



# Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 05-May-2020 | Report No: PIDA29038

**BASIC INFORMATION****A. Basic Project Data**

Country	Project ID	Project Name	Parent Project ID (if any)
Sierra Leone	P169498	Third Productivity and Transparency Support Grant (P169498)	P168259
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
AFRICA	09-Jun-2020	Macroeconomics, Trade and Investment	Development Policy Financing
Borrower(s)	Implementing Agency		
Ministry of Finance	Anti Corruption Commission, Ministry of Agriculture and Forestry, Ministry of Fisheries and Marine Resources, Ministry of Lands Housing and Country Planning, Teaching Service Commission		

**Proposed Development Objective(s)**

The main objective of the DPO is to achieve sustainable and inclusive economic development by: (i) creating the conditions for increased productivity in selected economic sectors and (ii) improving transparency in selected government decision making processes.

**Financing (in US\$, Millions)****SUMMARY**

<b>Total Financing</b>	100.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	100.00
World Bank Lending	100.00

**Decision**

The review did authorize the team to appraise and negotiate



## B. Introduction and Context

### Country Context

- 1. This program document proposes an SDR [TBD] million (US\$ 100 million equivalent) International Development Association (IDA) grant to the Republic of Sierra Leone for the Third Productivity and Transparency Support (PTSG-III) Development Policy Operation (DPO)—the last in the programmatic series.** The proposed DPO supports the implementation of the Government's medium-term National Development Plan (2019 – 2023) (MTNDP-I), by: (i) creating the conditions for increased productivity in selected economic sectors; and (ii) improving transparency in selected government decision making processes. It is central to the World Bank's country engagement around priorities for unlocking growth as articulated in the 2018 Systematic Country Diagnostic (SCD). The global outbreak of the Coronavirus in March 2020 and its subsequent spread to Sierra Leone will have considerable adverse health and economic implications for the country (Box 1). The proposed operation will therefore help provide the much-needed fiscal space for the government to respond to the outbreak and mitigate the economic and health impacts of the crisis.
- 2. Sierra Leone's economy is one of the most volatile economies in the world.** Between 2008 and 2018, the standard deviation of real GDP growth was 11 percent. Much of this volatility in GDP growth is explained by the fact that the economy is primarily driven by mineral and agricultural production, two sectors in which commodity prices are externally determined and highly unpredictable. Volatile commodity prices have translated into increased fluctuation in output in these two sectors. With population growth at 2.2 percent, in 2018 real income per capita grew by only 1.5 percent. Indeed, Sierra Leone's real income per capita, estimated at US\$522.9 in 2018, is still far below its pre-Ebola level of US\$562.8.
- 3. The country has low levels of human capital.** Sierra Leone's Human Capital Index, at 0.4 in 2018, is one of the lowest in the world. Access to and quality of health and education services are very low. Life expectancy, at 51 years, is one of the lowest. More than a tenth of newborns die before age five; a quarter of children under five are chronically malnourished; and two-thirds of adults have no or incomplete primary education. In 2018, at 76 percent the age-dependency ratio—youth as a percentage of the working-age population—was above the 72 percent average for fragile and conflict-affected countries. In 2017, the working-age population grew at 2.8 percent and total population grew by just 2.2 percent, creating a pressing need for more formal and better-paying new jobs. The youth bulge is a source of fragility since today's youth had spent much of their formative years in the decade-long war and hence have acquired neither education nor skills.
- 4. Governance and institutions remain weak and the poor business environment impedes private sector development.** The World Bank's Worldwide Governance Indicators suggest that the public's perception of the quality of governance in the country is one of the lowest in the world. In 2018, the country's scores were -0.18 for Voice and Accountability, -1.14 for Government Effectiveness, -0.91 for Regulatory Quality, -0.77 for Rule of Law, and -0.49 for Control of Corruption. Despite being similar to Sierra Leone in many respects, Senegal had better scores: 0.24 for Voice and Accountability, -0.27 for Government Effectiveness, -0.11 for Regulatory Quality, -0.21 for Rule of Law, and -0.02 for Control of Corruption. This relatively low quality of governance in Sierra Leone undermines state legitimacy and public confidence in institutions. Furthermore, the quality of the business environment remains weak and is not favorable to the development of the private sector. The 2019 Doing Business Report ranked the country 163/190. As result, private investment and especially foreign direct investment has slowed.
- 5. The national poverty rate, after declining from 66.4 percent in 2003 to 53.8 percent in 2011, has recently**



**reversed.** Projections based on the 2011 household survey estimated that poverty further declined to 46 percent in 2014, before increasing to over 49 percent in 2015 as the Ebola and commodity price crises hit. Provisional estimates based on the 2018 Integrated Household Survey put the overall poverty headcount at 56.7 percent in 2018. With a Gini index of 34, income inequality is quite high in Sierra Leone. The COVID-19 crisis is likely to worsen the health and poverty conditions in the country.

**6. To support the government in its efforts to achieve stable and inclusive growth, the proposed operation focuses on two primary areas/pillars:** (i) creating the conditions for increased productivity in selected economic sectors; and (ii) improving transparency in selected government decision making processes. Under these two broad pillars, the proposed operation supports ongoing reforms to increase agricultural productivity and government transparency and accountability. Specifically, on governance, the program supports the authorities' efforts to strengthen economic and political governance, build local capacity, promote transparency in the mining sector, and build an effective asset disclosure system to fight corruption and promote public sector accountability. The immediate liquidity provided by this operation will provide the government with the fiscal space needed to respond to the ongoing COVID-19 pandemic.

#### Relationship to CPF

**7. The proposed DPF series has been designed to help unlock constraints identified in the SCD (2018) and as such consistent with the new Country Partnership Framework (CPF) for Sierra Leone (FY20-FY24).** The SCD (2018) emphasized the criticality of addressing the fiscal challenges as well as boosting productivity in agriculture, manufacturing, and services to foster inclusive growth to reduce poverty and boost shared prosperity. It also emphasized the need to improve overall governance to ensure accountability and improve public service delivery. Other World Bank operations in agriculture (Sierra Leone Smallholder Commercialization and Agribusiness Development Project Additional Financing (P170604) and [West Africa Agricultural Transformation Project \(P164810\)](#)), fisheries (West Africa Region Fisheries Program AF Guinea, Sierra Leone & Liberia (P126773)), education (Sierra Leone - Revitalizing Education Development in Sierra Leone (P133070)) , energy and extractive sector (Sierra Leone Energy Sector Utility Reform Project (P120304), and governance ([Public Financial Management Improvement and Consolidation -Additional Financing Project \(P162667\)](#)) are linked to the proposed series and provide complementary Technical Assistance. The new CPF covering FY2020-FY2024 is expected to be presented to the Board for consideration by the third quarter of FY20.

### C. Proposed Development Objective(s)

**8.** The main objective of the DPO is to achieve sustainable and inclusive economic development by: (i) creating the conditions for increased productivity in selected economic sectors and (ii) improving transparency in selected government decision making processes.

#### Key Results

**Table 1: Summary Assessment of Result Indicators**

Result Indicator	Baseline	Target	Current Status of Results (2020)
Results Indicator 1: Number of Licensed Private Firms in the Seed Sector	0 (2015)	10 (2021)	<b>Exceeded:</b> 15 private sector firms have been licensed to operate in the seed sector.
Results Indicator 2: Average yield of rice,	1.1 (2015)	1.8 (2021)	<b>On track:</b> average yield of riced reached 1.6 MT per



measured as production in metric tons (MT) per hectare (ha)			ha in 2018, close to the target of 1.8 MT per ha
Results Indicator 3: Number of licensed private firms in the fertilizer market	0 (2015)	10 (2021)	<b>On track:</b> 2 private sector firms have been licensed to produce organic fertilizer. However, majority of the seed companies also trade in fertilizer.
Results Indicator 4: Share of land plots owned by women (%).	20.7 (2015)	30.7 (2021)	<b>On-track:</b> New Land laws expected to be enacted to empower women to own land in the customary setting which was previously not allowed.
Results Indicator 5: Number of active industrial fishing licenses	111 (2015)	60 (2021)	<b>On track:</b> Although not yet achieved, the number of active industrial vessels fell sharp to 68 in 2019, close to the target.
Results Indicator 6: Electricity lost as percentage of electricity distributed.	38% (2015)	28% (2021)	<b>On track:</b> losses have remained high (36%) despite reforms. However, revenue recovered has increased significantly.
Results Indicator 7: Share of Government Expenditure on Fuel Subsidy (in % of GDP)	2 (2017)	0 (2020)	<b>Achieved:</b> The Government has continuously met the require zero subsidy on fuel since 2018
Results Indicator 8: Absenteeism rate of teachers on payroll	30% (2015)	15% (2021)	<b>Exceeded:</b> The pilot of the teacher attendance monitoring system puts the level of absenteeism at 11.9 percent in February 2020.
Results Indicator 9: Share of Government Accounts in commercial banks	90% (2016)	10% (2021)	<b>Exceeded:</b> Following the introduction of the TSA, the share of Government Accounts in commercial banks have fallen drastically to about 8%.
Results Indicator 10: Share of public procurement transactions conducted through open competition.	45% (2016)	85% (2021)	<b>Exceeded:</b> 94% all procurement activities were carried out was through open competitive bidding methods in 2018.
Results Indicator 11: Percentage of new mining leases compliant with the Extractive Industry Revenue Law (ERIL)	0 (2016)	100 (2021)	<b>Achieved:</b> All new mining leases are made to fully comply with the EIRL.
Results Indicator 12: Share of public officials that have submitted asset declaration form	20% (2015)	90% (2020)	<b>On track:</b> ACC is currently assessing status of compliance with the new asset disclosure regulation. The result will be available in April 2020

## D. Project Description

**9. This operation is the last in a programmatic series of three operations to support the implementation of the Government's priorities articulated in the previous AfP and the current MTNDP-I.** The aim of the series is to support the Government's objective of achieving sustainable and inclusive economic development by: (i) creating the conditions for increased productivity in selected economic sectors; and (ii) improving transparency in selected government decision making processes. The proposed operation covers five policy areas, namely: agriculture (including fisheries and land), energy and extractives, education, public financial management (e-procurement regulations) and anti-corruption (asset disclosure). These areas are consistent with the Government's new MTNDP-I and the findings of the World Bank Systematic Country Diagnostic (SCD, 2018). Although this programmatic series was started in 2016, well before the outbreak of COVID-19, many of the reforms supported by the program will help to mitigate the impact of the COVID-19 and ensure a strong recovery from the crisis.

**10. The proposed program will help reverse the downward trend of income per capita.** Despite a steady recovery with an average annual GDP growth of 4.8 percent since 2016, Sierra Leone's GDP per capita is still below its pre-crisis level. As a result of the Ebola crisis, GDP per capita declined by more than 22 percent, from 749.8 USD in 2014 to 582.3 USD in 2015. Since then, GDP per capita has grown by average annual rate of 2 percent but remains below its 2014 level. With a population growth rate of 2.2 percent in 2019, GDP per capita was only 644 USD in 2019, which is 20 percent below its 2014 level. By focusing on increasing agricultural productivity, the proposed program will contribute to raise



Sierra Leone's income per capita over the medium term. Agriculture is the sector with highest potential for increasing income per capita in the medium term. The agricultural sector employs more than 60 percent of the country's labor force but has the lowest level of labor productivity. Agricultural productivity growth (first pillar) will likely be broad based and help farmers and rural population increase their income. The program is also likely to increase productivity and income per capita through increased transparency (second pillar). Increasing transparency will increase participation, productivity and income for the most vulnerable groups of the population (SMEs, women, young population, small farmers, etc.).

**Table 2: PTSG-III Prior Actions and Analytical Underpinnings**

PTSG-III Prior Actions	Analytical Underpinning	Key findings and recommendations
<b>Pillar 1: Creating the conditions for increased productivity in selected economic sectors</b>		
To enhance private sector participation and access to seeds for farmers, the Recipient has (a) through its Minister of Agriculture and Forestry prepared and presented to Parliament the Seed Certification Agency Regulations and the Regulations have matured into law; and (b) established and operationalized the Seed Certification Agency, all as evidenced by (i) the certificate of maturity of [date] issued by the Clerk of Parliament; (ii) appointment of the Board members, and (iii) a letter dated April 2, 2020 from the Permanent Secretary, Ministry of Agriculture and Forestry ("MAF") confirming the staffing at the Seed Certification Agency.	AfP (2013-2018), SDC - (2018), Agriculture Public Expenditure Review (PER) (2015), Food Security and Vulnerability Analysis (CFSVA) (2015), Poverty Assessment (2014 and 2019), Sierra Leone Growth Pole Diagnostic Study (2013), National Agriculture Transformation Programme (NATP) (2019 – 2023)	Productivity growth in agriculture is constrained by very low access to improved seeds and low incentives for the private sector's participation to the seed market.
To boost local production of rice, the Recipient has through its Cabinet approved and adopted the National Rice Policy, 2020 and Implementation Strategy and Roadmap, as evidenced by (i) cabinet minute paper dated February 19, 2020 and confirmation of Cabinet decisions letter dated April 3, 2020 issued by the Secretary to Cabinet and Head of the Civil Service; and (ii) letter dated [ ] from the Permanent Secretary, MAF to the Association forwarding an approved copy of the National Rice Policy, 2020.	AfP (2013-2018), SDC - (2018), Agricultural Sector Review (2014), Labor Force Survey (2014), Agriculture Value Chain Analysis, (United States Agency for International Development (USAID), 2016), CFSVA (2015); NATP (2019 – 2023)	Rice offers good potential for driving agriculture sector growth and strengthening dynamic linkages to other parts of the economy
To promote private sector participation in fertilizer supply and enhance farmer access to fertilizer, the Recipient has (a) through the Minister of Agriculture and Forestry prepared and presented to Parliament the National Fertilizer Regulatory Agency (NaFRA) Regulations and the regulations have matured into law, and (b) established and operationalized the NaFRA, including the appointment of its governing Board, all as evidenced by (i) the certificate of maturity of March 31, 2020 issued by the Ag. Clerk of Parliament; (ii) a certificate of passage indicating Parliamentary approval of the nomination of the chairperson for the NaFRA Board, (iii) Gazette or similar official notice of appointment of the other Board members; and (iv) a letter dated	AfP (2013-2018), SDC - (2018), Agricultural Sector Review (2014), Labor Force Survey (2014), Agriculture Value Chain Analysis, (United States Agency for International Development (USAID), 2016), CFSVA (2015), NATP (2019 – 2023)	Productivity growth in agriculture is constrained by very low access to improved fertilizer and low incentives for the private sector's participation in the fertilizer market.



April 2, 2020, from the Permanent Secretary, Ministry of Agriculture and Forestry ("MAF") confirming the staffing of NaFRA		
To improve land administration systems and increase access and security of tenure, especially for women and other vulnerable groups, the Recipient has through its Ministry of Lands, Housing and Country Planning, prepared advanced drafts of the Land Commission Bill and Customary Land Rights Bill (the "Bills") and conducted consultations in the East, South, North and North West regions of the Recipient's territory, fully documenting the input and recommendations of said consultations into a final report approved by its Cabinet, as evidenced by (i) the advanced drafts of the Bills [dated], (ii) final report signed by Minister of Lands, Housing and Country Planning documenting input from consultations, and (iii) confirmation of Cabinet decisions letter dated _____ issued by the Secretary to Cabinet and Head of the Civil Service confirming approval of the final report by Cabinet..	AfP (2013-2018), SDC (2018), Agriculture PER (2015), CFSVA (2015), Poverty Assessment (2014 and 2019), Agricultural Sector Review (2014), Labor Force Survey (2014), National Land Policy (NLP) (2015).	To modernize the agricultural sector in Sierra Leone, the existing land tenure system needs to be reformed to provide for sufficient security and safeguards and increase access to land for vulnerable groups especially women.
To strengthen governance in the fisheries sector, the Recipient has (a) through its Minister of Fisheries and Marine Resources, prepared and presented to Parliament the Fisheries and Aquaculture Regulations and the regulations have matured into law; and (b) through its Cabinet, approved and adopted the National Plan of Action to prevent, deter and eliminate Illegal, unreported and unregulated fishing ("National Plan of Action"), all as evidenced by, (i) the certificate of maturity issued by the Clerk of Parliament; (ii) cabinet minute paper dated February 19, 2020 and confirmation of Cabinet decisions letter dated April 3, 2020 issued by the Secretary to Cabinet and Head of the Civil Service; and (iii) a letter dated [ ] from the Minister/Permanent Secretary, Ministry of Fisheries and Marine Resources forwarding approved National Plan of Action.	AfP (2013-2018), SDC (2018), NSADP (2010-2030), Agriculture PER (2015), Poverty Assessment (2014 and 2019), Agricultural Sector Review (2014), Labor Force Survey (2014), Marine Resource Assessment Group (MRAG) (2005).	Large number of industrial vessels and, illegal, unreported and unregulated (IUU) fishing practices threatens the sustainability of the fisheries sector in Sierra Leone. The current number of licensed trawlers doubles what is estimated to be sustainable by Marine Resources Assessment Group (MRAG).
To strengthen the Electricity Distribution and Supply Authority's (EDSA) governance and technical efficiency, the Recipient has through the board of directors of EDSA approved and adopted a new organizational structure, as evidenced by (i) a Board resolution dated November 25, 2019, and (ii) letters of appointment of _____ dated January 22, 2020.	AfP (2013-2018), SDC (2015), Poverty Assessment (2014 and 2019), Labor Force Survey (2014), Western Area Power Generation Project (WAPGP 2016), Energy Sector Utility Reform Project (ESURP 2013), Energy Access Project (EAP 2013).	The financial situation of the electricity sector is not sustainable because of the low-cost recovery attributable to the weak governance structure with high technical and commercial losses (at about 38 percent and low revenue collections at around 60 percent of total sale).
To promote equitable deployment of teachers across the country, the Recipient has through the Teaching Service Commission (TSC) established a pilot for a nationwide teacher attendance monitoring system (TAMS) and through the TSC's Board of Commissioners approved and adopted a teacher deployment protocol and incentive	TSC Act 2011, ASC (2015), Situation Room Reports (2016), CSR (2013), PAD REDP (2014), Payroll Verification Study (2017), Gbamanja Commission of Enquiry Report (2010).	Learning outcomes in Sierra Leone are among the lowest in the region, reflecting in part the poor quality, performance, and management of the teaching workforce. Only half of teachers are qualified for their level and position. The problem is most acute at primary.





strategy, as evidenced by (i) signed minutes of the TSC Board of Commissioners dated January 3, 2020; (ii) signed Teacher Deployment Protocol and Incentive Strategy dated ____; and (iii) final report on the TAMS pilot dated ____.		
<b>Pilar 2: Improving transparency and accountability in selected government decision making processes</b>		
To enable the implementation of a nationwide e-procurement system, the Recipient has through the National Public Procurement Authority prepared and presented to Parliament the Procurement Regulations and, said Procurement Regulations have matured into law, as evidenced by the certificate of maturity of [date] issued by the Clerk of Parliament.	AfP (2013-2018), SCD (2018), SLEU (2018), PFM Act (2016), PFM Regulation (2018), Procurement Act (2016), Evaluation of Budget Support to Sierra Leone 2002 – 2015, PEFA (2007, 2010, 2014, 2017).	PEFA (2017) found that procurement management is weak and incomplete resulting in higher prices being paid on purchases of goods and services and on works contracts.
To enable implementation of the Anti-Corruption Commission (Asset Declaration) Regulations, 2019, the Recipient has enacted an amendment to the Anti-Corruption Act, 2008 to, as evidenced by Gazette supplement volume CXLX, no. 88 dated December 22, 2019.	AfP (2013-2018), SDC (2018), Evaluation of Budget Support to Sierra Leone 2002 – 2015, PEFA (2007, 2010, 2014), TI-CPI (2010-2016), TI Global Corruption Barometer (2010-2015), SL National Integrity System Survey (2014)	The perception of corruption is high in Sierra Leone (country ranked 129th in the Transparency International Corruption Perception Index. Developing a more effective asset disclosure system and integrating it into wider anti-corruption programs can be a critical element for preventing corruption.

## E. Implementation

### Institutional and Implementation Arrangements

**11. Sierra Leone’s Medium-term National Development Plan (MTNDP-I) is the fourth in the series of national development policy frameworks that builds on the third Poverty Reduction Strategy Paper (PRSP-III), the Agenda for Prosperity (AfP).** The Plan provides the operational framework for the Government’s “New Direction Manifesto” for improving people’s lives through education, inclusive growth, and building a resilient economy. The plan covers the first five years—2019 to 2023—of a 20-year vision for attaining middle-income status for the country. It focuses on eight clusters: (i) Human Capital Development; (ii) Diversifying the Economy and Promoting Growth; (iii) Infrastructure and Economic Competitiveness; (iv) Governance and Accountability for Results; (v) Empowering Women, Children, the Adolescents and Persons with Disability; (vi) Youth Employment, Sports and Migration; (vii) Addressing Vulnerability and Building Resilience; and (viii) Means of Implementation. The Plan is aligned with the global SDG goals and provides the platform for donor coordination.

**12. Increasing productivity, efficiency, and accountability is at the core of the MTNDP-I.** Increasing agriculture productivity and developing fisheries are among the top priorities of cluster II of the MTNDP-I. In the agriculture sector, transformative interventions driven by greater private sector participation combined with improved agricultural extension services are expected to boost productivity and improve household incomes. In the fisheries sector, the overall goal of the MTNDP-I is to generate value addition and jobs, ensure food security, and increase exports, while maintaining sustainability. In addition to the direct interventions in agriculture and fisheries, the MTNDP-I promotes productivity growth through increased access to and improved quality of electricity as well as improved learning outcomes to enhance skills development. The MTNDP-I also highlights the importance of efficient management of public funds, and of reducing fiscal leakages and enhancing revenue mobilization through increased transparency and government accountability. The Government is promoting a culture of zero-tolerance against corruption through a strengthened anti-corruption system and improved procurement processes.





## F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

### Poverty and Social Impacts

**13. Overall, the poverty and social impacts of the policy reforms supported under the proposed DPF series (PTSG-III) are expected to be largely positive and substantial.** Reforms aimed at boosting productivity in key sectors such as agriculture and fisheries are expected to have a substantial positive impact on increasing opportunities for women and other vulnerable groups, thereby contributing positively to poverty reduction in Sierra Leone. Agriculture and fisheries employ about 60 percent of the country's workers, with women comprising more than half. Also, close to 95 percent of rural households indicated that agriculture is their main source of income and nearly 70 percent of the poor households have agriculture as their primary source of livelihood. The 2018 SLIHS reported that women accounted for 52.2 percent of those who cultivated land including rice during the past twelve months and 56 percent of those self-employed in agriculture. In this context, the proposed reforms are expected to have a significant positive poverty reduction impact. The reforms in the seed and fertilizer markets are expected to: (i) increase access to improved inputs (seeds and fertilizers) especially for women who make up the majority of smallholder farmers and create conditions for increased yields over the medium term; and (ii) promote private sector participation in the provision of these inputs to boost economic opportunities for all smallholder farmers, including women, as well as create jobs, which are expected to have substantial positive impact on poverty. By increasing agriculture productivity, the reforms could have a positive impact on food security and reduce the prevalence of malnutrition by increasing the provision of important micronutrients, including protein, to the population especially to children and women including lactating mothers.

**14. The land reform is expected to have positive social and economic impacts given its emphasis on protecting land rights and increasing access to land especially for the poor, women and vulnerable groups in rural areas.** Additionally, the Government has established Regional Land Oversight Committees, with women representation, to ensure inclusive participation in the implementation of the national land policy. The customary land rights bill and land commission bill are expected to significantly boost women's access to land by providing a level playing field and increased transparency in land tenure governance. The land reform would promote food security and inclusive economic growth, reduce poverty, foster gender and youth empowerment, and ensure responsible tenure of land, fisheries and access to water. The fisheries reform is expected to reduce unsustainable fishing practices and increase the supply of fish in the domestic market, particularly from artisanal, inland, and aquaculture activities, which is expected to have a positive impact on poverty. The new landing obligation of industrial fishing fleet in the 2019 Fisheries and Aquaculture Regulations (PTSG-III prior action #5) would significantly improve fish landings and contribute to local food security and improved nutrition for women and children. The expected increase in domestic fish supply through increased artisanal landing will provide more economic opportunities for women through fish processing and marketing.

**15. In the energy sector, the reduction in electricity losses is expected to improve the financial situation of EDSA and increase the utility's capacity to supply electricity to households and businesses.** A higher electricity supply is in turn expected to better support economic activities and investment in manufacturing and services, which could lead to more job creation and poverty reduction. Reliable and affordable supply of electricity would also be immensely beneficial to women by increasing opportunities to engage in a range of small-scale business especially perishable commodities that require preservation. Similarly, the education reform is expected to have a positive impact on poverty reduction given the anticipated improvement in learning outcomes, which will increase the chances of the working age population to earn a higher wage. The education reform is much more impactful for girls who perform poorly on SLGA tests. Boosting learning outcome for girls would increase their chances of entering into the labor force and enhancing their livelihoods.



**16. The reforms aimed at improving transparency in selected government decision making processes is also expected to have a positive social and poverty impact.** The new procurement regulation will allow goods and services to be tracked more easily, permitting the Government to use faster exchanges of information to obtain better pricing and value for money. This will promote a more efficient delivery of goods and services especially in the social sectors (health and education), enhancing benefit for the women, children and other vulnerable groups. The focus on transparency through asset disclosure will likely help curb corruption and improve public service delivery, including to women and vulnerable households.

#### Environmental, Forests, and Other Natural Resource Aspects

##### *Risks and Vulnerabilities*

**17. The impact of climate change could increase the share of Sierra Leoneans living below the poverty line up to 2 percent by 2030<sup>1</sup>.** The country is dependent on environmentally sensitive sectors such as agriculture and fisheries which exacerbate its vulnerability to climate change; and threatens food security and the livelihoods of most of the population<sup>2</sup>. An increase in the frequency and severity of extreme weather events would inflict a heavy toll in human lives and welfare while damaging the country's scarce and valuable capital, and the poorest households and communities will be hit hardest, as income and health shocks will drive them deeper into poverty. The key climate stressors are increasing average temperatures and unpredictable and extreme precipitation events. Natural hazards also present severe risks. Landslides threaten human lives and can have a cross-cutting impact on multiple sectors. A major landslide that occurred in 2017 resulted in close to US\$32 million in damages and losses in: electricity, transportation, housing, education, WASH and other key sectors<sup>3</sup>. Storms and Squall Lines are a recurring natural hazard that bring thunderstorms and high winds in the pre-monsoon season (April to June). These storms often disrupt national infrastructure, damage people's homes, destroy agricultural crops, and cause coastal erosion. Deforestation is also a major concern and has been growing at 2.5 percent annually translating into an estimated loss of 40,000 hectares of forest per year<sup>4</sup>. National climate change strategies and commitments prioritize improved land-use planning, adaptation, mitigation, and enhanced disaster-risk management. These commitments also highlight the importance of adopting climate-smart agriculture measures and technologies<sup>5,6</sup>.

##### *Climate Change*

**18. The agriculture and energy sectors are highly vulnerable to climate change impacts.** In agriculture, the operation supports reforms aimed at enhancing productivity and climate resilience through new seed and fertilizer regulations and supports reforms that target two of the primary food sources in Sierra Leone, rice and fish, which are particularly vulnerable to climate change impacts. The policies and reforms of this operation align with the Economic Community of West African States (ECOWAS) regional strategy which aims to harmonize the rules governing the management of seeds and fertilizer in the region, under a framework of environmental sustainability. The prior actions in this operation align and contribute to Sierra Leone's Intended Nationally Determined Contribution (INDC) which prioritizes mitigation and adaptation measures in the agriculture and energy sectors, as well as disaster risk management. (See Annex 4.1 for a detailed climate change assessment).

**19. The Rice Sector Development Policy and Implementation Strategy and a Roadmap encourages the mechanizing**

<sup>1</sup> World Bank (2016) "Shockwaves: Managing the impacts of climate change on poverty." Climate Change and Development Series. Washington, DC

<sup>2</sup> World Bank's Climate Change Knowledge Portal

<sup>3</sup> World Bank (2017) Sierra Leone Rapid Damage and Loss Assessment of August 14, 2017: Landslides and Floods in the Western Area

<sup>4</sup> Government of Sierra Leone (2005) Third National Communication of Sierra Leone to the United Nations Framework Convention on Climate Change

<sup>5</sup> Government of Sierra Leone (2015) Intended Nationally Determined Contribution

<sup>6</sup> Government of Sierra Leone (2010) National Sustainable Agriculture Development Plan (2010-2030)



**of commercial rice production including the development of appropriate climate-smart technologies.** The policy is expected to promote domestic production (from 1.1MT per ha to 1.8 MT per ha in 2021) and reduce import dependence. Rice production yield is however sensitive to high temperatures and humidity, as well as to pests that thrive in these environments. Rice plants require an optimum temperature at different growth stages. An increase of 0.6°C, in the 2020s, would put 5 out of the 9 growth stages at risk. To date, higher levels of agricultural technology have not been affordable in Sierra Leone due to low economic returns from core commodities. This policy will encourage the entry of new climate-smart technologies into the sector to facilitate climate change adaptation, secure high production yields, and ensure long-term food security in the country.

**20. The establishment of the National Fertilizer Regulatory Agency (NaFRA) Regulations and its complementary governing Board would contribute to the reduction of non-CO2 GHG emissions in agricultural production through greater availability of environmentally sustainable alternatives.** Current land and land-use patterns present three constraints to achieving productivity in the sector: (i) declining soil fertility (due to pressure on land, especially upland soils), (ii) reduction of soil in fallow periods, and (iii) low levels of fertilizer use among small holders. The policies supported in this operation will allow the introduction of a scheme to certify private sector players in the fertilizer market to ensure the supply of high quality and environmentally friendly fertilizer; and the establishment of fertilizer testing facilities across the country for quality control of fertilizers. This reform closely aligns to Sierra Leone's Third National Communication to the UNFCCC which identified the low utilization of organic fertilizer in agricultural production; and highlighted the need to regulate and standardize fertilizer markets to increase the availability of high-quality organic options to increase uptake.

## G. Risks and Mitigation

**21. The overall risk rating for the operation is 'high'.** The risk assessment is underpinned by high risk ratings in three main categories—macroeconomic, institutional capacity for implementation and sustainability, and fiduciary—and substantial risk ratings in political and governance risks and epidemiological risks.

### Epidemiological Risk

**22. Epidemiological risks are high. The uncertain depth and duration of the COVID-19 shock represents the single most significant risk that could undermine the attainment of the program's objectives.** COVID-19 is an all-encompassing generalized risk that could adversely affect all risk categories and possibly lead to a slowdown in the implementation of reforms as resources and priorities shift to preventing or curtailing the spread of the virus. As discussed in detail in section 2.2 (Box 1), the COVID-19 shock is having a large negative impact on the Sierra Leonean economy. Consequently, GDP growth has been significantly downgraded, and there has been a significant widening of the fiscal and external financing gaps. Nonetheless, with the fluidity of developments, the extent to which COVID-19 will impact this operation remains fully unknown. COVID-19 shock has potentially negative impacts on the achievement of the objectives of each of the pillars of this operation. The sustainability of improvements in productivity in key sectors such agriculture, education, energy could be impeded by mobility restrictions, social distancing requirements at the workplace, and supply chain disruptions that can affect provision of inputs. Similarly, the COVID-19 pandemic could make it difficult for the government to continue to focus on fostering transparency and accountability in public procurement and the public sector in general.

**23. The risks are in part mitigated by the COVID-19 Emergency Response Project (P173803) and the Government's proactive stance in taking measures to address the outbreak before it happened as well as the existence of an alert and surveillance system and the country's experience in dealing with the Ebola virus crisis.** The proposed budget support operation would also help to mitigate some of the risks through the provision of resources to respond to the health needs. The residual epidemiological risk is high given the uncertainty regarding the spread and duration and its



potential for substantial cross-cutting impacts on the health sector and on the economy, thereby adversely affecting the achievement of the development objectives of this operation.

### Political and Governance Risks

**24. Political and governance risks are substantial.** Political risk is considered substantial given the fragile political context and the initial post-election violence following the March 2018 general elections. However, calm has since returned to the country following the intervention of ECOWAS, which paved the way for the main opposition APC to accept the results of the election. This ushered in a second democratic change of the party in power since the end of the civil war in 2002. This consolidation of democratic practices should help engender political stability in the future. However, with the main opposition APC having the majority seats in parliament, there have been deep political disagreements over policies, which could potentially affect the development objectives supported by the operation. The declaration of public health emergency on March 24, 2020 in response to COVID-19 pandemic has given the Government additional powers which could, as experience shows, be used to bypass democratic accountability processes resulting in misuse of funds.

**25. Despite the program's alignment with the country's national development plan (MTNDP-I), there is a risk of uneven commitment to reforms.** The phasing out of the Government involvement in seed and fertilizer distribution could be delayed by opposition to change by senior public officials. Program implementation is particularly challenged in cases which require adoption of policies, laws, regulations due to country's poor track record of implementation effectiveness. Overall, increased transparency will require significant shifts in the incentive structure of public servants raising strong opposition to change. Spending pressures following the March 2018 elections led to a deterioration in the country's fiscal position, while governance slippages and slow implementation of PFM reforms, including on procurement, triggered a sharp decline in donor support. Additional fiscal slippages could increase extra-budgetary expenditure and reduce transparency and accountability. These risks are mitigated by: (i) the authorities' manifest commitment to fiscal discipline and consolidation; (ii) new Procurement Regulations, 2020 and the ACC Amendment Act, 2019 supported by this program (iii) constant supervision and oversight by the World Bank at every step in the implementation process; (iv) the program's alignment with MTNDP-I priorities that benefit from wide popular support; and (v) active dialogue with civil society and the private sector to ensure demand side governance pressure for reforms.

### Macroeconomic Risk

**26. Macroeconomic risks are high.** The high risks of domestic and external imbalances are now further compounded by the risks of a global recession precipitated by the COVID-19 pandemic. The consequent macroeconomic effects could undermine the achievement of the development objective of the operation. The four key macroeconomic risks relate to: the large stock of domestic payment arrears and continued fiscal slippages; lower prices and demand for Sierra Leone's exports (due to the coronavirus pandemic and trade tensions); lower than anticipated FDI inflows; and financial sector weaknesses. A recent stock-taking exercise revealed that the stock of domestic payment arrears was Le 3.3 trillion (8.7 percent of GDP), which weighs heavily on public finances and could impede fiscal consolidation efforts. Spending pressures could increase due to the high levels of arrears and wage bill as well as the Government's flagship free education program. The consequent widening of fiscal deficits could raise debt and worsen macroeconomic imbalances and hinder achievement of the program development objectives. This risk is to some extent mitigated by the Government's commitment to fiscal discipline as demonstrated by the implementation of wide-ranging fiscal measures to date as well as the IMF's ECF program. Under the IMF ECF program, the Government has prepared a comprehensive arrears clearance strategy based on sound principles of debt transparency. In addition, the fuel price liberalization implemented under the previous operation will continue to help offset spending pressures.

**27. Weaker demand and prices for the country's exports due to the COVID-19 pandemic and trade tensions could**



**worsen the terms of trade and limit exports, negatively affecting growth.** Quarantines and travel restrictions to limit the spread of coronavirus could cause severe disruption in global trade and economic activity and hurt economies like Sierra Leone both through lower commodity prices and lower demand for its exports, particularly iron ore. Even more worrisome, the spread of the virus within the country could lead to a collapse of the economy and shift priorities away from reform to addressing health concerns and protecting the people. A partial mitigating factor is the COVID-19 Emergency Response Project (P173803) and country's experience in dealing with the Ebola crisis but the country also needs enhanced international support, including through IFIs, to help the government mount an effective response to the disease. The financing provided by this program would help the Government close its fiscal and balance of payments gaps. Development partners' support to improve the Government's economic management capacity under various projects could also help to mitigate these risks.

**28. Lower than anticipated FDI inflows especially in the light of disagreements between Government and mining companies could create uncertainty and limit investments in the sector, causing a drawdown of reserves and putting further pressure on the exchange rate and inflation.** Reforms to improve transparency in the mining sector through the new Mines and Minerals Policy and law under this program could help improve the flow of investment into the sector over the medium-term. Finally, the domestic financial system faces significant challenges because of the weak financial positions of the two state-owned banks that together account for 28 percent of the assets in the system – although efforts are underway to restructure these banks. This risk is now compounded by the impact of COVID-19 on the financial sector. The authorities' efforts to strengthen the financial sector, including under the ECF program of the IMF (approved on November 30, 2018) and World Bank Financial Inclusion Project (P166601) which supports the introduction of a national switch would mitigate this risk. The authorities have revised the Banking and BSL Acts to strengthen oversight of financial institutions and enhance the independence of the Central Bank. Budget support provided under this operation could help to mitigate some of the adverse economic impact of the COVID-19 within Sierra Leone. Nevertheless, the residual macroeconomic risk remains high given that the extent of the spread and duration of the COVID-19 crisis is uncertain and its direct and indirect impacts on the economic could be substantial.

#### **Institutional capacity for implementation and sustainability**

**29. The institutional capacity for implementation risks are high.** Institutional capacity in Sierra Leone remains inadequate in most areas, particularly in ensuring effective (i.e., fair and equitable) implementation of laws and regulations. Ineffective implementation of laws and regulations often opens the door to enabling inappropriate political influence in implementation and enforcement, and this reduces trust of society in rule of law systems. While the capacity requirements in the areas supported by this operation are quite modest, meeting them could be challenging in some sectoral ministries. Furthermore, the COVID-19 pandemic has raised competing priorities arising from the emergency and subsequent recovery phases, increasing risks around limited institutional capacity. The Government's pandemic response could put implementation of reforms under the program at the backburner. The technical assistance support through existing World Bank projects including the COVID-19 Emergency Response Project (P173803) and intensive monitoring will help mitigate this risk.

#### **Fiduciary Risk**

**30. The fiduciary risks are high.** There is little evidence that key principles including value for money, economy, efficiency, effectiveness, integrity, transparency, and accountability are followed. The 2017 PEFA Report found large composition variances between original budgets and out-turns for revenue and expenditure due partly to frequent "overrides" to the procedures for control of commitments and payments. Large variances in expenditure are mainly the result of politically directed expenditure on unplanned projects and contracts as well as lack of procurement plans and budgets. PIMA (2020) also found significant weaknesses caused by inefficient public investment management as some major projects did not generate intended outputs. A forensic audit of foreign exchange transactions at the BSL and key



MDAs found significant weaknesses in the foreign exchange control environment. The fiduciary arrangements under the proposed operation are designed to mitigate these risks. A remedial action plan had been developed under the IMF ECF program to address foreign exchange and other fiduciary risks. In addition, the current PFMICP Project(P162667) is supporting several reforms that will help strengthen the overall PFM system.

**Table 3: Summary Risk Ratings**

Risk Categories	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● High
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● High
6. Fiduciary	● High
7. Environment and Social	● Moderate
8. Stakeholders	● Low
9. Other	● Substantial
<b>Overall</b>	● High

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08-Apr-2020