is endowed with abundant renewable energy resources mainly biomass, solar and hydroelectric but access to electricity is one of the most binding constraints on urban job creation and poverty reduction in Sierra Leone. Characteristics of the energy sector in the country include lack of appropriate sector policy, lack of any regulatory body, poor technical and financial performance of the national Power Authority (NPA); expensive and unreliable power supply; underinvestment in the development of the power sector beyond the Bumbuna Hydroelectric Project. Key reforms are being put in place to enhance operational efficiency, improve financial performance, increase energy supply in a sustainable manner and more efficiently mobilize finance for expansion and service improvement. The Bumbuna Hydroelectric Project has been completed and commissioned on November 6th 2009 for commercial use. The Bank has played an instrumental role in supporting Bumbuna and in drafting the recently prepared Sierra Leone Energy Policy. Private-Public Partnerships (PPPs) can profitably be used following the completion of Bumbuna in the areas of hydro power and rural electrification.

3.3 Sierra Leone is endowed with vast **water** resources both surface and groundwater but the resources are unevenly distributed in time and space. The country's water potentials

provide opportunities for domestic and industrial use and irrigation but the majority of people do not have access to safe drinking water with a national average of water supply coverage of only 22%. **The Towns Water Supply and Sanitation Project planned by the Bank for early 2010 and the Rural Water Supply and Sanitation Project planned for 2011 will improve access to drinking water for urban and rural populations in Sierra Leone.**

3.4 Transport: A good transport network is critical for growth in key sectors of the economy and in meeting the MDGs. There is an existing network of roads, air and sea transport but these are inadequate and generally in poor condition. The existence of inadequate and poorly maintained rural and feeder roads connecting villages and farm areas to market centers and the lack of regular transport services pose serious challenges to the economic development in the country. The rehabilitation of approximately 160 km of roads in the major provincial towns and 2,055 km of feeder roads as well as the construction of highways between the urban centers is a priority of Government in the medium term and this would require strong support from the development partners. **Lungi-Port Loko Road Project, approved in June 2009 and signed in September 2009, will assist government in its efforts to improve the transport network. The Mototoka to Sefadu Road, planned for 2012, will further consolidate government efforts to improve the transport network. These roads form part of the core road network identified by Government on which 65% of the funds generated for road maintenance (Road Fund) are spent annually. Indications are that the road sector reforms envisaged during the JAS period may result to an increase in the amount spent on road maintenance.**

3.5 Private Sector Development: During PRSP I, Government recognized the importance of private sector growth and job creation in reducing poverty. Although a comprehensive Private Sector Development strategy was not fully formulated during the PRSP I, overall reforms in the sector have been reasonably satisfactory. A number of policy measures have been implemented by Government to provide the conducive environment for the private sector. These include an initiative to strengthen the coordination of trade policy formulation and implementation, and the enactment of legislation designed to simplify business procedures. They also include a proposal for the restructuring and strengthening of Sierra Leone Export Development and Investment corporation (now called Sierra Leone Investment and Export Promotion Agency), and the development of a privatization strategy by the National Commission for Privatization (NCP) although there has been no privatization activity. In addition, Government commissioned an Administrative Barriers to Trade and Investments Study, which is ongoing at the beginning of PRSP II, to address all administrative impediments to investment in Sierra Leone. Recently, and as a result of the reforms in the business regulatory environment, Sierra Leone climbed in the World Bank Doing Business Index 2010 by 8 places from 156th to 148th. Notwithstanding the progress made, the sector is still faced with the challenges in the area of land rights as it is difficult to use land property as collateral to raise funds, and for commercialization of agriculture and manufacturing industries. **The AfDB will (2010) co-finance the Addax Bio-energy project and provide Euro 25 Million from its private sector window for the project which will grow sugar cane and produce ethanol and electricity.** The AfDB private-sector operations include equity funds for cellcom in the area of ICT infrastructure and for Ecobank in the area of financial services. Moreover, the AfDB private-sector arm and the IFC are at the discussion phase on joint activities in the context of the Conflict Affected States in Africa (CASA) Initiative that includes Sierra Leone. While the general business plan of AfDB's private sector department is not country-driven, it is aligned with the Bank's country and sector strategies as expounded in the respective country strategy papers. Private sector

operations are difficult to undertake in fragile states before the business environment reaches minimum acceptable standards. In the context of our portfolio risk exposure, direct projects in fragile states tend to be characterized by very high risk ratings which cumulatively contribute heavily to the portfolio's risk profile. Hence, direct exposure to fragile states has to be limited in order to comply with internal risk limits until the fragility situation improves appreciably or the country exits the state of fragility. Private Sector development is a pre-condition in PRSP II and is an overarching theme in the JAS streamlined into both JAS pillars. The same applies to governance which is discussed below.

3.6 Governance: Good governance is a key prerequisite for economic and social stability. Significant progress has been made in rebuilding various institutions for governing the state and safeguarding national security under the first Poverty Reduction Strategy Paper (PRSP I). However, there is still need for deeper reforms to tackle the endemic corruption in the country. Governance traditions are very weak and include patrimonialism handed down through generations, combined with the corruptive influences of diamond wealth. With a corruption perception index of 1.9, Sierra Leone is ranked 158th out of 180 by Transparency International for 2008. 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. As a result of these reforms Sierra Leone recently climbed in the Transparency International 2010 index by 12 places from 158th to 146th.

3.7 Regional Integration

Sierra Leone is a member of ECOWAS (Economic Community of West African States) established in 1975, as well as Mano River Union (with Liberia, Guinea, and Cote d'Ivoire), 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 absolute poverty. 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) single currency, the eko now delayed until 2015. The objective of the same currency is to serve as a bridge to economic and regional integration among the member states to facilitate regional trade, create a large market of over 250 million people, achieve economies of scale, and enhance comparative advantage and competitiveness. Sierra Leone, however, along with most other member countries has not met the macroeconomic convergence criteria for the WAMZ single currency. The AfDB approved in 2008 a grant of UA 14 million to WAMZ for the financing of improving the payment systems in Sierra Leone, the Gambia, and Guinea. The grant is to augment the payments systems in these countries and to harmonize their systems to those of the other member countries in the zone, thereby facilitating the process of a monetary union. The AfDB also plans to provide capacity building support for the Mano River Union which includes training of unemployed youth.

4. COUNTRY DEVELOPMENT PROGRAM

4.1 **The Government has completed the second generation of Poverty Reduction Strategy Paper (PRSP II)** covering the period 2008-2012, under the title “Agenda for Change”. The strategy is based on lessons learnt from implementing PRSP I; nationwide consultations and priority-setting exercise; and the growth diagnostic analysis for Sierra Leone. The focus of the PRSP II is to reduce poverty through economic growth, with an emphasis on the private sector. The strategy has been launched in June 2009 and has been submitted to the Boards of the World Bank and the International Monetary Fund (IMF) for consideration. The UK actually hosted a consultative Group meeting with development partners on 19 November 2009 in London which was well attended. The day before the CG there was a Trade and Investment Forum focusing on attracting private sector investors to Sierra Leone and was attended by many individuals and business representatives. **It is to be noted that the country’s PRSP II does not have the conventional pillars one encounters in most PRSPs.** Instead, it has **priorities** and **preconditions/principles** as outlined in 4.2 and 4.3 below.

4.2 Recognizing the slow rates of progress in attaining the MDG indicators, Government has developed the PRSP II based upon four key priorities as follows:

- (i) **Provision of a reliable power supply** in the country; transiting toward a low carbon energy economy through use of the country’s significant hydropower potential.
- (ii) **Raising quantity and value-added productivity in agriculture and fisheries** with emphasis on productive capacities of the poor and vulnerable;
- (iii) **Developing a national transportation network** to enable the movement of goods and people and thereby facilitate increases in investment and economic activity;
- (iv) **Ensuring sustainable human development** through the provision of improved coverage of the basic social services and social protection needs of the poor and vulnerable;

4.3 In addition to the priorities cited above, the Agenda for Change (PRSP II) is based around four Preconditions/Principles (Good Governance, Private Sector Development, Macroeconomic Stability and Management of Natural Resources), which underpin four Priority Areas (Agriculture, Energy, Transport and Human Development through Basic Services). The Agenda for Change furthermore identifies three key Risks (Corruption, Illicit drugs, Youth unemployment). It should also be noted that our on-going portfolio in energy (Bumbuna), agriculture, transport, social sectors, and multi-sector supports the government program as outlined by PRSP II.

5. AfDB AND WORLD BANK GROUP STRATEGY

5.1 State of the Portfolio

5.1.1 The Bank Group began its lending operations in Sierra Leone in 1973. As at 31st July 2009, 46 operations have been approved, with a total commitment net of cancellations of UA 278.4 million. These were approved to finance 27 projects, 3 institutional support projects, 6 PBLs, 3 lines of credit, and 7 studies. These operations include the social sector (health and education: 29.9 percent), multi-sector (27.4 percent), public utilities (23.8 percent) and agriculture (18.9 percent). Current cycle of ADF 11 and Fragile State Facility (Supplemental Support) has allocated a new commitment of UA 71.79 million for the development and

implementation of new pipeline projects in Sierra Leone. In addition, the Fragile State Facility Targeted Support (Pillar III) has made UA 2.0 million available to Sierra Leone for national capacity building activities.

5.1.2 At the end of the third quarter of 2009 there were eleven (11) on-going projects in the portfolio. These are at different stages of implementation with a total approved amount of UA 95.78 million. Out of the approved a total of UA 43.568 million has been disbursed. The social sector accounts for UA 45.0m, Agriculture UA 24.85m, Infrastructure UA 13.14m and Multi-sector UA 12.79m. Within the social sector the Health sub-sector accounts for 37.7 percent, Education 35.5 percent and Community Social Services Support 26.7 percent. Within Infrastructure Sector, the Power sub-sector contributes a significant amount of 78.4 percent, followed by Transport 15.1 percent and Water & Sanitation 6.5 percent. The average size of projects in the portfolio is UA 8.58m. This is rather low compared to the Bank Group average for 2007, where the average size of public sector portfolio was UA 16.9 million, up from about UA 15 million in the previous year.

5.1.3 Portfolio Performance: Portfolio implementation has been characterized by a number of factors including long time lag between project design and implementation, bureaucratic processing procedures of line ministries, low level of capacity and skills of PIU staff, lack of implementation oversight and project monitoring by government, delays in releasing government counterpart funding, delays in conducting project audits and submission of progress reports, long delays in granting 'No Objections', inadequate project supervision and turnover of Task Managers.

5.1.4. The low disbursement rate of only 45.5 percent is indeed a serious impediment and is indicative of poor portfolio performance. Overall, 54 percent of the portfolio is at risk (PAR)³, which is high but represents an improvement from 2007 and 2008 when 83.3 percent and 75 percent (respectively) of the portfolio was at risk. The 54 percent PAR rate as of 1st October, 2009 is decomposed into 18 percent Problem Projects and 36 percent Potentially Problematic Projects (PPP), not including multinationals.

5.1.5 The presence of SLFO in the country has helped to improve the overall management of the portfolio as well as the visibility of Bank through workshops, consultations, dialogue, monitoring and follow-up of activities and programs. The most visible improvements due to presence of SLFO are higher disbursements and the lower PAR rate. Access to the enhanced resources of the FSF and the flexibility embodied in this facility has helped in addressing some of the delays in project implementation mentioned earlier. Another lesson is the importance of enhancing government Monitoring and Evaluation mechanisms to ensure effective and efficient use of resources. It is only recently, through dialogue that the Government has put in place mechanisms for project monitoring and evaluation. Based on some lessons learnt, measures are being taken to further improve portfolio performance. These include:

- Facilitating project coordination activities with Government/PIUs on a regular quarterly basis
- Providing technical and management support to PIUs in dealing with implementation challenges

³ PAR is measured by the percentage of the number of projects at risk to the total number of rated operations

- Developing a detailed Country Portfolio Improvement Plan (CPIP) with government to form an action plan.
- The AfDB is working with the Fragile States Facility (FSF) to address some of the systemic challenges in Sierra Leone. Through Pillar III (targeted support) the AfDB has made available to Sierra Leone UA 2 million to address capacity issues. Also the FSF has introduced waivers that have made it possible to address government's challenge of availing counterpart funding by approving 100% financing for new projects in addition to flexible procurement. The AfDB will continue dialogue with government and other development partners to support capacity building.
- Improving projects' design and quality at entry.

5.2 JAS Pillars and Bank Strategy

5.2.1 The JAS will consider Sierra Leone's main challenges and opportunities as it pursues an economic transformation strategy to accelerate growth and reduce poverty. Based on the challenges and the government's medium term agenda outlined in the PRSP II, the JAS will focus on the strategic priorities of Inclusive Growth with projects in energy, water and roads; and agriculture and Basic Services for All, with projects in health, education and social protection for both institutions. **The World Bank will focus on energy, agriculture, and service delivery while the AfDB will focus on infrastructure and governance.** The JAS will also support the enabling environment for private and financial sector development as well as good governance. **The challenge is to be selective in supporting Sierra Leone's growth and poverty reduction objectives given the development needs of the country. The selection of interventions will be guided by the three institutions' financial allocations for the country and the country's absorptive capacity and debt sustainability.**

5.2.2 As indicated earlier, the PRSP II establishes four strategic priorities covering Energy, Transport, Agriculture and Human Development. The attainment of these priorities is seen to require the attainment of core preconditions in terms of Good Governance, Macro-economic Stability, Private Sector Development, and Sustainable Natural Resource Management. To capitalize upon Government's ownership of the PRSP, the JAS seeks to follow this approach through a concentration of activities in the two pillars, **Inclusive Growth** (which captures Government's focus on Infrastructure and Agriculture) and **Basic Services for All** (which encompasses the activities in the field of health, education, and social protection). The need for good governance, capacity building, and the core role for the private sector in achieving sustainable growth are pervasive in the PRSP. This is reflected in the JAS by adopting Governance and Private Sector Development as overarching themes, present in every sector of our activities, to underscore the need to approach these themes at the national and project level in every sector, rather than as stand-alone activities.

5.2.3 Accordingly, the joint strategy will be based on two pillars; namely:(i) **Promoting Inclusive Growth** including infrastructure and agribusiness and (ii) **Providing Basic Services for all** with governance and private sector streamlined to each pillar as overarching themes. This structure of the JAS pillars is in line with the PRSP II priorities and the priority/precondition nexus employed in the structure of the PRSP. It is also to be noticed that the pillars are not focused enough as a result of the drive to accommodate three institutions.

5.2.4 Pillar I (Promoting Inclusive Growth) is based on the PRSP goal of “**Achieve an annual growth rate of 10% or more through investment in infrastructure, public sector service delivery and private sector development**”, while pillar II of the JAS (Providing Basic Services for All) is based on the PRSP goal of “**Ensuring sustainable human development through the provision of improved social services**”. As articulated in the joint document, there are six JAS outcomes related to pillar I while there are five outcomes related to pillar II. These outcomes are outlined and discussed in the joint document under the World Bank Group and AfDB Group Strategy, and are summarized below:

Outcomes under Pillar 1

Outcome 1 : Broaden Electricity supply throughout the country.

Outcome 2 : Maintain and extend key transport infrastructure

Outcome 3 : Enhanced productivity in agriculture and fisheries

Outcome 4 : Improve Standing of Sierra Leone as Investment Destination

Outcome 5 : Build and Sustain a Responsive Financial Sector

Outcome 6: Improved predictability, expenditure controls and transparency in public resource management.

Outcomes under Pillar 2

Outcome 7 : Improved capacity to effectively and efficiently deliver education

Outcome 8 : Improved access to basic health services

Outcome 9 : Increased household access to safe drinking water and sanitation

Outcome 10 : Improved capacity to manage social risks

Outcome 11 : Strengthen Local Councils capacity to manage decentralized services delivery

5.2.5 **Focus of AfDB Strategy:** In an effort to ensure selectivity in the context of these expansive pillars, the AfDB will define its area of focus within the existing pillar structure as infrastructure and governance. This focus on governance and infrastructure as drivers of growth builds on the results achieved at the mid-term review of the 2005-2009 CSP. It is also relevant to the strategic orientation of the FSF. **Under Pillar 1**, the AfDB will support governance and transport which both would accelerate growth in synergy with World Bank interventions. Pillar 1 will include Budget Support (EGRP II) with measures to help improve expenditure controls and transparency in public resource management, as well as improve standing of Sierra Leone as investment destination. It will also include the Mototoka to Sefadu Road which will contribute to maintaining and upgrading key transport infrastructure. **Under Pillar 2**, the AfDB will improve access to water supply and sanitation through the Towns and Urban Water Supply and Sanitation Projects. The joint strategy in its entirety will be supported by new lending and the on-going portfolios of the three institutions. Table 1 below shows the approved lending program under ADF 11 while table 2 shows the indicative lending program for the JAS period.

Table 1: Approved Projects under ADF 11 and FSF

Project	Year	Amount (UA)	Instrument
1. Bumbuna Supplementary Loan	2008	10.30	ADF Loan
2. Port Loko-Lungi Road	2009	26.26	FSF
3. Budget Support (ERRP IV)	2009	10.00	FSF

Table 2: Indicative AfDB lending program under the JAS

Project	Year	Amount(UA)	Source	JAS Pillar
Towns Water Supply and Sanitation Project	2010	25.23 m.	ADF/FSF	2
Addax Bio-energy Project (Private Sector)	2010	Euro 25 m.	ADB	1
Budget Support (EGRP II)	2011	20.00 m.	FSF	1
Rural Water Supply and Sanitation Project	2011	25.00 m.	ADF/FSF	2
Mototoka to Sefadu Road	2012	25.00 m.	ADF/FSF	1

The lending program will be complemented by a non-lending program which on the AfDB side will consist of a **Flagship Country Report on Infrastructure, Public Expenditure Review**, and a **Private Sector Profile**. The non-lending program will also include an **Agriculture Sector Review** and a **Gender Profile**.

6.1 CONCLUSION

Sierra Leone's economic performance has been strong over recent years and government has shown commitment to further reforms. The projects financed within the strategic framework of the 2005-2009 CSP, have addressed some of the development challenges of the country. The Bank's intervention during 2009-2012 will be guided by the JAS which is aligned to PRSP II and will underscore the need for continued efforts to improve the effectiveness and efficiency in implementation of Bank Group financed projects in Sierra Leone.

6.2 RECOMMENDATION

The Boards are invited to endorse this Cover Note and the JAS Document attached hereto as the Results-Based Country Strategy Paper for Sierra Leone covering 2009-2012. The Boards are also invited to renew Sierra Leone's access to financing under the Fragile States Facility as indicated in section 1.4 of this Cover Note.

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The World Bank
The African Development Bank

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Report No.

**INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
AND
AFRICAN DEVELOPMENT BANK**

DRAFT

**JOINT ASSISTANCE STRATEGY
FOR
THE REPUBLIC OF SIERRA LEONE**

FOR THE PERIOD FY10–FY13

[November, 2009]

**World Bank
West Africa Department 1
IFC
Sub-Saharan Africa Department
African Development Bank
Regional Department West 2**

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The last IDA Country Assistance Strategy (CAS) Report No. 31793-SL was discussed by the IDA Board on May 5, 2005, and the last IDA CAS Progress Report No. 45948-SL was dated November 5, 2008. The last AfDB CSP was discussed by the AfDB Board on 27 July 2005 while the Mid-Term Review was discussed on 21 January 2009.

Republic of Sierra Leone – Fiscal Year

January 1 - December 31

CURRENCY EQUIVALENTS (as of August 20, 2009)

Currency Unit = Leone
US\$1.00 = Le 3,543

Weights and Measures

Metric System

ACRONYMS AND ABBREVIATIONS

AAA	Analytic and Advisory Activities		
ACC	Anti-Corruption Commission		
ACGF	Africa Catalytic Growth Fund	ECOWAS	Economic Community of West African States
AfDB	African Development Bank		
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism	EFA FTI	Education for All Fast Track Initiative
		EGRP	Economic Governance Reform Program
APC	All People's Congress		
APEIE	Africa Program for Education Impact Evaluation	EITI	Extractive Industries Transparency Initiative
ASREP	Agriculture Sector Rehabilitation Project	EMS	Education Management System
BB	Bank Budget	ENCISS	Enhancing Interaction and Interface between Civil Society and the State to Improve Poor People's Lives
BECE	Basic Education Certificate Examination	EPA	Economic Partnership Agreement
BHP	Bumbuna Hydroelectric Project	ESMAP	Energy Sector Management Assistance Program
BSL	Bank of Sierra Leone		
CAADP	Comprehensive Africa Agriculture Development Programme	ESW	Economic Sector Work
CAR	Commitment at Risk	EU	European Union
CAS	Country Assistance Strategy	FDI	Foreign direct investment
CASA	Conflict-Affected States in Africa	FIAS	Foreign Investment Advisory Services
CASPR	Country Assistance Strategy Progress Report	FIRST	Financial Sector Reform and Strengthening
CDTI	Community-Directed Ivermectin Distribution	FIU	Financial intelligence unit
CET	Common External Tariff	FM	Financial management
CG	Consultative Group	FMCG	Fast Moving Consumer Goods
CHYAO	Child and Youth in Africa Trust Fund	FSAP	Financial Sector Assessment Program
CPAR	Country Procurement Assessment Review	FSF	Fragile States Facility
CPIA	Country Policy and Institutional Assessment	FY	Fiscal Year
CPR	Country Portfolio Performance Review	GDP	Gross domestic product
		GEF	Global Environment Facility
CSO	Civil Society Organization	GER	Gross enrollment ratio
CSP	Country Strategy Paper	GoSL	Government of Sierra Leone
CSR	Country Status Report	GRGC	Governance Reform and Growth Credit
CWIQ	Core Welfare Indicators Questionnaire	GRGG	Governance Reform and Growth Grant
DFID	Department for International Development	GTZ/KFW	German Agency for Development Cooperation/Kreditanstalt für Wiederaufbau
DP	Development partner	GVWC	Guma Valley Water Company
DPO	Development Policy Operation	HIPC	Heavily Indebted Poor Countries
DOTS	Directly Observed Treatment Short Course	IBRD	International Bank for Reconstruction and Development
DTIS	Diagnostic Trade Integration Study	ICA	Investment Climate Assessment

IDA	International Development Association	PAR	Portfolio at Risk
IDP	Infrastructure Development Project	PCR	Primary Completion Rate
IDF	Institutional Development Fund	PEFA	Public Expenditure and Financial Accountability
IFC	International Finance Corporation	PEP Africa	Private Enterprise Partnership for Africa
IFMIS	Integrated Financial Management Information System	PER	Public Expenditure Review
IMF	International Monetary Fund	PETS	Public Expenditure Tracking Study
IPFMRP	Integrated Public Financial Management Reform Project IRCBP Institutional Reform and Capacity Building Project	PFM	Public financial management
JAS	Joint Assistance Strategy	PHU	Public health unit
JICA	Japan International Cooperation Agency	PIU	Project implementation unit
JSANS	Joint Staff Advisory Notes	PPIAF	Public-Private Infrastructure Advisory Facility
JSS	Junior Secondary School	PPP	Public/Private Partnership
JSDF	Japan Social Development Fund	PRGF	Poverty Reduction and Growth Facility
LC	Local Council	PRSP	Poverty Reduction Strategy Paper
LG	Local Government	PSD	Private sector development
LGA	Local Government Act	RCHP	Reproductive and Child Health Project
M&E	Monitoring and Evaluation	ROSC	Report on the Observance of Standards and Codes
MDAs	Ministries, departments and agencies	SHARP	Sierra Leone HIV/AIDS Response Project
MDBS	Multi-donor Budgetary Support	SIL	Specific Investment Loan
MDG	Millennium Development Goal	SIP	Small Investment Program
MDRI	Multi-Debt Relief Initiative	SL	Sierra Leone
MDTF	Multi-Donor Trust Fund	SLIEPA	Sierra Leone Investment and Export Promotion Agency
MICS	Multiple Indicator Cluster Survey	SLIHS	Sierra Leone Integrated Household Survey
MIGA	Multilateral Investment Guarantee Agency	SLPRSP	Sierra Leone Poverty Reduction Strategy Paper
MMR	Ministry of Mineral Resources	SLRA	Sierra Leone Roads Authority
MOA	Memorandum of Agreement	SMC	School Management Committee
MOFED	Ministry of Finance and Economic Development	SWAp	Sector-wide approach
MOU	Memorandum of Understanding	TA	Technical assistance
MT	Metric ton	TB	Tuberculosis bacillus
MTEF	Medium-Term Expenditure Framework	TBC	To be continued
NaCSA	National Commission for Social Action	TBD	To be determined
NASSIT	National Social Security and Insurance Trust	TEU	Twenty-foot Equivalent Unit
NCP	National Commission for Privatization	TURFS	Territorial Use Rights Fisheries
NER	Net enrollment ratio	UNMIL	United Nations Mission in Liberia
NERICA	New Rice for Africa	WAPP	West African Power Pool
NPA	National Power Authority	UK	United Kingdom
NPPA	National Public Procurement Authority	UN	United Nations
NPSE	National Primary School Examination	UNDP	United Nations Development Programme
NSA	Nonstate actor	UNFPA	United Nations Population Fund
NPV	Net present value	UNHCR	United Nations High Commission for Refugees
NSAP	National Social Action Project	UNICEF	United Nations Children Fund
O&M	Operation and maintenance	USAID	United States Agency for International Development
PAD	Project Appraisal Document	VSAT	Very Small Aperture Terminal
PAF	Progress Assessment Framework	WAPP	West Africa Power Pool
		WBI	World Bank Institute
		WFP	World Food Programme
		WHO	World Health Organisation

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EXECUTIVE SUMMARY

- i. This **Joint Assistance Strategy for Sierra Leone**, (JAS), prepared by the African Development Bank Group (AfDB), the World Bank and the International Finance Corporation, sets out planned lending and non-lending support, and possible investments, by the JAS partners over the period of FY 2010 to 2013 (for AfDB 2012, due to differences in fiscal years).
- ii. **Key political developments.** Sierra Leone, a country seven years out of conflict, challenged by a governance and capacity legacy, is making important progress on the consolidation of peace and reconciliation. Its democracy is growing stronger, with well managed, free and fair elections twice in recent years for both national and local office. Unusually for a post-conflict country, power passed from government to opposition in Presidential and Parliamentary elections.
- iii. **Economic progress.** Since the end of the civil war the economy has grown at near 10% p.a., slowing to approximately 4% in 2009 as the effects of the global crisis hit mineral exports and remittance flows slowed. Agriculture, mining, services and construction have contributed to the growth of the post-conflict years. Foreign investments, outside core mining, have been limited, but there are indications of a growing interest in agriculture and agro-processing. Domestic investments are hampered by lack of access to credit.
- iv. **Poverty** is still very high, with poverty headcount at around 60%, disproportionately in rural areas, but still below the near 70% immediately after the war.
- v. **Youth unemployment** is extremely high, reflecting a generation which lost out on schooling due to the war and was internally displaced from rural areas and so left with neither rural nor urban employment skills. This situation combines a major loss of welfare, unused resources and a significant security risk, notably in the light of regional instability and the targeting of the region as a drug trafficking route. As the 2012 elections draw nearer this risk must be carefully managed.
- vi. **Human Development** is a particularly weak area in Sierra Leone. The country has for years lingered at or near the bottom of the Human Development Index, particularly due to high child and maternal mortality rates. There are, however, indications of improvement in this field, notably in mortality rates
- vii. **Gender** remains a critical issue and women are particularly vulnerable to extreme poverty and high maternal mortality. In the Client Survey and the in-country JAS consultations, economic empowerment of women is consistently presented as an important gender priority, along with the need to reduce maternal mortality. A Country Gender Assessment and Gender Profile to be conducted with the AfDB, DFID and the European Commission (EC) will be used to verify priorities and inform interventions.
- viii. **Governance and corruption** remain major challenges, which the Government has committed to address. Sierra Leone is a fragile state, still battling to address many of the

legacies of a decade of civil war preceded by decades of mismanagement. A strengthened anti-corruption commission, the roll out of a national public procurement act to all ministries, legislation to remove administrative barriers to business, asset declaration by the President and all Ministers, and a freedom of information bill are among steps taken. A civil service badly damaged by decades of decline and broken by a civil war, including an exodus of competent staff, is still not of sufficient capacity, even though notable progress has been registered (see, e.g. PEFA). Similarly, a decades old system of patronage politics is still in existence, even though significant attempts are being made to contain it. This fragility and the governance situation calls for significant support in capacity building and governance strengthening, but also for an understanding of the historic political economy and the challenges in developing a consensus for reform.

ix. **Regional Integration and challenges.** As a small country in the middle of a volatile sub-region, Sierra Leone is well placed to reap the benefits of regional economic development and integration (e.g. in fisheries, agriculture, mining, energy and transport). However, the risks associated with political instability and increased drug trafficking continue to hang over the sub-region.

x. **Capacity.** The fragility and governance situation calls for significant support in capacity building. Without meaningful increases in capacity Government will struggle to convert policies into actionable administrative processes for basic service delivery. Latent capacity in government, in civil society and in the diaspora must be unleashed. This focus on capacity building must also reflect an understanding of the historic political economy and the challenges of maintaining a national consensus for reform.

xi. **Agenda for Change/PRSP II.** To address its development challenges, the Government has prepared a Poverty Reduction Strategy called the Agenda for Change (2008-2012). As assessed by a Bank/Fund JSAN, it has strong national ownership, having been prepared through consultations over a period of 18 months. It has a strong growth focus, through private sector development, notably agriculture and fisheries, and the development of critical underlying infrastructure in water, transport and energy. This combined with governance developments, notably devolution of power to local authorities to deliver better services in health, education, water supply, feeder roads and agricultural extension.

xii. **The Joint Assistance Strategy.** The Bank has prepared a joint strategy, JAS, with IFC of the World Bank Group and the African Development Bank Group, for a coordinated support for the JAS. This complements other Development Partner Strategies, notably an existing DFID/EC strategy and a new joint UN family strategy, called the Joint Vision. The JAS partner consulted widely in preparation for the strategy, through meetings in all parts of the country, and through consultations with Government, Development Partners (notably Germany plus the Budget Support Partners), civil society and the private sector. The JAS is fully aligned with the Agenda for Change/PRSP.

xiii. The JAS is organized around two pillars in support of the Agenda for Change. One pillar supports the growth agenda through financing of investments in agriculture, fisheries, energy, transport and the financial sector. The second pillar focuses on investments in human

development, through support to decentralized delivery in health, education and water supply, as well as dedicated support to primary education (EFA-FTI) and reproductive and child health, to address child and maternal mortality.

xiv. Supporting the two pillars, the JAS also features two cross-cutting themes: Governance and Private Sector Development. Given the Governance challenges, the JAS has a specific focus on activities to help strengthen governance and to better address governance issues in operations, including specific proposals for a Governance Advisory Group, a Governance dialogue with Government and guidance to JAS partner staff. Similarly, opportunities for private sector led growth are being sought in all sectors, including those dealing with human development. As Gender disparities are a strong factor in Sierra Leone society, the JAS partners will address gender issues across their portfolio and will also conduct gender specific analytical work.

xv. **Results.** At the end of the JAS period, the JAS partners expect to see specific results in improved delivery of basic services (health, education and water), which should in turn help improve on the country's attainment of MDGs. Also increased agricultural production, feeder roads, access to electricity, and access to finance and improved business environment are expected growth outcomes. Improvements in Governance, with expected higher CPIA ratings as the proxy, are also an important part of the results framework.

xvi. **Resources.** With the end of post-conflict allocation the IDA resource envelope is limited, at around \$ 25-30 million a year. ADF may have a slightly higher envelope of \$ 30-35 million a year, mostly from its fragile states facility and excluding possible investments from the private sector window. AfDB will also provide regional funding for projects that include Sierra Leone. In addition IDA is mobilizing significant resources from regional IDA, dedicated thematic funds (e.g. EFA-FTI, ACGF) and bilateral trust funds which may almost double the national IDA allocation. IFC has limited dedicated financing for Sierra Leone (trade financing, fragile states) but is looking for investment opportunities.

xvii. **Partnership and Coordination.** Coordination between the JAS partners is now well developed, through a combination of joint efforts and selected focus areas. During the JAS period AfDB will focus new resources on major investments in the road network and on investments in water and sanitation, while the World Bank will focus on human development improvements, notably through decentralized service delivery, on public sector reform, and on energy sector investments. IFC will focus on financial intermediation, agriculture and tourism as likely areas for investments.

xviii. The World Bank Group country program reflects a substantive and increasing degree of coordination and cooperation within the Bank group between IDA, MIGA and the IFC, most immediately in the fields of investment climate promotion, financial sector development and the "Doing Business" Agenda.

xix. More broadly, there is close cooperation between the World Bank Group and the AfDB, DFID and the EC most immediately as the providers of budget support to Government, but also as key partners in a broad policy dialogue, not least related to governance and gender

issues. In addition, IDA has developed a close working relationship with the German Development Cooperation in the field of private and financial sector development and both AfDB and IDA work with JICA in the energy sector. Both AfDB and the World Bank also work closely with the UN agencies, both individually and through coordinating activities of UNIPSIL. The World Bank and UNIPSIL jointly co-chair, under government chairmanship, partnership arrangements around Sierra Leone's development agenda.

xx. Government has prepared a new Aid Policy to guide its interaction with development partners in the implementation of the Agenda for Change. Governance and capacity development issues will play a prominent role in the dialogue with partners.

INTRODUCTION - A COUNTRY AT THE CROSSROADS

1. Peace and Stability. Seven years out of brutal conflict, Sierra Leone is now a peaceful and stable country. In contrast to many post-conflict countries that have taken only limited steps toward establishing a credible democracy, even decades after conflict, Sierra Leone already has had two full-fledged, peaceful, and credible elections for president, Parliament, and local councils. Included were the 2007 elections in which political power passed from the government to the opposition in a peaceful and orderly fashion. While the economic and social hardships experienced by large parts of the population every day makes the peace and stability quite fragile, flashes of violence and potential relapses of stability have been few. A recent Joint Communiqué that outlined a concord of political behavior among the political parties is an example of the growing maturity of national politics. Sierra Leone thus stands a chance of becoming a success story of post-conflict transition to a stable democratic state; but it also runs the risk of not achieving the momentum in political, economic and social reforms associated with countries that make this transition.

2. Regional Challenges and Integration. While domestic stability has been achieved, Sierra Leone remains challenged politically and economically by the vulnerability of the sub-region (the Mano River Union countries). Regional cooperation must be high on the agenda in order to reap economic benefits from trade and investment (including fisheries, energy and mining) but also to contain a history of instability in one country spilling over into its neighbors. Being on the shortest route between Latin America and Europe has positioned West Africa as a transit point for drug trafficking; this emerging threat requires regional cooperation. Sierra Leone is also active in the Africa Union, assuming a championship role for the common approach to agricultural development, and in ECOWAS for regional integration.

3. Economic Growth. The current global economic crisis has hit the economy, causing the price of diamonds, the main export item, to fall by close to 40 percent. Other minerals also have been hard hit. Nevertheless, economic growth seems likely to settle around 4 percent in 2009, with slightly higher growth predicted for 2010, led by continued recovery of agriculture and continued growth and robust performance in construction and services. Underpinning this recovery has been fairly stable economic and fiscal management, implemented under the difficult circumstances of significant reconstruction needs.

4. Youth Employment. As a result of the civil war, a young generation lost out on schooling and, to a significant degree, was uprooted from rural areas and sought refuge in towns, notably Freetown. Today, youth unemployment (underemployment and employment without secure remuneration) remains a social, economic, and peace challenge. Creating jobs, primarily through private sector growth and skills improvement (especially vocational training), will be a key challenge in years to come. As much of the economic growth is expected to be in agriculture, jobs creation may depend upon the willingness of youth to relocate from major towns to villages and smaller towns.

5. Investments. As could be expected in the early years after conflict, foreign investment, except for core mining operations, has been limited. Encouragingly, signs of greater interest can be detected, not least in agriculture and agro-processing. Lack of infrastructure, a weak regulatory environment, and a weak financial sector (notably for domestic investments) all have contributed to the lack of investment. However, significant public investments in energy and roads are close to coming on-stream. Second, substantive improvements in the regulatory framework have contributed to Sierra Leone's climbing in the Doing Business ratings. Third, the

banking sector has improved significantly, with further improvements expected under a new financial sector strategy.

6. Poverty and Human Development. Sierra Leone is still a country of very high poverty, with an absolute poverty headcount in 2007 over 60 percent. On the positive side, this figure represents a significant fall of 6 percent–to 8 percent since the end of the conflict. Given the current global crisis, falling demand for key exports, and fewer jobs, notably in the alluvial diamond industry, there are risks that poverty rates may start rising again. Despite the fall in poverty rates, Sierra Leone still remains close to the bottom of the UN Human Development Index. Health outcomes, notably the world’s highest child and maternal mortality rates, are a significant explanation for this ranking. Since the war, availability of services has improved significantly (for example, access to a health clinic within 30 minutes has risen from 29 percent to 49 percent) in line with the decentralization and devolution of authority to local authorities. Moreover, through support from a variety of health initiatives, there may be early signs of a fall in mortality, under-five child mortality in particular.⁴ Similarly, enrollment rates in education have gone up significantly. Sierra Leone will probably have poor (Human Development Indicators (HDI) for years to come, but there are signs that a move out of the bottom positions may be feasible in a relatively near future.

Table 1: Key Poverty and Social Indicators

Poverty (% below poverty line 2007)	61.6
Avg. GDP growth rate 1997–07 (%)	9.3
Adult literacy rate (%) 2007	38.1
Gross primary enrollment 2007 (%)	101
Under-5 mortality (per 1,000) 2005	286
Life expectancy at birth (years) 2007	47.3
Human Development Index ranking (of 182) 2007	180
Country Credit Ranking (of 174)	168
Control of Corruption Indicator (of 201)	177
Doing Business ranking (of 183)	148

7. Gender. The very unsatisfactory human development outcomes underscore important gender issues. Women are particularly vulnerable with higher poverty rates and lower secondary school enrolment rates, in addition to the high maternal mortality rates. With women more than half the nation’s farmers, and with economic empowerment of women emerging as a priority, a gender strategy encompassing both social improvement and economic opportunity is required.

8. Addressing the challenges. The Government of Sierra Leone (GoSL), encouraged by the progress of the post-conflict years, is tackling the significant challenges in human development, youth employment, and infrastructure. Concurrently, the challenges of improving governance and strengthening capacity are emerging as key issues. Governance traditions are very weak and include patrimonialism handed down through generations, combined with the corruptive influences of diamond wealth. Nevertheless, in recent years, notable steps have been taken, including the strengthening of the Anti-Corruption Commission (ACC) by giving it prosecutorial powers and other means. The president, ministers, members of Parliament, and senior officials now must declare all of their assets to the ACC. By mid-2009, nearly all had done so. A Freedom of Information Act (FOIA), drafted primarily by civil society organizations, is progressing through Parliament. In a frank acknowledgment of governance weaknesses, and

⁴ The provisional results of the 2008 Demographic and Health Survey (DHS) indicate that the infant and under-five child mortality rates have improved to 89 and 140 per 1000 live-births, respectively.

recognizing the potential to use international ratings to guide progress, the government has explicitly stated its intention to achieve specific improvements in Transparency International (TI) ratings, Doing Business ratings, and World Bank/AfDB Country Policy and Institutional Assessment (CPIA) ratings within the next few years.

9. A new national strategy, the second Poverty Reduction Strategy Paper (PRSP-II), under the name “**Agenda for Change**,” has been prepared to address these challenges. It emphasizes broad-based, equitable, and private-sector-led growth and human development. The growth agenda will be supported by government through investment focused on three priority areas: (a) agriculture, (b) energy, and (c) transport infrastructure, all of which have significant potential to unleash growth. The human development agenda will focus on improved basic services in education, health, and water/sanitation. As underlying principles for these priorities, the strategy emphasizes private sector development, good governance, management of natural resources, and macroeconomic stability. Key risk areas identified by GoSL include governance and corruption, youth employment, and illicit drugs (particularly transit activities).

10. Financing the Agenda for Change. Use of aid funds and the modalities for delivering assistance since the end of the civil war were governed by the necessities of early post-conflict recovery. These necessities meant that a significant part of the funding was used for security and peace-building activities, often through ad hoc delivery modalities and frequently with no reference to government budget. There is now a growing demand from government, and acceptance by development partners, that the profile of spending and the modalities of delivery need to adjust to better reflect the agreements of Paris and Accra. This adjustment should result in a consolidation of programs; alignment with sector priorities, including increased use of sector-wide approaches (SWAs); and a much higher percentage of programs staying “on budget.” While the total envelope may not be expected to rise much, as Sierra Leone already receives significant external aid per capita (approximately US\$65), aid effectiveness should increase significantly. A new aid policy to promote improvements of this kind is under preparation and will be presented at a Consultative Group (CG) meeting in November 2009.

11. Government’s own revenues have remained stuck at approximately 11 percent of GDP since 2003 too low to maintain even the basic public sector requirements of a low-income country. As such, the government continues to rely on development assistance for recurrent expenditures (14.5 percent of GDP). Government has undertaken a series of steps to increase the revenue effort and more are underway, most notably through the expected introduction of a value added tax (referred to by Government as the Goods and Services Tax) that would replace seven existing taxes. In addition, repayment of past subsidies to the National Power Authority (NPA) and revenue from the newly commissioned Bumbuna Hydroelectric plant will boost income. In the short term, these measures are expected to boost government revenues to around 14 percent of GDP by 2012.

12. The World Bank Group and African Development Bank Group (AfDB) are preparing to play their roles in the implementation of the Agenda for Change through programs and policy dialogue outlined in the JAS. The Banks’ operations, analytical work, and policy dialogue will support all the key elements of the Agenda for Change, be they infrastructure, public sector reform, or delivery of basic services. As the national International Development Agency (IDA) envelope is small (averaging approximately US\$30 million a year), and the calls for the Banks’ engagement are significant, leveraging resources will play a significant role and will enable a broader engagement. It is expected that the resource envelope could more than double through operational leverage from regional IDA, Trust Funds, and Vertical Funds. The AfDB expects a resource envelope under the African Development Fund (ADF) 12 of UA 70 million, which translates to \$35 million annually over the 3-year funding cycle including resources from the Fragile States Facility (FSF). Financing of private-sector operations such as the Addax Bio-

energy Project the AfDB intends to co-finance, would provide additional resources beyond this envelope. Jointly, over the 3-year period, the JAS partners (AfDB, IFC, and IDA) expect to mobilize nearly US\$300 million in support of Sierra Leone's development agenda.

13. Proposed Joint Assistance Strategy: The JAS sets forth a preliminary assessment of the country context and prospects in section II, including the major challenges and opportunities faced by the country, and the government and international community responses. Section III discusses the Country Development Program. Section IV examines Challenges and Opportunities. Section V discusses implementation of the last CAS (FY06–09) and the last AfDB Country Support Program (2005–09). Section VI discusses the proposed joint AfDB/WB/IFC strategy and pillars. Finally, section VII analyzes the risks to the successful implementation of this strategy and the approach by which these risks will be managed and mitigated.

COUNTRY CONTEXT AND RECENT DEVELOPMENTS

A. Political Economy and Developments

14. Following the 2002 end of a decade-long civil war that devastated this small country of 5 million people, peace has been consolidated in Sierra Leone. It is one of few countries designated as “post conflict” by IDA and “Fragile State” by AfDB to experience a democratic transition of government. On September 17, 2007, Ernest Bai Koroma of the All Peoples Congress Party (APC) was sworn in as President of Sierra Leone, defeating the candidate of the incumbent Sierra Leone People’s Party (SLPP) in a second-round ballot held on September 8. There was broad consensus among international observers that the 2007 elections were free, fair, and credible. These were the second Presidential and Parliamentary elections since the end of the civil war. Since independence, civilian rule has been under either APC, ruling from 1967 to 1992 or SLPP, from 1961-1967 and 1996-2007. These periods of civilian rule were interspersed with various military regimes that held power for a total of 11 years. Recent political events provide reason for optimism that a sustainable pluralistic, democratic system gradually is being established. A peace and reconciliation process, including a special court, has largely completed the task of bringing closure to the atrocities of the conflict period. Nevertheless, a history of complicated political economy, the corrosive long standing influence of the alluvial diamond industry, pervasive youth unemployment and regional instability all mean that the situation remains fragile, as demonstrated by occasional clashes in urban centers between SLPP and APC.

15. Local council elections took place largely peacefully on July 5, 2008 and a process of devolution of power, begun in 2004, continues to deepen. Local authorities now hold responsibility for most local-level delivery of services (health, education, water, feeder roads). Public financial management has been strengthened through the introduction of modern budgeting and accounting systems. New and better budgeting legislation and regulations are in place. Most ministries and agencies now prepare annual procurement plans. Government has adopted a new Chart of Accounts and requires donors to use it for regular reporting. Devolution of power and influence to the local level, including local councils and chiefdoms is once way to counteract a history of alienation and patrimonialism that is widely seen to have contributed to the conditions that led to the civil war.

16. Despite notable progress with economic growth and a fall in poverty, Sierra Leone’s recovery remains fragile, and the country continues to rank among the least advantaged countries in various measures. For example, Sierra Leone was ranked 180 of 182 countries in the 2008–2009 UNDP Human Development Index rankings, despite 7 years of high economic growth. Much remains to be done to tackle high levels of unemployment; the high number of infant, child, and maternal deaths, which are among the worst rates in the world; and a very high youth dependency ratio. Gender disparities and the high vulnerability of women are yet to be addressed. The poor infrastructure (energy, water, ports, and roads) is blocking development across all sectors. Inequality remains a concern. Young people of both sexes are more likely to be socially excluded, as reflected in the 2007 labor market participation of 46 percent of the young against a national average of 70 percent. Women have an average participation of 69 percent, but with relatively higher participation among 15-to 29-year-olds (61 percent vs. 52 percent for men) and commensurately lower participation among older women. Sierra Leone is vulnerable to external shocks. Most recently, global volatility (sharp increases in food prices in 2008 followed by steep declines in commodity demand and prices in 2009) have probably exacerbated incidences of poverty, particularly among the young urban and peri-urban

populations. Unless economic growth can be sustained and employment opportunities increased, there are clear dangers that the progress made so far will be undermined.

17. Delivery of basic services has started to improve. Government has enacted key legislation to support the decentralization process, and has devolved important responsibilities for the delivery of basic services to district councils. Transparency of allocation is maintained through an allocation formula, which is public. Local councils now have a greater role in basic education, primary health care, water supply, and feeder roads. Access to and citizens' satisfaction with primary education and health improved between 2005 and 2007, significantly in some cases. Gender disparities in access to education have started to decrease. The greatest improvements generally were in areas farthest from major towns. These areas have the highest poverty ratios. More needs to be done; some ministries and agencies, most notably those responsible for education and roads, have not devolved functions as and when required. A June 2009 national workshop concluded with a renewed commitment to deepen the devolution process.

B. Recent Economic Developments

18. Sierra Leone's post-conflict economic performance has been robust. Sierra Leone's strong recovery, which began in 2000, continued for an eighth unbroken year into 2008, when real gross domestic product (GDP) grew by an estimated 5.5 percent despite a sharp spike in food and fuel prices (table 2.1). Much of this growth was concentrated in the informal agricultural, fishing, mining, and services sectors that make up the bulk of the economy. Formal economic activity is confined primarily to large-scale mining, construction, retail services, tourism, and government employment.

19. The main source of growth has been high post-conflict productivity. The contribution to growth from the labor force from 2002–07 was 2.4 percent, while physical capital contributed another 1.6 percent. Productivity growth contributed the remaining 6 percent. From a sector perspective, the main sources of growth have been agriculture and services due to their weight in the economy. Agriculture employs approximately 70 percent of the population and, as of 2008, accounts for approximately 44 percent of the GDP. The mining sector accounts for 5 percent of employment, 18 percent of GDP, and generates the majority of export receipts. Construction and manufacturing add another 7 percent of GDP. The manufacturing sector is small with mainly import-substituting industries and employs only approximately 2 percent of the labor force. The service sector, much of it informal, accounts for the remaining 31 percent of GDP.

20. Sierra Leone has broadened its export base from an almost exclusive concentration on diamonds in the recent past to include rutile, bauxite, and a growing volume of cash crops. Estimated export growth in 2008 was positive for all products but slowed relative to both GDP and performance of previous years. The recent announcement of the discovery of offshore oil in potentially commercial quantities could provide a material additional source of export earnings. Commercial viability of the reserve discovery will probably not be determined until 2011. Due to the collapse of operations in 2 mines, the GDP share of exports of goods and non-factor services fell from 20.8 percent in 2007 to 16.3 percent in 2008. Imports in 2008 were estimated at 27 percent GDP, down only slightly from 28 percent in 2007. The external current account deficit (including official transfers) rose from -3.4 percent of GDP in 2007 to -11.0 percent of GDP. Official reserves fell from US\$215 million in 2007 to US\$209 million, or 4.5 months of import coverage, in 2008. The current account balance was financed mainly by concessional external assistance and debt relief. In December 2006, Sierra Leone reached the Completion Point under the Enhanced Heavily Indebted Poor Countries (HIPC) initiative so gained additional relief

under the Multilateral Debt Relief Initiative (MDRI). Taken together, Sierra Leone's total relief from the World Bank will amount to roughly US\$1.6 billion in nominal terms spread over 30 years (see section below on debt sustainability). The AfDB contributed debt relief of \$ 43.43 million in end 2000 NPV terms and that accounted for 12.8 per cent of multilateral debt relief to Sierra Leone. Upon reaching completion point, Sierra Leone also became eligible for a total MDRI write off of UA 129.64 million from the AfDB.

21. Prior to 2008, **Sierra Leone had produced 7 years of continuous improvement in overall fiscal balance.** The overall balance (after grants) had improved from -10.6 percent of GDP in 2001 to -2.0 percent of GDP by 2007.⁵ The primary fiscal balance worsened from - 1.9 percent of GDP in 2007 to - 2.7 percent of GDP in 2008. The overall balance in 2008 worsened to -4.8 percent of GDP as grants fell substantially below the budgeted level and expenditures were not adjusted enough to compensate.

22. On May 10, 2006 the IMF approved a three-year Poverty Reduction and Growth Facility (PRGF) arrangement in an amount equivalent to SDR 31.11 million (30 percent of quota). The program was subsequently extended to May 2010. An augmentation of access in an amount equivalent to SDR 10. 4 million was approved by the Executive Board upon the completion of the third review in December 2008. Four disbursements totaling SDR 20.51 million have been made to date. An IMF mission in September 2009 concluded that all quantitative performance criteria had been met and it is expected that the IMF's Executive Board will consider the fifth review of the program in early December 2009.

Table 2: Selected Economic Indicators, 2007-12

	2007	2008	2008	2009	2009	2010	2011	2012
	Actual	Prog.	Est.	Budget	Proj.	Proj.	Proj.	Proj.
Real GDP growth								
Aggregate ^a	6.8	5.5	5.5	5.5	4.0	4.7	5.5	6.0
Per-capita	4.7	3.4	3.4	3.4	1.9	2.6	3.4	3.9
GDP shares								
Exports goods and non-factor services ^b	20.8	..	16.3	..	15.7	17.9	19.0	18.7
Imports goods and non-factor services	27.8	..	29.4	..	28.5	31.0	31.0	30.9
Current account balance ^c	-3.4	-7.1	-11.2	..	-9.4	-8.6	-7.5	-7.6
Revenue and grants	15.6	18.1	15.9	18.4	18.6	18.6	19.5	19.7
Revenues	10.8	11.8	11.4	12.1	11.2	11.6	12.9	13.2
Grants ^d	4.8	6.3	4.5	6.3	7.3	7.0	6.6	6.5
Expenditures	17.7	21.2	20.7	21.9	23.0	22.8	23.5	23.1
Recurrent	14.2	15.2	14.6	14.8	15.3	14.7	14.5	14.1
Development	3.5	6.0	6.2	7.1	7.7	8.1	9.0	9.0
Fiscal balance ^d	-2.0	-3.2	-4.8	-3.5	-4.4	-4.2	-4.0	-3.5
					-	-	-	
Fiscal balance, excluding grants ^e	-6.8	-9.4	-9.4	-9.8	11.8	11.2	10.6	-9.9
Domestic primary fiscal balance	-1.9	-2.8	-2.4	-1.4	-3.8	-3.5	-2.5	-2.0
Other								
Broad money (% , eop)	25.9	20.9	26.4	..	12.9	14.4	12.1	10.4
Reserve money (% , eop)	26.0	18.2	10.2	11.6	7.8	12.7	10.4	8.8
Consumer price inflation (% , eop) ^f	13.8	15.7	12.2	..	9.5	8.0	7.0	6.0
Treasury bill interest rate (% , eop)	21.3	..	9.1	..	..	..	..	..
Exchange rate (LE/US\$, p.a.)	2,985	..	2,982	..	..	..	..	..

⁵ For compatibility with the government's own fiscal tables, the data omit credits for MDRI debt reduction. The fiscal balances are strongly positive when MDRI credits are included.

Sources: International Monetary Fund and World Bank staff estimates and projections.

Notes:

- a. The GDP estimates are provisional and remain subject to review.
- b. Includes estimates of unrecorded diamond exports.
- c. Including current official grants. Excludes capital official grants.
- d. For compatibility with the GoSL's own format, the data omit credits for MDRI debt reduction.
- e. The domestic primary fiscal balance is defined as domestic revenues minus total expenditures and net lending, excluding interest payments and externally financed capital expenditures.
- f. Western Area only.

23. Increases in food prices, and the pass-through effects of the increases in oil prices resulted in an acceleration of inflation in 2007 and 2008. The end-of-period inflation rates were 13.8 percent and 12.2 percent, respectively, compared to 8.3 percent in 2006. Since March 2008, the IMF has reclassified the exchange rate system as a “conventional peg” system to reflect the relative stability of the nominal exchange rate managed through weekly auctions by the Bank of Sierra Leone (BSL). The nominal exchange rate depreciated in 2008 but not enough to offset inflation, thus generating a modest real appreciation of 8 percent. The nominal end-of-period rate on treasury bills fell significantly from 21 percent in 2007 to 9 percent in 2008. This drop may have been due to increased competition from several new commercial banks established in 2007 and 2008.

C. Macroeconomic Outlook

24. The global economic prospects for traded goods suggest that Sierra Leone will continue to be subjected to volatile terms of trade for the next two years. The terms of trade are expected to move against Sierra Leone in 2009, declining by almost 7 percent as export prices fall faster than import prices. The trend is expected to reverse in 2010 and 2011, with the terms of trade improving by 2 percent and 1.4 percent, respectively, as the global recession gradually concludes. Remittances from abroad are expected to slip from US\$38 million in 2008 to US\$35 million in 2009 before rebounding to US\$55 million in 2010.

25. Decline in export prices led to a slower pace of growth in exports, as the mining sector scaled back activities. It is notable that the bauxite mine was closed down in March 2009 due to low world prices. Similarly, diamond exports are well below normal levels. However, total exports, have begun to improve in the second half of the year and are projected to remain at 16 percent of GDP in 2009 before increasing to 18 percent of GDP by 2011. The forecast for real GDP growth in 2009 was reduced in June 2009 to 4 percent from the 5.5 percent originally forecast in September 2008. Similarly, real GDP in 2010 is forecast to grow by 4.7 percent rather than the original forecast of 5.8 percent. Real growth will return to 5.5 percent only by 2011. Agriculture is assuming a more important role, notably in exports of cash crops such as cocoa, however, the economy remains extremely concentrated and vulnerable to price changes in a small number of commodities.

26. Domestic fiscal revenues in 2009 are expected to fall short of the budget target by 0.9% of GDP. This loss is expected to be only partially offset by higher than programmed external grants of approximately US\$15m, primarily due to a slippage of European Commission aid (meant for 2008) into 2009. The remaining gap is to be met through reduced domestic interest obligations (the interest rate fell more than expected), higher use of MDRI savings, and increased recourse to domestic credit in consultation with the IMF. The current account deficit is expected to remain high in 2009 at 9.4 percent of GDP, compared to 11.2 percent of GDP in 2008 and 3.4 percent of GDP in 2007. The reason is that the reduction in exports discussed above will not be fully matched by import reductions. Higher aid flows, lower fuel imports and an increase in Foreign Direct Investment may compensate for external shocks created by the

global recession. Gross official reserves are expected to stabilize at 5.5 months of import cover by 2011.

27. The government aims to protect priority expenditure programs, particularly those that contribute to poverty reduction, through better budget execution procedures. However, the budget has remained vulnerable to contingent liabilities from major infrastructure investments. Prudent fiscal policy is required to assist monetary policy in lowering inflation and ensuring that the domestic public debt remain at a sustainable level. Recourse to domestic credit from the central bank will be restricted to MDRI savings. This restriction will contribute to lower domestic interest rates and provide scope for expanding private sector credit. This fiscal stance combined with prudent monetary policy should reduce the end-of-period inflation rate from 12.2 percent in 2008 and an expected 9.5 percent in 2009 to 8.0 percent in 2010.

28. Risks are significant if the global recession is longer or deeper than expected. A number of factors could mitigate these risks; in the short run, the government plans a moderate stimulus in 2009 from increased investment spending at the local council level combined with an expansion of the World-Bank-funded Cash for Work program to national coverage. In the medium term, PRS policies are intended to help diversify exports, particularly agricultural products. Diversification may help offset the losses in the mining sector. Urban expenditures on fuel should be substantially reduced as low cost hydroelectric power is made available. Medium-term fiscal policy will aim at increasing revenue mobilization as the government moves to achieve macroeconomic stability while expanding investment spending to support the implementation of the PRS. The introduction of the Goods and Services Tax in the second half of 2009 will significantly reduce businesses' administrative burden of complying with taxes.

29. Offshore Oil Discoveries while not yet confirmed to be commercially viable, may change the economic prospects and dialogue. While oil revenues will certainly not become a factor during the current JAS and PRSP, the prospect of future revenue may change expectations and behavior. As Sierra Leone is preparing for its first report to the EITI secretariat, in the path towards EITI validation, there will be international and domestic interest in seeing the oil prospects addressed within the context of the EITI from the outset.

D. External Debt Sustainability

30. A June 2008 debt sustainability analysis concluded that Sierra Leone's risk of debt distress is moderate. Barring large unexpected shocks, external debt indicators will remain below the HIPC Initiative thresholds throughout the projection period (table 2). Full delivery of debt relief under the HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI) has significantly reduced Sierra Leone's external public debt. In net present value (NPV) terms, the stock of debt was reduced from US\$1,197.6 million at end-2005 to US\$483.0 million at end-2006 after HIPC relief and would be further reduced to US\$110.0 million after MDRI. This assistance is estimated to correspond to approximately US\$1.6 billion in nominal terms.

Table 3: External Debt Sustainability Indicators, 2007-28^a

	2007	2008	2009	2010	2018	2028
NPV of debt-to-GDP ratio (% , max. 30)	9	9	11	12	21	29
NPV of debt-to-exports ratio (% , max. 100)	41	45	46	48	63	75
Debt service to exports ratio (% , max. 15)	4	3	3	3	3	5
Debt service to revenues ratio	9	5	5	5	6	11

^a Public and publicly guaranteed debt after the HIPC Completion Point and the Multilateral Debt Relief Initiative.

Source: International Monetary Fund and World Bank staff estimates.

Note: Table covers public and publicly guaranteed debt after the HIPC Completion Point and the MDRI.

31. Sierra Leone's debt sustainability outlook depends heavily on sustained export growth and prudent debt management. In the event of large shocks to exports and shortfalls in grant financing, stock indicators are expected to substantially exceed the HIPC thresholds. Thus, the sensitivity analysis underscores the importance of pursuing export diversification and prudent borrowing policies to avoid potential risks to debt sustainability. A new DSA exercise is expected to be completed in December 2009. The new DSA will reflect the impact of the global economic slowdown, slightly more optimistic long-run growth prospects due to the completion of the Bumbuna Hydropower Project, the provision of an additional SDR allocation to reserves, and a lower discount rate. Preliminary results suggest that Sierra Leone's risk of debt distress remains moderate.

E. Social Developments and Poverty Profile

32. Poverty remains high, at above 60 percent, despite falling since the civil war. The 2003–04 Sierra Leone Integrated Household Survey (SLIHS) established the poverty profile for the first Poverty Reduction Strategy Paper. Based on the established poverty line thresholds, 66.4 percent of the population was living below the absolute poverty line. Additional analysis showed that poverty was more a rural phenomenon: 78.6 percent in rural areas vs. 27.4 percent in urban areas. Rural areas accounted for only 60.6 percent of the total population, yet comprised the largest proportion of the poor (78.6 percent). Urban poverty was more prevalent in urban areas outside Freetown (64.9 percent in other urban areas compared with 22.2 percent in Freetown). Food poverty (those not meeting basic minimum food requirements per day) was estimated for 62.3 percent of the population. A greater proportion of the rural population was food poor than the urban population (66.2 percent vs. 56.1 percent, respectively).

33. As part of the analysis for the second PRSP, changes in poverty since 2003 were assessed indirectly based on certain assumptions. Although overall poverty levels are declining, socioeconomic and regional disparities remain, linked to the lack of structural change in the economy. The estimates from the Core Welfare Indicators Questionnaire (CWIQ) suggest that the national asset-based headcount of poverty decreased from 67.5 percent in 2003 to 61.6 percent in 2007. This decrease seems to have been much larger in urban than in rural areas, possibly because post-conflict growth since 2003 has benefited urban areas most. The impact of GDP per capita growth on poverty suggests an even larger decrease in poverty since 2003.⁶ This analysis suggests that growth may have reduced consumption poverty by 9.8 percentage points. This is a very large reduction in only four years. As GDP growth is not likely to have trickled

⁶ This may be overestimated as it is based on the assumption that GDP per capita growth is perfectly correlated with average growth in consumption per adult at the household level.

down rapidly to large segments of the population, this reduction in poverty estimated using GDP growth is probably optimistic.

Table 4: Likely Trend in Headcount Index of Poverty, 2003–07

	Asset index			Consumption		
	2003	2007	Change	2003	2007 (<i>est.</i>)	Change
National	67.5	61.6	-5.9	66.4	56.6	-9.8
Rural	78.6	77.1	-1.5	78.6	69.9	-8.6
Urban	47.3	35.4	-11.9	47.0	35.4	-11.7

Source: An Agenda for Change: Second Poverty Reduction Strategy (PRSP-II) 2008–2012.

34. A reduction of 6 percentage points in asset-based poverty is large for a relatively short period of time. Nevertheless, the proportion of the population in poverty remains very high. It is particularly high in rural areas and among women and children. While Freetown has a much lower incidence of poverty, it also has pockets of severe deprivation, notably unemployed people who fled the countryside in the civil war and now live in particularly bad slums. Current circumstances, such as intermittent power outages, erratic water supply, poor sanitation, endless traffic jams, garbage left uncollected for days, and environmental degradation suggest that urban poverty may be on the rise. The population of Freetown is believed to have almost doubled from the 1 million estimated in the 2004 census, and the urban infrastructure has not been upgraded in decades. The lack of economic opportunities for unemployed youths, many of them parents, is a significant poverty and welfare issue, but also a threat to peace and stability and a cause for concern as the 2012 elections near.

35. *Recent social developments.* The 2008 Sierra Leone Poverty Diagnostic suggests that the poverty headcount may have decreased by 9 points from 66 percent in 2003–04 to 57 percent in 2007; rapid international price inflation in 2008, may have elevated the poverty rate by at least 4 percentage points. Infant mortality in 2005 was estimated at 170 per 1,000 live births, and under-5 mortality at 286 per 1,000. According to the 2005 MICS-III household survey, 31 percent of Sierra Leone’s children less than 5 years old are underweight, 40 percent stunted, and 9 percent wasted. According to HDI 2007 data, life expectancy at birth is reported at 47.3 years, the adult literacy rate is 38.1 percent, while the combined gross enrollment rate (GER) for primary, secondary, and tertiary education is an estimated 44.6 percent.

1. COUNTRY DEVELOPMENT PROGRAM

A. Country Priorities and Agenda: The Agenda for Change

36. The government has completed the second generation of the Poverty Reduction Strategy Paper (PRSP-II), which covers 2008–12, under the title “Agenda for Change.” The strategy is derived based on lessons learned from implementing PRSP I, the nationwide consultations and priority-setting exercise, and the growth diagnostic analysis for Sierra Leone. The focus of the PRSP II is to reduce poverty through economic growth, with an emphasis on the private sector. The strategy was launched in June 2009 and is expected to be submitted to the Boards of the World Bank and the International Monetary Fund (IMF) for consideration by October 2009. The UK will host a Consultative Group meeting with development partners in November 2009 in London. Alongside the CG there will be a day focusing on attracting private sector investors to Sierra Leone.

37. Recognizing the slow rates of progress in attaining the MDG indicators, government developed the PRSP-II based on four key priorities:

- **Providing a reliable power supply** to the country; transiting toward a low carbon energy economy through use of the country's significant hydropower potential.
- **Raising quantity and value-added productivity in agriculture and fisheries**, emphasizing the productive capacities of the poor and vulnerable.
- **Developing a national transportation network** to enable the movement of goods and people, thereby facilitating increased investment and economic activity.
- **Ensuring sustainable human development** through the provision of improved coverage of the basic social services and social protection needs of the poor and vulnerable.

Addressing gender issues is emphasized as part of human development, including access to health care, education, economic opportunities and assets as well as women's voice in public affairs. The government has also identified four principles or preconditions that will underpin the implementation of the PRSP-II:

- **Good governance, peace and security** represent an explicit acknowledgement of the necessary political underpinnings for development. Without good governance and the absence of corruption on one hand and the consolidation of peace and security on the other, economic growth and human development will stay below potential.
- **Macroeconomic stability** is acknowledged as a precondition for economic growth and private sector development as well as for poverty reduction.
- **Private sector development - including the financial sector** - is seen as the engine for growth. Government will seek to encourage private investment in all the PRSP priority sectors.
- **Managing natural resources** in an important priority for a nation that has seen natural resources depleted (forests, minerals, fish stocks) with limited benefit to the economy or the people. Further prospects in extractive industries (notably oil) enhance the importance of this principle.

Finally, government also identified and communicated three major risks to a successful development process:

- **Corruption**, which is pervasive and drags on development and the perceptions of the country
- **Illicit drugs**, which are becoming a major threat to development and peace in most coastal states in West Africa.
- **Youth unemployment**, which is acknowledged as a major development challenge as well as possible the most significant risk to peace and stability.

The JAS will support each of the priorities through a variety of proposed operations described below.

Box 1: Key Priorities in PRSP-II/Agenda for Change

Agriculture

- Self-sufficiency in rice production through improved technologies, extension, and organization of farmers. Employment in agriculture growing noticeably, food security enhanced.
- Commercialization of agriculture visibly taking off in cocoa, palm oil, sugar cane, and possibly other crops for which Sierra Leone has advantages. Agricultural exports becoming of significance to the economy.
- Sustainable utilization regime for fisheries put in place; government revenues at least doubling within PRSP period; and formal export of higher value fish starting. Job creation in fisheries growing significantly.

Energy

- Freetown, Bo, and Kenema able to fully utilize hydropower energy from Bumbuna and Dodo, through investments in distribution, transmission, reservoir capacity, dam safety, and improved operation and maintenance (O&M) of generation facilities, thereby significantly reducing electricity-linked carbon emissions.
- Provision of grid-based electricity, primarily hydropower and low-carbon-based thermal generation, to provincial headquarter towns and key district towns. Embark on rural electrification.
- Improve O&M of the national utility to incorporate appropriate utility best practices in, for example, transmission and distribution system planning, new service initiation, demand forecasting, meter reading, billing and collection, and staffing.
- Improve sector efficiency through legal and regulatory changes incorporated in the existing long-term energy strategy to enable private participation in the sector. Link to the West Africa Power Pool.

Transport

- Over 2000 km of feeder roads connecting agriculture to markets rehabilitated during PRSP period.
- All district headquarters towns connected to national network through class A or B roads.
- The international link from Guinea through Sierra Leone to Liberia reconstructed with high-quality tarmac road.

Basic Services for All

- Improve access, use, and quality of services using government's decentralized institutional structures.
- Ensure that all local councils receive timely and adequate financial resources and capacity development support to implement programs that are aligned with national priorities in the basic service sectors such as education, health, water, and social assistance.

2. MAIN CHALLENGES AND OPPORTUNITIES

A. Four Strategic Priorities

1) Sustaining Human Development through Basic Services

38. Despite Government efforts to protect and increase its pro-poor program spending between 2001- 2008, primarily on health, education, social assistance, and water, results in terms of quality of services and human development indicators have lagged behind in this period. Sierra Leone is falling significantly short of the MDGs in the three key sectors: health, education, and water and sanitation. Health is particularly weak with notable governance issues in areas such as drug delivery.⁷ Constraints common across basic service sectors continue to be (a) inadequate staffing (including under-trained staff), equipment, and materials at the local service delivery points; (b) inadequate supervision of services and weak monitoring and evaluation of programs at the local level; and (c) low capacity to plan, budget, and respond effectively to local needs. While much of the blame for this situation can be attributed to the decade of conflict, the problems are more deep-rooted. It is notable that while Sierra Leone exited the civil war at the bottom of the HDI table, it also entered the war in a similar position. In 1988, life expectancy at birth was 42 years, the lowest of the 120 countries monitored in the World Development Report.

39. To address shortfalls in service delivery, Government has embarked on a decentralization process whereby the delivery of a range of services is devolved to sub-national structures (local councils). The intergovernmental fiscal transfer arrangements now constitute a practiced system built around the equitable distribution of 30 sectoral, sub-sectoral, administrative, and development grants allocated through transparent and objective formulae. Increasingly, the councils see themselves as exercising direct influence on development planning and the delivery of services. As a result, the local councils (LCs) are continuing to broaden the engagement of their communities in the planning and monitoring processes. New programs, including ones supported by IDA, now include civil society monitoring of service delivery, which had not been done before. Devolution of basic services and transfer of increased resources to LCs, particularly in health, education, and water, has yielded promising improvements in infrastructure, availability of materials, service coverage, and access.

40. To make meaningful progress towards the human development MDGs, special attention needs to be given to addressing the gender dimension of development, given the very real disparities between the sexes in terms of health outcomes, access to education and economic opportunities and empowerment.

41. While development assistance is gradually shifting from the post-conflict priorities of security, nation-building, and humanitarian assistance to mainstream development themes such as health, education, and economic growth, it is clear that low budget allocations place a limitation upon human development outcomes that can be achieved. The Local Government Act specifies that the central government transfers for devolved functions are to be sufficient to enable service delivery at an “acceptable” standard. In actuality, transfers systematically have fallen short of budgeted amounts and have been late. Preliminary analysis of the cost burden of local councils’ service provision functions suggests that transfers are insufficient. More effective

⁷ The Anti-Corruption Commission (ACC) has recently produced a critical report on the Ministry of Health (leading to the criminal prosecution of the Minister of Health) and a somewhat less critical report on the Ministry of Education. Partners are paying close attention to these reports to guide support.

resource allocation can compensate for limited resources to some degree, as can training and rehabilitation of facilities. Capacity building and policy development can enhance the value chain of decentralized basic service delivery. These areas include work on legislation, HR management, intergovernmental fiscal transfer system, citizen involvement, and local revenue collection.

42. Despite Sierra Leone's favorable climate, high rainfalls, good natural vegetation and numerous rivers and creeks, harnessing water resources is a serious challenge, making access to basic water and sanitation facilities for the majority of Sierra Leoneans extremely limited. Water resources are unevenly distributed geographically and seasonally. The country's water potential provides opportunities for domestic and industrial use and irrigation but the majority of people do not have access to safe drinking water with a national average of water supply coverage of 22 per cent. The consequence of the acute safe water supply situation is that people develop extremely unhealthy and burdensome coping mechanisms, such as fetching water from inappropriate sources including unprotected surface water and wells. Water from these sources is neither treated nor is its quality monitored. The result is a high presence of E-coli, fecal coli forms and other pathogens unfit for human consumption.

43. A Water and Sanitation Policy has been developed with the short to medium term objective of improving the provision of sustainable safe water supplies and sanitation facilities in urban and rural areas. Government has recently launched its National Health Sector Strategic Plans and has prepared sub-sector policies for primary education and for reproductive and child health. Government has re-pledged to provide free access to health for pre-and post natal women and for children.

2) Agriculture and Fishing

44. Sierra Leone has very strong comparative advantage in its vast natural resources and favorable climate. The ecosystem comprises forests, savanna woodlands, freshwater and wetlands, and marine resources. An estimated 5.36 million hectares (ha) of arable land are available for agricultural purposes with 3,500mm–4,000mm annual rainfall over 6 months. Temperatures range from 23°C–33°C, providing an ample potential for a wide variety of crops and livestock—rice, maize, sorghum, millet, cassava, sweet potatoes, yams, groundnuts, bananas, plantains and cashews—to be grown under rain-fed conditions, as well as small and large ruminants and non-ruminants. The standing stock of fisheries and annual potential yields are estimated at US\$27 million–499 million, and \$92.3 million–144.8 million, respectively. Estimates suggest higher economic values for pelagic resources. Sierra Leone's forestry and resources are, however, under severe threat from over-exploitation.

45. Agriculture accounts for approximately 47 percent of Sierra Leone's GDP. When agribusiness broadly defined (including fishing, livestock, processing, and logistical support) is included, the sector's contribution to GDP rises to 55 percent–60 percent. As such, agriculture/agribusiness is the biggest contributor to and driver of GDP growth. Agribusiness is directly related to two high priorities: (a) food security and (b) income generation. Agribusiness occupies a preeminent position with regard to food security, poverty reduction, rural and gender employment, and commercial activity. Approximately two-thirds of the population derives its livelihood from agribusiness. As noted above, Sierra Leone has substantial potential for sustainable production of cash crops (natural rubber, oil palm, cocoa), food crops (cassava, rice, grains), and fishing (with proper attention to sustainable practices). However, currently, most agriculture is at the subsistence level. Cassava and rice constitute the main crops. Agriculture represents only 5 percent–7 percent of total export revenues, mainly from cocoa.

46. Opportunities in agriculture have not been fully utilized due to multiple constraints, notably, low commercial investment in the sector; land access issues; the inefficient small size of land holdings; regional and seasonal labor shortages; lack of effective institutional arrangements for agricultural credit; inadequate support for research, technology generation, and extension services; poor transportation network and facilities; inadequate agro-processing capacity and high post-harvest losses; and uncontrolled fishing and logging. The capacity of MDAs responsible for the development of supportive policies and programs also is weak.

47. Sierra Leone has been at the forefront in the preparation of the Comprehensive Africa Agriculture Development Plan (CAADP) and the National Sustainable Agriculture Development Plan is fully aligned with the CAADP in developing a shared framework for strategic planning and implementation, and for private sector partnership as well as development assistance in the sector. Government has committed to fulfill the Maputo pledge of allocating at least 10 percent of the national budget to the agricultural sector and to seek to achieve an annual growth rate of 6 percent in agriculture.

48. It is hoped that agriculture may play a significant role in helping solve the youth unemployment problem. Efforts are being piloted to help relocate young families from Freetown and other cities back to villages and agriculture. Similarly, efforts are being made to redirect young men from mining back to agriculture. Significant training, financial help and guidance will be needed to make these efforts work.

Box 2: Commercialization of Agriculture Fundamental to Sierra Leone's Development

Agriculture requires infrastructure, access to credit, telecommunications, chemical fertilizers and inputs, and human resources.

- Despite the country's strong agricultural potential, food is Sierra Leone's third largest import item—after fuel, and transportation and capital equipment. At around US\$75 million, food imports are approximately 10 times the value of agricultural exports.
- Growing conditions are “fair-to-good.” Annual rainfall is abundant, but a long dry season limits yields and limits most food crops to one harvest. Soil is also “fair,” reflecting inherent soil characteristics and years of mono-cropping, bush-to-fallow rotation, and slash-and-burn planting practices. Possibly as little as 8 percent–10 percent of Sierra Leone's land is efficiently arable.
- Sierra Leone's agriculture yields are very low, offering upside opportunities. Indicative yields are cassava–5 T/ha, corn–1 T/ha, cocoa–200 kg/ha, sugar–5.5 T/ha, and oil palm–5 T/ha.
- Water for irrigation is available most of the year along the main rivers (such as the Rokel River), but use of mechanical, even basic, irrigation is low. Similarly, application of appropriate fertilizers, especially chemical fertilizers, and herbicides and pesticides is limited.
- Among the sector's stiffest challenges are land tenure, rights, and documentation.
- Competition between local food production and cheaper imported food presents a challenge. The trade-off exists between promoting local production and providing food needs and food security cost effectively.

Involvement of private sector, local and international, is essential. Focus on value chain and comparative advantage.

- Government must attract and support overseas investors looking to diversify supply chains and markets and leverage their regional and international experience. Also critical is to build the capacity of local entrepreneurs and intermediaries.
- The value chain runs from the farm to off-farm to consumer. Generally, the closer the activity is to the consumer, the higher the value-added and profit margin.
- Sierra Leone's small market limits scope for larger scale projects with economies of scale, opportunities in subsectors, and links in the value chain in which Sierra Leone has greatest advantage.
- Everything-but-Arms, tariff exemption for exports to the EU may provide comparative advantage for some sectors, such as bio-energy (such as ethanol from sugar).

3) Energy

49. One of the fundamental constraints on job creation and poverty reduction in Sierra Leone is low access to electric power. Production by the National Power Authority (NPA) declined from 14 megawatts in 2002 to only 3.7 megawatts in 2006, and the distribution facilities remain in an extremely poor state. Deep-rooted problems at NPA have included inadequate maintenance, technical and nontechnical line losses,⁸ under-investment, vandalism, overstaffing, and a tariff structure that does not automatically adjust for changes in fuel costs. In late 2007, the government contracted an independent emergency power provider selected through international competitive bidding to supply 15 MW of emergency power⁹. An additional contract with an independent power producer was initiated by Government in early 2008. However, due to distribution constraints, high fuel costs and technical losses, this arrangement proved untenable and has been terminated. In late 2009 power from the Bumbuna Hydro-electric plant became available and while initially constrained by distribution capacity the 50MW of hydro-electric power is intended to complement new and existing heavy fuel oil generation capacity to bring total generation capacity to 74MW in early 2010.

50. Government has launched a new energy sector strategy based on public and private investments, regional integration and support of policy reforms. Institutional and policy reforms will include a systemic effort to strengthen the financial viability and sustainability of NPA through reduced operational costs, adjustments in the tariff to better reflect changing production costs, and more efficient billing methods. The short-term aim is to ensure that NPA can purchase fuel for its existing generating facilities and pay for the cost of electricity from the Bumbuna Hydroelectric Project and other smaller hydropower projects being connected to a national grid starting in 2009. The new strategy proposes to unbundle the sector, separating the generation, transmission, and distribution operations into separate entities. A new holding company arrangement would own the existing generating assets and would also promote independent power producers. NPA would refocus its efforts toward transmission and distribution, and billing and commercial activities. In the longer term, Government plans to further develop hydro-electric generation on the Seli river with a new facility at Yiben, which together with augmentation of capacity at Bumbuna could contribute over 200MW of power. Together with this increase in generation capacity, Government plans to join the West African Power Pool so as to export and import electricity according to the development of generation capacity and the distribution network. Government estimates that current demand for electricity is 400MW, only a small portion of which is connected to the current distribution system.

⁸ As much as 40 percent of energy generated in recent years was not paid for.

⁹ With financing from the World Bank until late 2008, the United Nations Peace Building Fund provided a further \$9 million for financing of fuel for the emergency power program in 2009.

Box 3: Regional Integration

Sierra Leone is located in the volatile Mano River Union region (Cote d'Ivoire, Guinea, Liberia and Sierra Leone) and is probably the most stable country in the Union. It is also a member of the ECOWAS and African Union, amongst other regional and sub-regional bodies. Managing regional volatility is an important challenge for Sierra Leone, as unrest has frequently spilled across borders in the sub-region. Political and more importantly, economic integration are key to managing this risk.

Underpinning growth in agriculture, energy, and transport. Sierra Leone is a member of ECOWAS (Economic Community of West African States)¹⁰ established in 1975, as well the Mano River Union (with Liberia, Guinea, and Cote d'Ivoire), an increasingly important forum for discussion of common sub-regional issues. However, sub-regional cooperation has not developed to its full potential. Member states of the 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 currency. The objective of the common currency is to serve as a bridge to economic and regional integration among the 15 states to facilitate regional trade, achieve economies of scale, and enhance comparative advantage and competitiveness. As a stepping-stone to ECOWAS monetary union, the West Africa Monetary Zone, including Sierra Leone, was established. The introduction of the Eco, a common currency for the WAMZ, was originally proposed for 2003, but has been much postponed and was recently further delayed until January 2015. The delays are largely due to the failure of nearly all WAMZ members to meet the convergence criteria. The AfDB approved in 2008 a grant of UA 14 million to WAMZ to finance improving the payment systems in Sierra Leone, the Gambia, and Guinea and to harmonize their systems to those of the other WAMZ member countries, thereby facilitating the process of a monetary union.

The JAS will support Sierra Leone's participation in regional initiatives that can leverage its national efforts to tackle sector constraints to economic growth. In so doing, a special attention will be paid to the alignment between regional interventions and national actions.

Potential benefits from regional integrations are seen to include:

Market size and access: Regional economic integration may help overcome the constraints associated with the smallness of the domestic market, in particular for the export of agricultural products.

Competitive infrastructure services: Sierra Leone has potential for significant hydro-electric generation (estimated at 1.2GW). Through joining the West Africa Power Pool, Sierra Leone may be both an importer and exporter of electricity to smooth the development of its national capacity and compensate for seasonal variations in hydro-electric generation. At present Sierra Leone's sole broadband connection is to the SAT-3 fiber-optic cable via a microwave link to Guinea. It is anticipated that additional regional broadband connections may soon become available.

Provision of public goods: Collaboration with neighboring countries in managing regional commons can unlock growth opportunities (shared resources such as the Mano River, fisheries, knowledge sharing and dissemination of best practice for agriculture and vocational training and industry platforms) and reduce vulnerability (diseases such as malaria and HIV/AIDS and common challenges from climate change).

¹⁰ ECOWAS is the largest regional integration group in West Africa. It embraces more than 250 million people, with an average per capita income above US\$300.

4) Transport

51. A good transport network is critical for growth in key sectors of the economy and in meeting the MDGs. There is an existing network of roads, air, and sea transport, but since the war, maintenance has been neglected. The existence of inadequate and poorly maintained rural and feeder roads connecting villages and farm areas to market centers and the lack of regular transport services pose serious challenges to the country. The rehabilitation of approximately 160 km of roads in the major provincial towns and 2,055 km of feeder roads as well as the construction of highways between the urban centers is a priority of government in the medium term, particularly to develop agribusiness, and this would require strong support from the development partners. The core network of over 4,000 km (includes A and B roads) is being rehabilitated supported by donors. The Maintenance of these roads will be undertaken by Government through the Road Fund financed mainly from a fuel levy and vehicle licenses. At present, the fund is managed entirely by the Sierra Leone Roads Authority (SLRA). Key reforms have been identified and need to be fully implemented to establish a well functioning and efficient road sector. These reforms include establishing an Independent Road Maintenance Fund (IRMF) with a Board separate from that of the SLRA and this is anticipated during the JAS period. Governance issues have slowed the pace of rehabilitation of the road sector due to procurement issues and poor contract management in civil works. Governance issues have slowed the pace of rehabilitation of the road sector due to procurement issues and poor contract management in civil works¹¹. Governance issues also affect airport and sea port agencies where gaps in senior management continue. Opportunities for private participation in transport likely will be limited to areas with defined demand such as the airport transfer and key roads.

B. Four Preconditions/Underlying Principles

1) Good Governance

52. **Governance remains a key challenge for Sierra Leone, in both reality and perception.** The civil war seriously impacted the world's view of the country and that legacy lingers in the world's perception. However, the reality of governance also offers stark challenges for the years to come. Given the country's history of clientelism and patronage-based decision-making, issues relating to governance are critical to designing and implementing an effective development strategy in Sierra Leone. The civil service suffers from weak administrative capacity and a legacy of politicization. Despite recent improvements, corruption remains a serious threat to the successful implementation of traditional investment instruments, particularly infrastructure. Development policy lending has played a key role in advancing policy reforms. As for project lending, however, governance issues have sometimes complicated the dialogue or slowed implementation of reforms. Significant progress has been made in rebuilding various institutions for governing the state and safeguarding national security under the first Poverty Reduction Strategy Paper (PRSP I).

53. Nevertheless, there is still need for deeper reforms to tackle the endemic corruption in the country. In the 2009 Transparency International tables on corruption perception, Sierra Leone, ranked 158 of 180 countries surveyed, with a score of 1.9. This number marked a decline since 2007, when Sierra Leone ranked 150 with a score of 2.1. The government is vociferous in

¹¹ A former Acting Executive Director of the SLRA was recently charged for offences relating to procurement.

its initiatives to address the governance problem. An Anti-Corruption Commission (ACC) has been established and recently strengthened in law and staff. It already has made some notable decisions. The President, all ministers, all members of Parliament, and senior civil servants are now required to declare their assets to the ACC. The great majority has already done so. Key elements of the program for good governance include (a) public service reform aimed at better service delivery through improving personnel management and remuneration; (b) decentralization of services delivery; (c) continued improvements in public financial management; (d) strengthening the anti-corruption agenda; and (e) generating better statistics for monitoring outcomes. In making governance an overarching theme for all of the JAS, the partners are encouraging staff, as well as other Development Partners, to carry out an analysis of vulnerability in all sectors as well as in all projects.

Box 4 : Governance Indicators and CPIA as Guide for Governance Improvements

Sierra Leone's governance weaknesses seriously influence not only the implementation of government services and investment projects. The perception of corruption and weak governance also influences the country's ability to attract sorely needed external and domestic investments. While progress on a broad front in recent years is beginning to be reflected in various international ratings, including the Index of African Governance (supported by Mo Ibrahim) and the World Bank Doing Business ratings, governance and corruption perceptions ratings remains critically low, and in the case of the Transparency International Corruption Perceptions Index, has actually deteriorated.

In addition, the low governance ratings have a significant impact on the level of ADF and IDA funding for the country. While Sierra Leone enjoys a high level of external support, the share of it coming from national ADF or IDA (apart from special and temporary fragility allocations) remains low. The country has leveled off in CPIA ratings at just above 3 against a maximum of 5 and slightly below the average for IDA countries in SSA. The governance ratings make up the lowest part of these ratings. Given the high weight of governance in the allocation formulae, the result is a significant reduction of ADF and IDA allocations.

GoSL has acknowledged the importance of addressing its CPIA ratings head on. It therefore approached the World Bank with a request for support (including ESW) for an explicit attempt to improve the country's CPIA ratings based on the assumption that these ratings represent a good proxy for key improvements needed for growth and development. Certain notably weak areas depress the overall ratings. These are issues such as (1) policies and institutions for environmental sustainability; (2) property rights and rule-based governance; (3) efficiency of revenue mobilization; and (4) transparency, accountability, and corruption in the public sector. Government has taken steps to improve the performance of each of these issues. Additional work will be needed to guide reforms and to push for consistent implementation. The relatively good ratings in other areas such as macroeconomic management, fiscal policy, debt policy, and trade show the levels attainable, even under the current capacity constraints. While the ratings are still moderate, recent improvements in the business regulatory environment show that progress can be achieved in a relatively short period. Areas that need improvement and certain activities that, if implemented, would lead to better policies and public sector management, and subsequently to higher CPIA ratings, have been identified and have been discussed with Government.

54. Improved governance through participation and transparency. Sierra Leone has the benefit of an active and articulate civil society. Development partners can take an active role in supporting the demand side of governance by joining the push for the application of the draft Freedom of Information Bill for transparency. The publication of all information consistent with this legislation could be initiated for all development projects, including, wherever possible,

oversight by civil society/non-state actors (NSAs). Links can be established with the NSA component of the Integrated Public Financial Management Reform Project (IPFMRP), which already has established a forum for oversight on PFM, and with the national network of community paralegals being developed with TA from the Justice for the Poor program. The Extractive Industries Transparency Initiative (EITI) is supporting greater transparency in natural resource management, and steps are being taken to include civil society participation when possible in decision-making.

55. Improved governance through decentralization. While much has been achieved to date, and government has renewed its commitment to devolution, there is a need for consistency in the agreed devolution framework in all sectors. Development partners must provide capacity support to LCs and MDAs consistent with their roles in the decentralization framework. Wherever possible, programs should make resources available to LCs in a manner that strengthens and supports the existing grant system. The role of ward committees as interlocutors between councils and communities, and community oversight of service delivery should both be strengthened. As the decentralization initiative moves forward, it will be important to note that decentralization is not an aim in itself, but is to be pursued only so far as it results in better delivery of basic services and broader empowerment of communities.

56. Improved governance through public sector reform. While various assessments (PEFA, PER) note significant improvement in Sierra Leone's public sector performance in recent years, the challenges are enormous. Capacity is low; motivation among most staff is low; and the composition of the civil service is heavily skewed toward low-level positions. At the same time, most ministries have associated with them project specific PIUs and/or staff on preferential terms. While this was needed in the early post-conflict years, the disadvantages to staff morale and capacity development are increasingly apparent. With support from partners, including the AfDB and World Bank, efforts are underway to strengthen the public sector through public financial management reform and civil service reform. Recently attention has increasingly moved to the need to migrate from reliance on PIUs and to integrate staff hired on special terms into the civil service. There is a consensus that a broad civil service reform is urgently needed.

2) Private Sector Development

57. Government is cognizant (a) that it has neither the capacity nor resources to direct the investments required to (a) increase the national productive capacity and (b) that economic transformation requires a transparent, accountable, and effective public sector dedicated to providing supportive policies and actions to enable private sector enterprise. Furthermore, foreign investment will be required to bring the necessary technologies and market connections to realize the potential of Sierra Leone's natural endowment. To establish the necessary enabling environment, government intends to promote the private sector as the locomotive of growth, modernize the financial sector, and take robust action against corruption.

58. Although a comprehensive private sector development (PSD) strategy was not fully formulated during the PRSP-I, overall reforms in the sector have been substantial. Recent studies show Sierra Leone's investment climate to compare favorably to other Mano River Union countries. A number of policy measures, largely guided by the "Doing Business" program, have been implemented by government to provide an environment conducive to here for the private sector. These policies include an initiative to strengthen the coordination of trade policy formulation and implementation,¹² the enactment of legislation designed to simplify business procedures, a restructuring and strengthening of the export development and investment

¹² Guided by the EU and the dialogue around the Economic Partnership Agreement.

promotion agency, and the development of a privatization strategy by the National Commission for Privatization (NCP). In addition, government commissioned a Diagnostic Trade Integration Study (DTIS) now under implementation; an Administrative Barriers to Trade and Investments Study, which is ongoing at the beginning of PRSP-II, to address all administrative impediments to investment in Sierra Leone; and a Financial Sector Assessment Program, which has informed the Financial Sector Development Plan endorsed by Cabinet in June 2009.

59. Notwithstanding the progress made, the sector is still confronting challenges in the area of land rights. It is difficult to use land property as collateral to raise funds, and for commercialization of agriculture and manufacturing industries. Access to finance and inadequate and poor infrastructure are other problems facing the private sector. Government has initiated a substantive program of reforms of the financial sector to increase the efficiency, stability, and outreach of the sector.

60. Various recent studies¹³ have identified access to finance as the binding constraint to growth in Sierra Leone. The financial sector remains nascent and dominated by the banking sector with 13 banks holding assets equivalent to some 21% of GDP as at December 2007, comprising around 75 percent of total financial assets. Private sector credit at 5.5 percent of GDP is well below the Sub-Saharan average of 17 percent. The system has been growing rapidly, however, in part due to new entrants and also due to reduced competition from treasury bills, during 2008 loans and advances grew by 62 percent and deposits by 37 percent. Systems remain rudimentary and non-performing loans continue to dog the banking system, standing at 16 percent of loans at year end 2008; however, banking sector capital exceeds 17% of total assets and banks are generally profitable. Access to finance remains the primary challenge with less than 5 percent of the population having a bank account and many fewer having loans.

61. The creation of a business environment conducive to investment is a prerequisite to establish an entrepreneurial culture and to attract the investment required to increase productivity and value addition. In turn, the creation of wealth within the economy will lead to higher tax revenues for government. These, in turn, will enable the investment in the public infrastructure and human capacity necessary for sustained growth and the public institutions necessary for good governance. Since a majority of locally owned businesses are in the informal sector, the formalization of the private sector in Sierra Leone must be a focus to grow the economy and increase government revenues from taxes.

3) Management of Natural Resources and the Environment

62. Sierra Leone has significant natural resources, both renewable and nonrenewable. The nonrenewable are mainly minerals, of which diamonds are the best known. Mining already has created significant environmental and social challenges. The prospect of oil offshore creates both hope and fears of economic, environmental, and social risks.

63. Sierra Leone's forest cover has been largely lost, but a few key areas remain. The Gola Forest near the Liberian border is a high-quality rain forest being preserved as a national park. Similarly, with IDA and GEF involvement, a new national park, Loma Mountains, is being created. It includes West Africa's highest mountain, Bintumani, and the country's largest chimpanzee population.

64. Fish resources are significant but under threat. A new IDA-funded regional project (still under preparation) aims (a) to build up the capacity for sustained management of this

¹³ 2007 Growth Diagnostic: What is holding back growth in Sierra Leone? Harvard University, 2006 FIAS Informality Survey and 2008 Ministry of Trade and Industry PSD Diagnostic Report

resource and (b) to strengthen the national fishing industry, which employs, directly and indirectly, 400,000–500,000 people.

65. Finally, in energy, the country's water resources open an opportunity, assuming sustainable management, for a significant move from fossil fuel use toward clean energy.

Box 5 : A Value Chain Approach to Natural Resources

Sierra Leone could potentially draw significant development benefit by adopting a holistic approach to exploitation of its natural resources. The Extractive Industries Value Chain Approach, also known as the EITI++, could be used to examine issues and opportunities in several sectors, including mining, forestry, oil & gas, agriculture, and fisheries. The existing operations in the relevant sectors can be used as instrument of dialogue for the Value Chain Approach, and eventually Government, supported by development partners, could undertake a joint scoping exercise of the Value Chain Approach inform future priorities and actions. This scoping would develop an evaluation matrix, which depicts the existing state and completeness of the natural resources management system, from concessions through policies and regulations, to revenue management and finally review how rents from the sectors could feed into the broader country development process. Cross-cutting issues like transparency, civil society engagement, private sector, education/skills would also be reviewed in order to come up with a holistic approach to the exploitation of natural resources.

4) Macroeconomic Stability

66. The risks to macroeconomic stability are addressed above in the section on country context. It is anticipated the PRGF program, the agreements with development policy lending partners, and an explicit acknowledgment by government of the crucial importance of macroeconomic stability will underpin the fight to maintain stability throughout the PRSP and JAS period.

C. Three Risk Areas

1) Youth Unemployment and the Risk of Social Instability

67. Young people in Sierra Leone face numerous constraints to employment and tend to have less promising employment opportunities than adults.¹⁴ The overall skill level of young people is low. Thirty-five percent of 15-to-24-year olds and 63 percent of 25-to-35-year olds never have attended school. Among both age groups, only 20 percent finished primary school. Inactivity rates in the labor market are high, especially in urban areas. Many young people are not in school, not working, and not looking for employment. Urban and rural adolescents have similar rates of inactivity in the labor market (13 percent). By the age of 20–24, however, 1 in 3 urban residents compared with 1 in 6 rural residents is inactive in the labor market. Unemployment levels are highest among young urban men, with urban 15-to-24-year-olds approximately 20 times as likely to be unemployed as their rural counterparts. Even though young people tend to be better educated than adults, fewer than half of young workers receive payment for their labor, compared with two-thirds of adults 35 and older. Formal employment opportunities are significantly lower for young people than for adults.

68. Analytical work including by IDA, has identified four main focus areas to address youth unemployment. The most important is to promote private sector growth to create demand for labor. The emphasis on private sector growth in the Agenda for Change reflects this priority action. The second focus is on skills development, not least through vocational training activities and various forms of apprenticeship. A third one is relief through public works programs, such as cash (or food) for work. The final one is to encourage and support relocation of youth from urban to rural areas and their reintroduction to agriculture. The JAS partners, in cooperation with UNDP and Germany are preparing a broad program of support.

69. Only recently emerged from decades of poor governance that eroded its institutions, and a devastating conflict that dismantled much of its infrastructure and institutional framework Sierra Leone is still a fragile state. In only a few years since the conflict, it is unrealistic to expect a coherently functioning system where each component adheres to its formal mandate and functions. The new rules of behavior overlay deeply entrenched processes and practices and there is a risk that, under pressure, the old rules will resurface. Politically motivated rioting in March 2009 in Freetown illustrates the risk that the large number of underemployed youth may be mobilized for political purposes. Traditional political organization and the bonds of kinship and community are far more salient than formal state institutions and the years up to the 2012 election may represent a watershed in terms of the ability to transition from the legacy of political instability. At the same time, it is recognized that significant progress has been made in rebuilding key state institutions and the infrastructure of roads and telecommunications that will assist the state to respond effectively if violence again breaks out. Moreover, Freetown remains a remarkably safe and livable city with less violent crime than many other cities in the region.

¹⁴ Youth Employment In Sierra Leone: Sustainable Livelihood Opportunities In A Post-conflict Setting (Paperback - Feb 2009) by P. Peeters, W. Cunningham, and G. Acharya, *Youth Employment in Sierra Leone: Sustainable Livelihood Opportunities in a Post-Conflict Setting* (Washington, DC: World Bank), 2009, based on data from the Sierra Leone Integrated Household Survey 2003 and the Statistics Sierra Leone Census 2004.

Box 6: Decline in Mining and Youth Employment

Youth employment is particularly vulnerable to current declines in commodity prices. Despite these recent declines, mining remains Sierra Leone's second most important sector, after agriculture, in employment and income generation. Mining also is the largest source of export income, although the historic dominance of diamonds is being supplanted by rutile, bauxite and, prospectively, iron ore and gold. It is estimated that mining and quarrying still employ approximately 14% of the total labor force, directly or indirectly. Mining's contribution to GDP increased from less than 1% in 2005–06 to 17% in 2007.¹⁵ Public revenues from mining remain modest at approximately US\$10.5 million per year and are comprised primarily of license fees. Royalties and income taxes are projected to come on-stream after some 5 years as more mines move into production and older mines recoup upfront investment. It is estimated that, with comprehensive reforms, mining exports can rise to US\$1.2 billion by 2020.

Despite this bright picture, absent new investment, revenues from mining will decline 70% within 10 years.¹⁶ Problems in the mining sector include (1) weak mineral development agreements that do not yield revenues commensurate with potential; (2) poor regulatory enforcement impeding sector growth; (3) very limited impact of mining activities on economic development in the country, (4) inadequate environmental protection, and (5) inadequate arrangements to ensure that mining operations are accountable to local communities.

With the drop in mining activity, the associated downward pressure on youth employment has become more apparent. The resulting increase in poverty in mining areas and the subsequent risks of unrest are of significant concern to GoSL.

2) Corruption

70. The main corruption issues are addressed above as part of the governance discussion. It is clear that corruption is widespread in the public sector and efforts to curb it complicated. As discussed above, public sector reform (PSR), combined with an empowered Anti-Corruption Commission and a vigorous civil society empowered by freedom of information legislation, comprise the key ingredients of future success. There are reasonable indications that the elements for better outcomes are emerging, even while very low governance perception indicators persist. A governance profile is being prepared by Government in cooperation with the EC. The World Bank, through the IDF, provides technical assistance to the Anti-Corruption Commission. Development partners and Government are currently discussing joint, broad-based initiatives to address corruption.

3) Illicit Drugs

71. As West Africa has become part of the drug transit route to Europe, risks to Sierra Leone have increased. The corrosive influence of the drug trade is apparent. GoSL has responded vigorously, including through the prosecution and conviction of traffickers. To strengthen surveillance and enforcement, the government is working with partners on an integrated approach. IDA is supporting GoSL in anti-money-laundering and combating the financing of terrorism (AML/CFT) and in establishing a financial intelligence unit (FIU) at the Bank of Sierra Leone.

¹⁵ Poverty Reduction Strategy Paper Completion Report, draft, June 2008.

¹⁶ Adam Smith Institute estimates, draft, October 2007.

3. IMPLEMENTATION OF THE LAST CAS AND CSP

A. Lessons from Past AfDB/IDA/IFC Assistance

72. During the last CAS period (FY06–09)) and the Country Strategy Paper (CSP) (2005–09) Sierra Leone made substantial achievements in decentralization, capacity building, and improving public financial management that provided a foundation for improving service delivery. The country made moderate progress in improving the regulatory framework to enable the business environment and growth in the private sector. However, implementation of these reforms has been slow. IDA support to basic services in health, education, and HIV/AIDs has brought moderate results on the ground, particularly universal access to education and rehabilitation of health facilities. In addition, IDA made good progress integrating vulnerable populations through community development initiatives and income-generating activities. On the other hand, progress has been slow in (a) improving infrastructure services, particularly access to electricity and improving road networks; (b) improving agriculture capacity, and (c) managing the mining sector. The last CAS provided the following key lessons learned for the implementation of the JAS:

What Worked Well:

- The World Bank’s support to the public financial management system has been effective. The support provided a solid platform in the system that supports fiscal discipline, effective allocation of money, and improved predictability.
- The World Bank contribution improved decentralization and capacity building within local governments and provided a foundation for service delivery. Decentralization stimulated PFM reforms.
- Community-based approaches to integrate vulnerable populations for income-generating activities have been effective.

What Worked Less Well:

- Progress in improving governance issues in infrastructure, particularly in energy, transport, and water, was less effective and remains a key impediment to a better investment climate and to delivery of basic social services. Given entrenched vested interests, governance reforms in these sectors were complicated.
- The election period and change of government during the CAS period delayed CAS implementation programs more than had been envisaged.
- Complex, unrealistic project designs and low institutional capacity led to poor performance and delays in implementation. The state setting is still limited and fragile so needs to be taken into account.

Portfolio Performance

73. **The quality of the portfolio has been mixed.** During the CAS period, Sierra Leone’s portfolio grew and matured. However, the quality of the portfolio deteriorated, and the percentage of projects at risk now stands at 50 percent and includes 3 of the total of 8 IDA projects. The three projects rated as problem projects are the Bumbuna Hydroelectric Environmental and Social Management Specific Investment Loan (SIL), the Power and Water SIL, and the Rural and Private Sector Development SIL. Problems include lack of counterpart

funding, weak monitoring and evaluation (M&E) systems, procurement issues, and slow disbursement. The Bumbuna Hydroelectric Environmental and Social Management SIL and Power and Water SIL suffered from weak capacity within the designated ministries and agencies. This lack of capacity resulted in a lack of coordination in implementation of project components. Furthermore, the Rural Private Sector Development SIL became effective more than one year after approval.

74. Based on consultation with the World Bank task team and government, a **review of Sierra Leone's latest Country Portfolio Performance Review (CPPR) for FY08** identified six factors that affected implementation and results: (1) ambitious and complex project design, (2) lack of leadership and ownership within the implementing agencies, (3) low institutional capacity in PIUs and line ministries, (4) inadequate monitoring and evaluation, (5) lack of timely availability of counterpart funds, and (6) excessive use of high-paid international consultants. Although various projects appear well structured in terms of design and alignment of resources to areas of need, sustainability remains questionable because of concerns about shortage of human and capital resources. Implementation constraints (mainly in financial management and delays in procurement and submission of withdrawal applications) have created substantial delays in disbursement. The World Bank actively addressed the key CPPR findings with the new government and administration staff in 2008.

75. QAG assessments of portfolios. The Quality Assurance Group (QAG) assessed 6 of the 9 projects in Sierra Leone during FY06–09. Three projects had been assessed in a Quality at Entry Assessment (QEA), two projects in a Quality of Supervision Assessment (QSA), and two projects for Quality of Lending Portfolio (QALP) (table 3). Most of these projects have been rated as satisfactory to moderately satisfactory, and one project was rated as highly satisfactory. The only exception was the Power and Water Project, which was rated as moderately unsatisfactory.

76. Findings from the QEA of two projects showed that, for the Rural Development and Private Sector Development Project, the Bank had made the right choice in being selective and focusing on agricultural marketing. This is the area in which the Bank has comparative advantage with experience in successful marketing projects. The National Social Action Project was rated satisfactory with a number of outstanding features that are best practice in the context of post-conflict. The QAG recommended that, for post-conflict projects such as this, (1) a long-term linkage and coordination with the decentralization program in the country should be established, and (2) the primary focus should be to strengthen the link between local communities and their local governments or state institutions.

77. The QAG assessed the supervision (QSA) of the Institutional Reform Credit Project. The supervision was rated highly satisfactory citing the Bank's team consistent flexibility, energy, creativity and responsiveness to implementation challenges in a complex post-conflict environment.

78. The QAG recently assessed the quality of lending portfolio (QALP) of two important infrastructure projects. The Bumbuna Hydroelectric Environment and Social Management Project has been a challenging operation carried out in a post-conflict environment with weak capacity. The QAG recommends that, in preparing a complex operation of this type, in addition to assessing safeguards and the reputational risk for the World Bank, the Bank must provide sufficient financial resources and staff. In the Power and Water Project, QAG notes that the Bank can encounter reputational risks and other problems when working in a post-conflict situation in which the World Bank is constrained to remain engaged despite poor performance and bad governance.

79. IEG evaluations of ICRs: During the CAS period, four Bank projects were closed. Implementation Completion Reports (ICRs) were prepared for all four and were reviewed by the Independent Evaluation Group (IEG). Table 4 presents the results of both the completed ICRs and the IEG ratings. Overall, the project ratings were mixed, with approximately 1 satisfactory, 2 moderately satisfactory, and 1 moderately unsatisfactory. For lessons learned, IEG indicated that (1) project design needs to be tailored to country context, and (2) when a project is restructured in a post-conflict country, the project objectives need to be redefined to reflect what can be achieved. Moreover, a realistic timetable to implement sector reforms needs to be developed taking into account the current country situation and local capacity constraints.

Areas of Existing Intermediation by IFC

80. IFC's support has centered on strengthening the enabling environment and business promotion through providing advisory services. This support has included Removing Administrative Barriers to Investment (RABI) implemented in partnership with DFID and specific business enabling environment (BEE) reforms. Examples of the latter are starting a business, registering property, and capacity building for exporters through the Sierra Leone Investment and Export Promotion Agency (SLIEPA) program.

81. IFC has targeted access to microfinance through a committed equity investment in ProCredit Sierra Leone, initial steps to develop a leasing framework, and implementing financial institutions. Agriculture players of all sizes would benefit from access to leasing. IFC has provided trade credit lines to three banks (Sierra Leone Commercial Bank, Rokel Commercial Bank, and Guaranty Trust Bank). The credit lines are being used, in part, to import goods and equipment for agribusiness. IFC is looking to expand and diversify its trade finance lines.

Areas of Existing Intermediation by AfDB

AfDB Country Strategy Paper (2005–2009) Implementation Results

82. The overriding objective of the 2005-2009 Country Strategy Paper (CSP) was to assist GoSL to maintain sound macroeconomic stability and implement the governance measures. The Bank strategy has been relevant and consistent with the country's objectives and post-conflict agenda. Overall, progress and achievements have been made since the Field Office was established in 2007. The Mid-Term Review completed in 2008 cited moderate progress under both pillar 1 and pillar 2 of the strategy pillar 1 being enhancing economic growth through improved governance and pillar 2 being human resources development. A few things went well and some others went less well. Two things that went well are:

- The AfDB support to the public financial management through ERRP III went relatively well as it provided a good framework for fiscal discipline and effective budget execution. .
- Support to health services went relatively well through Strengthening District Health Services and the multinational Mano River HIV/AIDS Project.

Of what went less well:

- Progress in governance arrangements in the energy sector (Bumbuna) have been slow.
- Efforts to assist government boost agricultural productivity have not been successful.

83. At the end of the third quarter of 2009 there were eleven (11) on-going projects in the portfolio. These are at different stages of implementation with a total approved amount of UA

95.78 million. Out of the approved a total of UA 43.568 million has been disbursed. The social sector accounts for UA 45.0m, Agriculture UA 24.85m, Infrastructure UA 13.14m and Multi-sector UA 12.79m. Within the social sector the Health sub-sector accounts for 37.7 percent, Education 35.5 percent and Community Social Services Support 26.7 percent. Within Infrastructure Sector, the Power sub-sector contributes a significant amount of 78.4 percent, followed by Transport 15.1 percent and Water & Sanitation 6.5 percent. The average size of projects in the portfolio is UA 8.58m. This is rather low compared to the Bank Group average for 2007, where the average size of public sector portfolio was UA 16.9 million, up from about UA 15 million in the previous year.

84. Portfolio Performance: Portfolio implementation has been characterized by a number of factors including long time lag between project design and implementation, bureaucratic processing procedures of line ministries, low level of capacity and skills of PIU staff, lack of implementation oversight and project monitoring by government, delays in releasing government counterpart funding, delays in conducting project audits and submission of progress reports, long delays in granting ‘No Objections’, inadequate project supervision and turnover of Task Managers.

85. The low disbursement rate of only 45.5 percent is a serious impediment and is indicative of poor portfolio performance. Overall, 54 percent of the portfolio is at risk (PAR)¹⁷, which is high but represents an improvement from 2007 and 2008 when 83.3 percent and 75 percent (respectively) of the portfolio was at risk. The 54 percent PAR rate as of 1st October, 2009 is composed of 18 percent Problem Projects and 36 percent Potential Problematic Projects , not including multinationals.

86. The establishment of an AfDB office in the country has helped to improve the overall management of the portfolio as well as the visibility of the AfDB through workshops, consultations, dialogue, monitoring and follow-up of activities and programs. Access to the enhanced resources of the FSF and the flexibility embodied in this facility has helped in addressing some of the delays in project implementation mentioned earlier. Another lesson is the importance of enhancing government Monitoring and Evaluation mechanisms to ensure effective and efficient use of resources. It is only through recent dialogue that the Government has put in place mechanisms for project monitoring and evaluation. Based on some lessons learnt, measures are being taken to further improve portfolio performance. These include:

- Facilitating project coordination activities with Government/PIUs on a regular quarterly basis
- Providing technical and management support to PIUs in dealing with implementation challenges
- Developing a detailed Country Portfolio Improvement Plan (CPIP) with government to form an action plan.
- The AfDB is working through targeted support of the Fragile States Facility (FSF) to address capacity constraints in Sierra Leone, and will continue dialogue with government and other development partners to support capacity building.
- Improving projects’ design and quality at entry.

¹⁷ PAR is measured by the percentage of the number of projects at risk to the total number of rated operations

B. Lessons from the World Bank Client Survey

87. The recent survey indicates that views of development priorities have shifted in Sierra Leone since the last client survey conducted in FY05. Currently, governance and government effectiveness are identified by a huge plurality as the top development priority. Their effectiveness is seen as the key to reducing poverty in Sierra Leone and the key contributor to sustainable economic growth. In contrast, in FY05 stakeholders focused on basic development areas such as infrastructure, agriculture, education, and poverty as the key priorities. This shift is noteworthy, particularly in an environment in which governance is a top focus of the World Bank

88. Stakeholders in Sierra Leone see a clear role for the Bank in top priority areas. A plurality believes that the Bank's emphasis should be in governance and government effectiveness, followed by agriculture (which also emerges as an important development area). In the FY05 survey, respondents were keen to see Bank involved primarily in agriculture and rural development, poverty, and infrastructure. In 2009 approximately only 10 percent said the World Bank should emphasize infrastructure—approximately the same percentage who said that the World Bank should emphasize foreign direct investment (FDI).

4. WORLD BANK GROUP AND ADB GROUP ASSISTANCE STRATEGY

89. The implementation of the Agenda for Change will be important in determining whether Sierra Leone enters into a high returns trajectory on economic and social investments. Peace, stability, prudent economic management and good natural potential in key sectors, such as agriculture, provide reason for optimism, while governance weaknesses, lack of capacity and low human development indicators, and risks or regional turmoil show the hurdles to be overcome. The JAS aims to support progress in achieving the priorities of the Agenda for Change, help enhance its principles and actively work to mitigate the risks.

90. To do this the JAS will consider Sierra Leone's main challenges and opportunities as it pursues an economic transformation strategy to accelerate growth and reduce poverty. Based on the challenges and the government's medium term agenda outlined in the PRSP II, the JAS will focus on the strategic priorities of inclusive growth with projects in energy, water and roads, mining, and agriculture and basic service delivery, with projects in health, education and social protection. The JAS will also support the enabling environment for private and financial sector development as well as good governance. Table [x] below presents the proposed AfDB/WB/IFC interventions under the JAS, which is based on extensive discussions held with the Government, the development partners, and civil society. The challenge is to be selective in supporting Sierra Leone's growth and poverty reduction objectives given the development needs of the country. The selection of interventions will also be guided by the three institutions' financial allocations for the country and the country's absorptive capacity and debt sustainability.

JAS Instruments

91. In line with Sierra Leone's consistent performance in the field of macro-economic management AfDB and IDA will continue the program of development policy (policy-based) lending in support of Sierra Leone's transition from post-conflict recovery to sustainable development. These operations include reform measures consistent with the PRSP. The program of development policy or policy-based lending will closely complement the investment lending program by supporting policy reforms needed to create enabling environments for effective

implementation of the JAS through preserving the fiscal space needed for poverty reduction, promoting efficiency, transparency and accountability in the use of public resources through enhanced public financial management and governance; and (iii) improve the investment climate by ensuring the provision of infrastructure services in a fiscally sustainable manner.

92. In recognition of the special circumstances now facing Sierra Leone, on the cusp of an important transition from post-conflict status to mainstream development, the JAS partners will seek to act opportunistically and proactively in working with government to mobilize appropriate resources to sustain a high rate of growth and maintain social stability throughout the JAS period, including the sensitive 2012 election year. While Sierra Leone has taken important strides in distancing itself from the extremely fragile status of the war years, these gains are yet to be consolidated. While human development indicators remain at the levels which immediately preceded the conflict and a large portion of the population, particularly young urban men, remain outside of formal employment, there is an ever present risk of reversion to undemocratic processes and possibly even social disorder. Similarly, given the limited economic circumstances of much of the population, the limited infrastructure, the poor health facilities and the often basic living conditions, Sierra Leone remains vulnerable to humanitarian crises as a consequence of pandemics, economic shocks and natural disasters. To respond promptly to these prospective challenges, the JAS partners will continue to work with bilateral donors and, increasingly, with important private foundations, to seek to promptly address the consequences of all types of shocks and also to identify and preempt any slippage in Sierra Leone's favorable trajectory towards increased social stability. Tables [] and [] below shows several examples in which the JAS partners have been able to work with trust fund partners to mobilize resources to meet important challenges that have already been identified, notably to respond to the recent food price crisis and the developing crisis in youth employment.

93. Directly parallel to Sierra Leone's obvious fragility as it emerges from post-conflict status, it is also a country with a great deal of economic potential offering opportunities for investment which would be difficult to replicate in more established economies. Particularly in the agriculture sector, Sierra Leone provides opportunities for large-scale investments in high value crops such as sugar, cocoa and coffee, amongst others. As Government will present at the Trade and Investment Forum accompanying the CG meeting in London in November, Sierra Leone has made significant progress in terms of its investment climate and ease of doing business, although from a relatively low base. While infrastructure remains weak, investments now under way will increase Sierra Leone's attractiveness as an investment location and there is every opportunity for a virtuous circle of growth to develop as private sector investment lends itself to clusters of activity (for example in tourism), which increase government revenues to facilitate greater investment in infrastructure and skills development. To leverage this opportunity for transformative investments, the JAS partners will seek to facilitate private sector investment as a core component of their development strategy. The extensive experience and preferred status of the JAS partners is perhaps more important than any financial contribution to investment transactions. The AfDB participation in the Addax bio-energy project, the largest greenfield investment in Sierra Leone since the war, is one example of the catalytic role the JAS partners can play, particularly in the nascent recovery from post-conflict status, the World Bank Group is also considering participation in this transaction and others of a similar nature in those sectors such as tourism and agriculture in which Sierra Leone has a clear competitive advantage.

Box 7: Strengthening Governance for Better Development Outcomes

The Agenda for Change recognizes that good governance is an important precondition for sustainable growth, economic development, and poverty reduction and that there is considerable scope for improvement. To assist Government in this, the JAS Partners will support the strengthening of country systems and help build the demand for good governance. A framework and principles of engagement will emerge from an ongoing governance and political economy analysis that will inform the design of new interventions and the implementation of ongoing ones where relevant. A country management-led oversight and advisory group will guide the process.

Strengthening Country Systems: The JAS partners will continue to provide support for improving public sector management and fiduciary systems through ongoing and new operations. In addition, all operations will, where possible and relevant, help to build the demand for good governance by promoting transparency, participation and accountability and supporting capacity development of civil society and the media. This approach will also seek to build national systems for good governance through support to the Anti-Corruption Commission, through stakeholder consultation as to the practical consequences of corruption and developing the demand for good governance through a focus on improved service delivery as a consequence of improved governance.

Framework and Principles: A *Governance Framework* to be agreed with Government, and informed by the Banks' governance and political economy analysis, will guide the JAS partners in addressing governance related issues across the Banks' portfolios in Sierra Leone. The framework – based on principles of *accountability, transparency, equity, community consultation and participation, sustainable capacity development and decentralized service delivery* – will be applied across all projects and aspects of the project cycle as relevant. The main objectives of the framework will be to enhance the development effectiveness of operations by improving the overall governance environment, to facilitate the decision process for the lending program, and to provide the information needed to build a mitigation plan for projects in implementation.

Project implementation during the JAS period will be informed by continuing analytical work on governance constraints and opportunities for improvement and complemented by project level diagnostics to analyze key governance issues and risks surrounding a project and propose a mitigation action plan. Adjustments to the framework and principles will be made in consultation with Government.

Development Partners Governance Advisory Group: To better address issues of governance in operations, the JAS partners will establish an advisory group on governance within the country management teams. The advisory group will guide and oversee the integration of agreed principles into the operations and consistency with the framework; lead the analytical work and dialogue on governance; and advise project teams during implementation. The advisory group will be chaired by the Country Managers and coordinated by a country-based governance specialist who will also serve as a focal point for development partners and the government.

D. Mapping of Current and Planned Operations in support of the PRSP

94. The JAS seeks to reflect the structure and priorities established by the government in the PRSP, which prioritizes those activities for which Government wishes to be held accountable to the people of Sierra Leone. The PRSP establishes four strategic priorities: energy, transport, agriculture and human development. The attainment of these priorities is seen to require four core preconditions: good governance, macro-economic stability, private sector development, and sustainable natural resource management. To capitalize upon Government's ownership of the PRSP, the JAS seeks to follow this approach through concentrating its activities on two pillars, inclusive growth (which captures Government's focus on infrastructure and agriculture) and basic services for all (which encompasses the activities in health, education, water supply and

sanitation, and social protection). The need for good governance and capacity building, and the core role for the private sector in achieving sustainable growth are pervasive throughout the PRSP and this is reflected in the JAS by adopting governance and private sector development as overarching themes, present in every sector of our activities. This is intended to underscore the need to approach these themes at the national and project level in every sector, rather than as stand-alone activities.

JAS Pillar 1 - Promoting Inclusive Growth

PRSP Goal: Achieve an annual growth rate of 10% or more through investment in infrastructure, public sector service delivery and private sector development
Results Area and Outcomes
<p>Outcome 1: Broaden Electricity supply throughout the country.</p> <p>Outcome 2: Maintain and extend key transport infrastructure</p> <p>Outcome 3: Enhanced productivity in agriculture and fisheries</p> <p>Outcome 4: Improve Standing of Sierra Leone as Investment Destination</p> <p>Outcome 5: Build and Sustain a Responsive Financial Sector</p> <p>Outcome 6: Improved predictability, expenditure controls and transparency in public resource management.</p>

Outcome 1: Broaden electricity supply throughout the country

95. Both AfDB and IDA continue to work closely with Government for the impoundment and commencement of operations of the Bumbuna hydroelectric facility. The activities for the completion of the dam are accompanied by ongoing support for environmental and social safeguards by IDA, for distribution of power within Freetown by both AfDB and IDA and for enhanced financial management at NPA. Both Banks will support Government in its plans to extend access to electricity. IDA together with DFID, will focus on extending electrification into the provinces (including pilot programs for solar power) and in the development of the energy sector, including in public private partnership and sector governance. AfDB will seek to support initiatives in renewable power generation, notably a private proposal to develop bio-energy. The World Bank Group will also explore the possibility of providing support to this proposal, most likely through MIGA. IDA will support Government in its plans to extend hydro-electric generation in Sierra Leone, including through PPP, and for extending the dam system on the Seli River (“Bumbuna II”). The AfDB will continue its support for the government in its new energy policy and through non-lending activities. Sierra Leone may be able to benefit from a WAPP program to connect Cote d’Ivoire, Liberia, Sierra Leone and Guinea and rehabilitate and upgrade hydro-power plants the region (possibly including support for expansion of Bumbuna to generate an additional 160 MW or more power).

Outcome 2: Maintain and extend key transport infrastructure

96. Working in close coordination with other development partners, particularly the EU, both the AfDB and IDA will provide support to Government in the expansion, rehabilitation and maintenance of the road network. Both Banks will continue to assist in the rehabilitation of the main trunk road system covering some 300km during the JAS period. The AfDB will also finance the construction of the approved Lungi-Port Loko Road and the planned Mototoka to Sefadu Road.. IDA will support Government in ensuring the airport remains within ICAO

standards as well as supporting the ferry service to the airport and the rehabilitation of the Freetown port (and PPP framework for a landlord port). Through the ongoing Rural Private Sector Development project as well as the Infrastructure Development Project, IDA will support the rehabilitation of some 900km of rural feeder roads, with an additional 500km of feeder roads financed by the AfDB under three projects.. To more effectively allocate resources and limit demands upon Government capacity, the AfDB will take the lead in the trunk road sector, while IDA will lead for feeder roads.

97. Through the implementation of the sector strategies for the energy, water and transport sectors and the development of a PPP framework IDA will help the government create a conducive environment to encourage and attract private sector investors and operators to play a greater role in financing infrastructure projects and services. IFC's financing and advisory services will be based on establishing appropriate PPP strategies particularly in the energy and port sectors. Where appropriate, IFC will explore opportunities to provide long term financing to investors, particularly for infrastructure supporting the country's strategic sectors, namely agriculture and mining.

Outcome 3: Enhanced productivity in agriculture and fisheries

98. In support of the government's program for agriculture IDA will concentrate on the development of the agricultural value chain of input supply, production, agro-processing and exports through the Rural Private Sector Development project and in coordination with the DTIS enhanced integrated framework. The rural feeder roads projects of both Banks are seen as crucial to link farms to markets. The Mano River Rice initiative will be one mechanism through which IDA will promote collaborative efforts to improve agricultural technology generation and dissemination at the national and regional levels and to increase productivity of rice production systems and facilitate cross-border trade of food staples in the sub-region. The AfDB is already doing the same through the NERICA Rice Dissemination Project. IFC will explore supporting agribusiness through two approaches. First, to promote finance flows to the sector, IFC will explore the development of innovative financing strategies through local commercial banks to increase their agriculture investment and trade finance capabilities. Secondly, IFC's SME Ventures will also seek to provide direct financing and advisory services to SMEs in the country. The AfDB private-sector operations include equity funds for Cellcom in the area of ICT infrastructure and for Ecobank in the area of financial services. AfDB private sector operations will seek to provide long-term capital for a significant bio-energy project.¹⁸ Moreover, the AfDB private-sector arm and the IFC are at the discussion phase on joint activities in the context of the Conflict Affected States in Africa (CASA) Initiative that includes Sierra Leone. The IFC will also seek prospects for investments in commercial agribusiness projects, and will explore opportunities for value chain development in sub-sectors where Sierra Leone may have a comparative advantage versus regional and global competitors¹⁹ IFC advisory services will target improving the environment for agricultural activity and will explore opportunities to support the development of innovative structures and frameworks that increase land utilization for commercial agriculture and the development of small-holder and out-grower schemes, as well as supporting improvements in the cross-border trade related processes and institutions. As the majority of farmers in Sierra Leone are women (52 percent), the JAS Partners programs in agriculture represent one mechanism for the economic empowerment of women.

¹⁸ Addax Bio-energy Project, which will produce ethanol for export and electricity as a byproduct.

¹⁹ Sub-sectors could include: tree crops with an active out-grower component (oil palm, rubber, cocoa); fishing; grains and staples (cassava, rice, corn); processing (vegetable oils), milling (flour and animal feed) and some beverages.

99. Sierra Leone is currently banned from exporting fish to the EU member states due to poor phytosanitary standards. Through the AfDB Artisanal Fisheries Development Project, fish landing sites will be constructed with handling and preservation facilities, and the control and surveillance activities will be strengthened to prevent illegal fishing in the country's IEZ and EEZ and protect fishing resources from over exploitation.. A new IDA regional fisheries project will serve to sustainably increase the overall wealth generated by the exploitation of marine fisheries resources by helping Sierra Leone, along with neighboring countries, govern and manage targeted fisheries, reduce illegal fishing and increase local value added to fish products.

Outcome 4: Improve Standing of Sierra Leone as Investment Destination

Advisory services, led by the IFC, will target improvements to the Sierra Leone investment climate including assistance to the Sierra Leone Investment and Export Promotion Agency (SLIEPA) to improve their ability to attract private sector investment. Activities will include supporting the development of appropriate laws and regulations relevant for the business environment. The AfDB private sector strategy is demand driven and, in addition to the Addax Bio-energy project, equity funds for ICT infrastructure and financial services are under consideration. Furthermore, the AfDB private-sector department is in the discussion phase with IFC on joint projects. IDA will support commercial agriculture and supporting improvements in the cross-border trade related processes and institutions through the Rural PSD project, and, where possible, supporting growth poles built around major investments. IDA's engagement in the mining sector through the provision of technical assistance to Government as well as through trust funded activities in support of EITI, serves to enhance governance in this sector and to expand the pool of promoters willing to engage in Sierra Leone. The AfDB is also exploring the possibility of supporting key components of the EITI including support for the validator, establishment of a secretary and awareness raising and sensitization campaigns. IFC's areas of priorities will be on mutually supporting advisory and investment services, and IFC will continue to benchmark Sierra Leone's overall investment climate through the *Doing Business* indicators. Outcomes supported will include time and cost of establishing a business and trading across borders. In addition, IFC is currently supporting GoSL efforts to streamline the tax administration. IFC's support in this regard includes the introduction of a SME tax regime which will reduce the cost of compliance for SMEs. To reduce the reliance on the state, interventions supported by the JAS partners will emphasize privatization and PPP in-line with the government's Agenda for Change. IFC is supporting NASSIT to identify an international investor/operator to renovate and operate the Cape Sierra Hotel, which should lead to the creation of the first business hotel in Sierra Leone and improve the tourism sector in the country. IFC's support to the Sierra Leone Business Forum includes enhancing the capacity of the private sector to advocate for the implementation of reforms to improve the business environment for the private sector to thrive.

Outcome 5: Build and Sustain a Responsive Financial Sector

In recognition of the important constraint that limited access to finance had represented for economic development, the *Agenda for Change* places a strong emphasis on the need to develop a well functioning financial system to promote economic growth and pro-poor development. To assist in this endeavor, IDA, along with the German Development Cooperation, has supported Government in the preparation of a Financial Sector Development Plan which outlines a series of actions and reform measures intended to assist Sierra Leone strengthen the commercial banking system and improve its competitiveness, enhance rural financial access through microfinance institutions and community banks, and strengthen the enabling environment through the legislative, regulatory and policy framework. Guided by the FSDP, IDA and the German

Development Cooperation will implement a comprehensive program of technical assistance to support Government in reforms to achieve efficiency in the financial intermediation process, reduce transaction costs, expand access to financial services, and channel scarce financial resources into productive investment. Accompanied by appropriate legislative changes, these reforms should result in the deepening of financial intermediation, the creation of new instruments to facilitate investment and the establishment of new financial institutions to increase outreach. While IDA will lead in advice for policy and regulation under the FSDP, the IFC will take the lead in promoting the role of private sector entities in providing access to finance. In support of this initiative, the IFC will focus on investment and advisory services to establish the legal framework for leasing and will provide continued support to commercial banks through trade finance facilities, including building capacity at these institutions to effectively utilize letters of credit. IFC will explore opportunities to develop innovative financing strategies with local commercial banks to increase the ability of local banks to provide credit to different sectors of the economy (agriculture, SMEs, etc), and also intends to deploy its new SME Ventures Fund in Sierra Leone. Capacity building for the Bank of Sierra Leone on monitoring compliance of trade finance facility (IFC)

Box 8: The Capacity Challenge Exemplified by the Public Financial Management Reform in Sierra Leone

Lack of capacity in the public sector is a key governance issue. Capacity constraints are found in all aspects of public sector management and service delivery. The health sector suffers from insufficient number of health care personnel and lack of sufficient qualifications and motivation among existing staff. Similarly, lack of qualification and absenteeism are recurrent problems in education, Key accountability institutions such as the Parliament and Anti-Corruption Commission lack resources and qualified staff to do their jobs. The civil service lack qualified staff in technical mid-level positions while being burdened by under-qualified staff in large numbers.

A broad-based civil service reform has been under preparation for several years and the Government has expressed its commitment to taking it forward. It will contain a recalibration of the civil service, measures to hire and retain qualified personnel in health and education , a pay reform and a retrenchment in certain functions.

The World bank is helping to address the need for capacity building across its portfolio. The new Education and Health projects both include training and education components for sector staff. The Rural and Private Sector Development project includes capacity building for agricultural staff and for SLIEPA. The planned mining TA project will strengthen capacity in the Ministry of Minerals. The planned Financial Sector Development Project will strengthen capacity in the central bank and in the banking sector. A grant for the Anti Corruption Commission will help augment their capacity. The broadest work on capacity building is currently being done through the two public sector capacity building projects (IRCBP and IPFMP). In addition to strengthening core government functions, the latter also includes specific capacity support to Parliament and support to non-state actor, including enhanced capacity to provide accountability checks on government operations and service delivery.

GoSL has made steady progress in strengthening its public financial management framework and systems, and has implemented most of the recommendations made in the Country Financial Accountability Assessment conducted after the end of the war in 2002. This process has been supported by IDA through the Institutional

Outcome 6: Improved predictability, expenditure controls and transparency in public resource management.

100. Significant progress has been made in re-building various institutions responsible for governing the state and safeguarding national systems for public resource management. However, there continues to be a need for deeper reforms and strengthening capacity for effective and efficient delivery of basic services and long-term sustainable development. The priorities identified are the need to restore budget credibility and supplier confidence, improve cash management, increase adherence to the legal framework (with amendments as needed) and build PFM capacity in MDAs (ministries, departments and agencies). The AfDB and IDA support the government in its program of governance reforms through the annual development policy-based lending operations, these focus on budget execution, procurement reform, public service reform, and decentralization.

101. IDA leads support for PFM reforms through the multi-donor Integrated Public Financial Management Reform Project (IPFMRP) which continues the activities of the Institutional Reform and Capacity Building Project (IRCBP) including activities such the rollout of the Integrated Financial Management Information System (IFMIS) to remaining MDAs, the verification of government payrolls, improved procurement, the extension and deepening of internal audit, strengthening local government financial management, and legal and regulatory reform. In addition to development policy lending, the AfDB will also help Government develop the efficiency, transparency and accountability in the use of public resources through enhanced public financial management and governance through the ongoing Institutional Support Project.

JAS Pillar 2 – Providing Basic Services for All. (HD, Education, Health etc).

PRSP Goal: Ensure sustainable human development through the provision of improved social services.
Results Area and Outcomes
Improved access and quality of basic social services
Outcome 7: Improved capacity to effectively and efficiently deliver education Outcome 8: Improved access to basic health services Outcome 9: Increased household access to safe drinking water and sanitation Outcome 10: Improved capacity to manage social risks Outcome 11: Strengthen Local Councils capacity to manage decentralized services delivery

Outcome 7: Improved capacity to effectively and efficiently deliver education

102. The Government of Sierra Leone has taken important strides to ensure access to primary education for all children and this has been reflected in primary gross enrollment rates in excess of 100 percent. However, important challenges remain, including low human resource capacity at all levels, shortage of teaching and learning material, high pupil ratios in schools, poor accountability, low primary school completion rates and high repetition and drop-out rates. The government is supported in this initiative by the AfDB through its ongoing Support to Basic Education Project and Rehabilitation of basic and non-formal education and vocational training project (education III) Project and by IDA through the ongoing Rehabilitation of Basic Education Project which is to close in December 2009 and through the new multi-donor trust funded Education for All Fast Track Initiative (EFA-FTI). IFC's interventions in the education sector will focus on private sector opportunities within these sectors and will initially focus on advisory services through the Africa Schools Facility.²⁰

Outcome 8: Improved access to basic health services

103. In an effort to improve the quality and provision of health care Government has prioritized interventions focusing on the reduction of child and maternal mortality rates. In recognition of the fact that malaria is the most common cause of illness and death, especially of children, emphasis will be placed on preventative services (insecticide treated nets and intermittent preventative treatment). To ensure the sustainability and uptake of health services, focus is put on community participation in management and coordination. The JAS partners support these objectives through the AfDB Strengthening of District Health Services project and by IDA through the ongoing Health Sector Reconstruction Project and the Reproductive and Child Health Project (RCHP) which is financed through the Africa Catalytic Growth Fund (ACGF) and led by IDA and which will be supplemented by a follow on project (RCHP2) during the JAS period. IFC's interventions in the health sector will focus on exploring private sector investment opportunities via IFC's Health in Africa initiative. The AfDB is now

²⁰ The IFC Africa Schools Facility has begun a scoping study into opportunities for private education

considering a request from the Mano River Secretariat for a second phase for its Mano River HIV/AIDs project which would be financed from multinational resources. This will support improved health outcomes on a regional basis by sensitizing the beneficiaries about the pandemic.

Outcome 9: Increased household access to safe drinking water and sanitation

104. Safe water and sanitation to communities is considered crucial for healthy living, particularly for the prevention of diarrheal diseases. A National Water and Sanitation Policy has been approved by Cabinet in February 2009 which provides overall strategy to address the challenges facing the sector and strive towards achieving the MDGs. The overarching aim is to make available bulk potable water, preferably piped water, to as many people as possible, targeting high population density areas, including large villages. Both the World Bank and AfDB have been active partners through policy dialogue and expect to share “best practice” in the sector drawing on operational experience from the region. Implementing this strategy will provide the government an opportunity to mobilize resources from the development partners and implement the policy framework. The Towns Water Supply and Sanitation Project planned by the AfDB for 2010 will improve access to drinking water for urban populations while the Rural Water Supply and Sanitation Project planned for 2011 will improve access to water supply and sanitation services for the rural population. IDA will support these initiatives through the ongoing Power and Water Project and through the new Decentralized Service Delivery project. In addition, a new Freetown Water Supply and Rehabilitation project funded by DFID and administered by the World Bank is helping to upgrade and repair key water supply transmission lines, emergency pipe repair and replacement program.

Outcome 10: Improved capacity to manage social risks

105. Notwithstanding recent modest improvements, Sierra Leone sits close to the bottom of the UN Human Development Index. Extreme poverty is driven by high unemployment and underemployment, particularly among the young, which in turn is exacerbated by an acute skill deficiency among the “lost generation” who grew up without education during the war. As Sierra Leone reaches a critical juncture in its emergence from post-conflict status, the JAS partners will continue to support Government in its initiatives to combat extreme poverty, especially among women and the young. IDA has recently supplemented the existing National Social Action Project with additional financing, and further funding is currently in progress. This project seeks to restore social and economic infrastructure and services in war-affected communities using community mobilization and collective action to select, implement and maintain small-scale sub-projects. Most recently, as part of the response to the global food price crisis, this program has been focused on “cash for work” schemes to rehabilitate basic chiefdom and district feeder roads, drainage systems and other infrastructure through a public works program that employs unemployed youths and other vulnerable groups. This program, along with several smaller trust funded activities such as the Promoting Sustainable Youth Employment through Youth Entrepreneurship Trust Fund, seek to improve the skills profile of young people who are out of school, and enhance labor market opportunities for young people by providing them with work experience. Given the particularly vulnerable position of women amongst the marginalized, there will be a particular gender focus in these interventions to support the economic empowerment of women. IDA will seek to extend the use of trust funded activities for social protection with a targeted operation for youth employment later in the JAS period. The AfDB Social Action Support Project aims at addressing poverty in three complementary ways: (i) through

community-driven rural projects in key social sectors; (ii) through labor-intensive public works to generate incomes for youth, and vulnerable groups while at the same time helping to improve infrastructure in critical sectors such as health, education and agriculture; and, (iii) by supporting micro-finance activities mostly targeting poor women.

Outcome 11: Strengthened Local Councils capacity to manage decentralized services delivery

106. The process of local governance and decentralization reform began with the Local Government Act of 2004 and the local council elections of that year and the establishment of 19 local councils. The JAS partners have supported Government in its efforts to build capacity at the local council level and devolve service delivery functions to the sub-national level. The primary vehicle for IDA support to this initiative is through the Decentralized Service Delivery Project which supports basic services delivery at the local level, to strengthen delivery of basic health, education and clean water services, all of which have been devolved to local authorities and which have the potential for significant movement on key MDGs. It is intended that this program will be supplemented with a follow on project later in the JAS period. Given the importance of health and education amongst the services delivered at the local government level, cooperation with trust funds such as Education for All and the Global Fund for AIDS, TB & Malaria will play an important role). To support good governance in the decentralization process, an in-country Justice for the Poor team will provide expertise on local-level dynamics of justice and governance and will assist in strengthening communities' capacity to hold local councils accountable for delivery of basic services.

Box 9: Mainstreaming the Gender Dialogue

While the Client Survey would suggest that gender disparities are not considered as a development priority in Sierra Leone, the country consultations indicated this interpretation may be too simplistic. Rather it is suggested that economic empowerment for women is seen as being the key to addressing gender issues at the current stage, perhaps reflecting the low levels of trust in a society where self reliance is the norm and financial means are a prerequisite for protection under the law and in society.

- Recognizing this preference, we have sought to mainstream gender considerations into our projects. Cash for works and CDD projects require that 40% of those employed are women
- Reproductive and Child Health Project focuses largely on women's health issues
- Our education projects have targets for girls' enrollment and have shown good results in this respect

AfDB and IDA are planning, with our key partners (DFID and EC) to conduct a Country Gender Assessment and Gender Profile to include a gender audit of our operations and approaches, to get clarity of where we stand and what we can improve. AfDB is planning a gender profile for 2010.

Donor coordination and Aid effectiveness - Framework for WBG and AfDB Group engagement in Sierra Leone

107. The AfDB, IDA, and IFC have shared objectives and are preparing a common platform for lending and non-lending services under this strategy. This would include contributions to development policy lending, pursuing joint investments to support the growth agenda of Government, undertaking joint missions and sharing analytical work. Engagement and dialogue with stakeholders will continue at various stages of the JAS process.

It is anticipated that AfDB and IDA will coordinate along the basis of existing programs and the dialogue with Government. Most sectors require engagement by both Banks and cooperation is in terms of a joint approach and division of labor (for example in Bumbuna where the AfDB has financed the completion of construction and IDA has addressed the environmental and social aspects). Coordination between IFC and IDA will be on the basis of respective comparative advantage. For advisory services, IFC will focus on issues related to the business enabling environment and also privatization, with emphasis on public private dialogue and reducing administrative barriers. IDA will focus on policy advice to Government and regulation. IFC investment activities will respond to the opportunities and circumstances to be anticipated in a fragile state. It is anticipated that access to finance will continue to be an important area for IFC investment, particularly for the SME sector. Tourism, agriculture and investment in infrastructure services will be priority areas for investment identification. MIGA will continue its programme of support to FDI, with agribusiness and trade infrastructure important areas of engagement. The JAS Partners worked effectively with the development partners the UK Department for International Development (DFID), the European Union (EU) and the United Nations agencies, during the preparation of the CAS. The World Bank continues to work closely with these organizations and others, such as GTZ/KFW, Government of Italy, Irish Aid, and JICA, to implement development assistance.

108. Sierra Leone is a signatory to the Paris Declaration, and its PRSP provides the framework for alignment and harmonization of donor interventions. Both the AfDB CSP and the IDA CAS currently support the Government's development agenda. Under a Multi-Donor Budget Support (MDBS) Framework involving the AfDB, IDA, EU, and DFID coordination amongst members and with the Government has improved, with some encouraging results. It is to be noted that harmonization under the MDBS allowed the number of triggers utilized by the partners to be reduced successively from 42 in 2006 to 29 in 2007, 27 in 2008, and 14 in 2009. An integrated PFM program is being designed by the four MDBS partners. Sharing of analytical works amongst members has also yielded positive results. Government and Development Partners have signaled an interest in establishing a multi donor trust fund for infrastructure, which would be administered by the World Bank.

109. Overall, Sierra Leone is making progress on the Paris Declaration benchmarks. The 2008 OECD Survey on monitoring the Paris Declaration shows moderate results on ownership, alignment, harmonization but weak results for managing for results and mutual accountability. The reliability of Sierra Leone's procurement systems was assessed for the first time in 2008, using the methodology for self-assessment developed by the Joint Venture on Procurement. Sierra Leone received a rating of B. Further work to improve financial and technical capacity is required to speed up implementation of the new law and ensure that Sierra Leone meets its target of an A rating in 2010. On aggregate, 54% of aid disbursed by donors to the government sector was accurately estimated in the government's budget. A summary of the indicators for 2008 survey and targets for 2010 are shown in Table [x]

Table 5: OECD Survey of Progress under Paris Declaration Benchmarks

	Indicators	2007	2010 Target
1	Operational Development Strategies	C	B or A
2a	Reliable Public Financial Management (PFM) systems	3.5	4.0
2b	Reliable Procurement systems	B	A
3	Aid flows are aligned on national priorities	54%	
4	Strengthen capacity by co-ordinated support	22%	50%
5a	Use of country PFM systems	20%	35%
5b	Use of country procurement systems	38%	51%
6	Strengthen capacity by avoiding Parallel PIUs	2	0
7	Aid is more predictable	30%	51%
8	Aid is untied	92%	More than 68%
9	Use of common arrangements or procedures	27%	66%
10a	Joint missions	31%	40%
10b	Joint country analytic work	56%	66%
11	Results-oriented frameworks	D	B or A
12	Mutual accountability	NO	Yes

E. Program of Support/Outcomes

110. In spite of capacity constraints and political transition, discussions on the use of IDA 15 and ADF 12 resources have commenced. The size of the IDA envelope is slightly lower in US Dollar terms than IDA 14, primarily reflecting the graduation from post-conflict status and slow progress in improving CPIA scores. The size of the ADF 12 envelope (including FSF resources) is expected to be more or less similar to that of ADF 11. Government has indicated its preliminary preferences which will be further discussed in the coming months and will significantly impact the JAS, which will cover the final two years of IDA 15 and the first one or two years of IDA 16 while for the AfDB it covers the last two years of ADF11 and first two years of ADF 12. The PRSP II has been prepared under a growth banner, reflecting the current administration's emphasis on private sector led growth. The PRSP II, however, also takes into account Sierra Leone's unenviable position on the human development index. These facts obviously will influence the orientation of the JAS, which can be expected to support these two pillars as follows

Overview of WB / IFC/ ADB activities

Much of the JAS partners' support to the Agenda for Change will stem from the implementation of already agreed projects and programs. At the start of the JAS period, the project portfolio of the JAS partners is as follows:

Table 6: AfDB, IFC and IDA Current Portfolio

AfDB	Agriculture Sector Rehabilitation Project (ASREP), NERICA Rice Dissemination Project, Bumbuna Hydroelectric Project Add Fin [approved 2008] Support to Basic Education, Strengthening of District Health Services, Social Action Support Project, Institutional Support Project (PFM and Energy),	UA 12 Million UA 2.85 million. UA 10.3 million UA 16 million UA 17 million UA 12 million UA 2.79 million
IDA	Institutional Reform and Capacity Building - Plus trust funding Infrastructure Development Project Integrated Public Financial Management - Plus trust funding Rural Private Sector Development Project Bumbuna Environmental and Social Protection - Plus partial risk guaranty reservation Education for All National Social Action project Power and Water Project - Plus Emergency Water Trust Fund	\$25 million \$25 million \$55 million \$ 4 million \$17 million \$30 million \$13 million \$ 9 million \$14 million \$35 million \$35 million \$9 million
IFC	Credit Lines to Commercial Banks	\$10 million

At the same time, a lending program fully utilizing expected IDA and ADF allocations is planned. IFC will actively look for investment and advisory services opportunities.

Table 7: IDA Proposed Lending Program

FY	Lending	Amt (USD)
FY10 (Jul 09 – Jun 10) IDA 15	GRG3 Development policy lending	10
	Decentralized Service Delivery Program I	20
	Mining TA	4
	Financial Sector TA: Capacity Building and Regulatory Reform	2
	<u>Regional</u> ²¹ ▪ Fisheries	5
<i>Sub-total FY10</i>		<i>41</i>
FY11 (Jul 10 – Jun 11) IDA 15	DPO1 Development policy operation	7
	Infrastructure I (energy/transport)	20
	Youth Employment and Skills	5
<i>Sub-total FY 11</i>		<i>32</i>
FY12 (Jul 11 – Jun 12) IDA 16	DPO2 Development policy operation	7
	Decentralized Service Delivery Program II	15
	<u>Regional</u>	
	- Regional Mining Sector TA Initiative (incl. EITI++)	2
- Regional Mano River Agriculture	4	
<i>Sub-total FY12</i>		<i>28</i>
FY13 (Jul 11 – Jun 13) IDA 16	DPO3 Development policy operation	7
	Infrastructure II (TBD)	15
<i>Sub-total FY13</i>		<i>22</i>
TOTAL IDA:		123

111. The estimates for FY11-13 for IDA are indicative only. Actual allocations in these years will depend on: (i) total IDA resources available, (ii) the country's performance rating; (iii) the performance and assistance terms of other IDA borrowers; (iv) the terms of IDA's assistance (grants or credits) and (v) the number of IDA-eligible countries. The FY12-13 indicative allocations assume that IDA 16 resources will be at the same level as IDA 15. IDA allocations are made in SDRs based on performance, and the US\$ equivalent is dependent upon the prevailing exchange rate. In addition to the IDA allocations resources will be mobilized from other sources to augment the resources available (cf. Table 8)

²¹ Amounts refer to the proportion of country IDA allocations for regional project financing only.

Table 8: AfDB Project Pipeline for the JAS Period (1 UA = 1 SDR)

FY	Lending	Amt (UA)
FY09 (Jan – Dec 09) ADF 11	Bumbuna Second Supplementary Loan	1
	Economic Governance Reform Program -Budget Support	10
	Lungi to Port Loko Road	26
Sub-total FY09		37
FY10 (Jan – Dec 10) ADF 11	Water Supply and Sanitation	25
	Freetown Ring Road Study	tbd
	Addax Bio-energy	23
Sub-total FY 10		48
FY11 (Jan – Dec 11) ADF 12	Rural Water Supply and Sanitation	25
	Economic Governance Reform Program II -Budget Support	20
Sub-total FY11		45
FY12 (Jan – Dec 12) ADF 12	Mototoka to Sefadu Road	25
	Mano River HIV/AIDS II (Multinational)	tbd
Sub-total FY12		25
TOTAL AfDB:		155
The AfDB will make available UA 2 million from the FSF Pillar III targeted support which is earmarked for capacity building activities to be determined by Government. The estimated total resource envelope under ADF 12 including FSF is UA 70 million.		

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112. Trust Funds and special funds (e.g. food crisis response facility) have played a significant role in the World Bank's operations. In recent years the total portfolio has been roughly doubled through the utilization of such funds (EC/DFID TF on Decentralization, DFID TF on water, AGCF on reproductive health, EFA-FTI on primary education, GEF on biodiversity, various TF's on youth employment and access to justice, food crisis facility on cash for work and special development policy lending). During the JAS period it is envisaged that Trust Funds, including a proposed MDTF for Growth will play an equally important role. Similarly, Sierra Leone is expected to access additional resources from the regional IDA allocations (fisheries, agriculture, mining etc.).

Table 9: IDA Projects and Potential Co-Financing**For the JAS period, IDA will cooperate with Trust Funds and Partners to supplement IDA funding**

Activity	Amount	Financing Source
Fisheries Project	\$ 15 million	Regional IDA/ GEF
Mano River Union Agriculture	\$ 10 million	Regional IDA
Energy Project	\$ 40 million	DFID/EC
Reproductive Health 2	\$ 25 million	Africa Catalytic Fund
Financial Sector Reform	\$ 13 million	GTZ/KfW
Cash for work program	\$ 4 million	Global crisis response facility
Biodiversity project	\$ 5 million	GEF
Youth employment	\$ 5 million	Tentative – Possible GTZ lead
Institutional Capacity Building for Combating Corruption	\$ 0.5 million	IDF
Total	\$118 million	

Knowledge Agenda and Advisory Services

113. The JAS Partner’s AAA program will be developed around thematic areas that are consistent with the JAS objectives. The AAA program will focus on deepening our knowledge of and engagement in the key strategic areas identified in the JAS without being restrictive. The AAA program would therefore focus on aspects of one or more of the following themes: (i) macro/fiscal stability; (ii) private sector development (iii) better service delivery for the poor; (iv) reducing vulnerabilities; and (v) governance.

114. IDA will pursue an expanded knowledge agenda developed around the JAS objectives and with a focus on addressing root causes of Sierra Leone’s weak development outcomes. A comprehensive study of the political economy of governance, including analysis of governance in the decentralization process and in the transport and energy sectors is intended to guide the design and implementation of development projects and enhance the effectiveness of investment in poverty alleviation. This analytical work will also serve to inform the Governance Framework to be agreed with Government and development partners. A Public Expenditure Review and Country Procurement Assessment Review will complement these activities and help ensure that the outcomes of analytical studies are appropriately grounded in operations.

115. A Country Economic Memorandum will serve to identify the key development issues facing Sierra Leone, together with a Poverty Report, these studies will deepen our understanding of the underlying causes of poverty in Sierra Leone and serve to identify priorities in addressing immediate needs in human development and social protection. Looking forward, the sector analyses conducted in the Country Economic Memorandum will help us better assist Government in addressing the bottlenecks to reaching a higher level of economic development as well as determining opportunities for private sector investment for growth and employment creation.

116. The AfDB will join with IDA in the Public Expenditure Review as well as in a Gender Profile which will be coordinated with a Gender Diagnostic and Audit to be carried out by IDA

and other development partners. The AfDB non-lending program will also include a Flagship Country Report on Infrastructure and an agriculture sector review.

117. On the Advisory Services side, IFC is already active on the investment climate work with approved program documents that will provide over US\$2 million of donor trust funds during the JAS period towards the Removal of Administrative Barriers, the development of the tourist sector, and the promotion of Sierra Leone as an investment destination.

Table 10: Proposed Analytical and Advisory Work

FY	IDA/IFC	AfDB
FY10 (Jul 09 – Jun 10)	Public Expenditure Review Political Economy Study with focus on, Decentralization, Transport and Energy Sector Country Gender Assessment/Profile ICT – TA PPP Framework Support for EITI implementation “Cash for work” Impact Evaluation Doing Business Reform (IFC) Tax Simplification (IFC)	Country Gender Assessment/Profile Agriculture Sector Review Public Expenditure Review
FY11 (Jul 10 – Jun 11)	Poverty Report Country Procurement Assessment Review Country Portfolio Review Doing Business Reform (IFC)	Private Sector Profile Renewable Energy Study
FY12 (Jul 11 – Jun 12)	Country Economic Memorandum Doing Business Reform (IFC)	Country Portfolio Review Country Financial Accountability Assessment
FY13 (Jul 11 – Jun 12)	Service Delivery and Accountability	

118. Joint Strategy of EC and DFID. In 2007 a Joint Country Strategy Paper for the period 2007 – 2013 was agreed upon by Government, DFID and the EC. The other EU Member State represented in Sierra Leone also contributed to the process, as well as other partners in Sierra Leone such as non-state actors. The strategy was based on Sierra Leone’s first Poverty Reduction Strategy, the ACP-EU Partnership Agreement, the EU Strategy for Africa, the European consensus on Development and the 10 year MoU signed between DFID and Government in 2002. The joint strategy covers activities in the period 2008-2013 for the EC, and 2007-2012 for DFID. Since the Strategy was adopted a number of changes have taken place, most notably Government has adopted a new Poverty Reduction Strategy, the Agenda for Change. International events such as the global recession and the food price crisis have had repercussions on the Sierra Leonean economy with lower predicted growth rates and public finances. Despite the changed circumstances, the challenges identified in the Joint Country Strategy remain

pertinent: improving governance and accountability, improving service delivery, building capable government institutions, employment creation and improving social indicators in health and education. In adapting to the changed circumstances, the EC has focused more than envisaged in the areas of rural development, food security and agriculture while DFID has scaled up human development activities, particularly health, water and sanitation. Going forward the EC and DFID will continue to address governance jointly, while the EC will concentrate efforts on essential infrastructure, rural development, environment and trade/private sector development and DFID will focus on state-building, human development with a particular focus on maternal mortality, and gender equality.

119. While DFID and the EC are the largest providers of assistance to Sierra Leone, other countries and institutions that provide assistance include China, Germany, India, Iran, Ireland, Japan, Kuwait, Libya and the United States of America as well as the Islamic Development Bank, the OPEC Fund for International Development and various development funds, notably from the Middle East.

Box 10: Joint Vision of the United Nations Family

The Joint Vision defines the contribution of the UN organizations, agencies and programs working in Sierra Leone to implementing the **Government's Agenda for Change** and to supporting the goals of the UN Peacebuilding Commission. Under the overall priority of furthering the consolidation of peace the Joint Vision establishes four programmatic priorities:

1. Integrating rural areas into the national economy. To help increase access by the rural poor to markets and social services, to justice and information in an effort to widen their economic and social opportunities. This will be achieved through a variety of programs and projects designed to increase local food production and better integrate farming methods including use of improved seeds and better marketing. The program will also facilitate the introduction of appropriate technologies for food processing through rural growth centers and rural youth education and training.

2. Economic and social integration of the youth. To help youth increase their self-employment opportunities through quick-impact public works that employ large numbers of youth, through the introduction of new labor-intensive methods in agricultural services, public works schemes, vocational training schemes and small-credits. The program will also support educational opportunities for those youth that have potential to take up medium level managerial positions and to become local leaders.

3. Equitable and affordable access to health. To strengthen national health systems by improving HR development and management, planning and budgeting, procurement and supply chain management, management and information system, operational research and monitoring and evaluation. The program will support priority health interventions through Reproductive and Child Health and nutrition programs to reduce maternal and child mortality rates, and other Health MDGs as well as help in fighting HIV/AIDS, malaria and other major communicable diseases. The UN family will work to improve primary health care facilities, develop capacity for doctors with selective specializations, midwives, nurses, disease prevention and control officers and administrators and reinforce health support systems.

4. Accessible and credible public services To support the decentralization process and reform and capacity building of key national institutions such as the Parliament, National Electoral Commission, Human Rights Commission, justice sector, local district councils and Sierra Leone Broadcasting Corporation. The program will strengthen law enforcement organizations in fighting international crime and in maintaining policing standards.

F. Results Monitoring and Evaluation

120. The JAS will be guided by results and outcomes, and monitoring and evaluation by the AfDB, WB and IFC will be harmonized, including in areas such as development policy lending²². The Results Matrix in annex xx summarizes the PRSP-II objectives that the JAS seeks to support, the results that the three institutions hope to achieve during the JAS period through their interventions, and the instruments that all three institutions will use to implement the program. Should changes occur during JAS implementation, in terms of resource availability or due to performance issues, the AfDB and IDA-funded activities and IFC investments and advisory services would be adjusted. Annual Country Program Reviews (CPRs), undertaken jointly with Government, will assess progress of the portfolio and alignment of the Banks' assistance with JAS and PRSP objectives. These CPRs will serve as inputs to the JAS Progress Report which will assess whether CAS outcomes are actually being achieved and, in light of the findings, will determine whether adjustments are needed. A completion report will be prepared at the end of the four-year JAS cycle to assess the overall progress in achieving the objectives of the JAS.

121. Monitoring of CAS and portfolio outcomes will be coordinated with the M&E framework that Government is now developing for the PRSP (with technical assistance from IDA). Efforts are ongoing to promote consistency between JAS progress indicators and PRSP indicators. Further alignment will be needed as Government finalizes its PRSP monitoring and evaluation framework. In recognition of the important role of adequate and reliable data, IDA has been providing technical assistance for capacity building at Statistics Sierra Leone. The JAS partners continue to work closely with Statistics Sierra Leone and the Development Aid Coordination Office of MoFED in the design and implementation of the monitoring and evaluation system, as well as with sub-national government. In the implementation of the M&E system, JSDF funding is being utilized to support capacity building at Statistics Sierra Leone.

5. MANAGING RISKS

122. As the Government moves to implement its Agenda for Change, supported by the JAS partners and other donors, a series of significant risks have been identified. Through the Joint Assistance Strategy agreed with Government the JAS partners have identified a series of interventions which will help to mitigate these risks.

- a. **Political Risk, Youth Unemployment and Social Instability.** As noted above, the JAS period will encompass the election year of 2012. Given the issues of youth unemployment and the vestiges of clientelism which remain present in Sierra Leone the risks of serious disruption to economic development and public order remains. The 2007 election was closely contested and it must be anticipated that the 2012 election will put pressure on the government to show results, particularly in terms of community development, employment creation and infrastructure. In this way the election could have a positive effect, particularly if issues such as macro-economic stability, sustainable growth and good governance become the platform for political debate. At the same time, there will be increased risks that before the elections the contesting parties will enter into promises which may prove to be unaffordable in the longer term. Moreover, past elections have exacerbated the challenge of

²² For AfDB and IDA

weak institutional capacity through prompting a turnover in civil servant and parastatal appointments in the immediate post-election period. The JAS seeks to mitigate this risk through developing a professional civil service cadre by supporting government's decentralization strategy and by mainstreaming capacity building. The experience of 2007, in which consultants appointed for development projects were among the first changed by the new administration, highlights the importance of mainstreaming project implementation into the government systems. The decentralization of basic service delivery should also serve to delink government spending from the election cycle as transfers to local councils are based on predetermined formulae which allow limited discretion. The JAS partners' promotion of the use of MTEF for budget planning and robust systems of public financial management should also serve to insulate fiscal from the election cycle. To address the important issue of youth unemployment, the JAS Partners, together with other development partners such as GTZ and the UNDP will join together in support of Government's Youth Strategy to be developed under the new Youth Commission in the office of the President. While programs such as Cash for Work have enjoyed a short term success in avoiding food riots as seen in neighboring countries, the JAS partners now proposed to supplement this type of public works scheme with longer term employment generation to be supported with skills training guided by an ESW for needs assessment.

- b. **Limited Capacity to deliver services and manage public resources.** Limited capacity in the civil service has served as a major impediment to economic development in Sierra Leone for some time. The civil service of around 17,000 is characterized by an ageing senior management cadre close to retirement, a "missing middle", and a concentration of 80-85% of staff at the junior clerical grades. There is a limited capacity on the part of the civil service to convert government policies into actionable and actioned administrative processes in any meaningful way. Policy implementation is driven by a constellation of parallel arrangements, from project implementation units to special units and positions heavily subsidized by donors. Sharp salary disparities between mainstream civil servants and those in parallel arrangements are corrosive to morale and motivation. At the same time it should be recognized that the historic administrative capacity of Sierra Leone did not disappear as a result of the conflict, rather this capacity can now be seen as "latent", either in the Diaspora or engaged with Government through a series of directly funded positions providing administrative services from outside of the civil service cadre. The JAS partners, together with development partners, continue to support public sector reform to address this risk and have placed heavy emphasis on the need to strengthen procedures and guidelines for procurement and financial management to ensure continuity in operations. However, the short-term solutions of using local and international consultants and various mechanisms for increasing compensation for senior officials have militated against the longer term objective of growing a competent public service through training and internal promotion. In the new JAS, a principle will be followed whereby project implementation through government systems will be the norm and deviations from this practice will require specific justification.
- c. **Weak Governance and Accountability Structures and Traditions.** Poor governance and corruption is far from being eliminated in Sierra Leone. In 2007 Sierra Leone actually slipped in rankings prepared by Transparency International, falling from 142 to 150 with a slight deterioration in the score from 2.2 to 2.1. Promoting good governance has been adopted as an overarching theme for the Joint Assistance Strategy, together with measures to operationalize governance through a coordinated initiative amongst development partners to apply a governance and accountability framework to development operations. The JAS

partners will also seek to establish a forum for dialogue with Government to mitigate prospective governance hotspots before these can develop. All projects will be required to include a governance strategy and will also be required to include monitorable outcomes which improve governance in the relevant sector. The JAS partners will continue to provide support to the Anti-Corruption Commission and will support other initiatives to promote the demand for good governance, including the Freedom of Information Act. Special emphasis will be made to ensure that the initiatives for good governance focus on the improvements to service delivery that can be provided through greater probity and accountability.

- d. **Economic Shocks – including lower external support.** Macroeconomic stability may be vulnerable to a worsening of the global economic situation. The recent global recession has brought about a marked reduction in the pace of economic growth, decreasing to around 4 percent in 2009; however, the effect has been less marked in Africa than in other continents and within Africa, Sierra Leone’s 2009 growth rate is double the regional average. Deteriorating global economic prospects, along with Sierra Leone’s graduation from post-conflict status, may cause some donors who were ready to engage with post-conflict-related assistance to reduce their levels of support, however, at this point it is not clear that reductions will be drastic. Overall, amounts provided through development assistance have held up well, and the binding constraint has been the lack of capacity in government to implement development programs. The JAS partners have sought to strengthen coordination and harmonization of activities among development partners to reduce transaction costs and provide opportunities for new development partners to join efforts. In particular, the MDDBS partners have sought to ensure that projects for capacity building in government have complemented implementation of sector strategies and investment projects. While Sierra Leone, with the support of development partners, has managed to weather the storm of volatile prices in fuel and food, the ongoing risk of a recurrence is compounded by the limited preparedness of Sierra Leone to deal with such shocks. Furthermore, the AfDB and World Bank work closely with other partners, including the United Nations Peace Building Fund and the IMF, to promote appropriate policy response and to mobilize the resources needed to limit adverse consequences for the most vulnerable, to minimize the budgetary consequences, and maintain macroeconomic stability. The support of JAS partners for the completion of the Bumbuna hydro-electric facility will serve to lessen the exposure to fuel price increases, as will further programs to lessen the dependence on expensive refined fuels for public and private diesel generators in favor of hydro-electric and other renewable as well as heavy fuel oil thermal generation. The focus on agricultural development under the CAADP will help move Sierra Leone towards self sufficiency in food staples and to develop the export capacity in cash crops so that Sierra Leone might become more of a beneficiary of higher prices for agricultural produce.
- e. **Regional volatility – including international drug trafficking.** The regional interconnectedness among Sierra Leone, Guinea, Liberia, and Cote d’Ivoire is strong. The UN, ECOWAS, and the Mano River Union are making strong efforts to promote stable development and regional integration. However, major sub-regional security concerns remain. Progress in Liberia, accompanied by the extension of the mandate of the United Nations Military in Liberia (UNMIL), has helped maintain a stable post-conflict environment in Sierra Leone. Recent political changes in Guinea have been successfully accommodated to date. However, given the extended border between the two countries, close ethnic links, and tradition of cross-border involvement in times of political upheaval, compounded by ongoing

the low-level border dispute around the town of Yenga, the constantly evolving situation in Guinea will continue to be a major concern. The JAS intends to address the root causes of conflict in Sierra Leone, but further developmental engagement at a sub-regional level is seen to be necessary for conflict prevention, regional integration, and accelerated economic growth. The World Bank, AfDB and other development partners are seeking to establish regional solutions for sectors such as fisheries, mining, and payment systems. Sierra Leone also is perceived to be vulnerable to being utilized as a conduit for money laundering, drug trafficking, and financing terrorism. Together with the IMF, the Bank is seeking to establish a Financial Intelligence Unit at the Bank of Sierra Leone to expose malfeasance in the financial system, particularly potential activity related to money laundering and financing terrorism or drug trafficking. Through technical assistance under the Reducing Administrative Barriers Initiative, the World Bank, AfDB, and other development partners seek to assist Sierra Leone to reduce the administrative processes to which businesses are subject and that can provide opportunity for rent-seeking.

- f. **Climate Change and Disaster Risk Management.** Sierra Leone has faced periodic disasters –mainly floods, storms and landslides—in the past. It is estimated that 13 percent of the country’s land area and as much as 35.7 percent of its population are at risk from two or more hazards.²³ Between 1996 and 2007, an estimated 220,000 people were affected by three major floods.²⁴ In line with the IDA Africa Region’s strategy of Making Development Climate Resilient, the JAS will seek to mainstream climate change adaptation and mitigation into the portfolio. Adaptation is essentially a risk management strategy - with associated costs and benefits – and for Sierra Leone adaptation is fundamentally about sound, resilient development. This JAS will pursue the selectivity in adaptation approach for the country by continuing infrastructure projects where planned, and ensuring that large planned infrastructure such as bridges and culverts, as well as maintenance schemes for feeder roads, apply best available know-how. Natural risks and disasters are not new to Sierra Leone, but might be exacerbated by effect of climate change in the country, including frequency of severe weather events such as heavy rain and the associated effects in form of flooding and landslides in areas denuded by poor land management. As climate scenario analyses improve for Sierra Leone during the JAS period, the JAS Partners would envisage further in-depth work in this area. As for possible future financing for adaptation and mitigation, the JAS Partners will work with the country in accessing current and future financing mechanisms as they become available, including financing for climate change adaptation, Reduction of Emissions from Deforestation and Degradation (REDD), and for disaster management through the Global Facility for Disaster Reduction and Recovery (GFDRR) subject to future donor funding for these mechanisms. The JAS will work with partners towards a harmonized and strategic approach to natural disaster management and climate change.

²³ Natural Disaster Hotspots: A Global Risk Analysis, 2005

²⁴ EM-DAT 2009

Box 11: Addressing Risks through Projects

While risk mitigation and management take place to a large degree through dialogue, analysis and monitoring, the JAS partners will also address the issue through operations dedicated to tackling those risks or dedicated project components.

Examples of planned operations:

Governance and Capacity

IDA

- Development Policy Lending (GRGC3, DP01, 02, 03)
- Integrated Public Financial Management Project, including capacity for Parliament and non-State actors
- Decentralized Service Delivery Project
- Mining Sector TA
- Financial Sector TA (including AML/CFT)
- TA for Anti-Corruption Commission, Office of Diaspora Affairs, and Statistics Sierra Leone
- Reproductive and Child Health Project
- Educations for All Project

AfDB

- Budget Support (EGRP1,2)
- Institutional Support Project

Youth Unemployment

IDA

- Youth Employment and Skills Project
- National Social Action Project – Cash for Work

Appendix 1: Human Development and Progress towards the Millennium Development Goals

1. The Millennium Development Goals (MDGs) provide an important reference point for achieving Sierra Leone's objectives with regards to human development outcomes. Halfway through the 2015 target of achieving the MDGs, limited progress has been achieved in achieving some goals, notably in primary education, combating AIDS and in some aspects of gender equality. However, Sierra Leone continues to fall short in achieving goals in the key areas of health, education, and water and sanitation. Maternal and child health indicators rank close to the bottom in the world. As might be anticipated in a country emerging from conflict, the accuracy and reliability of statistics has presented a material challenge in terms of determining progress, and support for capacity building in data collection and analysis will be an important tool.

Data on trends in human development available from the Multiple Indicator Cluster Survey (MICS) conducted in 2000 and 2005 suggested limited improvements over the period which still includes several years of the conflict. The under-five mortality rate is estimated at 286 deaths per 1,000 live births, which is far above the average for West and Central Africa. The methodology used to calculate this indicator implies that the estimates are retrospective (the 2000 MICS2 is based on data for 1997 and the 2005 MICS3 estimate applies to 2002, which was the year when the conflict ended). The infant mortality rate is also very high and has not decreased between the 2000 and 2005 surveys. Malnutrition affects up to one third of children, and shows an increase over time, but again, since this indicator is calculated for children below five years of age, it does not include much of the potential impact of the post-conflict recovery.

There are clear signs of progress in terms of immunization rates. While vaccination rates are now better in Sierra Leone than in West and Central Africa, they are still short of the UNICEF goal of 90% or the Millennium Development Goal for measles vaccination of 100%. Access to improved water sources do not appear to have increased much, but school enrolment has dramatically increased, and the gap between vulnerable children such as orphans and other children has been reduced. Progress has also been achieved in terms of knowledge about HIV/AIDS. On the other hand, a comparison of selected indicators from the 2003 SLIHS and the 2007 CWIQ suggests progress for both school enrolment and health status. There are large differences between net and gross enrolment rates due to the fact that many older children have returned to school since the end of the conflict. This also explains why at the primary level, between 2003 and 2007, net enrolment rates have increased while gross rates have not. But overall, both at the primary and secondary levels, there have been substantial gains in enrolment between 2003 and 2007. Also, there seems to have been an important reduction in the share of individuals suffering from an illness or an injury between 2003 and 2007, as well as an increase in the share of injured or sick individuals seeking care. While part of the gain may represent measurement error, the data still points to an improvement in the health status of the population, or at least into the subjective perceptions of health status and the demand for or ability to seek care.

Appendix 2: JAS Program Results Matrix (As of October 7, 2009)

JAS Objective (Pillar) 1: Promoting Inclusive Growth

Selected PRSP II objectives & indicators ²⁵	Key Issues from PRSP	JAS Outcomes & Indicators	JAS Milestones	World Group/AfDB Instruments	Bank
<p>Broaden electricity supply throughout the country.</p> <ul style="list-style-type: none"> Increase generation and distribution capacity from 21MW in 2008 to 56 MW in 2013 	<p>Low energy supplies</p> <p>Low capacity of transmission and distribution of electricity infrastructure</p> <p>High cost of power generation relative to available budgetary resources</p>	<p>1. Improved access to sustainable electricity infrastructure services</p> <p><i>Energy</i></p> <p>1.1 Households in Freetown with access to electricity increased from 20,000 in 2009 to 40,000 by 2013. (AfDB/WB)</p> <p>1.2 Average interruption frequency per year in Freetown from 1,200 in 2009 to 600 in 2013. (WB)</p> <p>1.3 Number of towns with reliable electricity supply increased from 0 to 12 by 2013 (AfDB)</p> <p><u>Governance/Gender</u></p> <p>1.4 Regulatory framework for independent power production established by 2013</p>	<p>Emergency Power Generation at 10.8 GW/h per month until Bumbuna hydropower comes on line by 2011. (WB)</p> <p>Electricity collection rate increased from 50% in 2009 to 85% by 2011. (WB)</p> <p>Installed generating and transmission capacity increased by 50MW by 2010 (AfDB).</p> <p>Draft laws for Public Private Partnership and regulators presented to Parliament by 2011. (WB)</p>	<p>On-going Projects/TFs:</p> <p>FY05 Power and Water Project (WB)</p> <p>FY05 Bumbuna Hydroelectric Project (WB)</p> <p>FY08 Bumbuna Hydroelectric Project Add Fin (AfDB, UA 10 3 m.)</p> <p>FY09 Bumbuna Supplementary Loan (AfDB, UA 1 m.)</p> <p>FY07 Institutional Support Project (AfDB, UA 2.8 m.)</p> <p>Pipeline:</p> <p>FY10 Addax bio-energy project (AfDB, UA 23 m.)</p> <p>FY11 Infrastructure (Energy) (WB)</p>	

²⁵ Indicators from PRSP II Results Matrix

				<p>AAA: FY10 Public Private Partnership Framework for energy and other sectors</p> <p>FY10 Political Economy Study with focus on Transport and Energy. (WB)</p> <p>FY12 Country Economic Memorandum. (WB)</p> <p>Partners: AfDB JICA DFID EU China</p>
<p>Develop the national transportation network</p> <ul style="list-style-type: none"> • Rehabilitate 2000km of feeder roads by 2013 • Develop the Freetown ports and airport 	<p>Development of road network.</p> <p>Inadequate and poorly maintained rural and feeder roads</p> <p>Inefficient port and airport</p>	<p>2. Maintain and extend key transport infrastructure</p> <p><i>Transport</i></p> <p>2.1 All weather trunk roads in good and fair condition increased from 50% in 2009 to 60 % in 2013. (AfDB/WB)</p> <p>2.2 Vehicle Operating Cost (including time & safety) reduced from \$61/km in 2008 to \$37 by 2013 (AfDB)</p> <p>2.3 1,400km of feeder roads rehabilitated by 2013 (AfDB & WB)</p> <p>2.4 Port container handling performance is improved from 8 TEUs/hr in 2007 to 12 TEUs/hr by</p>	<p>Contracts entered into by 2011 for rehabilitation of 100km (WB) + 200 km (AfDB) of all weather trunk roads.</p> <p>900²⁶ km (WB) & 500km (AfDB) of rural roads rehabilitated by 2011.</p> <p>Freetown port rehabilitated and container stacking area extended by 2011. (WB)</p>	<p>On-going Projects/TFs:</p> <p>FY06 IDP Transport Project (WB)</p> <p>FY07 Rural & Private Sector Development Project</p> <p>FY12 Mototoka-Sefadu Road (AfDB, UA 25 m.)</p> <p>FY10 Lungi-Port Loko Upgrading (AfDB, UA 26 m.)</p> <p>AAA: FY10 Political Economy Study with focus on Transport and Energy. (WB)</p> <p>FY10 Freetown Ring Road Study (AfDB)</p>

²⁶ 400 km from IDP & 500 km from Rural PSD projects

		<p>2013. (WB)</p> <p>2.5 Lungi Airport to remain as international airport according to ICAO safety regulations (WB)</p> <p>Governance/Gender</p> <p>2.6 Independent road fund established by 2013. (WB)</p>	<p>Resurface of runway and installation of new navigation facilities completed at Lungi Airport by 2011. (WB)</p> <p>Independent road fund bill passed to Parliament by 2011. (WB)</p>	<p>FY12 Country Economic Memorandum. (WB)</p> <p>Partners:</p> <p>AfDB EU GTZ Kuwait Fund Islamic Development Bank</p> <p>Pipeline Projects:</p>																																																			
<p>Enhanced productivity in agriculture and fisheries</p> <ul style="list-style-type: none"> increase in self sufficiency in rice from 70 % in 2007 to 90% by 2013 increase in export sales of cocoa, coffee and ginger from US\$7.2.mil in 2008 to US\$9.5 mil in 2013 	<p>Inadequate rural financial services, limited irrigation facilities, weak rural infrastructure, weak extension services and heavy reliance on rain-fed agriculture.</p>	<p>3. Improved efficiency and transparency of agriculture and fisheries.</p> <p><i>Agriculture:</i></p> <p>3.1 50 % of target beneficiaries for selected value chains</p> <p>(a) increase their production by 20 %</p> <table border="1"> <thead> <tr> <th>mt/ha</th> <th>2008</th> <th>2013</th> </tr> </thead> <tbody> <tr> <td>cassava</td> <td>13.0</td> <td>15.6</td> </tr> <tr> <td>upl. rice</td> <td>0.9</td> <td>1.0</td> </tr> <tr> <td>lowl. rice</td> <td>1.7</td> <td>2.0</td> </tr> <tr> <td>palm oil</td> <td>4.5</td> <td>5.4</td> </tr> <tr> <td>cocoa</td> <td>0.4</td> <td>0.5</td> </tr> <tr> <td>maize</td> <td>2.0</td> <td>2.4</td> </tr> </tbody> </table> <p>(AfDB/WB)</p>	mt/ha	2008	2013	cassava	13.0	15.6	upl. rice	0.9	1.0	lowl. rice	1.7	2.0	palm oil	4.5	5.4	cocoa	0.4	0.5	maize	2.0	2.4	<p>Cultivated land under selected value chains increases by 10 % :</p> <table border="1"> <thead> <tr> <th></th> <th>2008</th> <th>2013</th> </tr> </thead> <tbody> <tr> <td>1,000 ha</td> <td></td> <td></td> </tr> <tr> <td>cassava</td> <td>312</td> <td>343</td> </tr> <tr> <td>rice</td> <td>476</td> <td>524</td> </tr> <tr> <td>palm oil</td> <td>345</td> <td>380</td> </tr> <tr> <td>cocoa</td> <td>74</td> <td>81</td> </tr> <tr> <td>maize</td> <td>28</td> <td>31.</td> </tr> </tbody> </table> <p>(WB)</p> <p>Volume of export of coffee and cocoa increase by 10 % for targeted beneficiaries:</p> <table border="1"> <thead> <tr> <th>mt</th> <th>2008</th> <th>2013</th> </tr> </thead> <tbody> <tr> <td>cocoa</td> <td>2,000</td> <td>2,200</td> </tr> <tr> <td>coffee</td> <td>17,892</td> <td>19,68.</td> </tr> </tbody> </table>		2008	2013	1,000 ha			cassava	312	343	rice	476	524	palm oil	345	380	cocoa	74	81	maize	28	31.	mt	2008	2013	cocoa	2,000	2,200	coffee	17,892	19,68.	<p>On-going Projects/TFs:</p> <p>FY07 Rural & Priv. Sector Dev. Project (WB)</p> <p>FY05 Agriculture Sector Rehabilitation Project (AfDB, UA 12 m.)</p> <p>FY05 NERICA Rice Dissemination Project (AfDB, UA 2.8 m.)</p> <p>Pipeline Projects:</p> <p>FY10 GEF Biodiversity Conservation Project (IDA)</p> <p>AAA:</p> <p>Partners: AfDB GTZ KfW FAO JICA EU IFAD WFP</p>
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		<p>3.2 Annual income increase of \$235.80/ha for 241,000 farm families by 2013 (AfDB)</p> <p><u>Governance/Gender</u></p> <p>3.3 FBOs registered with the Ministry of Agriculture established in all districts by 2013. (WB)</p> <p>3.3 1320 farmer groups of which 1056 are for women involved in complementary research by 2013 (AfDB)</p>	<p>(WB)</p> <p>8,000 ha of abandoned smallholder oil palm, cocoa and coffee lots to be rehabilitated by 2011 (AfDB)</p> <p>Development of seed, fertilizer and pesticide laws and regulations by 2011. (WB)</p> <p>Additional 600,000mt of NERICA rice production by 2011 (AfDB)</p> <p>Harmonization of policies and regulations governing the formulation and regularization of farmer based groups by 2011. (WB)</p> <p>Sensitization programme for target groups to be completed by 2011 (AfDB)</p>	
<ul style="list-style-type: none"> Framework established for maintaining sustainable fish stocks. 	<p>Inadequate surveillance system in fisheries to ensure revenue generation and lack of land-based fisheries infrastructure</p>	<p><i>Fisheries:</i></p> <p>3.4 Territorial Use Rights Fisheries (TURFS) legally established for coastal fisheries increased from none in 2008 to 4 by 2013. (WB)</p> <p>3.5 Increase artisanal marine fisheries catch by 9,638mt by 2013 (AfDB)</p> <p><u>Governance</u></p>	<p>Small scale fishing vessels that are registered increase from 0% in 2009 to 50% in 2011. (WB)</p> <p>Four fish receiving & handling stations constructed and in use by 2011 (AfDB)</p> <p>A satellite-based fishing vessel monitoring system is in place and</p>	<p>On going Projects/TFs:</p> <p>FY01 Artisanal Fisheries Development Project (AfDB, UA 10 m.)</p> <p>FY09/10 Regional Fisheries Project (WB)</p> <p>Partners: USAID DFID EU AfDB UNDP FAO</p>

		3.4 Fishing vessels observed committing a serious infraction reduced from 88% in 2009 to 66% by 2013. (WB)	functioning by 2011. (WB)	
Improve Standing of Sierra Leone as Investment Destination	<p>High cost of bank credit, limited rural financial intermediation, underdeveloped capital market, and constraints in investment climate</p> <p>Limited capacity of private sector to provide employment facilities for youth, especially in urban areas</p>	<p>4. Improved investment climate</p> <p>4.1 Reduction in time taken to register a business from 26 days in 2007 to 10 days by 2013. (IFC/WB)</p> <p>4.2 Reduction in time of export transactions from 31 days in 2007 to 22 days by 2013. (IFC/WB)</p> <p><u>Governance/Gender</u></p> <p>4.3 Achieve EITI validation standards by 2013. (AfDB/WB)</p>	<p>Establish one-stop shop for business registration by 2011. (IFC/WB)</p> <p>Implement automated system for customs data by 2011. (IFC/WB)</p> <p>Government of Sierra Leone introduces a revised SME tax regime based on a review of taxation policy. (WB/IFC)</p> <p>Reconciliation conducted & first EITI report published by 2011 (AfDB/WB).</p>	<p>On-going Projects/TFs:</p> <p>FY07 Rural & Priv. Sector Dev. Project. (WB)</p> <p>FY09 Removing the Administrative Barriers to Investment (Phase 2) TF (WB)</p> <p>FY09 TA to identify investor/operator for Cape Sierra Hotel. (IFC)</p> <p>FY10 Mining Sector TA Project . (WB)</p> <p>FY10 Regional Mining Governance Project. (WB)</p> <p>FY09 Support to EITI Implementation. (TF) WB)</p> <p>AAA:</p> <p>Partners: GTZ DFID UNDP</p>
Build and Sustain a Responsive Financial Sector To extend access to finance and facilitate investment through increased efficiency in financial	Limited access to finance outside Freetown for small businesses, poor people and in agriculture, physical barrier to financial sector dev. due to weak	<p>5. Sustained and responsive financial sector</p> <p>5.1 Number of bank accounts</p>	<p>Credit Reference Bureau Legislation presented to Parliament by 2011. (WB)</p> <p>Appointment of selling agent for at least one bank by 2011. (WB)</p>	<p>Pipeline Projects/TFs:</p> <p>FY10 Financial Sector TA (WB)</p> <p>FY11 Capacity building for the Bank of Sierra Leone on</p>

intermediation.	<p>infrastructure</p> <p>Institutional, administrative and legal obstacles in transactions</p>	<p>increased to 300,000 in 2013 from 160,000 in 2005 (WB)</p> <p>5.2 At least one state owned bank offered for sale by 2013. (WB)</p> <p>5.3 Volume and market penetration of leasing equipment financed increased from US\$6.8 mil in 2009 to US\$35 million in 2013. (IFC)</p> <p><u>Governance/Gender</u></p> <p>5.4 AML/CFT regime strengthened by amendment of AML law and establishment of FIU at BSL by 2013. (WB)</p>	<p>Review existing Banking Act (2000) & Financial Service Act (2001) by 2011 (WB).</p> <p>GoSL to develop leasing regulation by 2011 (IFC, WB)</p> <p>Bank of Sierra Leone has developed capacity to monitor compliance of trade finance facility by 2010 (IFC)</p> <p>Draft AML/CFT law to be prepared by 2011. (WB)</p>	<p>monitoring compliance of trade finance facility (IFC)</p> <p>AAA:</p> <p>FY10 Regional Financial Issues (WB)</p> <p>FY11 Awareness campaign on leasing regulation and facilities to SMEs in particular (IFC)</p> <p>Partners: GTZ UNCDF</p>
Improve and expand sound public financial management	<p>The need to establish a system which allocates resources consistent with SLPRSP priorities, supports fiscal discipline and ensures probity in the use of public resources. This requires:</p> <ul style="list-style-type: none"> • A robust MTEF/MEFF and better revenue forecasting for a credible budget; • Improved and effective 	<p>6. Improved predictability, expenditure controls and transparency in public resource management.</p> <p>6.1 Variance in expenditure for the 20 largest budget heads declines from 13.5% in 2008 to <7% in 2013. (WB)</p> <p>6.2 Percentage of procurement contract in compliance with GoSL procurement legislation and regulations increased from 49% in</p>	<p>Percentage of budgeted expenditures executed online through IFMS rolled out ministries increased from 62% in 2008 to 80% in 2011. (WB)</p> <p>85% of MDAs have dedicated procurement officers by 2011. (AfDB/WB)</p>	<p>On-going Projects/TFs:</p> <p>FY09 Integrated Public Financial Management Project. (WB and co-financed by DFID, EC))</p> <p>FY10 Economic Governance Reform Program (EGRP I) (AfDB, UA 10 m.)</p> <p>FY07 Institutional Support Project (AfDB, UA 2.8 m.)</p> <p>Pipeline Projects:</p>

	<p>expenditure controls;</p> <ul style="list-style-type: none"> • Suitable amendment to the legal and regulatory framework; 	<p>2008 to 95% in 2013. (AfDB/WB)</p> <p><u>Governance/Gender</u></p> <p>6.3 Process for the public oversight of PFM to be in place by 2013. (WB)</p>	<p>Forum for oversight of PFM by civil society to be established by 2011. (WB)</p> <p>All 6 documents required under PEFA 10 published through the SL Gazette and on the MoFED website by 2011. (AfDB/WB)</p>	<p>FY10 Development policy lending (WB) FY11 Development policy lending (WB) FY12 Development policy lending (WB).</p> <p>FY12 Economic Governance and Poverty Reduction Support Program (EGRP II) (AfDB, UA 20 m.)</p> <p>AAA:</p> <p>FY10 Public Expenditure Review (WB)</p> <p>FY11 Country Procurement Assessment Review (WB)</p> <p>Partners: EU DFID IMF</p>
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JAS Objective (Pillar) 2: Providing Basic Services to All

Selected PRSP II objectives & indicators ²⁷	Key Issues from PRSP	JAS Outcomes & Indicators	JAS Milestones	World Bank Group/AfDB Instruments
<p>Increased access to and completion of primary schooling especially for girls and out of school children</p>	<p>Lack of sufficient and adequate inputs at school level; poor internal efficiency of the system and weak management of information and delivery systems</p> <p>Low human resource capacity at all levels, shortage of teaching and learning material, high pupil ratios in schools, poor accountability, low primary school completion rates and high repetition and drop out rates.</p>	<p>7. Improved capacity to effectively and efficiently deliver education</p> <p>7.1 Primary gross enrollment rate increased from 104 % in 2007 to 106 % in 2013. (WB)</p> <p>7.2 Pupil/teacher ratio in primary education reduced from 55:1 in 2006 to 30: 1 by 2013 (AfDB)</p> <p>7.3 NPSE examination pass score increased from 46% in 2008 to 50% in 2013. (WB)</p> <p><u>Governance/Gender</u></p> <p>7.4 Enrollment for girls at JSS increased from 40.9% in 2008 to 43.9% in 2013. (WB)</p> <p>7.5 Spot checks for teacher attendance twice a term for each school in all districts by 2013</p>	<p>Construction of 318 classrooms in primary and secondary schools by 2011. (WB)</p> <p>9,600 Primary school teachers to be trained by 2010 (AfDB)</p> <p>850,000 sets of learning materials distributed to primary schools by 2011. (WB)</p> <p>Fee free campaigns conducted by all LCs by 2011. (WB)</p> <p>Teacher payroll and salary verification exercise completed</p>	<p>On-going Projects/TFs: FY09 EFA-FTI Catalytic Fund. (TF) (WB)</p> <p>FY02 Rehabilitation of basic and non-formal education and vocational training project (education III) (AfDB)</p> <p>AAA:</p> <p>Partners: DFID UNICEF UNDP EU IRISH AID AfDB</p>

²⁷ Indicators from PRSP II Results Matrix

		(WB)	and maintained by 2011. (WB)	
Improve the health status of population and quality of health services	<p>Limited financial and geographical access to health facilities;</p> <p>Inadequate access to free health care for vulnerable population, limited availability of high impact interventions and shortage of drugs, equipment and supplies</p> <p>Shortage of critical health professionals, inadequate support/ supervision at all levels and weak personnel management</p> <p>Weak coordination among programs and donors</p>	<p>8. Improved access to basic health services</p> <p>8.1 Children receiving Penta-3 vaccination before 12 months of age increased from 54.8 % in 2008 to 85 % in 2013. (WB)</p> <p>8.2 Children under 5 who slept the previous night under an insecticide treated net increased from 26% in 2008 to 80% by 2013. (WB)</p> <p>8.3 Reduce communicable diseases prevalence from 5% in 2005 to 2.5% by 2013 (AfDB)</p> <p><u>Governance/Gender</u></p> <p>8.3 Deliveries conducted in a health facility increased from 42 % in 2008 to 70 % in 2013. (AfDB/WB)</p> <p>8.4 Enforcement of law for free access to health care for lactating mothers and children by 2013. (WB/AfDB)</p>	<p>Clinics having all essential drugs available (10 drugs) increase from 32 % to 90 % in 2011. (WB)</p> <p>Number of trained health staff increased from 20% in 2005 to 80% in 2010.</p> <p>Number of health facilities providing basic emergency obstetric care increase from 0 to 45 in 2011. (WB)</p> <p>Information campaign on free access to health care by 2011. (WB/AfDB)</p>	<p>Ongoing Projects/TFs:</p> <p>FY06 Strengthening of District Health Services (AfDB)</p> <p>Pipeline Projects:</p> <p>FY10 Decentralized Services Delivery (WB)</p> <p>FY 10 Phase II of Reproductive and Child Health TF (WB)</p> <p>Support to Manu River HIV/Aids Project (regional) (AfDB, UA 5 m.)</p> <p>AAA:</p> <p>Partners: WHO, UNFPA, UNICEF EU AfDB DFID Irish Aid USAID</p>
Developed framework for management and supply of safe water and sanitation	Lack of water policy as well as organized legal, regulatory & institutional frameworks	9. Increased household access to safe drinking water and sanitation	Volume of water supplied to Freetown, increased from 95,340	FY07 Freetown water supply rehab. (TF) (WB)

	<p>Deficiency in both urban and rural water supply</p> <p>Limited functional infrastructure for water supply.</p>	<p>9.1 People with access to water increased from 64,000 in 2009 to 115,000 in 2013 in targeted areas. (AfDB/WB)</p> <p>9.2 People with access to improved sanitation increased from 25,000 in 2009 to 35,000 by 2013. (AfDB/WB)</p> <p><u>Governance</u> 9.3 Commercial and technical losses reduced from 60% in 2007 to 38% in 2013 (Freetown). (WB)</p>	<p>m³/day to 120,000 m³/day by 2011. (WB)</p> <p>630 improved community water points constructed or rehabilitated by 2011. (WB)</p> <p>House connections with metering in Freetown and Guma Valley by increase from 2008 to 11,100 in 2011. (WB)</p>	<p>FY10 Towns Water Supply and Sanitation P.(AfDB, UA 25 m.)</p> <p>Pipeline Projects:</p> <p>FY11 Rural Water Supply and Sanitation (AfDB, UA 25 m.)</p> <p>AAA:</p> <p>Partners: UNICEF AfDB DFID China</p>
<p>To reduce the incidence and consequences of extreme poverty</p>	<p>High unemployment and underemployment, particularly among the young.</p> <p>Acute skill deficiency among the “lost generation” who grew up without education during the war.</p>	<p><i>Social Protection:</i></p> <p>10. Improved capacity to manage social risks</p> <p>10.1 Number of person days of employment created through cash for work programs increased from 0 in 2008 to 850,000 in 2013 in target areas. (AfDB/WB)</p> <p><u>Governance</u></p> <p>10.2 Number of women days employment created through cash for work program increased from 0 in 2008 to 250,000 in 2013 in</p>	<p><i>Social Protection</i></p> <p>NaCSA to conduct sensitization program in targeted areas to ensure 75 percent of households are aware of program by 2011. (AfDB/WB)</p> <p>NaCSA to establish program to monitor participation of women in cash for work scheme by 2011. (WB)</p>	<p>Ongoing projects/TFs:</p> <p>FY03 National Social Action Project. (WB)²⁸</p> <p>Pipeline:</p> <p>FY10 Decentralized Services Delivery I. (WB)</p> <p>FY12 Decentralized Services Delivery II. (WB)</p> <p>AAA:</p> <p>Partners: (UNICEF, WFP)</p>

²⁸ FY10 Second Additional Financing for Cash for Work Program.

<p>Ensure sustainable human development through the decentralized provision of improved social services.</p>	<p>Empowerment of Local Councils with responsibilities, revenue authority and financial support and be encouraged to become transparent, accountable and capable institutions demonstrating inclusive leadership at the local level.</p> <p>Budget resources concentrated in central government agencies.</p> <p>Resource allocation across localities ad-hoc and do not reflect relative service needs.</p> <p>Widespread practices of social exclusion at the community level.</p>	<p>target areas. (WB)</p> <p>11. Strengthen Local Councils capacity to manage decentralized services delivery</p> <p>11.1 Number of councils with integrated development plans and budgets increased from 0 in 2009 to 19 by 2013. (WB)</p> <p>11.2 Number of councils receiving timely transfers from CRF increased from 0 in 2009 to 19 by 2013.</p> <p><u>Governance</u></p> <p>11.3 Number of councils meeting at least 75% of the service output targets specified in local council policy MOUs by 2013 (WB)</p>	<p>Training: to all LC s and relevant MDAs in core functions by 2011</p> <p>Domestic revenues transferred to local councils annually increased from 22% in 2008 to 25% in 2011.(WB)</p> <p>Decentralization Secretariat and MDAs to perform spot on LCs meeting service-output targets for all LC by 2011. (WB)</p>	<p>On-going Projects/TFs:</p> <p>FY03 National Social Action Project Additional Financing (WB)</p> <p>FY04 Social Action Support Project (AfDB, UA 12 m.)</p> <p>Pipeline Projects:</p> <p>FY10 Decentralized Services Delivery I (WB)</p> <p>AAA:</p> <p>Partners: EU DFID UNDP UNHCR</p>
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Appendix 3: World Bank Portfolio and Pipeline

World Bank Active Portfolio
Data as of September 15, 2009 (US\$ mil)

Project no.	Project name	Trust fund name	Approval date	Effective date	Net Commitment (US\$ 000)	Disbursement to date
Human Development						
P074320 ¹	SL-Basic Edu Rehab (FY03)		2/25/03	05/15/2003	20.00	20.58
P109834	SL-Impact Evaluation (FY10)	SIERRA LEONE APEIE TEXTBOOK DISTRIBUTION AND TEACHER TRAINING		03/06/2008	0.13	0.09
P074320	SL-Basic Edu Rehab (FY03)	SIERRA LEONE EDUCATION FOR ALL FAST TRACK CATALYTIC GRANT		09/15/2008	13.90	3.00
P074128	SL-Health Sec Reconstr and Dev (FY03)		2/25/03	05/28/2003	28.00	25.50
P104422	SL-Avian Flu Rapid Assessment (FY07)	SIERRA LEONE: AVIAN INFLUENZA PREPAREDNESS - RAPID ASSESSMENT		12/20/2006	0.09	0.09
P072796	SL LF Elimination in Sierra Leone (FY08)	WHO: MULTI DRUG ADMINISTRATION IN FIRST GROUP OF SIX DISTRICTS OF THE REPUBLIC OF SIERRA LEONE		06/26/2007	0.1	0.09
P103712	SL-Reproductive and Child Health (FY07)	SIERRA LEONE REPRODUCTIVE AND CHILD HEALTH PROJECT PHASE I (FY09 SPN BUDGET)		08/19/2008	0.05	0.04
P110535	SL-Reprod. and Child Hlth - Phase 2 (FY09)	PHASE II: SIERRA LEONE: REPRODUCTIVE AND CHILD HEALTH PROJECT		01/08/2008	0.09	0.06
P079335	SL-Natl Soc Action (FY03)		4/24/03	8/11/03	35.00	37.94
P079335	SL-Natl Soc Action (FY03)	JSDF-SIERRA LEONE: CAPACITY DEVELOPMENT TO STRENGTHEN SOCIAL CAPITAL		02/21/2005	1.89	1.89
P079335	SL-Natl Soc Action (FY03)	JSDF-SIERRA LEONE: CAPACITY DEVELOPMENT TO STRENGTHEN SOCIAL CAPITAL		02/21/2005	0.1	0.9
P079335	SL-Natl Soc Action (FY03)	COMMUNITY DEVELOPMENT AND SUSTAINABLE LIVELIHOODS DIVERSIFICATION IN SMALL-SCALE AND ARTISANAL MINING COMMUNITIES		02/01/2009	0.05	0.04

P113141	SL-Nat Soc Action Prog - Add Fin (FY09)	COFINANCING OF THE NATIONAL SOCIAL ACTION PROJECT		08/18/2008	4.00	3.57
P109287	SL-Youth Employment NACSA	CHYAO AFRICA -YOUTH EMPLOYMENT IN SIERRA LEONE/NACSA (BANK-EXECUTED)		10/01/2007	0.008	0.006
P109287	SL-Youth Employment NACSA	CHYAO AFRICA -YOUTH EMPLOYMENT IN SIERRA LEONE/NACSA (RECIPIENT-EXECUTED)		10/24/2007	0.18	0.10
P109165	Sierra Leone Youth Employment UNDP	CHYAO AFRICA -YOUTH EMPLOYMENT IN SIERRA LEONE/UNDP (BANK-EXECUTED)		10/01/2007	0.009	0.007
P109165	Sierra Leone Youth Employment UNDP	CHYAO AFRICA -YOUTH EMPLOYMENT IN SIERRA LEONE/UNDP (RECIPIENT-EXECUTED)		11/14/2007	0.16	0.1
P109364	SL-Skills Trg and Career Dev (FY07)	CHYAO AFRICA - SKILLS TRAINING AND CAREER DEVELOPMENT PROJECT FOR DISADVANTAGED AND DISABLED YOUTHS IN SIERRA LEONE/AV SI		01/11/2008	0.45	0.43
P109364	SL-Skills Trg and Career Dev (FY07)	SL-AVSI/SKILLS TRAINING AND CAREER DEVELOPMENT PROJ FOR DISADVANTAGED AND DISABLED YOUTH		10/01/2007	0.015	0.012
P109339	SL-Vocational Trg Youth West/Kono (FY07)	CHYAO AFRICA -- VOCATIONAL TRAINING FOR YOUTHS WITH DISABILITIES IN WESTERN AREA AND KONO DISTRICTS OF SIERRA LEONE/CO OPI		10/01/2007	0.015	0.007
P109339	SL-Vocational Trg Youth West/Kono (FY07)	SL-COOPI/VOCATIONAL TRAINING FOR YOUTH WITH DISABILITIES IN WESTERN AND KONO DISTRICTS		11/26/2007	0.48	0.45
P109368	SL- Support to Basic Education. (FY08)	CHYAO AFRICA -- SUPPORT TO EDUCATION OF WAR-AFFECTED CHILDREN IN THE NORTHERN PROVINCE OF SIERRA LEONE		04/03/2008	0.47	0.42
					105.19	95.32
Infrastructure and Agriculture						
P078389	SL-IDP Transp (FY06)		12/6/05	05/19/2006	55.00	13.82
P087203	SL-Power and Water SIL (FY05)		7/1/04	09/30/2004	35.00	23.57
P104662	SL-Freetown Water Supply Rehab. (FY07)		1/30/07	11/28/2007	6.8	2.2
P086801	SL-Bumbuna Env. and Social SIL (FY05)		6/16/05	12/19/2006	12.50	10.14
P093878	SL-CF Bumbuna Hydro Compl SIL (FY05)	SIERRA LEONE BUM BUNA HYDRO		08/23/2007	7.7	0.00
P096105	SL-Rural Dev and Priv Sec Dev SIL		5/22/07	06/30/2008	30.00	3.72
P104662	SL- Freetown Water Supply Rehab. (FY07)	SIERRA LEONE: FREETOWN WATER SUPPLY REHABILITATION SUPERVISION FUNDS		04/30/2009	0.08	0

					147.08	53.45
Decentralization, governance and Public Financial Management						
P078613	SL-Inst Reform and Cap Bldg TAL (FY04)	SIERRA LEONE INSTITUTIONAL REFORM AND CAPACITY BUILDING PROJECT CHILD FUND		04/01/2006	0.75	0.68
P078613	SL-Inst Reform and Cap Bldg TAL (FY04)	SIERRA LEONE INSTITUTIONAL REFORM AND CAPACITY BUILDING PROJECT CHILD FUND		07/21/2006	12.54	12.54
P102801 P103733	Judicial Reform in Post-conflict Country	TFESSD SOCIAL WINDOW: SUPPORTING ACCESSIBLE JUSTICE SYSTEMS IN POST CONFLICT COUNTRIES		08/15/2006	0.33	0.30
P096083 P108208	JSDF: Developing A model for Delivering Primary Justice Service	JSDF-SIERRA LEONE: CAPACITY DEVELOPMENT TO STRENGTHEN SOCIAL CAPITAL		10/24/2006	0.99	0.95
IFC-00548665		SIERRA LEONE BUSINESS FORUM		02/21/2007	1.00	0.93
IFC-00561268		SIERRA LEONE TAX ROLLOUT		07/01/2007	0.50	0.09
IFC-00541463 /00543125		FIAS SIERRA LEONE DFID CONTRIBUTION TO SLIEPA		03/25/2008	2.34	1.86
IFC-00541463 /00561268		FIAS SIERRA LEONE COUNTRY PROGR RABI III		02/27/2008	1.3	1.0
P114312	FIRST #8045 - Financial Sector Dev Plan	FIRST# 8045: SIERRA LEONE: FINANCIAL SECTOR DEVELOPMENT PLAN (FSDP)		09/19/2008	0.35	0.14
P099939	SL- EITI Implementation	SIERRA LEONE: SUPPORT TO EITI IMPLEMENTATION		04/21/2009	0.31	0.05
P114113	Strengthening Capacity of Directorate Office of Diaspora Affairs for Developing Capacity in Public Sector	STRENGTHENING CAPACITY OF DIRECTORATE OFFICE OF DIASPORA AFFAIRS FOR DEVELOPING CAPACITY DEVELOPMENT IN PUBLIC SECTOR		03/25/2009	0.45	0.1
P116944	SL-Capacity Building for Social Capital	SIERRA LEONE: Capacity Development to Strengthen Social Capital (GoBifo Project)		06/30/2009	0.1	0.05
P112769	SL-Stat-CAP	SL-STAT-CAP		01/27/2008	0.12	0.05
P094411	SL- Debt Buy-Back operation	DRF SIERRA LEONE -PREPARATION		04/24/2009	0.95	0

IFC-00562368	SL-RABI Phase 2	Removing Administrative Barriers to Investment (RABI) Phase 2		02/11/2009	0.18	0
IFC-00565247	SLIEPA	Promoting Tourism and Investment		08/01/2009	0.02	0
P117453	SL:Governance and PEA in Sierra Leone	W2-Governance and Political Economy Analysis in Critical Sectors in Emerging Post-Conflict Site		07/01/2009	0.33	0.04
IFC-00565967	SL Tourism	SL Tourism		05/15/2008	0.20	0
P119286	Development of Institutional and Legal PPP Framework	PPIAF: SIERRA LEONE: Development of Institutional and Legal PPP Framework		09/16/2009	0.07	0
					22.83	18.78
Total					275.10	167.55
Source: Note: 1 Grey lines are IDA allocations. White lines are TFs (both country and Bank executed). 2 Legend=						
IDA Projects in gre				Trust Funds in white		

Appendix
2B

AfDB on-going portfolio 30/09/2009

N°	Sector	Project Title	Approval Date	Effective Date	Disb. Deadline	Approved Loan (UA)	Disbursed	Undisbursed	% Disbursed
1	AGRI	Agriculture Sector Rehabilitation Project	02.02.2005	21.02.2006	31.12.2011	12,000,000.00	1,896,420.60	10,103,579.40	
	AGRI	Artisanal Fisheries Development	25.10.2001	07.01.2003	31.12.2009	10,000,000.00	5,264,261.22	8,072,710.25	52.64
3	AGRI	NERICA Dissemination Project	26.09.2003	20.03.2005	31.12.2010	2,850,000.00	1,114,040.91	1,735,959.09	39.09
4	TRANS	Matotoka – Sefadu Road Studies	09.03.2006	12.08.2008	30.09.2010	1,990,000.00	462,343.77	1,527,656.23	23.24
5	WATSAN	Water Supply & Sanitation Study	30.06.2004	09.03.2006	30.04.2009	850,000.00	434,649.74	415,350.26	51.14
6	POWER	Bumbuna Hydro-Electric – Supplementary Loan	08.10.2008	17.04.2009	28.02.2010	10,300,000.00	4,280,740.75	6,019,259.25	41.56
7	SOCIAL	Support to Basic & non-formal education (Educ III)	16.10.2002	25.08.2003	30.06.2010	16,000,000.00	11,147,884.55	4,852,115.45	69.67
8	SOCIAL	Strengthening of District Health Services	07.09.2005	21.11.2007	31.12.2011	17,000,000.00	4,781,388.67	12,218,611.33	28.13
9	SOCIAL	Social Action Support Project (SASP)	11.06.2003	23.04.2004	31.12.2010	12,000,000.00	6,510,028.75	5,489,971.25	54.25
10	MULTI-SECT	Inst. Support Public Financial Management & Energy Sector Pro.	20.10.2004	19.07.2006	31.12.2011	2,790,000.00	2,175,754.64	614,245.36	77.98
11	MULTI-SECT	Economic Governance Reform Programme	06.05.2009	02.07.2009	31.12.2011	10,000,000.00	5,500,000.00	4,500,000.00	55.50
TOTAL: 11 ON-GOING PROJECTS						95,780,000	43,567,513.6	52,212,486.40	45.49

Appendix 4: Summary of Non-Lending Services
As of September 15, 2009

Product	Completion FY	Cost (US\$000)	Audience	Objective
Recent completions				
Poverty Report	2009	201	G/B/DP/P ^a	K/P ^b
Decentralization Impact Study	2009	38	G/B/DP/P	K/P
Underway				
Public Expenditure Review	2010	78	G/B/DP/P	K/P
CPAR	2010	45	G/B/DP/P	K/P

Notes:

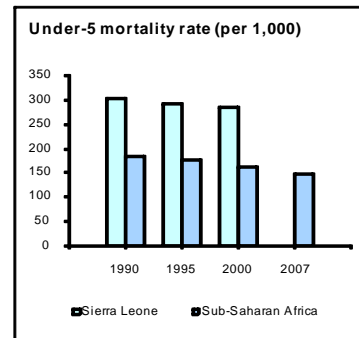
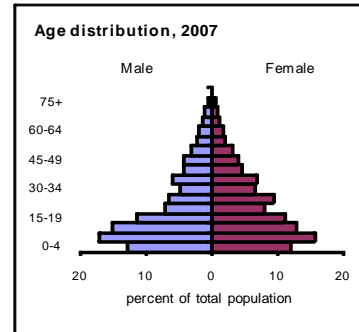
- a. Government, donor, Bank, public dissemination.
- b. Knowledge generation, public debate, problem-solving.

Appendix 5:

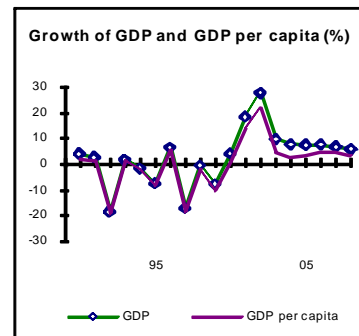
Sierra Leone at a glance

10/23/09

Key Development Indicators (2008)	Sierra Leone	Sub-Saharan Africa	Low income
Population, mid-year (millions)	6.0	800	1,296
Surface area (thousand sq. km)	72	24,242	21,846
Population growth (%)	1.8	2.4	2.2
Urban population (% of total population)	37	36	32
GNI (Atlas method, US\$ billions)	1.8	761	744
GNI per capita (Atlas method, US\$)	300	951	574
GNI per capita (PPP, international \$)	660	1,869	1,489
GDP growth (%)	5.5	6.2	6.4
GDP per capita growth (%)	3.6	3.8	4.2
(most recent estimate, 2003–2008)			
Poverty headcount ratio at \$1.25 a day (PPP, %)	53	51	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	76	73	..
Life expectancy at birth (years)	47	51	57
Infant mortality (per 1,000 live births)	170	89	80
Child malnutrition (% of children under 5)	..	27	28
Adult literacy, male (% of ages 15 and older)	50	71	72
Adult literacy, female (% of ages 15 and older)	27	54	55
Gross primary enrollment, male (% of age group)	93	99	100
Gross primary enrollment, female (% of age group)	65	88	89
Access to an improved water source (% of population)	47	58	68
Access to improved sanitation facilities (% of population)	30	31	39



Net Aid Flows	1980	1990	2000	2008 ^a
<i>(US\$ millions)</i>				
Net ODA and official aid	91	59	181	535
<i>Top 3 donors (in 2007):</i>				
United Kingdom	5	4	68	88
European Commission	8	8	14	72
Netherlands	4	1	3	47
Aid (% of GNI)	7.4	21.5	28.8	32.9
Aid per capita (US\$)	28	15	40	92
Long-Term Economic Trends				
Consumer prices (annual % change)	14.0	98.3	-0.2	12.2
GDP implicit deflator (annual % change)	..	77.3	6.1	11.2
Exchange rate (annual average, local per US\$)	1.0	15.15	2,092.1	2,982.3
Terms of trade index (2000 = 100)	..	..	..	..
Population, mid-year (millions) b/	3.2	4.1	4.5	6.0
GDP (US\$ millions)	1,231	649	636	1,954
<i>(% of GDP)</i>				
Agriculture	..	..	..	..
Industry	..	..	..	..
Manufacturing	..	..	..	..
Services	..	..	..	..
Household final consumption expenditure	90.7	81.3	98.0	85.8
General govt final consumption expenditure	7.0	8.9	15.2	12.5
Gross capital formation	19.1	13.0	8.0	14.7
Exports of goods and services	23.0	29	18.1	16.3
Imports of goods and services	39.7	32	39.3	29.4
Gross savings	2.4	10	-0.8	3.5



1980–90 1990–2000 2000–08
(average annual growth %)

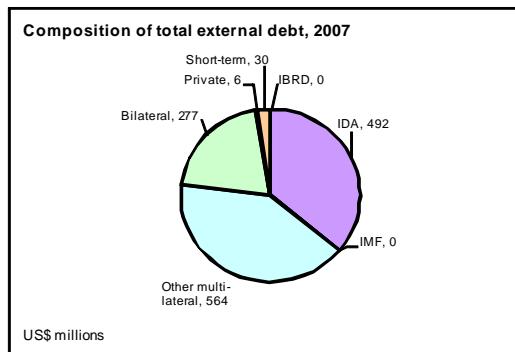
2.3	1.0	3.4
3.1	-5.0	10.3

Sierra Leone at a Glance (cont.)

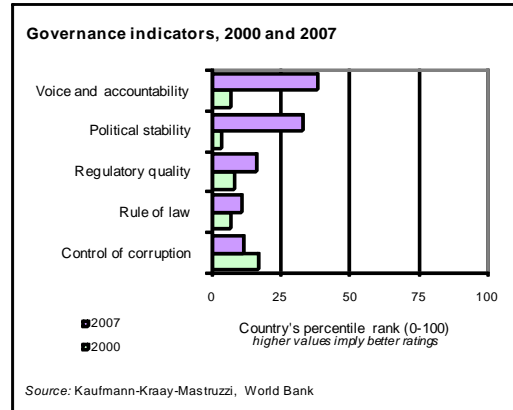
Sierra Leone

Balance of Payments and Trade	2000	2008
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	73	257
Total merchandise imports (fob)	-137	-470
Net trade in goods and services	-143	-294
Current account balance	-56	-219
as a % of GDP	-8.8	-11.2
Workers' remittances and compensation of employees (receipts)	..	..
Reserves, including gold	50	209
Central Government Finance		
<i>(% of GDP)</i>		
Current revenue (including grants)	19.4	15.9
Tax revenue	10.8	10.8
Current expenditure	22.7	14.6
Overall surplus/deficit	-9.3	-4.8
Highest marginal tax rate (%)		
Individual	..	30
Corporate	..	30

External Debt and Resource Flows		
<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	1,176	1,369
Total debt service	54	75
Debt relief (HIPC, MDR)	857	352
Total debt (% of GDP)	184.9	82.3
Total debt service (% of exports)	413	20.6
Foreign direct investment (net inflows)	39	70
Portfolio equity (net inflows)	0	0



Private Sector Development	2000	2008
Time required to start a business (days)	-	17
Cost to start a business (% of GNI per capita)	-	56.2
Time required to register property (days)	-	86
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2007
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	18.5	17.7



Technology and Infrastructure	2000	2007
Paved roads (% of total)	7.9	..
Fixed line and mobile phone subscribers (per 100 people)	1	..
High technology exports (% of manufactured exports)	31.1	..

Environment		
Agricultural land (% of land area)	38	40
Forest area (% of land area)	39.8	38.5
Nationally protected areas (% of land area)	..	2.1
Freshwater resources per capita (cu. meters)	32,493	27,358
Freshwater withdrawal (billion cubic meters)	0.4	..
CO2 emissions per capita (mt)	0.12	0.17
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

World Bank Group portfolio	2000	2007
<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	0	0
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	354	492
Disbursements	70	16
Total debt service	4	11
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	2	0
Disbursements for IFC own account	0	0
Portfolio sales, prepayments and repayments for IFC own account	1	0
MIGA		
Gross exposure	0	5
New guarantees	0	0

Appendix 6: Social and Economic Indicators

Sierra Leone Social Indicators

	Latest single year			Same region/income group	
	1980–85	1990–95	2001–07	Sub-Saharan Africa	Low-income
POPULATION					
Total population, mid-year (mil)	3.6	4.1	5.8	799.8	1,295.7
Growth rate (% annual average for period)	2.0	0.3	3.6	2.5	2.2
Urban population (% of population)	31.6	34.2	37.4	35.9	31.7
Total fertility rate (births per woman)	6.5	6.5	6.5	5.2	4.3
POVERTY					
<i>(% of population)</i>					
National headcount index	..	..	66.4	..	..
Urban headcount index	..	..	27.4	..	..
Rural headcount index	..	..	74.8	..	..
INCOME					
GNI per capita (US\$)	260	190	260	952	578
Consumer price index (2000=100)	0	39	166	137	150
Food price index (2000=100)	..	..	..	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	62.9	40.0	..	..
Lowest quintile (% of income or consumption)	..	1.1	6.5	..	..
Highest quintile (% of income or consumption)	..	63.8	47.3	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	..	1.9	2.6	1.5
Education (% of GDP)	..	..	3.8	4.2	..
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	..	43	..	70	73
Male	..	50	..	72	76
Female	..	36	..	67	69
Access to an improved water source					
<i>(% of population)</i>					
Total	..	57	53	58	68
Urban	..	72	83	81	84
Rural	..	50	32	46	60
Immunization rate					

(% of children ages 12–23 months)					
Measles	..	..	67	72	76
DPT	..	..	64	73	77
Child malnutrition (% under 5 years)	..	..	..	27	29
Life expectancy at birth					
(years)					
Total	39	39	42	50	57
Male	38	38	41	49	56
Female	41	41	44	52	58
Mortality					
Infant (per 1,000 live births)	173	165	159	94	85
Under 5 (per 1,000)	299	282	270	157	135
Adult (15–59)					
Male (per 1,000 population)	540	601	412	421	310
Female (per 1,000 population)	527	492	349	391	272
Maternal (modeled, per 100,000 live births)	..	..	2,100	900	780
Births attended by skilled health staff (%)	..	..	43	45	41

Source: World Development Indicators database, World Bank, September 10, 2008.

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12–23 months who received vaccinations before 1 year of age or at any time before the survey.

Appendix 7: IBRD/IDA Program Summary

CAS Appendix B3. IBRD/IDA Program Summary as of Date 9/16/2009

Proposed IBRD/IDA Base-Case Lending Program ^a

Fiscal year	Project ID	US\$(M)	Strategic Rewards b (H/M/L)	Implementation b Risks (H/M/L)
2010	SL-Decentr. Serv. Del. Program (FY10)	20.0		
	SL-GRG 3 DPL	10.0		
	SL-Mining Technical Assistance	4.0		
	SL-Regional Fisheries Result	15.0*		
	Overall Result	49.0		

*10.0 M Regional IDA Allocation

Appendix 8: IFC and MIGA Programs for Sierra Leone

CAS Annex B3 (IFC & MIGA) for Sierra Leone						
IFC and MIGA Program, FY2006-2009						
			2006	2007	2008	2009*
<u>Commitments (US\$m)</u>						
	Gross			25	1.61	7.16
	Net **			25	1.61	7.16
<u>Net Commitments by Sector (%)</u>						
	Telecommunications			100		
	Financial Markets				100	100
<u>Net Commitments by Investment Instrument (%)</u>						
	Loan			100		
	Guarantee				100	100
* As of June 30, 2009						
** IFC's Own Account only						

MIGA Program

MIGA Outstanding Exposure (Gross Exposure, \$ million)	As of end of fiscal year	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Guaranteed Investments into Sierra Leone		0	0	8.4	5.0	5.0	10.7
Guaranteed Investment to Sierra Leonian Investors		0	0	0	0	0	0

Appendix 10: Operations Portfolio (IBRD/IDA and Grants) (cont.)

CAS Annex B8 - Sierra Leone

Operations Portfolio (IBRD/IDA and Grants)

As Of Date 9/15/2009

Closed Projects 36

IBRD/IDA *

Total Disbursed (Active)	145.20
of which has been repaid	0.00
Total Disbursed (Closed)	633.77
of which has been repaid	75.54
Total Disbursed (Active + Closed)	778.97
of which has been repaid	75.54
Total Undisbursed (Active)	89.25
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	89.25

Active Projects

Project ID	Project Name	<u>Last PSR</u>		Fiscal Year	<u>Original Amount in US\$ Millions</u>			<u>Difference Between Expected and Actual Disbursements^{af}</u>			
		<u>Supervision Rating</u>			IBRD	IDA	GRANT	Cancel.	Undisb.	Orig.	Frm Rev'd
		<u>Development Objectives</u>										Implementation Progress
P074320	SL-Basic Edu Rehab (FY03) MS		MS	2003		20		0.806842	-1.825032	-1.82503	
P086801	SL-Bumbuna Env. and Socia MU		U	2005		12.5		1.807558	1.3752107	0.175211	
P074128	SL-Health Sec Reconstr & I S		MS	2003		28		4.438588	-6.426956	-3.18187	
P078389	SL-IDP Transp (FY06) MS		MU	2006		55		38.72118	14.233388	4.450048	
P079335	SL-Natl Soc Action (FY03) S		S	2003		35		0.007551	-2.936712	-2.93671	
P087203	SL-Power & Water SIL (FY0 MU		MU	2005		35		12.48795	10.622898		
P108069	SL-Public Financial Manage #		#	2009		4		4.18878			
P096105	SL-Rural Dev & Priv Sec De U		MU	2007		30		26.79237	7.067068		
Overall Result						219.5		89.25082	22.109866	-3.31836	

Appendix 11: Country Financing Parameters (Policy of Eligible Expenditure)

The country financing parameters (AfDB's policy of eligible expenditure) for the Republic of Sierra Leone (RSL) are set out below. These parameters will be reviewed on an approximately bi-annual basis, and when the next IDA assistance strategy is prepared.

Item	Parameter	Remarks/Explanation
<p>Cost sharing Limit on the proportion of individual project costs that IDA may finance</p>	100%	<p>The Bank will seek GoSL counterpart funding and will promote harmonization through seeking co-financing for all projects. Nonetheless, there may be projects in which the Bank may finance up to 100% of project costs. Financing at this level will be applied after a selective and case-by-case review of justification. Typically, projects executed by GoSL entities with own sources of income (such as ports or power) are expected to include counterpart funding contributions. Projects that may be financed up to 100% include those that support social sector development, governance, and capacity building.</p>
<p>Recurrent-cost financing Any limits that would apply to the overall amount of recurrent expenditures that IDA may finance.</p>	No country level limit.	<p>IDA, working closely with the IMF, would monitor the fiscal adjustment program, and public expenditure management and public sector reforms to ensure that recurrent cost financing is embedded in a credible and sustainable government macroeconomic strategy. In determining IDA financing of recurrent costs in individual projects, the agency will take into account sustainability issues at the sector and project levels, including consideration of implied future budgetary outlays. To ensure sustainability, especially for capacity building, projects that include financing for staff costs will need to be accompanied by explicit agreement that GoSL will assume the cost of permanent positions after the Bank contribution to the project is completed.</p> <p>Performance based incentive programs for civil servants may be financed on a clear time bound basis, provided that such programs are consistent with, and feed into, the government's public sector reform program and are applicable to all donor-funded programs.</p>

<p><i>Local-cost financing</i> Are the requirements for IDA financing of local expenditures met, namely that: (1) financing requirements for the country's development program would exceed the public sector's own resources (for example, from taxation and other revenues) and expected domestic borrowing; and (2) the financing of foreign expenditures alone would not enable IDA to adequately assist in the financing of individual projects?</p>	<p>Yes</p>	<p>The two requirements are met. IDA may finance local costs in the proportions needed by individual projects.</p>
<p><i>Taxes and duties</i> Are there any taxes and duties that the IDA would not finance?</p>	<p>None</p>	<p>Taxes and duties are considered reasonable. The application of this general approach will be subject to an ongoing monitoring of tax policy and how taxes are applied to IDA projects. At the project level, IDA would consider whether taxes and duties constitute an excessively high share of projects costs.</p>

Appendix 12: Consultations in Preparation for the Joint Assistance Strategy of the AfDB, WB, and IFC for Sierra Leone

A consultation mission with stakeholders at the government and community levels was carried out in Freetown in January 2009 to discuss and validate the strategic directions.

In June 2009, the Government of Sierra Leone launched the country's second-generation PRSP under the name, *Agenda for Change*. PRSP-II spells out the vision, direction, and development priorities of the government. Since then, The World Bank, African Development Bank (AfDB), and International Finance Corporation (IFC) have been working on a *Joint Assistance Strategy (JAS)* to support the new PRSP. The preparations started in January, well in advance of the completion of the PRSP, and included several rounds of consultations and feedback. They were concluded in September 2009.

The consultation series were organized as follows:

- a. Client survey, which yielded 340 responses from a broad segment of respondents
- b. Opening consultations in Freetown, led by the government, with participation from civil society, government ministries and agencies, representatives of local government, development partners, private sector, and the press
- c. Technical consultations, involving primarily staff of the AfDB, WB, and IFC, but also selected external partners
- d. Regional consultations held in four key provincial towns—Makeni, Koidu, Kenema, and Bo—for a broad dialogue on people's wishes and hopes for the PRSP and JAS, soliciting grassroots feedback on priorities
- e. Thematic consultations with civil society, ministries, agencies, local government, development partners, private sector, and media on key priorities and issues of concerning
 - i. Youth employment
 - ii. Gender
 - iii. Governance
 - iv. Agriculture
- f. Concluding/validation consultations held in Freetown, led by GoSL, attended by civil society, government ministries and agencies, local councils, development partners, private sector, and media.

In total, close to 1000 participants attended consultation meetings.

1. Client Survey

The World Bank conducted a national client survey to prepare for its participation in the JAS. The outcomes also provided valuable insights for the other JAS partners. A questionnaire was sent to 700 individuals, of whom 365 responded. Questions addressed views of development priorities for the country and the role of the World Bank. In general, the World Bank was viewed positively by respondents and seen as

responsive to the needs of the country. A notable change for the client survey for the previous CAS was a significant increase in the emphasis on governance and calls for determined anticorruption efforts in new government and donor strategies.

2. Opening Consultations

The opening consultations workshop was held in Freetown, January 21–23. One hundred and thirty-five participants attended the workshop, which was chaired by the Minister of Finance.

Opening session. With interventions from the three JAS partners, the Governor of the Central Bank gave an overview of the GoSL’s expectation of the new JAS and the partnership with the JAS partner organizations. Specific session over the three days included discussions of:

- Overview of poverty trends in Sierra Leone and how interventions can better target poverty
- GoSL presentation of the Agenda for Change/PRSP
- Brief on Tanzania’s experience with a JAS in support of a PRSP
- Macroeconomic overview and budget support by JAS partners and others
- Opportunities and challenges in the growth priority sectors of the PRSP: agriculture, power and transport.
- Opportunities in the human development priority sector: basic service delivery in health, education, and water
- Governance challenges, including public financial management and capacity development, support to Parliament, justice for the poor, use of governance filters
- Private sector development, investment climate surveys, financial sector, investment options
- Regional integration and regional projects
- Results focus, including lessons learned from previous CAS and CSP, monitoring and evaluation framework.

3. Technical Consultations

Following the opening consultations, the JAS preparation team organized a series of five technical workshops that included AfDB, IFC, and WB staff connected by videoconference. They discussed sector issues, selection of priority interventions, and challenges to be addressed in selection and implementation.

4. Regional Consultations

When GoSL had published its final version of the Agenda for Change/PRSP-II, the JAS preparation team organized a series of regional consultations to hear from stakeholders around the country. The team presented the draft JAS, and solicited feedback on the JAS priorities and how they fit with the PRSP and people’s aspirations. One-day consultation meetings were held in the towns of Makeni, Koidu, Kenema, and Bo. All meetings were very well attended (typically 150 people per meeting) and represented a broad segment of the local population. The meeting

consisted of introductions to the new PRSP, an introduction of the proposed JAS, solicitation of views on sectors, issues, and approaches; and a dialogue between JAS team members and the audience, in all cases moderated by a local moderator of some standing. Among views that enjoyed broad support and frequent expression were:

- Agriculture is of primary importance. GoSL and JAS partners should do more to encourage agricultural production and post-harvest activities. Feeder-road conditions are a major concern in agriculture.
- Concerns over transparency and accountability were widely expressed and touched on issues in all sectors, not least health and education.

5. Thematic Consultations

Partly associated with the regional consultations, the JAS partners organized thematic consultations on four key issues: gender equality, youth employment, governance, and agriculture.

- The *gender equality* discussion showed that most participants regard economic empowerment of women as the key path toward equality. Issues such as maternal health, education, and cultural barriers and pressures also were raised by many, as was the issue of women's participation in public works schemes.
- The *youth employment* discussion again highlighted the importance of agriculture as the basis for job creation. Calls were made for innovative programs to support youth employment, public works schemes, vocational training, and attention to the issues facing young unemployed women, often also mothers. The need for more transparency in the distribution of benefits from mining, combined with calls for work to mitigate the environmental damage done by mining was raised by many.
- Many in the *governance* consultations raised attention to governance concerns in the preparation of development projects. Broad concerns were raised over abuse of power and diversion of resources to private use. Sale of essential medicines and charging for access to basic healthcare were strong concerns, as was the issue of teacher absenteeism and capacity. The regional distribution of public resources was another concern. CSOs made a strong case for vigorous grassroots engagement to ensure transparency in resource use.
- In agriculture, there were calls for more and equitable support to farmers' organizations, such as cooperatives; more support for inputs and implements; and post-harvest processing and marketing. Opportunities for young people to get started in agriculture were raised by many as a concern.

6. Concluding/Validation Consultations

The final consultation round was held in Freetown on September 10. The workshop was chaired by the deputy minister of finance. As before, it included ministers, government officials, heads of government agencies, development partners, CSOs, private sector, and the media.

The workshop discussed the draft JAS in light of the final PRSP and the series of consultations undertaken since the opening Consultation Workshop. The main conclusions of the workshop can be summarized as follows:

- The consultations reconfirm that the PRSP-II priorities resonate with the general population.
- Agriculture comes through as the top priority in the eyes of the public. Feeder roads investments also enjoy very broad support, more so in rural areas. Electrification rates high as a priority, and more so in urban areas. Using resources for health and education enjoys broad support, but there are widespread concerns about quality and governance issues. Mining is very frequently described in quite negative terms.
- Economic empowerment of women comes across as the number-one gender issue.
- Concerns about governance and corruption were expressed at every meeting, often passionately. Specific concerns were abuse of power by authorities, both official and traditional; resources being diverted; essential drugs being sold illegally; access to basic health care denied by demands for payments; and teachers frequently being absent.
- Private-sector-led growth always is seen as the key to economic progress. The main economic potential is seen in agriculture.
- Youth unemployment is broadly seen as a key threat to peace and stability, in addition to the welfare and growth arguments raised. Innovative youth employment schemes and training are emerging as key challenges.
- All meetings, including the validation workshop, broadly ratified the priorities and approaches proposed in the draft JAS as being right and relevant.

Appendix 13: Donor Coordination in Sierra Leone

Delegated sector: {}

Sector to withdraw from: {/}

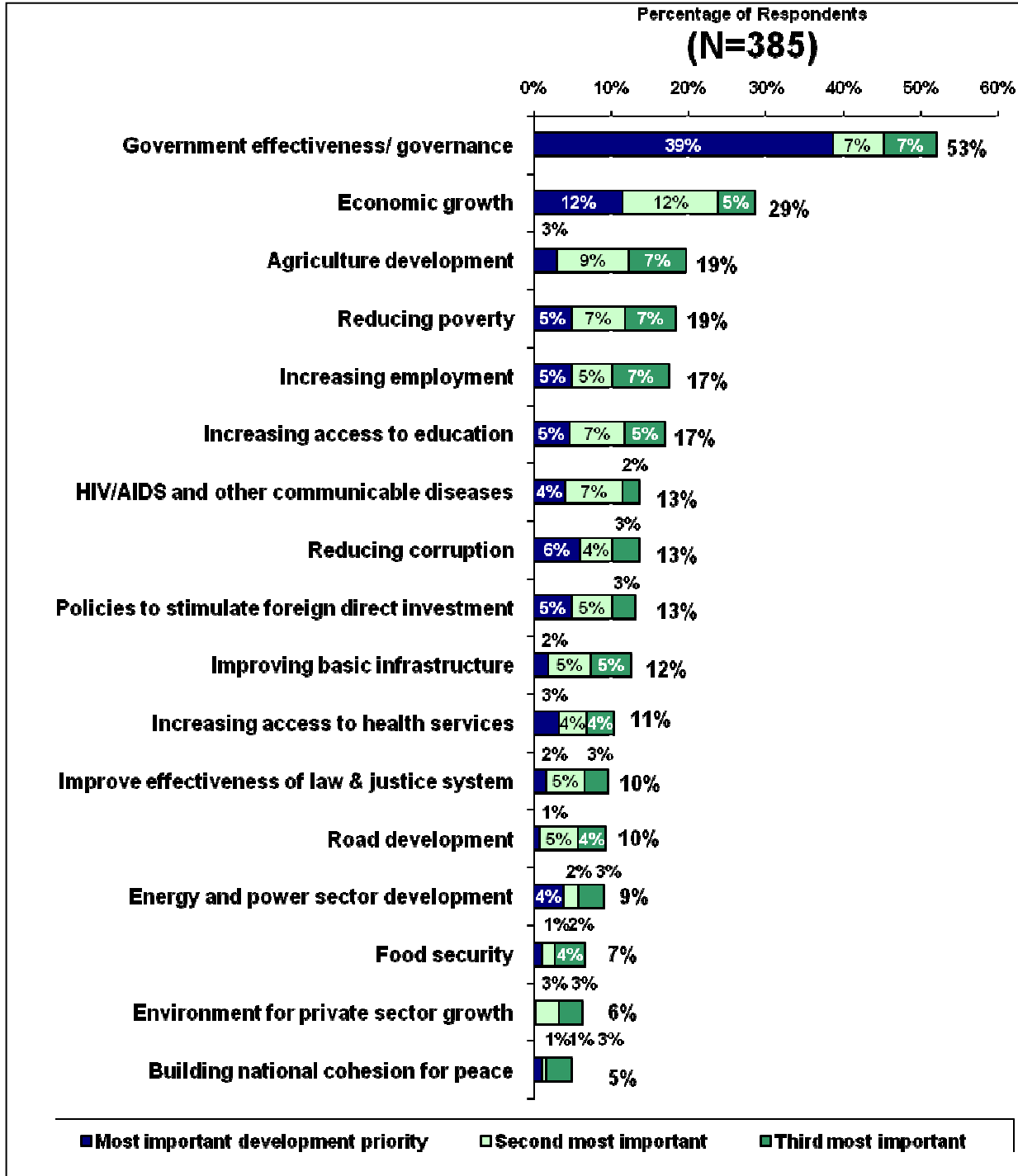
Note XX-
donor

Partner	Approx. Annual Funding (US\$ mil)	Sector/thematic areas														Capacity/Inst. Building (incl. M&E)	Security and Stability	Gender
		Private sector/trade	Financial sector	Infrastructure/transport	Energy	Mining	Agriculture and rural development	Fishing	Health	Education	Environment	Water and sanitation	Social protection	Public Sector	Judicial and Legal Reform			
European Community				X	X	X	X	X	X		X			X				
AfDB				X	X		X	X										X
France																		
Japan					X		X											
United Kingdom/DFID					X			X	X	X				X	X	X	X	
UNDP		X						X										
UNICEF									X	X		X	X					X
FAO							X	X										
UN (Other)							X		X	X							X	
United States								X										
IFC		X																
World Bank		X	X	X	X	X	X	X	X	X	X	X	X	X		X		X
IMF			X															
Germany		X	X	X			X											
China				X	X													

Lead

Appendix 14: Findings of 2009 Client Survey

Government effectiveness/governance was considered the most important development priority for Sierra Leone. Economic growth also was considered an important priority.



Appendix 15: Country Map

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11/11/



NOVEMBER 2004