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**PROJECT PERFORMANCE ASSESSMENT REPORT**

**SIERRA LEONE**

**ECONOMIC REHABILITATION AND RECOVERY I  
(CREDIT NO 3321)**

**ECONOMIC REHABILITATION AND RECOVERY II  
(CREDIT NO 3586)**

**ECONOMIC REHABILITATION AND RECOVERY III  
(IDA 3765)**

**ECONOMIC REHABILITATION AND RECOVERY IV  
(GRTD-H1690)**

**June 1, 2010**

*Country Evaluation and Regional Relations  
Independent Evaluation Group (World Bank)*

## Currency Equivalents (annual averages)

Currency Unit = Leone (Le)

2000	February 24	US\$1.00	=	Le 2,147
2001	June 30	US\$1.00	=	Le 1,837
2003	August 31	US\$1.00	=	Le 2,352
2004	December 31	US\$1.00	=	Le 2,860
2006	May 31	US\$1.00	=	Le 2,957

## Abbreviations and Acronyms

AGD	Auditor General Department	IDA	International Development Association
CET	Common External Tariff	IDP	Internally Displaced Persons
CAS	Country Assistance Strategy	IEG	Independent Evaluation Group
CFAA	Country Financial Accountability Assessment	IEGCR	Country Evaluation and Regional Relation
CPAR	Country Procurement Assessment Report	IEGWB	Independent Evaluation Group (World Bank)
DDR	Disarmament, Demobilization and Reintegration	IMF	International Monetary Fund
ECOWAS	Economic Community of Western African States	M&E	Monitoring and Evaluation
ERR	Economic Recovery and Rehabilitation	MMR	Ministry of Mining and Resources
ERRC	Economic Recovery and Rehabilitation Credit	MTEF	Medium Term Expenditure Framework
ERRG	Economic Recovery and Rehabilitation Grant	NGO	Non-Governmental Organization
FIS	Financial Information Systems	NRRP	National Rehabilitation and Recovery Program
FMAS	Financial Management and Accounting Systems	PAD	Project Appraisal Document
GIS	Geographic Information Systems	PEFA	Public Expenditure and Financial Accountability
GPS	Global Positioning System	PETS	Public Expenditure Tracking Surveys
GDP	Gross Domestic Product	PPAR	Project Performance Assessment Report
GOSL	Government of Sierra Leone	PPAs	Participatory Poverty Assessments
HIPC	Heavily Indebted Poor Countries	PRGF	Poverty Reduction and Growth Facility
HIV	Human Immunodeficiency Virus	PRSC	Poverty Reduction Support Credit
ICR	Implementation Completion Report	PRSP	Poverty Reduction Strategy Paper
ICRG	International Country Risk Guide	SPP	Strategic Planning and Action process
		TFR	Total Fertility Rate
		UPE	Universal Primary Education

## Fiscal Year

Government: January 1 – December 31

Director-General, Evaluation	:	Mr. Vinod Thomas
Director, Independent Evaluation Group (World Bank)	:	Ms. Cheryl Gray
Manager, IEGCR	:	Mr. Ali Khadr
Task Manager	:	Mr. Dusan Vujovic

# Contents

<b>PRINCIPAL RATINGS.....</b>	<b>III</b>
<b>KEY STAFF RESPONSIBLE.....</b>	<b>IV</b>
<b>PREFACE.....</b>	<b>V</b>
<b>SUMMARY.....</b>	<b>IX</b>
<b>1. COUNTRY CONTEXT AND MACROECONOMIC PERFORMANCE.....</b>	<b>1</b>
Country Context.....	1
Macroeconomic performance 2000-2008 .....	2
<b>2. ACHIEVEMENTS UNDER ECONOMIC REHABILITATION AND RECOVERY OPERATIONS.....</b>	<b>7</b>
Security .....	8
Governance and public resource management.....	9
Economic growth.....	9
Social services (human development) .....	10
<b>3. FIRST ECONOMIC REHABILITATION AND RECOVERY CREDIT .....</b>	<b>12</b>
Objectives and Components.....	13
Relevance of Objectives and Design .....	15
Achievement of Objectives (Efficacy).....	17
Ratings.....	23
<b>4. SECOND ECONOMIC REHABILITATION AND RECOVERY CREDIT .....</b>	<b>26</b>
Objectives and Components.....	26
Relevance of Objectives and Design .....	28
Achievement of Objectives (Efficacy).....	29
Ratings.....	33
<b>5. THIRD ECONOMIC REHABILITATION AND RECOVERY CREDIT.....</b>	<b>36</b>
Objectives and Components.....	36
Relevance of Objectives and Design .....	38
Achievement of Objectives (Efficacy).....	38

	<b>Ratings.....</b>	<b>40</b>
<b>6.</b>	<b>FOURTH ECONOMIC REHABILITATION AND RECOVERY GRANT.....</b>	<b>44</b>
	<b>Background.....</b>	<b>44</b>
	<b>Objectives and components.....</b>	<b>44</b>
	<b>Relevance of Objectives and Design.....</b>	<b>47</b>
	<b>Achievement of Objectives (Efficacy).....</b>	<b>48</b>
	<b>Ratings.....</b>	<b>51</b>
<b>7.</b>	<b>FINDINGS AND LESSONS.....</b>	<b>55</b>
	<b>What worked well.....</b>	<b>55</b>
	<b>What did not work.....</b>	<b>55</b>
	<b>Lessons.....</b>	<b>56</b>
	<b>REFERENCES.....</b>	<b>59</b>
	<b>ANNEX A. BASIC DATA SHEET.....</b>	<b>63</b>
	<b>ANNEX B. LIST OF PEOPLE INTERVIEWED.....</b>	<b>68</b>

## Tables

Table 1. Sierra Leone: The Evolution of National and Bank Strategy.....	2
Table 2: Sierra Leone: Selected Economic Indicators.....	5
Table 3: NRRP Pillars and ERRC-I's Objectives and Sub-Objectives.....	13
Table 4. ERRC-I Conditions Associated with Objectives and Sub-Objectives.....	14
Table 5. Disarmament & Demobilization Statistics.....	18
Table 6. Enrollment in Primary, Secondary and Tertiary Education.....	20
Table 7. I-PRSP Pillars and ERRC-II Objectives and Sub-Objectives.....	26
Table 8: ERRC-II Conditions Associated with Objectives and Sub-Objectives.....	27
Table 9. Government Development Agenda and ERRC-III Objectives and Sub-Objectives.....	36
Table 10. ERRC-III Tranche Release Conditions Associated with Objectives/Sub-Objectives.....	37
Table 11. PRSP Pillars and ERRG-IV Objectives and Sub-Objectives.....	45
Table 12. ERRG-IV Prior Actions and Triggers Associated with Project Outcomes/PRSP Pillars.....	46

## Figures

Figure 1. Budget Expenditures on Education and Health.....	19
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## Boxes

Box 1. IMF programs in Sierra Leone.....	3
Box 2. Results of the Disarmament, Demobilization and Reintegration (DDR) Program.....	18
Box 3. Education and health in the post-conflict period.....	20
Box 4. Sierra Leone: Quality of Governance.....	22

## Principal Ratings

	ICR*	ICR Review*	PPAR
<b>Economic Rehabilitation and Recovery Credit I (Credit No. 3321 – P035637)</b>			
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Institutional Development Impact**	Substantial	Modest	————
Risk to Development Outcome	————	————	Moderate
Sustainability***	Likely	Unlikely	————
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Highly Satisfactory	Satisfactory	Satisfactory
<b>Economic Rehabilitation and Recovery Credit II (Credit No. 3586 – P074642)</b>			
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Institutional Development Impact**	Substantial	Substantial	————
Risk to Development Outcome	————	————	Moderate
Sustainability***	Likely	Likely	————
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory
<b>Economic Rehabilitation and Recovery Credit III (Credit No. 3765 – P078623)</b>			
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Institutional Development Impact**	Substantial	Substantial	————
Risk to Development Outcome	————	————	Moderate
Sustainability***	Likely	Likely	————
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory
<b>Economic Rehabilitation and Recovery Credit IV (GRTD-H1690 – P083477)</b>			
Outcome	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Institutional Development Impact**	Substantial	Modest	————
Risk to Development Outcome	————	————	Moderate
Sustainability***	Likely	Likely	————
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

\* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

\*\*As of July 1, 2006, Institutional Development Impact is assessed as part of the Outcome rating.

\*\*\*As of July 1, 2006, Sustainability has been replaced by Risk to Development Outcome. As the scales are different, the ratings are not directly comparable.

## Key Staff Responsible

<i>Project</i>	<i>Task Manager</i>	<i>Sector Manager</i>	<i>Country Director</i>
<b>Economic Rehabilitation and Recovery Credit I (Credit No. 3321 – P035637)</b>			
Appraisal	Preeti Arora	Emmanuel Akpa	Brian Ngo (acting)
Completion	Preeti Arora	Emmanuel Akpa	Peter Harrold
<b>Economic Rehabilitation and Recovery Credit II (Credit No. 3586 – P074642)</b>			
Appraisal	Preeti Arora	Emmanuel Akpa	Peter Harrold
Completion	Douglas Addison	Emmanuel Akpa	Mats Karlsson
<b>Economic Rehabilitation and Recovery Credit III (Credit (3765 – P078623)</b>			
Appraisal	Preeti Arora	Emmanuel Akpa	Mats Karlsson
Completion	Douglas Addison	Robert R. Blake	Mats Karlsson
<b>Economic Rehabilitation and Recovery Grant IV (Credit No. 30528 – P083477)</b>			
Appraisal	Douglas Addison	Paula Donovan	Mats Karlsson
Completion	Douglas Addison	Robert R. Blake	Mats Karlsson

**IEGWB Mission: Improving development results through excellence in evaluation.**
**About this Report**

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEGWB annually assesses about 25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEGWB staff examines project files and other documents, interview operational staff, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEGWB peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. IEGWB incorporates the comments as relevant. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

**About the IEGWB Rating System**

IEGWB's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEGWB evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEGWB website: <http://worldbank.org/ieg>).

**Outcome:** The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, and Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Risk to Development Outcome:** The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High Significant, Moderate, Negligible to Low, Not Evaluable.

**Bank Performance:** The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Borrower Performance:** The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.



## Preface

This is a Project Performance Assessment Report (PPAR) on four rehabilitation and recovery operations in Sierra Leone during the FY 2000-2007 period:

- Economic Rehabilitation and Recovery Credit I for FY2000-2001 (ERRC-I),
- Economic Rehabilitation and Recovery Credit II for FY2002-2003 (ERRC-II),
- Economic Rehabilitation and Recovery Credit III for FY2004-2005 (ERRC-III), and
- Economic Rehabilitation and Recovery Grant IV for FY2006-2007 (ERRG-IV).

**ERRC-I** was supported by an initial IDA credit of SDR 21.9 million (US \$30.0 million equivalent) approved in February 2000 and a supplemental IDA credit of SDR 7.9 million (US \$10.0 million equivalent) approved in December 2000. The credit was disbursed in three tranches: the first upon effectiveness in March 2000, the second in October 2000 upon successful review of the macro situation, and the third (floating) tranche upon satisfactory review of the Public Enterprise Reform Strategy, just before closing on June 30, 2001.

**ERRC-II** was supported by an IDA credit of SDR 39.4 million (US \$50.0 million equivalent) approved in December 2001. The credit became effective on December 20, 2001 and closed on March 30, 2003. It was disbursed in two tranches: the first following effectiveness and the second in December 2002.

**ERRC-III** was supported by an International Development Association (IDA) credit of SDR 22.0 million (US \$30 million equivalent at appraisal) approved in May 2003. It became effective on September 16, 2003 and closed on December 31, 2004. It was disbursed in two equal tranches: the first following effectiveness in May 2003 and the second upon meeting the agreed conditionality in December 2004.

**ERRG-IV** was supported by an IDA grant of SDR 10.0 million (US \$15 million equivalent) approved in June 2005. It became effective on August 3, 2005 and closed on June 30, 2006. The grant was disbursed in a single tranche based on prior actions.

This PPAR is based on a review of relevant World Bank documents, including the President's Reports, Credit and Grant Agreements, Implementation Completion Reports (ICR), other project documents, country program and (interim and transitional) strategy documents and pertinent economic and sector work, the government's poverty reduction strategy and other reports, and reports from other agencies. An IEG team, led by Dusan Vujovic, visited Sierra Leone in March 2009 and interviewed government officials, representatives of the private sector, academia, think-tanks, NGOs, other donor agencies, and Bank staff at headquarters and in the Freetown office. When relevant, that information has been incorporated in the report. The cooperation and assistance of the resident mission, government officials, management and staff of implementing agencies and other parties concerned are gratefully acknowledged. This report was prepared by Dusan Vujovic (Task Manager). Vikki Taaka provided administrative support.

The draft PPAR was sent to the Government of Sierra Leone for comments, but no comments were received.



## Summary

This Project Performance Assessment Report (PPAR) reviews four closely related Economic Rehabilitation and Recovery (ERR) operations in Sierra Leone over the FY 2000-2007 period, in support of the country's strategy to sustain peace, restore security and revive economic activity after eight years of devastating civil war. Through most of this period the country did not have an agreed medium-term development and poverty reduction strategy, despite Government's persistent efforts to firm up the hard-won political consensus and move the country on the path of stability.

The initial strategy, formulated as the National Rehabilitation and Recovery Program (NRRP), was prepared immediately following the July 1999 Lome peace accord and was primarily concerned with emergency issues in a precarious post-conflict situation. With modest delays, caused mainly by the recurrence of hostilities in May 2000 and continued absence of full political consensus, the Government strategy evolved into an Interim Poverty Reduction Strategy Paper finalized in June 2001, and discussed by the Bank and International Monetary Fund (IMF) Boards in September 2001. Due to many remaining political obstacles and capacity constraints, it took almost four additional years before the Government program eventually became a full Poverty Reduction Strategy Paper (PRSP) finalized in February 2005, and discussed by the Bank and IMF Boards in May 2005.

Out of the four International Development Association (IDA) Economic Rehabilitation and Recovery operations reviewed in this PPAR, three were funded by IDA credits and the fourth by an IDA grant. Although they were designed as stand-alone operations and were approved before a broader medium-term Country Assistance Strategy (CAS) framework was in place in FY2006, they were mutually consistent and fully integrated into a much broader international effort involving the United Nations, the IMF, the African Development Bank (AfDB), the United Kingdom Department for International Development (DFID) and a large group of other bilateral donors supporting the reconstruction and development efforts of Sierra Leone. The IDA resources under the ERR operations amounted to US\$135 million over the first eight fiscal years following the civil war, contributing a large portion of the concessional aid provided to Sierra Leone during this critical post-conflict period. The three IDA credits were disbursed in multiple tranches following the achievement of corresponding sets of policy and institutional (prior and tranche release) actions. The grant was a single tranche operation but it contained a number of triggers for the start of a subsequent series of development policy credits envisaged under the 2006-2009 CAS.

The main objective of these fast-disbursing funds was to provide urgently needed budget support to cover vital expenditures in the post-conflict period mainly related to demobilization efforts and costs of reconstructing and repairing infrastructure, basic social services and foreign exchange for imports of essential consumer goods, energy, and intermediate goods needed for the reconstruction effort. The common objectives were to achieve and consolidate stability, improve governance, revive economic growth and incomes, and provide access to social services throughout the country. The ERR operations aimed to achieve these objectives by helping to: (a) implement the

Disarmament, Demobilization and Reintegration program; (b) promote reallocation of budget resources towards more efficient social and economic uses, and secure their efficient and equitable implementation; (c) improve access to and quality of basic social services; and (d) promote better governance.

### **Principal Findings**

The principal findings of the review are:

- The ERR operations were timely and effective in providing critical budget support to the Government of Sierra Leone during the initial post-conflict years. They were also effective in mobilizing and coordinating donor support, and in increasing the Government's capacity to develop and implement its own policy program.
- The IDA program was effective in directly supporting the demobilization effort under the Disarmament, Demobilization and Reintegration program, achieving the initial protective, social, and economic security advances, and in accomplishing procedural improvements, and partially effective in achieving better governance, improved allocation of budget resources and development results.
- To produce sustainable longer-term development results on the ground, the Bank needs a stable multi-year strategy with a predictable resource envelope, more realistic project design, sustained capacity-building effort, and stronger results orientation in identifying prior actions and tranche release conditions. Although outputs achieved under the four ERR operations appear to be highly positively correlated to desired outcomes, the absence of fully defined development results chains and continuously monitored performance indicators makes it more difficult to assess the outcome of the Bank program on key development objectives, particularly in achieving sustainable advances in decentralization, public governance and better management of public resources.
- The Bank team reacted very promptly to the narrow window of opportunity created by the 1999 Lome peace accord and skillfully use stand-alone operations to emulate a more desirable programmatic approach. This was accomplished by fitting individual operations through a gradually emerging country development framework and Bank assistance strategy, which evolved from an interim support strategy, via two transitional support strategies to a full-fledged CAS produced only towards the end of the four operations.
- Finally, the four ERR operations proved that it is possible to find a good balance between Government's incentives to implement reforms and policies embedded in the prior actions and tranche release conditions, on the one hand, and those contained in the ongoing policy dialogue and capacity building efforts, on the other. While the former firmly rest on a clear incentive to obtain budget support resources and therefore get political attention, the latter are often based on less visible incentives to seek longer-term gains from improved efficiency and transparency, and may require a stronger commitment to and ownership of proposed reforms and policy improvements.

## Assessment and Lessons

The four ERR operations sought to help the Government resolve some of the most difficult problems faced in the post-conflict period, including reestablishing protective security, restoring incomes and basic standards of living, and extending core social services throughout the country. The relevance of objectives was *substantial* for all operations as the Bank consistently sought to address the most important problems identified in the evolving national priorities. In three out of four operations the relevance of design was only *modest*, as it fell short of developing a consistent results chain between the proposed policy actions and the intended results.

The efficacy in achieving development objectives was mixed. Efficacy was *substantial* in the areas of security (addressed in ERRC-I and II) and economic growth. After the final peace accord signed in January 2002, the country has enjoyed more than eight years of peace and stability. Indicators measuring democracy (voice and accountability) and political stability quadrupled during the 2000-2004 period and remained stable since then. Economic revival was also impressive. During 2001-2008 GDP grew 11 percent annually, real incomes doubled and poverty headcount declined from 67.5 to 61.6 percent. By contrast, in all four ERR operations efficacy was predominantly *modest* in achieving better quality of governance, public resource management, and provision of quality social services. Despite notable improvements in reallocating budget resources towards education, health and other social services, and greatly improved primary and secondary school enrollments, Sierra Leone is still close to the bottom of human development index and lags considerably behind in the achievement of important millennium development goals.

While the relevance of objectives was substantial in all operations, due to weaknesses in the relevance of design and mixed achievements in development objectives, the outcome rating for all four operations is *moderately satisfactory*. Although the main types of risks to development outcomes shifted in line with the content of objectives supported under individual ERR operations, the level of risk remained *moderate* for all four operations.

The following main lessons for the design of future support programs in post-conflict situations are derived from the review:

- **An early start and informed risk taking can consolidate the peace process:** The Bank was right to quickly respond to a limited window of opportunity created by the initial peace accord (July 1999). Despite obvious risks, an early effort to create a sensible interim assistance strategy and prepare a development policy operation (DPO) was well justified. The first ERR credit provided critical budget support to restore basic state functions and initiate economic and social recovery. This clearly demonstrated the benefits of peace, curbed the impact of renewed hostilities (May 2000), and tilted the balance in favor of achieving a firm peace settlement (January 2002).
- **Delayed adoption of a country strategy and programmatic budget support weakens ownership, creates funding uncertainty, and hampers capacity-building:** Under the circumstances, more could have been done to secure an early

adoption of a multi-year country strategy and programmatic budget support. In substance, the interim PRSP provided a sufficient basis for a country assistance strategy, while the IMF's 2001-2005 Poverty Reduction and Growth Facility rendered a solid macroeconomic backing for a programmatic series of DPOs. Instead, formal criteria prevailed and the Bank postponed the adoption of the first post-conflict CAS and the programmatic DPOs till FY2006, almost six years after the Lome peace accord. Over time this weakened ownership of the reforms, introduced additional uncertainty in the budget process, and inadvertently destroyed the continuity of the decentralization and capacity building effort.

- **Stronger signaling of longer-term resource availability for budget support and capacity-building substitutes for the lack of formal programmatic framework:** In situations where programmatic instruments were not possible due to funding or other constraints, Bank efforts to secure as much continuity as possible in the content and design of stand-alone operations were well justified. More could have been done if these efforts were supplemented with stronger signaling of potential longer-term resource availability for budget support and capacity building.
- **While project/program designs were kept simple and realistic, more could have been done to develop an appropriate results framework calibrated to post-conflict country circumstances.** Additionally, more resources could have been allocated to adequately monitor the achievement of outcome indicators. Critical outcomes, especially in the area of better governance, could then be more fully owned by the Government and other stakeholders and implemented in time. This would also help achieve a better balance between government efforts aimed at satisfying conditionality and participating in other Bank supported activities, including sustained capacity building.
- **The Bank is (often) expected to assume a leading role in mobilizing and coordinating external donor assistance in post-conflict situations, and is not always adequately resourced to do this.** In recognition of this, post-conflict Bank programs may benefit from senior management support that would enable country teams to more appropriately structure and adequately resource their efforts in mobilizing and coordinating donor assistance. Alternatively, other viable solutions would need to be found and endorsed by the Consultative Group meetings and other donor fora.

Vinod Thomas  
 Director-General  
 Evaluation

# 1. Country Context and Macroeconomic Performance

## Country Context

1.1 After more than a decade of economic turmoil and decline, in 1993 Sierra Leone descended into a rebel-instigated civil war ignited by systematic insurgent attacks from Liberia-based groups. During the extended civil war public revenues collapsed, economic and social infrastructure was devastated, and basic social services were reduced to a minimum or were completely discontinued in large parts of the country. Planning, policy, design and implementation capacity in Sierra Leone were among the poorest in the world.

1.2 Eight years of bitter civil war were ended with the Lome peace accord, signed in July 1999. Sierra Leone adopted a National Rehabilitation and Recovery Program (NRRP) and within months formed a national coalition government that brought about initial security, political social and economic stability, and growth. The main strategic objectives of the Government were to promote sustainable economic growth and to reduce poverty. Improved public revenues and greater fiscal discipline were the central elements of the program necessary to increase social security and provide basic social services throughout the country. Concurrent economic revival was predicated on increased reliance on markets and the opening of the economy.

1.3 The Bank responded promptly. Initially, in the absence of a Poverty Reduction Strategy, Bank support was based on interim and transitional strategy formats. As detailed in Table 1, the first Interim Support Strategy, presented to the Board in December 1999, relied heavily on the first Economic Recovery and Rehabilitation (ERR) operation, which received more than half of available resources. This was followed by two transitional strategies (presented to the Board in December 2000 and April 2002), which continued to channel a large albeit declining share of available resources to ERR operations. Finally, a full-fledged Country Assistance Strategy (CAS) for the FY 2006-2009 period was presented to the Board (together with the last ERR operation) in June 2005.

1.4 This Project Performance Assessment Report (PPAR) reviews four Economic Rehabilitation and Recovery (ERR) operations for a total of \$135 million that supported the Government programs during the FY2000-2006. The ERR operations, comprising three budget support credits (one with supplementary financing) and one grant, sought as their ultimate objectives to reach and consolidate stability, revive economic growth and incomes, and provide access to social services throughout the country. They aimed to achieve these objectives by helping to: (a) implement the Disarmament, Demobilization and Reintegration (DDR) program; (b) promote reallocation of budget resources towards more efficient social and economic uses, and secure an efficient and equitable use of public resources; (c) improve access to and quality of basic social services; and (d) promote better governance.

**Table 1. Sierra Leone: The Evolution of National and Bank Strategy**

<b>Strategy Documents / Supporting Operations</b>	<b>Approved</b>	<b>Period covered</b>
<b>A. Interim Strategy Period</b>		
National Strategy: National Rehabilitation and Recovery program (NRRP)	July 1999	1999-2000
Bank Strategy: Interim Support Strategy	Dec 1999	FY2000
Supporting Operations: Community Reintegration and Rehabilitation Project (US\$25 million)	Dec 1999	FY2000-2003
ERRC-I (US\$30 million)	Feb 2000	FY2000
<b>B. Transitional Strategy Period</b>		
National strategy: Revised Government Program	Nov 2000	2000-2001
Bank Strategy: First Transitional Support Strategy	Dec 2000	FY2001
Supporting Operations: ERRC-I – supplemental financing (US\$10 million)	Nov 2000	FY2001
<b>C. Interim Poverty Reduction Strategy Paper (PRSP)</b>		
National Strategy: I-PRSP Discussed by Bank/IMF Boards	Jun 2001 Sep 2001	2001-2002
Highly Indebted Poor Country (HIPC) Decision Paper	Feb 2002	
Bank Strategy: Second Transitional Support Strategy	Apr 2002	FY2002-2003
Supporting Operations: PRGF (IMF) (US\$166 million)	Sep 2001	FY2002-2005
ERRC-II (US\$50 million)	Dec 2001	FY2002-2003
<b>D. PRSP Preparation Status Report</b>		
National strategy: Continued preparation of PRSP	delayed	
PRSP Status report discussed by Bank/IMF Boards	May 2003	
Bank Strategy: no formal strategy		FY2004-2005
Supporting Operations: ERRC-III (US\$30 million)	May 2003	
<b>E. Full PRSP and Country Assistance Strategy (CAS)</b>		
National strategy: PRSP Discussed by Bank/IMF Boards	Feb 2005 May 2005	2005-2008
Bank Strategy: CAS 2006-2009	June 2005	FY2006-2009
Supporting Operations: ERRG-IV (US\$10 million)	June 2005	FY2006

Source: GOSL, World Bank, and IMF documents.

## Macroeconomic performance 2000-2008

1.5 At the end of the civil war, the overall economic situation was very difficult. The collapse of agricultural production, mining, and trade had reduced real incomes by more than 60 percent and seriously eroded the fiscal revenue base to around 6 percent of Gross Domestic Product (GDP) in 1999. The rebound of trade and economic recovery in 2000-2001 helped increase public revenues to 12 percent of GDP, the highest level recorded since 1990. However, this was not sufficient to contain the widening fiscal gap caused by the increase in recurrent and capital expenditures needed to provide basic social services and respond to post-war needs for demobilization and critical infrastructure reconstruction. As a result, the Government's fiscal deficit was projected to be 16-20 percent of GDP in the immediate post-conflict years, calling for substantial budget support from the International Development Association (IDA), the International Monetary Fund (IMF, see Box 1), and other donors.

### **Box 1. IMF programs in Sierra Leone**

Throughout the conflict years (1991-2001) Sierra Leone had the continuous presence of International Monetary Fund (IMF) programs. Initially the Fund used structural adjustment facilities to provide the necessary policy advice and balance of payments support: a one-year SDR 27 million standard Structural Adjustment Facility (SAF) approved in 1994 was followed by a multi-year SDR 100 million Enhanced Structural Adjustment Facility (ESAF) during the 1995-1998 period. A series of three annual post-conflict assistance programs were used to provide assistance during the last years of the war (1998-1999) and fragile initial peace (2000) totaling SDR 37.5 million. With the exception of a relatively short period in 1995 when the ESAF program was put on hold following the escalation of rebel activities, the IMF programs stayed on track and disbursed on a regular basis. The first Poverty Reduction Growth Facility (PRGF) was approved in September 2001 as the final peace agreement took hold. It covered a four-year period (2001-2005) and the second PRGF was approved in May 2006 and is still active. Overall, although Sierra Leone suffered a huge economic and social cost during the war years, the continuous presence of the IMF programs considerably helped in avoiding the destruction of the financial system and the collapse of country's credit worthiness.

*Source: IMF 2005.*

1.6 Sierra Leone's post-conflict macroeconomic performance has been quite robust (see Table 2). Income has rapidly rebounded in a seemingly inclusive way, yet this has ushered in new institutional and policy challenges that must be dealt with over the medium term to secure continued private-sector based growth. Following a decade of economic decline and destruction of physical and social infrastructure during the civil war, Sierra Leone has enjoyed an eight-year long period of revival and sustained economic growth. The average GDP growth rate for the entire post-conflict period (2001-2008) was an impressive 11 percent per annum.<sup>1</sup>

1.7 Expectedly, the pattern of economic revival was uneven. The highest growth rates were recorded in the early post-war years as GDP strongly rebounded with the normalization of economic activities, strong recovery in agriculture and mining, and ample injection of donor assistance. Peak growth rates were recorded in 2002 (27.5 percent) and 2001 (17.9 percent), which brought the cumulative GDP increase to over 64 percent in the 2001-2003 sub-period.

1.8 During the implementation of the ERR program (2000-2006), real GDP more than doubled and continued to grow at around 6 percent annually through 2008. Sierra Leone thus reached the pre-civil war level of real GDP and real GDP per capita in 2007. Based on present population growth rates and past income distribution patterns (with a high and increasing Gini coefficient), United Nations Development Program (UNDP) estimates that a 6 percent annual growth rate is needed to ensure that the number of poor people does not increase in the medium run.

1.9 **On the supply side**, the economic recovery has been propelled by agriculture and mining. Much of the initial activity took place in informal activities concentrated in the agriculture, fishing, mining and service sectors. Over time, formal economic activity

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<sup>1</sup> The average growth rate stays above 10 percent per annum even if the year 2000, marked by renewed hostilities and hampered economic performance, is included in the calculation.

(government, large scale mining and construction) has also become an important contributor to economic growth and employment.

1.10 Agriculture accounts for around 45 percent of the GDP and provides the main source of income for about 70 percent of the population. The main factors behind recent agriculture revival and growth have been increases in land under cultivation and productivity improvements based on better inputs, including greater availability of imported equipment and energy financed mainly through donor assistance.

1.11 The mining sector accounts for an estimated 20 percent of GDP and contributes significantly to export earnings. In the past, diamonds and iron ore (supplemented by rutile and bauxite) were the most significant determinants of Sierra Leone's economic prosperity. After the war, the officially registered output of diamonds picked up fairly quickly and has been growing considerably since then, while bauxite and rutile production lagged initially but started to pick up in 2006. Offshore oil explorations started during the program period have recently identified considerable reserves with potentially large impact on GDP and exports.

1.12 The service sectors (transport, communications, and Government) account for almost all the remaining 35 percent of GDP, with the exception of a small manufacturing sector engaged mainly in import-substitution.

1.13 **On the demand side**, real consumption increased and the quality and availability of consumer goods greatly improved. The share of private consumption in GDP gradually declined as GDP recovered and increased domestic production and greater availability of donor-financed imports led to lower prices and better quality of basic consumer goods, energy and durables. Despite the continuous decline, the consumption share in GDP still remains at over 80 percent and thus contributes to chronic external imbalance and heavy dependence on donor funding. Investment demand increased driven by large-scale resettlement and reconstruction activities, and the share of gross fixed capital formation in GDP almost tripled (from 6.9 percent in 2000 to around 17 percent in recent years).

**Table 2: Sierra Leone: Selected Economic Indicators**

	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Annual percentage change</b>									
<b>Income and expenditure</b>									
Real GDP	3.8	17.9	27.5	9.3	7.4	7.3	7.4	6.4	6.0
CPI	-2.7	3.4	-3.1	11.3	14.4	13.1	8.3	13.8	13.4
<b>External sector</b>									
Exports \$US	22.3	2.9	48.9	27.2	13.1	15.4	28.3	3.9	11.6
Imports \$US	100.3	20.6	54.4	21.9	-11.7	31.9	1.9	4.6	18.1
Terms of Trade	-9.0	2.4	0.0	-1.9	-4.6	-2.3	-6.4	-0.6	-13.5
Real Effective Exchange Rate	32.0	-15.3	-9.7	-18.3	-8.0	20.8	-7.4	0.5	...
<b>As percent of GDP</b>									
Gross domestic investment	6.9	6.7	10.1	13.9	10.7	17.4	15.5	17.2	16.0
Gross domestic saving	-14.4	-11.6	-9.4	-7.4	-1.7	-0.6	1.7	2.4	5.8
Private consumption	100.1	94.0	93.0	91.8	88.2	87.1	85.3	83.9	...
Government consumption	14.3	17.6	16.4	15.6	13.5	13.4	13.1	12.6	...
Imports GNFS	39.4	34.3	35.9	41.2	34.1	40.1	37.2	39.4	...
Exports GNFS	18.1	16.0	16.4	19.9	21.7	22.1	23.4	25.6	...
CA balance, excl. off. transfers	-18.1	-20.5	-12.1	-14.1	-13.1	-14.2	-8.8	-7.3	-10.3
CA balance, incl. off. transfers	-9.8	-16.2	-4.8	-7.6	-5.8	-7.1	-3.5	-3.8	-6.5
Overall balance of payments	0.4	1.7	-0.3	-4.6	-0.5	1.0	10.2	1.9	-1.9
Agriculture	55.0	44.0	44.9	44.2	43.5	43.5	47.4	44.3	...
Industry	26.8	24.0	23.2	23.3	23.5	23.5	25.5	24.2	...
Services	12.5	25.4	25.8	27.0	27.8	28.0	27.1	31.5	...
Government revenues	11.4	14.0	14.5	15.4	12.5	11.9	11.8	10.8	11.9
Government total expenditures	28.7	29.8	34.2	32.1	24.1	24.6	22.7	17.6	20.8
Domestic primary fiscal balance	-5.5	-7.7	-7.0	-5.6	-2.8	-3.1	-3.1	-1.9	-2.4
Overall deficit excl. grants	-17.3	-15.8	-19.7	-16.7	-11.6	-12.7	-10.9	-6.8	-9.0
Overall deficit incl. grants & relief	-17.3	-15.8	-19.7	-16.7	-11.6	-12.7	-10.9	-6.8	-9.0
*	-9.3	-9.4	-9.9	-7.0	-2.5	-2.7	9.3	25.2	-4.8

Source: IMF: Sierra Leone 2008 Article IV Consultation, Country Report No. 09/02 and 09/12, January 2009.  
World Bank DDP data base for Sierra Leone.

\* Overall deficit figures for 2006 and 2007 include relief from IMF, IDA and AFDB.

**1.14 In terms of growth accounting, improved productivity was by far the most important source of growth.** A recent IMF study (IMF 2009b) estimated that in the 2002-2007 period, labor contributed 2.4 percent to the average 10 percent annual GDP growth rate, capital contributed 1.6 percent, and the remaining 6 percent were owed to improvements in total factor productivity.

**1.15 Export growth has been very strong (averaging 18.5 percent per annum in the 2000-2009 period) and has become more diversified in recent years.** Sierra Leone

has moved from large concentration on diamond exports<sup>2</sup> to a more balanced export structure that now includes other mining products (rutile, bauxite) and cash crops. Oil exports may also become available soon, given positive results of recent off-shore explorations.

1.16 However, the need for imports has remained high throughout the post-war period, leading to a large trade and current account deficits. Initially, large imports were needed to supply much needed basic consumer goods, and to secure fuels and intermediate inputs. In later years sizeable imports were needed to provide equipment and investment goods. As a result, the share of imports in GDP remained fairly stable at around 40 percent and significantly contributed to large albeit declining current account deficits (from 20.5 percent of GDP in 2001 to 7.3 percent of GDP in 2007) financed in large part through donor contributions (official transfers). The improving current account trend was reversed in the wake of the global financial crisis. The current account deficit increased to 10.3 percent of GDP in 2008 and is projected at close to 10 percent in 2009. Given the country's limited ability to incur domestic and foreign debt, confirmed in a recent debt sustainability analysis, external deficits of that magnitude could only be sustained if additional donor funding is secured.

1.17 **On the fiscal side, Sierra Leone adopted a range of reforms and recorded continuous improvements in the fiscal balance.** The primary domestic fiscal balance improved from 7.7 percent of GDP in 2001 to around 2 percent in recent years. The overall balance has also been improving between 2002 (-9.9 percent of GDP) and 2007 (-2.0 percent of GDP), but then worsened in 2008 (-4.8 percent) due to late reduction in the level of grants which could not be absorbed in the current budget, as expenditure commitments had already been made.

1.18 Although Sierra Leone has made notable progress in reviving the economy and achieving macroeconomic stability, inflation has remained a problem. With the exception of the immediate post-conflict period (2000-2002), marked by deflation from war time prices to competitive market prices, inflation has averaged 12.4 percent per annum. The Bank of Sierra Leone has not had adequate instruments to affect price stability in the presence of the expansionary fiscal policy enabled by (otherwise necessary) donor financing. As detailed in the recent IMF studies (IMF 2008, 2009b), the CPI basket in Sierra Leone is dominated by food and energy items, with a large portion of imported goods. Hence, the CPI depends largely on supply factors (world prices), exchange rates (for many imported consumer goods), taxes and, possibly, administrative price-setting mechanisms. The study concludes that the monetary policy which operates almost exclusively through the demand side, impacts the CPI only indirectly through incomes and inflationary expectations and appears to be less effective in post-conflict environments.

1.19 The remainder of the review is organized follows: the next chapter provides an overview of the collective accomplishments of the four operations; chapters 3-6 provide evidence and ratings for each of the operations individually; and chapter 7 discusses lessons.

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<sup>2</sup> The share of diamonds in exports of goods and services decreased from over 60 percent at the end of the conflict to approximately 40 percent in recent years.

## **2. Achievements under Economic Rehabilitation and Recovery Operations**

2.1 The ERR operations, comprising three credits and one grant, became the principal instruments for IDA support to Sierra Leone's efforts to achieve protective, social and economic security in the years following the civil war, as well as to promote transparent and inclusive governance. They supplemented investment operations in the transfer of resources and facilitated sector-wide as well as macroeconomic policy reforms. The three ERR credits were stand-alone multi-tranche budget-support operations. The fourth ERR was a single tranche grant, which also contained triggers for a follow-up programmatic series of credits implemented under the first full country assistance strategy for FY2006-2009. ERRs were timed to be disbursed as annual support to the Government of Sierra Leone (GOSL) national budget and became the preferred and relatively reliable mode of financing the Government.

2.2 In the absence of a longer-term national development strategy or a formal multi-year Bank support strategy, the ERR operations had to be designed as individual stand-alone operations. The Bank team made a considerable effort to ensure continuity in policy content and capacity building effort. The expectation was that a national development and poverty reduction strategy would be prepared soon after the end of the war, thereby enabling the creation of an adequate CAS framework. Unfortunately, that did not happen for the duration of the ERR series. The first credit (ERRC-I) was prepared in only few months in response to a clear need to act quickly and use the window of opportunity created by the Lome peace accord and the political commitment to peace, disarmament and stability forged in the late 1999. ERRC-I was based on a brief short-term-focused Interim Support Strategy. The re-emergence of hostilities in May 2000 inevitably led to significant delays in the preparation of the full Poverty Reduction Strategy Paper (PRSP) and caused the next two ERR credits to be presented to the Board also as stand-alone operations. Only the last operation (ERRG-IV) served as a bridge towards a new programmatic series under the first post-conflict CAS.

2.3 Although the ERR credits / grant were not designed as a programmatic set of operations, there was a lot of continuity in the development objectives and areas of interventions over the six-year period, which addressed important issues for post-conflict stabilization and development. These included areas of consolidating peace, providing protective security, improving governance, and restoring basic functions of the state, while reviving the economy, securing access to basic social services, and reducing poverty.

2.4 Notwithstanding the temporary security setback caused by the recurrence of hostilities in May 2000, the sequence of operations evaluated under this PPAR played a significant role in moving Sierra Leone from the state of destructive civil war to a reasonably stable democracy, enjoying sustained economic growth and growing incomes in a stable macroeconomic environment, providing better access to health and educational services, and achieving moderate results in reducing poverty.

2.5 Greater political stability is best confirmed by significantly improved legislation which enabled two complete and very successful rounds of transparent and credible presidential, parliamentary and local elections held in the post-conflict period. The process of political maturity continues to this date as confirmed by a recent Joint Communiqué of all political parties issued in April 2009. It outlines a new political code of conduct, a stark contrast to the political divisions that fueled the civil war two decades ago.

2.6 Economic revival was strong and sustainable in the post-conflict period. After a major economic rebound recorded in the years following the war (that is, the 64 percent cumulative real GDP increase in the 2001-2003 period), Sierra Leone enjoyed five years of strong economic growth at over 7 percent annually in a stable macroeconomic environment. Most importantly, strong economic growth produced substantial increases in real incomes which, in turn, led to a large reduction in poverty headcount (from 66.4 percent in 2003 to 56.6 percent in 2007). Despite these achievements, poverty remains a problem, especially in rural areas, where almost 70 percent of people were below the absolute poverty line in 2007, as does unemployment, especially among the young.

2.7 Results in the areas of improved access to social services are more difficult to assess. Better access to education services supported under the ERR operations have already resulted in notably higher gross (over 101 percent) and net enrollment ratios. This will lead to higher literacy rates (presently at 34.8 percent) and, via better education outcomes, to improved labor force skills and productivity increases in the future. Likewise, better access to health facilities and health services enabled under the broader government efforts supported by the ERR operations are expected to produce improved health indicators with some lag. Presently, life expectancy at birth is still less than 42 years, while under-5 child mortality (per 1,000 live births) is at 286. Overall, Sierra Leone remains at the bottom of the UNDP's Human Development Index ranking.

2.8 In sum, improved political stability and strong economic growth can be attributed to coordinated government effort substantially supported by the Bank and other donors both at the level of policy design and of significant resource transfer. In other words, it can be very plausibly argued that the Bank made a positive contribution to growth outcomes. Outcomes in the area of social services also appear positive but are significantly more difficult to assess due to large lags and lack of reliable indicators.

2.9 Although the four ERR operations exhibited a considerable variation in defining and presenting development objectives detailed in subsequent chapters on individual operations, they shared the emphasis on the four objectives which capture the essence of the post-conflict state-building, reconstruction and recovery effort supported by IDA.

## **Security**

2.10 Security issues (restoring security, state authority, and legitimacy) dominated the ERR agenda in the first two operations, particularly following the resumption of hostilities in May 2000. In the longer run, support to demobilization, reconciliation, and peace building efforts proved to be effective and have yielded sustainable results to this date. Now, eight years after the final peace document was signed in January 2002, Sierra

Leone enjoys a stable security situation. However, clashes between rival political groups in March 2009 provided a reminder that political and social tensions still persist in and continue to be fueled by low incomes and high unemployment rates among the (urban) youth. But the incident also demonstrated Government's ability to quickly and effectively resolve the conflict, and defuse future tensions through appropriate changes in the political election campaign rules.

## **Governance and public resource management**

2.11 The four operations aimed to improve governance, the rule of law, transparency and efficiency of public resource management. In ERRC-I the emphasis was on combating corruption and promoting transparency through anti-corruption legislation. The second operation put emphasis on the decentralization agenda and supported the introduction of local elections and a decentralized system of government with substantial devolution of powers to chiefdoms and local councils. It also provided critical support for improving public expenditure management.

2.12 The third ERRC continued to support decentralization and anti-corruption activities. It also initiated actions to improve management of public resources through decentralized open budget preparation and better budget implementation (through enhanced procurement, financial management and expenditure tracking surveys).

2.13 The last operation (ERRG IV) expanded the support to decentralized budget implementation and a range deeper reforms promoting enhanced accountability in the use of public resources (that is, procurement reform, financial management reform and new audit systems).

2.14 Despite considerable policy actions and intermediate results achieved in the area of governance, political and fiscal decentralization, and better management of public resources, many issues still remain. The governance problems continue to pose a challenge for Sierra Leone. The decentralization process has to be continued to devolve more power and resources to local levels of government, and resolve tensions between local councils and chiefdoms as they compete for legitimacy and power.<sup>3</sup>

## **Economic growth**

2.15 The four operations aimed to promote economic growth by securing macroeconomic stability and promoting private sector based employment and growth. The first operation adopted a modest objective of seeking basic economic security in the post-war environment by providing income opportunities for the population and improving conditions in the markets for essential consumer goods. It also initiated activities that would form a basis for future private sector growth (i.e. the resolution of government payment arrears to the private sector and the adoption of a strategy for public enterprises).

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<sup>3</sup> Zhou 2009.

2.16 The second operation successfully maintained the macroeconomic stability and expanded support for private sector development in three main directions: (i) privatization of public enterprises; (ii) promotion of formal activity in the mining sector; and (iii) provision of micro-finance services for the private sector.

2.17 The third ERRC sustained the earlier achievements and added activities to promote West Africa regional trade through the adoption of common export tariffs and to create a better investment climate for domestic and foreign private investors.

2.18 The last operation in the series sustained the drive to improve the investment climate by implementing the new export tariff schedule and passing the laws critical for greater private sector participation in the economy (Company Act and Bankruptcy Act). It also supported efforts to improve the quality of management in the mining sector (by accelerating the introduction of the mining cadastre and mining extension services).

2.19 The immediate impact on the institutional framework for investment and private sector development was only partial: Foreign Investment Advisory Service (FIAS) studies<sup>4</sup> duly noted the efforts supported under the ERR series, but concluded that investment promotion activities remained largely ineffective. In the longer run, however, the reforms started under the ERR operations created the necessary foundation and set the pace for continuous improvements in the legal and regulatory environment for the private sector investment and operations. With a time lag of few years there was a cumulative positive impact on the overall business environment which was recorded in the Doing Business reports for 2009 and 2010: Sierra Leone substantially improved its ranking in a few visible dimensions (for example, registering new business, obtaining credit, and protecting foreign investors) but still has to close the gap in other areas of critical importance for private investors (such as obtaining construction permits and registering business property).

2.20 The power sector, recognized rightly as one of the priorities in the PRSP II, presently faces problems both in: (a) providing reliable supply of electricity at competitive prices indispensable for private sector operation, and (b) signaling lack of GOSL readiness to resolve issues related to public sector projects / enterprises in an orderly and transparent fashion.

### **Social services (human development)**

2.21 The operations sought to achieve full access to and better quality of basic social services (health and education), and improve municipal utilities. The first operation helped restore the provision of basic social (health and education) and utility services throughout the country, a relatively straightforward but daunting task given the fragile security situation through much of the country and the damage done to schools and health facilities during the decade long war.

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<sup>4</sup> FIAS 2004, 2005a, 2005b.

2.22 The second operation took this further by securing increased budget allocations for social services at the regional level, improving the supply of teaching materials and expanding the schools nutrition and health programs. It also supported clean water and sanitation programs.

2.23 The third ERR continued support to health and education by focusing on the quality of delivered services. Public expenditure tracking surveys introduced in the first ERR operation were put to use to demonstrate the actual use of budget resources allocated for health, education and other social services.

2.24 The last operation continued to support better provision of health and education services within a broader human development framework which also includes water and sanitation, social protection, gender equality and employment generation.

2.25 Taken together, the four ERR operations provided an important impetus to the restoration of basic education and health services.

2.26 The revitalization and rapid recovery of the Sierra Leone education system is attributed to strong government commitment, decentralization of education service delivery, increased access to education (higher enrollment ratios for primary and secondary schools and substantially higher number of students taking examinations), accompanied with no decline in examination results.<sup>5</sup> Strong government ownership of this education reform agenda was forged through continuous ERR policy dialogue and an education reform project.

Achievements in the health sector are not as obvious due to long lags between interventions, better health services, and changes in key health indicators. The devolution of financing and management of primary health care to district councils has been completed. Repaired and equipped health facilities (including peripheral health units) have already been providing better health services to the majority of the population. A measurable impact on key health and quality of life indicators is expected in the years to come. In the meantime, however, Sierra Leone remains close to the bottom of the UNDP's Human Development Index.

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<sup>5</sup> Wang 2007.

### **3. First Economic Rehabilitation and Recovery Credit**

3.1 The first Economic Rehabilitation and Recovery Credit (ERRC-I), which was approved in February 2000 and closed in June 2001, was the first of four Bank operations aimed at assisting the Government of Sierra Leone (GOSL) in the implementation of the National Rehabilitation and Recovery Program (NRRP). ERRC-I was designed soon after the Lome peace accord as part of the Bank's Interim Support Strategy (ISS) approved by the Board in December 1999. The ISS was an interim short-term emergency support framework which defined the Bank's participation in an integrated and cooperative multi-donor effort to provide Sierra Leone with critical support for short-term security improvements, humanitarian and early reconstruction assistance.

3.2 ERRC-I was therefore the core implementation platform of the ISS, and a key instrument to test the possible pillars of the forthcoming medium-term country and Bank strategy. Its straight, no-frills design features and implementation experience provided critical inputs into the preparation of new strategy with great degree of realism.

3.3 The ERRC-I was centered around the strategic objectives of sustaining peace, restoring security in its protective, social and material dimensions, as well as improving governance. It was a quick disbursing budgetary support credit in the amount of US\$40 million (comprising US\$30 million approved in the initial credit and US\$10 million in supplemental financing). Credit proceeds helped finance the 2000/01 slice of the Government's foreign exchange and domestic budgetary costs of enhancing and sustaining protective security, social and economic security and transparent and inclusive governance.

3.4 The Credit was part of a broader coordinated macro financial support provided by the UK Department of International Development (DFID), the European Union (EU) and the IMF, and was implemented in parallel with the IDA-assisted Community Reintegration and Rehabilitation (CRR) project approved in December 1999. The CRR project provided US\$25 million equivalent to help reintegrate demobilized combatants into civil life through training and employment program, and assist internally displaced persons by facilitating social and economic recovery of communities affected by the war. Although IDA funds were not used to disarm the ex-combatants, the CRR project contributed over 43 percent of the overall cost of the program and had close to 1.5 million of direct and indirect beneficiaries until it closed in June 2003. The CRR was instrumental in attracting substantial additional donor support of US\$32.9 million channeled through a multi-donor trust fund administered by the Bank, as well as providing financial and capacity-building support to the National Committee for Disarmament, Demobilization and Reintegration and the National Commission for Reconstruction, Resettlement and Rehabilitation.

## Objectives and Components

3.5 **Objectives.** The objectives of the ERRC-1, according to President’s Report<sup>6</sup>, were to: (a) achieve protective security, secure peace building, and reconciliation; (b) provide social and economic security; and (c) establish transparent and inclusive governance systems. As indicated in Table 3, these objectives were closely aligned with the three pillars of the government’s NRRP. Understandably, approved only months after the Lome peace accord, the program placed very strong initial emphasis on achieving protective security (individual safety and human rights) by fending off the real risks of renewed fighting and possible reversals in commitment to peace. The core actions were directed at creating new army and security forces, promptly disarming all irregular forces and forming a National coalition Government. In a lesser way ERRC-I supported actions that would lead to greater social and economic security, as well as improved governance in the somewhat longer run.

**Table 3: NRRP Pillars and ERRC-I’s Objectives and Sub-Objectives**

NRRP Pillars	ERRC-I Objectives
I. Protective Security	A. Achieve protective security, secure peace building and reconciliation through:
	A1. Implementation of the DDR program; and
	A2. Creation of a new army and security forces.
II. Social and Economic Security	B. Provide social and economic security in the areas of:
	B1. Better access to basic social services and infrastructure; and
	B2. Growing income opportunities for the population.
III. Transparent and Inclusive Governance	C. Establish transparent and inclusive governance systems to:
	C1. Combat corruption, and
	C2. Ensure institutional and social inclusiveness.

*Source: President’s Report, World Bank (2000b, Annex B)*

3.6 **Components.** To achieve the above objectives, the ERRC-I identified 9 policy areas mapped into 15 core actions, 7 of which had already been carried by the Government as prior actions before the Board presentation in February 2000. As detailed in Table 4 **Error! Reference source not found.**, the prior actions were directly related to the three objectives outlined in the President’s Report. The credit addressed 12 of the 21 action areas considered relevant to the achievement of the NRRP objectives. Table 4 (third column) indicates if and when the conditions and prior actions were met.

<sup>6</sup> World Bank 2000b. The legal agreement does not contain an explicit statement of project (credit) objectives. Instead it refers to “program of actions, objectives and policies” contained in the Letter of Development Policy (LDP). The LDP, in turn, identifies objectives with the three elements (or pillars) of the National Rehabilitation and Recovery Program (NRRP) reproduced in Table 3.

**Table 4. ERRC-I Conditions Associated with Objectives and Sub-Objectives**

Objectives and Action Areas	Conditions (prior actions)	Met for 1 <sup>st</sup> 2 <sup>nd</sup> 3 <sup>rd</sup> Tranche
<b>Objective A. Achieve Protective Security, Peace Building, and Reconciliation</b>		
• A1. Implementation of the disarmament, demobilization and reintegration program		
Prepare and implement the DDR program	GOSL created the apparatus for the implementation of the DDR program and start the DDR program implementation.	1 <sup>st</sup>
	Commission for the Consolidation of Peace has been established, chairman and members appointed.	1 <sup>st</sup>
	Continue implementation of the DDR program to effectively disarm, demobilize and reintegrate former combatants.	2 <sup>nd</sup> 3 <sup>rd</sup>
• A2. Creation of a new national army and security forces		
Create a new national army	A new national army has been created based on principles of ethnic equality and adherence to high professional standards.	1 <sup>st</sup>
Strengthen police and courts.	No specific actions stated in the PR, ISRs or ICR.	na
<b>Objective B. Provide Social and Economic Security (Resettlement, Reintegration, Service Delivery, Income Opportunities)</b>		
• B1. Improve social security: Better access to basic social services and infrastructure.		
Provide essential social and economic services throughout the country.	GOSL implemented the agreed budgetary allocations in 1999 to secure the provision of essential services throughout the country. A monitoring report confirmed the allocations.	1 <sup>st</sup>
	GOSL prepared the 2000 budget w continued commitment to provide basic social and economic services within the agreed budgetary aggregates and the macroeconomic framework.	1 <sup>st</sup>
	The Government implemented the 2000 budget transparently and effectively.	2 <sup>nd</sup>
• B2. Improve economic security: Create growing income opportunities		
Revive the economy.	Credit proceeds provided foreign exchange for essential imports, boosted public spending and enabled the Government to settle private sector claims.	2 <sup>nd</sup> 3 <sup>rd</sup>
Restore macro stability, fiscal discipline, revenue mobilization.	The GOSL prepared a sound macroeconomic framework consistent with NRRP.	1 <sup>st</sup>
	Satisfactory macroeconomic framework maintained throughout the credit period.	1 <sup>st</sup> 2 <sup>nd</sup> 3 <sup>rd</sup>
Improve public resource management.	Improved management of public resources (no specific actions listed in the PR).	
Create conditions for greater private sector role.	Prepare and adopt a Domestic Arrears Settlement Plan	2 <sup>nd</sup>
	Prepare and adopt a Manual of procedures for the implementation of the arrears settlement plan.	2 <sup>nd</sup>
	Publish financial and performance indicators for selected key public enterprises.	3 <sup>rd</sup>
	Prepare a strategic plan for the public enterprises remaining in GOSL portfolio (ToRs agreed with the Bank)	3 <sup>rd</sup>
	Obtain Cabinet approval for the implementation of the strategic plan for PEs remaining in GOSL portfolio.	3 <sup>rd</sup>

Objectives and Action Areas	Conditions (or prior actions for Board presentation)	Met for 1 <sup>st</sup> 2 <sup>nd</sup> 3 <sup>rd</sup> Tranche
<b>Objective C. Establish Transparent and Inclusive Governance System</b>		
• C1. Continue to use and improve the Strategic planning and action process (SPP)		
Continue to use the SPP framework	Institutionalize Strategic planning and action process (SPP).	1 <sup>st</sup>
Improve the existing SPP framework	New financial information system established in the audit department (AGD) for better budget management and expenditure control.	1 <sup>st</sup>
	Budget monitoring report at activity level for key ministries and departments (including health, education, social welfare, agriculture, police, prisons).	2 <sup>nd</sup>
	Produce payroll monitoring report at activity level for key ministries and departments.	2 <sup>nd</sup>
	Conclude the validation and verification of personnel role and finalize the computerization of the personnel database.	2 <sup>nd</sup>
	Conduct national baseline service delivery survey within the SPP framework.	2 <sup>nd</sup>
	Conduct selective focus groups follow-up to monitor improvements in service delivery.	2 <sup>nd</sup>
	Establish accounting procedures and controls for the monitoring of donor funds.	1 <sup>st</sup>
	Prepare and present weekly bank reconciliation reports of the main operating bank accounts.	1 <sup>st</sup>
• C2. Introduce results driven governance		
Reform anti-corruption systems through public education, prevention and enforcement.	Prepare (draft) Anti-Corruption Act.	1 <sup>st</sup>
	Adopt a national anti-corruption strategy and enact the Anti-Corruption Act.	2 <sup>nd</sup>

## Relevance of Objectives and Design

3.7 **Objectives.** After eight years of bitter civil war, which created enormous human suffering, destroyed economic and social infrastructure and decimated the economy, the immediate priority was to disarm and demobilize multiple military formations, reintegrate former combatants and restore a sense of protective security, while also providing the much needed social and economic security through improved basic health and educational services and greater income opportunities for the entire population.

3.8 During the eight war years income levels and all social indicators had declined precipitously. Despite the complete absence of any official statistics until 2000, available informal data suggest that during the civil war years, primary school enrollment rates fell below 50 percent, the number of schools was reduced, and schools were damaged, destroyed, closed or used for military purposes. Teachers left the countryside. Books and teaching materials were not available. Illiteracy rates increased. In health the situation

was even worse: Health facilities were damaged and destroyed, the provision of health services declined, all health indicators worsened, and life expectancy at birth declined below 40 years. Growing mortality rates in all age groups provided a somber summary indicator of the poor provision of health services.

3.9 The ERRC-I sought to support Government efforts to restore basic education and health services by bringing schools and health facilities back to their original use through repairs and reconstruction effort, better supplies, and return of teachers and doctors to their non-urban posts where ever possible.

3.10 This effort was to be enabled by an adequate reallocation of public resources towards education and health and other areas with the highest return. In addition, the improved use of public resources would be achieved through better management systems and practices in agencies responsible for allocation and utilization of budgetary resources, and a quick introduction of new accountability procedures and systems that would prevent leakages and shield public funds from misuse and corruption.

3.11 Under such circumstances, the National Rehabilitation and Recovery Program appropriately identified immediate priorities centered on sustaining peace, restoring protective, social, and economic security, and enhancing governance. The same set of objectives was adopted by the Bank's Interim Transition Program discussed by the Board in December 1999 and fully embraced by the ERRC-I. The first ERRC credit was, therefore, fully consistent with the Bank's short-term emergency support strategy and represented the main vehicle for providing financial assistance and policy and institutional support. The objectives supported under ERRC-I had *substantial* relevance.

3.12 **Design.** The ERRC-I was designed as a multi-tranche budget support operation to address the prevailing security risks and the untested ability of the national coalition government to implement the agreed actions. The conditions for the release of three tranches – two fixed and one floating based on performance indicators – over a 12-15 month period were based mainly on preparation and passage of legislation, administrative and process actions and outputs. There were seven prior actions related to all three objectives and ten additional conditions / triggers for the release of subsequent tranches. Seven triggers (related to social and economic security and enhanced governance) needed be met for the release of the second tranche, and additional three triggers (related to governance) were required for the third (floating) tranche.

3.13 The President's Report (World Bank 2000b, Annex D) identified seven performance indicators based on data, monitoring and media reports, and special surveys. In addition, it has also identified six specific outputs related to the achievement of key development objectives detailed in Table 3**Error! Reference source not found.** above:

3.14 Objective A:

- Contribution to DDR with 2 performance indicators;

3.15 Objective B:

- Basic services re-launched with 2 performance indicators;

- Economic activity revived with 2 performance indicators;
- Public resource management strengthened with 4 performance indicators;
- Private sector revitalized with 6 performance indicators; and

### 3.16 Objective C:

- Public sector corruption lowered with 3 performance indicators.

3.17 Although some of the indicators are associated with the stated development objectives, the ERRC-I documentation does not provide an explicit results chain connecting triggers and prior actions to key performance indicators and to outcomes. In the absence of explicit links between process actions and conditions on the one hand, and outcomes on the other, the relevance of selected actions cannot be demonstrated or evaluated easily. The 17 procedural actions and conditions identified under the ERRC-I may indeed be important and necessary for achieving certain administrative and policy goals, but their relevance and impact can only be assessed if they are explicitly associated with specific results. On that basis the relevance of project design is rated *modest*.

## **Achievement of Objectives (Efficacy)**

3.18 This section assesses to what extent the three objectives stated in Table 3 have been achieved and relates these outcomes to the implementation of ERRC-I supported policy and reform actions.

3.19 **Achieve protective security, peace building, and reconciliation.** The Government carried out the prior actions specified in the credit agreement (see Table 3) and continued with the implementation of the program to retrain and build capacity in the Sierra Leone army and the police force (Box 2). By the end of April 2000, 54 percent of ex-government forces had been disarmed and demobilized. Demobilization of combatants from other groups continued at a slower pace than anticipated: roughly 60 percent of the total target of 40,000 had been demobilized by end-August 2001. Partly this was caused by the temporary disruption due to recurring hostilities in May 2000, as many demobilized soldiers returned to combat. The DDR program was soon revised and re-implemented. It regained positive momentum by the Credit's closure in June 2001 and US\$10 million of supplemental financing to ERRC-I was approved in September 2000.

3.20 Despite the setback caused by recurring hostilities in May 2000, the support to the revised DDR program was soon resumed under an expanded resource envelope. This PPAR concludes that the achievement of this objective was *substantial*.

**Box 2. Results of the Disarmament, Demobilization and Reintegration (DDR) Program**

The disarmament and demobilization of the combatants in Sierra Leone went through three main phases. Phase I was launched during the war (September 1998 – December 1998). Phase II commenced after the Lome peace accord (October 1999 to May 2000) and phase III officially lasted from May 2001 – January 2002. The period from the recurrence of hostilities in May 2000 till May 2001 was considered an Interim Phase.

The specific achievements in terms of combatants disarmed during these phases can be summarized as follows:

**Table 5. Disarmament & Demobilization Statistics**

<i>Category Disarmed</i>	<i>PHASE I</i> (Sept – Dec 1998)	<i>PHASE II</i> (Oct '99 – April 2000)	<i>Interim Phase</i> (May 2000 – May 2001)	<i>Phase III</i> (May 2001 – Jan 2002)	<i>TOTAL</i>
RUF	187	4,130	768	19,267	24,352
AFRC*	0	2,129	445	0	2,574
Discharged/ Ex-SLA*	2,994	2,366	593	0	5,953
CDF	2	8,800	524	28,051	37,377
OTHERS**	0	1,473	298	463	2,234
<b>TOTAL DISARMED</b>	<b>3,183</b>	<b>18,898</b>	<b>2,628</b>	<b>47,781</b>	<b>72,490</b>
<b>of which: DEMOBILIZED</b>	<b>3,183</b>	<b>17,451</b>	<b>2,628</b>	<b>47,781</b>	<b>71,043</b>

*Sources: GOSL 2002 and World Bank 2002.*

\* Out of 4,495 AFRC and Ex-SLA members who disarmed, 1,447 but did not demobilize because of desire to return to the National Army.

\*\* Including paramilitary.

AFRC = Armed Forces Revolutionary Council ; CDF = Civil Defense Force ; Ex-SLA = Former members of Sierra Leone Army; RUF = Revolutionary United Front;

By disarming 72,490 ex-combatants, the DDR program went far in excess of the original planned figure of 45,000. The program disarmed and demobilized most of former combatants. The only exception were 1,447 members of the former Sierra Leone Army and or the regional forces (AFRC), who disarmed but did not demobilize as they planned to return to the new National Army.

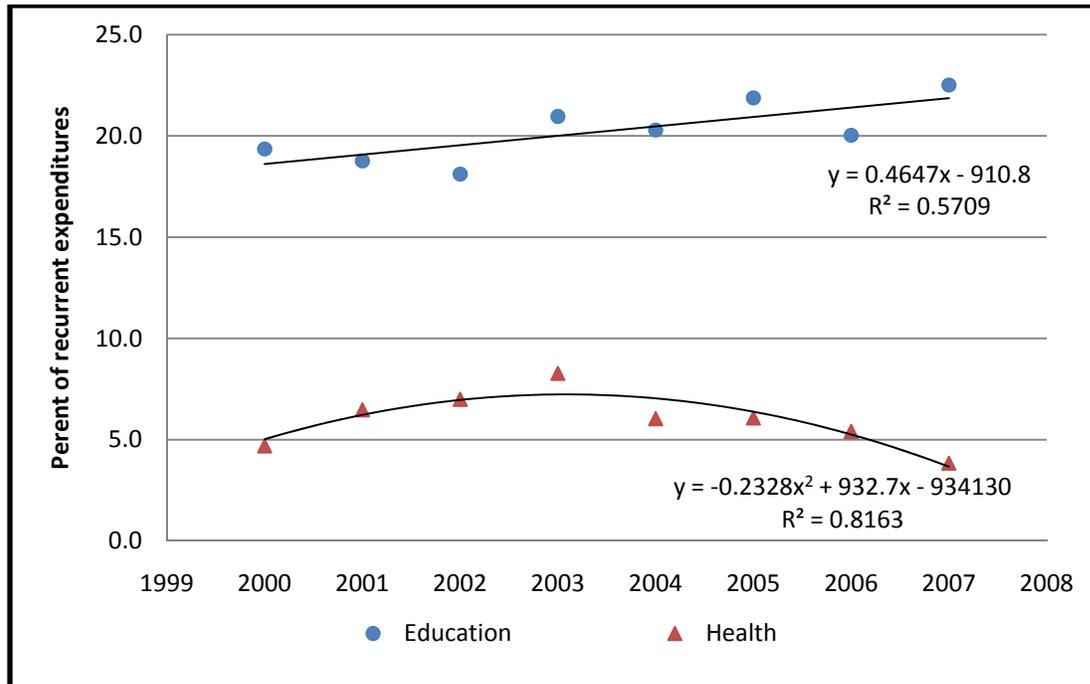
Demobilization was followed by a range of reinsertion and reintegration activities. Reinsertion cash benefits were paid to almost 54,000 ex-combatants, while almost 57,000 former combatants benefited from one or more reintegration activities offered in the areas of: (a) post-discharge resettlement support, (b) referral and counseling services, and (c) reintegration opportunities including short-term employment, skill acquisition, formal education and support for self-employment provided under a Training and Entrepreneurial Program (TEP).

*Sources: GOSL 2002 and World Bank 2002.*

**3.21 Promote social and economic security:** The funding made available under the Credit and conditions associated with the release of the second tranche facilitated the provision of key social and economic services and helped the revival of economic activity.

3.22 In the social sectors, budget allocations to education and health were substantially increased in late 1999 and during 2000 to restore the provision of key social services outside of Freetown where the delivery of education and health services had virtually stopped due to large-scale destruction of infrastructure, lack of funding and of professional staff. In the 2000-2007 period GOLs allocated between 18.1 and 22.5 percent of its recurrent expenditures on education. Despite significant annual variation, resources dedicated to education followed an upward trend. By contrast, budget expenditures on health peaked in 2003 and followed a downward trend since then (Figure 1).

**Figure 1. Budget Expenditures on Education and Health**



Source: IMF 2009a, 2009b.

3.23 During the Credit period (February 2000 – June 2001) access to primary health care centers improved; universal free primary education commenced and primary school enrollment increased by 39 percent in rural areas (Box 3); free textbooks and teaching materials were provided to all primary and secondary schools in rural areas, and free primary health care was extended to all school children.

**Box 3. Education and health in the post-conflict period**

There is limited information about primary school enrollment during the war years (1991-1999). Estimates for academic year 1996/97 suggest primary enrollment of around 370,000. Following the Lome peace accord the primary enrollment substantially increased to 548,000 in academic year 1999/2000, and continued to grow in the subsequent years. Similar trends were observed in secondary and tertiary enrollments.

**Table 6. Enrollment in Primary, Secondary and Tertiary Education**

<i>Year</i>	<i>Primary</i>			<i>Secondary</i>			<i>Tertiary</i>		
	Boys	Girls	Total	GPER*	Boys	Girls	Total	GSER**	Total
	Enrollment (in thousands)			In percent	Enrollment (in thousands)			In percent	Enrollment (in thousands)
1999/2000	-	-	548	-	-	-	-	-	8.1
2000/01	370	264	634	-	50	33	83	-	9.0
2001/02	370	289	660	122	61	38	99	41	12.9
2002/03	545	444	989	121	101	61	162	22	13.9
2003/04	618	516	1,134	117	107	64	172	25	15.5
2004/05	698	582	1,280	113	122	78	200	26	16.6
2006/07	694	628	1,322	109	-	-	-	27	-

\* Gross primary enrollment ratio (enrolled students to student population of eligible age). Because of the enrollment of over-age children, the GPER can exceed 100 percent.

\*\* Secondary enrollment ratio.

Source: *World Bank 2007. UNDP 2007*

3.24 Settlement of pension arrears and past due social payments provided significant income relief to public sector pensioners and vulnerable groups in all accessible areas of the country. At the same time foreign exchange proceeds from the Credit enabled imports of essential consumer goods, energy, and intermediate goods needed by domestic service providers and producers of consumer goods and food. There was a five-fold increase in petroleum imports and a 55 percent increase in rice imports.

3.25 Government macroeconomic targets were broadly achieved in 2000 as real GDP rose by close to 4 percent, inflation declined from almost 40 percent to zero, and the gap between official and parallel market exchange rates narrowed significantly. The Government maintained a solid fiscal stance and repaid loans to the banking system owing to good revenue performance and ample external budget support. Improvements on the expenditure side can be attributed to the implementation of a computerized expenditure and commitment control system and completion of a verification of payroll exercise supported under the ERRC-I.

3.26 Concerning public enterprise reform, financial and performance indicators were published for seven public enterprises and a participative strategic plan was prepared for the remaining Government enterprises.

3.27 ERRC-I played a key role in restoring macroeconomic stability necessary for the revival of private sector activities and restoration of consumers' and investors' confidence.<sup>7</sup> Consistent with the agreed conditions under the Credit and in line with the IMF program, the Government maintained a satisfactory macroeconomic framework throughout the Credit period which contributed to growing numbers of new businesses and a revival of production in traditional domestic industries (food and beverages, construction materials). Resumption of extension services and input delivery contributed to higher agricultural output, initially in safe areas and starting in 2002 in the whole country leading to a cumulative growth in agriculture value added of more than 76 percent in the 2002-2006 period. The settlement of private sector claims on the Government provided a key stimulus to the private sector activity. ERRC-I played a critical role in defining the necessary actions (the establishment of a committee, approval of a plan for domestic arrears settlement, and development of procedures for classifying and verifying claims) and providing the necessary funds to commence orderly repayments of private sector claims in late 2000. Overall, the efficacy in achieving this objective was *substantial*.

3.28 **Promoting transparent and inclusive governance.** The NRRP recognized poor governance as one of the key reasons for the general discontent of the population, especially in rural areas, that had contributed to the civil conflict. To get an early start in addressing this issue, the Parliament approved an overall anti-corruption strategy focusing on three related dimensions: (i) investigation and effective enforcement; (ii) prevention through the elimination of opportunities for corruption and misuse of public resources; and (iii) public education. An Anti-Corruption Act passed in February 2000 put this strategy into effect, and an Anti-Corruption Commission soon became functional and led the implementation of the new legislation. This resulted in improved control of corruption in 2002 (see Figure f in Box 4), which has not sustained.

3.29 In the area of prevention of corruption, a major step forward was made through the introduction of a new computerized accounting in 2002, budget management and expenditure control systems which provided greater transparency, efficiency, and accountability in the use of public funds. The Government also completed a validation and verification exercise of the personnel function to establish a "ghost-free" payroll and eliminate the possibility payroll misuse and corruption.

3.30 The Government also conducted focus groups and a national baseline service delivery survey, within the context of the existing Strategic Planning and Action Process (SPP) framework, to provide baseline data for monitoring improvements in service delivery and to establish meaningful benchmarks and accompanying strategies for benchmark implementation.

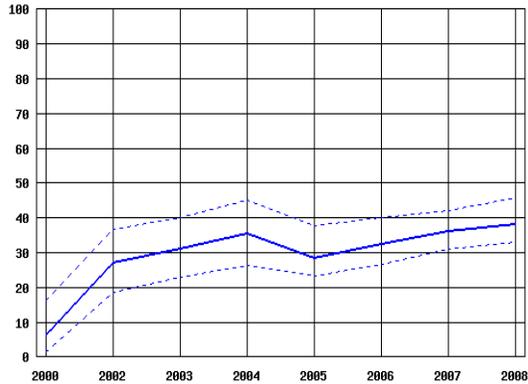
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<sup>7</sup> The return of consumer confidence is perhaps best illustrated by a one-time increase in private net transfers from US\$7.2 million in 2001 to US\$98 million in 2002 (IMF 2009b, page 55). The reversal of private financial outflows recorded during the war was reflected in a large improvement of gross national savings from -9.5 percent of GDP in 2001 to +5.3 percent of GDP in 2002 (IMF 2009b, page. 34).

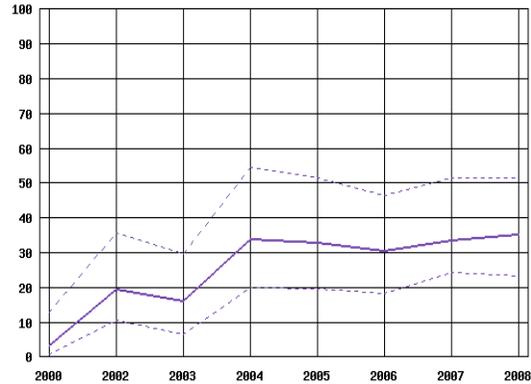
#### Box 4. Sierra Leone: Quality of Governance

Figures a-f provide a time series of six aggregate governance indicators for Sierra Leone produced by Worldwide Governance Indicator (WGI) for the 2000-2008 period. They suggest that there were sustained gains in voice and accountability and political stability during ERR operations. By contrast, improvements in the control of corruption recorded in 2002 and 2004 were not sustained in the subsequent years.

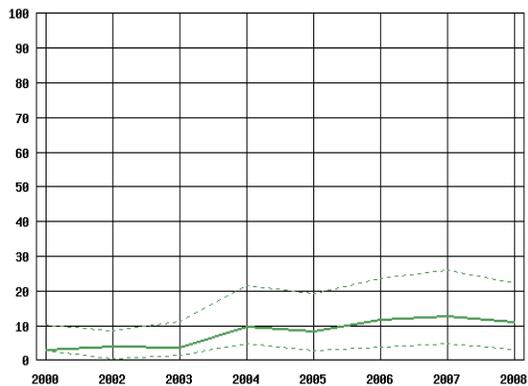
**Figure a: Voice and Accountability**  
(Percentile Rank (0-100))



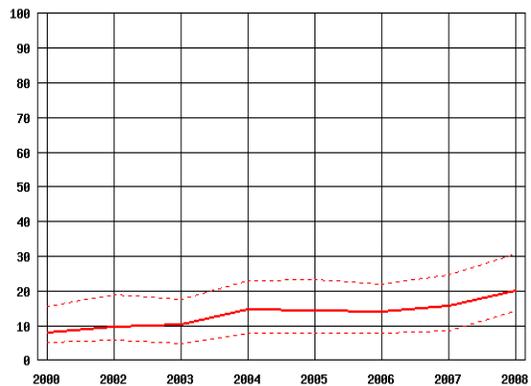
**Figure b: Political Stability**  
(Percentile Rank (0-100))



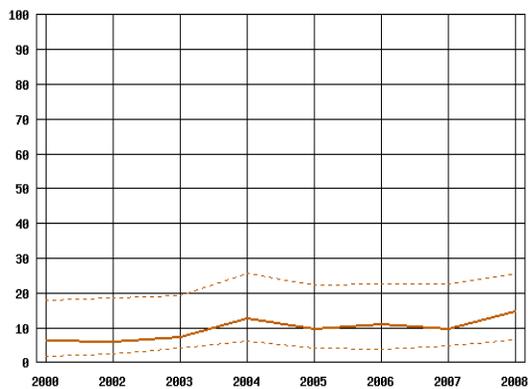
**Figure c: Government Effectiveness**  
(Percentile Rank (0-100))



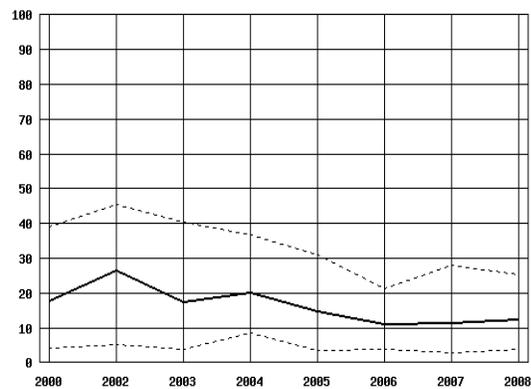
**Figure d: Regulatory Quality**  
(Percentile Rank (0-100))



**Figure e: Rule of Law**  
(Percentile Rank (0-100))



**Figure f: Control of Corruption**  
(Percentile Rank (0-100))



*Note: The governance indicators aggregate the views on the quality of governance provided by a large number of survey institutes, think tanks, non-governmental and international organizations. The WGI do not reflect the views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.*

Sources: Worldwide Governance Indicators, [www.govindicators.org](http://www.govindicators.org); Kaufman and others 2009

3.31 These measures were all supported by the ERRC-I and represented the second tranche conditions. Their efficacy appears quite high on the process level but this does not guarantee the achievement of the objective of reducing corruption. Direct evidence on achievement of this objective is unavailable until 2003 or even 2004. Data for the period covered by ERRC-I (2000-2001) is at best very partial, weak, and unreliable. Overall, the efficacy in achieving the objective of promoting transparent and inclusive governance was rated as *modest*.

## Ratings

3.32 **Outcome.** Overall, the relevance of the objectives under ERRC-I is judged *substantial*, but the relevance of design was *modest*. With respect to efficacy, the actions carried out under ERRC-I substantially helped to achieve and sustain protective security despite the recurring hostilities in May 2000. They also substantially improved social and economic security through increased access to health services and education, stable macro environment, greater availability of essential imports, and resolution of pension and payment arrears. Finally, actions taken in the area of public sector governance were judged to be modest as they provided some legal basis and improved process for further improvements in governance. With appropriate content mapping between program and project objectives, and equal weights for the three objectives, this review rates the outcome of the first operation in the ERR program as *moderately satisfactory*.

3.33 **Risk to Development Outcomes.** The risks of sustaining the political commitment to peace and protective security were the highest in the initial period as demonstrated by recurring hostilities in May 2000. The initial achievement of planned intermediate results (outputs) in the implementation of the DDR program could easily have been reversed by a lack of political consensus. By contrast, the risks related to economic and social security were ameliorated in the initial period as ample foreign assistance enabled improvements in the wellbeing of the population and created a surge of optimism and positive expectations. Over time, these risks moved in the opposite direction.

3.34 The formation of a National Coalition Government, successful resumption of the implementation of the DDR program and completed modernization of Sierra Leone military and police force have cemented reforms and effectively eliminated the risk of political instability and protective security after 2003 (see the political stability indicator Figure b in Box 4).

3.35 The question remains as to whether actions taken under ERRC-I led to stable and sustainable social and economic security. Advances made in the area of improved access to social services and greater income opportunities are impressive, but levels of educational and health outcomes and GDP per capita are still very low by both regional and world standards. A concerted effort will be needed to consolidate the initial gains and carefully prioritize scarce public investment resources to secure permanent advances in the access and quality of key social services. Last but not least, growing youth unemployment despite years of good economic performance and high growth rates, seems by far the most serious risk going forward.

3.36 Finally, the Government has taken a bold step in the direction of promoting transparent and inclusive governance. A multi-pronged approach minimizes risks but requires more time to launch the public education campaign, reduce the scope for corruption through improved procedures and public resource management systems, as well as initiate early legal enforcement actions. Given the size and scope of the governance problem, significant improvements can be expected only in the medium run.

3.37 Overall, risks to development outcomes in the areas supported under the ERRC-I have substantially declined over time and are rated as *moderate*.

3.38 **M&E:** The M&E arrangements were influenced by the stand alone nature of the first operation, the choice of project objectives, and the incomplete development of the results chain. Although it was clear that measurable progress towards protective, economic and social security, and better governance would take years, the design and implementation arrangements were limited to the project time horizon (till June 2001). The President's Report (World Bank 2000b, Annex D) identified seven performance indicators related to the overall project development outcome, and a list of 19 indicators pertaining to six outputs to be monitored during implementation.

3.39 During implementation ERRC-I collected factual data on all policy actions and a relatively small subset of proposed output (6 out of 19) and outcome (4 out of 7) indicators. In addition to falling significantly short of the list of indicators specified in the project documents, the quality and reliability of monitored indicators appeared low which explains infrequent use of monitoring results. On the positive side, ERRC-I helped introduce a baseline survey and the first focus group survey to measure the quality of social services which became a useful monitoring device for subsequent ERRC operations. The Ministry of Finance, the key executing agency for the project, faced serious capacity constraints in carrying out the M&E function on top of other responsibilities in the broad fiscal and budgeting area. Nevertheless, the Ministry was instrumental in developing and monitoring intermediate performance indicators not envisaged in the original M&E design.

3.40 For these reasons M&E design, implementation and use of monitoring results (data) are all rated *modest*. Overall, this review rates M&E as *modest*.

3.41 **Bank Performance.** The Bank promptly reacted to the narrow window of opportunity created by the appointment of the National Unity Government and the adoption of the NRRP in late 1999.

3.42 **Quality at Entry:** In the span of few months the Bank team was able to put together the first ERR operation that met quality at entry requirements while allowing for the necessary level of realism in addressing pressing security considerations on the ground. The Bank support was fully aligned with the objectives of the national program (NRRP), which ensured national ownership of the program's objectives and the actions initiated by the credit. While the areas of focus for Bank assistance in ERRC-I were fully appropriate, realistic and duly implemented by the Government as prior actions (and triggers for the second and the third – floating -- tranche), the program design did not have a sufficiently developed results chain to ensure that the expected outcomes would

indeed be achieved. First, the ERRC-I did not adequately spell out the framework for the results chain. Second, the objectives lacked clear and measurable results indicators, even in areas like education, health, settlement of pension and payment arrears where quantitative indicators either existed or could be easily calculated on the basis of data collection within the project. Third, most prior actions consisted of process actions that did not guarantee the achievement of underlying results.

3.43 **Quality of Supervision:** During supervision, the Bank team continued productive follow-up dialogue with the key implementing agencies to ensure implementation of agreed actions and achievement of project objectives.

3.44 In summary, due to weaknesses in the results framework, this review rates Bank performance in securing quality at entry as *moderately satisfactory*. The Bank discharged *satisfactory* supervision effort during a difficult time marked by the resumption of hostilities in May 2000. Overall, this review rates Bank performance as *moderately satisfactory*.

3.45 **Borrower Performance.** The Credit was largely based on the Government's NRRP which fully utilized a program of national consultations launched before the Lome peace accord was signed. The Borrower was fully committed to its reform program and demonstrated continued strong ownership through all stages of project preparation and implementation. This was best demonstrated during the upheaval of May 2000, when the Government made the necessary adjustments and continued to implement its recovery and reform program while maintaining a sound macroeconomic framework and delivering fully on substantive commitments outlined in the LDP. Reforms were undertaken in a transparent fashion, and frequently benefited from participatory exercises, including surveys, workshops, and focus group discussions, to ensure broad public consensus.

3.46 Despite obvious capacity constraints, the Ministry of Finance put in an enormous effort in facilitating the implementation of reforms supported under the ERRC-I. All policy documents prepared for GOSL consideration and approval were of high quality. The Ministry of Finance worked closely with the Bank in developing and implementing four broad sets of intermediate performance indicators to regularly monitor progress towards the program's goals. In addition, the Government produced and disseminated regular monthly financial monitoring reports, including reports on the use of donor funds. The Borrower implemented the program with vigor, often exceeding the required conditions for tranche releases, and fully upheld the agreed reforms and policy measures.

3.47 Based on its strong commitment to NRRP development objectives supported under the ERRC-I and ability to prevail during the time of instability caused by the reemergence of fighting, Government performance is rated as *satisfactory*. The performance of the Ministry of Finance as the implementing agency is also rated *satisfactory* based on its relentless efforts to sustain the reform effort despite adverse circumstances and its own capacity constraints. Overall, this review rates Borrower performance as *satisfactory*.

## 4. Second Economic Rehabilitation and Recovery Credit

### Objectives and Components

4.1 The Second Economic Rehabilitation and Recovery Credit (ERRC-II) continued the support to the NRRP as it evolved into an Interim PRSP (I-PRSP). *ERRC-II* was also conceived as a stand-alone operation under a forthcoming *Transitional Support Strategy*.

4.2 **Objectives.** The four objectives established under *ERRC-II* are closely related to and build upon the set of objectives defined in *ERRC-I*. As detailed in the President's Report (World Bank 2001, Annex B), the *ERRC-II* objectives were: (a) Improved national security and good governance, (b) Revival of the economy to be achieved by facilitating private sector development in a stable macro environment; (c) Improved public expenditure management for efficient and equitable use of public resources; and (d) Better access to basic social services.

**Table 7. I-PRSP Pillars and ERRC-II Objectives and Sub-Objectives**

I-PRSP Pillars	ERRC-II Objectives
I. National Security and Good Governance	A. National Security and Good Governance
	A1. Implement DDR program
	A2. Establish decentralized system of government
	A3. Enhance budget transparency
II. Re-launching the Economy	A4. Monitor budget implementation and service delivery
	B. Revival of the economy
	B1. Maintain macro-stability
	B2. Divest public sector enterprises
	B3. Promote formal activity in mining sector
	B4. Establish sustainable micro-finance services
	B5. Facilitate resettlement and reintegration of IDPs, refugees and war victims
	C. Public Expenditure Management
	C1. Adopt MTEF
	C2. Improve financial accountability through stronger FIS
III. Revival of Basic Public Services	C3. Shift budget allocations to social and economic sectors
	D. Access to Social Services
	D1. Increase allocations to social services at regional level
	D2. Introduce free primary education and increase supply of teaching materials
	D3. Expand school nutrition and health programs
D4. Improve access to clean water and sanitation	

Source: President's Report for *ERRC-II*, No. P7499 SL (November 20, 2001).

4.3 **Components.** The ERRC-II consisted of 6 core conditions (prior actions) that the Government carried out prior to Board presentation of the Program Document, and four conditions for the second tranche release. Table 7 lists the objectives, action areas and conditions of the credit. The subsequent section on achievement of objectives discusses further achievement and efficacy. The credit was approved on December 13, 2001, became effective on December 20, 2001, disbursed in two tranches as scheduled and closed on March 30, 2003, as planned.

**Table 8: ERRC-II Conditions Associated with Objectives and Sub-Objectives**

<b>Objectives and Action Areas</b>	<b>Conditions (prior actions)</b>	<b>Met 1<sup>st</sup> 2<sup>nd</sup> Tranche</b>
<b>Objective A. National Security and Good Governance</b>		
A3. Enhance budget transparency		
Budget transparency	Public Accounts for 1999 and 2000 produced and submitted to the Auditor General.	1 <sup>st</sup>
A4. Monitor budget implementation and service delivery		
Budget implementation	Budget implementation reports for the first three quarters of 2001 produced.	1 <sup>st</sup>
Public expenditure tracking	Public expenditure tracking surveys (PETS) for the first half of 2001 conducted for: education; health; water supply; agriculture and rural development; security; and social welfare. Results presented to Cabinet.	1 <sup>st</sup>
<b>Objective B. Revival of the Economy</b>		
B1. Maintain macro-stability		
Macro-framework	A satisfactory macro framework for 2001.	1 <sup>st</sup>
B2. Divest public sector enterprises		
Organizational set-up	Establishment of National Commission for Privatization and appointment of the Commissioner.	1 <sup>st</sup>
Strategic plan	Implement the Strategic Plan for the Divestiture of Public Enterprises approved by the Cabinet in accordance with the timetable set out in the President's Report .	2 <sup>nd</sup>
B3. Promote formal activity in mining sector		
Policy framework	Formulate and adopt a revised Mining Policy to promote formal activity (including artisanal mining) and attract private investment for medium and large scale mining.	2 <sup>nd</sup>
B4. Establish sustainable micro-finance services		
Policy framework	Develop a policy framework for sustainable micro-finance services including saving services, payment services and micro credits.	2 <sup>nd</sup>
<b>Objective C. Public Expenditure Management</b>		
C2. Improve financial accountability through stronger FIS		
Clear arrears	Payment plan for clearing cross-debts between Government and parastatals agreed.	1 <sup>st</sup>
Implement FIS	Strengthen the implementation of the FIS in AGD through: (a) full documentation of FIS architecture and preparation of user manuals; (b) separation of function between system administrator and system operator.	2 <sup>nd</sup>
<b>Objective D. Access to Social Services</b>		

## Relevance of Objectives and Design

4.4 **Objectives.** ERRC-II was a policy-based credit designed to provide critical budget support related to the implementation of the Government's first Interim Poverty Reduction Strategy (I-PRSP) after the civil war. ERRC-II built on the design and results achieved under the ERRC-I and closely mirrored the strategic objectives of the I-PRSP: to firmly establish national security and good governance, revive the economy and restore basic social services throughout the country.

4.5 ERRC-II proceeds provided critical balance of payments and budget support to cover the increased costs associated with the implementation of the I-PRSP. Most notably, the proceeds allowed continued imports of essential consumer goods, energy and raw materials. They also enabled the Government to continue the rehabilitation of basic social and economic infrastructure and secure improved delivery of basic social services in all accessible parts of the country.

4.6 On the Bank side, the ERRC-II was fully aligned with the Transitional Support Strategy (discussed by the Board in December 2000) and carried the brunt of the TSS initial implementation effort. Jointly with the Bank-financed Community Reintegration and Rehabilitation project and the Multi-Donor Trust Fund administered by the Bank, ERRC-II was expected to provide both the critical financial support to the budget and substantive assistance in the design, implementation and monitoring of the national priorities identified in the Interim Poverty Reduction Strategy Program (I-PRSP), which essentially continued to support the same security priorities identified in the National Rehabilitation and Recovery Program. The first I-PRSP pillar focused on protective security (i.e. the completion of the DDR Program), but it also included essential improvements in the public governance. The second pillar emphasized economic security (revival of economic growth). Finally, the third pillar supported social aspects of security (access to social services).

4.7 The ERRC-II credit represented the main vehicle for providing financial assistance and policy and institutional support to Sierra Leone under the TSS. ERRC-II continued the good practice established in the first operation by helping the Government in prioritizing and sequencing actions and steps needed to successfully implement the I-PRSP and achieve its objectives under very challenging circumstances, and, hence, had *substantial* relevance.

4.8 **Design.** The ERRC-II design followed the national priorities set forth in the I-PRSP, but also reflected the implementation experience of ERRC-I and other operational considerations. Instead of following the structure based on three security pillars advanced in the I-PRSP, ERRC-II additionally recognized public expenditure management as a fourth objective. As detailed in Table 7, the first and third I-PRSP pillars were directly mapped into the first and fourth ERRC-II objectives, respectively, while the second I-PRSP pillar (re-launching the economy) was broken down into two separate development objectives under ERRC-II: revival of the economy, focused on establishing conditions for sustainable economic growth; and improved public expenditure management, primarily focused on public expenditure stability and

predictability (through an Medium Term Expenditure Framework - MTEF), reallocation of budget resources towards social and economic sectors, and greater financial accountability.

4.9 Given that the additional Public Expenditure Management (PEM) objective was heavily based on selected governance considerations, this led to an asymmetric treatment of governance in ERRC-I and II. In ERRC-I, governance was merged with the “protective security pillar” and it included a subset of cross cutting thematic issue pertaining to all aspects of security (i.e. the general aspects of governance, quality of the budget process, and quality of service delivery). In ERRC-II, few aspects of governance considerations were selected to underpin the improved public expenditure management (through the introduction of MTEF and FIS mechanisms to ensure greater financial accountability). It is not clear why governance did not continue to be treated either as an integrated separate objective, like in ERRC-I, or as a true cross-cutting theme (as an additional consideration that augments each of the three security pillars). The approach chosen in ERRC-II aimed to emphasize selected aspects of the public expenditure side of governance at the cost of sacrificing clarity, consistency with the government program, and continuity with ERRC-I.

4.10 Prior actions and tranche release conditions listed in Table 8 were mostly process-oriented. The results chain was poorly defined or missing entirely, making it very difficult to relate policy and institutional actions to performance indicators, and to monitor outcomes. Therefore, this review rates the relevance of design as *modest*.

### **Achievement of Objectives (Efficacy)**

4.11 Overall, the government carried out all the agreed prior actions and met the conditions for the release of the second tranche in a timely and responsive fashion, making the necessary adjustments to evolving circumstances, and often exceeding the extent of agreed interventions.

4.12 **Promoting National Security and Good Governance.** The program supported the Government’s effort to establish peace and strengthen governance. The objective was substantively achieved:

- Demobilization of ex-combatants and reform of security forces: Peace and security in the country were gradually consolidated through continued implementation of the DDR program covering 72,490 ex-combatants; by the end of the ERRC-II in 2002, the DDR program was completed, while the military forces and police had been restructured (refer back to Box 2);
- Decentralization of government functions: Decentralization, seen by many as essential for peace consolidation, had been successfully achieved by strengthening local governments and decentralizing government functions to local levels. Paramount chiefs had been elected and preparations for local government, municipal, and rural council elections were held in late 2003. This contributed to a substantial devolution of

powers to chiefdoms and local councils and provided critical support in improving public expenditure management based on more decentralized preparation and execution of the budget.<sup>8</sup>

- Budgetary transparency: Transparency in the budget process was increased by the creation of Budgetary Oversight Committees (BOC), its activities in the determination of priorities in MTEF process, and by the regular production of monthly budgetary monitoring reports; and
- Participatory budget outcome tracking: Tracking expenditures from central to regional and local levels was improved by setting up a participatory system of Public Expenditure Tracking Surveys (PETS).

4.13 Despite the apparent lack of specific performance indicators, based on documented progress in achieving the four components, this review concludes that efficacy for this objective was *substantial*.

4.14 **Reviving the Economy.** The operation sought to: support the Government in securing a stable macroeconomic environment conducive to private sector growth and foreign investment; reform public enterprises; foster development of formal activities in the mining sector; secure greater access to micro-financial services; and support resettlement and reintegration program.

4.15 As detailed below, during the life of the project, satisfactory progress was achieved under each of the five components, and the objective of reviving the economy was substantially achieved:

- Economic growth and macroeconomic stability: During 2002 GDP grew by 6.3 percent. Macroeconomic stability was maintained throughout the year: The price level was lowered by 3.1 percent (deflation) and the fiscal deficit was below 10 percent of GDP, below projected and well within the available external financing;
- Improved access to micro-finance services: A new micro-finance policy framework was adopted by the Cabinet;
- Increased scope for formal activities in mining: A new mining policy framework was adopted by the Cabinet in 2002 leading to a substantial increase in official mining activities and exports;<sup>9</sup>
- Resettlement of ex-combatants and Internally Displaced Persons (IDPs): The Resettlement, Reconstruction and Rehabilitation (RRR) program for ex-combatants, refugees and IDPs was successfully implemented through

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<sup>8</sup> Zhou 2009.

<sup>9</sup> The official diamond mining output (measured in carats) increased seven times between 2000 and 2003. IMF 2009b, Table 3, page. 37. During the same time period the US\$ value of official diamond exports increased almost eight times and further tripled in the 2003-2007 period.

re-integration payments, training and employment programs (under another Bank-financed project, the beneficiaries were provided in addition farm inputs, and extension services – see Box 2);<sup>10</sup> and

- Advanced public enterprise (PE) divestiture: Progress under the PE divestiture strategy lagged behind because the detailed plan for a full implementation of the strategy was not prepared.

4.16 While the program helped achieve many of the planned policy inputs (approval of the necessary legislation and policy documents) and selected outputs, the effect of these actions on the outcome (sustainable economic revival) is more difficult to establish. As already analyzed in Chapter 2, strong revival of the economy that took place in the 2001-2003 period was, indeed, partly due to growth in formal mining production and exports supported under ERRC-II. Another basis for attributing economic revival to ERRC-II policies is the underlying support to improved efficiency found to be the major source of growth.<sup>11</sup>

4.17 Overall, efficacy in achieving economic revival is rated *substantial*.

4.18 **Improving Public Expenditure Management:** The objective of improving public expenditure management was to be achieved through:

- The adoption of a Medium Term Expenditure Framework (MTEF) in 2001 and its use in the preparation of the 2001 and 2002 budgets. This helped improve budget planning and priority allocation of resources over a three-year time horizon leading to enhanced efficiency and effectiveness of public expenditures.<sup>12</sup> The capacity to effectively use MTEF in the budget process was gradually transferred from the Ministry of Finance to all participating ministries and later on to lower levels of government;
- Modernization of financial information and management systems: The ERRC-II helped initiate the review of the existing system and implement minimal revisions and updates needed to sustain its operation in the short run. Country Financial and Accountability Assessment conducted in 2002 found weaknesses in the structure and functionality and recommended improvements which were implemented during 2004-2005 period.<sup>13</sup>

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<sup>10</sup> The relevance of resettlement programs for economic revival is two-fold: On the one hand these programs contributed to improved security (particularly in rural areas) as a precondition for normalization of economic activities. On the other they enabled the return of internally displaced people to their land and provided them with the necessary training, extension services and initial resources to resume farming and non-farming activities.

<sup>11</sup> Total factor productivity was found to contribute about 3/5 of the average GDP growth in the 2002-2007 period. IMF 2009b.

<sup>12</sup> World Bank 2004, page. 4.

<sup>13</sup> World Bank 2004.

- Improved allocation of budget funds: Allocation and utilization of budget funds were improved through the budget oversight committees and PETS.<sup>14</sup> The surveys identified considerable leakages in education and health sector and enabled significant savings.<sup>15</sup>

4.19 The institutional reforms, policy inputs and outputs supported under ERRC-I clearly made a positive contribution towards improving systems for public expenditure management. However, in the absence of clear performance indicators, it remains unclear to what extent the specific improvements supported under this operation led to more efficient management and use of public resources and the achievement of improved availability and quality of key public services. Overall, efficacy in achieving improved public expenditure management is rated *modest*.

4.20 **Improving Access to Social Services.** Improving access to social services was partially achieved. The program sought to improve access to and the quality of education and of health care, and to improve access to and equity in the use of water and sanitation. Specifically:

- Restoration of budget flows throughout the country: In the 2002 budget, non-wage current expenditures for the social sectors were restored to their normal pre-war levels throughout the country, including in provinces not under the control of the Government during the conflict where expenditures were at zero levels through 2001;
- Free primary education: In 2002, free primary education was extended to all grades and the program of subsidizing books and teaching materials was extended to all parts of the country;
- Nutrition and health programs in schools: The funding was restored for the provision of school nutrition and health programs in the four pilot provinces which was an important contributing factor to higher enrollment and attendance rates; and
- Improved water and sanitation services: Two-thirds of the 2002 budget allocation for the Ministry of Energy and Power was used to improve water supply and expand services throughout the country, including in major provincial towns. The results are not visible yet.<sup>16</sup>

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<sup>14</sup> PETS have been designed in consultation with the civil society to follow the expenditure flows and to assess improvements in service delivery. The first survey was piloted in 2000 followed by a large scale exercise in 2001 which had limited coverage due to ongoing conflict. PETS with improved design were being implemented on an annual basis since September 2003.

<sup>15</sup> The Public expenditure review (World Bank 2004b) documents a case of reducing a leakage in school subsidies from 55 to 22 percent based on the PETS findings.

<sup>16</sup> The latest MDG data for 2006 show that only 53 percent of the population has access to safe drinking water and 12 percent has access to modern sanitation. Human development report (UNDP 2007) indicates a slightly higher number with access to safe water (59 percent) with a considerable difference between urban (74 percent) and rural (46 percent) population.

4.21 The very limited data available suggest that in many of the targeted areas results have not been achieved. On that basis the review concludes that efficacy in achieving the objective of improved access to social services was *modest*.

## Ratings

4.22 **Outcome.** The relevance of ERRC-II objectives was *substantial*, but the relevance of design was *modest*. The efficacy in achieving greater security and better governance and in reviving the economy was *substantial*, while the achievements in the area of improved public expenditure management and improved access to social services were *modest*. In a precarious post-conflict situation the achievements in the area of improved security (full demobilization, greater decentralization, and participatory budget process) and revival of economic growth (macroeconomic stability, efficiency and productivity gains) deserve greater weight as they pave the way to stable long-term development. Overall, therefore, this review rates the outcome of ERRC-II as *moderately satisfactory*.

4.23 **Risk to Development Outcome.** The security, political and economic conditions in Sierra Leone temporarily deteriorated during the ERRC-I implementation due to the resumption of hostilities in May 2000, but then steadily improved following Government's demonstrated ability to adjust to changing circumstances and continue to deliver on all agreed actions. This trend of improvement was continued into ERRC-II. Security risks almost disappeared in 2002 after the completion of the DDR program. Strong economic recovery during 2001-2003 led to higher incomes and improved wellbeing of the population, thereby significantly lowering social tensions and risks of public unrests. The internal political support was broadened through successful decentralization efforts (restoration of chiefdoms, local elections, participatory budget process and gradual devolution of expenditure management). The extensive international support and favorable external economic environment also contributed to lowering risks to achievements under ERRC-II.

4.24 Overall, the review concludes that the risk to outcomes for ERRC-II is marginally lower than the previous operation and rates the risk to development outcome as *moderate*.

4.25 **M&E:** Instead of sustaining and improving the M&E arrangements established under the first operation, the ERRC-II project document defined a new set of outcome and output indicators. The document identified the likely sources of monitoring data/information, but did not explicitly specify detailed M&E arrangements or position the set of indicators in a transparent causal results chain from intervention to outcomes. Specifically, the President's Document produced a list of seven outcome indicators and an identified five outputs to be monitored via a set of 21 indicators. Four out of five proposed output indicators substantively coincided with project objectives: improved governance; economic revival; strengthened PRM; and better access to social services. The fifth, "improved business environment and revitalized private sector", subsumed under the "economic revival" objective, was singled out as a separate monitoring item to emphasize the importance of private sector development. Unfortunately, the comprehensive set of performance indicators was mostly focused on process actions (and documents), with only implicit linkages to the achievement of related objectives.

4.26 During implementation ERRC-II diligently collected factual data on all policy actions and most of the proposed indicators (six out of seven proposed outcome indicators, and 18 out of 21 output indicators). Unfortunately, the four missed indicators appear highly relevant for the achievement of project objectives:

- Reduction in the number of violent military clashes;
- Availability of micro-credit services;
- Simplified procedure for registration of businesses; and
- Pass rate for national basic certificate examination.

4.27 The quality and reliability of indicators was improved compared to the previous operation. The baseline and the first focus group surveys introduced under ERRC-I enabled the measurement of the delivery and quality of social services. Capacity constraints faced by the Ministry of Finance were gradually removed regarding its direct role in M&E as the key executing agency for the project, but remained regarding its broader responsibility (to build capacity in all other ministries and agencies). The effective use of M&E data increased but still remains low.

4.28 Allowing for limitations caused by project design and very difficult post-conflict situation prevailing on the ground, the M&E design, implementation and use are all rated *modest*. Overall, this review rates the M&E as *modest*.

4.29 **Bank Performance:** Bank performance is judged largely on the basis of: (a) its ability to ensure quality at entry while reacting promptly to fast evolving country needs and allowing for the necessary level of realism in a post-conflict situation; and (b) securing quality implementation of agreed actions through continued productive follow-up dialogue with the key implementing agencies and capacity-building effort.

4.30 Quality at Entry. ERRC-II identification was consistent with the Government's development priorities, and with the Bank's transitional support strategy for Sierra Leone. The Bank supported local teams in project preparation and supplied specialized expertise when and where needed. The overall project design was adequate. The Bank reacted in a timely fashion and paid particular attention to the borrower's institutional weaknesses and capacity constraints. Appropriate arrangements were made to address them by providing timely advice, building capacity and ensuring support from other donors. This resulted in improved design of policy actions and implementation measures, and easily measurable performance indicators. The results matrix was spelled out with more clarity than in the first operation, although the results chain remained underspecified. The choice of the lending instrument (a two-tranche stand-alone adjustment budget support credit) was effective and appropriate given the circumstances. A programmatic PRSC would have been a better fit for the country needs (to secure a medium-term financing for large structural budget deficit, as well as obtain credible policy and institutional support necessary to reverse the negative impact of the conflict, secure peace, stability and economic revival). Unfortunately, in the absence of a clear and firm medium-term PRSP framework and a full-fledged CAS based on it, the optimal multi-year approach was not feasible under IDA resource allocation rules. The Bank team has to be commended for making an extra effort to substantively approximate the

policy and institutional continuity of a programmatic approach through a series of evolving multi-tranche stand-alone operations.

4.31 **Quality of Supervision.** The Bank mounted a significant supervision effort (comprising three full team missions and two additional sector missions) to sustain quality dialogue, ensure timely implementation, and provide specific assistance and expertise as needed (particularly in the areas of privatization, micro-financing, community participation and mining development). Joint missions with the Fund (to ensure the introduction of the MTEF and quality budget preparation and review) are particularly noteworthy. Coordination with multilateral and bilateral agencies was well organized; inter-agency cooperation was close and productive.

4.32 In summary, due to design weaknesses, the Bank secured *moderately satisfactory* quality at entry and provided *satisfactory* supervision effort. The Bank's overall performance is rated *moderately satisfactory*.

4.33 **Borrower Performance.** The Credit supported the Government's evolving national program which built on the initial NRRP, the difficult implementation experience during 2000 and the need to quickly consolidate security gains and stabilize the economic and social situation in the country. Although this program was still evolving towards an Interim PRSP, the Borrower was fully committed to the reform content of the program and actively participated in the preparation of this Credit. It demonstrated high commitment to the objectives of its interim poverty reduction strategy (I-PRSP) and the Bank's Transitional Support Strategy by implementing a number of key actions prior to Board presentation: (i) a satisfactory macroeconomic framework; (ii) budget implementation reports for the first three quarters of 2001; (iii) public accounts for 1999 and 2000; (iv) public expenditure tracking surveys for the first six months of 2001; and (v) a payment plan for clearing cross-debts between Government and parastatals.

4.34 Government departments and units at the central, regional and district levels participated actively in the rehabilitation and recovery program supported by the Credit. The Government has actively and successfully mobilized the participation of the population in economic recovery and rehabilitation through budget oversight committees and expenditure tracking surveys, as well as in the implementation of its reinsertion program for ex-combatants and displaced people.

4.35 The Borrower implemented the program with full commitment, took full initiative to implement agreed policy actions and often exceeding the required conditions for tranche releases, fully owned and upheld the agreed reforms and policy measures. Overall, both the Government and the implementing agency (Ministry of Finance) demonstrated *satisfactory* performance, yielding *satisfactory* Borrower performance.

## 5. Third Economic Rehabilitation and Recovery Credit

### Objectives and Components

5.1 The third ERRC operation, approved in May 2003 and closed in December 2004, continued the support to the Government of Sierra Leone started under ERRC-I and II. It was a quick-disbursing credit in the amount of \$30 million equivalent that supported selected aspects of the Government's reform program spelled out in the Letter of Development Policy.

5.2 **Objectives.** ERRC-III aimed to assist the Government of Sierra Leone (GOSL) in moving from the transitional post-conflict phase of peace building to a medium-term phase focused on defining a comprehensive development and poverty reduction strategy. In addition, ERRC-III sought to provide critical knowledge and resources to finance activities needed to consolidate progress made in governance, improve social service delivery, and stimulate economic growth through enabling the environment for private sector-led investment. It also aimed to help coordinate large external support and, indirectly, sustain domestic political and broader social commitment to reform. The mapping between the three pillars of the Government development agenda and ERRC-III objectives and sub-objectives (components) is presented in Table 9.

**Table 9. Government Development Agenda and ERRC-III Objectives and Sub-Objectives**

Government Development Agenda	ERRC-III Objectives
I. Good Governance	A. Improved Governance and Service Delivery
	A1. Strengthen Anti-Corruption
	A2. Further decentralize governance
• Public expenditure management	A3. Improve management of public resources
II. Basic Public Services / Social Sectors	A4. Improve quality of service delivery
III. Accelerate Economic Growth for Poverty Reduction	B. Stimulate Economic Growth
• Macroeconomic stability	B1. Maintain macro stability
• External sector policies	B2. Improve competitiveness
• Private sector development	B3. Provide enabling environment for private sector investment
• Agriculture and Rural development	--
• Mining	B4. Mining sector development
• Infrastructure	--

*Source: World Bank 2003c.*

5.3 **Components.** The ERRC-III consisted of core prior actions carried out by the government before Bank management presented the credit to the Board and six actions which represented conditions for the release of the second tranche. Table 10 lists the objectives,

sub-objectives, first (prior actions) and second tranche release conditions. It also indicates whether the objectives were met and rates efficacy in the achievement of the objectives.

**Table 10. ERRC-III Tranche Release Conditions Associated with Objectives/Sub-Objectives**

Objectives / Actions	Conditions (prior actions)	Met PA 2 <sup>nd</sup> Tranche
<b>Objective A. Improved Governance and Service Delivery</b>		
A1. Strengthen anti-corruption		
Strengthen anti-corruption systems	Anti-Corruption Commission (ACC) established under ERRC-I and II.	Met earlier
A2. Further decentralize governance		
Establish decentralized system of governance	Elections of local Chiefs done under ERRC-II. Local government legislation passed.	2 <sup>nd</sup>
A3. Improve management of public resources		
Enhance transparency of budget preparation and monitoring.	Open budget preparation process achieved under ERRC-I and II. Participatory mechanism for budget management and monitoring established, quarterly reports prepared.	PA Continuous
Adopt MTEF and use it in allocations.	Introduced under ERRC-II. Refined and extended to all ministries. Used in the identification of allocation priorities.	Not met
Strengthen financial management and accounting systems	CFAA completed, AGD and FIS introduced under previous ERRCs. Organic budget law enacted enabling improved financial management (FMAS).	2 <sup>nd</sup>
Reform public procurement system.	Comprehensive procurement reform program adopted, new laws passed and regulatory framework approved.	2 <sup>nd</sup>
A4. Improve quality of service delivery		
Monitor improvements in service delivery.	PETS surveys introduced under ERRC-I and II. Second PETS report presented to Cabinet.	PA
	Methodology reviewed, improved surveys implemented.	PA
<b>Objective B. Stimulate Economic Growth</b>		
B1. Maintain macro stability		
Maintain macroeconomic stability	Sound macroeconomic framework has been achieved under ERRC-I and II and maintained as a framework for promotion of economic growth and poverty reduction.	PA Continuous
B2. Improve competitiveness		
Adjust tariff levels in line with CET	Finalize the study of economic and fiscal impact of CET. Adopt CET. Prepare action plan for West African Monetary Zone.	2 <sup>nd</sup>
B3. Provide enabling environment for private sector investment		
Transparent private sector investment environment	Divestiture strategy adopted and PE cross-debts consolidated under previous ERRC operations.	Yes
	Comprehensive divestiture implementation plan passed.	PA
	Transparent investment code passed.	PA
Improved mining policy and formal mining activity	Revised mining policy to promote approved under previous ERRCs. Stakeholder workshop held.	PA
	GIS/GPS based mining cadastre for administration and enforcement of mining rights installed.	2 <sup>nd</sup>
	Pilot extension services initiated to improve planning, reclamation and rehabilitation of mining areas.	2 <sup>nd</sup>

Source: World Bank 2003c.

PA = Prior action or conditions for the release of the 1<sup>st</sup> tranche; 2<sup>nd</sup> = conditions for the release of the 2<sup>nd</sup> tranche.

## Relevance of Objectives and Design

5.4 **Objectives.** As an integral part of the Bank's Transitional Support Strategy (TSS) and a continuation of the program supported by the previous Economic Rehabilitation and Recovery operations, ERRC-III followed the same reform framework and employed similar set of objectives and with the main focus on improving governance and promoting economic revival based on private sector development, although it merged the objectives of governance and improved social services. In the third operation this context was further supported and enhanced by the Consultative Group Results Framework which sets out agreed benchmarks for and implementation status of ERRC-III and the supporting programs of other partners including DFID, the EC, IMF, and AfDB. The objectives of ERRC III were fully relevant to consolidating peace and stability, and improving Sierra Leone's short and longer term growth prospects. In this respect, the relevance of objectives for the ERRC-III is rated *substantial* and consistent with the previous ERRCs.

5.5 **Design.** The ERRC-III followed the substance of the evolving national program. Prior actions and tranche release conditions listed in Table 10 are mostly process oriented. The results chain is not well defined, making it very difficult to relate policy and institutional actions to performance indicators, and to monitor outcomes. Therefore, this review rates the relevance of design as *modest*.

## Achievement of Objectives (Efficacy)

5.6 The credit was successful in assisting the Government of Sierra Leone as it moved to define a comprehensive post-conflict development and poverty reduction strategy. ERRC-III provided the necessary knowledge and resources to consolidate progress made in improving governance and environment for private sector-led growth. Reforms and policy dialogue supported under ERRC-III provided the basis for coordinating a large external support and, indirectly, for sustaining domestic political and broader social commitment to reform. The major achievements of the credit go beyond specific objectives identified in the project documents as it provided confidence, knowledge and continuous support to the Government team in conceptualizing, developing, sequencing and carrying through a complex set of actions initially related to specific outputs, but subsequently leading to the achievement of key I-PRSP and PRSP outcomes echoed in project.

5.7 Despite obvious improvements brought by the results framework adopted by the Consultative Group, there is still a lack of a clear link between the agreed actions (prior actions and 2<sup>nd</sup> tranche release conditions) mostly focused on policy inputs and outputs, on the one hand, and the expected outcomes on the other. Likewise, all performance indicators were focused on measuring outputs and there was a clear absence of well designed results indicators for the project objectives. Limited data on outcomes and program impact available in project documents was supplemented with data from non-project sources (often produced long after project closure) and information collected during interviews.

5.8 With strong support from the donor community including AfDB, DfID, EC, IMF and the World Bank, the Government made good progress in carrying out the reform program.

5.9 **Improved Governance:** The specific actions listed in Table 10 have all been achieved except the implementation of the MTEF across all ministries which was delayed due to capacity constraints. More specifically the following actions were implemented:

- A Local Government Act was signed into law in February 2004 and the first local government elections in 32 years were completed in May, 2004. The Act defines the roles and functions of local councils, and establishes a regular election cycle. It mandates the fiscal and fiduciary standards, audit requirements, transparency and anti-corruption measures.
- Annual Public Expenditure Tracking Surveys (PETS) were continued, focusing on transfer of budget resources for education and essential drugs. As already indicated (see para 4.18 and World Bank 2004) the results of PETS were used to improve resource transfer arrangements leading to substantially reduced leakages.
- A new organic budget law (Budgeting and Accountability Act), was approved by Cabinet and adopted by Parliament.
- The GOSL embarked on a comprehensive public procurement reform. A new procurement legislation was signed into law on December 7, 2004. The Act established appropriate institutional and organizational arrangements as well as clear and transparent procurement rules. The legislation was supported by new regulations and extensive training and it applied to all government ministries, all local governments and all parastatals that use public funds.
- Financial Management and Accounting System (FMAS) was extended to Budget Bureau and strengthened through improved documentation and training. In June 2005 FMAS was upgraded to a new and improved Integrated Financial Management Information System (IFMIS) financed by the Bank's separate Institutional Reform and Capacity Building project.

5.10 On that basis, the review concludes that the efficacy in achieving the improved governance objective was *modest*.

5.11 **Stimulating Economic Growth:** The Government pursued a two-track support to economic growth by securing a stable macroeconomic environment and continuing structural reforms.

5.12 The Government had an impressive performance in sustaining macroeconomic stability and growth. It successfully completed six reviews under the PRGF. In 2003 and 2004 GDP grew stronger than expected: 9.3 percent and 7.4 percent respectively. The sustained post-conflict recovery was based on consumption growth, large-scale resettlement and reconstruction activities, and major increases in land under cultivation. Strong demand growth was largely financed by donor contributions, but new stability and broadly sound economic policies contributed to increased investor confidence, large tourism revenues and growing remittances. As a result, actual external and fiscal deficits were lower than projected, but still very high. For 2004, the current account deficit was 11.5 percent of GDP (well below the projected 16.3 percent of GDP), mainly due to higher exports of diamonds; the fiscal deficit fell somewhat but remained at 20.2 percent of GDP. Lack of fuller fiscal adjustment, external shocks and delays in aid disbursements led to higher inflation (14.2

percent), pushed up interest rates and created foreign exchange pressures (leading to depreciation).

5.13 The following structural reforms were launched during ERRC-III:

- A new Investment Code (enacted in August 2004) contained specific provisions on investment procedures, incentives, guarantees and the settlement of disputes. More transparent and predictable procedures and the removal of discretionary powers from officials were expected to create a level playing field and attract more investors.
- GOSL (National Revenue Authority) completed a study and implementation plan on the economic and fiscal impact of the adoption of common external tariffs (CET) among West African States (ECOWAS). The CET were expected to promote exports from Sierra Leone to the region and lower the cost of business through duty free imports from ECOWAS member countries. The CET was implemented from January 2005, making Sierra Leone the first ECOWAS country to implement the CET.
- The National Commission for Privatization (NCP) prepared a comprehensive implementation plan for the Government's divestiture strategy. NCP commissioned a proposal to privatize the Ports Authority, and established a joint venture company to create an economic and free trade zone. In synch with the completion of a new electricity law which envisaged the establishment of a regulatory body, NCP evaluated management contract bids for the National Power Authority (NPA).
- GOSL also completed three reforms to facilitate private investment in the mining sector, historically a key sector for growth, exports and job creation in Sierra Leone. The reforms included: (i) the installation of a GIS and GPS-based mining cadastre that would enable effective administration and enforcement of mineral rights;<sup>17</sup> (ii) the approval of a new core mineral policy aimed at creating an internationally competitive legal and regulatory environment; and (iii) improved extension services to miners based on the hiring of 30 additional mine wardens and the creation of a specialized unit within the Ministry to provide extension services for improved identification of best reserve areas, enhanced mine planning and processing activities, improved mine safety and adherence to labor standards, improved metal and mineral marketing and assistance with reclamation and rehabilitation of mined out areas.

5.14 On that basis this review concludes that efficacy in stimulating economic growth was *substantial*.

## Ratings

5.15 **Outcome.** In a precarious post-conflict situation prevailing in the country, policy actions taken under ERRC-III represented important policy and institutional reform inputs, and indispensable outputs that would enable the achievement of project outcome in the

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<sup>17</sup> With assistance from DfID and UNDP, the Ministry of Mining and Resources (MMR) began work on a mining cadastral system in August 2004. The new GIS-GPS system has been populated with preliminary data. MMR staff has been trained and assigned to work on the cadastre. Support procedures and changes in regulations have been drafted.

future. As already indicated, the results chain linking actions to outputs and outcomes could have been developed more fully and, hence, facilitate accurate monitoring of outcome performance indicators in a difficult situation on the ground. Taking into account substantial relevance of objectives and achievement of economic growth objective, but modest relevance of design and the achievement of the governance objective, this review rates the outcome of ERRC-III as *moderately satisfactory*.

**5.16 Risk to Development Outcome.** The ERRC-III continued to build on the design and implementation experience from previous operations, as well as reflect the changes in the evolving medium-term national development and poverty reduction strategy. Although the ERRC-III focused on only two objectives, compared to four objectives in ERRC-II, the content at the component level and the nature of the prior and tranche release actions remained essentially unchanged in most areas. One notable exception is protective security where the situation has improved significantly and no longer represented a high risk. Actions taken to enhance local government, secure broad participation in the budget process, and ensure orderly procurement and financial management practices received wide support and growing ownership. Associated risks of possible reversals therefore diminished. Similarly, actions taken to stimulate private-sector based economic growth received growing acceptance, particularly regarding improvements in the investment climate, creation of mining cadastre, and mining extension services. The review considers the challenges faced by ERRC-III to be very similar or lower than the challenges faced by the first two operations and rates the risk to development outcome as *moderate*.

**5.17 M&E:** M&E arrangements proposed under ERRC-III made an effort to establish continuity with the two previous operations. The ERRC-III defined a new and indeed improved, but complex system of indicators and benchmarks to monitor the achievement of agreed actions and project objectives. They included:

- Matrix of policy actions (World Bank 2003c, Annex B) containing mapping between two objectives structured via 11 strategies and measures, 25 actions under ERRC-I, II and III, and 14 expected outcomes;
- The multi-donor Consultative Group Results Framework containing 27 specific benchmarks;
- A set of 16 key performance indicators for activities and outputs envisaged under the two development objectives (World Bank 2005c, Annex 1).

**5.18** Expectedly, the project documents did not resolve possible overlaps and inconsistencies between the three sources, nor specify the details of the M&E arrangements that would provide guidance in resolving these and other pending issues including the missing elements in the causal results chain from intervention to outcomes. Most performance indicators continued to be focused on processes, laws and policy documents. Modest monitoring expectations are partly understandable in difficult post-conflict situation prevailing on the ground.

5.19 During implementation, ERRC-III was committed to follow the same pattern already established under ERRC-I and II in collecting the factual data on all process actions and proposed performance indicators. The quality and reliability of indicators was hard to evaluate as they were not reported in the supervision or the completion reports. It was expected that the ongoing PETS surveys would provide important additional information related to the quality of public services.

5.20 Given the proposed improvements, M&E design is rated as *substantial*. M&E implementation and utilization are rated as *modest*. Overall, this review rates M&E arrangements as *modest*.

5.21 **Bank Performance:** Bank performance is again judged largely on the basis of: (a) its ability to ensure quality at entry while reacting promptly to country needs and being realistic about the country circumstances; and (b) securing quality implementation of agreed actions through continued productive follow-up dialogue with the key implementing agencies and capacity-building effort.

5.22 Quality at Entry. The credit was prepared in close partnership with the Government with participation from several donors on specific issues (EU on financial management, DfID on PETS, USAID on mining extension service, and IMF on the PRGF). The Bank had a consistently good working relationship with the Borrower during preparation and appraisal. Extensive stakeholder consultations were also made during preparation. The Country Director, TTL, and the task team were highly committed to the objectives of the credit, and they were flexible and responsive to local needs. The project received a satisfactory rating from QAG for the quality at entry, praising the quality of the team, documentation and efficient preparation (less than three months). QAG stressed as particularly noteworthy “team’s ability to place the whole operation within an honest and realistic framework of risk and risk management” associated with a post-conflict situation. In that context, the Bank could have done better in recognizing the ministerial conflict over the provisions of the Investment Code and in better communicating the technical and financial requirements of some complex reforms (such as the mining cadastre). Taking into account continued weaknesses in the results framework, the Bank provided *moderately satisfactory* quality at entry.

5.23 Quality of Supervision. The Bank's performance during the implementation of the credit was *satisfactory*. The credit received close and detailed supervision with the cost that rightly exceeded the original supervision budget. This enabled early detection of implementation problems and adequate corrective action in close collaboration with the Borrower and other development partners. The collaboration proved critical in addressing a variety of difficult implementation issues (such as preparation of mining cadastre and new Investment Code). This review concurs with the ICR that the Bank could have helped the Government better plan implementation costs for complex legal and institutional reforms and properly include them in the budget or identify alternative sources of donor financing and technical assistance as necessary.

5.24 The Bank’s overall performance in both securing quality at entry and supervision is rated *moderately satisfactory*.

5.25 **Borrower Performance.** The Borrower was consistently committed to the objectives of the credit. This commitment was strengthened through leadership at the highest level of Government and an active role in the coordination of all donor assistance.

5.26 Strong ownership of the project and commitment to ERRC-III objectives translated into strong implementation performance. The Government made good progress in maintaining a stable macroeconomic environment and carrying out the agreed reform program described in the Letter of Development Policy. With strong support from the donor community the Government was resolved to consolidate peace and gains in governance, and improve the wellbeing of the population through private-sector based economic revival and provision of basic social services. Government performance is, therefore, rated *satisfactory*.

5.27 Some implementation difficulties were encountered due to inadequate availability of budget and human resources to cover all implementation costs and overcome capacity constraints to implement agreed reforms on a timely basis. Nevertheless, the Ministry of Finance implemented the program with full commitment, took full initiative to implement agreed policy actions, fully owned and upheld the agreed reforms and policy measures. The implementing agency performance is rated *satisfactory*.

5.28 Overall, Borrower performance is rated *satisfactory*.

## 6. Fourth Economic Rehabilitation and Recovery Grant

### Background

6.1 The Grant was the fourth in a series of ERR operations designed to help Sierra Leone emerge from a decade of civil war. While the initial two operations were primarily aimed at short-term objectives of securing peace and stability, and supporting post-conflict reconstruction, ERRC-III started supporting the move towards a medium-term development and poverty reduction phase. This effort was continued in the ERRG-IV Grant which helped the Government of Sierra Leone make the transition from post-conflict recovery to sustainable development in the context of the country's Poverty Reduction Strategy (PRS) finalized in February 2005 and discussed by the Bank and IMF Boards in April 2005.

6.2 The first post-conflict country assistance strategy for the FY06-09 period was prepared soon thereafter and discussed by the Board in June 2005. The new CAS was fully aligned with the PRS and its main thrust was to launch a PRSP-based development framework supported, *inter alia*, by a programmatic series of three IDA Credits (FY07-09). Thus, the ERRG-IV Grant, approved in June 2005 and closed in June 2006, was conceived as a single tranche operation acting as a link between the ERRC series and the new programmatic series. This provided a much needed longer-term framework and enabled and improved results orientation absent from the previous operations. The Grant was designed to provide quick-disbursing budget support for the 2005 budget and cover policy reforms to be implemented in the 12-month period from June 2005.

### Objectives and components

6.3 **Objectives.** The over-arching objective of ERRG-IV was to help GOSL make the transition from short-term post-conflict recovery to medium-term sustainable development framework defined in the new PRS. This was expected to be achieved by promoting: (a) increased capacity for good governance; (b) economic growth led by the private sector; and (c) human resource development. Table 11 maps the ERRG-IV objectives to the main pillars of the PRSP.

**Table 11. PRSP Pillars and ERRG-IV Objectives and Sub-Objectives**

<b>Government PRSP</b>	<b>ERRC-IV Objectives</b>
<b>I. Good Governance, Peace and Security</b> <ul style="list-style-type: none"> <li>• Improving public sector governance</li>   <li>• Consolidating peace</li> <li>• Strengthening national security</li> </ul>	<b>A. Increased Capacity for Good Governance</b> <ul style="list-style-type: none"> <li>A1. Governance framework</li> <li>A2. Decentralization</li> <li>A3. Budget process</li> <li>A4. Procurement reform</li> <li>A5. Financial management reform</li> <li>A6. Internal and external audit</li> <li>A7. Public service reform</li> </ul>
<b>II. Pro Poor Sustainable Economic Growth</b> <ul style="list-style-type: none"> <li>• Medium-term poverty reduction strategy</li> <li>• Food security and job creation</li> <li>• Agriculture and fisheries</li>   <li>• Investment in supportive infrastructure</li> <li>• Investment in mining</li> </ul>	<b>B. Pro-Poor Sustainable Economic Growth</b> <ul style="list-style-type: none"> <li>B1. Investment climate</li> <li>B2. Public enterprise reform</li>   <li>B3. Minerals and Metals</li> </ul>
<b>III. Human Development</b> <ul style="list-style-type: none"> <li>• Expand basic education and training</li> <li>• Expand health and nutrition services</li> <li>• Increase access to water and sanitation facilities</li> <li>• Provide affordable housing for the poor</li> </ul>	<b>C. Human Resource Development</b> <ul style="list-style-type: none"> <li>C1. Health and Education</li> </ul>

*Source: GOSL 2005, World Bank 2005, and this review.*

6.4 **Components.** ERRG-IV had eight core prior actions that the government met prior to Bank management presenting the operation to the Board. They supported the first two pillars of the PRS and sought to contribute to the achievement of seven out of 11 sub-objectives identified in the PRS program document. In addition ERRG-IV included 10 triggers for the start of a series of programmatic operations to be supported under the new CAS, as well as 19 other agreed actions (Milestones) with the Government designed to foster the institutional and policy reforms supported under current and future Bank operations.

**Table 12. ERRG-IV Prior Actions and Triggers Associated with Project Outcomes/PRSP Pillars**

Outcomes / Policy areas	Prior Actions / Triggers *	Met PA / Trigger
<b>Objective A: Improved Governance</b>		
<b>A1. Governance framework</b>		
Improved budget process	Enactment of an acceptable Government Budgeting & Accountability Act.	PA
	Adopt implementation plan to revise regulations in conformance with new Government Budgeting & Accountability Act.	Trigger
<b>A2. Decentralization</b>		
Facilitate decentralization of government functions	In accordance with the Local Government Act, appoint members of the Local Government Finance Committee and make it operational.	PA
	Adopt regulations specifying details of the local government transfer Formulas. Publish (in Sierra Leone Gazette) the details of the transfer formulas and detailed central government transfers to each local council.	Trigger
<b>A4. Procurement reform</b>		
Develop organizational structure	Establish Boards of the National Public Procurement Authority and the Independent Procurement Review Panel.	PA
	Establish procurement committees in ministries of Agriculture, Education, Health, Mineral Resources, Transport, Works, Defense and Police.	
	Staff the National Public Procurement Authority and its Secretariat, and the Independent Review Panel and make them operational by mid-2005.	Trigger
	Approve 2006 procurement plans for ministries of Agriculture, Education, Health, Mineral Resources, Transport, Works, Defense and Police.	Trigger
<b>A5. Financial management reform</b>		
General accounting department	Positions of Accountant General and two deputies advertised.	PA
	Qualified Accountant General and two deputies appointed.	Trigger
<b>A6. Internal and external audit</b>		
Adopt MTEF	Government adopted medium-term expenditure plan (MTEF) and Auditor-General staffing plan acceptable to IDA.	PA
<b>Objective B: Pro-Poor Sustainable Economic Growth</b>		
<b>B1. Investment climate</b>		
Reform import tariffs	The ECOWAS CET implemented in 2005 through adoption a new tariff schedule and training of customs staff.	PA
Prepare company legislation	Company Act (acceptable to IDA) submitted to Parliament.	Trigger
	Bankruptcy Act (acceptable to IDA) submitted to Parliament.	Trigger
<b>B3. Minerals and metals</b>		
Mining cadastre	MoF and MMR adopted an implementation plan (acceptable to IDA) for the operation and expansion of mining cadastre.	PA
Mining extension services	MMR adopted a 5-year implementation plan (acceptable to IDA) for the conversion of pilot to full scale extension services starting in 2005.	PA
<b>Objective C: Human Resource Development</b>		

Source: World Bank 2005.

\*) Prior Actions for ERRG IV and triggers for the first operation in the future programmatic operation.

## Relevance of Objectives and Design

6.5 **Objectives:** The relevance of the objectives was *substantial*. The objectives of the Grant and the areas of reform supported by the project were consistent with the Government's PRSP and with the priorities identified in the Bank's 2006-2009 CAS. As indicated in Table 12, ERRG-IV objectives were fully aligned with the three pillars of the PRSP (governance, security and peace; pro-poor sustainable growth for food security and job creation; and human resources development). They were also relevant to the economic and social circumstances prevailing in the country at the time and remain so.

6.6 **Design:** The design of the project was also *substantially* relevant:

- a single tranche operation was an appropriate instrument to conclude the initial series of economic recovery and rehabilitation operations and pave the way to programmatic Credits under the new CAS;
- the timing and the amount of the Grant were well calibrated to meet the expected financing gap for 2005;
- policy actions (Table 12) were relevant for the improved governance, pro-poor sustainable economic growth, and human development;<sup>18</sup>
- reforms supported under the Grant rightly focused on the decentralization agenda, public financial management (PFM) and on the important mining sector;
- the triggers for the future programmatic operations were well aligned with the actions taken prior to Board approval, albeit the time allowed for the preparation and submission of agreed legislation to Parliament proved not be realistic;
- expected reforms in education and health supported under ERRG-IV were fairly limited (with no prior actions or triggers) but secured continuity with previous operations and stressed the importance of the future HR development agenda;
- a more developed results framework was provided with specific performance indicators focused on the achievement of project objectives (World Bank, 2005d, Annex 3); and
- actual risks were well evaluated.

6.7 Considering the circumstances, the ERRG-IV was well and realistically designed. It struck the right balance in seeking important and ambitious but still doable reforms, introducing the right level of complexity in policy and institutional reforms, and realistically identifying and managing risks.

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<sup>18</sup> No policy actions were envisaged for the human resource development objective.

## Achievement of Objectives (Efficacy)

6.8 The Grant continued the support initiated under previous ERRCs and assisted the Government in moving from the short-term transitional post-conflict phase of peace building to a medium-term phase focused on defining a comprehensive development and poverty reduction strategy. The Grant provided critical knowledge and budget support resources needed to increase capacity for better governance, support pro-poor economic growth based on private sector-led investment, and enhance human resource development through health and education services. The Grant also provided a platform for sustaining the Bank's valuable input into coordinating large external support and, indirectly, sustaining domestic political and broader social commitment to reform. Much like the previous operations in the series, the major achievements of ERRG-IV went beyond specific project objectives and standard capacity building efforts. The Bank team was able to sit on the same side of the table with the Government team and provide them with the necessary support in finalizing the first PRSP, developing and implementing a consistent set of actions initially supporting specific outputs, and leading to the achievement of key PRSP outcomes in the longer run. This support was of particular importance at the point of starting the implementation of a comprehensive poverty reduction strategy, which put additional burden on GOSL's limited capacity and necessitated continuous leadership and quality oversight.

6.9 As detailed below, on the governance side, the activities included improved budget process, further decentralization efforts, development of an organization structure for a comprehensive procurement reform, improvements financial management and audit functions. Concurrently, economic growth was supported through macroeconomic stability, import tariff reform, company and bankruptcy legislation, and improved environment for mining activities (mining cadastre and extension services). Despite the apparent lack of explicit actions in health and education, support to human resource development was sustained through improved budget allocations and continued monitoring through PETS surveys. As before, the grant provided foreign exchange resources for imports of essential consumer goods, energy and intermediate goods.

6.10 Based on improvements brought by the integrated Consultative Group (CG) result framework and the comprehensive assessment contained in the full PRSP document, a gap between process oriented actions and outcomes was largely closed in the fourth ERR. Unlike previous ERR operations focused on policy actions and institutional inputs, ERRG-IV developed a fuller results framework with performance indicators focused on the achievement of project objectives (World Bank, 2005d, Annex 3).

6.11 **Improved Governance:** As summarized in Table 11, in the governance area GOSL implemented five prior actions for ERRG-IV and five triggers towards the next series of development policy credits. The main achievements were:

- Improved budget process through enactment of the new Budgeting and Accountability Act in February 2005 and the start of the process of bringing existing regulation in compliance with the new Act.

- Greater efficiency of government through creation of structures needed to enable decentralization / devolution of functions (for example appointment of Local Government Finance Committee envisaged under the Local Government Act of 2005) and improved transparency of local government transfers (publication of formulae and disclosure of the actual transfers).
- Better use of public resources through comprehensive procurement reform led and coordinated by the National Public Procurement Authority (NPPA), and implemented by procurement committees in key ministries following detailed procurement plans for the 2006 budget. Despite some delays and difficulties in hiring qualified staff, these activities have been accomplished.
- Strengthened public financial management through better staffing (qualified Accountant-General and deputies) and use of modern financial management systems (such as the new Integrated Financial Management Information System – IFMIS introduced under ERRC-III).
- Enhanced accountability and transparency in public resource use through better staffing (of the Office of the Auditor-General), the adoption of MTEF and continuous expenditure tracking surveys (PETS).
- More efficient public service through reformed human resource management was planned but did not receive adequate funding and recognition in the 2006 budget.

6.12 Although these qualitative assessments have not been supported fully by hard evidence collected under the project, independent sources seem to suggest a mild deterioration in governance indicators (see the Control of Corruption Indicator in Box 4), while perceptions from interviews in the field suggested modest improvements in the various dimensions of the quality of governance.

6.13 Overall, the review concludes that the efficacy in achieving the improved governance objective was *modest*.

6.14 **Pro-Poor Sustainable Economic Growth:** The Government continued to follow a two-track support to economic growth: by securing a stable macroeconomic environment and continuing structural reforms.

6.15 Despite increasing oil prices, Sierra Leone's strong economic recovery continued into 2004 and 2005. Real GDP grew by over 7 percent annually completing seven years of post-conflict growth based on increases in consumption, large-scale resettlement and reconstruction activities, as well as strong agricultural production growth in cash crops. Strong demand growth was still based on donor financing, but private investment, tourism revenues and remittances gained importance. As a result, external and fiscal deficits were lower than projected, but remain high. The current account deficit increased from 4.9 percent of GDP in 2004 to 7.3 percent in 2005 mainly due to a large increase in petroleum price and a concurrent slight decline in diamond exports. The fiscal deficit was reduced from 6.7 percent in 2003 to 3.5 percent in 2004 and only 2.7 percent in 2005 (which is still short of the expected target deficit of only 1.3 percent of GDP). Expenditures on health and

education were the main reason for larger deficit as revenues fell only slightly below target. Inflation decelerated from 14.2 percent in 2004 to 12.1 percent in 2005. There was a sharp decrease in domestic interest rates: for example, T-bill rates fell from 28 percent in 2004 and 16 percent in 2005. The exchange rate depreciated by about 10 percent. Overall, despite some weaknesses, the macro-economic framework remained stable and GOSL successfully negotiated a second Three Year Arrangement under the IMF's PRGF program in May 2006.

6.16 Although poverty remains a huge problem in Sierra Leone, the poverty headcount improved between 2003 and 2007. Based on asset ownership, the number of people below poverty line declined by 5.9 percentage points (from 67.5 to 61.6 percent). Based on consumption, the poverty decline was 9.8 percentage points (from 66.4 to 56.6 percent) confirming a pro-poor nature of GDP growth in the post-conflict years.

6.17 On the side of structural reforms, the government implemented three prior actions for ERRG-IV and two triggers towards the next series of development policy credits. The main achievements were:

- Improved general investment climate through: (a) adjustment of national tariffs to the CET ECOWAS levels which was expected to send a strong positive signal to regional and global investors; (b) better performance of public enterprises through the adoption of clear and transparent procedures for the privatization process; and (c) transparent environment for the operation of private companies through (submission to Parliament of) new company and bankruptcy acts.
- Greater opportunities for investment and growth in the priority mining and metals sectors through operation and expansion of the mining cadastre and mining extension services.

6.18 On that basis, the review concludes that the efficacy in achieving the objective of providing stimulus for pro-poor private-sector based economic growth was *substantial*.

6.19 **Human Resource Development:** Although no specific prior actions or triggers were agreed in this area, the Government continued to increasingly allocate budget resources towards education which resulted in higher enrollment ratios (Box 3). Improvements in indicators focusing on the quality of education are inconclusive (World Bank 2007).

6.20 By contrast, health has been receiving a stagnant or even declining share of budget resources (see Figure 1) and most health indicators have improved only marginally, if at all. Sierra Leone remains close to the bottom of the human development index ranking and lags considerably behind in the achievement of Millennium Development Goals (MDG) goals for 2015.

6.21 Expanded access to basic social services throughout the country and for all social groups claimed in the second PRSP (GOSL 2009), and the use PETS surveys to constantly monitor and improve the quality of social services are encouraging signs, but results in the broad human development area are lagging behind.

6.22 On that basis, the review concludes that the efficacy in achieving the objective of supporting human resource development through basic social services was *modest*.

6.23 With regard to progress on triggers for the ensuing of the new series of programmatic credits, the results are more mixed due to delays in several areas caused by weak capacity and shortage of skills, as well as overly optimistic expectations at the time of ERRG-IV design rather than lack of commitment or political will. Actual implementation of plans and regulations proved to be a real challenge in post-conflict circumstances.

## Ratings

6.24 **Outcome.** Although the project does not provide hard evidence (i.e. measurable outcome /performance indicators) that ERRC-IV contributed to improved governance or helped generate pro-poor sustainable economic growth, it is clear that it supported the achievement of important policy and institutional reforms without which the achievement of project outcomes in the future would not be possible. As in previous operations, a stronger effort to develop more fully the results chain linking these actions to outputs and outcomes would have been well justified, despite the fact that difficult prevailing conditions on the ground would severely constrain accurate monitoring of reliable outcome indicators. Overall, based on *substantial* relevance of objectives and design and achievement of pro-poor sustainable growth, but only *modest* achievement of project objectives, mainly due to slow progress in governance and human development, this review rates the outcome of ERRC-IV as *moderately satisfactory*.

6.25 **Risk to Development Outcome.** On the positive side, the combination of prior actions for the current operation and triggers for the future development policy set of credits enhanced the scope, importance and visibility of the ERRG-IV Grant. But this also opened certain risks inherent in the difficult leap from the short-term post-conflict recovery to sustainable medium-term development framework. Most notably, the complexity of policy actions and institutional reforms associated with a medium-term PRS framework increased much faster than the available capacity and, thus, created processing and procedural bottlenecks. This created delays, generated tensions and tested the true commitment to a wide range of reforms aimed to improve governance, create better investment climate for private sector-led growth, and improve access and delivery of social services. Key areas of friction revealed in this process (i.e. the application of new procurement and financial management rules, new company and bankruptcy legislation, and regulatory structure for the power sector) have remained a source of risk to this day. In other areas the risks have remained largely the same. The review considers the risks to development objectives supported under ERRC-IV to be similar to risks faced by the previous operations and rates the risk to development outcome as *moderate*.

6.26 **M&E:** The ERRC-IV further refined a complex system of indicators and benchmarks introduced in the previous operation to monitor the achievement of agreed actions, triggers, and project objectives. They included:

- A program matrix (World Bank 2005c, Annex 3) which provided a detailed mapping between 11 policy areas, 9 prior actions under ERRC-IV, 7 triggers for

the future programmatic series of credits, and 23 specific results (expected outcomes and/or performance indicators) to which the policy actions and triggers are expected to contribute; and

- The multi-donor Consultative Group Results Framework containing 27 specific benchmarks.

6.27 This integrated framework represented a significant step forward from ERRC-III, but gaps still remained as project documents did not make an attempt to resolve possible overlaps and inconsistencies between the two sources, nor specify the necessary M&E implementation arrangements to effectively monitor outcome indicators. As a result, most performance indicators effectively monitored were still focused on process actions (laws and documents) and the utilization remained sporadic.

6.28 In short, ERRC-IV was committed to follow a more ambitious exercise of collecting data on policy actions and triggers, as well as the proposed performance indicators defined in the result matrix (World Bank 2005c, Annex 3). Based on improvements in the results framework, the quality of the M&E design is rated as *substantial*. However, M&E implementation and utilization of monitoring results remained *modest*. Overall, the M&E arrangements are also rated as *modest*.

6.29 **Bank Performance:** Bank performance is judged on the basis of its ability to secure quality at entry and effective implementation of agreed actions through continued dialogue and engagement with key implementing agencies and through capacity-building effort.

6.30 Quality at Entry: Over the years the Bank has developed a very good working relationship with the Borrower which came to fruition during preparation and appraisal of ERRG-IV. Additionally, unlike previous operations in the ERR series which were prepared in the absence of a medium-term development framework, ERRG-IV was able to utilize the strategic insights provided in the already completed PRSP and the new CAS (discussed by the Board at the same time as ERRG-IV). On that basis the Grant chose objectives consistent with both Sierra Leone's and Bank strategies. The objectives identified priorities and critical gaps in the governance area, as well as opportunities to enhance general investment climate and foster the investment and production possibilities in the mining sector.

6.31 At a more detailed level, the choice of key policy areas and specific actions was determined in an iterative way utilizing a highly participatory approach based on consultations with stakeholder ministries and development partners (IMF, AfDB, DFID and EC). In that context the grant helped further operationalize and sequence development priorities identified in the PRSP. It also acted as a bridge between the ERRC series and the new series of programmatic Development Policy Operations as envisioned in the new CAS. Finally, it promoted a coordination effort which laid the foundation for the then forthcoming Multi-donor Budgetary Support Framework.

6.32 The entire Bank team (including Country Director, Country Manager, TTL, and the task team) supported the objective of the grant, its flexible design and responsiveness to local needs, and frank assessment of project benefits and external risks in the project document.

The only downside of the exemplary relationship between the government and the Bank team, was a tendency to over-commit on the action front and underestimate the internal processing risks, first and foremost those related to technical and professional capacity constraints. As a result, some of the triggers were not met on time which delayed the forthcoming programmatic series of operations.

6.33 The Quality of Supervision: The Bank's performance during the implementation of the grant was fully *satisfactory*. The implementation of the project was intensively supervised (four missions) and closely monitored. This enabled an early detection of problems and proactive stance in addressing the outstanding issues. The Bank continued to work together with the Borrower and other development partners during project implementation. Collaboration was particularly effective in implementing the mining cadastre system and assessing the investment climate.

6.34 The Bank's performance in securing quality at entry and in supervision is rated as *satisfactory*. This review rates the overall Bank performance as *satisfactory*.

### 6.35 **Borrower Performance.**

6.36 Government Performance: During ERRG-IV preparation the Government sustained high level of commitment to the objective of the Grant and the entire ERR series. The commitment was most visible in the smooth operation of the Development Partnership Committee, chaired by the Vice President of Sierra Leone, and close collaboration with Government officials on the design and elaboration of the reform program contained in the PRSP and Letter of Development Policy, including specific prior actions and triggers under ERRG-IV. Government performance is, therefore, rated as *satisfactory*.

6.37 Implementing Agency Performance: To enable and facilitate implementation of the project the Government put in place an elaborate coordination and implementation structure. The Ministry of Finance administered the grant while an inter-ministerial Steering Committee facilitated program implementation and the coordination of activities. The Committee was chaired by the Minister of Finance and included key Ministers and the Governor of the Central Bank. A Technical Committee provided the necessary assistance to the Committee and coordinated the activities of Government agencies involved in program implementation.

6.38 Like in previous operations, some implementation difficulties were encountered due to inadequate availability of budget and human resources to cover all implementation costs and overcome capacity constraints to implement agreed reforms on a timely basis. In addition, project documents (the ISRs and the ICR) and interviews with key stakeholders indicate that the Ministry of Finance was not always fully informed about program implementation and was, hence, unable to effectively monitor all elements of the reform program. This could explain some of the delays in the implementation of the more demanding actions/triggers related to procurement reform and cadastre implementation. The main reason for the slippages (which delayed the next series of operations and thus postponed the anticipated budget support) can be traced back to capacity constraints to develop, implement and monitor policy and institutional actions and triggers. In the short

run, this could have been avoided through a better fit between commitments and capacity to deliver, and a more adequate flow of information. In the medium run, solutions can be sought in more elaborate capacity building effort based both recruitment and training programs aimed at skilled technical staff.

6.39 The Ministry of Finance implemented the program with full commitment, took full initiative to implement agreed policy actions and triggers, and fully owned and upheld the agreed reforms and policy measures. The implementation agency performance is rated *satisfactory*.

6.40 Overall, this review rates Borrower performance as *satisfactory*.

## 7. Findings and Lessons

### What worked well

7.1 In a precarious, fragile and quite risky post-conflict situation, the four ERR operations constituted an effective mechanism to:

- react very promptly to the narrow window of opportunity created by the Lome peace accord (July 1999) and the recurrence of hostilities (May 2000);
- provide critical budget support for the demobilization effort under the DDR program, as well as improvements in protective, social and economic security;
- boost Government confidence and true ownership of the program;
- help build capacity, provide knowledge and assistance in prioritizing, sequencing, developing and implementing policy and institutional reforms; and
- initiate donor coordination, mobilize and firm-up multi-donor support.

7.2 Although the ERR operations were done in the absence of a formal medium-term country development strategy or Bank assistance strategy, and hence had to be conceived as stand-alone operations, they had a high level of continuity at the component level and effectively represented a coherent series of interventions. Additionally, the Bank team managed to sustain the critical aspects of capacity building in the Ministry of Finance and other key implementing agencies.

7.3 The project design was appropriately kept simple and straightforward by mirroring the priorities in the evolving Government strategy and limiting the scope of interventions to doable policy inputs and outputs, including a gradual evolution in scope and coverage.

### What did not work

7.4 The lack of a multi-year framework (both on the country program side and the programmatic lending instrument side) undermined broad-based commitments, increased risks and weakened leverage in sustaining efforts aimed at improving capacity throughout the government and across regions of the country, particularly in M&E activities. Lending and policy discontinuities limited the positive impact of initiatives started under the ERR operations, including the PETS. On the resource transfer side, stand-alone operations created an additional risk in the already difficult budget process and diverted Government attentions away from the critical priorities at hand. With hindsight, the standard requirements set for the production of a full PRSP might have been overly demanding for a country that has just emerged from a decade long civil war, has suffered a significant destruction of social and economic infrastructure, and has fairly limited capacity in key economic ministries.

7.5 Likewise, results frameworks for post-conflict countries need to be more realistic, taking into account severely hampered or destroyed statistical systems, and limited data

gathering and monitoring capacity at project, sector, and country level. Simple policy and institutional inputs, as well as outputs (such as school enrollment ratios) that are positively correlated with intermediate and final outcomes are often the best that can be expected in difficult post-conflict circumstances. Although these are not a substitute for proper outcome indicators, they can help build a simple results framework that can guide government policies until reliable data on education and health outcomes become available.

7.6 Notably, the third and especially the fourth ERR operation developed more detailed result matrices and provided improved M&E designs. Unfortunately, the implementation effort was not sufficient to provide the critical information necessary to determine if the Bank was supporting the right policy and institutional actions and quantify the linkages between actions to the achievement of intended outcomes. This was especially true in the case of triggers for the subsequent programmatic series of operations under the new 2006-2009 CAS.

7.7 Budget support and improved public resource management systems provided under the ERR series are unlikely to lead to sustainable development outcomes envisaged for the economy unless supported with better resource allocations and capacity building in all important ministries. In addition, in order to be sustainable, resource inflows under the IDA supported operations should gradually be matched with higher local revenues resulting from the economic revival associated with the operations. Particularly from formal activities in mining and new FDIs. This will also help create public demand for improved governance systems supported under the ERR-type credits in all aspects of accountability in the allocation and use of public monies. Otherwise, improved procurement, financial management and audit systems would serve a much more limited purpose barely exceeding the exogenously set expectations of the donors and special watch-dog groups created within the country.

## Lessons

7.8 Overall, the ERR operations were effective in providing critical budget support to GOSL during the initial post-conflict years. The effectiveness was greater in directly supporting the demobilization effort under the DDR program, achieving the initial protective, social, and economic security advances, and in accomplishing process improvements, than in achieving better governance, improved allocation of budget resources and development results in the longer run.

7.9 The following main lessons for the design of future support programs in post-conflict situations are derived from the review:

7.10 **Early start of Bank interventions and informed risk taking can help consolidate the peace process:** The Bank team reacted promptly to the narrow window of opportunity created by the initial Lome peace accord (July 1999) and skillfully used stand-alone adjustment operations fitting them pragmatically with the slowly evolving country development and Bank assistance strategy. Despite obvious risks, an early effort to create a sensible interim assistance strategy and prepare a development policy operation was well justified. The first ERR provided critical budget support to restore basic state functions, initiate economic and social recovery. This clearly demonstrated the benefits of peace,

curbed the impact of renewed hostilities (May 2000), and tilted the balance in favor of achieving a firm peace settlement (January 2001).

7.11 Delayed adoption of country strategy and programmatic budget support weakens ownership, creates funding uncertainty, and hampers capacity building: Under the circumstances, more could have been done to secure an early adoption of a multi-year country strategy and programmatic budget support. In substance, the interim PRSP provided a sufficient basis for a country assistance strategy, while the IMF's 2001-2005 PRGF rendered a solid macroeconomic backing for a programmatic series of DPOs. Instead, formal criteria prevailed and the Bank postponed the adoption of the first post-conflict CAS and the programmatic DPOs till FY2006, almost six years after the Lome peace accord. This weakened ownership of the reforms, introduced additional uncertainty in the budget process and inadvertently destroyed the continuity of the decentralization and capacity building effort

7.12 To produce sustainable longer-term development results in a typical post-conflict situation, the Bank needs a stable strategy, much more careful project design, greater quality of prior actions and tranche release conditions derived from a detailed results chain and strongly related to expected outcomes. Although outputs achieved under the ERR series appear to be highly positively correlated to desired outcomes, the absence of fully defined developed result chains and well specified performance indicators makes it very difficult to assess the outcome of the Bank program on program objectives, particularly in achieving sustainable advances in improving decentralization, public governance and better management of public resources.

7.13 Stronger signaling of longer-term resource availability for budget support and capacity building substitutes for the lack of formal programmatic framework: In situations where programmatic instruments were not possible due to funding or other constraints, Bank efforts to secure as much continuity as possible in the content and design of stand-alone operations were well justified. More could have been done if these efforts were supplemented with stronger signaling of potential longer-term resource availability for budget support and capacity building.

7.14 **While project/program designs were kept simple and realistic, more could have been done to develop an appropriate results framework calibrated to post-conflict country circumstances.** Additionally, more resources could have been allocated to adequately monitor the achievement of outcome indicators. Critical outcomes, especially in the area of better governance, could then be more fully owned by the Government (and other stakeholders) and implemented in time. This would also help achieve a better balance between government efforts aimed at satisfying conditionality and participating in other Bank supported activities, including sustained capacity building.

7.15 **The Bank is (often) expected to assume a leading role in mobilizing and coordinating external donor assistance in post-conflict situations, and is not always adequately resourced to do this.** In recognition of this, post-conflict Bank programs may benefit from senior management support that would enable country teams to more appropriately structure and adequately resource their efforts in mobilizing and coordinating

donor assistance. Alternatively, other viable solutions would need to be found and endorsed by the Consultative Group meetings and other donor fora.

7.16 Discussions in Sierra Leone confirmed that the Bank's significant role in mobilizing donor support, administering a multi-donor trust fund, and in coordinating donor activities (see paragraph 3.5 on page 12) represented a heavy demand on limited operational budget. In the absence of adequate funding, this invariably diminishes resources available for other critical activities in the immediate post-conflict period, including the necessary ESW to gain improved knowledge of the economy, support for capacity building in the Government, and the establishment of an effective results monitoring system.

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## Annex A. Basic Data Sheet

### FIRST ECONOMIC REHABILITATION AND RECOVERY CREDIT (CR. NO 3321)

#### Key Project Data (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as Percentage of appraisal estimate</i>
Total project costs	30.00	40.00	133
Loan amount	30.00	40.00	133
Co-financing	--	--	--
Cancellation			

#### Project Dates

	<i>Original</i>	<i>Actual</i>
Initiating memorandum	11/09/1999	11/09/1999
Negotiations	01/18/2000	01/18/2000
Board approval	02/17/2000	02/17/2000
Signing	02/18/2000	02/18/2000
Effectiveness	02/24/2000	02/24/2000
Closing date	06/30/2001	06/30/2001

#### Staff Inputs (staff weeks)

<i>Stage of Project Cycle</i>	<i>Actual/Latest Estimate</i>	
	<i>No. Staff weeks</i>	<i>US\$( '000)</i>
Identification/Preparation	10	34.7
Appraisal/Negotiations	7	24.2
Supervision	16	52.2
Completion	7	22.8
Total	40	133.9

#### Mission Data

	<i>Date (month/year)</i>	<i>No. of persons</i>	<i>Staff days in field Specializations Represented</i>	<i>Performance rating</i>	
				<i>Implementation Progress</i>	<i>Development Objective</i>
Identification/Preparation	December 1999	6	1 Economist, 1 Lead Economist, 1 Participation Specialist, 1 Public Enterprise Specialist, 1 Lawyer, 1 Research Assistant	-	-
Appraisal	January 2000	10	1 Economist, 1 Sector Manager, 1 Lead Economist, 1 Lead Counsel, 1 Disbursement Officer, 1 Operation Advisor, 1 Private Sector Specialist, 1 Sr. Sector Public Mgmt Spec., 1 Participation Specialist, 1 Language Team Assistant	-	-
Supervision	October 2000	2	1 Economist, 1 Participation Specialist	S	S
	February 2001	4	1 Economist, 1 Participation Specialist, 1 Private Sector Specialist, 1 Macro. Framework Spec.	S	S
Completion	June 2001	1	Economist	-	-

## ECONOMIC REHABILITATION AND RECOVERY II (CR. 3586)

### Key Project Data (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as Percentage of appraisal estimate</i>
Total project costs	50.00	50.00	100
Loan amount	50.00	50.00	100
Cofinancing			
Cancellation			

### Project Dates

	<i>Original</i>	<i>Actual</i>
Initiating memorandum	09/13/2001	09/13/2001
Negotiations	11/19/2001	11/19/2001
Board approval	12/13/2001	12/13/2001
Signing	12/14/2001	12/14/2001
Effectiveness	12/20/2001	12/20/2001
Closing date	03/30/2003	03/30/2003

### Staff Inputs (staff weeks)

	<i>No. of Staff Weeks</i>	<i>US\$('000)</i>
Preappraisal	9.30	31.8
Appraisal/Negotiation	3.99	13.6
Supervision	13.48	48.7
ICR	5	18.0
Total	31.77	112.2

### Mission Data

	<i>Date (month/year)</i>	<i>No. of persons</i>	<i>Staff days in field Specializations Represented</i>	<b>Performance Rating</b>	
				<i>Implementation Progress</i>	<i>Development Objective</i>
Identification/Preparation	September 2001	4	1 Economist, Team Leader, 1 Mining Sector Specialist, 1 Private Sector Specialist, 1 Micro-Finance Specialist		
Appraisal	October 2001	4	1 Economist, Team Leader, 1 Mining Sector Specialist, 1 Private Sector Specialist, 1 Micro-Finance Specialist		
Supervision	June 2002	1	Economist, Team Leader	S	S
	July 2002	1	Micro-finance Specialist	S	S
	November 2002	3	1 Economist, Team Leader, 1 Mining Sector Specialist, 1 Private Sector Specialist	S	S
Completion	September 2003	1	Economist, Team Leader		

## ECONOMIC REHABILITATION AND RECOVERY III (IDA 3760)

### Key Project Data (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as Percentage of appraisal estimate</i>
Total project costs	30.00	30.8	103
Loan amount	30.00	30.8	103
Cofinancing			
Cancellation			

### Project Dates

	<i>Original</i>	<i>Actual</i>
Initiating memorandum	03/31/2003	03/31/2003
Negotiations	04/15/2003	04/15/2003
Board approval	05/20/2003	05/20/2003
Signing	06/09/2003	06/09/2003
Effectiveness	09/16/2003	09/16/2003
Closing date	12/31/2004	12/31/2004

### Staff Inputs (staff weeks)

	<i>No. of Staff Weeks</i>	<i>US\$('000)</i>
Preappraisal	9.08	62.9
Appraisal/Negotiation	1.00	7.0
Supervision	37.84	229.1
ICR	5.00	20.0
Total	52.92	319.0

## Mission Data

	<i>Date (month/year)</i>	<i>No. of persons</i>	<i>Staff days in field Specializations Represented</i>	<b>Performance Rating</b>	
				<i>Implementation Progress</i>	<i>Development Objective</i>
Identification/ Preparation	April 2003	3	1 Snr. Economist, TTL 1 Snr. Private Sector Development Expert		
Appraisal/Negotiation	May 2003	1	1 Snr. Economist, TTL		
Supervision	January 2004	3	1 Snr. Economist, TTL; 1 Mining Expert; 1 Procurement Expert	S	S
	June 2004	5	1 Snr. Economist, TTL; 2 Mining Expert; 2 Procurement Expert	S	S
	September 2004	3	1 TTL; 1 Mining Expert; 1 Procurement Expert	S	S
Completion	August 2005	2	1 Snr. Economist; 1 Consultant		

## ECONOMIC REHABILITATION AND RECOVERY IV (GRTD H1690)

### Key Project Data (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as Percentage of appraisal estimate</i>
Total project costs	15.00	15.00	100
Loan amount	15.00	15.00	100
Cofinancing ancellation			

## Project Dates

	<i>Original</i>	<i>Actual</i>
Initiating memorandum	11/04/2004	11/04/2004
Negotiations	04/14/2005	04/14/2005
Board approval	06/16/2005	06/16/2005
Signing	06/28/2005	06/28/2005
Effectiveness	08/03/2005	08/03/2005
Closing date	06/30/2006	06/30/2006

## Staff Inputs (staff weeks)

	<i>No. Staff Weeks</i>	<i>US\$('000)</i>
Preappraisal	13.67	47.7
Appraisal/Negotiation	13.67	47.7
Supervision	11.59	47.9
ICR	3.86	16.0
Total	42.80	159.2

## Mission Data

	<i>Date (month/year)</i>	<i>No. of persons</i>	<i>Staff days in field Specializations Represented</i>	<b>Performance Rating</b>	
				<i>Implementation Progress</i>	<i>Development Objective</i>
Identification/ Preparation	December 2004	5	1 Snr. Economist, TTL; 1 Mining Expert; 1 Procurement; 1 PFM Expert; 1 Education Specialist		
Appraisal	March 2005	5	1 Snr. Economist, TTL; 1 Mining Expert; 1 Procurement; 1 PFM; 1 Decentralization		
Supervision	July 2005	5	1 Snr. Econmist, TTL; 2 Mining Expert; 1 Procurement; 1 Decentralization; 1 PSD Expert	S	S
Completion	June 2006	2	1 Snr. Economist; 1 Consultant		

## **Annex B. List of People Interviewed**

<b><u>Name</u></b>	<b><u>Title</u></b>
<b><u>Government</u></b>	
Benjamin, John	Former Minister of Finance (ERRG-IV)
Carew, David	Minister of Finance and Economic Development
Coker, Osho	Former Head of Public Sector Reform Unit, now Secretary to the President.
Cole, Tejan Abdul	Anti- Corruption Commission
Cole, Winston	Former Staff at Accountant-General' Office, now World Bank Staff.
Dauda, J. B.	Former Minister of Finance (ERRC-III)
Dauda, Mike	Decentralization Secretariat
Fofana, Mohamed	Former Deputy Governor, Bank of Sierra Leone
Kamara, Samura	Governor of Sierra Leone
Kamaray, Cyprian	Budget Bureau Director, Accountant-General
Kandeh, Alfred	National Public Procurement Agency
Sesay, Kadi	Former Minister of Trade and Industry
Turay, R. Abdul.	Former Staff at National Commission for Privatization, now Presidential Advisor
<b><u>World Bank</u></b>	
Addison, Douglas	Task Team Leader, World Bank
Gudmundsson, Engilbert	Country Manager for Sierra Leone, World Bank.
Preeti, Arora	Former Task Team Leader, World Bank
Sackey, James	Former Country Manager for Sierra Leone, World Bank
Kulyk, Sergei	Country Program Coordinator for Sierra Leone, World Bank