Report Number : ICRR0021072

1. Project Data

Project ID	Project Name	
P099357	SL-Mineral Sector Technical Assistance	
Country	**Practice Area(Lead)**	**Additional Financing**
Sierra Leone	Energy & Extractives	P124633

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-H5320,IDA-H6680,TF-11786	31-Dec-2013	4,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
03-Dec-2009	30-Dec-2016	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	4,000,000.00	1,691,779.52
Revised Commitment	7,506,017.37	1,682,125.24
Actual	7,379,061.93	3,096,782.14

Prepared by	Reviewed by	ICR Review Coordinator	Group
Ranga Rajan Krishnamani	John R. Eriksson	Christopher David Nelson	IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) as stated in the Financing Agreement (Schedule I, page 4) and in the Project Appraisal Document (PAD, page 8) was; **"To build the Recipient's capacity to improve the management and regulation of the mining sector."**
With the approval of Additional Financing for the project on 24th April 2011, the Project's original name, Mining Technical Assistance Project (MTAP) was changed to the Extractive Industries Technical Assistance Project (EITAP) and the PDO was revised to:
"To build the capacity of the Government to manage and regulate the extractive industries sector."
This review is based on the two sub-objectives of the revised PDO: (i) To build the capacity of the

Government to manage the extractive industries sector: (ii) To build the capacity of the Government to regulate the extractive industries sector.

b. Were the project objectives/key associated outcome targets revised during implementation?
Yes

Did the Board approve the revised objectives/key associated outcome targets?
Yes

Date of Board Approval
24-Apr-2011

c. Will a split evaluation be undertaken?
No

d. Components

There were three components (PAD, pages 9-11).
One. Mining Sector regulatory framework. (*Appraisal estimate US$0.29 million. Revised estimate after Additional Financing (AF) US$0.97 million. Actual cost US$0.76 million)*. This component aimed at improving mining sector regulation. Activities included preparing: (i) environmental and social regulations relating to the Environmental and Social Impact Assessment process: (ii)a mining sector Code of Practice: (iii) underground mining regulations: and (iv) trading license regulations for precious minerals.
Two. Institutional Strengthening. *(Appraisal estimate US$2.85 million. Revised estimate after AF US$9.32 million. Actual cost US$8.40 million).* This component aimed at improving mining sector governance. Activities included: (i) technical assistance to the Ministry of Mines and Mineral Resources (MMMR) and the National Minerals Agency (NMA): (ii) temporary salary support to MMMR/NMA for additional staffing required for the NMA's Transformation Plan: (iii) developing a post-mining rehabilitation program (including purchasing equipment for developing geochemical surveys), capacity building to the government, capacity building for investment promotion through training officials, strengthening MMMR's technical capacity to manage donor-funded projects: and, (v) assistance for monitoring governance-related outcomes in the mining sector (such as, transparency and licensing, implementing a fiscal regime for mining and developing a Monitoring and Evaluation (M&E) system).
Three. Project Management. *(Appraisal estimate US$0.26 million. Revised estimate after AF US$0.46 million. Actual cost US$1.12 million)*. This component aimed at providing implementation support to MMMR, equipment for project support team and training officials.
Prior to AF approval on 24th April 2011, there were two developments: One, the government signed two large-scale mining agreements for iron ore development and more companies had begun exploration activities and two, prospects for petroleum development, following the confirmation of an active petroleum. system within the Sierra Leone - Liberia Basin. The following changes were made with the AF for the project: (i) The project's name was changed to "Extractive Industries Technical Assistance Project."
(ii) Cost overruns associated with component one and two activities were covered (the costs of the winning proposals in the competitive bidding process were considerably higher than expected): (ii) New activities were added including, support for updating petroleum laws and regulations and technical assistance to the

Petroleum Directorate, geochemical surveying of at least two additional areas and strengthening the government's Diamond Office to ensure compliance with the Kimberley Process Certification Scheme (Kimberley Process). (The Kimberley Process refers to an international governmental certification scheme aimed at preventing trade in diamonds for funding conflicts. Launched in January 2003, the scheme requires governments to certify that shipments of diamonds are conflict-free): (iii) A PDO indicator was added with respect to petroleum sector development (discussed in section 9b).

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost. Appraisal estimate (inclusive of baseline cost and costs associated with physical and price Contingencies) US$4.00 million. Additional Financing (AF) of US$4.00 million was approved and there was co-financing from the Department of United Kingdom Government (DFID) of US$3.35 million. With this the revised estimated total project cost was US$11.35 million. Actual cost (including costs associated with Physical and Price Contingencies) US$10.60 million.

Project financing. The project was financed by an IDA Grant of US$4.00 million. The technical assistance grant was used as the lending instrument. AF of US$4.00 million was approved (This included a Project Preparation Facility (PPF) refinancing of US$0.40 million). There was co-financing of US$3.35 million grant from DFID. With this the total revised grant estimate was US$11.35 million. Amount disbursed at closure US$10.60 million.

There was parallel financing at preparation for complementary extractive value chain activities (such as review of legal acts related to mining) from DFID, establishing a mining cadaster system from the United Nations Development Program (UNDP), developing an internationally competitive fiscal regime for mining from the International Monetary Fund (IMF) and transparency principles from the Foreign Investment Advisory Services (FIAS). There was parallel financing for complementary activities funded by the Japanese Social Development Fund (JSFD) for a Life After Diamonds project during implementation which addressed the issue of dwindling alluvial diamond and gold mining in an area with a high presence of ex-combatants and hence susceptible to social instability.

Borrower contribution. None was planned.

Dates. The original project approved on December 3,2009, was scheduled to close on 31 December 2013. AF was approved on 24th April 2011. The project closed on 30th December 2016, five years after the planned closure date.

Split rating. Split rating was deemed to be not necessary given that the project name was changed, and there was no material change to the PDO.

3. Relevance of Objectives

Rationale

The mining sector, the second most important sector in Sierra Leone (after agriculture), accounted for about 80% of exports and provided employment to about 300,000 people. At appraisal, revenue to the government from the sector (by way of licensing fees, royalties and taxes) was modest, at about US$10.5 million in 2008. Corruption and lack of transparency in the sector had resulted in diversion of the country's

finite natural resource wealth for personal fortunes rather than programs for economic development. Conflicts around mining communities and the poor reputation of the mining sector both domestically and internationally further undermined efforts at sector reforms. Transparency in the sector and efficient resource management was hence important for Sierra Leone's economic transformation towards sustainable growth and development.
The Second Poverty Reduction Strategy Paper (PRSP II) for the 2009-2012 period, in 2009, identified mining sector as a priority sector to be developed in the country. The PRSP also underscored the need for managing natural resource wealth and thereby make the transition to a more diverse economy. In 2009, the Government also became an Extractive Industries Transparency Initiative (EITI) candidate country (The EITI) is a global standard for good governance of oil, gas and mineral resources. The EITI standard requires information along the extractive industry value chain, from the point of extraction to how the revenue makes its way through the government and benefits the public. The Government. also completed a Mineral Sector Development Framework setting out the ongoing reform activities.
The PDO was well-aligned with the Bank strategy. The Country Assistance Strategy (CAS) for the 2006-2009 period highlighted the importance of "*improving governance, security and peace*" through: (a) strengthening the government's capacity to administer and monitor the mining sector: and (b) supporting anti-corruption measures applicable to the sector. (PAD, page 7). At appraisal, the PDO was consistent with the objectives of the Bank's *Africa Action Plan* issued on September 26, 2005. The plan identified the need for increasing growth and enhancing competitiveness, improving governance and reducing conflict and ensuring that the local population benefits from the mining sector (PAD, page 8). One of the objectives of the most recent CAS for the 2010-2013 period aimed at improving Sierra Leone's attractiveness as a business destination and achieving EITI validation.

Rating
High

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
To build the capacity of the Government to manage the extractive industries sector.

Rationale
Outputs (ICR, pages 12-13, pages 18-20 and pages 27-34).

- Key items of legislation that were passed with support from the project included: National Minerals Agency Act that was approved by Parliament in 2012. The NMA was operational since March 2013 as targeted. The NMA was a semi-autonomous regulatory body, entrusted with the responsibility of applying a transparency regime for extractive industries. The NMA has four operational directorates: The Geological Survey for monitoring exploration activities: The Precious Minerals Training Directorate for ensuring Kimberley Process compliance and support of the National Revenue Authority (NRA) by collecting taxes and the Community Affairs directorate for protecting and promoting the rights of communities. The ICR (page 39) notes that NMA could not however access data from NRA due to limitations posed by the Income Tax Act

- Social and Environmental Regulations enacted by Parliament on October 14, 2013 as targeted.
- The draft for the Minerals Policy and the Extractive Revenue Bill was prepared as targeted..
- The new Petroleum and Gas Law was not enacted by project closure as targeted and the ICR (page 39) notes that new law was still at the Law Officers Department for Review at project closure, with very little progress..
- Field inspections and monitoring were carried out by NMA since the creation of the agency..
- Lab equipment for geochemical surveying was purchased and the geochemistry campaign was carried out during implementation as targeted.
- Four mineral promotion events were held as per the original and revised targets by project closure.

Outcomes

- The mining licenses issued at project closure were in compliance with the revised regulations. The new licenses that were issued in the Petroleum sector were in compliance with Petroleum Law and Regulations.

It is difficult to assess the extent to which the project activities contributed to the PDO, given that there were complementary activities by other donors and considering that was no beneficiary survey or impact assessment as envisioned at appraisal (PAD, page 14).

Rating

Substantial

Objective 2

Objective

To build the capacity of the Government to regulate the extractive industries sector

Rationale

Outputs.

In addition to the outputs listed above which were also relevant to this objective, the following outputs were relevant for this objective.

- The human resource management policy, specifying the relative functions of the Ministry of Mines and Mineral Resources (MMMR) and the National Minerals Agency (NMA) was adopted as targeted.
- The Geological Information and Mapping System (GIMS) was made publicly available through the NMA's website since June 2016. The ICR provides no details but states that the government was not able to acquire Geo data from private firms and previous geological surveys.

Outcomes.

- Indicators were output-oriented**.**

In the absence of an impact assessment or beneficiary assessment to track progress as envisioned at design (PAD, page 14), it is difficult to assess the extent to which the project activities contributed to realizing the PDO.

Rating
Substantial

Rationale
Given that there no impact evaluation or beneficiary assessment of PDO as envisioned at design, it is difficult to assess the extent to which the technical assistance activities contributed to the PDOs, Based on the evidence provided and in the absence of enough evidence to conclusively rate is as Modest, this review rates overall efficacy as substantial.

Overall Efficacy Rating
Substantial

5. Efficiency

Economic Analysis. There was no economic or financial analysis at appraisal, given that this was a technical assistance project. Given that extractive industries had always been part of the formal economy in Sierra Leone and before the civil war had accounted for 90% of exports and 20% of GDP, the economic benefits of the project at appraisal were assumed to come from: (i) Increase in government revenue from the sector (by way of royalties, taxes and fees) due to improved enforcement of contractual obligations from the mining companies, better tax assessment, better collection capacity and improved fiscal regime for mining: (ii) Increase in mining sector exports: (iii) growth in GDP. and, (iv) additional benefits to government and communities from additional mining exploration and mining sector investment. There was no assessment of benefits at closure and in the absence of an impact assessment or beneficiary survey as envisioned at design, it is unclear the extent to which the costs involved in achieving project activities were reasonable relative to the costs.
Administrative and operational issues. The project could leverage other resources both during preparation (mainly from the Department for International Development of the United Kingdom (DFID) and during implementation from a Trust fund for Life After Diamonds project from the Japanese Social Development Fund (JSDF). The ICR (page 13) notes that the operating costs - the ratio of actual operating cost to actual project cost - (providing an indication of project management efficiency) was low at about 4% of the total project cost). It is unclear however whether the project operating costs were in relation to operating costs of similar projects. In the initial years the project implementation was smooth following national elections and transition to a new

administration. There were delays in the latter years were exacerbated by adverse external factors such as the Ebola Virus Disease (EVD) epidemic of 2014 which halted all private sector activities in the sector as a state of national emergency was declared and which remained in place through the first quarter of 2016 and a major drop in world price for iron ore starting in 2013. Due to these delays, the project closed about three years behind schedule.

Efficiency Rating
Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐Not Applicable
ICR Estimate		0	0 ☐Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of the project to the government and Bank strategy is rated as High. In the absence of an impact evaluation or beneficiary assessment as envisioned at design, it is difficult to assess the extent to which the project activities contributed to the PDO. Given that activities were technical assistance activities and the evidence provided for the project outcomes were weak, the IEG rates overall efficacy as Substantial (given that there is not enough evidence to conclusively rate the PDO as Modest). Efficiency is rated as Modest. With the relevance of objective rated as High, efficacy rated as Substantial and modest efficiency, the outcome is rated as Moderately Satisfactory.

a. Outcome Rating
Moderately Satisfactory

7. Risk to Development Outcome

Government Commitment. Sierra Leone has been politically stable in recent years and the government commitment to the extractive industries sector to date has remained high. The government commitment was further demonstrated by the fact, although there was no sustainable financing mechanism for the newly created National Minerals Agency (NMA) at project closure, the government approved a funding mechanism for NMA in

the Finance Act of 2017. This legislation could help in guaranteeing the financial sustainability of the institution as an important milestone and provide the funding needed to continue improving the governance of the sector.
Institutional Risk. There is risk to development outcome and to ongoing benefits from the sector, given that the Mineral Leasing Agreements (MLAs) could be undermined by ineffectual contractual management practices.

8. Assessment of Bank Performance

a. Quality-at-Entry

This project was prepared based on lessons from the global initiatives and on-going capacity building operations for sustainable management of the mining sector in other African countries (Burkina Faso, Ghana, Mali, Mauritania, Mozambique, Madagascar, Nigeria, Tanzania and Uganda) and other regions in Latin America and South and East Asia. Lessons incorporated at design included, undertaking a strategic impact assessment of the mining sector to ensure that that project was designed in a way to benefit the population and future generations (given that non-renewable resources must be transformed into sustainable activities beyond mines closures and that mine development should be accompanied by diversification of the economy). As indicated in Section 2e, the design supported project preparation through a Project Preparation Facility grant. Several risks were identified at appraisal including High risks associated with lack of government capacity and commitment to reforms and sector risks associated with governance risks in the mining sector (such as risks that mining licenses may be issued and contracts signed that are overly advantageous to investors and do not provide a fair reward to the country for using non-renewable resources). Appropriate mitigation measures were incorporated at design such as working with the government to improve overall governance capacity and strengthening mining sector administrative capacity and the overall project risk was rated as Moderate at design (PAD, page 16-18). The project design leveraged funds across donor and Bank funded projects to support complementary activities along the extractive industries value chain. Appropriate arrangements were made for safeguards and fiduciary compliance (discussed in section 10).
There were shortcomings in M&E. Given that capacity building was a significant part of project activities, there were no indicators aimed at monitoring performance of the institutional dimension of the project (discussed in section 9a). However, the design envisioned an Impact Assessment or beneficiary survey during implementation.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

Supervision missions to Sierra Leone were held regularly (except for the period of the Ebola Virus Disease (EVD) epidemic in 2014). However, even during the EVD epidemic, when missions to the country were suspended and many contractors were invoking *force majeure* clause (a contract provision that relieves the parties from performing their contractual obligations when certain circumstances beyond their control arise, making performance inadvisable, commercially impracticable, illegal or impossible), the supervision team remained engaged and maintained regular dialogue with the government through a mission to neighboring

Ghana) and this aided in supporting key activities. During implementation, the supervision team leveraged other resources to improve the outcomes, such as from the Japanese Social Development Fund (discussed in section 2e). The supervision team also coordinated with other donors and partners given that several extractive value chain activities were supported by other donors. Support provided by the team aided in safeguards compliance and support provided by the Bank's Procurement Specialist based in Freetown contributed to procurement compliance (discussed in section 10).
Given the M&E shortcomings at design, it is not clear why the project performance was not monitored through an impact evaluation or beneficiary assessment, as envisioned at design (discussed in sector 10a).

Quality of Supervision Rating

Moderately Unsatisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The key outcome indicators - the number of mining licenses that were in compliance with the revised regulations adopted by the Ministry of Mines and Mineral Resources (MMMR), whether the human resource policies were implemented by the MMMA and the National Mineral Agency (NMA) and whether geodata were publicly accessible through the web - were appropriate for monitoring performance of the project's technical assistance activities. The design envisioned monitoring performance through an impact evaluation and beneficiary assessment, to track both overall progress toward indicators and progress of the project components.
Given that capacity building to the various entities was an important part of design, there were no appropriate indicators (such as the extent to which the capacity building activities were successful or not) aimed at monitoring performance regarding the planned institutional development and thereby to the sustainability of outcomes. The M&E design however envisioned an Impact Assessment or beneficiary survey during project implementation.

b. M&E Implementation

One PDO indicator was added in view of the petroleum sector development activities that were added to the scope of the project with AF. "the number of petroleum exploration licenses that were in compliance with the Petroleum Act and Supporting regulations."
Given the shortcomings at M&E design, it is not clear why there an impact evaluation or beneficiary assessment as envisioned at design, to monitor performance with respect to sustainability of outcomes.

c. M&E Utilization

The indicators were used for monitoring the achievement of the project's PDO.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The project was classified as a category B project. One safeguard policy was triggered: Environmental Assessment (OP/BP 4.01).

The PAD (page 21) notes that since the project financed only technical assistance activities, no direct environmental or social impacts were anticipated. However, OP/BP 4.01 was triggered, in view of the potential environmental impacts of new extractive industry investments, that could result from the capacity building activities. A Strategic Environmental and Social Assessment of the sector was carried out at appraisal and Terms of Reference (TOR) for the development of frameworks and legal instruments for environmental and social aspects of mining were developed, and publicly disclosed at appraisal. The financing agreement for the project also included a specific covenant that highlighted the risks and responsibilities for general compliance of the sector with environmental and social norms.

The ICR (page 21) notes that the project supported development of environmental regulations for mining and geochemical surveying of pilot areas of rehabilitation. The ICR notes that safeguards compliance was deemed to be satisfactory during project implementation,

b. Fiduciary Compliance

Financial Management. A financial management assessment was conducted at appraisal to assess the Ministry of Mines and Mineral Resources (MMMA) ability to address financial management issues. The financial management risk was rated as Substantial, in view of factors like, weakness in governance, weak technical capacity of public institutions and the slow pace of public financial management reforms. Risk mitigation measures included, technical support to the Project Support during implementation including through more intensive supervision and engaging with stakeholders to help achieve project objectives (PAD, pages 55-56).

The ICR (page 21) notes that in the initial years, financial management was conducted by a consulting firm, in view of MMMR's low capacity. Financial management responsibilities were later transferred to the Ministry. The ICR (page 21) notes that although there were delays in the wake of Ebola Virus Disease (EVD) in 2014, these were eventually resolved and the financial management was deemed to be satisfactory during implementation. The ICR however provides no details on the quality of audits.

Procurement. An assessment of the MMMR's capacity to address procurement issues was conducted at appraisal (PAD, page 20). The procurement risk was rated as Substantia in view of the weak capacity of MMMR. Mitigation measures included bringing in skills and experience from outside in the initial years of the project. A procurement plan for project implementation was developed and publicly disclosed at appraisal (PAD, page 59).
The ICR (page 21) notes that as in the case of financial management, in the initial years procurement was managed by a consulting firm and later the procurement responsibilities were transferred to the ministry. The ICR (page 22) notes that procurement management was deemed to be satisfactory during implementation.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Moderately Satisfactory	Relevance of Objective is High. Efficacy is rated as Substantial. Efficiency is Modest.
Bank Performance	Satisfactory	Moderately Satisfactory	There were shortcomings in M&E design. It is not clear why there was no impact assessment or beneficiary survey to monitor project performance as envisioned at design at project closure.
Quality of M&E	Modest	Modest	---
Quality of ICR		Substantial	---

12. Lessons

The ICR (pages 25-26) draws the following main lessons from the experience of implementing this project (with some modification of language).
(1) Technical assistance for increased transparency in regulation in extractive industries can provide substantial value for money in diminishing country risk perception by investors/licensees and expanding sector revenues.
(2). A strong and functional regulatory agency with professional capacity can aid in improving the performance of the extractives sector by: (i) providing clear guidelines and information to investors: (ii) efficiently managing

mining licenses: (iii) developing regulations for mining operation and production, ensuring the correct collection of royalties and taxes: and, (iv) better managing community relations.
(3) Project scope needs to address key issues either during entry or sequentially. The original funding for this project was inadequate in relation to the challenges of the mineral sector. The project design followed a portfolio design with the Bank financing some activities and some complementary activities financed by other donors (discussed in section 2e). Following the AF approval, the project focused on activities aimed at Extractive Industries Transparency Initiative (EITI) validation.
(4) The project design needs to be kept relatively simple, particularly in countries with a weak implementation record.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is concise and reasonably well-written. It covers the major points that arose during implementation (particularly during the final years of the project and how these were addressed by the supervision team).
The ICR draws good lessons from the experience of implementing this project.
The ICR provides no details on why the government was not able to acquire Geo data from private firms and previous geological surveys.

a. Quality of ICR Rating
Substantial