

## PPIAF Assistance in Sierra Leone

Following decades of misrule in Sierra Leone, a devastating 1991–2002 civil war killed and displaced hundreds of thousands and destroyed the country's economy. In its aftermath, more than 70% of Sierra Leone's almost six million people lived on less than \$1.25 per day, and two-thirds of the country's young people were unemployed or underemployed. The infant mortality rate has hovered at the third highest in the world, after Afghanistan and Angola. Sierra Leone's few post-war investors have battled red tape, risk, and underdeveloped resources.

While signs of war have mostly faded, it is not hard to imagine how much further along the country could be. Vibrant, dynamic development with opportunities created through private initiative will provide an excellent weapon against future conflicts. When new businesses are created, when people have jobs, and when families can pay for their children's food and education, there is less incentive to pursue conflict. The government of Sierra Leone is committed to enhancing the use of public-private partnerships (PPPs) as a mechanism for procuring and financing infrastructure projects and services in the public sector.

Within this context, PPIAF has supported the consolidation, strengthening, and harmonizing of PPP policies and institutional and legal frameworks. PPIAF's activities have reviewed, analyzed, and proposed recommendations on existing legislation to support public enterprises entering into long-term contractual arrangements with private sector service providers, and to develop minimum standards and regulations governing PPP contracts.

### Policy Changes and PPIAF Assistance

Although it appeared that there were no explicit legal prohibitions or impediments to PPP projects in Sierra Leone, there was a need to create a stable policy and legal environment for PPPs in all infrastructure and service sectors. This was meant to provide adequate comfort to private sector investors, as well as affirm the government's commitment to PPPs.

PPIAF assistance was requested in 2009; the activity reviewed and analyzed existing legislation and produced a policy document that recommended local and central governments as well as public enterprises to enter into long-term contractual arrangements with private sector service providers. The activity identified gaps in existing legal and regulatory instruments to ensure that a comprehensive, fully harmonized legal framework is in place to support PPPs.

The activity advised on appropriate minimum clauses and provisions universal for all PPP contracts in order to ensure compliance with current procurement legislation as well as with relevant laws and international best practices. This included the legal form and structure of standard documents, such as bid documents, model contracts, and financial security packages, to ensure that government guarantees and obligations are not abused, and if committed, are prudently applied.

With PPIAF-funded support, experts were consulted from across the World Bank Group, and worked closely with Sierra Leone's government. Responding to the infrastructure challenge, the final report produced with PPIAF funds called for, among other things, a genuine partnership between the government and the private sector in which the government would facilitate business so that it can help to provide the infrastructure, but will then hold business accountable. In subsequent steps, this strategy to support the country's private sector materialized in the strengthening of two business-focused institutions: the Sierra Leone Business Forum (SLBF) and the Sierra Leone Investment and Export Promotion Agency (SLIEPA). Both organizations are today independent institutions with sound governance and financial management systems in place, and advocate for change to help companies in Sierra Leone more easily do business.

The World Bank Group's Doing Business Report lists economies around the world on the ease of doing business based on a number of business procedures, and is a good way to gauge a country's

comparative performance in establishing a business-friendly regulatory environment. Since 2006, thanks in part to the efforts of the PPIAF-funded activities, Sierra Leone has risen 20 places in the annual Doing Business survey to 148 out of 183 economies evaluated on objective measures of business regulations and their enforcement.

With support from PPIAF, Sierra Leone has passed several laws, streamlined agencies, and worked with the private sector to make permanent improvements to the country's business environment. In particular, the Companies Act brought Sierra Leone in line with international standards.

### **Results of PPIAF's Activities in Assisting Sierra Leone's PPP Unit and Legal Framework**

| <b>Category</b>                      | <b>Outputs</b>   |
|--------------------------------------|--|
| <b>Enabling environment reform</b>   |  |
| <i>Analyses/assessments prepared</i> | <ul style="list-style-type: none"> <li>• PPP Framework for Sierra Leone, November 2009</li> </ul>                          |
| <i>Plans/strategies prepared</i>     | <ul style="list-style-type: none"> <li>• Institutional Development Plan for the Central PPP Unit, November 2009</li> </ul> |

| <b>Category</b>                    | <b>Outcomes</b>  |
|------------------------------------|--|
| <b>Enabling environment reform</b> |  |
| <i>Consensus Achieved</i>          | <ul style="list-style-type: none"> <li>• Recommendations under this activity helped the government focus on private sector investment needs and provided the basis for the establishment of two business-focused institutions: the Sierra Leone Business Forum (SLBF) and the Sierra Leone Investment and Export Promotion Agency (SLIEPA). Both organizations are today independent institutions with sound governance and financial management systems in place, and advocate for change to help companies in Sierra Leone more easily do business.</li> </ul> |

### **Private Sector Participation Options for the Power Sector**

PPIAF has helped the government of Sierra Leone begin its recovery from the devastating civil war by providing technical assistance to help review various options on the financing, ownership, and operation of the power sector with a view to ascertain the feasibility of private sector participation in the sector. The power network in Sierra Leone has an inadequate production capacity, a non-integrated transport system, and a distribution system with only 35,000 connections. Since potential public sector investment from the government is limited, increasing private sector investment in the sector is essential. The PPIAF-funded assistance in 2002 identified the most feasible strategy where government facilitation combined with private sector resources and international community assistance can produce a meaningful impact on the rate of access of the population to energy.

The funding has been used also to review the performance of the National Power Authority (NPA) and Bo-Kenema Power Service (BKPS), the country's two major power operators. In 2005 the NPA Act was established to open the energy sector to more private participation. The monopoly of the NPA over the generation, transmission, supply, and other related activities was repealed.

A government paper in 2006 (published by Ministry of Energy and Power) "The Sierra Leone Energy Sector: Prospects and Challenges" adopted many recommendations from the PPIAF-funded activity and affirmed that "private sector financing or public-private partnerships for the establishment of solar home systems (for lighting, water pumping, etc.), for the implementation of biogas digesters (for cooking, lighting, and motive power applications), and for the establishment of windmills (for lighting, water

pumping, etc.) should be vigorously pursued for homes, schools, hospitals, community centers, etc. across the country.”

In 2011 the Board of Directors of the African Development Bank (AfDB) approved a €25-million senior private sector loan to finance Addax Bioenergy Sierra Leone project—the most recent and significant development since the implementation of the PPIAF-funded activity. The plant will generate, among other results, 165 Giga-Watt hours (GWh) of electricity of which roughly 100 GWh will be delivered to the domestic market.

The Addax Bioenergy project, the first large-scale sugarcane ethanol project in Africa, will significantly help enhance socio-economic conditions of communities within the project area. Positive social benefits include: creation of employment opportunities; rise in household incomes; stimulation of local economic growth, including opportunities for microenterprises and small businesses; generation of much-needed electricity; reduction of carbon emissions; increased agricultural productivity and food production in the project area; enhanced access to markets and social services for the local population; and skills training.

In addition, the project will result in several positive environmental benefits. These environmental benefits include the creation of ecological corridors and buffer zones for conservation purposes, and a decline in greenhouse gas emissions by an estimated 200,000 tons per year.

The Addax Bioenergy project represents the largest private sector investment in Sierra Leone’s agriculture sector to date, and provides a tangible example of successful investment in the country. It will broaden electricity supply throughout the country, enhance productivity in agriculture, and improve the country’s standing as an investment destination.

Beyond Sierra Leone, the project is expected to catalyze further sustainable investment in the sector, and agribusiness in general, in other African countries.

**Results of PPIAF’s Activities in Supporting Sierra Leone’s Private Sector Participation Options for the Power Sector**

| Category  | Outputs  |
|---|--|
| <b>Enabling environment reform</b>                                  |  |
| <i>Analyses/assessments prepared</i>                                | <ul style="list-style-type: none"> <li>Preparation of a PPP Diagnostic Report, October 2002</li> </ul> |
| <i>Policies prepared or legal or regulatory changes recommended</i> | <ul style="list-style-type: none"> <li>Recommendations for energy reform, October 2002</li> </ul>      |

| Category   | Outcomes   |
|--|--|
| <b>Enabling environment reform</b>   |  |
| <i>Plans/strategies adopted</i>  | <ul style="list-style-type: none"> <li>A government paper “The Sierra Leone Energy Sector: Prospects and Challenges” published by the Ministry of Energy and Power adopted many recommendations from the PPIAF-funded activity, November 2006</li> </ul> |
| <i>Policies adopted, legislation passed/amended, or regulation issued/revise</i> | <ul style="list-style-type: none"> <li>NPA Act was established to open the energy sector to more private participation; the monopoly of the NPA over the generation, transmission, supply and other related activities was repealed, 2005</li> </ul>     |

| Project cycle related assistance |   |
|----------------------------------|---|
| <i>Transactions facilitated</i>  | <ul style="list-style-type: none"> <li>AfDB approved a €25-million senior private sector loan to finance the Addax Bioenergy Sierra Leone project—the largest private sector investment in Sierra Leone’s agriculture sector to date, 2011</li> </ul> |

Donors are scoping for the next phase of support, which will focus on sector-specific interventions aimed at further increasing the environment for private sector investment in priority areas such as infrastructure and agriculture. Furthermore, PPIAF is considering partnering up with the International Finance Corporation, through its Conflict Affected States in Africa (CASA) initiative implementing programs to rebuild financial markets while building the appropriate financial infrastructure to support private investment and increase private participation in the provision and rehabilitation of infrastructure.

### Regulatory Reform for Sierra Leone’s Telecommunications Sector

Sierra Leone has just one landline for every 250 people, one of the lowest teledensities in the world, and until recently, no broadband network. Improved connectivity is expected to trigger additional new investment and catalyze overall economic growth.

PPIAF funding assisted the government of Sierra Leone in 2007 with the implementation of its telecommunications reform and recovery program as codified in the newly adopted Telecommunications Act, and supported dialogue on sector policy issues with an emphasis on access to a full range of services at competitive prices.

This activity supported ongoing efforts by the government and donor partners to fill a legal and regulatory void in the area of telecommunications policy and regulation, and enable policymakers to consider the implications of alternative strategic policy options to support sector liberalization and competition.

In January 2011 the World Bank approved the West Africa Communications Infrastructure Project covering initially Sierra Leone and Liberia that will build, among other elements, on the PPIAF-funded study for Sierra Leone. The approach that will be used for the infrastructure component will be to minimize government funding and leverage private sector investment. In cases where private sector funding is not immediately available, the approach is to support Sierra Leone and Liberia to provide bridge financing, with clear exit/divestiture strategies. In all cases important support is needed to create enabling environments in the different countries and at the regional level for the success of the infrastructure component. Other countries in West Africa will join the program depending on their interest and readiness, and upon meeting triggers which will include government commitment to liberalization and open access principles, and existence of a PPP framework.

#### Results of PPIAF’s Activities in Supporting Regulatory Reform in the Telecommunications Sector

| Category                           | Outputs  |
|------------------------------------|--|
| <b>Enabling environment reform</b> |  |
| <i>Plans/strategies prepared</i>   | <ul style="list-style-type: none"> <li>Telecommunications Sector Assessment and Reform Options Analysis, 2007</li> </ul> |

| Category                           | Outcomes  |
|------------------------------------|---|
| <b>Enabling environment reform</b> |   |
| <i>Plans/strategies adopted</i>    | <ul style="list-style-type: none"> <li>Government of Sierra Leone signed a World Bank loan with the aim to minimize government funding and leverage private sector investment in the telecommunications sector, January 2011</li> </ul> |